

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5216 SCRA SB 308 - SB 334

788

#### D. Promotion and Marketing Package

1. Consumer promotional materials for local operator
  - a. Rating certificates (single and multi-family)
  - b. Cover letter to consumer buying a rating
  - c. Cover letter to interested home-owners
  - d. Cover letter to builders
  - e. ERH™ Buy/Sell promotional brochures ◊
  - f. ERH™ remodeling promo ◊
  - g. ERH™ yellow page ad
  - h. TV spot
  - i. Classified newspaper legend
2. Consumer promotional materials - Industry Affiliates
  - a. Lender marketing materials (counter cards, stuffers, radio, ad, decals)
  - b. Seller marketing materials ( brochures, yard signs, counter cards,etc.)
  - c. Realty agent broker materials (brochures, decals, star logo, etc.)

The start-up package is not a static package. This is a continuing process and as new parts are developed locally, they will be added to the package. Most pieces are already developed or adaptable. Some, like the "summary activities reporting forms" are part of the local operator's disc for processing ratings. Some pieces are being reformatted as they are needed. The only *significant* piece still being developed is the operations manual.

#### Footnotes:

<sup>1</sup> The operations manual is outlined and partially developed. This will not be completed for at least six months.

<sup>2</sup> The rater video is planned to be done in Arkansas.

\* Designates components requiring information provided by the local operator/consultant or energy office.

◊ Currently being developed.

The local operator is provided training as part of this package. Training will include ERH™ system operation, rater training, and "train the trainer" training for conducting similar sessions with builders, underwriters, realtors, and appraisers.

#### Local training

Training for the local operator is conducted in your state: or in the case of joint training with another state, held in Arkansas. Initial training will come from national staff with assistance from ERH™ operators around the country

#### National/regional staff

The national office is responsible for policy and national support for the local program plus operational assistance to local operators in matters of quality control, trouble-shooting, and regional/national coordination.

National and regional support are an integral part of the Energy Rated Homes™ system. This is a valuable service not only while becoming familiar with the program, but to meet the ongoing implementation and support needs that the system can provide. There is a real demand on national staff for policy, strategy, information, support, and problem solving. This is valuable to a local operator.

Furthermore, the national staff is the link to the national steering committee. All requests to the national steering committee should go through the ERH™ national office.

Ron Hughes, Director of Energy Ratings, Inc.™ (d.b.a. Energy Rated Homes™ of Arkansas™), is currently responsible for coordination of the program, training, and initial program presentations to local industry. After start-up, responsibility shifts more to the local operators and the industry associations.

Evan Brown, Technical Director, will provide technical development and assistance as well as rater training.

Local ERH™ staffers from around the country may also assist with training. For instance:

Phillip Patterson (chief rater for Arkansas) can assist with both technical development and rater training.

Richard Faesey (Vermont Housing Finance Development Authority) would be helpful with your state housing finance development agencies.

The above package does not include

1. Staff and related expenses accrued in information gathering of climate, housing types, utility rates, housing stock, etc., (approximately six months).
2. Technical meetings of your ERH™ staff and local industries to provide the data and feedback needed for technical development.
3. Implementation costs for your local ERH™ staff, office, printing, overhead, advertising, etc.

## The Next Step: Implementation

None of the following items are included in the development budget. They are presented as typical implementation costs associated with putting a rating system on the street. Also included are some options like blower doors that the state, the local operator, and a local industry committee may want to consider.

### Staff

It seems to take at least three people to staff a program like this.

The director will probably be the person most responsible for getting cooperation and support from lenders, builders, appraisers, realty agents, utilities, and state government - not an easy task. In dealing with a housing that is suspicious of government regulation, it may be best if the organizer is a private contractor instead of being a state government employee.

An office manager is needed to do general books, payroll, mail-outs, process ratings, maintain data base, and discuss the ERH™ system with callers.

The rater must be familiar with rating houses, processing ratings, and have good rapport with builders and home-owners. Technical expertise is required and it's a good idea for this person to have gone through the series of industry technical meetings necessary to arrive at the standards reflected in the rating sheets. Fielding questions from builders and home-owners about the technical aspects of the program is common.

### Travel

There will be a significant amount of local travel involved in networking and soliciting the support of the related industries around the state in order to coordinate this program. There will be a number of speaking opportunities at local and state meetings of housing-related industries.

Besides traveling to the national office from time to time as needs dictate, a national meeting of local operators should take place once a year. The location may rotate among participating states. This will be a good opportunity to observe other state programs. It is important for all participating states to attend.

### Computer Systems

An IBM (or IBM act-alike) computer is the standard for processing ratings and transmitting rating data to and from the national data processing center. This process will provide a data base of value to all participating state programs.

This computer will also be used by Energy Rated Homes™ representatives to locally generate the "Improvement Worksheets."

The Apple Macintosh is the computer popular within the ERH™ network. There is a request to have Mac's be the "standard" but we are currently obliged to use IBM's (or clones) to interface with the Federal Home Loan Bank system for rating sheets.

### Books/reference materials

The local ERH™ staff will need to be current in residential conservation and construction practices. Reference materials will be important.

### **Industry association memberships**

It's a good idea for ERH™ local operators to be members of the local associations of home-builders, appraisers, mortgage bankers, and realtors. A primary responsibility of the ERH™ operator will be to maintain the support of these organizations and for Energy Rated Homes™ to become a standard part of how these industries do business.

### **Blower door**

This technology is the best we know for determining air infiltration. It is an educational tool for both builders and home-owners. It's an impressive, professional addition to the rating. Arkansas is the first state in the ERH™ system to use blower doors.

### **Seminars/workshops**

After training, the local operator, with assistance from the ERH™ national staff, will be responsible for the training of local industry people. Training can be a source of revenue for the local operator. Seminars are not only for industry but the public as well, with classes such as "What to look for when shopping for a house." All the materials a local operator will need for workshops are part of the "start-up package."

A desk-top manual has been developed for underwriters and appraisers. Underwriters training takes a half day. Training for appraisers who will do ratings (if there are any) takes a full day. Underwriters and appraisers are usually charged for this training.

For realtors and home-builders, there is not a "manual" as such. Workshops can be done at local association meetings or at the discretion of the local operator or steering committee. These classes generally cover how to build a four or five star house for the least cost and how to sell energy efficiency (or non-efficiency) in the marketplace using the ERH™ system.

The first year, Energy Rated Homes™ staff can lead these workshops. After that, the state associations of these industries could choose to be responsible for providing their own training.

### **Marketing**

The Energy Rated Homes™ system has already developed (and is continuing to develop) marketing packages around the country. Enclosed is a marketing plan and budget developed for Arkansas. In addition, an initial \$10,000 was spent on marketing publications and ads for a total first year marketing budget of about a hundred thousand dollars. In conjunction with this media marketing, AEO is developing plans for offering up to 600 no-cost ratings around the state to promote the ERH™ program.

**Do not underestimate the importance of marketing.** This is a long-term undertaking of public and industry education. It is critical to the success of the program. There are a lot of marketing materials available from other states offering the ERH™ system. Most of these marketing materials can easily be adapted to your area.

### **Other Issues**

The local rater may offer other services that address local issues. For instance, radon testing is offered in Arkansas; structural inspection of houses is offered by Alaska raters. Appliance efficiency may be an issue in your area. The important thing is to maintain an independent, non-biased, third party position with no conflict of interest.



**Energy Rated Homes  
Marketing Proposal,  
Media & Marketing Plan  
and Budget, JUNE 1987-1988**

Proposal prepared by  
Patrick McKelvey  
Creative Communication

## MARKETING PROPOSAL

### **Purpose:**

To inform and educate five target groups in Arkansas about Energy Rated Homes and how they can benefit from the Rating System in the homebuying process.

### **Target Groups:**

Homeowners, homebuyers, realtors, lenders and builders.

### **Goal:**

To persuade the Target Groups to ask Energy Rated Homes for an energy inspection and rating or, as a lending institution, to participate.

### **Marketing Strategy:**

Energy Rated Homes is an unbiased energy inspection and rating service for real estate similar to the MPG rating for automobiles. Initially, ERH will benefit people who are involved with buying and selling homes, largely an upscale group. With multifamily ratings planned for the future, there is potential for ERH to benefit renters as well.

### **The Promise & the Benefit:**

BUY SMART: get more house for the money, more money for the house... get an Energy Rating!

### **Substrategies:**

An Energy Rated Home can help buyers qualify for more mortgage money. (Benefiting home buyers, builders & lenders)

A low Energy Rating can help homeowners qualify for Energy Efficiency loans. (Benefiting realtors & homeowners)

An Energy Efficient Home provides more comfort at a lower cost of utilities. (Benefiting homeowners and renters)

### **Initial Market Areas:**

1. Metropolitan Central Arkansas
2. Fayetteville/Fort Smith
3. Mountain Home
4. West Memphis

## Media Strategies:

### Print

- A. A series of news stories and press releases that target each of the five groups with appropriate leads... the body copy would then repeat the marketing strategy.

For example: the story targeting realtors might have a headline such as, "ENERGY RATED HOMES AND THE REAL ESTATE MARKET... Stars help sell homes in Arkansas." The story could go on to show how a low rating helped sell a home because it helped the buyer qualify for a low-interest AFDA loan or an Energy Escrow Account to upgrade energy efficiency. Results: a sale for the realtor that might have been missed plus a better home with more comfort for less money for the homebuyer.

The same story directed to homeowners might be headlined, "MORE COMFORT FOR LESS MONEY: an Energy Rating for your home can help you upgrade energy efficiency with low-interest home improvement loans."

Other story angles such as qualifying a buyer for more mortgage money (for lenders, homebuyers) with a high energy rating, or the ease of selling an energy rated home (realtors, builders) work equally well with the news story PR effort.

- B. To promote ERH to the buying public, a series of small (1 col x 1 inch) ads should be developed to place in the real estate section of newspapers. For example: 1) BUY SMART: ask for the Energy Rating and count the stars. 2) Energy Rated Homes mean more comfort for less money. 3) Get more house for the money... get an Energy Rated Home.
- C. To promote ERH to the trade, a series of twelve 3 col x 10 inch newspaper ads should be developed to honor the builder or realtor of the month who has benefited from the Energy Rating System. For example: (headline) "JOHN CARPENTER BUILDS 5-STAR ENERGY RATED HOMES." (photo of builder in front of house) PICTURE CAPTION: John Carpenter, builder: "My new four and five-star Energy Rated Homes are selling like hotcakes because they are a quality product that homebuyers want."
- D. ERH proposes to offer to co-op advertising with builders, realtors and lenders whenever possible. For example ERH could offer to pay 10% of ad cost when the ERH logo is included in the ad.

### Television

To create high visibility to the target groups and position ERH with a good identity, a series of TV spots should be developed.

- A. Example targeting homeowners: beleaguered homeowner beset by sinister-looking storm window, insulation and siding salesmen, each trying to persuade him his product will save the owner tons of money. In anguish and desperation the homeowner asks, "How can I know what to do?" Answer: "Call Energy Rated Homes... get more comfort for less money. An unbiased Energy Rating can spell out improvements you should make before you spend a lot of money needlessly." These spots (one for summer, one for winter) would run several times a week on network station news slots for a few weeks in late spring and late autumn when homeowners are most conscious of impending high energy bills.
- B. A 30-second spot targeting homebuyers should be created to run in conjunction with an Arkansas version of the more general image spot already produced by Alaska ERH. These

should run once a week as a news sponsorship from mid-March through mid-June urging the homebuying public to look for the energy rating.

- C. Additionally, a spot should be developed through AETN that promotes the participating lenders. "What do First Commercial, Twin City Bank, Arkansas Federal Savings and First Republic Mortgage have in common? The Energy Rated Homes System. It helps buyers qualify for larger mortgages." This could run at any time of the year as a PSA in conjunction with the Alaska-produced spot.
- D. Guest appearances on local shows will be sought whenever possible as a vehicle for telling the ERH story. Educational programs on AETN will be developed to promote energy efficiency and the benefits of getting an energy rating.

### **Radio**

Radio talk shows are a good format for explaining the ERH story. Many of the small town radio stations have Trading Post type shows that get good local listenership. Distant cities could be "visited" via telephone interviews.

Although the radio talkshow dealing with real estate or energy rating issues can help tell the ERH story, radio is not recommended at this time as an advertising medium.

### **Point of Purchase (POP)**

A series of mini-workshops on how to buy a house and what to look for should be offered homeowners on a regular basis. The workshop could be promoted during talkshows or AETN-scheduled energy-related shows.

Appropriate countertop brochures describing ERH services should be provided to builders, realtors and lenders for their customers.

Yard signs, rating brochures certificates will be supplied to sellers for homes that have been rated.

### **Outdoor**

An ERH billboard poster depicting the yard sign with copy such as, "BUY SMART! Look for the stars." and the ERH logo should be posted during mid-March through mid-June of 1988.

### **Research:**

A focus group, testing the marketing concepts outlined above, is recommended before the plan is implemented. Such a test can provide valuable information about how the target groups react to the concepts, thus allowing ERH to adjust its strategy, creativity, etc. so that the most efficient use can be made of the marketing budget.

### **Summary:**

ERH proposes to market its product, a standardized, unbiased Home Rating System and Energy Inspection Service, through PR news stories, radio & TV talk shows, advertising in several mediaco-op ads with industry participants, point-of-purchase materials and a series of mini-workshops.

## ENERGY RATED HOMES™

### INTERPRETING THE RATING SHEET

1. House type- choose appropriate house type in appropriate climate zone

2. Heated Floor Area - square footage is calculated.

3. Envelope Efficiency - is determined by insulation levels, window types and amount of air leakage as listed on the back of the rating sheet. The sum of these values is the envelope efficiency score, which is written in the space at the right of the sheet and called "E". This score is then used to determine which vertical columns to use in #4 and #5a.

4. Solar Gain -

Use the top or bottom section depending on presence or absence of "Mass." Mass refers to a large volume of high density material (like masonry, rock, or water) which is used for heat storage and is located in a direct solar gain area. Most conventional houses do not qualify for "mass" designation.

The square footage of southern glass exposed to the sun is added to one-half of the sum of the eastern and western exposed glass and then divided by the heated floor area. This is the ratio (percentage) of exposed glass to floor. This number is used to decide which row to use. If this number is less than 2% the solar gain score is zero.

Use the E score from #3 to determine which column to use. The intersection of these two is the solar gain score and is written to the right as "S".

5. Cooling Energy -

a. Roof color determines which row to use.

Use E score to select the correct column.

Choose typical (T) or heavy (H) for Mass. ("T" is a typical house with no mass for solar storage. "H" is a house with heavy mass for solar storage.) If the Mass is T, only the value for T is used; if the Mass is H, the the value for H (the number in parenthesis) is added to the T score.

This number is the score for 5a and is written to the right.

b. Divide window area on each side of house by floor area to get factors. Choose four numbers, one for each direction. This gives you the percentage of window to floor area based on orientation.

c. Divide length of southern overhang by the distance from the overhang to the bottom of the most common window. This determines which column to use. Use the same row as used in "% of southern glass".

d. Do the same for skylight area divided by floor area. Subtract this value. Score is calculated  $[(5a + 5b + 5c) - 5d]$  and written to the right as "C".

6. Water Heater. Location and fuel type are indicated. Look on back of rating sheet to find correct "level." Points are assigned to the right of line "W".

7. Space Heating/Cooling Efficiency - Look on back to determine equipment efficiency. For gas furnace AFUE rating is used; seasonal performance factors are used for heat pumps; and SEER's for electric cooling equipment. Adjustments are made to the efficiency of the equipment by using directions on back of rating sheet. Determine if efficiency level falls into low, medium, or high category. Select correct type and level on front and write points in "SH" & "SC". Also check off any other energy efficiency devices.

8. Sum of all point totals determines point rating. From total point score, star rating is determined and written into the right-hand column.

9. Energy purchased:

Space Heating - Add "E" and "S". "Envelope Heating" sheet gives MBTU's/year. (Choose column closest to score and row closest to square footage of house; divide by furnace efficiency on back of rating sheet.) Score is written under "Purchased Energy" in correct column (gas or electric).

Cooling - Use "C" score (Section 5). "Cooling Points and Energy Use" sheet is used to convert points to MBTU/year using table. Divide this by efficiency level based on SEER rating on back of rating sheet. This score goes in box under "Purchased Energy."

Water Heating - Use "W" score. At the bottom of "Envelope Heating" sheet, select MBTU from column under score of "W" and the appropriate row. This number is entered under "Purchased Energy."

Lights and Appliances - Lights and appliances energy usage is selected from back of rating sheet, depending on house size.

10. The required MBTU's is multiplied by the cost per MBTU to determine annual energy cost.

House address \_\_\_\_\_  
\_\_\_\_\_

Rating \_\_\_\_\_

Estimated Annual Fuel Cost\* \_\_\_\_\_

Total floor space (sq. ft.) \_\_\_\_\_

Insulation values:

Ceiling \_\_\_\_\_

Walls \_\_\_\_\_

Floor \_\_\_\_\_

Windows \_\_\_\_\_

Other \_\_\_\_\_

Type of heating system \_\_\_\_\_

Type of air conditioning \_\_\_\_\_

Type of water heater \_\_\_\_\_

Certified rater \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Date of rating \_\_\_\_\_

ERH Serial # \_\_\_\_\_

\* The estimated energy cost for this house is to be used for comparison only. Actual use will be higher or lower than this estimate depending on occupant's use, weather conditions and utility rates in effect at the time.



## Raise Your Rating with the Improvements Worksheet

Ask for the improvements worksheet that comes with each energy rating. It shows how much the home's energy costs would decrease if certain energy improvements were made. Use this worksheet to determine if it is cost effective to make improvements on this house.



## Rating and Referral Service

Perhaps you'd like to compare this home with a house that hasn't been rated. Energy Rated Homes performs house ratings on request. The ERH referral service will help you find real estate agents, homebuilders, appraisers, and bankers who participate in the Energy Rated Homes program. Check with the ERH office in your area to take advantage of these services.

In your area, contact:

Energy Rated Homes of Arkansas  
100 North Main  
Little Rock, AR, 72201  
501-374-7827



# SMART BUY.

# This house rated by:



# ENERGY RATED HOMES

TM

## Introducing Energy Rated Homes™

Now, for the first time, the energy efficiency of homes throughout the nation can be evaluated and rated according to the same criteria.

This is made possible with a new rating system called Energy Rated Homes.

It's a voluntary system that's widely recognized and now being used by banks, realty companies, builders and others throughout the housing industry.

Similar to the EPA mileage rating for cars, the Energy Rated Homes System can be used to

compare the energy efficiency of one home with another, regardless of its age or style.

As a result, you receive an independent, non-biased home evaluation that can help you buy smarter, sell faster and qualify more easily for a home loan.



## Make a better home buying decision.

An Energy Rating tells you the efficiency of such things as the furnace, water heater, air conditioning system, insulation, and other energy features of the home.

It tells the current approximate annual energy costs of the home, and can show you how much those costs would be reduced if certain energy saving improvements were made. That helps you determine whether it's cost efficient to buy a home with the idea of adding improvements later.

All things considered, you are able to make a more informed, better buying decision.



## Qualify for a home loan more easily.

Obviously, the more energy efficient a home is, the lower its heating and other energy costs will be. Consequently, more of a buyer's monthly income is available for mortgage payments. This can help you qualify for a home loan more easily, and often for a larger loan.

What about a home that's less energy efficient? If its rating shows potential for energy savings, your bank may write a combination mortgage/escrow loan, increasing the loan amount by what it would cost to make the needed improvements.

This gives you the funds to make immediate improvements which can increase the value of the home, while decreasing its annual energy costs.



### Rating a Home with the Five Star System

The energy rating system measures and gives points for insulation, ventilation, tightness, heating & cooling equipment efficiencies, water heater efficiency and solar gain. Low scores in some areas can be offset by higher scores in other areas.

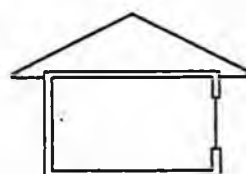
A star rating is then assigned that

corresponds to the house's total points.

Older homes without many energy improvements generally rank 1 to 2 stars. New home construction usually ranks in the 3-star range or higher. Five star ratings are more difficult to achieve and 5-star plus houses are truly exceptional and require state of the art

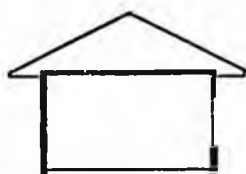
techniques. It takes 4 stars to be appraised "energy efficient" and 5 stars to be scored "very efficient."

Most houses can be upgraded at least one level by uncomplicated measures such as insulating, caulking, wrapping the water heater or heating/cooling improvements.



ENERGY RATING ENERGY RATING

BELOW AVERAGE



ENERGY RATING ENERGY RATING

FAIR



ENERGY RATING ENERGY RATING

GOOD



ENERGY RATING ENERGY RATING

ENERGY EFFICIENT



ENERGY RATING ENERGY RATING

VERY EFFICIENT

# THE ENERGY FACTOR IN THE MARKET EQUATION

from MORTGAGE BANKING

May, 1985

John M. Teutsch, Jr., CMB  
James R. Faulstich

Leading members of the mortgage banking, thrift and allied industries in the Pacific Northwest have been successful in developing a national, non-regulatory model for voluntarily incorporating residential energy efficiency into the market place. The resulting industry-controlled program is called *The Shelter Industry Energy Rated Homes™ Program*. The program meets the needs of all sectors of the housing industry concerned with the financing, sale and construction of residential properties by providing a reliable, uniform system of evaluating and rating a home's energy efficiency—the uniform energy rating system.

Several important program "bottom-line" benefits may accrue to the industry. A Joint Center for Urban Studies (Harvard/MIT) report points to the potential for this program to significantly increase the number of American families that could qualify for homeownership should the program be broadly subscribed to by the mortgage lending and thrift industries.

Perhaps of equal importance, Energy Rated Homes™ is truly an industry

energy initiative that is a market-oriented, incentive approach to dealing with energy concerns in housing.

With this program, the real estate finance industry has an opportunity to take the lead in developing a private sector approach to dealing with a significant national problem.

## Background

Since 1973, various governmental, legislative and utility efforts have focused on promoting energy efficiency in the housing sector. By and large, mortgage lenders have been philosophically supportive of the national need to conserve energy. Still, several past efforts at incorporating energy efficiency into the market seemed to many in the industry either wrong-headed or inappropriate. Indeed, instead of focusing past efforts on a coordinated market incentive approach to energy efficiency, much time and effort seemed spent on the development of national building energy codes and other such efforts to regulate the market.

It was not until the early 1980s that a true market solution to the problem

was developed. The impetus for such a solution was the agreement on the part of the major secondary market lenders—the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association (Freddie Mac and Fannie Mae)—to allow increased ratio adjustments for homes identified as energy efficient. Such secondary market support gave primary lenders, for the first time, the incentive needed to begin to consider the energy (utility) costs of a home.

It is within this context that lenders with mortgage operations located throughout the western states came together to begin the development of a program to consistently and uniformly consider energy costs in the mortgage loan, appraisal, realty sales and construction processes. The Shelter Industry Energy Rated Homes Program exists due to efforts of numerous industry members who worked in committees to develop relevant materials and procedures.<sup>1</sup>

Industry subcommittees dealing with the underwriting, appraisal, training and marketing issues involved hundreds of industry members and included representatives from government energy agencies in "Shelter Industry Committees." Western states, from Wyoming to Idaho, Oregon and Washington and most recently Alaska, participated. Technical and administrative support was provided by the non-profit Western Resources Institute, an offshoot of the Western Resources Center at the University of Washington in Seattle, Washington. Major financial support for the development of the program came from the Bonneville Power Administration, State Energy Agencies in Washington and Oregon and Pacific Power and Light Company, a utility company with operations throughout the northwest states.

Overall, the program committees provided the input pilot testing for the program, which is now used by 19 major mortgage lenders and is approved by both Freddie Mac and Fannie Mae and actively supported and endorsed by the

*continued*

Twelfth District Federal Home Loan Bank of Seattle in its eight member states.

#### A "common energy language": uniform energy rating

The complex task of developing and testing materials that can now serve as a common energy language for the entire shelter industry took three years. The program includes over 20 linked elements. In the financial sector, materials have been developed that allow appraisers to undertake a reliable energy rating analysis as part of the appraisal process. Uniform Energy Rating Sheets, instructional manuals and training curricula for appraisers have been used and tested in the training of over 400 appraisers. The energy rating (an addendum to the single-family residential appraisal report) uses house types similar to Marshall and Swift's housing categories. The rating forms, which take 20 minutes to fill out, provide the appraiser and the underwriter who reviews the appraisal with a tremendous amount of information not only about the energy characteristics of the house, but also on its possible energy consumption and annual energy costs.



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*James R. Faulstich is president of the Federal Home Loan Bank of Seattle. Prior to that, he was vice president of the National Association of Independent Insurers, Chicago, responsible for legislative and regulatory liaison and policy development, a post he held for eight years. Faulstich is a member of the Steering Committee of the Federal Home Loan Bank Presidents' Conference and a member of the Executive Committee of the Federal Home Loan Bank System Training Center.*

**With this program, the real estate finance industry has an opportunity to take the lead in developing a private sector approach to dealing with a significant national problem."**

Underwriter Committees representing major mortgage lenders and mortgage insurance companies worked with area Mortgage Bankers Associations and Savings Leagues to develop training manuals and curricula useful to lenders. The materials provide underwriters with the information they need to be able to understand the appraisal energy rating addendum and to use the information to make appropriate ratio adjustments for credit-worthy buyers of energy efficient homes. Included in the underwriting training materials are estimates of "typical" or "average" utility costs for each housing type that can be compared with the cost estimates from the energy addendum rating sheet.

However, a uniform energy rating system that could be used successfully within the financial sector of the industry only dealt with part of the problem. A direct link with the consumer was needed. To fully integrate a common energy language within all sectors of the market place, materials and procedures needed to be developed that would allow not only for the "post-sale," energy analysis of a home, but also for a "pre-sale" energy rating. A method was needed for those who wished to market the energy efficiency of a property.

To meet this need, a marketing committee worked closely with the marketing firm of Meyers, Wolfe, Kilgore and Sutter Inc. to develop a comprehensive marketing approach to the consumer.

A consumer research program was launched with the support of the marketing research department of Pacific First Federal Savings and Loan and the Federal Home Loan Bank of Seattle staff. Four focus groups made up of potential homebuyers were held. The results of the market research showed a favorable impression of the program, especially with first-time homebuyers, with strong consumer support for the independent nature of the program. From these sessions, the marketing committee gleaned the information needed to develop an effective, lender-driven consumer marketing program that would allow participating lenders to market their involvement in energy efficient lending practices.

The name of the marketing program is *Energy Rated Homes™*. Participating lenders use a common logo/window decal and point-of-sale materials. This logo and other marketing materials, including joint radio spots and newspaper ads, are now in the planning stages for use in program market areas.

Local and state Boards of Realtors and Homebuilders Associations have also cooperated in supporting education for their members on the significance of The Uniform Energy Rating (there are five levels of rating, from one to five stars—a five-star rating is the highest or most energy-efficient), on how to identify a highly rated home, and on the potential mortgage qualifying benefits available to buyers or sellers of highly energy efficient houses.

Finally, to meet consumer demands for a "pre-sale" rating, a system has been established to provide consumers with an energy rating sheet similar to the appraisal energy addendum. Consumers also receive an energy improvements worksheet that prioritizes the most cost-effective energy improvements in the home, and sellers are given Energy Rated Homes marketing materials for use in the sale of the home. The pre-sale consumer ratings as well as training for energy raters are administered by the Western Resources Institute, which will play a role somewhat

*continued*

similar to Underwriters Laboratory in providing the industry with administrative and technical support for the program.

### Program benefits

While it is apparent that each of the different sectors of the housing industry benefits from the program, committee members felt that a thorough analysis was needed to understand the broader effect of the program, should it be implemented nationwide. To undertake such an analysis, the Joint Center for Urban Studies was commissioned to review the possible benefits of the program.

While the Joint Center study has yet to be completed, the second progress report of the study, issued in late December 1984, shows impressive figures relating to the impact of the program in five major urban mortgage markets around the country. These conclusions, while tentative, suggest a significant benefit to the industry and the home buying public, should the Shelter Industry Energy Rated Homes™ Program be implemented in the areas studied.

Specifically, using 1979 data, the study suggests the widespread adoption of the program in Seattle, Washington, results in a potential increase of 1,765 rental households becoming homeowners in 1979. This represents an increase of 11.1 percent over the actual level of homebuying in Seattle that year (1979).

Similar calculations were prepared for four other metropolitan areas in 1979—Hartford, Connecticut; Houston, Texas; Portland, Oregon; and Chicago, Illinois. Potential new homebuyers ranged from 704 in Hartford (a 26.7 percent increase over actual levels) to 6,335 in Chicago (a 22.5 percent increase). Increases for Portland totaled 2,144 new households and for Houston 3,688 new households. In all four cities, married households whose head is between 25 and 39 years of age are the most affected by the program. In Hartford, Portland and Chicago there ap-

**DAG VON RUDEN,  
DIRECTOR, GROUP CLAIMS.** In a way, Dag Von Ruden is a guide too. He goes into areas of service most insurance companies think are off the beaten path. Like re-opening an investigation into a claim or personally reassuring a widow. "I always tell people there's a face behind every claim form," he says. This attitude is what sets Minnesota Mutual apart. After all, with thousands of claims a month, treating each person individually is harder. But Dag's on the right path.

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pears to be a stronger impact on lower-income groups (\$15,000-\$17,500 and \$17,500-\$20,000) than on higher income households.

While the study is yet to be completed, the benefits identified are impressive not only for their economic impact but also for their social impact in allowing more American families of lower incomes to qualify for home ownership.

In addition to general industry and public benefits there are added benefits for individual sectors of the industry. The integration of a uniform energy rating and evaluation system benefits sellers of existing homes and builders of new energy efficient homes who can use the Uniform Energy Rating in the marketing of homes. Buyers benefit by knowing more accurately the potential costs of energy and the greatest value they can get in housing. Realty brokers and agents also benefit by using the uniform energy rating in the sale of new and used homes, and appraisers benefit by being able to consistently evaluate the market response to energy efficiency in residential property valuation. Underwriters benefit by being able to better estimate the impact of efficiency on the purchaser's long-run ability

to meet mortgage obligations on the property. Lastly, the mortgage and thrift industries benefit by contributing to national energy efficiency, while at the same time providing a program that can help American homeowners, buyers and sellers to more easily own and operate a home.

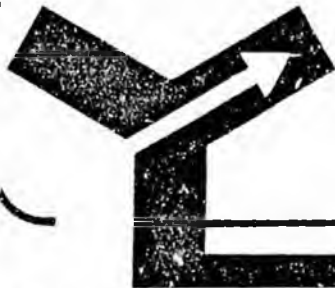
### Future prospects

Although the major training and procedural elements of the program are now in place, the marketing element of the program is now being introduced to homebuyers and sellers in the Seattle and Tacoma, Washington, markets. As mentioned, subscribing lenders become participating members of the Energy Rated Homes™ program. With appropriate marketing support, market research suggests that the homebuying and selling public will come to expect member banks of Energy Rated Homes™ to care about the energy efficiency concerns of new homebuyers and remodelers interested in second mortgage loans. From a lender standpoint, participation means that lenders require a uniform energy rating addendum completed by an appraiser certified in the use of the

*continued*

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## Donaldson, Lufkin & Jenrette

February 25, 1985

uniform rating system. Underwriters, too, are trained with special emphasis on recognizing the impacts of a home's energy characteristic on annual energy costs.

Undertaking the implementation of the program requires coordinated efforts among industry participants. It is in this area that state and local Mortgage Banking Associations and Savings Leagues need to be especially active. For although the Shelter Industry Program is one of the very few that is a "win-win" for all sectors of the housing and finance industries, to be successful it needs the leadership and guidance of the mortgage finance industry.

A lender's responsibility goes beyond bottom-line issues. He or she must also look to developing non-regulatory and voluntary models for helping achieve broader goals. The Harvard and M.I.T. Joint Center research indicated that this program can provide significant benefit to the mortgage banking and thrift industries. But beyond these are the benefits that come from helping promote national energy efficiency needs, while at the same time (as an industry) cooperatively helping to make housing more affordable for American families. The end result of this effort can only be positive. Providing consumers with more information about their choices in housing will create a better informed buyer and a more efficient marketplace. □

<sup>1</sup>Besides the authors, among those involved in the program are Lawrence Connel, former Administrator of the National Credit Union Administration and now President of Washington Mutual Savings Bank; Jack Creighton Jr., President, real estate division for Weyerhaeuser-Shelter Division; Harry Pryde, immediate past President of the National Association of Homebuilders; the late Jim Frank, former President of the Society of Real Estate Appraisers; John Ellis, President of Puget Sound Power and Light; Robert Golliver, President of Washington Natural Gas; Doris Anderson, Vice President Oregon Association of Realtors and national board member for the National Association of Realtors (NAR); Lyn Gaines, Vice President, Washington Association of Realtors and a national board member for NAR.

# Home Financiers Need Their Own Energy Rating System

by Gerald J. Levy

**A**t a time when many issues divide the housing finance industry, there is at least one subject—energy—that is bringing national leaders of savings institutions, secondary mortgage market firms, private mortgage insurance agencies, mortgage bankers, real estate salespeople, and builders together into a common effort.

The effort, called Energy Rated Homes™, is aimed at the adoption of a uniform energy evaluation and rating system for use in real estate sales and mortgage lending. Not only the nation at large, but also the housing finance and related industries and companies, will benefit from the system through increased sales and loan volume.

The national steering committee is co-chaired by Kenneth J. Thygeson, chief executive officer, Imperial Corporation of America, San Diego, California, and John Teutsch Jr., chairman and chief executive officer, Rainier Financial Services, Seattle, Washington. The committee also includes the current or past presidents or chairmen of major industry trade associations, secondary mortgage market organizations, two federal home loan banks, and many other leading primary lenders, builders, and realty executives.

## Background and Support

Why are so many of those in the business of housing America concerned with energy conservation at a time when energy prices have fallen, interest rates are down, and the national spotlight seems to be focused elsewhere? The answer is simple: just as interest rates are bound to rise sooner or later, so too are energy prices. And when that happens, the housing finance and related industries need to be in a much better position than they are

in today to gauge the effects—both positive and negative—that rising energy costs will have on home ownership.

Those of us who remember the oil prices of the late 1970s and early 1980s perceive a clear need for a trusted, uniform standard by which to evaluate a home's energy efficiency. The number of government-run, utility-sponsored, and private energy programs in the country is mind-boggling. Most of us in housing finance have opted to stay out of the issue entirely rather than deal with the myriad rules and regulations associated with different programs. The result is a tremendous number of energy-related programs created and aimed at the home mortgage and real estate sales industries, and very few, if any, programs generated within the housing finance industry as a whole.

The Energy Rated Homes coalition of secondary and primary lenders, mortgage insurers, real estate professionals, and builders set out to design a workable method of incorporating energy efficiency that would be industry controlled and tailored to meet our needs for a non-biased, nonregulatory, standard system. Beginning in 1981, through the efforts of the Society of Real Estate Appraisers' chapter in Seattle, Washington, and secondary market representatives of federal and other agencies, a system was developed that would incorporate an energy factor into every aspect of real estate sales and mortgage lending.

Four components make up the system: a technical energy rating form for use

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*Gerald J. Levy, past chairman of the United States League of Savings Institutions, is chairman of Guaranty Savings & Loan Association, Milwaukee, Wisconsin.*

(with regional climate and utility cost adjustments) as an addendum to the standard appraisal required by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac); training materials for underwriters, loan officers, appraisers, and real estate agents; marketing materials, including television and radio spots, for use by participating real estate companies, builders, and lenders; and public information materials for use in marketing or sales.

The system, now in the initial stages of operation at test sites in Vermont, Arkansas, and Alaska, is administered jointly by the 30-member steering committee and the Western Resources Institute, a non-profit spinoff from the University of Washington (Seattle). As the project moves forward, a national foundation will be formed to take over long-term administration and operation.

## Using Energy to Make Loans

The Energy Rated Homes system allows the thrift industry, for the first time, to use energy considerations comprehensively and consistently in underwriting and marketing loans. How? Participating lenders—along with participating realty companies, builders, and multiple listing services—offer home buyers an energy evaluation and improvements analysis as part of the loan package. (The home buyer pays a fee for the service.)

The energy evaluation looks at a number of features: the insulation of the ceilings, floors, walls, and windows; caulking and weatherstripping; solar energy use or potential use; and the hot-water, heating, and cooling systems. Each of these is rated for efficiency on a 1-to-100-point scale; then the house is given an overall

energy efficiency rating on a 1-to-5-star scale, with 5 stars meaning high efficiency.

The analysis also supplies an estimate of the annual energy cost of a house. The difference between that cost and comparable average energy costs for the area translates the house's energy efficiency into dollars saved per month. That figure can be used to justify expanded debt-to-income and debt-to-payment ratios for energy-efficient homes, under the rationale that purchasers of energy-efficient properties will have increased residual income from their energy cost savings that can be applied to the loan. For example, to qualify for a fixed-rate, 30-year \$108,000 mortgage at 12 percent, with a loan-to-value ratio of 90 percent, a would-be buyer of a house with a two-star rating would have to have a monthly gross income of \$4,949. If the house's rating were five stars, that would-be buyer would qualify for the loan with a monthly gross income of \$4,650.

The improvements analysis can be used to justify energy improvement loans—either incorporated with the mortgage or as a seller buydown—that can make the home buyer eligible for the expanded qualifying ratios. Energy Rated Homes program operators—usually nonprofit entities set up for the purpose—provide reinspection services to participating lenders to certify that the improvements have been completed and that the dwelling does indeed meet the energy-rating level needed to justify the higher debt-to-income ratio.

### Benefits to the Industry

Lenders can use the plan to help draw energy-conscious home buyers to them, to help qualify trade-up and refinancing customers for larger loans, to help low-income, first-time buyers qualify for homes they normally would not qualify for, and to attract customers for home improvement loans that can be used to improve the energy efficiency of the borrower's home. And lenders need not fear having to keep such loans in portfolio. Although secondary market ratios have tightened somewhat for standard mortgages, both Fannie Mae and Freddie Mac have energy loan policies that allow lenders to use the Energy Rated Homes sys-

tem. (Fannie Mae's policy allows a 2 percent increase in the debt-to-income ratio, while Freddie Mac's policy allows up to a 4 percent increase.) Secondary market lenders also allow the escrowing of energy loan funds so that energy improvements can be made up to 120 days after closing.

The creation of a standard energy-rating system means that rationality has entered debate on the issue. The value of conservation measures can be clear to all. The potential sales benefits from rationalizing the system, for example, are quite impressive. A recent analysis, commissioned by the Federal Home Loan Bank of Seattle and undertaken by the Joint Center for Housing Studies at Harvard and the Massachusetts Institute of Technology, found a potential increase in qualifying first-time buyers ranging from 11 percent to 21 percent in five U.S. cities (Chicago, Illinois; Hartford, Connecticut; Houston, Texas; Portland, Oregon; and Seattle, Washington). And the reach of the program is broad: the report notes significant possible benefits not only for first-time buyers, but also for trade-up buyers and low-income renters who are potential buyers.

### Operating the System

The pilot programs in Vermont, Alaska, and Arkansas are a significant step toward national implementation. They also suggest a pattern for other states.

In the three test cases, the initiative came from either state housing finance agencies or state energy agencies, which have provided seed money. Oversight and implementation support for the program comes from voluntary Energy Rated Homes steering committees in each state.

The Energy Rated Homes of Alaska steering committee, for example, is made up of leaders representing the thrift, mortgage banking, building, real estate sales, and appraisal industries. The committee also includes the director of the Alaska Housing Finance Agency and representatives of public utilities. The steering committee's role is to help Energy Rated Homes local and national staff educate the housing industry about the project; assist in the selection of program operators (in Vermont, for example, the Vermont Housing Finance Agency is con-

sidering operating the program as a general service to the housing industry); help the operator to recruit lenders, realty companies, builders, and multiple listing services; and provide oversight to ensure the success of the effort.

The Energy Rated Homes operator markets the system to the housing industry; assists the industry with consumer marketing efforts; and ensures quality control of ratings provided to consumers either through the lender, the lender's appraiser, or the operator's own ratings and improvement worksheets. The operator works with local multiple listing services and monitors the classified sections of local newspapers to integrate information about the energy-rating system into these important consumer information vehicles.

### What Thrifts Can Do

Thrifts can be tremendously helpful in the effort to standardize the approach to energy in the mortgage loan process. First, as the system expands into new areas, thrift organizations can endorse the effort at the national level and encourage state savings leagues to become involved in establishing it. State leagues may wish to initiate the program themselves by contacting their respective state housing finance agencies, energy agencies, or the program's national staff in Seattle. Second, thrifts can join the Energy Rated Homes system when it is introduced in their market areas and begin using the system to qualify more buyers.

The Energy Rated Homes system is a winner for all involved. The thrift industry wins because it can qualify more families for home ownership. Realty professionals and builders win because they can use the system to their advantage in selling both older homes that have been renovated for energy efficiency and newer homes, which are, generally speaking, more energy efficient than existing housing. Buyers win because the system means that they can qualify for homes that will cost less to heat in the winter and cool in the summer. And everybody wins because an alliance of housing development and housing finance enterprises is working cooperatively to make better housing more affordable for more Americans. □

Energy Rated Homes of Alaska  
P.O. Box 100420  
Anchorage, AK 99510



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The Uniform System of Evaluating and Rating Home Energy Efficiency.

ENERGY RATED HOMES  
ALASKA  
STEERING COMMITTEE

September 18, 1987

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Alaska Pacific Mortgage Co.

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Fred Ferrara  
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Sr. Vice President-Real Estate Admin.  
Alaska National Bank of the North

Dee Turner  
Executive Officer  
Alaska Association of Realtors

Stuart Watkins  
President  
Anchorage Board of Realtors

Clay Porter  
118 E. International Airport  
Anchorage, AK 99518

Dear Mr. Porter,

The following materials are enclosed for your review and use during the upcoming board meeting for the Energy Related Homes of Alaska. This meeting is scheduled for October 7, 1987 at 1:30 p.m.

- Draft Letter from ERH of Alaska to Commissioner Hoffman
- Marketing Proposal
- Assignment of WRI Contracts to ERH of America
- Highlights from ERHA meeting of August 19, 1987

An agenda for the next meeting will be mailed to you with a reminder of the time and place. Should you have any questions, please contact my office. I look forward to seeing you there.

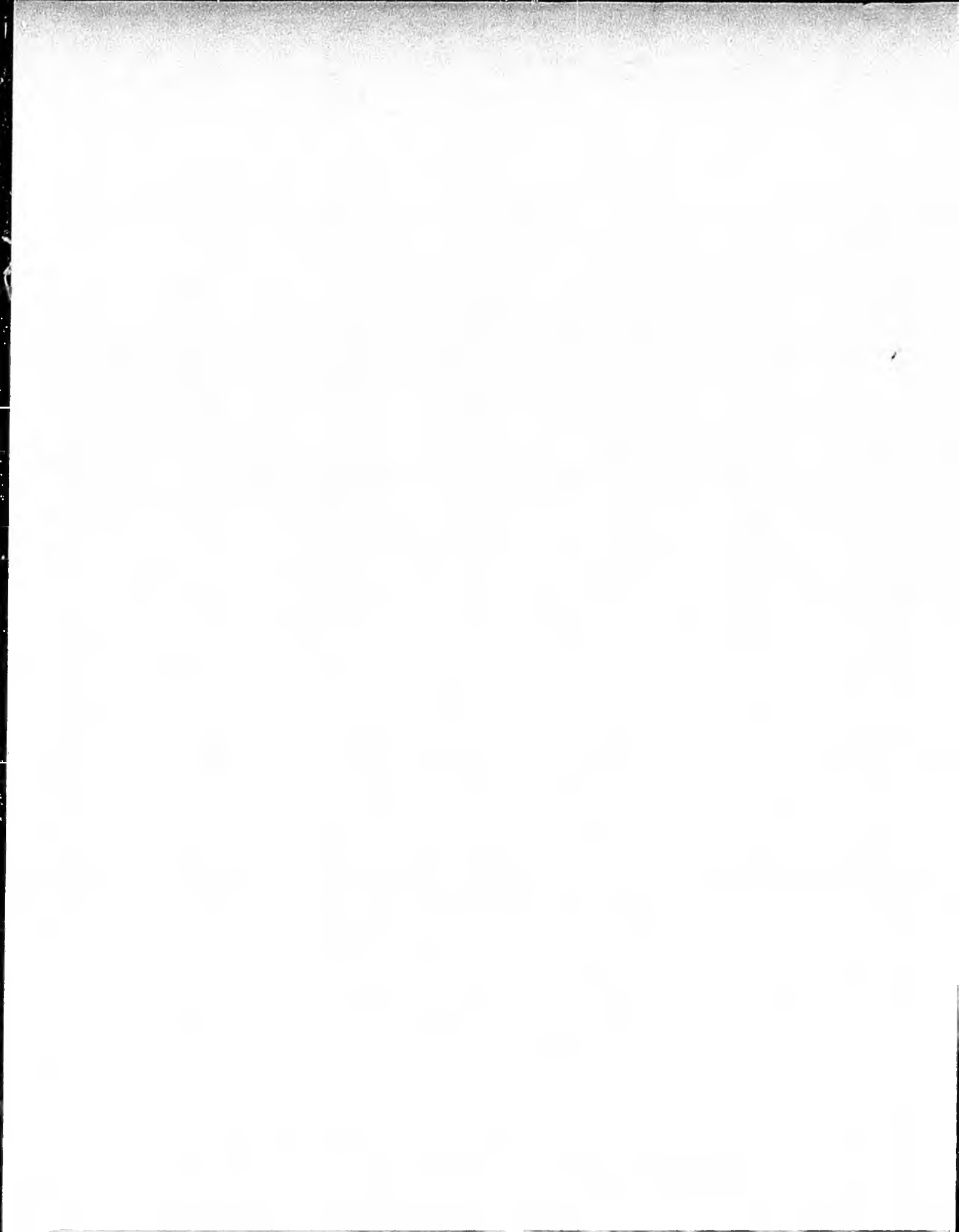
Sincerely,

*Randy T. Boyd*  
Randy Boyd  
Chairman

RB:kw

Enclosures

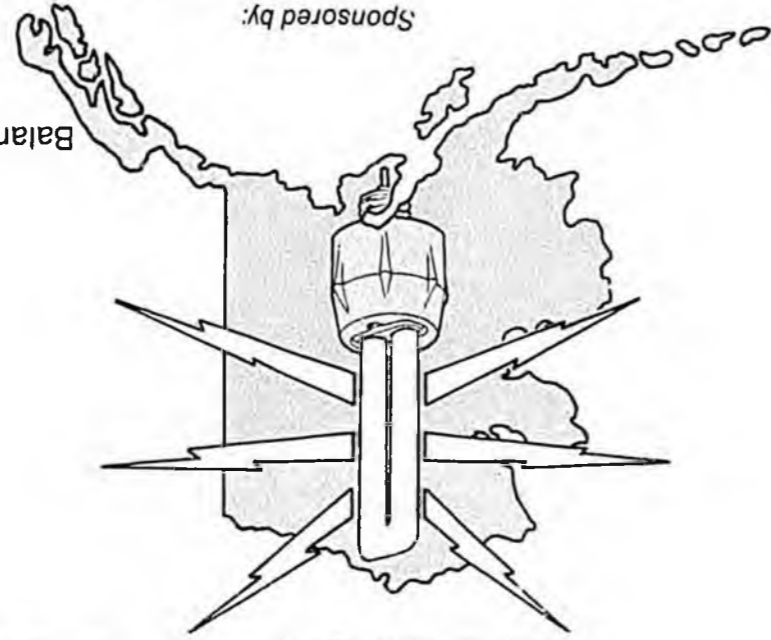
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Seattle, WA 98145-1477





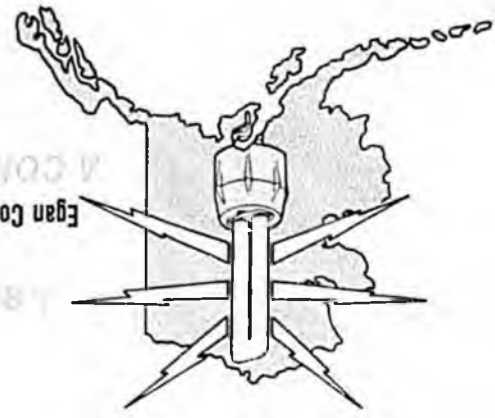
Balancing supply and demand side options in planning for a stable energy future. Alaska looks at the issues.

**October 26-27, 1987**  
**Egan Convention Center**  
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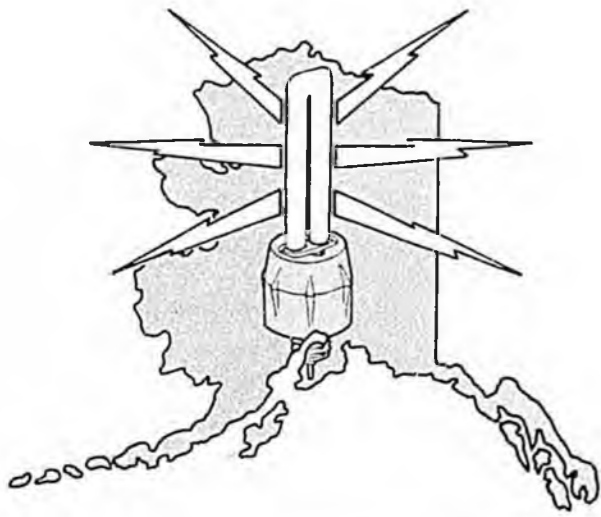


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 Planning



*Least-Cost Planning*

**October 26-27, 1987**  
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**CONFERENCE OBJECTIVES**

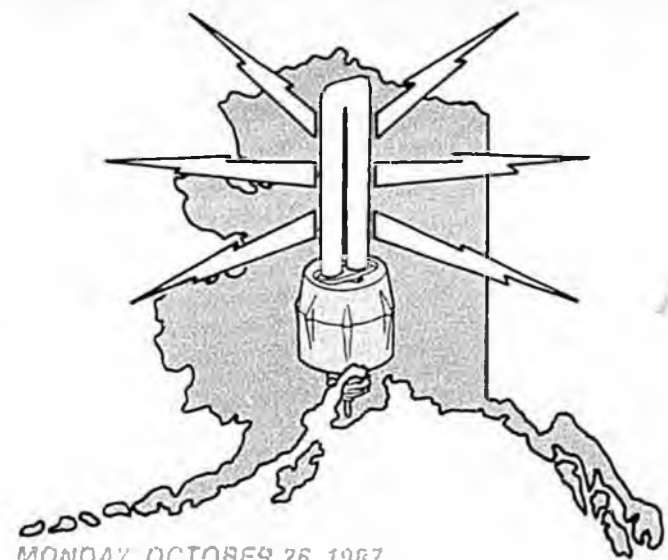
- Define least-cost planning and what it entails for the utility, the regulatory agency, and the consumer.
- Provide insights and experience on what works and what doesn't.
- Introduce utility planners to perspectives on integrating demand side options into utility resource plans.
- Provide an opportunity for utility, government and consumer representatives to meet formally and informally to discuss experiences and issues.
- Explore the pertinence of a least-cost planning process in Alaska, which has relatively small, public and cooperative utilities, unique electrical distribution systems, and a current surplus capacity.

**LEAST-COST PLANNING**

Least-cost electrical planning strategies have gained considerable attention throughout the country as a means of balancing supply and demand side options in designing a stable energy future. Utilities in states ranging from Alabama to Wisconsin have undertaken demand side strategies through a least-cost planning process. The strategy enables utilities to consider programs which promote electrical efficiencies on an equal basis with new generation capacity. How useful are least-cost planning strategies to Alaska? The purpose of this conference is to define what least-cost planning is, and to examine its relevance to Alaskan utility planning. We have invited representatives of utilities and regulatory agencies, as well as energy analysts, who have been involved in least-cost planning to share their experiences and concerns. In addition, their Alaskan counterparts will discuss what applications there are for Alaska.

**WHO SHOULD ATTEND**

- Utility General Managers and Planners
- Utility Board Members
- Regulatory Commissioners and Staff
- State and Local Agency Staff
- Energy Specialists
- Consumers
- Legislators
- Utility Consultants
- Public Interest Groups



# Least-Cost Planning

October 26-27, 1987

Egan Convention Center  
Anchorage, Alaska

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## SPEAKERS (continued)

**Mark Levine: Deputy Program Leader, Energy Analysis Program, Lawrence Berkeley Laboratory.** Mr. Levine represents a program which is funded by the Department of Energy to create a national data base on the cost-effectiveness of demand-side options, and to disseminate this information. This program is responsible for the development of analytical tools for evaluating demand-side and supply-side programs and for integrating them to find least-cost solutions to future electric needs.

**Eric Hirst: Energy Analyst, Oak Ridge National Laboratory.** Mr. Hirst has worked with utilities to integrate supply and demand-side programs. He was most recently a consultant to Puget Power and Light in Washington.

**Larry Hobart: American Public Power Association**

**Larry Lewis: Electric Power Research Association**

## 1200 a.m. LUNCH

## 1:00 p.m. "LEAST-COST PLANNING FROM THE REGULATORY PERSPECTIVE"

Panel discussion involving members of public utility commissions from several states that have developed different styles of least-cost planning regulation.

## MODERATOR:

**Susan Knowles: Commissioner, Alaska Public Utilities Commission**

## SPEAKERS:

**Steven Wiel: Commissioner, Nevada Public Service Commission.** In 1983, the State of Nevada enacted a Utility Resource Planning Act which requires major electric utilities to submit fully-integrated, long-range resource plans every two years to the PSC, demonstrating that all aspects of their future energy needs have been considered. Mr. Wiel, as one of three commissioners responsible for plan evaluation and enforcement, is in great demand as a speaker who will realistically present the "highs and lows" of this law from the regulatory perspective.

**Paul Galen: Manager, Policy Analysis and Research Division, Illinois Commerce Commission.** In 1985, the Illinois General Assembly revised the Illinois Public Utilities Act to require least-cost energy planning by electric and natural gas utilities. The ICC was given the authority to determine the precise form, scope and content of the plans. Mr. Galen has been responsible for conducting hearings and workshops to identify the issues of greatest importance in the design and implementation of the least-cost planning process. His final report includes conceptual, methodological content, procedural and policy considerations.

**Jerry Mendl: Director, System Planning, Wisconsin Public Service Commission.** Mr. Mendl has been involved in the regulatory aspect of Wisconsin's long range utility resource planning legislation since its adoption in 1975. He has drafted a least-cost planning primer for state regulatory agencies, soon to be published by the National Association of Regulatory Utility Commissioners.

**Jim Lazar: Consulting Economist, Olympia, Washington.** Mr. Lazar has completed studies on utility rate reform, resource allocation and energy conservation program design. He has appeared as an expert witness before numerous utility regulatory commissions in the Pacific Northwest. Of particular interest is his work on the role of utility conservation programs during a period of surplus capacity.

Monday, October 26 (continued)

**2:00 p.m. CONSUMER'S ROLE IN LEAST COST PLANNING**  
Panel discussion on the role consumers can play in developing least-cost planning programs.

## MODERATOR:

**Phil Bohman: Executive Director, Alaska Public Interest Research Group (APIRG)**

## SPEAKERS:

**Jon Wallinhorst: Nevada Consumer Advocate.** Mr. Wallinhorst is responsible for representing utility ratepayers before the state public service commission and other state and federal agencies. He drafted the Utility Resource Planning Act which Nevada enacted in 1983.

**Fred Schwartz: Scenario, Ontario, Canada.** Mr. Schwartz started and managed the Remote Power Unit for the Ministry of Energy in Ontario, including the province's small hydro program, wind and diesel hybrid program, remote housing, and demand-side efficiency programs. He produced the first Canadian remote community energy data base, and has been involved in diesel efficiency programs, and the development and marketing of energy efficient programs for communities, government and institutions.

**Paul Markowitz: Energy Conservation Coalition**

## 3:45 p.m. BREAK

## 3:00 p.m. UTILITY PLANNING IN ALASKA

A panel discussion on the Alaska experience in utility planning.

## MODERATOR:

**Robert Hatten: President, Board of Directors, Matanuska Electric Association**

## SPEAKERS:

**Richard Newland: General Manager, Chugach Electric Association**

**Brad Reeve: President, Board of Directors, Kotzebue Electric Association**

**David Stone: Vice President, Alaska Electric Light & Power Company**

**Robert Le Resche: Executive Director, Alaska Power Authority**

**Ted Moninski: Executive Director, Alaska Public Utilities Commission**

**Joel Rothberg: Staff Attorney, Alaska Consumer Advocacy Program**

## HOTELS

There are many hotels in close proximity to the conference site. The Sheffield Anchorage Hotel will offer a government rate of \$54/night to conference participant. The hotel is located within easy walking distance of the Egan Convention Center. To make reservations, call (907) 276-7676, and be sure to say you are participating in the State of Alaska Least-Cost Planning Conference and want the government rate.

4:00 p.m. DOES THIS MAKE SENSE IN ALASKA?

This panel will synthesize the general concepts of least-cost planning and Alaska utility planning experience, in an attempt to evaluate the role least-cost planning could have in Alaska.

## MODERATOR:

**Mary Kallahan: Director, Division of Policy, Office of the Governor**

## PANELISTS:

**Peg Tleston: Member, Board of Directors, Chugach Electric Association**

**Phil Kaluza: Member, Board of Directors, Nome Joint Utility Systems**

**Jeff Bohman: Executive Director, Alaska Public Interest Research Group**

**Steve Shows: Member, Board of Directors, Glacier Highway Electric Association**

**Ronald Bergh: Member, Board of Directors, Golden Valley Electric Association**

**Carolyn Guess: Chairperson, Alaska Public Utilities Commission**

**Neil Davis: Chairman, Alaska Power Authority Board**

**David G. Hoffman: Commissioner, Alaska Department of Community and Regional Affairs**

**Kay Brown: Alaska State Representative**

**Steve Frank: Alaska State Representative**

**Jack Coghill: Alaska State Senator**

## 6:00 p.m. RECEPTION

Hosted by the Alaska Rural Electric Cooperative Association

TUESDAY, OCTOBER 27, 1987

**"LEAST-COST PLANNING — A HANDED-ON APPROACH"**  
In-depth exploration of issues raised in the first day's session.

**A. "Utility Experience"** How to set up and implement a utility least-cost planning process.

**B. "Analytic Tools For Least-Cost Planning"** Noted national utility analysis introduce methodologies of least-cost planning.

**C. "Regulatory Experience"** How to incorporate least-cost planning considerations into the regulatory process.

MONDAY, OCTOBER 26, 1987

7:45 a.m. OPEN REGISTRATION

8:45 a.m. WELCOME & OPENING REMARKS

**David G. Hoffman, Commissioner**  
Department of Community & Regional Affairs

9:30 a.m. **Larry Lewis: "Perspectives on Utility Planning — Issues and New Directions."** Mr. Lewis is a Senior Project Manager for the Energy Management and Utilization Division at Electric Power Research Institute in Palo Alto California. EPRI was founded in 1972 by the nation's electric utilities to develop and manage a technology program for improving electric power production, distribution and utilization. Mr. Lewis has experience and expertise in demand side and market planning programs in both the private and the public sector. He will give a historical perspective on utility planning, and define least-cost planning.

9:30 a.m. KEYNOTE ADDRESSES

**"DIFFERENT PATHS TOWARDS IMPLEMENTATION OF LEAST-COST PLANNING"**

**Larry Hobart: "Utility Initiated Least-Cost Planning Programs."** Mr. Hobart is Executive Director of the American Public Power Association, an organization of publicly owned electric utilities throughout the U.S. He has spoken on the concept of least-cost planning before Congress and at utility conferences nationwide.

**Paul Markowitz: "State-Chartered Least-Cost Planning Strategies."** Mr. Markowitz is State Program Coordinator with the Energy Conservation Coalition in Washington, D.C. In this capacity, he promotes least-cost electrical planning at the state level, as well as strong federal conservation policies.

10:00 a.m. BREAK

10:15 a.m. **"LOOKING AT LEAST-COST PLANNING FROM A UTILITY PERSPECTIVE"**

Panel discussion involving utility managers and analysts who are actively dealing with least-cost planning strategies, either through their own initiation or because of state legislation.

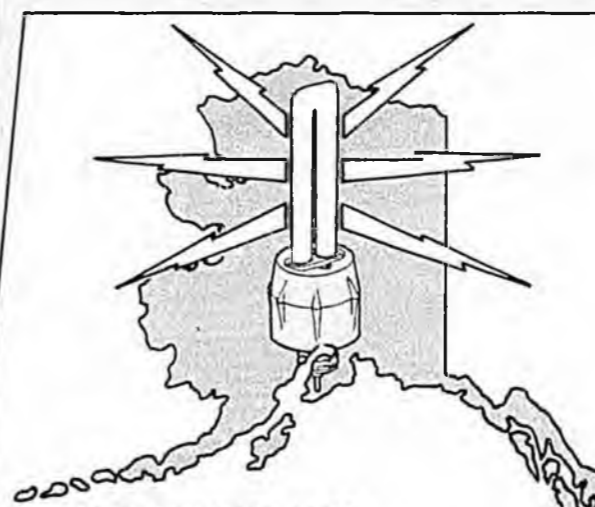
## MODERATOR:

**David Hultehjem: Executive Director, Alaska Rural Electric Cooperative Association (ARECA)**

## SPEAKERS:

**Mark Dillon: Board Member, Snohomish Public Utility District, Everett, Washington.** Snohomish is a publicly owned, winter-peaking utility that is currently integrating least-cost strategies into their planning process. Mr. Dillon is chairman of a committee, composed of utility staff, board members, and consumers, that is addressing the implementation of these strategies.

**Jim Eddy: Manager, Navapache Electric Cooperative, Lakeside, Arizona.** Mr. Eddy has been responsible for many innovative load management programs including budget-billing, off-peak rates, weatherization and heat-pump loans. Navapache Electric Cooperative is participating in the Western Area Power Association "utility matching" program, sharing its experiences with other similar utilities.



## Least-Cost Planning

October 26-27, 1987  
Egan Convention Center  
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**PRE-REGISTRATION:**  
NOTE: The Conference is free, but there is limited seating available.

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**RETURN BY OCTOBER 15 TO:**

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Anchorage, AK 99508

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Referred: Community & Regional  
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5-1191A

Funding Information  
General Fund \$7,965,000  
Other Funds -0-  
\$7,965,000

BY ELLIS, KOPONEN, MENARD,  
ULMER, DAVIDSON, LARSON  
AND DAVIS

1 IN THE HOUSE

2

HOUSE BILL NO. 319

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making special appropriations for the Alaska energy efficient home program; and providing for an effective date."

7

8

9

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

10

\* Section 1. The sum of \$1,615,000 is appropriated from the general fund to the University of Alaska, cooperative extension service, for preparation and implementation of the Alaska energy efficient home program and for instrumentation and data base development for the program.

11

12

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14

\* Sec. 2. The sum of \$1,400,000 is appropriated from the general fund to the University of Alaska for development of a portable, instrumented test shelter and for research activities of the Alaska energy efficient home program that have been approved by the board of directors of the program.

15

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\* Sec. 3. The sum of \$450,000 is appropriated from the general fund to the Department of Community and Regional Affairs to develop and distribute educational information for the general public regarding the Alaska energy efficient home program.

20

21

22

23

\* Sec. 4. The sum of \$4,500,000 is appropriated from the general fund to the Alaska energy efficient home equity fund (AS 44.47.370) in the Department of Community and Regional Affairs for the purposes of the fund.

24

25

26

\* Sec. 5. The appropriations made by this Act lapse into the general fund June 30, 1992.

27

28

\* Sec. 6. This Act takes effect on the effective date of an Act passed by the Fifteenth Alaska State Legislature that establishes the Alaska Home Equity Fund.

29

HB0319A

-1-

HB 319

## LOAN PROGRAM FOR NEW HOMES DRAFT 9/10/87

Contact: Don Markle  
Cooperative Extension Service  
2221 E. Northern Lights Suite 240  
Anchorage, Alaska 99508

### Program Description

- Zero interest loans are given to people who build new homes to standard set by the Alaska Craftsman Home Program and have those homes certified to meet those standards.
- Lending Limits for new home loans may not exceed the lesser of
  1. \$6,000; times the regionalization factor as determined by the State Weatherization program or
  2. \$2.50 x the Houses Heated interior Square Footage times the regionalization factor.
- On September 1, 1991 the lending limits will change to
  1. \$4,500 x regionalization factor; or
  2. \$1.87 x the Houses Heated interior square footage x the regionalization factor.
- Loans are only eligible for permanent homes greater than 600 square foot in size.
- Loan Terms for New Homes are that the loan is due upon sale, title transfer or refinancing of the home. Alternatively the homeowner may choose to pay the loan back in a 15 year amortization.
- Dispersment of proceeds to be upon presentation of Alaska Craftsman Home Certificate and registration.
- Assumptions will be allowed on 15 year amortized loans only.
- Subordination requests will be considered if the amount subordinated plus the loan amount is less than the assessed tax value of the property.
- All loans will be secured by a Deed of Trust against the property receiving the improvements.
- Refinancing is allowed only under the 15 year amortization program otherwise loans come due.
- The project must be completed and ready for inspection 120 days after loan is closed. Inspection will be done by Energy Rated Home Program to ACHP standards for new homes. The standard requires an air leakage test below 1.5 air changes an hour at 50 Pascals, ventilation certification that mechanical ventilation will supply 1/2 air change per hour and a 95% or higher rating in the energy rated home program.
- The builder must have received training in the Alaska Craftsman Home Program prior to construction.
- Alaska Craftsman Home Program standards are regionalized.

## LOAN PROGRAM FOR RENOVATION OF HOMES — DRAFT 9/10/87

Contact: Don Markle  
Cooperative Extension Service  
2221 E. Northern Lights Suite 240  
Anchorage, Alaska 99508

### Program Description

- Zero interest loans are given to people who renovate homes to new state thermal standards and have those homes certified to meet those standards by the Alaska Craftsman Home Program .
- Loans for renovation of existing homes may not exceed the lesser of
  1. \$10,000 times the regionalization factor for the area as determined by the State weatherization office.
  2. an amount, as determined by the actual cost of labor and materials for each category, which is documented by invoices, bids or contract; or
  3. an amount, as determined by an acceptable energy improvement payback calculation, which is equal to the total estimated energy savings attributable to the energy conservation improvement over a fifteen-year period following the purchase, construction, or installation of the energy conservation improvement.
- Loans are only eligible for permanent homes greater than 600 square foot in size.
- Loan Terms for New Homes are that the loan is due upon sale, title transfer or refinancing of the home. Alternatively the homeowner may choose to pay the loan back in a 15 year amortization.
- 50% of loan proceeds will be disbursed to the applicant as documented and supported by labor and material estimates submitted when the loan application is approved. This documentation must clearly describe the items being purchased. In addition, within 180 days after the loan has been approved the applicant must produce a certification of renovation from the Energy Rated Home Program certifying that renovation has met minimal state thermal standards, ventilation requirements and infiltration standards, the State will then disperse the remaining 50% of the loan proceeds.
- Assumptions will be allowed on 15 year amortized loans only.
- Subordination requests will be considered if the amount subordinated plus the loan amount is less than the assessed tax value of the property.
- All loans will be secured by a Deed of Trust against the property receiving the improvements.
- Refinancing is allowed only under the 15 year amortization program otherwise loans come due.

P.O. Box 101020, Anchorage, Alaska 99510

TO: ALL SELLER/SERVICERS

DATE: November 21, 1986  
(Memo #86-42)

FROM: Dr. Ronald D. Lehr *RL*  
Executive Director

Betty M. Cook *BMC*  
Mortgage Operations Director

MORTGAGE DEPARTMENT

Seller/Service Memo #86-42  
November 21, 1986  
Page 3

Changes

- 2. Energy Efficiency Evaluation/Underwriting  
Contact: Wayne Mundy, Review Appraiser

If a property is energy efficient, higher income ratios may be allowed. The underwriter should include in the loan submission (or purchase package for delegated files) a copy of the Rating Sheet completed by an appraiser or agent approved by Energy Rated Homes of Alaska. The underwriting analysis by the Seller should consider the impact utility charges have on the borrower's ability to meet their financial obligations, in particular the monthly housing expense. An energy efficient property results in lower utility charges allowing the borrower to apply more income to the housing expense, thereby allowing higher ratios. When underwriting a loan secured by property that is rated Good or above, the following percentages may be added to the allowable income ratios.

|                          |            |
|--------------------------|------------|
| Good to efficient rating | 1% maximum |
| Very efficient rating    | 2% maximum |

*Fred die map up to 4 1/2 % max  
Fannie up to 2 1/2 %*

If the Approximate Annual Energy Costs compared against the Benchmark Utility Costs indicate the homeowner will save an exceptional amount of money each month because of reduced utility costs, the lender may choose to use the alternate formula below to calculate the maximum ratio adjustment. In no event may the maximum ratio adjustment exceed 2%.

$$\left( \frac{\text{Net Monthly Energy Savings}}{\text{Gross Monthly Income}} \right) - \$50 = \text{Maximum Ratio Adjustment}$$

Only appraisers, underwriters, and agents trained and approved by Energy Rated Homes of Alaska will be considered acceptable for preparing any related documentation for ratio adjustments. The list of approved participants must be obtained from Energy Rated Homes of Alaska.

FOR USE ONLY AS ENERGY ADDENDUM TO STANDARD APPRAISAL REPORT (FHLMC/FNMA)

# ENERGY RATED HOMES RATING SHEET

The Uniform System of Evaluating and Rating Home Energy Efficiency and rated as follows:

The potential energy efficiency of this house is evaluated and rated as follows:

TRI LEVEL WITH 1/2 SLAB  
TRI LEVEL WITH CRAWLSPACE

The Uniform System of Evaluating and Rating Home Energy Efficiency  
©1985 Western Resources Institute

Use in: South Central Alaska

File No. B 11711

State AK

City Wasilla



1893

CEILING CHECK HOUSE TYPE

|               | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 4 | LEVEL 5 |
|---------------|---------|---------|---------|---------|---------|
| CEILING       | 0.0     | 21.0    | 23.0    | 24.0    | 24.5    |
| WALLS         | 0.0     | 15.0    | 16.5    | 17.0    | 17.5    |
| FLOOR         | 0.0     | 19.5    | 20.5    | 21.0    | 21.5    |
| FLOOR/CEILING | 0.0     | 2.5     | 3.0     | 3.5     | 4.0     |
| WINDOWS       | 0.0     | 6.0     | 7.0     | 8.5     | 11.0    |
| AIR LEAKAGE   | 0.0     | 5.5     | 7.0     | 10.0    | 19.0    |
| AIR LEAKAGE   | 0.0     | 7.0     | 7.0     | 16.5    | 20.0    |

SQUARE FEET

17  
23  
8.5  
8.5  
13.5

Use E in Step 4

72 E + S  
Use for Step 7 & 9 with Energy Use Table in Appendix D

2 HEATED FLOOR AREA  
Includes basement when basement is heated and lived in

3 ENVELOPE EFFICIENCY  
or how well the living space keeps heat in.

4 SOLAR GAIN  
or how well the living space is heated by sunlight

5 COOLING ENERGY  
Not included in rating for this region

6 WATER HEATER

7 SPACE HEATING EFFICIENCY

8 UNIFORM ENERGY RATING\*

9 ENERGY PURCHASED\*

10 EFFICIENT on appraisal form

Prevention of Overheating

Location of water heater:

Prevention Measures

Fuel Type:  electric  gas  oil

Select correct table by using E + S score

WATER W

COOLING C

SPACE HEATER H

4.5

76.5

76.5 RATING

WRI 801 388

Disclaimers: Although every effort has been made to provide accurate information, the appraiser is not responsible for any errors made on the part of the client or the appraiser.

ENERGY PURCHASED: Gas 23, Electric 19, Oil 406.25

EFFICIENT on appraisal form

ENERGY COST: \$1177, \$754, \$1931

TOTAL APPROX ANNUAL ENERGY COST: \$1177

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**



# RATING SHEET

B 11711

The Uniform System of Evaluating and Rating Home Energy Efficiency.

©1986 Westerm sources Institute

The potential energy efficiency of this house is evaluated and rated as follows:

**1 TRI LEVEL WITH 1/2 SLAB  
TRI LEVEL WITH CRAWLSPACE**

Use in: South Central Alaska

Year built: \_\_\_\_\_ File No: \_\_\_\_\_  
 Loan no: \_\_\_\_\_  
 Borrower: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: WASILLA State: AK Zip: \_\_\_\_\_  
 Census tract: \_\_\_\_\_ Map Reference: \_\_\_\_\_  
 Tax parcel no: \_\_\_\_\_  
 Lender/client: \_\_\_\_\_  
 Previous Serial Number: \_\_\_\_\_ Date: \_\_\_\_\_  
 Energy Rater: \_\_\_\_\_ Date: \_\_\_\_\_  
 Appraiser: \_\_\_\_\_ Date: \_\_\_\_\_

**2 HEATED FLOOR AREA** 1898 SQUARE FEET  
 Includes basement when basement is heated and lived in.

**3 ENVELOPE EFFICIENCY** or how well the living space keeps heat in.

| CHECK HOUSE TYPE     | LEVEL 1 | LEVEL 2 | LEVEL 3     | LEVEL 4     | LEVEL 5 |             |
|----------------------|---------|---------|-------------|-------------|---------|-------------|
| CEILING W. SLAB      | 0.0     | 21.0    | 23.0        | 24.0        | 24.5    |             |
| CEILING W. CRAWL     | 0.0     | 15.0    | 16.5        | <u>17.0</u> | 17.5    | <u>17</u>   |
| WALLS                | 0.0     | 19.5    | <u>23.0</u> | 25.0        | 25.5    | <u>23</u>   |
| FLOOR W. SLAB        | 0.0     | 2.5     | <u>3.0</u>  | 3.5         | 4.0     |             |
| FLOOR W. CRAWL       | 0.0     | 6.0     | <u>8.5</u>  | 10.0        | 11.0    | <u>8.5</u>  |
| WINDOWS              | 0.0     | 5.5     | 7.0         | <u>8.5</u>  | 9.5     | <u>8.5</u>  |
| AIR LEAKAGE W. SLAB  | 0.0     | 7.0     | <u>13.0</u> | 16.0        | 19.0    |             |
| AIR LEAKAGE W. CRAWL | 0.0     | 7.0     | <u>13.5</u> | 16.5        | 20.0    | <u>13.5</u> |

Use E in Step 4  
**TOTAL** 70.5 **E**  
 ENVELOPE

**4 SOLAR GAIN** or how well the living space is heated by sunlight

| South Window Area | Mass For Heat Storage | 26.  | 55.  | 69. | 76.        |     |
|-------------------|-----------------------|------|------|-----|------------|-----|
| 30 sq.ft. NO      |                       | 3.5  | 2.0  | 1.5 | 1.0        | 1.0 |
| 60 sq.ft. NO      |                       | 7.0  | 3.5  | 2.5 | 2.0        | 2.0 |
| 90 sq.ft. NO      |                       | 10.0 | 5.0  | 4.0 | 3.0        | 2.5 |
| 120 sq.ft. NO     |                       | 13.0 | 6.0  | 4.5 | 4.0        | 3.0 |
| 60 sq.ft. YES     |                       | 0.0  | 4.0  | 3.0 | <u>2.5</u> | 2.5 |
| 120 sq.ft. YES    |                       | 0.0  | 6.5  | 5.0 | 4.0        | 3.5 |
| 180 sq.ft. YES    |                       | 0.0  | 9.0  | 7.0 | 5.5        | 5.0 |
| 240 sq.ft. YES    |                       | 0.0  | 11.0 | 8.0 | 6.5        | 5.5 |

SCORE is zero for no solar gain  
72 **E + S**  
 Use for Step 7 & 9 with Energy Use Table in Appendix D  
1.5 **S**  
 SOLAR

**5 COOLING ENERGY** Not included in rating for this region

Prevention of Overheating:  
 Overheating not a problem  
 Overheating possibly a problem  
 Overheating is a problem

Prevention Measures:  
 Window shading or roof overhangs  
 Ventilation through opening windows  
 Mechanical ventilation or cooling device

N/A **C**  
 COOLING

**6 WATER HEATER**

Location of water heater:  inside  unheated basement, crawl space or garage  outside

| LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 4 | LEVEL 5 |
|---------|---------|---------|---------|---------|
| 0.0     | 0.5     | 1.5     | 2.0     | 3.0     |

Fuel Type:  electric  gas  oil

φ **W**  
 WATER

**7 SPACE HEATING EFFICIENCY**

Select correct table by using E + S score from Step 4

| E + S less than 25 |      |      | E + S greater than 25 |            |      |
|--------------------|------|------|-----------------------|------------|------|
| LOW                | MED  | HIGH | LOW                   | MED        | HIGH |
| 0.0                | 13.5 | 23.5 | 0.0                   | 4.0        | 6.5  |
| 0.0                | 16.0 | 27.0 | 0.0                   | <u>6.5</u> | 7.5  |
| 0.0                | 16.0 | 0.0  | 0.0                   | 4.5        | 0.0  |
| 0.0                | 19.5 | 33.0 | 0.0                   | 5.5        | 9.5  |

Wood Fuel:  
 Primary fuel (no other heating system, see Appendix E)  
 Secondary

Energy Efficient Devices:  
 Automatic setback thermostat  
 Zoned thermostat control  
 Other energy saving devices

Gas utility (name) ENSTAR Electric utility (name) MEA

4.5 **H**  
 SPACE HEATER

**8 UNIFORM ENERGY RATING\*** This is an energy efficiency potential rating which rates the potential of this house to use energy efficiently assuming average size and typical energy use

| 0-13          | 14-17 | 18-29 | 30-43     | 44-58          | 59-72 | 73-79 | 80-85 | 86-88 | 89-99 |
|---------------|-------|-------|-----------|----------------|-------|-------|-------|-------|-------|
| ★             | ★★    | ★★★   | ★★★★      | ★★★★★          | ★★★★★ | ★★★★★ | ★★★★★ | ★★★★★ | ★★★★★ |
| BELOW AVERAGE | FAIR  | GOOD  | EFFICIENT | VERY EFFICIENT |       |       |       |       |       |

Appraisers use word rating (eg. EFFICIENT) on appraisal form.

**TOTAL SCORE** (E + S + C + W + H)  
76.5  
**RATING**

**9 ENERGY PURCHASED\***  
 Energy Use (Use E + S from Step 4 and Appendix D) - Purchased Energy  
 Efficiency (see table on this page or Appendix E)

| MBtu/yr - Efficiency                     | Gas           | Electric  | Oil |
|--|---------------|-----------|-----|
| Space Heating: <u>211</u> - <u>0.6</u>   | <u>351.47</u> |           |     |
| Garage Heating (see Energy Use Table)    | <u>19</u>     |           |     |
| Water Heating: <u>23</u> - <u>0.65</u>   | <u>35.38</u>  |           |     |
| Light & Appliances (see Appendix F)      |               |           |     |
| <b>Total Energy Purchased (MBtu/yr):</b> | <u>406.85</u> | <u>25</u> |     |

**10 ENERGY COST\***  
 Purchased Energy X Cost (see Appendix F) = Energy Cost

|  |                    |                      |                   |
|--|--------------------|----------------------|-------------------|
| Total gas                                | <u>406</u> MBtu/yr | <u>2.40</u> \$/MBtu  | <u>1177</u> \$/yr |
| Total electricity                        | <u>25</u> MBtu/yr  | <u>30.15</u> \$/MBtu | <u>754</u> \$/yr  |
| Total oil                                |                    |                      |                   |
| <b>TOTAL APPROX. ANNUAL ENERGY COST:</b> |                    |                      | <u>1931</u> \$/yr |

\* The estimated energy cost for this house is to be used for comparison only. Actual use will be higher or lower from this estimate depending upon occupants use, weather conditions and utility rates in effect at the time.

# Efficiency Descriptors for Rating Each Building Component

Use to Complete Corresponding Sections on Front (Reverse) Page  
(Detailed Descriptors in Desk Manual, Appendix A, B, and C)

Applicability: South Central Alaska (Anchorage area)

### 3 ENVELOPE EFFICIENCY

R-Values shown here are for the insulation only. See Appendix C of the Desk Manual for thickness of various insulation types.

|   | LEVEL 1                      | LEVEL 2                     | LEVEL 3  | LEVEL 4  | LEVEL 5   |
|---|------------------------------|-----------------------------|--|--|---|
| CEILING                                       | R-0                          | R-19                        | R-30   | R-38   | R-60  |
| WALL Above Grade                              | R-0                          | R-11                        | R-19   | R-25   | R-31  |
| WALL Concrete Above Ground or as a Foundation | R-0                          | R-5                         | R-10   | R-15   | R-20  |
| FLOOR Exposed                                 | R-0                          | R-11                        | R-19   | R-30   | R-38  |
| FLOOR Slab On Grade                           | R-0                          | R-5                         | R-10   | R-15   | R-20  |
| WINDOWS                                       | single metal                 | double metal                | double wood or equiv.  | triple or equiv.   | quad or equiv.  |
| AIR LEAKAGE                                   | Leaking, no weatherstripping | Some weatherstripping (W/S) | Careful W/S and some caulking. Has wall and attic infiltration barriers and attic entry. | Careful W/S and caulking. A careful continuous infiltration barrier plus switch plate gaskets and attic entry. | Level 4 plus ventilation control equipment and an arctic entry. |

### 6 WATER HEATER

| LEVEL 1            | LEVEL 2   | LEVEL 3  | LEVEL 4  | LEVEL 5   |
|--------------------|---|--|--|---|
| Standard unwrapped | Low flow fixtures or flow restrictors installed | Wrapped, or Energy Efficient, or "demand" water heater | Level 3 plus pipes wrapped, heat trap and bottom board installed | Level 4 plus either heat pump water heater or solar preheater |

WATER HEATER EFFICIENCY (for use in Step 9)

#### NATURAL GAS

0.60 Old, installed before 1975  
0.65 New, more efficient, installed after 1975  
0.90 Instant "demand"

#### ELECTRICITY

1.00 Typical water heater  
1.00 Instant "demand"

#### OIL

0.65 Typical

### 7 SPACE HEATER EFFICIENCY

#### HEATING SYSTEMS

#### SEASONAL EFFICIENCY\*

#### ± ADJUSTMENTS =

#### TOTAL ADJUST EFFICIENCY

#### HEATING SYSTEM EFFICIENCY LEVELS

|  |  |  |  |   |  |
|--|--|--|--|---|--|
| Natural Gas  | 0.85 Forced Air Systems: Pulse/Condensate (90%)*                             | Subtract for thickness of duct insulation<br>0" 1" 3"<br>- .10 - .05 - 0.0<br><br>+ .10 elect. ignition (on old) | .60  | .85 High<br>.80 High<br>.75 High<br>.70 Medium<br>.65 Medium<br>.60 Medium<br>.55 Low<br>.50 Low<br>.45 Low |  |
|  | 0.80 Recuperative (85%)  |  |  |   |  |
|  | 0.75 Draft Induction (80%)   |  |  |   |  |
|  | 0.70 New, after 1970 w. elect. ignit. (75%)                                  |  |  |   |  |
|  | 0.65 '75-'80 w. electronic ignition (70%)                                    |  |  |   |  |
|  | 0.60 old, before 1975 (65%)  |  |  |   |  |
| 0.55 conversion into old system (60%)  | Subtract for thickness of pipe insulation<br>0" 1/2" 1"<br>- .10 - .05 - 0.0 |  |  |   |  |
| 0.85 Hydronic Systems: New Boiler (after 1980) (90%)*                                |  |  |  |   |  |
| 0.70 Old boiler (before 1980) (75%)  |  |  |  |   |  |
| 0.55 Old cast iron (50%)   | Subtract for thickness of duct insulations<br>0" 1" 3"<br>- .10 - .05 - 0.0  | _____  | above 1.0 High<br>1.00 Medium<br>0.95 Medium<br>.90 Low<br>.85 Low<br>.80 Low  |   |  |
| Electricity  |  |  |  | Subtract for thickness of duct insulation<br>0" 1" 3"<br>- .10 - .05 - 0.0                                  |  |
| 0.85 Central forced air  |  |  |  |   |  |
| 0.95 Radiant panels or cables  |  |  |  |   |  |
| 1.00 Baseboard (air convection, oil or water filled, or individual forced air units) |  |  |  |   |  |
| 1.50 Heat pump, air-to-air installed before 1980                                     |  |  |  |   |  |
| 1.70 Heat pump, air-to-air, installed after 1980                                     | Subtract for thickness of pipe insulation<br>0" 1/2" 1"<br>- .10 - .05 - 0.0 |  |  |   |  |
| 1.95 Heat pump, ground source  |  |  |  |   |  |
| Oil  |  | 0.90 Forced Air Systems: Condensate (95%)  | Subtract for thickness of duct insulation<br>0" 1" 3"<br>- .10 - .05 - 0.0<br><br>+ .05 Delay timer<br>+ .05 Vent damper<br>+ .10 retention burner (on old)<br>- .05 for unmaintained<br><br>Subtract for thickness of pipe insulation<br>0" 1/2" 1"<br>- .10 - .05 - 0.0<br>+ .10 retention burner (on old) | _____   | .90 High<br>.85 High<br>.80 High<br>.75 Medium<br>.70 Medium<br>.65 Medium<br>.60 Low<br>.55 Low<br>.50 Low<br>.45 Low |
|  |  | 0.80 New with flame retention burner (85%)   |  |   |  |
|  |  | 0.70 after 1975 w/o retention burner (75%)   |  |   |  |
|  | 0.65 Old, before 1975 (70%)  |  |  |   |  |
|  | 0.60 Very old, before 1965 (65%)   |  |  |   |  |
|  | 0.80 Hydronic Systems: Boiler w. retention burner (after 1975) (85%)         |  |  |   |  |
| 0.65 Old boiler (before 1975) (70%)  |  |  |  |   |  |
| Wood   | See Appendix E   |  |  |   |  |

The efficiency numbers on the far left are the seasonal efficiencies that take into consideration the cycling on and off of the furnace, jacket loss, and average seasonal variations. The numbers in parenthesis are the "steady state" efficiencies that are for use as a reference only.

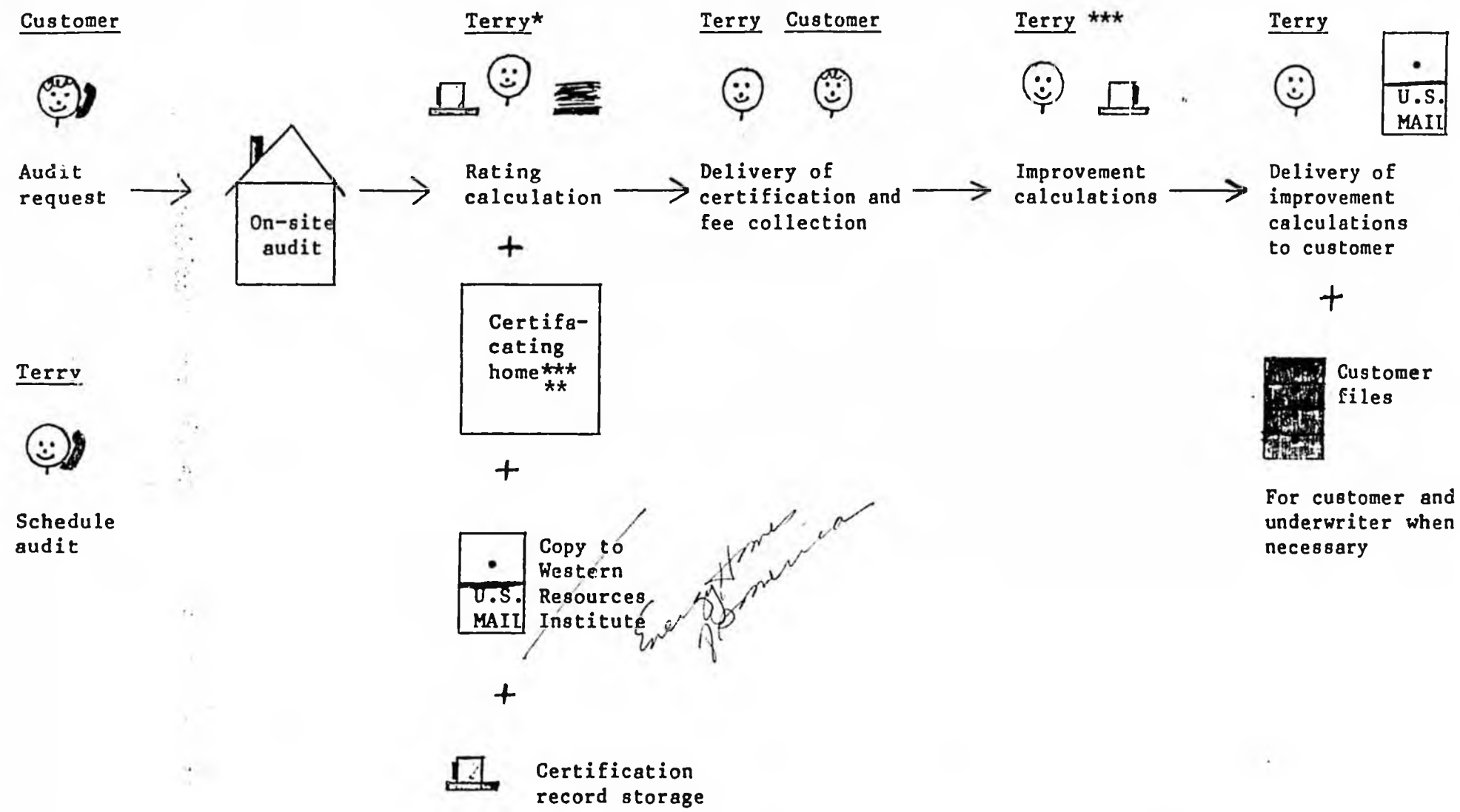
### 9 LIGHTS AND APPLIANCES

| Square Feet Heated Floor Area | MBtu/yr |
|-------------------------------|---------|
| Less than 1500                | 22      |
| 1500 to 3500                  | 25      |
| over 3500                     | 30      |

### 10

NOTE: In high wind areas, the annual cost estimate may be slightly higher than that given in Step 10 as a result of the wind's impact on the home's heating load.

**ENERGY RATING PROCESS  
DIRECT TASKS PAID FOR BY \$165 RATING FEE**



\* Quality control audits of real estate appraiser and builder rating site visits required on 10% of homes.

\*\* Receive real estate appraiser calculations and record certifications.

\*\*\* Improvement ratings on real estate appraiser calculation require Terry to do an on-site visit prior to doing improvement calculations.

## Check out Alaska's Craftsman Home plan

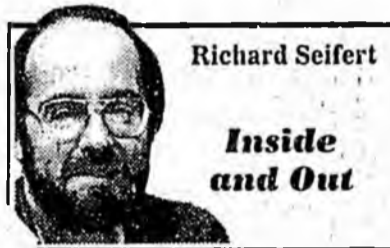
Last year in February I described a relatively new construction education program that was a cooperative effort of the Extension Service, state Department of Community and Regional Affairs, and the Alaska State Home Builders Association. This program was designed to educate builders and owner-builders about the best available technologies for building energy efficient, affordable, healthful homes for Alaskans. It has had a year of experience now under its belt, and I thought I would take this opportunity to bring you up-to-date on what's happening with that program.

In October of 1987, the 24 volunteer trainers who give the workshops in teams of two, were brought together in Anchorage to criticize the first year of the program, air their grievances, laud their successes, and generally try to improve the educational program for the next year.

With the state financial and housing situation what it is, one of the problems the program has is money. The funding for the program's operation comes from Exxon Overcharge Monies, a very special pot of funds from which the Energy Extension Service and energy conservation programs in Alaska are funded this year. The Alaska Craftsman Home Program is one of those that qualifies for that program. However, most of that money will disappear by fiscal 1990. Consequently the Alaska Craftsman Home Program is going to the Legislature to ask for an appropriation, one time only, to fully develop its four-phase program.

Phases one and two, which involved educating the trainers and then going out and actually publishing a manual and building an educational network, have been well accomplished. A continuation of the two-day ACHP workshop is anticipated over the next few months for Fairbanks.

The program has made rather valiant progress in the face of the very difficult housing and financial climate which the state presently faces. More than 200 people have taken the ACHP workshops in communities all around the state from Ketchikan to Barrow. Several Alaska Craftsman qualifying houses have been built, although since certification and record-keeping on the fuel use of these houses is part



of Phase 3, there really isn't a track record established for how well these homes do yet. One of the things that the funding request to the Legislature will do is to allow Phase 3 to proceed and to establish all the performance records of the program for the future.

One of the problems the program has had to face is how to motivate builders and owner-builders to build to a voluntary goal of energy efficiency in the face of increasing costs and decreasing markets, while at the same time repossession homes for much cheaper values are becoming increasingly available. The attitude we present is one of optimism: we believe the only product that is going to sell a new home this year is something that is new and improved.

That, the Alaska Craftsman Home is. It includes an integral ventilation system, usually with air-to-air heat exchange, and a high integrity air vapor barrier with very low air leakage, which can only be achieved successfully and hopefully in combination with the ventilation system. It also includes very high levels of insulation, top quality windows and good site considerations and "climatically tuned" insulation levels. That means that a house in Ketchikan which is an Alaska Craftsman Home is not the same house that is an ACHP home in Fairbanks.

It's a difficult time to be promoting a construction and energy-efficiency building program. Oil costs are modestly increasing, interest rates are on the rise, and the market in Alaska is abysmal. However, we do believe there are people out there in the market who want and will buy a better quality, energy-efficient home if, in fact, it doesn't cost any more to the purchaser or the contractor. In order to accomplish this, the ACHP program proposes a \$5,000 incentive program per house to cover the incremental costs of building to the Alaska Craftsman Thermal Efficiency goal.

# Taylor

- DESIGN
  - REMODELS
  - ADDITIONS
- Larry Taylor

LICENSED & BONDED  
AA8622  
(907) 338-7880  
2028 OTTER  
ANCHORAGE, ALASKA 99504

UNIVERSITY OF ALASKA FAIRBANKS

Cooperative Extension Service

Donald R. Markle  
*Extension Energy Agent  
Anchorage District*



2221 E. Northern Lights Blvd., Suite 240,  
Anchorage, AK 99508-4143 (907) 279-5582



GREGORY L. JONES  
President

Alaska Diversified Properties, Inc. • (907) 243-5400  
P.O. Box 190769 • 4100 W. International Airport Road • Anchorage, Alaska 99519-0769

S B

3 2 1

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL 5 day rule waived 1/13/88

Date of 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

\*\*FISCAL NOTE(S) ATTACHED \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

1/11/88 DATE TURNED INTO OFFICE 1/13/88  
Mr. President:

C&RA Committee considered SB 321

supplemental appropriation to the Organization Grant Fund for  
payment as an organization grant to the Aleutians East Borough; efd

and recommended:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tim Kelly

Rick Halford

Paul J. Zharoff

Melvin Szymanski

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Ardis Stugorlenki Do Pass.  
Chairman signature and recommendation

Committee Backup Attached

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

January 12, 1988

## POSITION PAPER

RE: Senate Bill 321

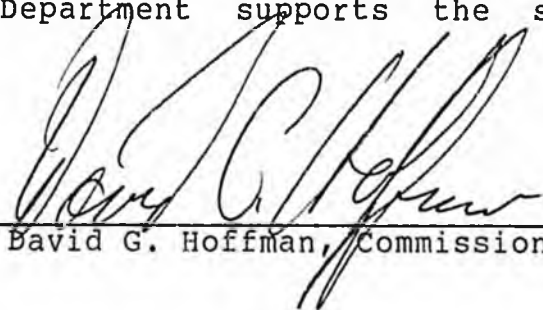
SPONSOR: Zharoff

### Program Effects of Bill

The Organization Grant Fund is established in the Department of Community and Regional Affairs under AS 29.05.200. AS 29.05.190 provides that a newly incorporated borough is entitled to receive an organizational grant of \$300,000 for its first year of existence, of \$200,000 for its second year, and of \$100,000 for its third year of existence. On October 6, 1987, the residents of the Aleutians East Borough voted in favor of borough formation. The election was certified on October 23, 1987. This bill would appropriate money to the Organization Grant Fund for the payment of an organization grant to the Aleutians East Borough.

### Comments

While a request for this funding will be made in the Governor's supplemental budget request, the borough is in need of these organizational funds. The Department supports the speedy passage of this appropriation.

  
\_\_\_\_\_  
David G. Hoffman, Commissioner

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

May 1, 1987

STEVE COWPER, GOVERNOR

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

The Honorable Willie Hensley  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

Dear Senator Hensley:

RE: RESPONSE TO LEGISLATIVE FINANCE SUBCOMMITTEE QUESTIONS

Pursuant to the Senate Finance Subcommittee's questions regarding municipal organization grants, there follows a synopsis of the programs status and an update of the potential incorporations during Fiscal Year 1988.

State law provides financial entitlements to newly formed cities and boroughs "to defray the cost of transition to (municipal) government and to provide for interim government operations". Newly formed cities are entitled to \$75,000 (\$50,000 for the first full or partial fiscal year of existence, plus \$25,000 for the second fiscal year - AS 29.05.180). Newly formed boroughs are entitled to \$600,000 (\$300,000 for the first full or partial fiscal year, \$200,000 for the second fiscal year and \$100,000 for the third fiscal year - AS 29.05.190).

The FY 88 budget proposal presently includes \$100,000 for municipal organizational grants. This appropriation would be exhausted with its intended use as the final (third year) organization grant payment to the Northwest Arctic Borough.

There appears to be significant potential for at least two new municipalities to be formed during FY 88. These are the City of Big Lake and the Aleutians East Borough. If incorporated during FY 88 they would be entitled to FY 88 organization grants in the amount of \$50,000 and \$300,000, respectively. Each would be qualified for further funding after FY 88.

In addition, potential exists for other municipal incorporations. These include the prospective cities of Atka, Coffman Cove, Meadow Lakes, and Pilot Point. However, given the current status of these proposals, experience suggests that probably no more than one will incorporate during the next 15 months. Of course, at this point in time there is no way to ensure that any of the proposals to incorporate will be successful.

The Honorable Willie Hensley  
May 1, 1987  
Page Two

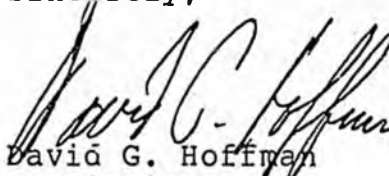
An increase of funding for the organization grant component from \$100,000 to \$500,000 would likely permit full funding of municipal organization grant entitlements during FY 88. This would permit payments for the final organization grant to the Northwest Arctic Borough (\$100,000), plus the first year grants to the Aleutians East Borough (\$300,000), the City of Big Lake (\$50,000) and one other city (\$50,000).

While state statutes require the Department of Community and Regional Affairs to annually estimate the organization grant entitlements during the upcoming year, the mechanism for doing so is not very practical. AS 29.05.200 requires the Department to make these estimates before August 31 of each fiscal year for the next fiscal year. The estimate for FY 88 was required before August 31, 1986. As of that date, the Department had no indication that any of the prospective municipalities discussed above might be formed during FY 88.

Therefore, it may be prudent to amend the law governing such matters (AS 29.05.200) to provide a more practical mechanism for estimating future organization grant entitlements. One alternative which would seem to be more effective would be for the Department to provide the estimate of the grant entitlements for the next fiscal year directly to the House and Senate Finance Committees by the 45th day of each regular session.

I hope this responds to your questions regarding the Organizational Grants Component. Please do not hesitate to contact us should you require additional information.

Sincerely,

  
David G. Hoffman  
Commissioner

cc: Senator Paul A. Fischer  
Senator Arliss Sturgulewski

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
TIM KELLY, Vice Chairman  
RICK HALFORD  
MIKE SZYMANSKI  
FRED ZHAROFF



P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4989

## Senate Community and Regional Affairs Committee

January 12, 1988

*More & ask U.C. waive 5 day rule in SB321*

### SCHEDULE

Tuesday, January 12, 1988

SB 321 - "An Act making a supplemental appropriation to the Organization Grant Fund for payment as an organization grant to the Aleutian East Borough; and providing for an effective date."

Thursday, January 14, 1988

No Meeting

② All meetings in the Butrovich Room, 3:30pm - 5:00 pm

① Please  
rule.

*Unfinished Business  
request waiver of 5 day*

# Alaska State Legislature

ARLISS STURGULEWSKI, Chairman  
TIM KELLY, Vice Chairman  
RICK HALFORD  
MIKE SZYMANSKI  
FRED ZHAROFF



P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4989

## Senate Community and Regional Affairs Committee

TO: Senate C&RA Committee

January 12, 1988

FROM: Senate C&RA Staff

A handwritten signature in dark ink, appearing to be "MEL".

RE: SB 321 - "An Act making a supplemental appropriation to the Organization Grant Fund for payment as an organization grant to the Aleutians East Borough; and providing for an effective date."

State law provides for a \$300,000 organization grant to new boroughs. Last year the Aleutians East Borough was formed after the budget was passed. The budget contained intent language instructing DC&RA to request a supplemental for any new local government formed in FY '88.

SB 321 would fund the first year's organization grant. The Governor's proposed budget contains the funding for the second year grant as required by law.

The City of Sand Point is currently fronting the borough's cost pending passage of this supplemental.



**SENATOR FRED F. ZHAROFF**  
**ALASKA STATE LEGISLATURE**

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

**MEMORANDUM**

**TO:** Senator Arliss Sturgulewski, Chair  
Senate Community & Regional Affairs Committee

**FROM:** Senator Fred F. Zharoff *F. Zharoff*

**DATE:** January 11, 1987

**SUBJ:** Scheduling of Committee Hearing for SB 321

Senate Bill 321, "An Act making a supplemental appropriation to the Organization Grand Fund for payment as an organization grant to the Aleutians East Borough; and providing for an effective date" was introduced today under my sponsorship and referred to the Community & Regional Affairs Committee with an additional referral to the Finance Committee.

As you are aware, the Aleutians East Borough was created by approval of the voters in that region last October. This election establishes the borough during fiscal year 1988. Under AS 29.05.190(a)(1) a newly formed borough is entitled to a grant of \$300,000 for the borough's first full or partial fiscal year of incorporation for transitional expenses.

In addition, the Department of Community & Regional Affairs is requesting \$200,000 in their FY 89 budget proposal for the second year of the borough's incorporation.

Therefore, I respectfully request scheduling of a committee hearing on SB 321 at your earliest possible convenience in order to expedite these funds being made available to the borough to defray their transitional expenses.

My staff will prepare back-up information for the committee's use in their deliberations. Thank you and please give me a call if you have any questions regarding this request.

# DEPARTMENT ISSUES DRAFT REPORT ON NEW BOROUGH

The Department of Community and Regional Affairs has sent out for review a draft of its report and recommendations on the proposed incorporation of the Aleutians East Borough.

The new borough would include the communities of Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon, Port Moller, and Sand Point. As proposed, it would contain about 27,022 square miles, including the area from Stroganof Point and Stepovak Bay on the Alaska Peninsula to and including Akutan Island. (See the adjacent map.)

A final report is expected to come out of DCRA to the Local Boundary Commission by mid-June, with reviewers and local citizens having the opportunity to contact the Local Boundary Commission with their comments or to speak up or ask questions at informational meetings in Sand Point, King Cove, and Cold Bay next week. (See the meeting notice elsewhere in these pages.)

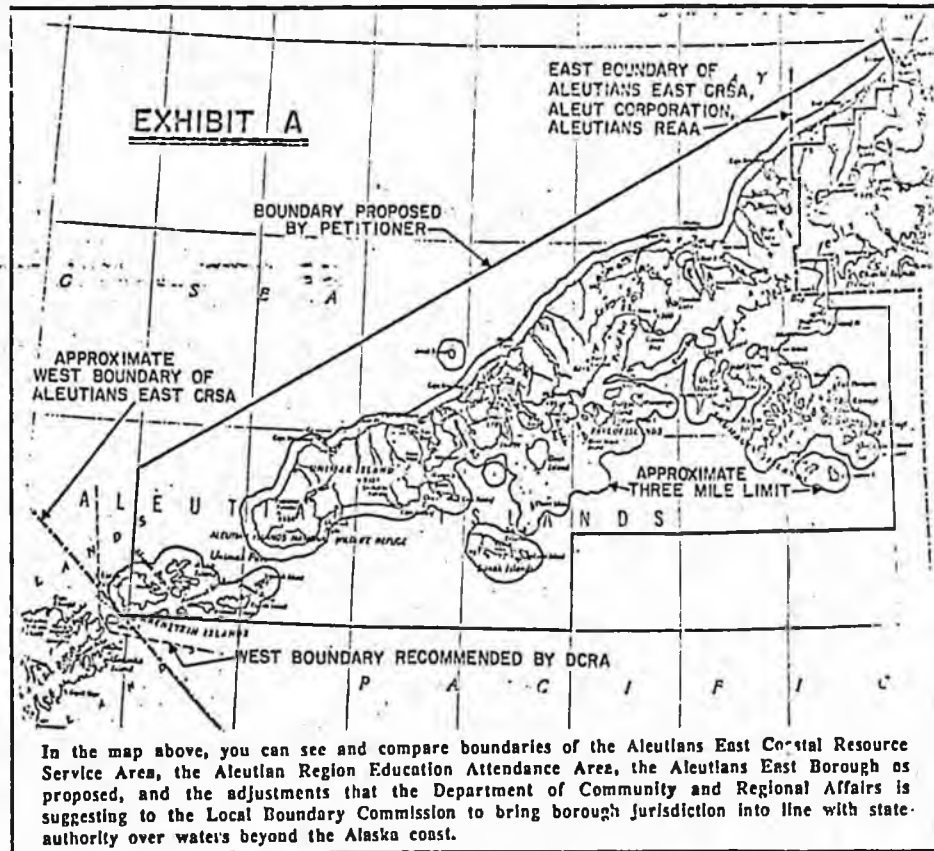
As well as recommendations, the report, required by law, includes the petitioners' reasons for wanting to incorporate and an evaluation of the petition against standards and regulations that must be met if incorporation is to be allowed, should the voters approve.

The petitioners see more local support and more options in terms of boundaries for a borough formed from local initiative as opposed to one that may be mandated for them. They believe as a borough, residents will be better able to raise the required local funding under the new foundation formula for education than would the cities within the unorganized borough. With a local government of local citizens, the interests of residents can best be served; they will have a strengthened and unified voice in dealings with state and federal governments; and the plans and decisions affecting them will be based on knowledge of the local realities.

After having evaluated the petition, staff of DCRA conclude that if incorporated, the new borough would meet the standards of having a population interrelated and integrated as to its social, cultural and economic activities and being large and stable enough to support borough government. They accept the existing land, water, air and telecommunications facilities as sufficient to allow the communication and exchange necessary for the development of integrated borough government.

The department also concludes that the economy of the area includes the human and financial resources capable of providing municipal services. In reaching this conclusion, consideration was given to the area's land use patterns, property values, total economic base, total personal income, resource and commercial development, anticipated functions, and expenses and income of the proposed borough. Further, the department concludes that there are sufficient anticipated revenues to maintain and operate, at a minimum, the mandatory powers of the proposed second class borough government; the estimates of revenue included in the petition for incorporation appear to be conservative, yet realistic.

The borough has said it will impose an area-wide sales tax of 2 percent upon



raw fish only and does not intend to promote imposition of a borough property tax. DCRA notes in its report that the new borough will face transition delays in receipt of many of its sources of income, and will have to rely principally upon the proceeds from its proposed sales tax and expected Coastal Management Program grant for initial operating funds.

In terms of boundaries, DCRA finds that, all factors considered, the boundaries proposed by the petitioners

and discussions contained in the report, the department recommends that, because approximately 60 percent of all borough revenues anticipated by the petitioners will be generated by the annual proceeds of the proposed sales and use tax, the petition be approved by the Local Boundary Commission with the stipulation that the proposed sales and use tax levy be submitted to the voters at the time the incorporation proposition is presented, and that incorporation be made dependent upon the passage of the tax

publicly noticed by the petitioners.

4. The department holds at least one public information meeting in the area proposed for incorporation.

5. The department submits a report and recommendation to the LBC on the proposed incorporation. (Above, the draft of that report has been described.)

6. The LBC holds a public hearing in the area proposed for incorporation.

7. Within 90 days of the public hearing, the LBC makes a decision to accept or reject the petition or to accept the petition with amended boundaries.

8. If approved by the LBC, the Director of the Alaska Division of Elections is notified and orders an election to determine whether borough formation shall occur, to elect initial borough officials, and (if appropriate) to provide an opportunity for voters to grant the assembly authority to impose a sales tax.

9. In compliance with Federal Voting Rights Act requirements, the department sends the incorporation proposal and proposed date of the election to the U.S. Department of Justice for approval.

10. The local election is held by mail-in ballot or conventional method (whichever is selected by the Division of Elections in accordance with AS 15.20.800) on the date ordered by the Alaska Division of Elections.

11. The election is certified and, if approved by a majority of voters, the department issues a certificate of incorporation for the new borough.

**Public Hearings  
PROPOSED INCORPORATION  
ALEUTIANS EAST BOROUGH**  
Anchorage, King Cove, Cold Bay and Sand Point, Alaska  
**JUNE 9, 11, AND 12 1987**

Anchorage June 9, 1:30 P.M. Anchorage MRAD Conference Room (Room 404)  
949 E. 36th Avenue

Sand Point June 12, 7:00 P.M. Sand Point Municipal Building  
King Cove June 12, 1:30 P.M. King Cove City Office Building  
Cold Bay June 12, 7:00 P.M. Cold Bay Municipal Building

with the additional inclusion of Unalga and Baby Islands, generally conform to the natural geography of the area and comprise all areas necessary for full development of municipal services.

The department notes, however, that in fact the proposed borough's authority is limited by the state's, with waters beyond the three-mile limit beyond borough authority. The size of the proposed borough would thus be more on the order of 18,200 square miles than the 27,022 square miles described in the petition.

Based on its conclusions, observations

and discussions contained in the report, the department recommends that, because approximately 60 percent of all borough revenues anticipated by the petitioners will be generated by the annual proceeds of the proposed sales and use tax, the petition be approved by the Local Boundary Commission with the stipulation that the proposed sales and use tax levy be submitted to the voters at the time the incorporation proposition is presented, and that incorporation be made dependent upon the passage of the tax

### Procedures

The procedure for borough incorporation is established in state law. The steps are as follows:

1. A petition with a supporting brief is submitted to the department.
2. The form and content of the petition are reviewed by the department to determine whether they substantially conform to the requirements of law.
3. If the form and content of the petition are substantially proper and correct, submission of the petition is



§ 29.05.150

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§ 29.05.180

MUNICIPAL GOVERNMENT

§ 29.05.190

### Article 3. Transitional Assistance.

#### Section

180. Organization grants to cities  
190. Organization grants to boroughs

#### Section

200. Organization grant fund  
210. Transitional assistance to boroughs

#### NOTES TO DECISIONS

A municipal corporation was liable for reasonable legal expenses incurred in its formation. *Arctic Slope Native Ass'n v. Paul*, Sup. Ct. Op. No.

2058 (File Nos. 3792, 3793, 3806), 609 P.2d 32 (1980), decided under former, similar law.

**Sec. 29.05.180. Organization grants to cities.** (a) To defray the cost of transition to city government and to provide for interim government operations, each city incorporated after December 31, 1985 is entitled to an organization grant of \$50,000 for the first full or partial fiscal year after incorporation.

(b) To defray the cost of reclassification, each second class city in the unorganized borough incorporated before January 1, 1986 that reclassifies as a first class city or adopts a home rule charter after December 31, 1985 is entitled to an organization grant equal to \$50,000 for the first full or partial fiscal year after reclassification.

(c) The department shall disburse an organization grant under (a) or (b) of this section within 30 days after certification of the incorporation, reclassification, or home rule charter election, or as soon after certification as money is appropriated and available for the purpose.

(d) A city entitled to an organization grant under (a) or (b) of this section is entitled to a second organization grant of \$25,000. The department shall disburse the second organization grant within 30 days after the beginning of the city's second fiscal year after incorporation, reclassification, or adoption of a home rule charter or as soon after that time as money is appropriated and available for the purpose. (§ 4 ch 74 SLA 1985)

**Sec. 29.05.190. Organization grants to boroughs.** (a) For the purpose of defraying the cost of transition to borough government and to provide for interim governmental operations, each borough incorporated after December 31, 1985, is entitled to organization grants as follows:

- (1) \$300,000 for the borough's first full or partial fiscal year;
- (2) \$200,000 for the borough's second fiscal year; and
- (3) \$100,000 for the borough's third fiscal year.

(b) The department shall disburse the first organization grant to a borough within 30 days after certification of the incorporation election favoring incorporation of a borough, or as soon after that as money is appropriated and available for the purpose. The second grant shall be

disbursed within 30 days after the beginning of the borough's second fiscal year, or as soon after that as money is appropriated and available for the purpose. The third grant shall be disbursed within 30 days after the beginning of the borough's third fiscal year, or as soon after that as money is appropriated and available for the purpose.

(c) This section does not apply to a borough incorporated by consolidation or to a unified municipality. (§ 4 ch 74 SLA 1985)

**Sec. 29.05.200. Organization grant fund.** (a) The organization grant fund is established in the department. An appropriation made to the fund shall be used for organization grants to municipalities that qualify under AS 29.05.180 or 29.05.190.

(b) Before August 31 of each fiscal year the department shall submit a report to the Department of Administration indicating

(1) each municipality expected to qualify to receive an organization grant during the next fiscal year;

(2) the amount of money needed to cover all organization grants expected to be awarded during the next fiscal year. (§ 4 ch 74 SLA 1985)

**Sec. 29.05.210. Transitional assistance to boroughs.** (a) Within 30 days after the date of incorporation of a borough incorporated after December 31, 1985, the department shall determine the population of the borough.

(b) The department shall provide assistance to each borough incorporated after December 31, 1985, in

(1) establishing the initial sales and use tax assessment and collection department if the borough has adopted a sales or use tax;

(2) determining the initial property tax assessment roll if the borough has adopted a property tax, including contracting for appraisals of property needed to complete the initial assessment.

(c) This section does not apply to a borough incorporated by consolidation or to a unified municipality. (§ 4 ch 74 SLA 1985)

## Chapter 06. Alteration of Municipalities.

### Article

1. Change of Name (§ 29.06.010)
2. Annexation and Detachment (§§ 29.06.040 — 29.06.060)
3. Merger and Consolidation (§§ 29.06.090 — 29.06.170)
4. Unification of Municipalities (§§ 29.06.190 — 29.06.420)
5. Dissolution (§§ 29.06.450 — 29.06.530)

Section  
10. Change of munic

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# CITY OF KING COVE

P.O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

FEB 27 1987

February 23, 1987

Honorable Fred Zharoff  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

RE: Aleutians East Borough Formation

Dear Senator Zharoff:

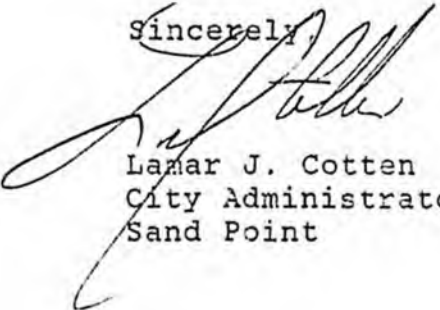
The communities of the Aleutians East region are pursuing incorporation of a borough government. As we have discussed, the region needs your support and action on two funding issues to accomplish borough incorporation. These actions are:

- o A legislative appropriation of \$30,000 to assist the Aleutians East region in its present efforts to organize a borough government. The region has also been working with the Department of Community and Regional Affairs to obtain funds for this effort.

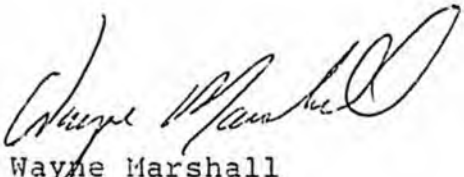
- o A legislative appropriation of \$300,000 in the FY 88 budget for the first year organizational grant for the newly incorporated Aleutians East Borough. The award of this organizational grant is stipulated in AS 29.05.190.

The attached position papers provide supplemental information on these requests. The communities of the Aleutians East region request your support and assistance in obtaining those funds.

Sincerely,



Lazar J. Cotten  
City Administrator  
Sand Point



Wayne Marshall  
City Manager  
King Cove

1689 'C' Street  
Anchorage, Alaska 99501

attachments

## INCORPORATION GRANT TO THE ALEUTIANS EAST BOROUGH

Request: A Legislative appropriation of \$300,000 in the FY 88 budget for the first year organizational grant for the Aleutians East Borough. The region needs assistance from its Legislators and the Department of Community and Regional Affairs to ensure this request is included in the FY 88 budget.

Background: Residents of the Aleutians East region have decided to pursue incorporation of a borough government, and are working toward a Fall 1987 vote on this issue. If this vote is positive, the borough would be operational around January 1, 1988. AS 29.05.190 stipulates that newly incorporated borough governments shall receive a first year organizational grant of \$300,000 from the State. The Department of Community and Regional Affairs is responsible for disbursing these grant funds.

Need for and use of \$300,000 Grant: The Borough will use the \$300,000 it is stipulated to receive by Alaska Statutes to meet initial year operating costs of the Borough. The monies will be needed around January 1, 1988, so they must be requested in the State FY 88 budget.

In addition, AS 29.05.190 stipulates a second year organization grant of \$200,000, and a third year organizational grant of \$100,000. These monies will be needed in the State FY 89 and FY 90 budgets respectively.

## ORGANIZATION OF THE ALEUTIANS EAST BOROUGH

### REQUEST:

Award of \$30,000 to assist the communities of Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon, and Sand Point in their present efforts to organize a borough government for the Aleutians East region. The region requests a legislative appropriation or funds from the Department of Community and Regional Affairs for this purpose.

### BACKGROUND:

Over the last 2-3 years, residents of the Aleutians East region have examined and analyzed establishing a borough government as a way to enhance local control and service delivery, particularly because of the anticipated decline in state and federal monies to the region. At a February 3, 1987 meeting in Anchorage, leaders from each of the region's six communities (at least three representatives from each community) decided to pursue forming a borough. The region is preparing the required petition that states its intent to establish a borough and working toward a Fall 1987 vote on this issue.

Community leaders have decided to pursue forming a borough. These leaders have identified the need to establish a committee of one representative from each community to travel to each of the region's communities. This travel will give the representatives an opportunity to describe their decision, demonstrate that it is a region-wide harmonious decision, and respond to questions. The committee would like to start its travel in March, and needs funds to accomplish this effort.

In addition, Alaska Statutes dictate a complex process to establish a borough government. A petition must be submitted, the petition is analyzed and acted upon by the State Local Boundary Commission, meetings must be held and finally there is a local vote on if a borough should be established. This process will take 6-9 months and funds to accomplish.

Thus, the \$30,000 requested would be used to:

- o enable travel of the borough organizing committee to each community;

- o prepare and submit the required organizing petition;
- o conduct public information meetings in the communities on borough incorporation;
- o prepare public information materials; and
- o respond to questions of the Local Boundary Commission on incorporating the borough.

The Aleutians East Coastal Resource Service Area (CRSA) would be the best organization to administer these funds.

| 1 DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS (CONT.) |  | APPROPRIATION        |                      | APPROPRIATION FUND SOURCES |             |
|--|--|----------------------|----------------------|----------------------------|-------------|
| 2  |  | ALLOCATIONS          | ITEMS                | GENERAL FUND               | OTHER FUNDS |
| 3  |  |                      |                      |                            |             |
| 4  | ORGANIZATIONAL GRANTS                                    | 100,000              |                      |                            |             |
| 5  | IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT  |                      |                      |                            |             |
| 6  | REQUEST A SUPPLEMENTAL APPROPRIATION SHOULD ANY NEW CITY |                      |                      |                            |             |
| 7  | AND/OR BOROUGHS FORM DURING FISCAL YEAR 1988.            |                      |                      |                            |             |
| 8  | DESIGNATED GRANTS  | <del>2,885,300</del> | <del>4,600,000</del> | <del>2,789,600</del>       |             |
| 9  | LOCAL GOVERNMENT ASSISTANCE                              |                      |                      |                            | 1,810,400   |
| 10   | TRAINING AND DEVELOPMENT (34 POSITIONS)                  | 1,784,700            |                      |                            |             |
| 11   | STATE ASSESSOR (6 POSITIONS)                             | <del>194,900</del>   |                      |                            |             |
| 12   | LOCAL BOUNDARY COMMISSION (2 POSITIONS)                  | 115,300              |                      |                            |             |
| 13   | GRANTS ADMINISTRATION (10 POSITIONS)                     | 451,900              |                      |                            |             |
| 14   | STATEWIDE ASSISTANCE (8 POSITIONS)                       | 2,053,200            |                      |                            |             |
| 15   | ENERGY PROGRAMS  |                      | 2,027,700            | 623,100                    | 1,404,600   |
| 16   | ENERGY CONSERVATION (8 POSITIONS)                        | 1,672,900            |                      |                            |             |
| 17   | WEATHERIZATION CIP (5 POSITIONS)                         | 354,800              |                      |                            |             |
| 18   | IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT  |                      |                      |                            |             |
| 19   | ESTABLISH A CONSUMER ADVISORY BOARD TO PROVIDE OVERSIGHT |                      |                      |                            |             |
| 20   | AND RECOMMENDATIONS AS THE DEPARTMENT PREPARES FY89      |                      |                      |                            |             |
| 21   | RECOMMENDATIONS FOR USE OF THE EXXON AND/OR STRIPPER     |                      |                      |                            |             |
| 22   | WELL SETTLEMENT FUNDS. THE CONSUMER ADVISORY BOARD       |                      |                      |                            |             |
| 23   | SHOULD HAVE REPRESENTATIVES OF CONSUMERS, ENERGY         |                      |                      |                            |             |
| 24   | PROFESSIONALS, AND LOCAL GOVERNMENT. THE BOARD'S         |                      |                      |                            |             |
| 25   | RECOMMENDATIONS SHOULD BE FORWARDED TO THE LEGISLATURE   |                      |                      |                            |             |
| 26   | WITH THE DEPARTMENT'S FY89 BUDGET REQUEST. THE BOARD     |                      |                      |                            |             |
| 27   | SHOULD PROVIDE ITS OVERSIGHT AND RECOMMENDATIONS         |                      |                      |                            |             |

Chapter 95

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CCS:R/S

| 1 DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS (CONT.) |   | APPROPRIATION |         | APPROPRIATION FUND SOURCES |             |
|--|---|---------------|---------|----------------------------|-------------|
| 2  |   | ALLOCATIONS   | ITEMS   | GENERAL FUND               | OTHER FUNDS |
| 3  |   |               |         |                            |             |
| 4  | PRIMARILY THROUGH WRITTEN COMMUNICATIONS AND            |               |         |                            |             |
| 5  | TELECONFERENCES. IT IS NOT THE INTENT OF THE            |               |         |                            |             |
| 6  | LEGISLATURE TO CREATE A BOARD THAT INCURS TRAVEL,       |               |         |                            |             |
| 7  | MEETING OR OTHER EXPENSES.                              |               |         |                            |             |
| 8  | RURAL DEVELOPMENT                                       |               | 749,900 | 749,900                    |             |
| 9  | ANCSA PLAN OF SURVEY (6 POSITIONS)                      | 491,700       |         |                            |             |
| 10   | MUNICIPAL LANDS TRUSTEE (5 POSITIONS)                   | 258,200       |         |                            |             |
| 11   | BLOCK GRANTS CIP (1 POSITION)                           |               | 71,700  |                            | 71,700      |
| 12   | IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT |               |         |                            |             |

08-18-01-07-00 (21-72-3-06-05-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 15:48 12/29/87

AGENCY: DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS  
 CATEGORY: DEVELOPMENT

PROGRAM: COMMUNITY ASSISTANCE GRANTS  
 SUB-PROGRAM: ORGANIZATIONAL GRANTS

LEG. FIN.

----- F I S C A L Y E A R 1 9 8 9 -----

| EXPENDITURES<br>& FUNDING | (01)<br>FY87 ACT | (19)<br>FY88 CC | (03)<br>COL 03 | (04)<br>COL 04 | (02)<br>FY88 ATH | (06)<br>COL 06 | (20)<br>FY89 AGY | (08)<br>FY89 GOV | (09)<br>HOUSE | (10)<br>SENATE | (11)<br>C. C. | (12)<br>BILLS | (13)<br>LEG.REC. |
|---------------------------|------------------|-----------------|----------------|----------------|------------------|----------------|------------------|------------------|---------------|----------------|---------------|---------------|------------------|
| 01 PERS. SERV.            |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 02 TRAVEL                 |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 03 CONTRACTUAL            |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 04 COMMODITIES            |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 05 EQUIPMENT              |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 06 LANDS/BLDGS            |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 07 GRANTS, CLMS           | 200.0            | 100.0           |                |                | 100.0            |                | 200.0            | 200.0            |               |                |               |               |                  |
| 08 MISC.                  |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| ** TOTAL EXPEND           | 200.0            | 100.0           |                |                | 100.0            |                | 200.0            | 200.0            |               |                |               |               |                  |
| 09 I-A TRANSFER           |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 1004 GEN FUND             | 200.0            | 100.0           |                |                | 100.0            |                | 200.0            | 200.0            |               |                |               |               |                  |
| 15 FULL TIME              |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 16 PART TIME              |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 17 TEMPORARY              |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |
| 18 STAFF MONTHS           |                  |                 |                |                |                  |                |                  |                  |               |                |               |               |                  |

AGENCY: DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS  
 CATEGORY: DEVELOPMENT

PROGRAM: COMMUNITY ASSISTANCE GRANTS  
 SUB-PROGRAM: ORGANIZATIONAL GRANTS

LEG. FIN.

\* \* \* FY89 GOVERNOR (OMB NOTES) \* \* \*

DETAIL DESCRIPTION OF VETOS, TRANSFERS, INCREMENTS, &amp; DECREMENTS

CHANGES FROM FY88 AUTHORIZED TO FY89 GOVERNOR

| REF# DESCRIPTION                      |     | AGENCY / GOVERNOR |        |          |       | LINE ITEM IMPACT |     |     |     |     |     |        |     |
|---------------------------------------|-----|-------------------|--------|----------|-------|------------------|-----|-----|-----|-----|-----|--------|-----|
| WHO:                                  | PFT | PPT               | TOTAL  | GEN FUND | OTHER | 100              | 200 | 300 | 400 | 500 | 600 | 700    | 800 |
| 2220 DELETE ONE-TIME ITEMS            |     |                   |        |          |       |                  |     |     |     |     |     |        |     |
| AGY:                                  | 0.0 | 0.0               | -100.0 | -100.0   | 0.0   |                  |     |     |     |     |     |        |     |
| GOV:                                  | 0.0 | 0.0               | -100.0 | -100.0   | 0.0   | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -100.0 | 0.0 |
| 3010 GRANT TO ALEUTIAN'S EAST BOROUGH |     |                   |        |          |       |                  |     |     |     |     |     |        |     |
| AGY:                                  | 0.0 | 0.0               | 200.0  | 200.0    | 0.0   |                  |     |     |     |     |     |        |     |
| GOV:                                  | 0.0 | 0.0               | 200.0  | 200.0    | 0.0   | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 200.0  | 0.0 |

\* \* \* PROGRAM DESCRIPTION &amp; PRIOR YEAR INFORMATION \* \* \*

FY88 INTENT: IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT REQUEST A SUPPLEMENTAL APPROPRIATION SHOULD ANY NEW CITY AND/OR BOROUGH FORM DURING FISCAL YEAR 1988.

AGENCY RESPONSE: ONLY ONE MUNICIPAL GOVERNMENT, THE ALEUTIANS EAST BOROUGH, HAS FORMED TO DATE DURING FY88. THE BOROUGH WAS INCORPORATED ON OCTOBER 23, 1987. THAT BOROUGH IS ENTITLED TO \$300,000 IN ORGANIZATIONAL GRANT FUNDS FOR THIS FISCAL YEAR, \$200,000 THE SECOND YEAR, AND \$100,000 THE THIRD YEAR. ON OCTOBER 30, 1987, COMMISSIONER HOFFMAN REQUESTED THAT GOVERNOR COWPER INCLUDE \$300,000 FOR THIS GRANT IN THE GOVERNOR'S SUPPLEMENTAL BUDGET REQUEST FOR FY88. THE COMMUNITY OF ATKA PETITIONED TO INCORPORATE AS A SECOND CLASS CITY. PURSUANT TO AS 29.05.180, AN INCORPORATING COMMUNITY IS ENTITLED TO A \$50,000 ORGANIZATIONAL GRANT IN THE FISCAL YEAR IT IS FORMED, AND \$25,000 THE FOLLOWING YEAR.

# CERTIFICATE

I, DAVID G. HOFFMAN, COMMISSIONER OF THE ALASKA DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS, HEREBY CERTIFY THAT THE ALEUTIANS EAST BOROUGH HAS BEEN DULY INCORPORATED UNDER THE LAWS OF THE STATE OF ALASKA AS DESCRIBED HEREIN EFFECTIVE THE 23rd DAY OF OCTOBER, 1987.

CLASS. The Aleutians East Borough is incorporated as a borough of the second class.

COMPOSITION, APPORTIONMENT AND FORM OF REPRESENTATION OF THE BOROUGH ASSEMBLY. The borough assembly is composed of seven members elected from districts by voters of each district. District 1, encompassing Sand Point, is apportioned three seats on the assembly. District 2, encompassing King Cove, is apportioned two seats on the assembly. District 3, encompassing Cold Bay, is apportioned one seat on the assembly. District 4, encompassing Akutan, False Pass, Port Moller and Nelson Lagoon, is apportioned one seat on the assembly. The composition, apportionment and form of representation shall continue in the fashion described until it is changed in accordance with local, state and federal law.

POWERS. The Aleutians East Borough may exercise all powers and must perform all duties which state law provides generally for municipal governments and specifically for boroughs of the second class. In addition, having received approval from the voters on October 6, 1987, the borough may levy a sales and use tax not to exceed two percent on sales and/or importation of raw fish within the boundaries of the borough.

JURISDICTIONAL BOUNDARIES. The jurisdictional boundaries of the Aleutians East Borough are as follows:

All of that territory along the Alaska Peninsula and the Aleutian Chain lying:

- 1) west of a line beginning at the point of intersection of 57° 00' North Latitude and the extension of a line due north from the NW corner T38S, R60W, Seward Meridian (SM); thence due south to the NW corner T40S, R60W, SM; thence west to the NW corner T40S, R61W, SM; thence south to the SW corner T40S, R61W, SM; thence west to the NW corner T41S, R63W, SM; thence south to the NW corner T42S, R63W, SM; thence west to the NW corner T42S, R65W, SM; thence south to the NW corner T43S, R65W, SM; thence west to the NW corner T43S, R67W, SM; thence south to the SW corner T44S, R67W, SM; thence east to the NW corner T45S, R67W, SM; thence south along the line separating R67W and 68W, SM to the SW corner of T48S, R67W, SM; thence west to the NW corner of T49S, R68W, SM; thence south to the NE corner of T50S, R69W, SM; thence east to the NE corner of T50S, R67W, SM; thence south along the line separating R66W and R67W, SM, to the

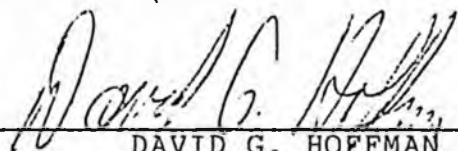
00' West Longitude; thence southerly along 159° 00' West Longitude to 54° 00' North Latitude; and

2) east of a line mid-channel through Unalga Pass, extending northerly mid-line between Unalga and Unalaska Islands and extending southerly mid-line between Unalga and Sedanka Islands;

With respect to the water areas, the boundaries of the Aleutians East Borough extend to the limits of the State's jurisdiction under AS 44.03.010. The territory described above contains 15,405 square miles, more or less, all in the Third Judicial District, State of Alaska.

These boundaries shall remain as described until changed in accordance with law.

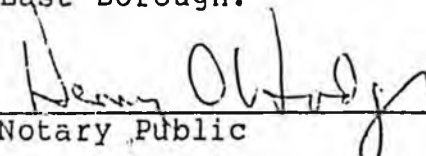
SIGNED THIS 23rd DAY OF OCTOBER, 1987

  
\_\_\_\_\_  
DAVID G. HOFFMAN

ACKNOWLEDGMENT

STATE OF ALASKA        )  
                              ) SS.  
                              )

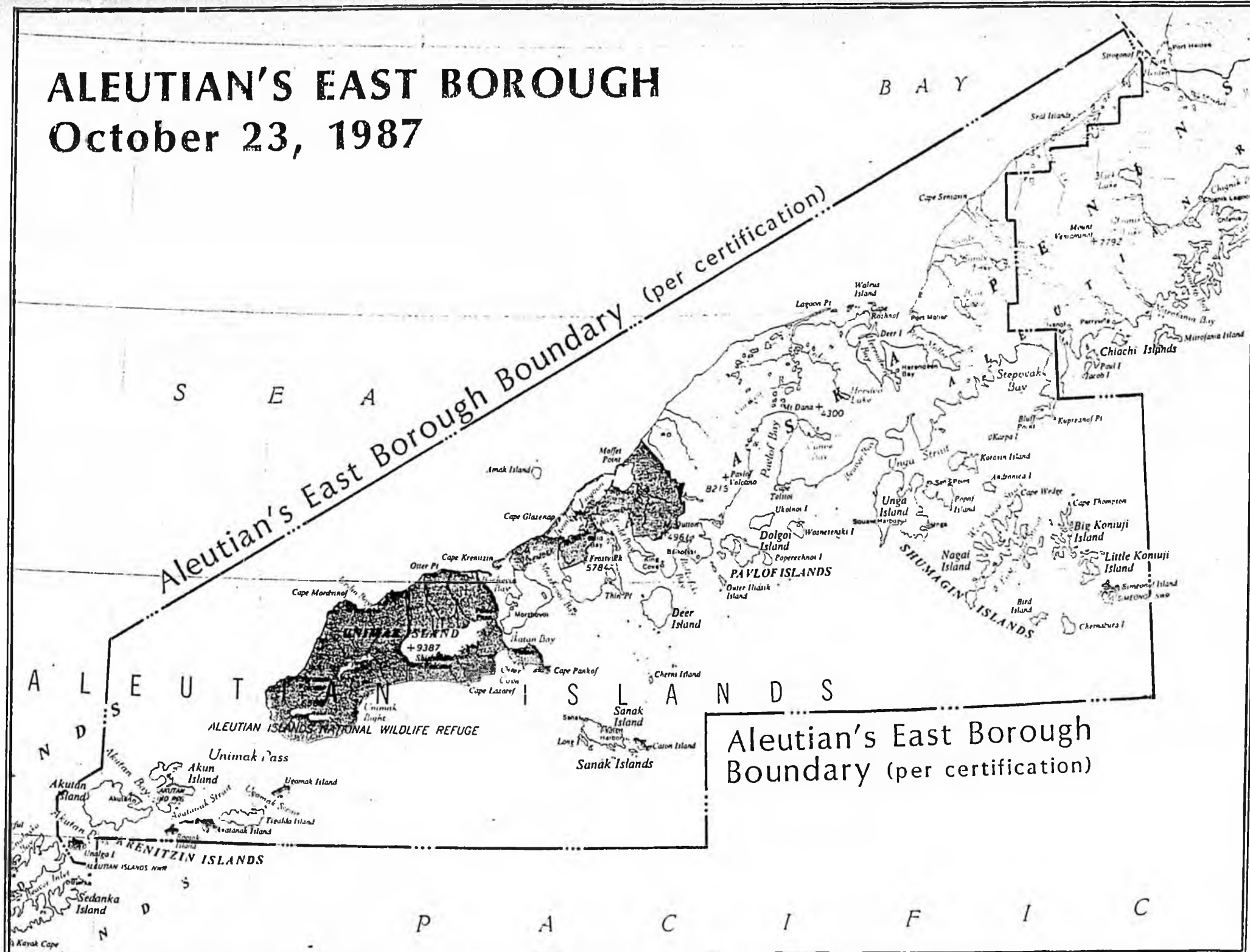
This is to certify that on the 23 day of October, 1987, before me, the undersigned, a Notary Public, duly commissioned and sworn as such, personally came David G. Hoffman, to me known to be the Commissioner of the Alaska Department of Community & Regional Affairs, who signed this foregoing Certificate of Incorporation of the Aleutians East Borough.

  
\_\_\_\_\_  
Notary Public

My commission expires: 12/9/1987

# ALEUTIAN'S EAST BOROUGH

October 23, 1987



IN THE MATTER OF THE PETITION )  
FOR INCORPORATION OF THE )  
ALEUTIANS EAST BOROUGH )

SUMMARY OF PROPOSED ACTION

A petition to incorporate the eastern Aleutians region as a second class borough was submitted to the Alaska Department of Community and Regional Affairs (the department) on May 7, 1987.

The area requested for incorporation by the petitioners comprises approximately 27,022 square miles, containing approximately 8,768 square miles of land and 18,254 square miles of water. It includes the territory from Strogonof Point and Stepovak Bay on the Alaska Peninsula to and including Akutan Island. The area's permanent population is centered in the communities of Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon, Port Moller and Sand Point.

The proposed borough is located principally within the Aleutian Regional Educational Attendance Area (REAA), the Aleutians East Coastal Resource Service Area (CRSA), and the Aleut Corporation Region. However, relatively small portions of the territory extend into the Lake and Peninsula REAA, the Bristol Bay CRSA and the Bristol Bay Native Corporation Region.

Much of the area appears to be beyond the jurisdiction of the state and, as a consequence, beyond the jurisdiction of the proposed borough. It is commonly understood that provisions contained in Alaska Statutes, Section 44.03.010 generally limit the jurisdiction of the state and its subdivisions to an area three geographical (nautical) miles (18,228 feet) seaward of the land. The area proposed for incorporation lying within three geographic miles of the mainland is estimated to be approximately 15,206 square miles, comprised of 8,768 square miles of land and 6,438 square miles of water.

Subsequent to the submission of the petition, the representatives of the petitioners requested in writing that consideration be given to extending the western boundary of the proposed borough to include Unalga Island and the Baby Islands. This additional land and surrounding waters comprise approximately 199 square miles.

Following the receipt of additional materials from the petitioners on May 15, 1987, the petition was determined by the department to be acceptable in terms of form and content. The department's draft report and recommendation to the Local Boundary Commission (LBC or the commission) was issued on May 26, 1987. More than 60 copies of the report or its executive summary were printed and provided to individuals or organizations who had expressed interest in the proposed action. All who received copies were asked to contact the department no later than June 12, 1987 with comments.

Duly noticed public informational meetings were conducted by department staff in Anchorage on June 9, in Sand Point on June 11, and in King Cove and Cold Bay on June 12. At the meetings, staff solicited comments from interested parties regarding the proposed borough incorporation and provided information regarding the incorporation process and standards for borough incorporation.

On June 26, 1987 the LBC convened a public hearing in Cold Bay which was teleconferenced to Sand Point, King Cove and Valdez.

Testimony was received by the commission regarding the proposed incorporation. In order to provide additional opportunity for consideration of comments, the LBC allowed additional written comments to be submitted for the record through noon of July 2, 1987.

A decisional session was held July 8, 1987. All four of the presently appointed members of the commission attended and participated in the decisional session. These consisted of Robert Eder (Chairman), David Hanson, Jo Anderson and C.B. Bettisworth. The seat on the commission appointed from the Second Judicial District of the State of Alaska is presently vacant.

Based upon the oral testimony and written materials submitted in regard to this matter, the commission makes the findings of fact and conclusions of law set out below. Written materials specifically included the following:

- 5/07/87 Petition for incorporation and initial brief; petitioners' supplemental briefs of 5/15/87, 6/12/87, 6/26/87, 7/2/87 (re: Strogonof Point) and 7/2/87 (re: Stepovak Bay);
- Resolution 87-41 of the City of Unalaska.
- 5/28/87 telegram from Trefon Angasan, Secretary, Alaska Peninsula Corporation;
- 6/2/87 letter from Karen Van Wingerden, Secretary - Treasurer, Bay View Corporation;
- 6/3/87 letter from Donald Nielsen, Senior Vice President of the Bristol Bay Native Corporation;
- 6/5/87 letter from Trefon Angasan;
- 6/9/87 letter from Pamela Christensen, City Clerk, City of Port Heiden City Council;
- 6/9/87 comments submitted at the department's informational meeting by Trefon Angasan;
- 6/9/87 statement presented at the department's informational meeting by the Bristol Bay Native Corporation;
- 6/9/87 letter from Samuel J. Fortier, Attorney representing the Bay View Corporation;
- 6/9/87 letter from Samuel J. Fortier, Attorney representing the Oceanside Corporation;
- 6/10/87 letter from John Hedland, Attorney representing Lake and Peninsula REAA;
- 6/10/87 letter from Tom Hawkins, Director, Division of Lands, Alaska Department of Natural Resources;
- 6/11/87 letter from Alice Ruby Chairperson, Bristol Bay CRSA Board;
- 6/12/87 Petitioners' supplemental brief;
- 6/16/87 Department Report and Recommendation;
- 6/22/87 letter from John Hedland;
- 6/23/87 letter from Debra Dushkin, Sand Point resident;
- 6/23/87 letter from Dick Jacobson, President of Shumagin Village Corporation;
- 6/23/87 letter from Jack Foster, Mayor, City of Sand Point;
- 6/24/87 letter from Reeve Aleutian Airways, Inc.;
- 6/24/87 memorandum from Nelda Warkentin; department planning supervisor;
- 6/24/87 letter (to Dan Bockhorst) from Julia Bockman, Attorney representing Bristol Bay Native Corporation;
- 6/24/87 letter (to Local Boundary Commission) from Julia Bockman;
- 6/25/87 letter from Wayne Lewis, Acting Land Director, The Aleut Corporation;

- 6/25/87 letter from Lamar Cotten, City Administrator, City of Sand Point;
- Resolution Number 87-15 of the City of Chignik;
- 6/25/87 memorandum from Dan Bockhorst offering comments of Justine Gundersen;
- 6/25/87 memorandum from Dan Bockhorst offering comments of Chuck Martinsen;
- 6/26/87 letter from Sam Fortier, attorney representing Bay View, Incorporated;
- 6/26/87 letter from Sam Fortier, attorney representing Oceanside, Incorporated;
- 6/26/87 letter from Sam Fortier, attorney representing the Alaska Peninsula Corporation;
- 7/1/87 letter from Stephen R. Braund & Associates;
- 7/2/87 letter from Lamar Cotten with attachments;
- 7/2/87 letter from Alaska Federation of Natives, Inc.;
- 7/2/87 letter from Samuel Fortier;
- 7/2/87 letter from Samuel Fortier;
- 7/7/87 letter from James L. Baldwin, Assistant Attorney General, State of Alaska.

### FINDINGS OF FACT AND CONCLUSIONS OF LAW

#### 1. POPULATION OF THE AREA

Section 29.05.031(a)(1) of the Alaska Statutes requires, as a standard for borough incorporation, that the population of the area be interrelated and integrated as to its social, cultural and economic activities, and that it be large and stable enough to support borough government.

According to regulatory standards for incorporation, (19 AAC 10.160(1) and (4)), there must be "at least 1,000 people located within the area" and the area must include "at least two separate communities."

##### a. Size of the Population

The petition for incorporation indicates that the region's population totals 2,017. The majority of these residents are located in the communities of Sand Point, King Cove, Cold Bay, Akutan, Nelson Lagoon and False Pass. State population estimates and Federal decennial census figures generally support this estimate. No question exists that the population of the area exceeds the required minimum of 1,000 residents. Therefore, the commission finds that the minimum population standard established under provisions of 19 AAC 10.160(4) is met and that the area proposed for incorporation possesses a population large enough to support borough government.

##### b. Stability of the population

Available census data suggests that the region possesses a relatively stable core group of residents. It appears that there has been a tendency for the population of the region to concentrate in the larger communities in recent years. Therefore, the commission finds that the area proposed for incorporation possesses a population stable enough to support borough government.

##### c. Number of Existing Communities

Regulations require that there be at least two separate communities within the region proposed for incorporation as a borough [19 AAC 10.160(1)]. The region includes the communities of King Cove and Sand Point (first class cities); Akutan and Cold Bay (second class cities); and Port Moller,

Nelson Lagoon and False Pass, (unincorporated communities). Therefore, the commission finds that the requirement of 19 AAC 10.160(1) is met.

d. Social, Cultural and Economic Characteristics of the Region's Population

The indigenous people of the region share a history and culture. The Russian Orthodox religion is shared by many of the Aleut people residing in the region. Relatively recent events of social and cultural significance include the forced relocation of the Aleut residents of Akutan during World War II, the transition from a primarily subsistence based economy to a primarily cash based economy over the past thirty years and the manifold changes which have occurred as a consequence of the passage of the Alaska Native Claims Settlement Act in 1971. The formation of city governments in four of the communities located within the area proposed for incorporation during the past forty years has also been a cause and an effect of the region's recent social and cultural evolution.

The fact that the area has traditionally been regarded as interrelated as well as socially and culturally integrated is supported by the regional governmental, educational and economic organizations which serve the area proposed for incorporation. For example, all of the permanent communities within the region are within the boundaries of the ANCSA Aleut Corporation, the Aleutians East CRSA and the Aleutian REAA.

Thus, the commission finds that the population of the area proposed for incorporation is interrelated and integrated as to its social, cultural, and economic activities.

e. Social, Cultural and Economic Characteristics of the Users of the Territory East of the Common Eastern Boundary of the Aleutians East CRSA, the Aleutian Region REAA and the Aleut Corporation

The commission received substantial comments objecting to the extension of the boundaries of the proposed borough beyond the common eastern boundary of the Aleutians East CRSA, the Aleutian Region REAA and the Aleut Corporation (hereinafter referred to as the common eastern boundary). Among the reasons stated as objections to the inclusion of the area beyond the common eastern boundary was that ownership, historic cultural ties and current use of the land was predominately linked to residents of the Bristol Bay/upper peninsula region rather than residents of the proposed borough. Such considerations included subsistence activities, native allotments, historic sites, and lands owned by village corporations.

To the extent that the standard for borough incorporation concerning the population of the area also relates to the determination of boundaries of the proposed borough, the commission considered the social, cultural and economic characteristics of the "population" within the proposed borough but beyond the common eastern boundary. Because this area is believed to be uninhabited, "population" was defined to include users of the area.

In acting on this matter, the commission was very deliberate in its intention to avoid establishment of a boundary which would clearly necessitate change in the event of the subsequent incorporation of a borough immediately to the east.

With respect to commercial fishing activities, the commission acknowledged that the offshore waters in the area of concern on the north side of the Alaska Peninsula (along Stroganof Point)

are predominately used by commercial salmon fishermen who reside within the proposed borough. This area, as well as most of the rest of the area within the proposed borough, is part of the Alaska Department of Fish and Game Salmon Management Area M during the predominant commercial harvest of salmon. With the exception of Akutan, all of the communities of the proposed borough are included in Management Area M. Although Akutan lies outside the Management Area, its fishermen generally serve as crews on boats in the area.

Port Heiden, which is also within Salmon Management Area M, was not included in the boundaries proposed by the petitioners. The principal rationale for the exclusion is that residents of Port Heiden have greater cultural and social ties to areas outside the territory proposed for incorporation. As such, the northeastern boundary of the proposed borough conforms approximately to the eastern boundary of the Ilnik Section of Salmon Management Area M [5 AAC 09.200(a)(3)].

The commission also acknowledged that the area on the south side of the Alaska Peninsula (Stepovak Bay) is, for commercial salmon fishing activities, used exclusively by residents of the proposed borough. The southeastern boundary proposed by the petitioners includes all of Stepovak Bay, but excludes the unincorporated communities of Ivanof Bay and Perryville. The rationale here is similar to the rationale concerning the proposed northeastern boundary. Alaska Department of Fish and Game data indicate that Stepovak Bay is fished exclusively by Area M fishermen. Residents of Ivanof Bay and Perryville fish other management areas.

These waters offshore of Strogonof Point and Stepovak Bay are understood to be significant with respect to the financial viability of the proposed Aleutians East Borough. The commission acknowledged, of course, that current formulas for sharing State business fisheries taxes with municipalities could change in the future. However, there appears to be enough resources available to the area from which other forms of municipal revenue may be derived.

The commission also discussed cultural and social uses of this land and water area. Consideration was given to the historic and current use of the land and the impact that borough incorporation would have on current land use. Land ownership and development in the area were also discussed. The importance of linking the offshore area with the uplands was also considered by the commission.

A motion by the commission to amend the boundaries of the proposed borough to delete all of the uplands east of the common eastern boundary was considered by the commission. The reason the motion was considered was the contention that the uplands beyond the common eastern boundary were predominately linked to residents of the Bristol Bay/upper peninsula region rather than residents of the proposed borough. However, because of the importance of the water area to the financial viability of the proposed borough and the importance of linking the water with the uplands, the motion was defeated by a vote of three to one. Commission member Dave Hanson cast the one vote in support of the proposed amendment.

Thus, the commission finds that the social, cultural and economic characteristics of the users of the territory east of the common eastern boundary do not warrant exclusion of this territory from the proposed borough.

f. Social, Cultural and Economic Characteristics of the Users of Unalqa Island and the Baby Islands

The commission understands that the land on the islands is predominately owned by the Akutan Village Corporation and that residents of Akutan use the islands for subsistence purposes. The commission is aware of concerns expressed by the City of Unalaska that residents of Unalaska also use these islands for subsistence purposes. The City of Unalaska also expressed concern that to include these islands and the adjacent waters would place the boundary of the borough within six miles of the boundary of the city.

The commission finds that proximity of the borough's boundary to the boundary of the city which would result from the inclusion of these islands and adjacent waters would not adversely affect the City of Unalaska. The commission further finds that based upon land ownership and land use activities, it is appropriate to include the subject area within the boundaries of the proposed borough.

#### CONCLUSION OF LAW

Given the above findings of fact, the commission concludes that the population of the area proposed for incorporation (including on the west, the territory to a line extending southerly mid-line between Unalga and Sedanka Islands) is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support borough government. Thus, the standards set out in law for incorporation of boroughs which relate to population are satisfied.

#### 2. TRANSPORTATION FACILITIES

Section 29.05.031(a)(4) of the Alaska Statutes imposes as a standard for borough incorporation that the land, water and air transportation facilities allow the communication and exchange necessary for the development of integrated borough government.

Regulatory standards for borough incorporation, [19 AAC 10.160(2)] provide that "transportation services (must be) available at least once a week between communities located within the area on a regularly scheduled or charter basis, or communities located within the area which do not have regularly scheduled transportation services (must be) connected by a highway system "

##### a. Air and Water

According to the Aleutians East Conceptually Approved Coastal Management Plan, (July, 1985) the region depends entirely on air and water transportation. Supplies are shipped to the region via air or marine transport. "Most local fishery resources are shipped to market, though some are air freighted. Despite the dependence on air transport, all the region's air facilities are inadequate except at Cold Bay. Sand Point and King Cove have satisfactory harbor facilities, but they are overcrowded, and expansion is a major priority." In fact it appears that future economic development depends largely on improvement of existing and new transportation facilities.

Reeve Aleutian Airways provides scheduled air service throughout the region. It utilizes both turboprop and jet aircraft and has seasonal schedules. It flies regularly to Sand Point and Cold Bay and contracts with Peninsula Airways in Cold Bay, to provide connecting service to King Cove and False Pass. Additionally, Peninsula Air offers charter service to locations within the region and from points within the region to other areas of the state.

Thus, the commission finds that transportation services are available at least once a week between all communities located within the area on a regularly scheduled or charter basis and that the standard set out in 19 AAC 10.160(2) has been met.

b. Telecommunications

The LBC has determined that telecommunication technology and capability within the region should also be considered in examining this standard. In conducting its hearing on June 26, 1987, the commission had the opportunity to view first hand the telecommunications capability within the region. The commission finds that the current availability of telecommunications within the area proposed for incorporation is such that it enhances the communication and exchange necessary for the development of integrated borough government.

CONCLUSION OF LAW

Given the above findings of fact, the commission concludes that the telecommunications capabilities and the land, water and air transportation facilities allow the communication and exchange necessary for the development of integrated borough government. Thus, the standards set out in law for incorporation of boroughs which relate to transportation are satisfied.

3. ECONOMY

Section 29.05.031(a)(3) of the Alaska Statutes imposes as a standard of borough incorporation that the economy of the area include the human and financial resources capable of providing municipal services. The law provides further that the evaluation of the economy must include land use patterns, property values, total economic base, total personal income, resource and commercial development, and anticipated functions, expenses and income of the proposed borough.

State regulations also require a determination as to whether there are sufficient anticipated revenues to maintain and operate, at a minimum, the mandatory powers of the proposed borough government [19 AAC 10.160(3)] and whether the proposed borough is capable and willing to provide mandatory powers within three months of incorporation [19 AAC 10.170].

a. Land Use Patterns

The major private land owners in the region are the Aleut Regional Corporation and village corporations established through ANCSA. This act provided that the Aleut Regional Corporation receive the subsurface estate of village corporation land. The Aleut Corporation is entitled to some 1,450,763 village subsurface acres. Approximately half of this acreage is in the Aleutians East Region. Entitlements of village corporations based within the proposed Aleutians East Borough total several hundreds of thousands of acres. Village corporations based outside the proposed Aleutians East Borough also have entitlements of several thousands of acres within the proposed borough.

It should be noted here again that the area proposed for incorporation includes seven communities and 2,017 residents. Land ownership and use activities within these seven communities is typical of many rural communities throughout the state.

Thus, the commission finds that the land ownership and land use patterns are comparable to other rural areas of the state which are organized as regional municipalities. The commission also finds that the land use patterns in the area proposed for incorporation reflect a regional unity and these patterns would not diminish the borough's ability to exercise municipal jurisdiction. These lands are found to be in need of and capable of supporting the provision of municipal services.

b. Economic Base

Clearly, the world class fisheries resources in the general vicinity of the region provide the economic foundation of the area. Data compiled by the Institute of Social and Economic Research (ISER, Nabesky, et al. 1983), indicate that the area's economic base is ample enough to support a borough government. This data suggest that in 1980 the fishing industry accounted for nearly 60% of the total full-time equivalent jobs in the region. It is expected that bottomfishing will expand the fishing industry into a year-round enterprise, thereby enhancing and stabilizing the local economy of the region, and hence the economic viability of the proposed borough.

Thus, the commission finds that the economy of the area is strong and is considered suitable for the support of municipal government.

c. Property Values

The current estimated combined value of real and personal property within the territory proposed for incorporation is \$124,037,500. Of the total reflected in this estimate, all but \$25,000,000 is in King Cove or Sand Point. Therefore, the estimated \$99,037,500 combined real and personal property valuation within the two first class cities represents a per capita average combined real and personal property tax value of \$68,776.04 in each of those communities. The estimated \$25,000,000 combined real and personal property value within the remainder of the area proposed for incorporation represents an estimated per capita valuation of \$43,327.55.

When compared with per capita real and personal property valuations of existing regional municipalities, the valuation appears approximately equivalent to most. The proposed Aleutians East Borough per capita values for real and personal property valuation is the median for all regional governments in the State of Alaska.

Thus, the commission finds that the property values of the area are considered suitable for and capable of supporting the proposed borough.

d. Personal Income

Federal census data (1980) and estimates provided by the petitioners of 1980 average family (household) income in the area proposed for incorporation are as follows:

| COMMUNITY     | 1980 FEDERAL CENSUS | PETITIONERS' ESTIMATE |
|---------------|---------------------|-----------------------|
| Sand Point    | \$86,248            | \$47,951              |
| King Cove     | \$30,924            | \$37,533              |
| Cold Bay      | \$32,391            | \$37,247              |
| False Pass    | \$34,226            | \$30,396              |
| Akutan        | \$ 5,326            | \$ 5,833              |
| Nelson Lagoon | \$ 7,082            | NA                    |

The federal census data indicate that aggregate income in each of the six communities listed above totaled \$15,954,870 in 1980. The data indicate further that 310 families lived in these communities. Based upon this information, the average family income in the region in 1980 was \$51,467. This compares to a statewide average family income of \$32,688 (1980 federal census). Thus, the commission finds that the personal income of the area residents is considered capable of supporting the proposed borough.

e. Resource and Commercial Development

Nearly all of the resource and commercial development which has occurred in the region has been directly related to harvesting and processing the area's fish. The area appears to have the potential for a more diversified economy based upon extraction of minerals, oil and gas.

Thus, the commission finds that the level of resource and commercial development within the region, when compared with other Alaska boroughs, appears to be adequate to support borough government.

f. Anticipated Functions, Revenues and Expenses

Anticipated functions

Initially, the borough will exercise only the three powers required by law of regional municipalities (education, tax collection and planning).

Projected Revenues

The petition for incorporation projects the following operating revenues for the first year of operation:

|                                |                |
|--------------------------------|----------------|
| State Organizational Grant     | \$ 300,000     |
| State Municipal Assistance     | 17,550         |
| State Revenue Sharing          | 42,778         |
| State Coastal Management Grant | 50,000         |
| State Raw Fish Tax             | 421,000        |
| Other State Shared Taxes       | 7,000          |
| Borough Sales Tax (2%)         | <u>712,000</u> |
| Total                          | \$1,550,328    |

Upon examination, the LBC considers that the revenues estimated in the petition are generally accurate and reasonable. The following notations provide insight to this conclusion.

- o. Organizational Grant: Under existing statutes, (AS 29.05.190) there exists provision for borough organizational grants of \$300,000 for a newly incorporated borough's first full or partial fiscal year, \$200,000 for the borough's second fiscal year and \$100,000 for the borough's third fiscal year. The petitioners have reflected anticipation of this organizational grant funding (\$300,000) in their proposed budget. However, the First Session of the Fifteenth Alaska Legislature did not allocate funding for organizational grants to any boroughs which may incorporate during FY'88. If the borough incorporates, the department will seek a supplemental appropriation to fund this obligation. It does not appear that such funding will be available to the borough immediately upon incorporation.

- ° State Municipal Assistance: Funds under this program are expected to be distributed after June 1, 1988.
- ° State Coastal Management Grant: The petitioners anticipate Coastal Management Program funding. It is likely that FY 88 funds for the region will be transferred to the borough upon assumption of planning powers. The petitioners' estimate of the level of funding is considered to be conservative.
- ° State Revenue Sharing: Program funds will not be distributed to the borough until the fiscal year beginning July 1, 1988.
- ° Fisheries Business Tax Refunds: The estimate of \$421,000 for a full year appears to be conservative. However, initial distribution of funds under this program will not be made to the borough until after July 1, 1988, and then only for the tax revenues collected during calendar year 1987 (likely to be November and December only). Thus, the estimate contained in the budget, as it relates to the initial twelve months, is considered to be overstated.
- ° Other State Shared Taxes: The commission has reviewed this estimate and believes that it is a reasonable estimate for a full twelve month period.
- ° Borough Sales and Use Taxes: The petitioners have estimated revenues from proposed 2% sales and use taxes to total approximately \$712,000. This would exempt all transactions except raw fish. Since commercial fishing in the proposed borough is largely a year-round activity, tax revenues collected under this measure will accrue immediately upon implementation of the taxes. Implementation of the taxes would require voter approval of a referendum granting the power to tax, as well as the adoption of an ordinance by the assembly levying the tax. The petitioners' estimate of tax revenues, assuming the tax is levied, appears to be even more conservative than the petitioners' estimate of business fisheries tax revenues.

In the event a sales and use tax is not levied, the commission notes that the borough could generate revenue equivalent to that projected to be raised by the sales and use tax through a 5.7 mill tax on real and personal property. This calculation is based upon the estimated \$124,037,500 in taxable property within the area proposed for incorporation. The commission recognizes, however, that the administration of a property tax would increase somewhat the anticipated operating expenses of the proposed borough.

The commission notes that transition delays inherent in most of the sources of revenue will cause the borough to rely principally upon the proceeds from its proposed sales and use taxes (if levied) and the Coastal Management Program grant to fund its initial operations.

#### Projected Expenses

The petition for incorporation projects the following operating expenses for the first year of operation.

|                             |                |
|-----------------------------|----------------|
| Assembly                    | \$ 179,500     |
| Mayor                       | 293,800        |
| Administration & Finance    | 150,500        |
| Dept. of Community Affairs  | 171,900        |
| Dept. of Law                | 82,500         |
| Dept. of Education          | 100,000        |
| Capital Improvement/Reserve | <u>574,120</u> |

Total \$1,552,320

Here again, the commission believes that the expenses estimated in the petition are generally accurate and reasonable. When comparing the anticipated expenditures of the proposed borough with those of existing boroughs having similar size populations and/or similar geographic locations, the commission considers the Aleutians East Borough budget to be reasonable.

The following is a further examination of the budget offered in the petition.

- Department of Education: The petition states that the cost of education will be \$100,000. This reflects the cost of consolidating all or portions of three separate school districts into one district. This transition effort would begin immediately upon incorporation and would be concluded by July, 1988. Exercise of education powers in the sense of directly teaching students is scheduled to begin when the schools in the borough start the school year in the fall of 1988.

The total cost of providing education within the area proposed for borough incorporation is approximately \$3.4 million yearly. Existing state law (AS 14.17.210) provides that:

A regional educational attendance area school which becomes a city or borough district school is considered a regional educational attendance area school for purposes of financial support until the expiration of a complete fiscal year after the date on which the school becomes a city or borough school district . . .

Chapter 91, SLA 1987, requires a local contribution toward education by municipal school districts. However, the burden of providing a significant local contribution toward education would not be assumed by the newly formed Aleutians East Borough until July 1, 1989. Given the projections for and capabilities of generating revenue, the anticipated costs of the local contribution toward education could be readily supported by the borough.

- Legislative, Administrative and Contingency: The petitioners have budgeted \$706,300 to support legislative and administrative functions of the borough. Based upon budgeted expenditures for similar boroughs with similar functions, these estimates appear reasonable.
- Community Capital Improvement/Reserve Account: The petitioners have also budgeted \$574,120 in this account. Since the borough's powers are to be limited to education, planning and tax collection, it is understood that there will be little in the way of expenditures for community capital improvements during the first 12 months of operation. Thus, the petitioners have budgeted a

contingency fund amounting to nearly 60% of other total estimated expenditures.

- ° Department of Community Affairs: This component will provide the planning services of the borough. Activities include the functions presently being exercised by the Aleutians East CRSA, and the Regional Strategy Board. The estimated expenditure of \$171,900 for this category is considered to be reasonable.

Thus, the commission finds that the anticipated functions, revenues and expenses of the proposed Aleutians East Borough are reasonable and adequate to support operation of the proposed borough.

#### CONCLUSION OF LAW

Given the above findings of fact, the commission concludes that the economy of the area includes the human and financial resources capable of providing municipal services and satisfies the standards for incorporation imposed by law which relate to the economy of the area.

#### 4. SCHEDULE FOR ASSUMPTION OF POWERS

The following provisions of law pertain to the formation of a new borough and the integration of both existing service areas and relevant powers of existing cities into the borough.

AS 29.05.130 provides that "a service area in a newly incorporated municipality shall be integrated into the municipality within two years after the date of incorporation."

AS 29.05.140 provides that "the powers and duties exercised by cities and service areas that are succeeded to by a newly incorporated municipality continue to be exercised by the cities and service areas until the new municipality assumes the powers and functions which may not exceed two years after the date of incorporation."

19 AAC 10.170 provides that "the commission will not approve an incorporation unless the petitioners demonstrate to the satisfaction of the commission that the proposed borough is capable of providing and willing to provide the mandatory powers of an organized borough within three months of incorporation."

The mandatory powers of a second class borough, which are the only powers to be initially assumed by the Aleutians East Borough, consist of areawide education, administration of taxes, and planning.

- ° Education powers: will be assumed upon incorporation. A 1963 opinion of the Alaska Department of Law relating to former law similar to the existing law regarding ownership of state-operated schools and the state by the local school district after incorporation. The opinion transfer of direct administration of be made shortly after incorporation, of the next fiscal year and as quickly as possible with continuity of operation and efficient management.

The Aleutians East Borough petition states that "educational responsibilities would be assumed in FY 89." The borough would begin the transition to assume this power immediately upon incorporation. From a practical perspective, it appears to be extremely difficult to effect an orderly transfer of education powers from the REAA to the newly incorporated borough sooner than July 1, 1988. The supplemental brief of the petitioners stated that:

this [transfer] shall entail the transfer of municipal and REAA assets to the Borough. Liabilities, including teachers and administrators contracts will be also assumed at that time (sic). The specific details of this transfer will be the responsibility of the School Board and the Assembly.

- Assessment and collection of taxes: The borough will exercise its power to assess and collect taxes upon establishment of an areawide sales tax as provided in AS 29.45.650. The tax proposed in the petition would, if enacted, be imposed only upon sales and importations of raw fish (all other activities would be exempt from taxation). The petitioners have expressed an intention not to promote imposition of a borough property tax. However, in the event the sales tax is not approved by the voters, it would appear necessary for the borough to levy a property tax. As a matter of law, a second class borough possesses the authority to levy a property tax. Thus, the borough could begin immediately to exercise this power if necessary.
- Planning, platting and land use regulation: will be exercised on a "regional wide basis" upon incorporation. To the extent possible, exercise of these powers will remain at the local municipal level or involve maximum "advice and guidance" of local residents of unincorporated communities in the region. While these functions are "mandatory areawide" powers of a second class borough, state law permits delegation of the powers of planning, platting and land use regulation to any city with a borough.

Thus, the commission finds that the schedule for transfer of education responsibilities, and the initiation and/or transfer of the powers of taxation and planning, platting and land use regulation is reasonable.

#### CONCLUSION OF LAW

Given the above finding of fact, the commission concludes that the schedule for transfer of education responsibilities and the initiation and/or transfer of the powers of taxation and planning, platting and land use regulation substantially satisfies the requirements of AS 29.05.130, AS 29.05.140, and 19 AAC 10.170.

#### 5. BOUNDARIES

Section 29.05.031(a)(2) of the Alaska Statutes imposes as a standard for incorporation of a borough that the boundaries of the proposed borough conform generally to the natural geography and include all areas necessary for full development of municipal services.

In addition to this specific statutory provision, the other standards for borough incorporation set out in AS 29.05.031,

particularly the standard relating to the population of the area, influence the determination of boundaries.

Objective criterion relevant to the determination of the boundaries is also provided in 19 AAC 10.160(5). Specifically:

The area should include, at a minimum, one entire REAA unless the commission determines that a smaller area can otherwise meet borough government standards for incorporation.

a. Size relative to other boroughs

The territory within the proposed Aleutians East Borough boundaries exceeds that within the boundaries of 10 of the existing 12 regional municipal governments. The only Alaska regional municipal governments larger than the approximately 27,022 square miles reflected by the petitioners' legal description would be the North Slope Borough and the Northwest Arctic Borough. However, the proposed borough's jurisdiction with respect to offshore areas is limited by the state's offshore jurisdiction (AS 44.03.010). Therefore, the actual boundaries of the proposed borough include 15,405 square miles (including Unalga Island and the Baby Islands).

b. Other Established Boundaries

As was noted earlier, the territory which the petitioners propose to incorporate does not conform totally to any existing boundaries, including the Aleutian Region Educational Attendance Area, the Aleut Regional Corporation, and the Aleutians East Coastal Resource Service Area.

It should be noted that of the twelve regional municipal governments which exist in Alaska, four transcend two or more Native Regional Corporations formed under ANCSA. The boundaries of the four regional municipalities were determined prior to the establishment of Native Regional Corporation boundaries under ANCSA. However, once established, municipal boundaries can be modified. In addition to the relationship between existing regional municipalities and ANCSA regional corporations, seven regional educational attendance areas transcend two or more Native regional corporations formed under ANCSA.

The boundaries of the coastal resource service areas and regional educational attendance areas were formed according to a political process established by law. The Alaska Department of Law has noted that the superior provisions of the state constitution and implementing statutes require that these earlier political decisions give way to the commission's judgment concerning the organization of a new municipal government.

State regulations, 19 AAC 10.160(5), clearly provide that conformance with REAA boundaries (and by inference, other boundaries upon which REAAs are based or which are based upon REAAs) is not necessary if the commission determines that another area can otherwise meet borough government standards for incorporation. Thus, there is no requirement or compelling precedent to make borough boundaries conform precisely to other existing boundaries.

Therefore, the commission finds that while the boundaries of such entities should be considered as evidence relating to the population, geography, economy and other factors which form the standards for incorporation of boroughs, these boundaries are

not considered sacrosanct with respect to the determination of the boundaries of the proposed Aleutians East Borough.

c. Area to the East of the Regional Corporation, REAA and CRSA

As was discussed earlier, the area proposed for incorporation by the petitioners includes apparently uninhabited and largely undeveloped areas beyond the eastern boundary common to the Aleut Regional Corporation, the Aleutians REAA and the Aleutian East CRSA. Together these areas comprise approximately 858 square miles. More specifically, the areas are comprised of approximately 211 square miles of land and 647 square miles of water. It is estimated that only approximately one-third of this water area lies within the state's jurisdiction. As was noted in some detail earlier, the commission found that the social, cultural and economic characteristics of the users of the territory east of the common eastern boundary do not warrant exclusion of this territory from the proposed borough.

The petitioners state that it is necessary to include these areas in the proposed borough to ensure that the bays and streams within the region's economic zone fall under the borough's jurisdiction.

The commission notes further that inclusion of this area is of significance to the financial viability of the proposed borough. Evidence presented to the commission shows that the area on the north side of the Peninsula (Ilnik and Three Hills fishing districts) alone accounts for 20% to 30% of the total value of the sockeye salmon harvest of Management Area M. According to Dr. Steve Langdon of the University of Alaska, a nationally recognized expert in anthropology and fisheries resources, this area has historically been a part of the commercial fisheries associated with the Aleutians East Region.

Financial viability of the proposed area for incorporation does not outweigh other standards for incorporation. However, great care was taken by the commission to assure that during these times of uncertain state support for municipalities, the proposed borough could adequately support its functions. Thus, the commission finds that the subject area is necessary for full development of municipal services by the Aleutians East Borough.

d. Natural Geography

The western boundaries include all of Unalga Island and the Baby Islands. The eastern boundaries include Stepovak Bay on the south side of the Peninsula and most of Strogonof Point (to the land terminus of the NW corner T38S, R60W, Seward Meridian) on the north side of the Peninsula. The boundaries follow township and range lines on the land to facilitate describing the boundaries of the proposed borough. To the north and south, the boundaries of the proposed borough are limited to the areas included within the state's jurisdiction.

Thus, the commission finds that the boundaries proposed by the petitioners, with the addition of Unalga Island and the Baby Islands, conform generally to the natural geography.

CONCLUSION OF LAW

Given the above findings of fact, the commission concludes that the boundaries proposed by the petitioners (including Unalga Island and the Baby Islands) conform generally to the natural geography, include all areas necessary for full development of municipal services and support the other standards for borough

incorporation previously discussed. Thus, the standards for incorporation imposed by law which relate to the boundaries of the area are satisfied.

#### 6. TAX REFERENDUM

The petition for incorporation contains clear and unambiguous notice that the proposed second class borough would assume the power to levy an areawide sales and use tax on raw fish in the amount of 2%. The authority to levy the tax requires voter approval (AS 29.45.670). The provisions of AS 29.05.110(c) specifically authorize the simultaneous submittal to the voters of the question of incorporation and the approval of the assumption of areawide powers. Thus, it would appear that a referendum necessary to authorize the borough to levy a sales and use tax could be included on the incorporation ballot.

An interested party appearing before the commission has objected to any simultaneous assumption of the sales and use tax power. The party argues that there must be a strict adherence to the provisions of AS 29.45.670 by first requiring the new assembly to adopt a tax ordinance and then referring it to the voters.

The commission finds that a strict adherence to AS 29.45.670 as suggested by the interested party would exalt form over substance. The cost to the municipality of holding an additional election and the delay occasioned by waiting for the election to be held warrants a procedure which consolidates the electoral process.

The commission further finds that it is in the best interest of the residents of the proposed borough to maximize awareness and understanding of the questions to be asked on the incorporation ballot. The way to accomplish this is to have separate questions on the proposed incorporation of the borough and the authorization to levy the proposed sales and use tax.

#### CONCLUSION OF LAW

Given the above findings of fact, the commission concludes that it is appropriate to refer to the voters of the proposed borough, as a separate question on the incorporation ballot, the matter of the proposed levy of the 2% sales and use tax on raw fish.

#### 7. APPORTIONMENT

A resident of the territory proposed for incorporation has expressed concern that the apportionment plan set out in the petition for incorporation may be unfair. This individual has indicated a belief that the population of Cold Bay (election district 3) is substantially less than the 250 residents claimed in the petition. Therefore, this individual suggested that a more equitable apportionment plan might result from the consolidation of election districts 3 and 4.

The commission notes that the population estimates included in the petition were obtained from a 1986 memorandum issued by the department relating to the proposed inclusion of Akutan in the Aleutians East CRSA. Further, the population of Cold Bay stated in the petition conforms precisely to the figure certified for Cold Bay by the department for purposes of the current fiscal year State Revenue Sharing program.

While variations of the numbers of residents per elected representative do exist within the proposed election districts,

differences in the social and economic characteristics of these districts may justify those variations.

Thus, the commission finds that the apportionment plan set out in the petition does not cause a failure to satisfy the standards for borough incorporation set out in the law.

#### DECISION AND ORDER

Based upon the findings of fact and conclusions of law stated above, the commission approves the petition for incorporation of the Aleutians East Borough with the amendment of boundaries to include the territory to a line extending southerly mid-line between Unalga and Sedanka Islands. The boundaries of the territory approved for incorporation are as follows:

All of that territory along the Alaska Peninsula and the Aleutian Chain lying:

1) west of a line beginning at the point of intersection of  $57^{\circ} 00'$  North Latitude and the extension of a line due north from the NW corner T38S, R60W, Seward Meridian (SM); thence due south to the NW corner T40S, R60W, SM; thence west to the NW corner T40S, R61W, SM; thence south to the SW corner T40S, R61W, SM; thence west to the NW corner T41S, R63W, SM; thence south to the NW corner T42S, R63W, SM; thence west to the NW corner T42S, R65W, SM; thence south to the NW corner T43S, R65W, SM; thence west to the NW corner T43S, R67W, SM; thence south to the SW corner T44S, R67W, SM; thence east to the NW corner T45S, R67W, SM; thence south along the line separating R67W and R68W, SM to the SW corner of T48S, R67W, SM; thence west to the NW corner of T49S, R68W, SM; thence south to the NE corner of T50S, R69W, SM; thence east to the NE corner of T50S, R67W, SM; thence south along the line separating R66W and R67W, SM, to the land terminus of the line separating R66W and R67W, SM, on the Kupreanof Peninsula at approximately  $55^{\circ} 38' 22.296''$  North Latitude, thence due east to the intersection with  $159^{\circ} 00'$  West Longitude; thence southerly along  $159^{\circ} 00'$  West Longitude to  $54^{\circ} 00'$  North Latitude; and

2) east of a line mid-channel through Unalga Pass, extending northerly mid-line between Unalga and Unalaska Islands and extending southerly mid-line between Unalga and Sedanka Islands;

With respect to the water areas, the boundaries of the Aleutians East Borough extend to the limits of the State's jurisdiction under AS 44.03.010. The territory described above contains 15,405 square miles, more or less, all in the Third Judicial District, State of Alaska.

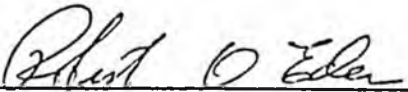
THEREFORE, IT IS ORDERED:

1. That the department of community and regional affairs notify the Alaska division of elections of the approval of the petition in order that it may schedule and conduct an election for the incorporation of the proposed Aleutians

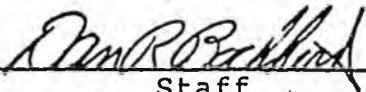
East Borough. The incorporation ballot shall have a separate proposition authorizing the borough to levy an areawide 2% sales and use tax upon raw fish. Incorporation of the borough is not conditioned upon voter approval of the sales and use tax referendum.

2. If the voters approve the incorporation of the borough, the department is directed to consult with the new borough to determine whether the apportionment plan established in the petition for incorporation and implemented under the provisions of AS 29.20.060(b) is fair and equitable. If such a determination cannot be made, the department is directed to assist the borough in the development and implementation of a plan which is fair and equitable.

ADOPTED BY THE LOCAL BOUNDARY COMMISSION OF THE STATE OF ALASKA THIS 24<sup>th</sup> DAY of JULY, 1987.

  
Robert O. Eder, Chairman

ATTEST:

  
Staff

PROPOSED ALEUTIANS EAST BOROUGH

Notice is hereby given that pursuant to the provisions of AS 29.05.110, an election will be held in the communities within the boundaries of the proposed Aleutians East Borough on October 6, 1987 to determine:

- (1) THE VOTERS' DESIRE TO INCORPORATE A SECOND CLASS BOROUGH;
- (2) THE VOTERS' AUTHORIZATION OF THE LEVY OF A 2% SALES AND USE TAX ON RAW FISH; AND,
- (3) IF INCORPORATION IS APPROVED, THE ELECTION OF A MAYOR AND THE INITIAL SEVEN (7) PERSON ASSEMBLY MEMBERS.

The election will be held on October 6, 1987 and will be under the administration and supervision of the Director of Elections. The proposed second class borough is to be named Aleutians East Borough and is described as follows:

All of that territory along the Alaska Peninsula and the Aleutian Chain lying:

1) west of a line beginning at the point of intersection of 57 degrees 00' North Latitude and the extension of a line due north from the NW corner T38S, R60W, Seward Meridian (SM); thence due south to the NW corner T40S, R60W, SM; thence west to the NW corner T40S, R61W, SM; thence south to the SW corner T40S, R61W, SM; thence west to the NW corner T41S, R63W, SM; thence south to the NW corner T42S, R63W, SM; thence west to the NW corner T42S, R65W, SM; thence south to the NW corner T43S, R65W, SM; thence west to the NW corner T43S, R67W, SM; thence south to the SW corner T44S, R67W, SM; thence east to the NW corner T45S, R67W, SM; thence south along the line separating R67W and R68W, SM to the SW corner of T48S, R67W, SM; thence west to the NW corner of T49S, R68W, SM; thence south to the NE corner of T50S, R69W, SM; thence east to the NE corner of T50S, R67W, SM; thence south along the line separating R66W and R67W, SM, to the land terminus of the line separating R66W and R67W, SM, on the Kupreanof Peninsula at approximately 55 degrees 38' 22.296" North Latitude, thence due east to the intersection with 159 degrees 00' West Longitude; thence southerly along 159 degrees 00' West Longitude to 54 degrees 00' North Latitude; and

2) east of a line mid-channel through Unalga Pass, extending northerly mid-line between Unalga and Unalaska Islands and extending southerly mid-line between Unalga and Sedanka Islands;

incorporations East borough extend to the limits of the State's jurisdiction under AS 44.03.010. The territory described above contains 15,405 square miles, more or less, all in the Third Judicial District, State of Alaska.

The initial assembly, if incorporation is approved, will be composed of a mayor and seven assembly members. Individuals seeking office on the initial assembly and desiring to have their name appear on the ballot must file nominating petitions. The initial mayor shall be nominated and elected by the voters areawide. Assembly members shall be nominated and elected by voters residing within the boundaries of the district in which each candidate is seeking office. Signed petitions must be filed with the Director of Elections, P.O. Box AF, Juneau, AK 99811-0105, or with the Region 3 Elections Office, 675 Seventh Avenue, Station H, Fairbanks, Alaska 99701-4594, no later than 4:30 p.m. prevailing time, on August 21, 1987. Candidates for municipal office must file Conflict of Interest Statements with the city clerk within their district.

Any person who is a qualified voter in Alaska and who has resided within the boundaries of the proposed borough for 30 days before July 20, 1987, the date of this election order, may be nominated and vote in this election. (AS 29.05.110(b)).

The election will be conducted in the general manner as prescribed by the Alaska Election Code.



Sandra J. Stout  
Director  
Division of Elections

Dated this 20th day of July, 1987

ALEUTIANS EAST BOROUGH

DATE: Thursday November 12, 1987  
TIME: 10:00 a.m.  
LOCATION: \* Hill Bldg., 6th & G, Rm 508, Anchorage, Alaska

PUBLIC IS WELCOME

AGENDA

Swearing in of Assembly Members and Mayor  
Call to Order  
Roll Call

New Business

1. Ordinance No. 88-1/First Reading - General Provisions - Administration and election
2. Ordinance No. 88-2/First Reading - Raw Fish Tax - update
3. Ordinance No. 88-3/First Reading - Powers & Functions of Aleutians East Borough.
4. Ordinance No. 88-4/First Reading - Planning, Platting and Land use regulations.
5. Resolution No. 88-1/Municipal Assistance/Revenue Sharing
6. Participation by Nelson Lagoon and False Pass
7. Education Powers/School Board
8. Land Entitlements
9. State Transition Grant
10. Lawsuit Status
11. Executive Session
12. Public Comment

① budget  
② meeting

DEC 1

ALEUTIANS EAST BOROUGH

DATE: Tuesday, December 1, 1987  
TIME: Workshop 2:00 p.m. - Meeting 7:00 p.m.  
PLACE: Sand Point Municipal Building, Room 11

AGENDA

Call to Order  
Minutes  
Adoption of Agenda

Legislation

Assembly Term of Office

Unfinished Business

1. Ordinance No. 88-1/Public Hearing - General Provisions - Administration and election
2. Ordinance No. 88-2/Public Hearing - Raw Fish Tax - update
3. Ordinance No. 88-3/Public Hearing - Powers & Functions of Aleutians East Borough.
4. Ordinance No. 88-4/Public Hearing - Planning, Platting and Land use regulations.

New Business

1. Resolution No. 88-2 -- Loan from Rainier Bank Alaska
2. Resolution No. 88-3 - School Board Election
3. Ordinance No. 88-5/First Reading - Advisory Member
4. Ordinance No. 88-6/First Reading - FY 88 Budget

Update

1. Intervener Status in Law Suite
2. Land Status
3. Citizen comments
4. Executive Session

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# Alaska State Legislature



SENATOR  
ARLISS STURGULEWSKI

Chairman, Senate Community and Regional Affairs Committee  
Vice-Chairman, Senate Judiciary Committee  
Member, Senate Resources Committee

2957 SHELDON JACKSON STREET  
ANCHORAGE, ALASKA 99508

While in Juneau  
P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3818

## Senate

MEMORANDUM

January 18, 1988

TO: Senator Fred Zharoff

FROM: Senator Arliss Sturgulewski

RE: Oceans Policy for Canada

I had the pleasure of meeting with the Honorable Tom Siddon, Minister of Fisheries and Oceans for Canada at the November meeting of the International Pacific Fisheries Commission on which I serve as an advisory committee member. Minister Siddon presented his newly developed Oceans Policy for Canada which is an excellent framework for a coordinated approach to the many ocean issues facing Canada.

Because of the many similarities between Canada and Alaska and the fact that we on the state level are trying to develop policies for our own fisheries and oceans, I thought you would be interested in this summary of the Canadian oceans strategy.

Enclosure