

ALASKA LEGISLATURE COMMITTEE FILES 1987-88 8672
4440 HCRA WORK SESSION: DEBT FINANCE. . . - WORK SESSION 1/18/88 102

WORK SESSION

DEBT

FINANCE

BY

MUNICIPAL

LIABILITY

BILL PREPARATION/ACTION*

Bill # AML W.S. Date Referred: _____ Out: _____

Title: _____

Sponsor: _____ Referrals: _____

CONTACTS:*****

Name _____

AML ✓ _____

REMARKS: _____

MEETINGS:*****

Date _____ Action _____

*See other side for additional information.

File Contents

AML - Debt Financing

<u>No.</u>	<u>Description</u>
1.	Memo from Scott Burgess requesting legislation
2.	Draft Legislation

Alaska MUNICIPAL League

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① AML - Debt Fin.

February 12, 1988

FEB 25 1988

MEMORANDUM

TO: The Honorable Steve Cowper, Governor
The Honorable Stephen McAlpine, Lt. Governor
David Hoffman, Commissioner
Department of Community and Regional Affairs
Hugh Malone, Commissioner
Department of Revenue
Tony Smith, Commissioner
Department of Commerce & Economic Development
John George, Director
Division of Insurance
Perry T. Davis, Executive Director
Alaska Municipal Bond Bank Authority

FROM: Scott A. Burgess, AML Executive Director and Treasurer,
Interim Board of Trustees, AML Joint Insurance Association

SUBJECT: DEBT FINANCING FOR MUNICIPAL LIABILITY EXPOSURES

Attached is a draft bill approved for submittal by the AML Board of Directors and our Joint Insurance Association Interim Board of Directors intended to enable municipalities and joint insurance associations of municipalities organized under AS 21.76 to use debt financing to establish reserves and self insure liability exposures. A previous draft was circulated last year.

Although this legislation is not absolutely necessary for the Alaska Municipal League Joint Insurance Association (AML/JIA) to begin its operations on July 1, 1988, we would like to have a bill of this sort introduced and approved during the current legislative session. We need it for a contingency in case excess insurance and reinsurance are not available at reasonable cost in the future. It would also give us more "clout" in current negotiations for coverage from commercial insurance companies.

The JIA intends to purchase excess insurance and reinsurance this year to limit our exposures. But this insurance coverage is subject to the same cyclical market conditions which can cause costs to escalate dramatically. We need enabling legislation to use debt financing as another "tool" to establish reserves or to insure exposures when the cost of excess insurance or reinsurance may become too expensive.

Elsewhere in the United States, municipalities are finding that the cost of debt financing for building a self insurance reserve can be substantially lower than the cost of premiums from commercial insurance companies. At the same time, the coverage can be much broader.

Summary of the Legislative Proposal

This bill would give a JIA explicit authority to incur debt. It would also enable the Alaska Municipal Bond Bank to underwrite this debt through the sale of revenue bonds, notes or certificates of participation either directly or through an entity it may create for the purpose of providing a self insurance program for municipalities.

The bill would enable a JIA to incur debt independent of the Bond Bank on contingency that the Bond Bank may not want to underwrite this type of risk. It would also give municipalities and the Bond Bank authority to make a deal independent of a JIA. This provision may be particularly attractive for those municipalities which do not desire to become a member of a JIA.

We desire to provide enabling authority for the Bond Bank to underwrite this type of debt because it could lower the interest rates. The Bond Bank has a better credit rating than most of our member municipalities could achieve acting independent of each other.

As added security, the bill would give the Bond Bank Authority powers to "intercept" state shared revenues destined for a municipality, if the municipality defaulted on its payment obligations for the debt. We consider this provision essential to making sure this debt will not adversely affect the credit rating of the Bond Bank. This provision is also essential to assuring that each municipality will pay its "fair share."

Negative Aspects of the Legislative Proposal

As with any new idea, this proposal is likely to attract some opposition. We have attempted to identify likely arguments which will surface if this bill is introduced.

1. Commercial Insurance Companies, Insurance Brokers, and Agents

The commercial insurance industry is likely to oppose this proposal. Industry representatives have attempted to "deep six" joint insurance pooling arrangements in Alaska from the onset of our endeavors. They regard self insurance and pooling as a threat to the "free enterprise" system of commercial insurance.

The commercial insurance industry will argue that joint insurance arrangements should be covered by the same regulations which apply to conventional commercial insurance companies. The industry representatives will assert that our pool will end up as another device for more affluent municipalities to subsidize those which are less affluent or poorly managed. If there was a need for a pool in the past, the need is no longer as apparent because the market is relatively "soft" at present.

For the most part, we perceive insurance industry opposition as "enlightened self interest." We are breaking into a "good old boy" network. Our joint purchase and cost containment management systems will not enrich the property and liability insurance industry in the manner to which it has become accustomed. Industry arguments that JIAs will not be sufficiently capitalized have merit, however, and this proposal to enable debt financing for building reserves is intended to address that concern.

2. Department of Revenue

Representatives from the Department of Revenue have concern about the State's bond rating. This proposal represents another way for payment obligations to be incurred by political subdivisions of the State. Although debt of the Bond Bank is not a general obligation of the State, the State has given its "moral obligation" pledge as added security for Bond Bank debt.

If a municipality or association of municipalities defaulted on payment obligations to the Bond Bank or other lender, it could have a negative implication on the State's bond rating to the extent that the State's "moral obligation" means anything.

However, we think the use of debt financing for self insurance serves a legitimate public purpose, if the cost for the debt service is less than the cost of conventional insurance. If a judgement is rendered against a municipality which is not covered by insurance and the municipality does not have sufficient reserves to pay the judgement, debt would have to be incurred anyway.

The legislative proposal does not mandate underwriting by the Bond Bank. To the contrary, it reserves a right for the Bond Bank to deny a financing if the deal does not meet credit standards of the Bond Bank. The authority for the Bond Bank to "intercept" State shared revenues of a municipality should provide added comfort for the security of the debt.

3. Department of Community and Regional Affairs

Although we perceive that Commissioner Hoffman should be a natural proponent of this proposal, there is a technical feature which may give representatives of the Department some concern in relation to another proposal. The Governor's bill, HB 419, would "advance" State shared revenues to municipalities which are experiencing severe financial problems. The "advance," as we understand it, would require repayment over a term as an offset against future shared revenues.

If it became necessary for the Bond Bank to "intercept" shared revenues due to a default of a municipality over debt incurred for self insurance, a question is likely to arise as to who should have first claim to the money. We would suggest that Community and Regional Affairs should subordinate its interest to that of the Bond Bank.

4. Department of Law

A question is likely to arise as to whether payment obligations assumed by municipalities to the JIA and/or the Bond Bank for debt are constitutional in terms of compliance with Section 9, Article IX which reads as follows:

"No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question."

We are relying upon the exception provided in Section 11, Article IX of the Constitution for the authority for municipalities to assume payment obligations to the JIA and/or the Bond Bank to incur debt for self insurance purposes. This section reads:

"The restrictions on contracting debt do not apply to debt incurred through the issuance of revenue bonds by a public enterprise or public corporation of the State or a political subdivision, when the only security is the revenues of the enterprise or corporation. The restrictions do not apply to indebtedness to be paid from special assessments on the benefited property, nor do they apply to refunding indebtedness of the State or its political subdivisions."

We regard the payment obligations of the municipalities as "revenues" of the JIA and/or the Bond Bank. They are, in a sense, member "assessments" payable from operating revenues of the municipalities and subject to annual appropriation.

Further, we have included explicit language in the proposed legislation to prevent anyone from inferring that this is general obligation debt. [See our proposed language for Section 21.76.120, subsections (b) through (d).]

Conclusions

We would sincerely appreciate your timely consideration and support for this bill. The best and most appropriate mechanism is for the legislation to be introduced in the Senate and House Rules Committees by "Request of the Governor."

If you have further questions or suggestions for revision, please contact me. Thank you.

SAB:phl

Enclosure

(DRAFT//RU/1-31-88)

Introduced:
Referred:

BY THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

IN THE _____

_____ BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA
FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act Relating to Financing of Municipal Insurance, and Providing for an Effective Date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. AS 21.76.020 is amended to read as follows:

Sec. 21.76.020. Regulation by Division of Insurance. (a) A joint insurance arrangement may not be considered insurance for the purpose of any other law of the state and is not subject to regulations of the director except as expressly provided in (b) - (d) of this section and other provisions of this chapter. A cooperative agreement made by a joint insurance arrangement which pledges money to payment of bonds of the Alaska Municipal Bond Bank Authority is not subject to regulations of the director.

(b) A joint insurance arrangement is subject to examination by the division under AS 21.06.140 - 21.06.230.

(c) A joint insurance arrangement is subject to approval by the director. As a condition of approval by the director, a joint insurance arrangement shall have and maintain, as to the coverage provided,

(1) a certificate of excess insurance or reinsurance

(A) for property insurance, to the value of the single most valuable property covered;

(B) for liability insurance, to the highest policy limit provided by the arrangement;

(C) for workers' compensation, to the extent of all benefits allowed above retention;

(2) a certificate of insurance limiting the arrangement's total exposure for liability and workers' compensation to the arrangement's aggregate retention;

(3) evidence of assets allowable under AS 21.21.020 - 21.21.140, 21.21.225, or 21.21.230 in an amount no less than the arrangement's aggregate retention plus an amount considered adequate by the Director to cover administrative and adjustment expenses may be used in lieu of or to supplement the certificates of insurance required under (1) and (2) of this subsection if member contributions or debt financing is used to as means to establish reserves or to self insure exposures not covered by excess insurance or reinsurance.

(d) The value of assets and liabilities under (c) of this section shall be determined in accordance with AS 21.18.

*Section 2. AS 21.76.030 is redesignated subsection (a) and AS 21.76.030 is amended by adding a new subsection to read:

(b) A cooperative agreement pledged to bonds of the Alaska Municipal Bond Bank Authority or other lender may contain other or different provisions from those enumerated in (a) as necessary to secure the bonds.

*Section 3. AS 21.76.080(b) is amended to read as follows:

(b) An expenditure may be made from a joint insurance fund only

(1) to pay claims, losses, or benefits, including interest on them, and the administrative and adjustment expense incurred in connection with them, involving the types of protection for which the fund provides coverage as specified in the joint insurance agreement;

(2) to provide for the payment of the contractual obligations of the joint insurance fund to the Alaska Municipal Bond Bank Authority or other lender; and

(3) to purchase insurance coverage for the participants on a group basis.

***Section 4.** AS 21.76 is amended by the addition of the following section.

Sec. 21.76.120. Debt Financing. (a) A joint insurance arrangement may authorize the issuance of negotiable or nonnegotiable notes or certificates of participation to establish reserves and to self insure exposures not covered by excess insurance or reinsurance.

(b) Debt issued under this section shall be secured and payable from members of the joint insurance arrangement as provided in the cooperative agreement.

(c) Debt incurred by a joint insurance arrangement under this section is payable solely from the amounts pledged by members as apportioned in the cooperative agreement, except the pledge of a municipality shall not include revenues derived from taxes. Debt incurred under this section shall not constitute a general obligation of a municipality.

(d) All debts, liabilities and payment obligations assumed by municipalities in the cooperative agreement shall be several and not joint, except to the extent of contractually obligated payments pledged for purposes of risk pooling.

(e) The prohibitions of AS 37.10.085 do not apply to the issuance of debt or the use of proceeds from debt by a joint insurance arrangement.

(f) A joint insurance arrangement may enter into covenants and agreements concerning debt issued under this section and provide for any matter that affects the security of the debt.

(g) Notes and certificates of participation issued under this section may be sold at either public or private sale by the governing body of the joint insurance arrangement in the manner and at the price it determines.

***Section 5.** AS 44.85.005 is amended by addition the following subsections:

(5) Dramatic increases in the cost of liability and other insurance coverages for municipalities have adversely impacted municipal budgets; and,

(6) Even at increased premiums, insurance coverage is often not available for important municipal liability exposures.

*Section 6. AS 44.85.010 is amended by adding the following new subdivision:

(c) It is the policy of the state to assist municipalities to provide for adequate insurance coverage by authorizing the bond bank authority to issue negotiable or nonnegotiable revenue bonds, notes or certificates of participation either directly or through an entity it may create for the purpose of providing a self insurance program for municipalities or joint insurance associations of municipalities organized under AS 21.76.

*Section 7. AS 44.85.020 is redesignated subsection (a), and AS 44.85.020 is amended by adding a new subsection to read:

(b) If the Board of Directors of the bond bank authority determines it to be advisable, it may by resolution create a new entity for the purpose of issuing negotiable or nonnegotiable revenue bonds, notes or certificates of participation to provide a self insurance program for municipalities or joint insurance associations of municipalities organized under AS 21.76. The new entity has the rights and powers of the authority as stated in the resolution of the Board of Directors. The resolution creating the new entity shall state its name. The new entity is a public corporation and instrumentality of the state with legal existence and continuing succession the same as if it is the bond bank authority.

*Section 8. AS 44.85.170 is amended to read as follows:

Sec. 44.85.170. Loans to Political Subdivisions or Joint Associations of Political Subdivisions. (a) The bond bank authority, to carry out the purposes and policies of this chapter,

(1) may lend money to municipalities through the purchase by the bond bank authority of municipal bonds of municipalities, and

(2) may make loans to municipalities or joint insurance associations of municipalities organized under AS 21.76 which meet credit standards of the bond bank authority secured by agreements between parties for the purpose of providing funding for a municipal self insurance program.

(3) Notwithstanding a home rule charter provision requiring public sale by a municipality of its municipal bonds, a municipality may sale its municipal bonds to the bond bank authority at a negotiated, private sale. The bond bank authority, for this purpose, may issue its bonds and notes payable solely from the revenues or funds available to the bond bank authority for such payment and may otherwise assist municipalities as provided in this chapter.

(b) Notwithstanding any provision of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the bond bank authority that the municipality is in default on the payment of principal or interest on municipal general obligation bonds of the municipality then held or owned by the bond bank authority or in default on the payment of amounts owed pursuant to an agreement between the bond bank authority and a municipality or a joint insurance association of municipalities organized under AS 21.76, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the bond bank authority for the purpose of paying principal of and interest on bonds of the the bond bank authority or the amounts due under the agreement.

*Section 9. AS 44.85.180(2) is amended to read as follows:

(2) the making of loans through the purchase of municipal bonds, notes or certificates of participation secured by agreements among the bond bank authority and municipalities or joint insurance associations of municipalities organized under AS 21.76 for the purpose of providing funding for a municipal self insurance program.

* Section 10. This Act takes effect immediately in accordance with AS 01.10.070(c).

WORK SESSION:

INTERIM

PIANS

(5-15-87)

(2)

5-15-87 W.S.

C4

Anchorage Daily News

Thursday, May 14, 1987

Village council restrained

A Native village council has been barred temporarily from taxing the trans-Alaska oil pipeline which crosses village lands.

U.S. District Judge Russel Holland on Wednesday issued a temporary restraining order against Kluti Kaah Native Village of Copper Center, Copper Center Village Council and various village officials.

In what has been called a major test of Alaska village councils' authority to govern themselves, the village council decided to levy a "business tax" against the \$9 billion pipeline.

The village says it wants the money to help deal with a range of social problems

created by the pipeline, including loss of local wildlife for subsistence, increased crime, drug and alcohol abuse and "a relentless assault upon the culture and way of life of the Native people of Copper Center," according to a resolution the council passed last year.

Alyeska Pipeline Service Co., which operates the pipeline, and the eight oil companies that own the pipeline filed suit to challenge the village's right to tax the pipeline.

Court documents filed Tuesday indicate the oil companies and the village council agreed the restraining order be issued until the merits of the case can be argued.

RURAL GOVERNANCE PROJECT
INTERIM 1987

I. NARRATIVE

A. Introduction

1. Purpose:

- a. Examine the dynamics in rural Alaska and assess whether existing local government structures and authority are adequate to address the needs, expectations, and aspirations of rural residents.
- b. Identification of service delivery and rural governance issues.
- c. identification of options, alternatives, and proposed legislation
- d. Develop basis for comprehensive rural policy

2. Background

- a. Historical
- b. Population and Demographics
- c. Economic Base and Conditions
 - i. infrastructure
 - ii. subsistence economy
 - iii. wage employment
 - iv. government related employment
 - v. economic development potential
- d. Native Community: Subsistence, Corporate Structures, and Traditional Governments
- e. Local Organizations and Service Agreements:
 - i. local governments and organizations
 - (A) governmental organizations
 - (B) economic profit corporations
 - (C) non-profit service and development corporations
 - (D) multi-regional political organizations
 - ii. state service arrangements/regional service areas:
 - iii. federal service arrangements
- f. Funding Mechanisms

3. General Problems

- a. human resources
- b. coordination and management
- c. equity
- d. diversity

4. Problem Specifics

- a. State and federal services
- b. legislatively created service areas
- c. municipal incorporation
 - i. lack of adequate tax base or other financial resources
 - ii. incentives/disincentives to establishing local governmental units
 - iii. inappropriateness of existing state government units for rural regions
 - (A) urban vs. regional borough
 - (B) problems of transition and flexibility

- (C) regional diversity
- (D) loss of native autonomy and special privileges and services
- (E) traditional forms of government
- d. quasi-governmental entities
 - i. problems of authority
 - ii. problem of representation
 - iii. funding problems
- B. Scope of Work: Actions, Projects, Tasks

II. Work Plan

- A. Identify and examine bases for development of state policy re: local control, governance, service delivery and public funding in the unorganized borough
- B. Approach
- C. Participants
 - 1. House CRA committee
 - 2. Senate CRA committee
 - 3. DCRA staff
 - 4. Federal Representatives (Interior, BIA)
 - 5. Governor's "Rural Governance Comm." or Special Assistant, Asst. A.G.
 - 6. Working group of 7 members of rural public at 3 day meeting in Anchorage
 - a. Gene Peltola
 - b. Nels Anderson
 - c. John Schaffer, Chuck Degnan
 - d.
- D. Coordination

As much as possible utilize other gatherings of knowledgeable people when conducting hearings:

 - AFN (Anchorage, November)
 - AML (Anchorage, November)
 - SW Municipal Conference-D/ham
 - Y-K Delta Mayors-Bethel
 - NW Mayors-Nome
 - SE Municipal Conf.-

- E. Activities
 - 1. scoping conference: Problems and possibilities for service delivery and governance in the unorganized borough
 - (A) purpose
 - (B) issues
 - (C) participants (interior, rosita worl, dcra, house and senate committees, citizens
 - (D) Prepare informational package for distribution throughout State via:
 - 1. LIO offices
 - 2. governmental organizations
 - 3. quasi-governmental units within the Unorganized Borough
 - (E) end of july
 - 2. conduct hearings (invitational?) in unorganized borough to exchange information with committee
 - (A) September 21 - December 1

- (B) purpose
- (C) participants
- (D) product
- (e) locations

- 3. final conference - Anchorage - Dec. 10
to review proposed committee legislation
- 4. report findings to legislature - Jan. 15

III. BUDGET: PRINCIPLE PROJECT (JOINT WITH SENATE CRA):
Rural Governance - Unorganized Borough
SUPPLEMENTAL PROJECTS:
Senior Citizen Property Tax Exemptions

RURAL GOVERNANCE PROJECT
SCOPE OF WORK

Shifts in funding and service delivery: Local governments, particularly small, rural cities and communities are facing a period of transition with the decline of intergovernmental funding assistance. Social, economic and cultural forces are also placing demands on local government that heretofore have not existed

1. Project Scope:

- a. Examine the dynamics in rural Alaska and assess whether existing local government structures and authority are adequate to address the needs, expectations, and aspirations of rural residents.
- b. Identification of service delivery and rural governance issues.
- c. identification of options, alternatives, and proposed legislation
- d. Develop basis for comprehensive rural policy

2. Scope of Work: Actions, Projects

- a. examine and resolve disagreements over the authority and use of state, federal, private or non-profit institutions relative to governance and service delivery.
- b. document service delivery problems (planning, financing and implementation) in rural Ak. for consideration by legislature.
- c. examine applicability and mechanics of alternative structures of governance and service delivery in the unorganized borough, i.e. regional planning councils, multi-purpose service areas, concurrent or joint governments, or rural boroughs.
- d. Administration should assess the course and effects, (both historical and current) of federal disengagement from the state and determine the best ways for the state to respond -- also assess federal commitment to tribal government and services in the state (last year's study by Interior).
- e. examine policy and methods of financing governance in the unorganized borough, whether organized or not.
- f. develop a coherent strategy, guided by a comprehensive rural policy that simultaneously addresses service delivery funding, and governance for the unorganized borough

3. Tasks

- a. devise local government structure which is appropriate for and flexible enough to accomodate conditions characteristics of rural Alaska.

- b. identify and establish incentives to develop such a local governmental structure.
- c. identify and eliminate existing disincentives to development of local governmental structure.
- d. identify alternative ways to finance local services and mutually acceptable delivery systems.
- e. identify possible approaches to fiscal resource equalization among regions.
- f. should distribution of revenue be dependent on organizational status
- g. identify those services which should be recognized as so basic to local well being that their provision should be guaranteed at a minimum level to all residents of the state regardless of governmental status and regional wealth.
- h. develop criteria or standards for projects and facilities in rural Alaska so that federal or urban standards are not automatically applied.
- i. determine the roles and jurisdictions of various entities in the unorganized borough, particularly native non-profit organizations and tribal entities since they appear to be most at odds with state system
- j. determine the criteria for recognizing a representative voice of residents of an area or region in the absence of local and regional government entities.
- k. Balance the need to acknowledge and accommodate existing entities and organizations which presently exist in rural Alaska with the need to find a method of coordinating, organizing, and streamlining the "complex nonsystem" of entities in the unorganized borough
- l. identify ways in which local participation and responsibility for activities and projects in rural Alaska can be enhanced, short of mandating local and regional governments.
- m. evaluate prospects and implications for single-purpose regional entities for service delivery in unorganized borough.
- n. establish criteria and rational distribution "formula" for capital and other projects in rural Alaska
- o. establish an economic development strategy for rural Alaska that would coordinate with resource development and provide guidance for public investment. [red dog}

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EXAMINE THE FOLLOWING AS A BASIS FOR RURAL GOVERNANCE POLICY DEVELOPMENT

1. State policy re: local control, governance, service delivery and public funding in the unorganized borough should:
 - a. provide as much choice as possible in matters of governance, service delivery structure and rate of development.
 - b. not mandate, but facilitate a system of self-government by strengthening local understanding of and capacity for local self-government.
 - c. recognize that the functions of planning, financing, and provision of service delivery are separate but interrelated functions, and can be provided by separate organizations and jurisdictions. Only critical policy planning and development of service is an inherently political function and needs to be provided by a representative public body which is able to accurately reflect the views of all affected individuals and organizations; and
 - d. give high priority to the development of local political capacity.
 - e. recognize that home rule is not an absolute in self-determination, but a means rather than an end in itself.
 - f. increase local voice and participation in state policy making through new governmental structures and representative bodies.
 - g. provide adequate levels of public service throughout the state particularly in fundamentals (health, wellbeing, security and economic opportunity).
 - h. provide for equitable allocation of costs of public services which account for need and ability to pay.

WORK SESSION:

RURAL

GOVERNANCE

COUNCIL

(10-13-87)

**RURAL
GOVERNANCE
COUNCIL**

RURAL GOVERNANCE COUNCIL

Attachment:

1. Preliminary "Rural Governance" and "Borough Formation" Work Plans (DRAFT),

Rosita Worl (Governor's Office) would welcome any recommendations anyone would care to make. They are looking for broad representation on the council that would cover all the regions.

from Rosita Woil's office 10/2/87
DCRA Draft Plans

DRAFT

RURAL GOVERNANCE

PRELIMINARY WORK PLAN

I. INTENT OF WORK EFFORT

A. Respond to Governor Cowper's call for strengthening local governments and shifting the "means of resolving community problems to the communities themselves... with support of the State" (1/8/87 press release) and returning rural communities to "a system of government that ... clearly worked [20 years ago] in most of the villages."

(2/26/87 remarks at RuralCAP luncheon, Juneau)

B. Assess the ability of rural local governments, in general, to provide essential services with reduced State capital and municipal aid funding

C. Design a strategy for strengthening local government systems (ordinances, financial, administrative) and fostering cooperation between rural village entities (city councils, IRA/Tribal councils, village corporations, regional non-profit service provider, etc....)

II. TECHNICAL/LEGAL ISSUES

A. Issues related to instituting a different level of State recognized local government

1. Town meeting format
2. Modified IRA/Tribal government

B. Legal issues related to establishing local courts or judgement boards

C. Technical assistance issues related to financial accountability

D. Analysis of reasonable local service cost and assessment of "vital" local services so that the impact of reduced state aid to local governments can be quantified

E. Review what made villages work 20 years ago, and assess changes during period with which villages have been unable cope ; ;

F. Research models of village cooperation and the factors that create less competitive atmosphere between village entities

G. Review options for increasing local revenue to support services

H. Review the pros and cons of extending home rule opportunity to all municipalities

III. DCRA WORK ELEMENTS/END PRODUCTS

A. Research and prepare a historical perspective on the evolution of rural local government (completed by August 21, 1987)

B. Report on legal/technical issues, with estimated costs, related to establishing local courts on judgement boards (completed by September 11, 1987)

C. Prepare interim policy for responding to unfavorable audit exceptions and financial accountability problems (completed by August 28, 1987)

D. Report analyzing the impact of reduced State aid on small local governments and assessing how this reduction is affecting or may affect the delivery of vital local services (completed by September 18, 1987)

E. Report identifying local governments that work together cooperatively with other village entities and recommend how these conditions can be transplanted to other communities (completed August 28, 1987)

F. Report setting out options for increasing local tax revenues (completed by September 18, 1987)

G. Report on options for improving rural local governments to maximize local resources (completed by September 18, 1987)

IV. POLICY ISSUES

A. The pros and cons of creating new State recognized local entities and draft legislation to implement concept.

B. Statute changes and necessary funding for local courts and judgement boards.

1. Agency responsibility for oversight of this function

2. Amount and type of training for local "magistrates"

3. Type of infractions left to local courts/boards.

C. Review of SB 263 (fiscal accountability bill) for amendment or consideration in present form. Until passage of this bill, the State should develop a policy on how to respond to audit exceptions.

D. Level of FY 89 funding for State Revenue Sharing, Municipal Assistance and Municipal Grants.

E. Other administrative/legislative reform need to promote cooperative village government environment and greater self-sufficiency

BOROUGH FORMATION

DRAFT

PRELIMINARY OUTLINE AND WORK PLAN

I. INTENT OF WORK EFFORT

- A. Study and recommendations regarding regional government alternatives
- B. Borough education program

II. TECHNICAL/LEGAL ISSUES

- A. Issues relative to reinstituting a "new" type of borough government
- B. Legal flexibility to explore borough alternatives
- C. Technical justification for various mandatory borough formation per capita value triggers
- D. Informative and clear explanations of pros and cons of borough formation
- E. Review of REAA boundaries as appropriate boundaries for future boroughs
- F. Identify disincentives to borough incorporation which remain in place
- G. Applicability of Federal Voting Rights Act, if any

III. DCRA WORK ELEMENTS/END PRODUCTS

A. Research and prepare report on borough government in Alaska (completed by August 28, 1987)

1. Constitutional intent and purpose
2. Mandatory Borough Act of 1963
3. Recent Borough formation efforts

B. Analysis of borough government alternatives (completed by August 28, 1987)

1. "New" 3rd class borough flexibility
2. Expanded home rule powers
3. Different borough government structures

C. Formula trigger for mandatory borough formation based on per capita value (completed by August 28, 1987)

D. Borough education package (completed by September 18, 1987)

1. What is a Borough booklet
2. Overheads/handouts and other information regarding borough government
3. Rough financial analysis of REAA's to reflect ability to support local government

IV. POLICY ISSUES

- A. The pros and cons of mandating borough formation
 - 1. Self sufficiency standards
 - 2. Existing borough formation standards
- B. The level of assistance State should provide in organizing boroughs
 - 1. Financial assistance
 - 2. Technical assistance
- C. Statute changes to provide greater borough flexibility
- D. Funding a home rule charter education initiative by Department of Community & Regional Affairs
- E. Interrelationship between new boroughs and the State's role in funding education
- F. The State's relationship with unincorporated communities within mandated boroughs
- G. The efficacy of "replacing" other state services (public safety, health, etc.) with borough provided services

WORK SESSION:

ECONOMIC

DEVELOPMENT

DISTRICT

(10-13-87)

ECONOMIC DEVELOPMENT DISTRICTS (EDD)

ECONOMIC DEVELOPMENT DISTRICTS

Attachments:

- I. DCED-Division of Business Development
 1. Memo-from Larry Mercurieff, 10/2/87
 2. Economic Development Districts (EDD)
 3. Alaska Regional Development Organizations Program (ARDOR)

- II. Southeast Economic Development Corporation
 1. Letter-Southeast Conference, 4/20/87
from Ernest Polley
 2. Southeast Economic Development Corporation
DRAFT, 6/22/87, E. Polley

- III. Northern Economic Development Corporation-Profile
Prince Rupert and Queen Charlotte Islands Region

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BUSINESS DEVELOPMENT

EDD
STEVE COWPER, GOVERNOR

I - 1

P.O. BOX 88
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2017

OCT - - 1987

MEMO

OCT -2 1987

To: Martha
From: Larry Mercurieff, Director *LM*
Subject: Enclosed material

I hope this material is helpful. The information on the Economic Development Administration's Economic Development District (EDD) program is included to give you an idea of what could be involved in developing districts of this nature. We had applied for EDD funds last spring but the proposal was rejected due to lack of money for the program in EDA. We have been told that there is little likelihood of funding in FY 89 unless other Alaskan EDA projects are dropped. Since this does not appear likely to happen, we have decided to develop the ARDOR program .

ECONOMIC DEVELOPMENT DISTRICTS

EDD
I-2

Economic Development Districts (or EDD's or Districts) are locally-formed organizations with representation of both the Public and Private sectors. The primary objective of a District is to promote sound economic development for the communities it serves. An Economic Development District:

- o can serve a variety of purposes or functions (which are determined locally)
- o will work together for common economic development purposes
- o has as its membership multiple geo-political entities
- o is funded from a variety of sources (State, Federal, Borough, City, etc.)
- o has a staff responsible to the local board of directors.

There are well over 300 EDD's nationally, many States being covered with the organizations. A District can provide technical assistance in selected program areas, or it can run programs or deliver a wide range of services, depending upon the local EDD's wishes.

Financial advantages include sharing the cost of the organization among various funding sources. (The Economic Development Administration can make Planning or "administrative" grants-in-aid to help EDD's with their Overall Economic Development Programs.) Public Works projects which are funded by the Economic Development Administration are eligible for an additional ten percent (10%) bonus from the Federal Government. There also should be an economy of scale by communities working more closely together. By agreeing on what to work together on, it should be possible to avoid duplication.

An EDD is independent, yet responsible and responsive to local public and private interests because both are meaningfully involved as board members, and local governments contribute to the financial operation of the District.

A new District would likely have a staff of about three, working directly under a Board of Directors of a size workable for the local area.

Possible activities could include any of the following, and many others:

- o areawide tourism promotion
- o transportation planning
- o working to establish a Customs office
- o run a revolving loan program or establish a business "incubator"
- o export promotion, industrial development, energy conservation, financial management for villages or cities, resource development

This program ties in nicely with the State's Trade Alaska Program.

Getting started: establish an appropriate organization (State non-profit) and request the Governor to endorse the geographic area as an Economic Development District to the Economic Development Administration.



ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) PROGRAMS

under the Public Works and Economic Development Act of 1965, as Amended

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Over the years EDA has invested some \$142 million of economic development assistance in Alaska. This has been matched by significant financial commitment from local communities and by the State - leading to private sector jobs and investment in Alaska. Alaska is part of the Seattle Regional Office, EDA, 1700 Westlake Avenue, North; Seattle, Washington 98109.

As a first step, discuss your program interest with:



ECONOMIC DEVELOPMENT ADMINISTRATION
U.S. Department of Commerce

BERNHARD E. (BERNEY) RICHERT, JR.
Economic Development Representative in Alaska

Federal Building, Room C-550
701 C Street, Box 10
Anchorage, Alaska 99513

Telephone:
Office: 907-271-5857
Home: 907-745-2706

EDD
T-3

THE ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS PROGRAM (ARDOR)

A Program Proposal by

DIVISION OF BUSINESS DEVELOPMENT,
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
October 1, 1987

Alaska communities are facing a myriad of complex international economic issues. As a result there has been a natural evolution of regional economic development entities to pool resources, providing communities with a cooperative and organized means to meet these international economic challenges. Because of the economic downturn, the demand from regional organizations and communities for state economic development technical and financial assistance has increased while revenues for state, federal, and local economic development assistance programs have been reduced. Funding will be requested to fund a new program within the Division of Business Development to promote and provide financial assistance to regional development organizations.

One of Governor Cowper's directives to the division has been to establish formal linkages with regional economic development entities for the provision of service delivery. This program emphasis is also supported by the legislature.

To address this issue, the Division has designed the Alaska Regional Development Organizations Program (ARDOR). The purpose of ARDOR program is to facilitate economic development at the regional and local level through establishment of a network of regional economic development organizations and the provision of financial and technical assistance. The program is designed to encourage evolution of economic regions and organizations from the local level.

Representative economic development organizations of these regions will work with the division to establish regional development strategies, including small business development and marketing programs to induce new enterprise and solidify existing businesses; serve as a source of regional economic information; and as a liaison for coordination with local governments and the state. The ARDORs will be critical for the development of a practical and pragmatic state development strategy.

Economic Development Regions

Because of the vast unorganized areas of the state and the numerous service delivery area boundaries which often differ, establishment of economic development regional boundaries is a very sensitive issue. Depending on the criteria, the number of regions could vary greatly. In addition, the selection of a representative

organization for the region has potential for controversy. In areas of the state where economic development organizations are not established, the particulars in designating a representative organization could be timeconsuming and awkward. In more organized areas of the state, competition between existing entities might also create unnecessary turmoil.

Rather than the state tackling the potentially thorny issues of delineating regions and designating representative organizations, it makes much more sense to promote the establishment of regional boundaries and organizations through local initiative. In some areas of the state, regional economic development organizations are already established; examples include the Southwest Municipal Conference and the Southeast Conference/1987 Symposium Steering Committee on the Economic Future of Southeast Alaska.

The Division of Business Development could facilitate establishment of regional organizations through public meetings held in regional centers to promote the virtues of the program. In areas where there are existing regional economic development organizations, through the public meetings, the division would assist the region in selecting a representative organization or consortium of organizations to serve as the ARDOR. In other areas, assistance would be provided in delineating boundaries and establishing a representative organization.

Ultimately, it will be up to the region to determine its ARDOR. The organization selected must represent the economic interests of the region with the confidence of its residents. In the event that unorganized areas do not establish a cohesive regional development subsidiary, alternative methods for state/regional/local coordination must be developed.

Following is but one example of how the state economic regions might evolve based on organizational trends (economic development organization information in parentheses):

1. Southeast (Southeast Conference);
2. Prince William Sound/Gulf of Alaska;
3. Kenai Peninsula Borough (recently received funding to establish an economic development area funded by EDA);
4. Municipality of Anchorage (Anchorage Economic Development Commission recently established);
5. Matanuska/Susitna Borough;
6. Southwest--Bristol Bay, Aleutian/Pribilof Islands, and Kodiak (Southwest Alaska Municipal Conference);
7. Yukon/Kuskokwim;

8. Northwest--Berings Straits and NANA;
9. Fairbanks/Interior; and
10. North Slope Borough.

Alaska Regional Development Organizations

ARDORs will work with the Division to:

- o provide service delivery to region member communities and businesses such as economic development workshops, coordination meetings, technical assistance, etc;
- o collect and distribute economic information on the region (assist in the preparation of economic profiles for communities and the region);
- o participate in state marketing campaigns;
- o address regional economic issues
- o when appropriate, join state trade missions to expand international trade opportunities, attract new industry from other countries, and encourage tourism;
- o serve as a liaison between state and the local level; and
- o develop and implement a regional economic development strategy.

The ARDOR program is designed to encourage evolution of economic regions and organizations from the local level and ultimately be self-sustaining.

Program Costs

The ARDOR Program will provide 1:1 matching grants of up to \$50,000 to regional entities throughout the state. Grants will provide full-time ARDOR offices in each region to provide the services listed above and will be matched by non-state funds raised by the ARDOR on an annual basis. Because of the match requirement, the ARDOR program is viewed as a public/private partnership, providing a direct measure of private sector support for the program.

Funds will also be used to establish a state/regional electronic mail computer network for coordination of economic development activities and dissemination of economic information and news. In addition, quarterly regional teleconferences will be conducted between appropriate state agencies and regions.

0564E

SOUTHEAST CONFERENCE

P.O. Box 22286

Juneau, Alaska 99802

II -1

E DD

July 20, 1987

Dear Southeast Conference Member:

Since the 1986 meeting in Petersburg, your Executive Board has been examining the question of what the Southeast Conference might do to increase our effectiveness in various efforts to improve the economic health and wellbeing of the Southeast region. Of particular concern to the Board was the fact that we seem to be best organized for purposes of reaction rather than proaction. In a related matter, most members would recognize that the major strength of the Southeast Conference lies in the very close working relationships between and among most of the local governments in the region. While the private sector has always played a vital role, there has been criticism that we are not as well balanced as might be desired. With these and several other concerns in mind, on June 18th the Executive Board reviewed the attached proposal to create a Southeast Economic Development Corporation. The Board adopted a motion of support and asked that the proposal be presented to the membership of the Southeast Conference for consideration and action at the 1987 Annual Meeting, September 24-26 in Sitka.

It must be stressed that the proposal is a draft proposal only. Your Executive Board is anxious that Southeast Conference Members review the proposal and discuss the pros and cons at the local level prior to the September meeting. Preliminary discussions with the Federal and State authorities would indicate that a corporation of the sort being proposed might hold great promise for effective long term regional development. The September meeting will involve presentations by both State and Federal people on their perspectives and the potential for financial support for such a corporation. A vote on the matter will be taken during the business meeting on September 26. We look forward to seeing everyone in Sitka and hearing your comments regarding this proposal.

Sincerely,



Ernest Polley
President

D R A F T

6/22/87
E. Polley

SOUTHEAST ECONOMIC DEVELOPMENT CORPORATION

PROPOSAL:

It is proposed that there be created a private, non-profit corporation in Southeast Alaska for the purpose of preparing an integrated regional approach to economic development opportunities in Southeast.

GOAL:

It is proposed that the goal of this corporation, to be called the Southeast Economic Development Corporation, shall be to enhance the economic development potential of the Southeast region as a whole, and of those communities located within the region, through the creation of a non-profit corporation which will function to improve, expand, and promote the economy of Southeast Alaska and its residents.

*CORPORATION STRUCTURE:

It is proposed that the Southeast Economic Development Corporation be a representative organization of both the public and private sector and of large and small communities alike. The Corporation shall maintain a Board of Trustees made up of 13 members. Its membership and length of term shall include:

- 1) The Immediate Past President of the Southeast Conference
- 2) The First Vice President of the Southeast Conference
- 3) The Secretary/Treasurer of the Southeast Conference
- 4) The Commissioner (or designee) of Community & Regional Affairs
- 5) The Commissioner (or designee) of Commerce & Economic Development
- 6) The Chancellor (or designee) of the University of Alaska-Southeast
- 7) The President (or officer designee) of the Alaska State Chamber of Commerce
- 8) A private sector representative of the financial community (three year term)
- 9) A private sector representative of the retail community (three year term)
- 10) A private sector representative of the manufacturing and processing (value added) community (three year term)
- 11) A private sector representative of the service industry (three year term)

* see "Timeline", page three

D R A F T

Southeast Economic Development Corporation

- 12) A representative from a local Southeast economic development organization (two year term)
- 13) An "At Large" seat (two year term)

Board of Trustee members must be residents of Southeast Alaska. No two members may be from the same community, with the exception of seats 4-7 as listed above. Nominations shall be accepted during the Southeast Conference Annual Meeting. All vacancies shall be selected by the Board from the nominees.

FUNCTIONS:

It is proposed that the Corporation have three primary functions. They are:

- 1) To initiate the design, development, and maintenance of a regional information base, and to serve as a central data bank for the compilation and inventorying of economic development in Southeast Alaska, as well as the creation of a data base identifying regional business opportunities and to catalogue all technical assistance available in the region in the area of economic development.
- 2) To review, evaluate, and make recommendations regarding proposals to enhance or expand the economic development of Southeast Alaska.
- 3) Through cooperation with other organizations and individuals, develop and implement a Southeast Regional Economic Development Plan.

ROLE OF THE SOUTHEAST CONFERENCE:

It is proposed that the Southeast Conference would play an important and integral role in the development and maintenance of the Corporation. Specifically, that role would be assumed through two primary responsibilities. They are:

- 1) To create and empower a steering committee of the Southeast Conference charged with overseeing the formation of the Corporation, and providing the corporation strong leadership in its formative period.

D R A F T

Southeast Economic Development Corporation

- 2) To undertake the actual organizational and formative responsibility for the Corporation, including the development and execution of necessary legal documents, such as Articles of Incorporation and Corporation By-Laws. This includes using the monthly Southeast Conference Bulletin for the introduction and promotion of the Corporation.

TIMELINE:

It is proposed that the Southeast Conference adopt a conservative approach to the formation of the corporation by adopting a timeline that will allow for a natural maturation of the Corporation and allow it to formulate a strong support structure to ensure continued ability to meet its goals and objectives.

June 18, 1987 - Executive Committee review and adoption of a proposal to present to the general membership at the Annual Meeting.

September 19, 1987 - Seek approval of general membership to institute proposal and begin work on the formation of the Corporation.

Next 12 months - Southeast Conference, through Steering Committee, will take the point in the organization of goals and objectives of the Corporation, frame the By-Laws, and undertake necessary legal initiatives for completion of the final proposal. (The Steering Committee would also need to deal with the difficult issue of actual Board make-up. There are far too many individual, special, and legitimate interests to accomodate all through seats on the Board. The solution may lie in the creation of a number of standing advisory committees to insure the broadest possible participation in the selection of priorities and objectives.)

September, 1988 - Take final proposal to general membership for approval, upon which time Southeast Conference will execute necessary legal documents creating the Southeast Economic Development Corporation. The Board of Directors for the corporation also will be appointed at this time.

September, 1989 - Progress report of the Southeast Economic Development Corporation to be presented at the Southeast Conference Annual Meeting.

STATE OF ALASKA

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DIVISION OF BUSINESS DEVELOPMENT

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0564E

III

EDD

Northern Economic
Development Corporation

PROFILE

- *Liaison* - Assisting and co-ordinating the activities of various agencies and community groups involved in economic development in the region. These groups include Chambers of Commerce, Visitors Associations, service clubs, municipal, provincial and federal governments and educational institutions.
- *Research* - Providing complete and timely information to business people on land and building sites; regional demographics; labour force; transportation; and, assistance provided by federal and provincial levels of government.
- *Advocating* - Providing local government with information related to broad economic development opportunities and strategies, industrial and commercial land and zoning requirements, and taxation policy.
- *Education* - Organizing trade shows, conferences and seminars to increase awareness of business opportunities in the Regional District. To assist other agencies and businesses in organizing educational opportunities.

All communications with NOREDCO are privileged and strictly confidential. The identity of any company with which we are working or details of its operation are communicated to other agencies and individuals involved in the economic development process only with the approval of the company or individual.

You are invited to contact us anytime for information on the opportunities that may exist for you in the Skeena Queen Charlotte Regional District. Please call:



The Northern Economic Development Corporation

225 Third Street
P.O. Box 158
Prince Rupert, B.C.
Canada
V8J 3P6
(604) 624-3106



Serving the Prince Rupert and
Queen Charlotte Islands Region

225 Third Street
P.O. Box 158
Prince Rupert, B.C.
Canada
V8J 3P6
(604) 624-3106

The Corporation

The primary objective of the Northern Economic Development Corporation is to increase the level of economic development in the Skeena Queen Charlotte Regional District.

NOREDCO was formed under the British Columbia Company Act in June 1981 and provides economic development services on behalf of the Skeena Queen Charlotte Regional District. Although the Corporation is funded mainly by the Regional District, it operates independently of the Regional District Board. NOREDCO reports annually to the Regional Board upon its activities and plans for the coming year.

The Corporation is guided by a Board of Directors composed of six area business people and two regional representatives appointed by the Prince Rupert Chamber of Commerce and the Regional District. Board members in turn select from among themselves a chairman, co-chairman and secretary/treasurer.

The Board's basic goals are to diversify the region's economic base and increase employment opportunities through secondary development related to primary resources, port operations and tourism.

The Staff

NOREDCO has a staff of two. Each is responsible for various aspects of the Corporation's economic development services. Consultants and part-time researchers are employed as required.

Although lean, NOREDCO has developed a high level of expertise concerning B.C.'s northcoast and the Queen Charlotte Islands. This expertise is available through the General Manager and Business Information Officer.



TOM BRUUSGAARD
General Manager

Mr. Bruusgaard brings 25-years experience in fishing, marine transportation and international trade to the assistance of companies and individuals. In addition to his usual administrative and co-ordinating functions, Mr. Bruusgaard is responsible for developing

and implementing the action plans necessary to meet NOREDCO's objectives. He provides detailed information and assistance to business people wishing to discuss specific developments. (see NOREDCO services)

JAN PALMER
Business Information Officer



Jan organizes and maintains a library of business related information about the Skeena Queen Charlotte Regional District. She is responsible for handling business inquiries and meeting the information requirements of businesses and individuals.

NOREDCO Services

leading agency in efforts to market the Skeena Queen Charlotte Regional District as a location for new investment. The Corporation also encourages and assists established businesses to modernize and expand. As important, NOREDCO plays a vital role in encouraging individuals and entrepreneurs to explore and develop the potential of their innovations and ideas.

This three-direction approach to enhancing economic development is accomplished by providing the following services:

- *Customer Service* - Help and encourage companies and individuals to realize their business objectives by:
 - providing free consultation and advice.
 - offering information on assistance provided through various provincial and federal agencies.
 - making management consultation available where required.
 - promoting the sale of local products and services.
- *Promotion* - Formulating and implementing a public relations and advertising strategy to further both local and outside awareness of the opportunities for new investment.
- *Strategic Planning* - Preparation of economic development strategies for the region to identify new business opportunities worth pursuing.

WORK

SESSION:

(1-18-88)

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GOVERNOR'S FY 89 BUDGET REQUEST

**DEPARTMENTS OF
COMMUNITY & REGIONAL AFFAIRS
LABOR**

"Shortform" -- Prepared for distribution to the Legislature by:

LEGISLATIVE FINANCE DIVISION

P.O. BOX WF

JUNEAU, ALASKA 99811

(907) 465-3795

Community and Regional Affairs
 FY 89 Budget Overview

Statistics

FY 88 Supplemental Request

Organizational Grant to the Aleutians East Borough.....	\$300.0
Financial Outreach to Encourage Recovery(FOSTER)	258.0
Total	<u>558.0</u>

Comparison of FY88 Authorized to FY 89 Governor's Request

	<u>FY 88</u>	<u>FY 89</u>	<u>Inc/Dec</u>
General Funds	\$124,275.4	\$126,075.1	\$1,799.7
Federal Funds	14,472.9	14,088.1	(384.8)
Other Funds	8,698.8	8,420.4	(278.4)
Total Budget	\$147,447.1	\$148,583.6	\$1,136.5

Note: Included in Department totals, are two increments approved by the Governor after the shortform book was published. See #4 and #5 below.

Comparison of Authorized Positions FY 88 to FY 89

	<u>FY 88</u>	<u>FY 89</u>	<u>Inc/Dec</u>
Full Time	175.0	192.0	17.0
Part-time	3.0	0.0	(3.0)

Description of FY 89 GENERAL FUND Increases

- Increase in cost of benefits-Insurance \$128.8
- Increment for Child Care operating costs (see page 2, #3 for position description) \$100.0
- Increment for the Rural Economic Development Initiative (REDI) (see page 2, #4 for position description) \$224.5
- Increment for the Financial Outreach to Encourage Recovery (FOSTER) operating costs (see page 2, #5 & #6 for position description) \$651.0
- Increment to fund the Community Economic Disaster Loan Fund \$600.0
- Increment to fund more training in the Dislocated Workers component \$75.5

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| 7. Increment to fund the second year Organizational Grant to the Aleutians East Borough | \$200.0 |
| 8. Increment to authorize use of program receipts received as reimbursement of costs of computer useage | \$11.0 |

Identification of Authorized Position Increases

1. Three positions in the Training and Energy Component were increased to full-time and two new positions were created in this component. Funds were obtained from the Federal Dislocated Workers grant increase. These positions were established during FY 88 by Revised Program approved by the Legislative Budget and Audit Committee but must be re-affirmed by the full Legislature for FY 89. The new positions are located in Anchorage and Juneau.
2. One new federally funded position in the Governor's Training component. This position was also funded during FY 88 with the same funds as the ones mentioned above. This position is located in Anchorage.
3. Two new positions in the Child Care Component, a Grants Administrator and a Clerk Typist. These positions will enable the Child Care unit to keep up with an expanding program. Funding source is the General Fund. Cost of positions, \$73.0, personal services (P/S); \$15.0, travel; \$10.0, contractual; \$2.0, supplies.
4. Two new positions for the REDI program, an Economic Development Specialist and a Clerk Typist. These positions will be located in Bethel. Funding source is the General Fund. Cost of positions, \$134.7, P/S; \$36.0, travel; \$50.8, contractual; \$3.0, supplies.
5. Five new positions, Municipal Finance Analysts I (currently requested as Local Government Specialists because the new class does not yet exist) located in the regional offices to assist ailing local communities in solving their financial problems. Funding source is the General Fund. Cost of positions, \$300.0, P/S; \$115.0, travel; \$89.1, grants for Community Profiles.
6. One new position in Administrative Services, Municipal Finance Analyst II, to coordinate the programmatic aspects of FOSTER and to assist communities in the Southeast. Funding source is the General Fund. Cost of positions, \$52.9, P/S; \$43.0, travel; \$49.0, contractual; \$2.0, supplies.

7. One new Accounting Clerk in the Housing section to assist with collections and foreclosures. Funding source is the Housing Revolving Loan Fund. Cost of position included in maintenance budget.

Major Programmatic Changes in the FY 89 Budget

Rural Economic Development Initiative (REDI)--This program was created by combining the Federal Block Grant program and the General Fund Rural Development Grant program. Two Economic Development Specialists will spearhead this effort in the Department. Their main job will be to coordinate the resources of this Department and focus them on specific projects that are viable in rural areas. With the availability of some General Funds from the Rural Development Grant program, we can access other sources of funds to increase the money available for this type of project. The thrust of this program is not to create large, expensive projects but to develop local industries or businesses that will create long-term employment and self-sufficiency in rural communities.

Financial Outreach to Encourage Recovery (FOSTER)--This program will provide assistance in developing fiscal accountability in communities. Most of these communities do not have the resources to pay for a financial management consultant to come to their areas and develop an accounting, budgeting and fiscal management system and to provide periodic training to personnel on how to maintain this system of accountability. The department proposes to provide an on-going program to assist these communities with fiscal accountability and decision-making techniques when dealing with money. With less State funds to provide assistance, communities need to learn how to live within these new constraints. This program is designed to provide them the tools to control their budgetary situation.

Community Economic Disaster Loan Fund--This loan fund is to be used for those communities that are so in debt that no amount of cutting a budget will get them out of it. Several communities have debts to the IRS for back payroll taxes compounded by federal disallowed costs on grants. This fund will make loans of up to 50% of the Revenue Sharing and Municipal Assistance entitlement of the prior year. There will be no interest charged, a grace period of 1 to 2 years, and a payback period of 5 to 10 years. In order to receive a loan, a community must be declared an economic disaster area and agree to a spending plan developed in conjunction with Departmental professional staff.

FY 89 Capital Projects

Supplemental Housing Development Fund--\$3,500,000 General Funds. This program provides General Funds to match Federal Housing and Urban Development funds for low-income housing in the State.

Weatherization and Energy Conservation--\$250,000 General Fund; \$1,700,000 Federal Funds.-- This program provides education on conservation techniques and funds for weatherization of low-income client homes.

Community Block Grant Program--\$3,000,000 Federal Funds.-- This program has four sub-programs: The Community Services Block Grant, which is distributed to RuralCap and SeaCap for operating expenses of running a low-income persons advocacy program; the Community Development Block Grant Program, which grants funds to communities for economic development, community development or emergent needs projects; the Rental Rehabilitation Program, which subsidizes the rehabilitation of privately owned low-income rental units; the Emergency Shelter Grants program, which provides assistance to the homeless by providing funds to rehabilitate, renovate or convert emergency shelters, pay maintenance and operating costs of shelters; and the Emergency Community Services Homeless Grant Program, which provides funding through the Community Action Agencies (Rural CAP and SEACAP) for services to homeless people to make the transition out of poverty, to assist in obtaining social and maintenance services and income support services, and to promote private sector assistance to the homeless.

Oil Overcharge Settlement Funds--\$7,480,000 Exxon and Stripper Well Settlement funds.--These funds will be used over a two year period to promote conservation and to weatherize homes of low-income persons.

Legislation With Fiscal Impact

1. SB 263--Fiscal Accountability--would place new Municipal Grants in the Department of Community and Regional Affairs as of July 1, 1988; increase administrative oversight on the grantees; would allow forgiveness of disallowed costs on grants prior to June 30, 1988 if certain criteria were met. This bill carries a fiscal note of \$10.1 in the Department of Administration to promulgate statewide regulations for grants; and \$285.5 in the Department of Community and Regional Affairs for 3 Grant Administrator and one Accountant positions to carry out the program. The positions are necessary to respond to the mandated level of fiscal accountability.

2. HB 159--Senior Citizens Homeowner's Tax Exemption Program
A substitute was developed by a working group of seniors, municipal representatives, legislators and Departmental staff. The program will allocate costs among the State, seniors and municipalities on a sliding income scale of eligibility. If a senior's income level is less than \$15,000 a year, a 100% exemption is available. If the income is \$50,000 or greater, no mandatory exemption will be available. There is no fiscal note attached to this bill as sufficient funds to pay 100% of the State's share are included in the operating budget of DC&RA.

3. HB 1--Mandatory Third Class Boroughs--This bill would require the Unorganized Borough to organize. The exact mechanism to do so has not yet been devised. There will be a substantial fiscal impact. However, until the specifics are worked out, it is not feasible to estimate costs of this bill.