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SYNOPSIS OF BOROUGH FEASIBILITY STUDIES CONDUCTED DURING 1988 AND 1989

COPPER RIVER BASIN
LOWER YUKON REGION
DELTA GREELY REGION
NORTHWEST BRISTOL BAY REGION
DENALI REGION
SOUTHWEST REGION/DILLINGHAM AREA
CHATHAM REGION
YUKON-KOYUKUK REGION
PRINCE WILLIAM SOUND REGION
WESTERN ALEUTIANS REGION

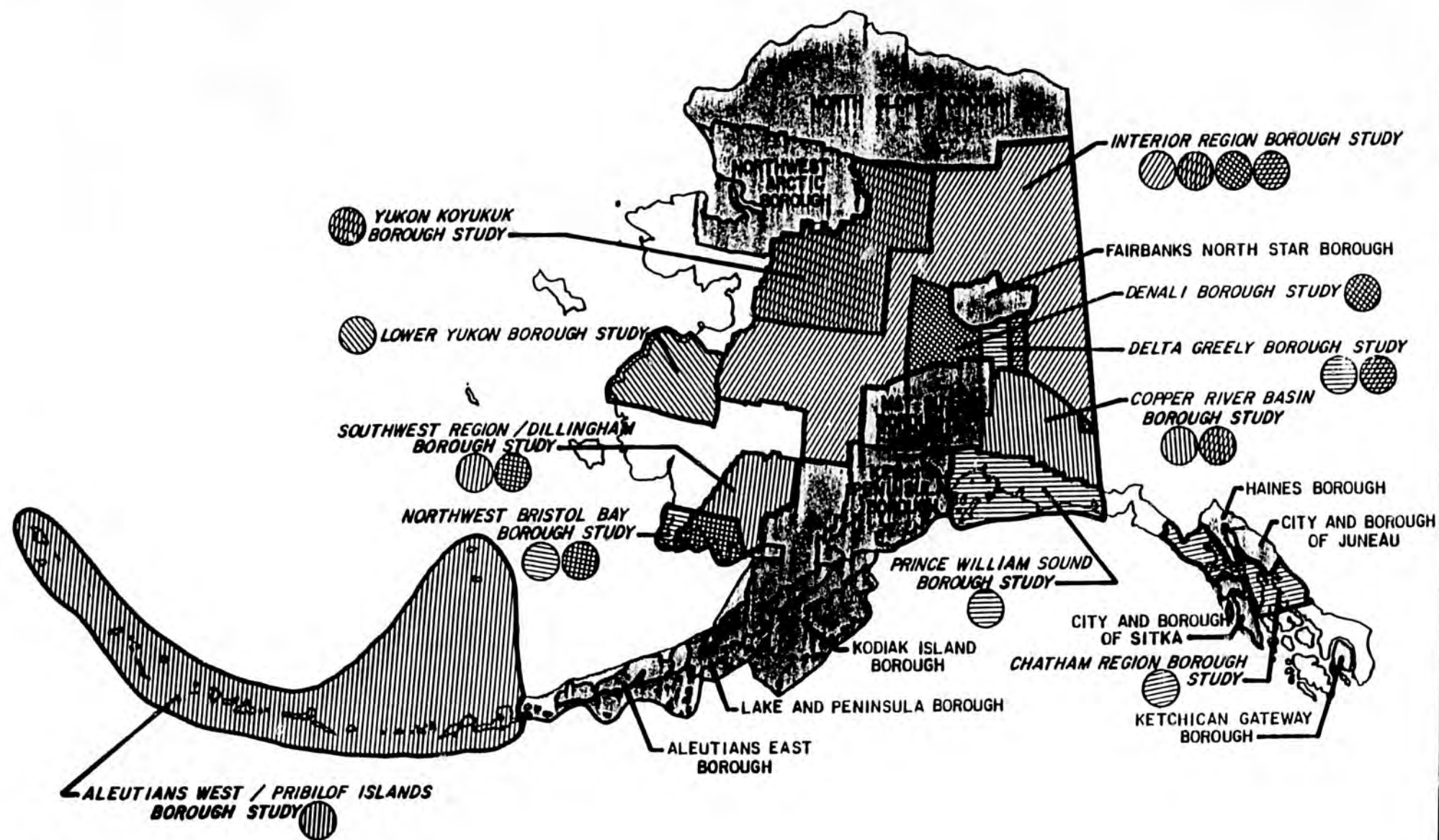
PREPARED BY THE STATE OF ALASKA
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
MUNICIPAL AND REGIONAL ASSISTANCE DIVISION
SEPTEMBER, 1989



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INTRODUCTION

This publication provides a synopsis of ten borough feasibility studies which were conducted since 1988. Each study was undertaken at the request of residents or city officials within the particular study area.

Nine of the studies were conducted by the Department of Community and Regional Affairs. The remaining study was conducted by a private contractor with funding from the Department.

In addition to the studies which have been completed, the Department is currently assisting with a borough study for the vast Interior Region. This study is being conducted by the Tanana Chiefs Conference, Inc., and is funded in part by a grant from the State Legislature. The Interior Region study is expected to be completed before January, 1990.

The number of studies, coupled with several recent borough incorporations, as well as a number of pending borough annexation and incorporation proposals, reflects what has become an unprecedented level of interest in the topic of regional government.

Readers who are interested in details concerning any of the ten studies summarized in this publication should contact the Department for further information. In addition, the Department offers publications providing general information concerning boroughs. The Department's Regional Government Study (January, 1988) was prepared at the direction of the legislature to examine issues relating to the formation of boroughs in the unincorporated regions in the state. In August, 1988, the Department published Regional Government in Alaska to provide a general guide to borough government. Topics covered include the process for incorporation, the powers and duties of boroughs and revenue programs available to boroughs.

BOROUGH FEASIBILITY AT A GLANCE

REGION	DEFINITELY	YES, IF...	DOUBTFUL
Copper River Basin	☒		
Lower Yukon			☒
Delta Greely	☒		
Northwest Bristol Bay			☒
Denali Region	☒		
Southwest/Dillingham	☒		
Chatham		☒	
Yukon-Koyukuk		☒	
Prince William Sound	☒		
Western Aleutians		☒	

COPPER RIVER BASIN STUDY

The study area is identical to the Copper River Regional Educational Attendance Area. This area encompasses an estimated 20,649 square miles. The region includes the communities of McCarthy, Chitina, Tonsina, Lower Tonsina, Kenny Lake, Copper Center, Mendeltna, Tazlina, Glennallen, Gulkana, Gakona, Chistochina, Nabesna, Slana and Paxson. All of these communities are unincorporated. The population of the region is estimated to be 2,735.

The study concluded that a hypothetical borough exercising the minimum powers required by law (education and planning) is quite viable. In fact, given anomalies in one particular State funding program, it was projected that the hypothetical borough could operate on State and federal funding alone (i.e. no local taxes). Not only could the borough operate without local taxes, but generous State and federal aid would permit the borough to accumulate a surplus of funds estimated at more than \$5 million dollars at the end of its first four years.

In the event local taxes ever did become necessary, the region has the capacity to generate significant revenues with minimal rates of taxation. If incorporated, the per capita property tax base in the region would be second only to the North Slope Borough among Alaska's 162 municipalities.

Approximately 94% of the taxable value of the region stems from the 150 miles of the trans-Alaska pipeline located within the study area. Concerns on the part of residents that the trans-Alaska pipeline will rapidly depreciate in value leaving a "bankrupt" government in the near future seemed to be unfounded. The study examined Alaska Department of Revenue projections of the value of the pipeline well into the next century. It was concluded that (based upon current populations) the per capita value of the pipeline alone in the study area in the year 2006 would exceed the present per capita value of all taxable property in the Municipality of Anchorage.

The report noted that because the value of property in the region is so great, special statutory property tax limitations would apply. It was indicated, however, that there were two significantly different versions of how that statute should be implemented and that a special legislative committee was examining the issue. One interpretation provided that the limitation applied to the amount of property which could be taxed (\$451,402,178 of the region's \$986,021,000). The other provided that the limitation applied not to the value of property, but to the amount of revenue which could be generated from property taxes for operating budget purposes.

The local effect of the two interpretations was that the hypothetical borough's tax rate would have to be 2.2 times greater under the former version than it would have to be under the latter version. The varying interpretations could also impact funding from State programs, particularly for education and State Revenue Sharing. The special legislative committee referred to in the report has decided to support the interpretation that the limitation applies to the amount of revenue which may be generated. The committee is preparing a formal recommendation urging that regulations be adopted to formally establish this interpretation.

Beyond issues of financial viability, the study concluded that the region appeared to meet the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. Further, the population is large and stable enough to support a borough and the region generally conforms to natural geography.

LOWER YUKON REGION STUDY

The study area includes the entire Lower Yukon Regional Educational Attendance Area and the Kashunamiut Regional Educational Attendance Area encompassing approximately 19,355 square miles. Communities within the region include Alakanuk, Chevak, Emmonak, Hooper Bay, Kotlik, Marshall, Mountain Village, Pilot Station, Pitka's Point, Russian Mission, St. Mary's, Scammon Bay and Sheldon Point.

The Department concluded that a borough in the region is probably not financially viable under present circumstances. Several characteristics of the region led to this conclusion. Significantly, it suffers from a minimal property tax base (about 20% of the statewide average). Since the area's taxable property values are so limited and because property taxes are relatively expensive to administer, property tax was dismissed as an impractical source of revenue for a borough in the region.

Therefore, a hypothetical borough would probably be compelled to rely upon a general sales and use tax and a raw fish sales and use tax. The existing general sales and use tax levies in eight cities in the region combined with a borough general sales and use tax would require a 5% to 6% general sales tax in these cities alone. When considering the region's high unemployment rate (13.6% reported in the study), the region's high cost of living (26% greater than Anchorage) and the region's low per capita income (lowest of any in the state), this tax burden is considered to be so excessive as to render a regional government impractical.

Beyond the issue of financial viability, the study concluded that the region appeared to meet the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. The population is large and stable enough to support a borough and finally, the region generally conforms to natural geography.

DELTA GREELY REGION STUDY

The study area encompasses an estimated 7,182 square miles located within the Delta-Greely Regional Educational Attendance Area. The region contains Big Delta, Delta Junction, Healy Lake and Fort Greely with a total estimated population of 4,702. Only Healy Lake is not accessed by either the Richardson or Alaska Highways.

The study concluded that a hypothetical borough exercising the minimum powers required by law (education and planning) is quite viable. Like the Copper River Basin, anomalies in one particular State funding program would permit a borough to operate on State and federal funding alone (i.e. no local taxes). Here again, generous State and federal aid would permit the borough to accumulate a surplus of funds estimated at more than \$5 million dollars at the end of its first four years.

In the event local taxes ever did become necessary, the region has the capacity to generate significant revenues with minimal rates of taxation. Approximately 90% of the taxable value of the region stems from the 90 miles of the trans-Alaska Pipeline located within the study area. Like the Copper River Basin, concerns on the part of residents that the trans-Alaska Pipeline will rapidly depreciate in value leaving a "bankrupt" government in the near future seemed to be unfounded. The study examined Alaska Department of Revenue projections of the value of the pipeline well into the next century. Based upon current populations, the per capita value of the pipeline alone in the study area in the year 1999 would exceed the present per capita value of all taxable property in the Municipality of Anchorage.

Beyond issues of financial viability, the study concluded that the region appeared to meet the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. The population is large and stable enough to support a borough and finally, the region generally conforms to natural geography.

Residents expressed a preference that in the event a regional government were to be formed, it should be a unified municipality (rather than having a borough separate from the second class City of Delta Junction). Current law however presumes the existence of a borough first. Thus, there appears to be no practical impediment to borough incorporation in the region, if regional municipal government is desired by local residents.

NORTHWEST BRISTOL BAY REGION STUDY

This region includes the communities of Goodnews Bay, Platinum, Togiak, Twin Hills, Manokotak, Aleknagik, Clark's Point and Ekuk. All but Twin Hills and Ekuk are incorporated. The population of the region is estimated to be 1,605.

The study concluded that a borough in the region would be financially viable. In fact, a substantial budget surplus was projected for a borough exercising minimum mandatory powers even without any local taxation measures. By the end of the fourth year of operation, a borough might be expected to accumulate a surplus of \$1.5 million.

The region also enjoys the apparent capacity to generate significant revenues in the event local taxes ever became necessary. Because of the region's significant fisheries, a 1% sales and use tax on fish would be expected to generate more than \$400,000 annually.

Aside from financial viability, the study area has one definite problem. The communities requesting the study purposefully excluded Dillingham from consideration. In the Department's view, the "Northwest Bristol Bay Region" is actually a sub-region, or area within the northern portion of the Bristol Bay Region. Dillingham is a regional hub for provision of goods and services. Its exclusion appears inconsistent with social, cultural and economic patterns existing in the area. Dillingham is the location of a range of basic services and facilities which residents of the study area require. These include a hospital, a senior citizens' center, and the region's primary civilian airport. Basic goods and services are provided via Dillingham.

Thus, while a borough in this configuration would be financially viable, it appears that it would fail to include all areas which are socially, culturally and economically integrated to the maximum degree possible as required by Alaska's Constitution. Thus, the report concluded that a Northwest Bristol Bay Borough would probably conflict with the standards established in law for the formation of boroughs.

DENALI REGION STUDY

The study area is comprised of an estimated 13,520 square miles including all of the Railbelt Regional Educational Attendance Area (REAA) and roughly the southeast one-eighth of the adjoining Yukon Koyukuk REAA. That portion of the Yukon Koyukuk REAA which is included in the study area encompasses the home-rule City of Nenana and the unincorporated communities of Minto and Manley Hot Springs. The area's resident population was estimated at 2,997.

The area is reaching a critical juncture with respect to determining the shape which its future local and regional government will take. The Matanuska-Susitna Borough has filed a formal petition for annexation of a portion of the study area (Cantwell to Healy and Denali Park). Residents of a portion of the study area (Cantwell to Anderson) are currently developing a petition for incorporation. Additionally, the Tanana Chiefs Conference is conducting a borough feasibility study of Alaska's Interior region, including the study area.

In view of these related activities, the report stressed that the feasibility study boundaries were hypothetical in the strictest sense of the word. The Department stressed that it does not promote the study area boundaries examined in this document or infer that they are in any way "preferred", "ideal" or "suggested."

The study indicated that a borough would need to levy either a bed tax, property tax or both, particularly after the third year of borough operation. These funds would be needed to meet the required local contribution to education and to deliver basic borough services. The petition for incorporation being developed would provide for a 4% bed tax, a 2% sales tax on utilities and a \$0.05/ton severance tax on minerals.

Potential impacts of borough incorporation were compared with the likely impacts of annexation to the Matanuska-Susitna Borough. If the area were annexed to the Matanuska-Susitna Borough, the level of taxation would probably be higher than that initially imposed by a new borough conforming to the study area boundaries.

The Matanuska-Susitna Borough levies an areawide tax of 9.2 mills and a non-areawide mill levy of 1.66 for a total mill areawide and non-areawide levy of 10.86 mills. The Matanuska-Susitna Borough also imposes a five percent bed tax.

Beyond issues of financial viability, the study concluded that the region appeared to meet the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. The population is large and stable enough to support a borough and finally, the region generally conforms to natural geography.

SOUTHWEST REGION/DILLINGHAM STUDY

The study area encompasses an estimated 23,128 square miles on the northern shores of Bristol Bay. The area includes the communities of Dillingham, Clark's Point, Ekuk, Aleknagik, Ekwok, Koliganek, New Stuyahok, Portage Creek, Togiak, Twin Hills, Manokotak and Levelock. The study area has an estimated population of 4,133, more than half of whom reside in Dillingham.

The study concluded that a borough in the region would be quite viable. The study noted that it may not be necessary for the borough to levy any taxes to carry out the minimum functions required by law; however, a 1% sales and use tax would enhance the financial viability of the potential borough, particularly given the uncertainties surrounding the projections for raw fish tax revenues. With a 1% borough sales and use tax, the estimated surplus would range from about \$300,000 (low range) to approximately \$1.2 million (high range) during its first year of operation.

The vast difference in the range noted above stems from differences between data of the Department of Fish and Game and the Department of Revenue concerning the value of fisheries harvests in the region. Depending upon which agency's data were used, the variations in state aid and the projected 1% local tax varied in excess of \$900,000 annually. The differences in data were believed to be, in part, the result of inaccurate reporting of fisheries harvest data.

Beyond issues of financial viability, the study concluded that the region appears to meet the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. The population is large and stable enough to support a borough. In addition, the region generally conforms to natural geography.

CHATHAM REGION STUDY

The study area includes about two-thirds of the territory within boundaries of the Chatham Regional Educational Attendance Area (REAA). The greater Kake region, which is within the boundaries of the Southeast Island REAA, is also included. The study area encompasses an estimated 14,483 square miles of land and 7,617 square miles of adjacent marine areas. It includes the Cities of Angoon, Hoonah, Kake, Pelican, Tenakee Springs and the unincorporated communities of Elfin Cove and Gustavus. The study area also encompasses the Greens Creek Mine on Admiralty Island.

The report concludes that a borough in the study area is presently financially viable. For such a borough to carry out the minimum functions required by law, it was concluded that the levy of a sales tax and/or moderate property taxes would be necessary. The Department estimated that a 5 mill borough property tax could generate approximately \$755,525 per annum, and a 2% general sales tax could generate approximately \$257,018. The combined revenues from such taxes would permit a hypothetical borough to meet expenses during its first year, realize a substantial budget surplus during each of the next two years, and balance revenues and expenditures in the fourth year and succeeding years.

The basis for key revenue conclusions relating to the Chatham study area could be fundamentally altered if a current petition for annexation of approximately 140 square miles of the study area is approved. On June 1, 1989, the City and Borough of Juneau submitted a petition for the annexation of a portion of Admiralty Island encompassing the Greens Creek Mine. Taxable value of the area containing the Greens Creek Mine has been estimated at \$62,000,000.

The mine's proprietors have expressed a strong preference for inclusion of the mine in the City and Borough of Juneau over inclusion of the property in a Chatham borough. The Greens Creek Mine facilities represent approximately 41% of the total estimated value of taxable property in the entire study area. Thus, exclusion of the mine could obviously diminish the viability of borough incorporation in the study area.

In addition to being financially able to support borough government, the region appears to meet most of the other readily quantifiable standards for borough incorporation. For example, the population of the region is nearly three times that required by law. There are at least seven communities in the region, where the law requires only two. Available data suggests that the population of the region is reasonably stable.

A number of residents of the region maintain, however, that communities in the study area are not sufficiently socially, culturally and economically interrelated to meet the standards for borough incorporation. The analysis of whether the boundaries of the study area conform generally to natural geography would also benefit from further examination.

The area does not encompass one entire regional educational attendance area; however, the law does not require such as long as all remaining standards for borough incorporation have been met. Whether the study area includes all areas necessary for full development of municipal services merits further investigation, especially in view of such factors as the shifting scenario in the timber industry and the potential for annexation of the Greens Creek Mine to the City and Borough of Juneau. Air and/or water transportation patterns also should be further examined if and when serious consideration is devoted to borough formation in the region.

YUKON-KOYUKUK REGION STUDY

The study area comprises an estimated 46,764 square miles encompassing approximately 75% of the Yukon-Koyukuk Regional Education Attendance Area. The population of the area is estimated at 2,694. The City of Galena is the area's largest population center. Other communities included in the study area are Allakaket, Campion Station, Bettles, Evansville, Hughes, Huslia, Indian Mountain, Kaltag, Koyukuk, Nulato and Ruby.

The report concluded that a borough providing the minimum levels of services would be financially viable if it levied a 6 mill property tax. This financial viability is due in large part to the presence of a 130 mile portion of the trans Alaska Pipeline within the region. Taxable property within the boundaries of the study area was estimated to total \$767,000,000. Of this total value, \$715,000,000 (93%) represents value of oil and gas property.

The report noted that because the value of property in the region is so great, special statutory property tax limitations would apply. It was indicated, however, that there were two significantly different versions of how that statute should be implemented and that a special legislative committee was examining the issue. One interpretation provided that the limitation applied to the amount of property which could be taxed (\$444,635,271 of the region's \$767,000,000). The other provided that the limitation applied not to the value of property, but to the amount of revenue which could be generated from property taxes for operating budget purposes.

The local effect of the two interpretations was that the hypothetical borough's tax rate would have to be 1.7 times greater under the former version than it would have to be under the latter version to raise the same amount of money. The varying interpretations could also impact funding from State programs, particularly for education and State Revenue Sharing. The special legislative committee referred to in the report has decided to support the latter version. The committee is preparing a formal recommendation urging that regulations be adopted to clarify the matter. If the recommendation is implemented, the level of taxation projected in the study would decline substantially.

As with certain other study areas, concerns that the trans-Alaskapipeline will rapidly depreciate in value leaving a "bankrupt" government in the near future seemed to be unfounded. The study showed that (based upon current populations) the per capita value of the pipeline alone in the study area would exceed the present per capita value of all taxable property in the Municipality of Anchorage well into the next century.

Beyond issues of financial viability, the study concluded that the region appeared to meet most of the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. The population is large and stable enough to support a borough.

It is arguable, however, whether the boundaries of the study area conform generally to natural geography and include all areas necessary for full development of municipal services.

PRINCE WILLIAM SOUND REGION STUDY

The boundaries of the study area are identical to those of the Chugach Regional Educational Attendance Area. The region includes the communities of Valdez, Cordova, Tatitlek and Chenega. The population of the study area was estimated to be 7,320.

This study (prepared by a private contractor funded jointly by the Department and the City of Valdez) concluded that a borough exercising only the mandatory powers of education, taxation and planning, platting and land use regulation would be quite viable in the region. According to the study, during its first, second and fifth years of operation, a borough would have to levy real and personal property taxes of 0.85 mills, 2.98 mills and 3.70 mills respectively, to raise the required funds for borough operation.

As expected, the trans-Alaska pipeline and Valdez oil terminal properties represent the greatest concentration of taxable property value in the region - 87% of the total value, or \$1.37 billion worth of taxable value (1987 value).

The study projected values of the pipeline and Valdez oil terminal properties through the rest of this century. The study noted that, based upon known and proven oil reserves, the total value of all real property in the region might be expected to decline from a January 1, 1987 estimate of \$1.713 billion to a 1995 value of \$1.041 billion and to a year 2000 value of \$764 million.

The report also touches on the special statutory property tax limitations which would apply to a hypothetical borough in the region. As noted in the synopsis of the Copper River and Yukon Koyukuk studies, there are two significantly different interpretations of the manner in which these special limitations would apply. This study, however, addressed only the interpretation that the limitation applies to the amount of revenue which would be generated (as opposed to the value of property upon which taxes could be levied).

As noted in the discussion of the Copper River and Yukon Koyukuk studies, the special legislative committee examining issues relating to the various interpretations of the property tax limitation law has concluded that the limitation should apply to amounts of revenue which may be raised. The committee is preparing a formal recommendation urging that regulations be adopted to implement its recommended interpretation. The projections in the study are based upon the approach supported by the committee.

Beyond issues of financial viability, the study concluded that the region appeared to meet the other standards for borough incorporation. Specifically, the population of the region appears to be socially, culturally and economically integrated reasonably well. The population is large and stable enough to support a borough. In addition, the region generally conforms to natural geography.

WESTERN ALEUTIANS/PRIBILOF ISLANDS REGION

This report evaluated the feasibility of forming a borough in the Western Aleutian Islands under three configurations. The configurations consisted of the territory from Unalga Pass to Fenimore Pass (Area 1); the territory from Unalga Pass to Adak Strait (Area 2); and the territory from Unalga Pass to and including Attu Island (Area 3). Brief consideration was also given to inclusion of the Pribilof Islands REAA in the latter configuration. The population of the four configurations ranged from 2,047 to 8,416.

The study concludes that a borough in any of the configurations would be financially viable. Under the first configuration, it is projected that no local revenue measures would be necessary until the borough's fourth year of operation. At that time, a minimal 0.25% (one-quarter of one percent) levy on the sales and use of raw fish is projected to be adequate to increase the minimal operating surplus that year. The remaining configurations appear financially viable in the absence of any local revenue measures. This can be attributed to potential revenues available from state and federal programs.

Beyond the issue of financial viability however, questions exist whether the study areas meet the standards for borough formation. Given the military nature of certain of the "communities" in the second and third study configurations, questions might be raised as to whether the populations of all communities in under these configurations are adequately interrelated socially, culturally or economically to meet the standard for borough incorporation.

Further, while all study configurations may be financially feasible, a potential concerns exist in the relationship of each study area's population distribution to voter representation on any borough assembly. Under all study scenarios, the assembly would face domination by one community simply due to the number of residents in communities throughout the study areas.

SUMMARY OF FINANCIAL PROJECTIONS

<u>BOROUGH STUDY REGION</u>	<u>STATE/FED REVENUES 4TH YEAR</u>	<u>LOCAL REVENUES 4TH YEAR</u>	<u>TOTAL COSTS 4TH YEAR</u>	<u>SURPLUS (DEFICIT) 4TH YEAR</u>	<u>CUMULATIVE SURPLUS YEARS 1-4</u>
COPPER RIVER	\$7,061,603	\$15,000	\$5,845,100	\$1,231,503	\$5,520,400
LOWER YUKON (lo/hi)	\$18,667,754 to \$18,771,798	\$170,826 to \$210,281	\$18,853,300 to \$18,853,300	(\$14,720) to \$128,779	\$151,300 to \$365,200
DELTA GREELY	\$7,503,517	\$15,000	\$6,252,300	\$1,266,217	\$5,740,300
NW BRISTOL BAY	\$6,359,011	\$15,000	\$5,944,000	\$430,011	\$1,484,100
DENALI	\$5,866,702	\$865,657	\$6,400,200	\$332,159	\$1,641,800
SW REGION DILLINGHAM (lo/hi)	\$11,093,648 to \$11,756,348	\$623,620 to \$873,960	\$11,406,900 to \$11,406,900	\$310,368 to \$1,223,408	\$1,655,400 to \$4,644,900
CHATHAM	\$7,283,877	\$1,027,543	\$7,900,800	\$410,620	\$1,891,400
YUKON KOYUKUK	\$7,245,891	\$2,684,811	\$9,662,800	\$267,902	\$2,459,915
PRINCE WILLIAM SOUND *	\$8,048,700	\$4,374,000	\$12,422,700	\$0	\$0
WESTERN ALEUTIANS					
Area #1	\$2,945,383	\$15,000	\$2,950,000	\$10,383	\$703,300
Area #2	\$7,120,600	\$15,000	\$6,729,400	\$406,200	**
Area #3	\$7,173,400	\$15,000	\$6,729,400	\$459,000	**

* The study did not include projections for year 4, projections for year 5 are shown.

** The study did not project budget surpluses for years 1-3.

