

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672  
6784 HOUSE COMMUNITY & REGIONAL AFFAIRS

**APPENDIX A-F**

1 the boundary question with respect to the Greens Creek Mine  
2 (thereby providing the municipality, the mining company, and the  
3 300 CBJ residents who work at the mine with stability and  
4 predictability) without jeopardizing the mine's long-term presence  
5 as an important part of Juneau's economy.

6 The deferred effective date proposal is consistent with the  
7 reasons why the CBJ filed this annexation petition to begin with.  
8 As expressed in the June 1, 1989, letter from City-Borough Manager  
9 Kevin C. Ritchie accompanying the annexation petition, the CBJ did  
10 not submit the petition for a "quick revenue fix." The CBJ's goals  
11 were broader: protecting the jobs of a large segment of Juneau's  
12 residents and protecting the Mansfield Peninsula, as well as  
13 generating more tax revenue to pay for municipal services used by  
14 Greens Creek and its employees. The CBJ believes that its reasons  
15 for submitting the petition were in the public interest and that  
16 the January 1, 1994, effective date proposal furthers those goals  
17 without compromising or "manipulating" the annexation process.

18 The CBJ also takes exception to DCRA's comment that if the  
19 deferral is approved, the CBJ may next seek a "temporary  
20 detachment" of the AJ Mine to allow it to be relieved from  
21 taxation. DCRA Draft Recommendation, p. 11. This is clearly a  
22 far-fetched hypothetical and, if approved, the deferred effective  
23 date for the Greens Creek annexation would not establish any sort  
24 of precedent for such an action.

25 DCRA takes the position that the deferral is not in the

RECEIVED

APR -5 1991

1 Dept. of Comm. & Reg. Affairs  
2 Div. of Municipal & Reg. Asst.

STATE OF ALASKA  
LOCAL BOUNDARY COMMISSION

3 IN THE MATTER OF THE ANNEXATION )  
4 OF THE GREENS CREEK MINE AND )  
5 SURROUNDING TERRITORY TO THE )  
6 CITY AND BOROUGH OF JUNEAU )

7 CITY AND BOROUGH OF JUNEAU'S COMMENTS ON THE  
8 DRAFT RECOMMENDATION ON THE PROPOSAL TO DEFER THE  
9 EFFECTIVE DATE FOR THE ANNEXATION OF THE GREENS CREEK MINE

10 I. Introduction

11 The Department of Community and Regional Affairs (DCRA),  
12 acting as staff for the Local Boundary Commission (LBC), has  
13 recommended that the LBC deny the City and Borough of Juneau's  
14 (CBJ) proposal to defer the effective date of the Greens Creek Mine  
15 annexation until January 1, 1994. The CBJ continues to request  
16 that the LBC approve the deferred effective date proposal for the  
17 reasons set forth in the CBJ's brief on this issue filed on  
18 December 13, 1990. This memorandum will address the CBJ's comments  
19 on the DCRA's draft recommendation.

20 II. Comments on DCRA's Draft Recommendation

21 The CBJ disagrees with the characterization of the deferred  
22 effective date proposal as "[m]anipulation of local government  
23 boundaries to grant tax relief." DCRA Draft Recommendation, p. 11.  
24 The CBJ is not attempting to "manipulate" its boundaries or the  
25 annexation process. Rather, the deferred effective date proposal  
is intended to result in an annexation which will finally settle

1 state's "best interests" and that because of the various delays in  
2 the consideration of this petition, the Greens Creek Mine has  
3 already gained a large measure of the tax relief it seeks. DCRA  
4 Draft Recommendation at p. 11. First, the fact that the soonest  
5 the annexation could take effect now is March 1992 does not mean  
6 that the LBC should not grant the requested deferral. Second, DCRA  
7 was apparently not so concerned with the education funding formula  
8 issue, or the immediate extension of services issue, or the other  
9 reasons it now finds necessitate its recommendation that the  
10 deferred effective date be denied, when it recommended that action  
11 on the annexation petition be delayed for a full year after its  
12 submittal in June 1989 in order for DCRA to undertake the model  
13 boundary study.

14 In short, the adverse financial impacts on the state resulting  
15 from the grant of the deferral are negligible, whereas the  
16 potential adverse financial impacts on the Greens Creek Mine, and  
17 consequently the CBJ, resulting from the denial of the deferral are  
18 substantial. And, while granting municipal tax exemptions may be  
19 DCRA's preferred alternative for addressing the economic concerns  
20 raised by the CBJ and Greens Creek, this is simply not a workable  
21 or practical solution for the CBJ. Finally, the CBJ believes that  
22 issues of "taxpayer equity" are concerns to be addressed by the  
23 local government, not the LBC through a decision on an annexation  
24 petition. DCRA Draft Recommendation, p. 7.

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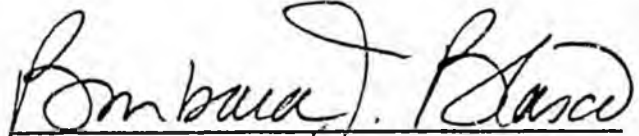
III. Summary

The CBJ urges the LBC to approve the CBJ's proposal to defer the effective date of the Greens Creek annexation until January 1, 1994. This proposal represents a cooperative approach between the affected industry, the municipality and the state, and it would meet all of the goals and objectives of the annexation without jeopardizing the long-range growth and diversification of the CBJ's economy through the sound development of the mining industry in the Juneau area.

Respectfully submitted this 3rd day of April, 1991.

CITY AND BOROUGH OF JUNEAU, ALASKA  
PETITIONER

By:

  
Barbara J. Blasco  
City-Borough Attorney

STATE OF ALASKA  
LOCAL BOUNDARY COMMISSION

IN THE MATTER OF THE ANNEXATION )  
OF THE GREENS CREEK MINE AND )  
SURROUNDING TERRITORY TO THE )  
CITY AND BOROUGH OF JUNEAU )

AFFIDAVIT OF SERVICE

I, Marian J. Miller, being first duly sworn, hereby depose and say as follows:


1. I am a legal secretary with the City and Borough of Juneau.

2. On April 3, 1991, copies of City and Borough of Juneau's Comments on the Draft Recommendation on the Proposal to Defer the Effective Date for the Annexation of the Greens Creek Mine were served by U.S. mail to:

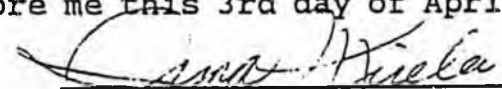
Dan Bockhorst  
Grants and LBC Supervisor  
State of Alaska  
Dept. of Community & Regional Affairs  
949 East 36th, Room 405  
Anchorage, AK 99508

James F. Clark  
Attorney at Law  
Robertson, Monagle, & Eastaugh  
240 Main Street, Suite 800  
Juneau, AK 99801

DATED at Juneau, Alaska, this 3rd day of April, 1991.

  
Marian J. Miller

SUBSCRIBED AND SWORN to before me this 3rd day of April, 1991.

  
Notary Public in and for Alaska  
My commission expires: 2/21/95

1 STATE OF ALASKA  
2 LOCAL BOUNDARY COMMISSION

3 IN THE MATTER OF THE ANNEXATION )  
4 OF THE GREENS CREEK MINE AND )  
5 SURROUNDING TERRITORY TO THE CITY )  
6 AND BOROUGH OF JUNEAU )

7 KENNECOTT GREENS CREEK MINING COMPANY'S COMMENTS ON THE  
8 DRAFT RECOMMENDATION ON THE PROPOSAL TO DEFER THE  
9 EFFECTIVE DATE FOR THE ANNEXATION OF THE GREENS CREEK MINE

10 I. INTRODUCTION

11 On November 10, 1990, the Local Boundary Commission (LBC)  
12 granted Kennecott Greens Creek Mining Company's (KGCMC's) request  
13 that the LBC reconsider its September 6, 1990 and October 8, 1990  
14 decisions rejecting the City and Borough of Juneau's (CBJ's)  
15 August, 1990 request to defer the effective date of the annexation  
16 of the Greens Creek mine until January 1, 1994. The LBC limited  
17 reconsideration to the sole issue of whether or not to defer the  
18 effective date of the CBJ annexation.<sup>1/</sup>

19 On December 13, 1990, the CBJ submitted its brief in  
20 support of the proposed amendment [i.e. the January 1, 1994  
21 deferred effective date] to the Greens Creek Mine annexation  
22 petition (hereinafter "December 13, 1990 brief").

23 On February 8, 1991, KGCMC filed its answering brief  
24 supporting the CBJ position.

25 On March 15, 1991, the Department of Community and  
26 Regional Affairs submitted its draft recommendation to deny the

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1/ KGCMC has previously asserted and continues to assert that  
the LBC did not have authority to approve the application for  
annexation after it was withdrawn by the CBJ Assembly on July 13,  
1989. (See KGCMC's October 29, 1990 Request for Reconsideration.)

1 proposal to defer the effective date for the annexation for the  
2 Greens Creek Mine (hereinafter department draft).

3 On April 3, 1991, CBJ commented upon the draft recommen-  
4 dation submitted by the Department. KGCMC completely supports  
5 those comments.

6 II. ARGUMENT

7 The procedural background of this matter is completely  
8 set forth in the CBJ's December 13, 1990 brief at pages 1-3.

9 A. The LBC Has The Authority To Defer The Effective Date.

10 All parties agree that the LBC has authority to defer the  
11 effective date of the proposed annexation. The Department argues  
12 that the Haines case, in which such deferral authority was  
13 established, is not analogous to this decision. Whether it is or  
14 is not analogous is really not relevant to this case - the point is  
15 that the LBC has such authority. Therefore, the question before  
16 the LBC is whether it should be exercised in this case.

17 B. Analysis Of The Situation

18 In its December 13, 1990 brief, the CBJ set forth a very  
19 clear set of reasons for requesting deferral. At pages 3-5, the  
20 CBJ describes how in its annexation discussions and negotiations  
21 with KGCMC, the parties resolved all of the issues except for the  
22 economic impact which immediate annexation would have upon the  
23 Greens Creek Mine and its expansion plans. At pages 6-11, the CBJ  
24 brief recounts the steps which the CBJ has taken to analyze the  
25 annexation timing question. It also describes why the CBJ reached  
26 the conclusion that the 1994 date would at once achieve CBJ's goal

1 of annexing the mine, while protecting its economic viability (CBJ  
2 Brief at page 7). The CBJ brief then points out in detail why the  
3 deferred effective date proposal is the best method of addressing  
4 the financial alternatives which CBJ found to exist in this case  
5 (CBJ Brief at pages 8-11).

6 As a matter of LBC policy, this carefully thought through  
7 process should be followed unless there is an overriding State  
8 interest involved. While not intending to have this effect on the  
9 reader, the Department's failure to provide record support for the  
10 points made in its draft provides compelling evidence that there is  
11 no overriding State (or even LBC) interest in denying the CBJ  
12 request. Accordingly, the CBJ request should be granted.

13 C. Was The CBJ Correct In Basing Its Action On The  
14 Concern That The Mine Would Be Adversely Affected?

15 The CBJ staff negotiated with and worked with the KGCMC  
16 officials to determine the facts, and then set them forth on the  
17 public record at hearings held on the matter by the CBJ Assembly.  
18 On the other hand, Department staff has never talked with KGCMC or  
19 asked KGCMC for information about the economic situation at the  
20 mine, the economic reasons why deferral was requested, the plans  
21 for expansion or anything else.

22 Nevertheless, the Department draft takes issue with the  
23 CBJ's determination that the deferred effective date is necessary  
24 to avoid economic hardship to the mine. The Department's sole  
25 support for this assertion (which seeks to contradict the CBJ's  
26 analysis described above) is a February 25, 1991 Anchorage Times  
article and undocumented "reports" that "the Greens Creek Mine has

1 strong financial backers and is believed by some to be 'nicely' in  
2 the black ink." (Department Draft at page 6)

3 The use of a newspaper article and uncited, undocumented  
4 "reports" is insufficient as a matter of administrative law to  
5 support the Department's assertion that Greens Creek is "nicely in  
6 the black ink." We leave it to the LBC to decide whether, as a  
7 matter of administrative law, it is willing to substitute a  
8 newspaper article and "reports" for specific, local government  
9 findings.

10 In fact, as described in paragraph 5 of the attached  
11 affidavit of Cliff Davis, the Manager of the Greens Creek Mine, the  
12 world prices for lead, zinc and silver have dropped so low that it  
13 is unlikely that the mine will be profitable in 1991 or 1992.  
14 Furthermore, it may be that the mine must be expanded to an optimum  
15 level before it can become profitable. (Davis Affidavit at ¶ 3).  
16 KGCMC is considering such expansion. Until that time, the  
17 employees of KGCMC have taken an across the board pay cut of  
18 approximately 10% (Davis Affidavit at ¶ 5). In short, the CBJ was  
19 absolutely correct when it stated at page 3 of its comments:

20 "[t]he financial impacts on the state resulting  
21 from the granting of the deferral are negligible,  
22 whereas the potential adverse financial impacts on  
23 the Greens Creek Mine and consequently the CBJ  
24 resulting from the denial of the deferral are  
25 substantial."

26 Since, for the reasons given above, the Department's position is  
contrary to the CBJ's findings and Mr. Davis' affidavit, and is  
insufficient as a matter of administrative law; the only facts  
legally before the LBC on this point compel the conclusion that

1 deferral is necessary to avoid significant adverse, economic  
2 impacts upon the mine.

3 D. What Is The Best Financial Alternative To The  
4 Problem?

5 In its December 13, 1990 brief, the CBJ argues that  
6 deferring the effective date is the best alternative for addressing  
7 the financial situation. The Department does not claim that the  
8 CBJ is wrong in its analysis. Indeed, it acknowledges that if tax  
9 relief is granted to the mine, the deferred annexation is probably  
10 the most desirable approach "from the standpoint of CBJ officials"  
11 (Department Draft at page 7).

12 The Department draft then tries, but fails, to show that  
13 there is a "higher state interest" involved. In yet another  
14 unsupported and, therefore, improper determination, the draft  
15 states:

16 "Not reflected in the CBJ brief is the fact that  
17 the proposed deferral of the annexation of the  
18 Greens Creek Mine results in higher taxes for  
19 others in Juneau."

20 Since there is no basis for this statement, it should be stricken.

21 Likewise irrelevant, is the point made at page 8 that "by  
22 deferring the annexation, the State of Alaska bears an estimated  
23 additional \$248,000 in annual payments to the CBJ under the  
24 education foundation formula for the length of the deferral." This  
25 simply represents a windfall. The KGCMC requires no school support  
26 at the mine site. All of the children of the miners are educated  
in Juneau, where their parent/KGCMC employee pay taxes to the CBJ.  
This is not a reason to discount the CBJ's arguments that not only

1 is deferral the best method for addressing the financial issues  
2 from CBJ's point of view, but also from the State of Alaska's point  
3 of view.

4 In short, KGCMC urges the LBC to compare the points made  
5 at pages 8-11 of the CBJ's December 13, 1990 brief with pages 7-8  
6 of the draft recommendation to see why there is simply no basis for  
7 the LBC to substitute the Department's superficial analysis for the  
8 carefully developed position of locally elected officials. The  
9 Department has offered no reasons showing that the CBJ's determina-  
10 tions were "parochial," as it claims at page 8 of the draft. All  
11 it has submitted are unsupported, undocumented assertions of  
12 opinion by Department staff.

13 E. Greens Creek Is Not In Immediate Need Of Municipal  
14 Services.

15 At page 10, the Department draft argues that the Greens  
16 Creek Mine is in need of CBJ's services. The attached affidavit of  
17 Mr. Davis disputes that assertion. There is not a single service  
18 that the CBJ can offer that Greens Creek "needs." (Davis Affidavit  
19 at ¶ 2) The mine is completely self-sufficient and has its own  
20 emergency response team for medical problems. With respect to  
21 support services for mine employees, the mine employees pay for  
22 those services through their own taxes.

23 The Department's argument goes on to state that KGCMC has  
24 a need for planning and zoning and coastal management tax assess-  
25 ment and collection and building inspection. These are the very  
26 problems associated with annexation that both the CBJ and KGCMC are  
seeking to avoid by deferral and thus, the statement is ludicrous

1 on its face. Indeed, the argument that these services are needed  
2 immediately and cannot await the deferral date is belied by the  
3 LBC's own action of deferring consideration of the annexation  
4 request in July 1989 while it reviewed model boundaries for the  
5 area. As the CBJ points out in its April 3, 1991 comments in  
6 response to the draft, the arguments made at page 11 by the  
7 Department are both demeaning and speculative in the extreme.  
8 While the LBC has authority to overrule local officials, the  
9 Department draft provides no analysis which would support the LBC  
10 substituting its judgment for the CBJ's in this case.

11 III. CONCLUSION

12 In conclusion, the Department's recommended denial of the  
13 CBJ request for deferral is not supported by the record. It  
14 presents no reasons why the deferral recommended by the CBJ should  
15 not be approved. The LBC has the authority to approve the deferred  
16 effective date. CBJ and KGCMC have shown there is economic  
17 necessity requiring deferral. The CBJ has decided that deferral is  
18 the best method for achieving this economic objective. The  
19 Department has presented no reason other than anecdotal opinion why  
20 the CBJ cannot be accommodated. For all of these reasons, the  
21 CBJ's request should be granted.

22 DATED at Juneau, Alaska this 15<sup>th</sup> day of April, 1991.

23 ROBERTSON, MONAGLE & EASTAUGH, P.C.

24  
25 By: James F. Clark  
26 James F. Clark, Of Attorneys  
for Greens Creek Mining Company

STATE OF ALASKA  
LOCAL BOUNDARY COMMISSION

IN THE MATTER OF THE ANNEXATION )  
OF THE GREENS CREEK MINE AND )  
SURROUNDING TERRITORY TO THE CITY )  
AND BOROUGH OF JUNEAU )  
\_\_\_\_\_ )

AFFIDAVIT OF CLIFF DAVIS

STATE OF ALASKA )  
: )  
FIRST JUDICIAL DISTRICT )

I, Cliff Davis, being first duly sworn, under oath, do depose and state as follows:

1. I have been involved in the mining industry for 27 years. I have been the Manager of Greens Creek Mine, operated by KGCMC for 1.5 years.

2. The CBJ is not presently providing municipal services to the mine and there is no need for such services. The mine provides all of its own support services, including emergency medical treatment. There has never been a need for use of police assistance at the mine area. Were such a need to arise, our plan calls for flying in State Troopers from Juneau. Support services for employees in Juneau are paid for by property taxes paid for by our employees in the CBJ.

3. The Greens Creek Mine is not currently profitable and will not be profitable under current circumstances. In order for the mine to become profitable, the worldwide prices of zinc, lead and silver must go up substantially. Alternatively, expanding the size of the mill and mine operations to an optimum level may improve profitability.

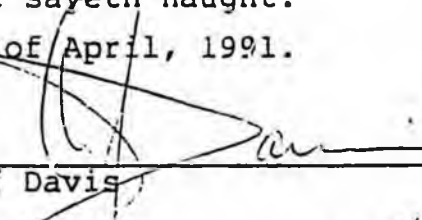
4. Since KGCMC can do nothing about the world market price for lead, zinc and silver, it is evaluating the potential of expanding the mill and the mine. This will require an increased capital expenditure at a time when the mine is already unprofitable. The added tax and regulatory burdens which annexation would cause could jeopardize the willingness of KGCMC to go forward with such an expansion project.

5. Because the world prices for lead, zinc and silver have dropped so low, and because it is unlikely that the mine will be profitable in 1991, or 1992, on April 5, 1991, we asked the employees of KGCMC to take an across the board pay cut of approximately 10%.

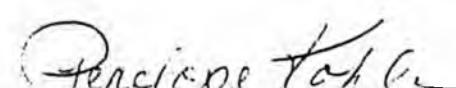
6. I have read the draft recommendation on the proposal to defer the effective date of the annexation of the Greens Creek Mine prepared by the Department of Community and Regional Affairs. No one in the Department has consulted with me regarding the economic situation of the Greens Creek Mine. I know of no basis for the statement of Warren Meyers from Merrill Lynch & Company in New York set forth in the Anchorage Times article of February 25, 1991 cited at page 6 of its draft for the proposition that Greens Creek "is nicely in the black ink." I have no knowledge of the "reports" referred to by the Department at page 6 of the draft.

FURTHER YOUR affiant sayeth naught.

DATED this 15<sup>th</sup> day of April, 1991.

  
\_\_\_\_\_  
Cliff Davis

SUBSCRIBED and SWORN to before me this 15<sup>th</sup> day of April, 1991.

  
\_\_\_\_\_  
Notary Public, State of Alaska  
My commission expires: 11/14/94

ROBERTSON, MONAGLE & EASTAUGH, P.C.  
COURT PLAZA BUILDING, SUITE 800  
240 MAIN STREET  
PO BOX 21211, JUNEAU, ALASKA 99802  
PHONE (907) 586-3340

1 STATE OF ALASKA  
2 LOCAL BOUNDARY COMMISSION

3 IN THE MATTER OF THE ANNEXATION )  
4 OF THE GREENS CREEK MINE AND )  
5 SURROUNDING TERRITORY TO THE CITY )  
6 AND BOROUGH OF JUNEAU )

7 CERTIFICATE OF SERVICE

8 The undersigned hereby certifies that on April 15, 1991,  
9 a true and correct copy of Kennecott Greens Creek Mining Company's  
10 Comments on the Draft Recommendation on the Proposal to Defer the  
11 Effective Date for the Annexation of the Greens Creek Mine was  
12 mailed, U.S. postage prepaid to the following parties of record:

13 Dan Bockhorst  
14 Grants and LBC Supervisor  
15 State of Alaska  
16 Dept. of Community and Regional Affairs  
17 949 East 36th, Room 405  
18 Anchorage, AK 99508

19 Barbara Blasco  
20 City-Borough Attorney  
21 City and Borough of Juneau  
22 155 So. Seward Street  
23 Juneau, AK 99801

24   
25 Sandra R. Dallas

BACK TO  
**BUSINESS**  
*The Anchorage Times*

MONDAY  
 February 25, 1991

# Juneau mine weathers silver price drop

ASSOCIATED PRESS

**JUNEAU** — The Greens Creek Mine, North America's largest silver mine, is facing tough times as silver prices hit a 17-year low, but mine officials and others say the mine's low production costs will help it ride out the rough times.

Productivity standards and cost controls are the key, said Cliff Davis, general manager for the Admiralty Island mine, about 20 miles west of Juneau.

Davis declined to say what the silver production costs are,

but other experts said they were about \$2 per ounce.

Davis did say the mine plans no changes in its work force, which at 280 makes Greens Creek the largest private-sector employer in the Juneau area.

Greens Creek, which opened two years ago, still has areas that could benefit from further fine-tuning, Davis said. For instance, the mine is experimenting to improve the ore separation process.

"The better quality products we produce, the better price we

can get from those products from the smelters," Davis said.

Greens Creek produces three products: a lead concentrate, a zinc concentrate and a combined low-grade lead and zinc concentrate. Each contains different amounts of silver and gold, Davis said.

Greens Creek does not rely solely on silver, but the value of the other metals it mines — gold, zinc and lead — also are on the downturn.

Metals analysts say times are bad for the industry.

"If you watch the price of silver over the last six months or so, it's almost like it's fallen off the edge of a cliff," said Warren Myers, vice president of capital markets for Merrill Lynch & Co. in New York.

Silver's peak price in 1990 was \$5.33 an ounce, compared with a low of \$3.63 on some markets Thursday.

Greens Creek, however, has strong backers, Myers said.

Kennecott Corp. of Salt Lake City owns 53 percent of the mine. Kennecott is a subsidiary

of Rio Tinto Zinc Corp., London, a major worldwide minerals producer.

Hecla Mining Co. of Coeur d'Alene, Idaho, is a 28 percent owner of the Greens Creek mine. The other owners are CSX Energy Inc. of Virginia, with a 12.6 percent interest, and Exalco Resources of Toronto, with 6.3 percent ownership.

Hecla has not escaped the reality of low silver prices. The company closed down some of its mining operations in 1990.

See Mine, page

# Mine

Continued from page C1

because of low prices. Production costs at Hecla's Lucky Friday mine in Idaho are about \$4.50 an ounce—about 80 cents higher than what the metal is worth on today's market, Myers said.

"Despite the fact that the silver price has fallen ... I think (Greens Creek) is nicely in the black ink," Myers said. "The whole operation appears to be pretty well run."

Myers visited Juneau last year to look over the Greens Creek project. He spoke in a telephone interview last week.

Greens Creek production of silver costs about \$2 an ounce, Myers said.

Zinc has not went for about 70 cents a pound, compared to about 60 cents a pound last week. A pound of lead sold for about 37 cents last year and is currently trading about 33 cents a pound on world markets.

There is a great deal of potential

for silver's low price, observers said.

Silver production is greater than demand, even though the surplus is becoming smaller, Myers said.

In addition, fears of recession have scared away many investors, leaving manufacturing demand as practically the sole force behind the silver market.

The photographic industry is the largest source of that demand, and even during recessionary times people continue taking pictures, Myers said. But silver is also used heavily in the electronics industry, which has been hit hard by the recession.

It doesn't look as though silver prices are headed for a rebound any time soon, Myers said.

On Jan. 17, silver dropped to \$4 per ounce—after the price of the allied forces returned from successful bombing missions in the Persian Gulf War. The market took the view that the war would be relatively short and would end with a U.S. victory, Myers said. Silver has been trading below \$4 ever since.

Myers predicts silver

bottom out at \$3.50 per ounce and only climb to \$4.20 per ounce—tops—during 1991.

Vahid Fathi, a metals and mining analyst for Prescott, Ball and Turben in Cleveland, said he doesn't expect to see today's prices change much in the near future.

"There is simply too much silver being produced, far and

above what is needed to satisfy the industrial demand and whatever little investment demand is left," Fathi said.

One reason there is so much silver on the market is that the precious metal is often mined as a byproduct, said Juneau economist Jim Calvin of the McDowell Group.

"Even when the price of all-

ver collapses and silver mines in Idaho close, there's still all this silver being produced in gold mines and lead mines and zinc mines," Calvin said. "They're going to mine it and produce it anyway because it's just gravy for their operation."

Greens Creek in 1990 mined about 285,000 tons of ore and produced about 7.6 million

ounces of silver, 38,000 ounces of gold, 37,000 tons of zinc and 16,300 tons of lead, according to a 1990 summary report on Alaska's minerals industry from the state Division of Geological and Geophysical Surveys.

Every ton of ore mined at Greens Creek contains about 22 ounces of silver and about 0.1 ounce of gold, Davis said.

**C**loseout! The sale you've been waiting for. We must clear showroom space for exciting new furniture lines. Our extensive, hand-selected collection of oriental rugs must be reduced immediately. We are excited about our ability to offer you a genuine SAVINGS of 20% to 50% on the finest rugs available today. But hurry, when they're gone, they're gone.

BBB & ASSOCIATES INC.

## Greens Creek to cut hours, travel pay

By KATE RIPLEY  
and SHERRY SIMPSON

THE JUNEAU EMPIRE

Effective next month, Greens Creek mine workers will have their shifts reduced by one-half hour a day and receive no pay for time spent traveling to and from the Admiralty Island silver mine, manager Cliff Davis said Thursday.

The changes, imposed because of low silver prices, will affect about 240 workers at the mine, Davis said.

"We would hope that the present

metal prices are a temporary phase, but they are severe enough and they've gone on long enough that they've affected profitability of the operation and we have to take measures," he said.

Silver traded on world markets today at between \$3.95 and \$4.05 an ounce. Mineral industry analysts say the precious metal is at a 17-year low.

"We cannot ride it out without taking some steps," Davis said.

Please turn to Cut, Page 8

## Cut...

Continued from Page 1

In addition to cuts in hours worked and travel pay, Greens Creek has also implemented a wage freeze for 1991, Davis said.

But there have been no wage cuts or layoffs, he said.

Davis announced the cost-cutting plan to workers Thursday. The measures trim nine-hour shifts by 30 minutes, eliminating a half-hour of overtime pay.

One benefit to workers is that they will get home that much earlier, Davis said.

Workers also will lose a \$25 daily payment for the approximately 45-minute boat ride each way between the mine and the company's Auke Bay dock, he said.

"Nobody is happy, which is pretty obvious," Davis said of mine employees. "But I believe that the majority of our employees understand that it's a difficult time we're trying to get through and it's better that we

all make some sacrifices to try and keep the operation viable, rather than see it go under."

He said in February that strict cost-controls on company overhead and efficient productivity standards were being implemented to help the silver mine - the largest in North America - through the slump in prices.

Greens Creek employees in February overwhelmingly rejected a trio of labor unions - the United Mine Workers, Juneau Building Trades-Alaska Mining Division and the United Steelworkers of America. Of 194 workers who voted, 141 opted for no union.

UMW organizers had warned workers that such cuts in their hours and pay were possible.

Davis said, "The timing is lousy, there's never a good time to do this sort of thing and there's never a time to be faced with the economic situation we're faced with."

Vahid Fathi, a metals and mining analyst for Prescott, Ball and Turben in Cleveland, Ohio, said Greens

Creek is not alone in its struggle to survive the downturn.

"It's a painful thing for everybody," he said.

For the mine workers, the company's strategy will mean tightening their own budget belts. One family figures the cutbacks will reduce their monthly income by about \$600.

A mine worker's wife, who asked not to be identified, said her husband and other workers were not really surprised by the company's announcement. "He came home last night and he said, 'We were waiting for the ax to fall, and something happened today.'"

The couple is resigned to the company's decision "in light of what's going on with silver mines in other parts of the states," she said.

Her family has faced this situation before, when her former state government job also was cut back, she said. Once again, the family will trim expenses, and she may look for a part-time job, she said.

"What does anybody do? Eat more beans," she said.

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May 22, 1991

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MAY 24 1991

Dept. of Comm. & Reg. Affairs  
Div. of Municipal & Reg. Asst.

Mr. Dan Bockhorst  
Alaska Department of Community  
and Regional Affairs  
949 East 36th Avenue, Suite 400  
Anchorage, Alaska 99508-4302

Re: Annexation of Greens Creek

Dear Mr. Bockhorst:

Thank you for your letter of May 13, 1991, inviting Greens Creek to provide additional information regarding the existing financial status of the mine and how the property and sales tax burdens imposed by annexation would further erode the capacity of the mine to continue operations. We know the following already:

(1) the City and Borough of Juneau has determined that the deferred effective date is necessary to avoid economic hardship to the mine;

(2) Mr. Davis' affidavit states at paragraph 3 that the mine is not currently profitable "and will not be profitable under current circumstances."

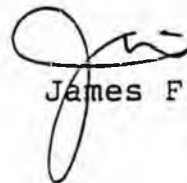
(3) world market prices for zinc and silver have dropped substantially. When the mine opened in August 1989, the price of zinc was \$.80 per pound and the price of silver was \$5.12 per ounce. The price of zinc in May 1991 is \$.50 per pound and the price of silver is \$4.00 per ounce. This 38% drop in the price of zinc and 22% drop in the price of silver make it reasonable to assume that the economic viability of the mine has dropped precipitously along with the decline in prices.

Mr. Dan Bockhorst  
May 22, 1991  
Page 2

(4) Greens Creek is considering expansion as a means to improve mine economics. In this regard, it is important to note that once annexation occurs, Greens Creek will be subject to the large mine permit. Thus far, it has cost Echo Bay several hundred thousand dollars to process its permit application under the CBJ large mine development permit requirement. This amount needs to be added to the property tax and sales tax amounts which Greens Creek would have to pay were the mine to be annexed.

Kennecott Greens Creek Joint Venture does not produce the type of financial report which you requested. The figures on the gross value of the product, cash production costs and other relevant information is not public information and under the agreement among the partners cannot be made public. However, we invite you or other members of the Commission to review the joint venture's economics on a confidential basis. That is, we would make the figures available to LBC staff and CBJ staff to form a judgment about the credibility of Mr. Davis' statements in his affidavit. You then could make a general report to the Commission based upon what you saw in qualitative terms for the record. Please let me know if this is acceptable to you.

Yours very truly,



James F. Clark

JFC:sd/520  
cc: Cliff Davis

TESTIMONY OF JAMES F. CLARK  
Representing Greens Creek Mining Company

I am pleased that the Local Boundary Commission (LBC) has given Greens Creek Mining Company the opportunity to discuss its Request for Reconsideration regarding the annexation petition of the City and Borough of Juneau (CBJ). I hope the commissioners have had an opportunity to review our request for reconsideration. I urge the commission to grant Greens Creek's request.

POLICY CONCERNS

Greens Creek would not be here today if it felt that the manner in which the LBC dealt with the CBJ annexation petition fairly provided adequate due process. Granted, the LBC has never dealt with a withdrawn petition before, but looking at its decisional process overall, the process which the LBC followed precluded reasonable discussion or consideration of the deferred effective date requested by the CBJ in its August 20, 1990 petition. If the LBC had encouraged a full discussion of this matter, it may have reached a different conclusion.

Greens Creek's Request for Reconsideration cites six Points of Error.

Point One concerns the LBC decision to approve the CBJ June 1, 1989 petition after the petition was withdrawn. Once the CBJ withdrew its petition, under the applicable law the LBC had nothing on which to act. The reasons why the LBC subsequently seemed unsure of what to do, stem from this first decision. At that point, the LBC should have said "the June 1, 1989 petition is dead.

If the CBJ is interested in annexing Greens Creek, it should submit another petition under the procedure in the LBC regulations."

Point Two, of course, is related to Point One. At its September 6, 1990 meeting, the LBC tried to take action on what in essence was a new petition. The commission was hesitant to act on the CBJ's request for the deferred effective date because the request did not fit into any procedural box that the commission was used to. If the commission had treated the CBJ request as a new petition and required a new notice and public hearings on the issue, it would not have had to structure its motion as it did at the meeting. If you recall, your legal counsel warned you that if you took action on the merits of the request, the commission would need to hold a public hearing. The LBC then decided to not take action on the merits, but simply determined that its prior request for an immediate effective date would stand.

Arguably, the LBC may consider the CBJ request for a deferred effective date as an amendment to the original petition. But even in that circumstance, the LBC has been told by the Alaska Supreme Court in Pavlik v. State that an amendment at least requires a new public hearing. We did not even get that.

Some commissioners may believe that because both the CBJ and Greens Creek were aware of the September 6, 1990 meeting and submitted testimony, there is no procedural problem. The issue is not whether there was notice and an opportunity to be heard, but whether the procedures the LBC relied on provided for full consideration of the delayed effective date proposal in the CBJ's

August 20, 1990 resolution. Once the LBC chose not to consider the merits of the CBJ request through its "no action" motion, the opportunity for open discussion died.

This procedural maneuver is what damaged Greens Creek. If the CBJ and Greens Creek had really had an opportunity to argue its case at another public hearing, the LBC may have accepted a delayed effective date as it had in 1985 with respect to a Haines annexation. In fact, at one point the LBC seemed to be leaning toward granting the CBJ's request. It then backed away because its legal counsel said the LBC could not act on the merits of the request.

Greens Creek submits that when the commission chose "not to act" it in essence denied the request.

Point Three deals with the LBC's lack of consideration of the deferred effective request. The LBC has admitted that it did not seriously consider the request of the CBJ Assembly.

Greens Creek takes the position that all issues surrounding a proposed annexation should be taken seriously. If this is not the case, then legitimate concerns of any local government can be ignored. In this case, the CBJ listened to Greens Creek and recognized that if the company was taxed immediately, it may have a detrimental effect on the community. That is a valid concern. If the CBJ chose to defer the effective date in order to assist a new development project, it was wholly within its rights to ask for consideration of a later annexation date. It was not as if the LBC had never approved an annexation petition with a deferred effective

date, the LBC approved the City of Haines petition which also requested a two year deferred effective date. The CBJ request at least deserved the same type of consideration given the City of Haines.

Point Four concerns an issue of law that requires that the record reflect the deliberations of the administrative agency. Because the LBC refused to discuss the merits of the CBJ request for a deferred effective date due to its concerns about the need for a public hearing, the LBC cannot stand on its record as supporting its position. As the commission has admitted, it did not seriously consider the deferred effective date request. The one instance where a commissioner tried to articulate his reasons for objecting to the request were apparently said in a hyperbolic manner.

Point Five examines the LBC disparate treatment of the CBJ petitions of August 20, 1990 and September 17, 1990. Both of the petitions were not immediately effective. While the September 17, 1990 did not ask for a two year deferral, it was contingent on a future event, i.e., the denial of Greens Creek's request for reconsideration. The LBC did not address the lack of an immediate effective date at its September 22, 1990 meeting. Greens Creek believes that this again shows that the LBC did not consistently follow its own rules and hence its action was arbitrary.

Point Six looks at the decision of the LBC on the Fairbanks North Star Borough petition and the CBJ petition. The LBC has attempted to distinguish the two petitions in its FNSB Statement of

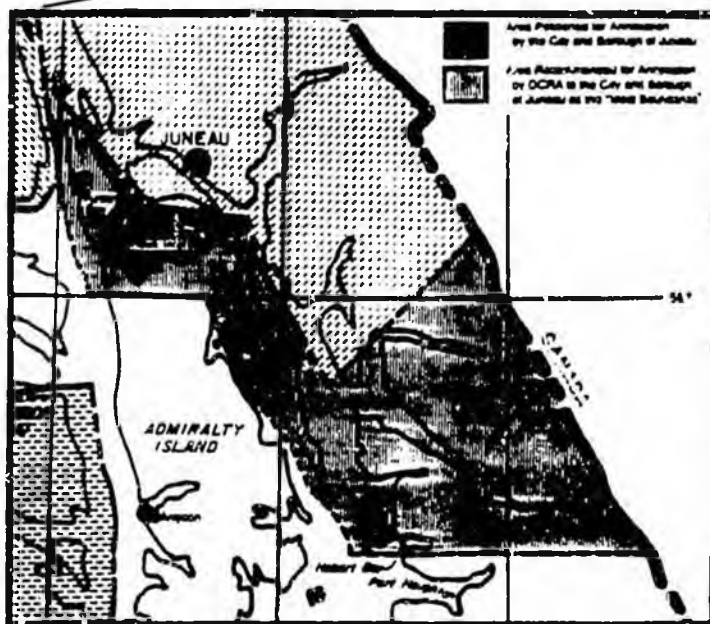
Decision. But on close review, the distinctions are without a difference. In addition, the Department of Community and Regional Affairs letter of July 30, 1990, further supports the position that the LBC acted arbitrarily on the annexation of Greens Creek.

#### CONCLUSION

Greens Creek urges the commission to grant its request for reconsideration because the proper measure of due process has not occurred to date. In order to rectify the situation, the CBJ petition with the 1994 deferred effective date should be noticed and the LBC procedures begun anew. This would give all interested parties the opportunity to submit testimony on the issue and allow the commission to make an informed decision.

**REPORT AND RECOMMENDATION TO THE  
LOCAL BOUNDARY COMMISSION CONCERNING THE:**

- 1) PROPOSED ANNEXTION OF THE GREENS CREEK MINE TO THE CITY AND BOROUGH OF JUNEAU,
- 2) IDEAL BOUNDARIES OF THE CITY AND BOROUGH OF JUNEAU.



**STEVE COWPER  
GOVERNOR**

**DAVID G. HOFFMAN  
COMMISSIONER**



**JUNE, 1990**

## JUNEAU ANNEXATION/MODEL BOUNDARIES

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## JUNEAU ANNEXATION/MODEL BOUNDARIES

### SECTION I - INTRODUCTION

#### A. General Background

This report has three primary objectives. These are:

1. To examine and evaluate the proposal of the City and Borough of Juneau (CBJ) to annex approximately 140 square miles, including the Greens Creek mine;
2. To examine the annexation proposal in the context of the "ideal" boundaries for the City and Borough of Juneau; and
3. To provide the Local Boundary Commission with recommendations for action regarding the annexation petition and determination of the ideal boundaries of the CBJ.

#### B. Role of the Alaska Local Boundary Commission

The Local Boundary Commission (Commission or LBC) was created under Alaska's Constitution to address municipal incorporations, boundary changes and related actions. It is one of only two State boards established by the Constitution (the other being the University Board of Regents).

Thirty-four years ago, the delegates to Alaska's Constitutional Convention concluded, after considerable study and debate, that establishment and revision of local government boundaries should be the responsibility of the State. Thus, the Constitution (Article X, Section 12) provides that:

A local boundary commission or board shall be established by law in the executive branch of state government. The commission or board may consider any proposed local government boundary change . . .

Shortly after Statehood, the Alaska Supreme Court summed up the extensive considerations which led the Constitutional Convention delegates to this position:

An examination of the relevant minutes of [a series of 31 meetings held by the Committee on Local Government at the Constitutional Convention] shows clearly the concept that was in mind when the local boundary commission section was being considered: that local political decisions do not usually create proper boundaries and that boundaries should be established at the state level. The advantage of the

## JUNEAU ANNEXATION/MODEL BOUNDARIES

method proposed, in the words of the committee — "lies in placing the process at a level where areawide or statewide needs can be taken into account. By placing authority in this third-party, arguments for and against boundary change can be analyzed objectively." (Fairview Public Utility District No. 1 v. City of Anchorage; 368 P.2d 540).

The Commission is charged with the responsibility to review and act upon a variety of municipal jurisdictional issues. These consist of proposals for: 1) annexations to cities, boroughs and unified municipalities, 2) incorporations of cities and boroughs, 3) merger and consolidations of cities, boroughs and unified municipalities, 4) detachments from cities, boroughs and unified municipalities and 5) dissolution of cities, boroughs and unified municipalities.

### C. Composition of the Commission

The Commission consists of five members appointed by the Governor. Appointment of Commission members insures statewide representation. One member is appointed from each of Alaska's four judicial districts. The Chairman is appointed from the state at-large.

Members are appointed by the Governor "on the basis of interest in public affairs, good judgment, knowledge and ability in the field". The Local Boundary Commission is a citizen commission, that is, members are not State employees and receive no compensation for service.

### D. Present Membership of the Commission

Provided below is a brief introduction to each of the five members of the Commission:

C.B. Bettisworth, Chairman. Mr. Bettisworth was appointed to the Commission in 1980, serving from the Fourth Judicial District. In 1987 he was appointed Chairman of the Commission. Mr. Bettisworth is an architect by profession and manages his own architecture, planning and project development firm. Mr. Bettisworth has served as a member of the Local Boundary Commission under three Governors. As LBC Chairman, Mr. Bettisworth serves at-large. He resides in Fairbanks.

Shelley Dugan, Vice Chairman. Ms. Dugan was appointed to the Local Boundary Commission in 1987 serving from the Fourth Judicial District. She was elected Vice-Chairman of the Commission the following year. Ms. Dugan is the City Clerk/Treasurer for the City of North Pole. She resides in Fairbanks.

## JUNEAU ANNEXATION/MODEL BOUNDARIES

Jo Anderson. Ms. Anderson was appointed to the Commission in 1975 serving from the First Judicial District. She is employed by the Alaska Department of Health and Social Services. During her tenure with the Commission, Ms. Anderson has served three Governors. She resides in Wrangell.

Lamar Cotten. Mr. Cotten was appointed to the Local Boundary Commission in 1988 serving from the Third Judicial District. He is employed as the Borough Administrator of the Aleutians East Borough. Mr. Cotten resides in Anchorage.

Guy Martin. Mr. Martin was appointed to the Commission in May of 1989. He is employed as the Lands Manager for the Bering Straits Native Corporation. Mr. Martin resides in Nome.

### E. Technical Support For the Commission

The Alaska Department of Community and Regional Affairs (Department or DCRA) provides technical and administrative support to the LBC.

Under the law, the Department is required to examine the proposed annexation and issue a formal report and recommendation for consideration by the Commission.

However, the Commission and the Department are independent of each other. The Department's recommendations, such as those contained in this report, are not binding upon the Commission.

The Department's report often serves as a mechanism to focus thought and discussion upon issues which typically emerge when major annexations to existing borough governments are proposed. Often, the DCRA report serves as a "point of departure" as these issues are examined in the Commission's public deliberative process.

### F. Actions Which May Be Taken on CBI Petition

The LBC has various options for action with respect to the pending CBI annexation petition. These are:

- The annexation petition could be accepted as submitted,
- The petition could be rejected, or
- The petition could be amended and approved.

## JUNEAU ANNEXATION/MODEL BOUNDARIES

The first two are options are simple — basically involving either approval or refusal of the requested annexation.

The Local Boundary Commission may also amend petitions. Amendments may consist of expanding or reducing the area proposed for annexation. The Commission may also amend the petition to provide that an alternative method of annexation be used. Any amendment, particularly in the case of an expansion of boundaries, carries with it the responsibility to ensure that rights to due process are protected.

If the Commission approves a petition for annexation under the legislative review process, the legislature must reject the petition to prevent it from taking effect.

### G. Model Borough Boundary Project

On June 7, 1989, the LBC published notice that it was postponing consideration of pending proposals for all borough annexation and incorporation petitions. This decision affected not only the petition from the City and Borough of Juneau, but also petitions for annexation submitted by two other boroughs (Matanuska-Susitna and Fairbanks North Star). In addition, two petitions for incorporation of boroughs were affected (Denali and Valleys Boroughs).

A formal statement issued by the Commission at that time read:

The action taken by the Commission will delay consideration of the annexation and incorporation proposals for about one year. During this time, the Commission will develop a boundary guideline map which identifies 'ideal' boundaries for existing and potential future boroughs throughout Alaska.

Accordingly, the Local Boundary Commission has directed staff to recommend model borough boundaries from among various potential options for the configuration of borough government in central Southeast Alaska. Examination of the CBJ "ideal boundaries" is being undertaken within the parameters of the broader statewide model boundary map project.

### H. Background on Borough Government

Article X, Section 3, of Alaska's Constitution requires that:

The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to stan-

## JUNEAU ANNEXATION/MODEL BOUNDARIES

ards provided by law. The standards shall include population, geography, economy, transportation, and other factors. Each borough shall embrace an area and population with common interests to the maximum degree possible.

Alaska's First State Legislature made a number of attempts to divide the State into boroughs in order to implement Article X, Section 3 of the Constitution. One measure would have initially divided the state into 24 unorganized boroughs. Another proposal would have created 14 organized boroughs, but left "pioneer areas" of Alaska outside of organized boroughs until they developed a tax base. Altogether, at least five different measures were introduced. While all of these proposals received serious consideration, none were adopted.

The 1961 legislature enacted a law simply placing the entire state -- all 586,412 square miles of lands and 78,125 square miles of tidelands and submerged lands -- into a single unorganized borough. Clearly, this act failed to 'divide the state into boroughs according to standards so that each borough embraced an area and population with common interests to the maximum degree possible' as the Constitution requires. However, by the same act, the legislature established Alaska's first statutes creating a process for formation of organized boroughs through local action.

Any belief on the part of the legislature that residents of the state would take the initiative to divide Alaska into organized and unorganized boroughs was dashed over the next two years. By 1963, only 1 borough had incorporated -- the Bristol Bay Borough encompassing only 873 square miles (one tenth of one percent of the state).

The 1963 legislature enacted a law mandating that organized boroughs be formed in eight regions. These were Juneau, Ketchikan, Sitka, Kodiak, Kenai, Anchorage, Mat-Su and Fairbanks. In doing so, the legislature expressed the intent that:

**no area incorporated as an organized borough shall be deprived of state services, revenues, or assistance or be otherwise penalized because of incorporation.**

In 1968, the State withheld funding from the Haines Independent School district, forcing the creation of the Haines Borough. After 1968, pressure from the State to form boroughs ceased to exist. Oil was discovered at Prudhoe Bay in quantities sufficient to eliminate the need for new revenues. In 1972, the North Slope Borough was formed.

The flood of new wealth from Prudhoe Bay allowed lawmakers and local residents

## JUNEAU ANNEXATION/MODEL BOUNDARIES

to maintain the status quo with respect to boroughs through the mid-1980's. By 1986, however, Alaska's oil revenues had begun to nose dive.

The continued decline of oil revenues has brought about an unprecedented level of interest in the extension of borough government (through both annexation and incorporation). Boroughs which were formed under the Mandatory Borough Act of 1963 with the false promise of indemnity regarding State services and revenues began to seek new tax bases to make up further cuts in State support. In addition, previously unorganized areas sought to incorporate in order to offset cuts in State funding which they too were experiencing.

In the past four years, the Local Boundary Commission has received 11 petitions for the formation of new boroughs or for the alteration of boundaries of existing organized boroughs. In these four years, the Commission has approved the extension of organized borough government through incorporation or annexation of more than 100,000 square miles.

However, the 1961 law placing all "areas of the state which are not within the boundaries of an organized borough" into a single unorganized borough remains on the books. As such, Alaska's single unorganized borough currently encompasses nearly two-thirds of the state.

Under this law, all of the Mansfield Peninsula, Glass Peninsula, Horse Island, Colt Island, Windham Bay and Hobart Bay are included in the same borough (the unorganized borough) as Diomede, Bethel, Dillingham, Glennallen, Attu and Metlakatla. Such a diverse group of interests as represented by these communities can hardly be said to meet the constitutional requirements for setting borough boundaries.

The failure to properly divide Alaska into organized and unorganized boroughs in the more than three decades since statehood has created a number of problems. Almost without exception, every proposal to form an organized borough or to change the boundaries of an existing borough has generated intense regional conflicts. Typically, these conflicts end up in long and drawn out legal battles which drain financial and human resources of the affected regions. In fact, every borough incorporation and boundary change over the past 22 years has resulted in a legal challenge.

Ongoing economic and social developments virtually guarantee that the pressure to organize new areas of Alaska will continue to grow. Foremost among these is the certainty of further declines in State revenues. In addition, the upcoming reapportionment of the state legislature (which will be in place for the 1992 elections) will

## JUNEAU ANNEXATION/MODEL BOUNDARIES

shift more political power to areas already organized. This, in turn, may bring about further legislative mandates concerning borough formation.

It is the desire and hope of the Local Boundary Commission that the type of conflict which has characterized the extension of borough government in the first three decades of statehood might be avoided or at least greatly diminished. In an effort to achieve this goal, the Commission is undertaking the "ideal" borough boundary study.

In effect, the Commission wishes to accomplish, for planning purposes, what the constitution (ratified by the voters of Alaska in 1956) requires.

If nothing more, the model boundary study being conducted by the Commission provides communities and others the opportunity to better plan for the prospect of organized borough government.

The following questions are among those which will be addressed during the course of the Commission's consideration of the CBJ annexation petition.

What are the "ideal" boundaries of the CBJ. That is, do the Greens Creek Mine, Funter Bay, the Mansfield Peninsula, the Glass Peninsula, Horse Island, Colt Island, Windham Bay and Hobart Bay have greater links to the Juneau region than they do to other existing or potential future organized boroughs?

If these areas do have greater ties to the Juneau region, should they be annexed to the City and Borough of Juneau at this time? If not, why not?

## JUNEAU ANNEXATION/MODEL BOUNDARIES

### SECTION II BACKGROUND OF PROCEEDINGS

#### A. City and Borough of Juneau Annexation Proposal

On June 1, 1989 the City and Borough of Juneau (CBJ) submitted a petition to annex approximately 140 square miles, including a portion of Admiralty Island and adjacent waters. The essentially unpopulated area includes the Greens Creek mine, with a taxable value estimated by the State Assessor's office at \$62 million.

If the annexation is ultimately approved as submitted, the following consequences are anticipated:

The area within the boundaries of the CBJ would increase about 4.5% and the value of taxable property within the CBJ would increase by approximately 5.3%.

No additional residents would be served by the borough.

Revenues of the CBJ would grow. Annual property and sales tax revenues of the CBJ would increase by about \$336,000 and \$150,000, respectively. In a little over two years, however, State funding for Juneau schools under the education foundation formula would decline by about \$248,000 as a consequence of the annexation. Over the long term, the net annual increase in revenues to the CBJ would amount to an estimated \$238,000.

Due to a restriction in the City and Borough of Juneau's sales tax code, the CBJ does not impose sales tax on the sale of equipment and supplies to be delivered to the mine (or other developments outside its municipal boundaries). The prospective sales taxes and revenues which would be derived from property taxes on the mine development subsequent to annexation constitute a notable financial incentive for annexation. These revenues, however, would be offset somewhat by a reduction in State funding under the education foundation program.

AS 14.17.025 requires that the CBJ contribute at least "the equivalent of a four mill tax levy on the full and true value of taxable real and personal property in the district as of January 1 of the second preceding fiscal year . . .". The required contribution is deducted from the level of education funding provided by the State. If the \$62,000,000 Greens Creek mine were annexed into the CBJ in March, 1991 (the earliest possible date), funding for the CBJ schools would decrease by \$248,000 beginning in FY 94.

## JUNEAU ANNEXATION/MODEL BOUNDARIES

In summary, for FY 91 through FY 93, the CBJ revenues would increase by an estimated \$486,000 on an annual basis (using current data). Beginning in FY 94, however, the figure would drop to an estimated \$238,000 annually.

The expansion of the boundaries of the CBJ to the "ideal" boundaries suggested in this report would approximately double the revenues received by the CBJ under the National Forest Receipts (NFR) program. In the current year, the CBJ received \$498,750 in funding from that program. Thus, based on funding in the current fiscal year, the larger boundaries would mean a revenue increase of nearly \$985,000 annually, until FY 94 when the figure would drop to approximately \$737,000. However, it should be stressed that funding under National Forests Receipts program may fluctuate widely based upon economic activity in the Tongass National Forest.

The annexation would not increase the CBJ's receipts under the federal payments in lieu of taxes program (PL 97-258). Payments under that program are limited by population and other factors. The population within the present boundaries of the CBJ and the areas under consideration for annexation are such that the CBJ's program entitlement would remain unchanged as a result of any annexation.

The petitioner argues that since the mine and related economic activity increases demand upon all CBJ service delivery mechanisms, commensurate enhancement of its tax base through annexation of the Greens Creek Mine is both appropriate and necessary.

Development and submission of the CBJ petition appears to have been at least partially motivated by expressions of interest in borough formation on the part of municipal officials of the Cities of Angoon and Hoonah. Examination of the feasibility of establishing a 'Chatham' borough encompassing the Greens Creek Mine had been underway since February, 1988. Ultimately, although both the Hoonah and Angoon City Councils independently expressed intent to promote development of petitions for borough incorporation of the area encompassing the Greens Creek Mine, no competing Chatham Borough incorporation petition was lodged.

(To ensure concurrent consideration of a borough incorporation petition with a competing annexation or incorporation petition, the competing proposal must be submitted within 150 days of the date of the original petition filing. In this instance, the deadline to achieve competing status would have been 10/28/89.)

Obviously, the potential for submission of a competing petition concerned the CBJ, since it was shouldering the burden of additional demand for services as a consequence of the Greens Creek Mine swelling the resident Juneau workforce.

## JUNEAU ANNEXATION/MODEL BOUNDARIES

### B. Proceedings to Date on the CBJ Annexation Petition

On May 25, 1989, the Assembly of the CBJ adopted Resolution No. 1382 authorizing the submission of the annexation petition. On June 1, 1989, the Department received the petition. Following its review, the Department notified the petitioner's representative on July 7, 1989 that the form and content of the petition were found to be in substantial compliance with applicable laws and regulations. Notice of filing of the petition was published in the Juneau Empire, the Petersburg Pilot, the Sitka Sentinel and the Wrangell Sentinel. Notice was published in each of these newspapers on August 4, 11, and 18, 1989. In addition, the Department sent a copy of the notice of filing to 162 potentially interested parties and submitted the notice of filing for publication in the Alaska Administrative Journal.

On April 9, 1990 the first draft of this report on the CBJ annexation petition and 'model boundaries' for adjacent regions was released. The deadline for comments relating to the draft was initially May 17, allowing five weeks for public review. This period was extended, however, to allow the City and Borough of Juneau Assembly further opportunity to evaluate the DCRA draft recommendation and react to it. On May 7, 1990 LBC staff met with the CBJ assembly at a regularly scheduled Assembly meeting. Residents of the Funter Bay and other interested parties also addressed the CBJ Assembly at the meeting.

### C. Future Proceedings

This report and recommendation is scheduled for release no later than June 22, 1990. The initial hearing by the LBC has been scheduled for July 13, 1990 at the following location:

JUNEAU MUNICIPAL ASSEMBLY CHAMBERS  
155 SOUTH SEWARD STREET

An effort will be made to connect the following sites to the hearing via teleconference. However, if for any reason one or more of these sites is not connected to the teleconference, the hearing may proceed as scheduled.

ANGOON - CITY HALL  
PETERSBURG - CITY HALL  
HOONAH - COMMUNITY EDUCATION OFFICE, HOONAH SCHOOL  
KAKE - CITY HALL (tentative, contact City Hall)

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The Commission may conduct additional hearings, if it deems them necessary. Even though the LBC legally has 90 days following a hearing in which to make a decision, it has indicated that it plans to make a decision on the CBJ annexation request by August, 1990.

### D. Procedures for Annexation

State law (AS 29.06.040 and 19 AAC 10.450 - 19 AAC 10.790) outlines the processes by which municipal boundaries may be altered. Five procedures are available for annexation of contiguous territory to boroughs. These are as follows.

Local Action / Election - If approved by the LBC, an annexation proposed under the election process is placed before the voters. Only registered voters residing in the area proposed for annexation vote on the matter. Owners of property within the area proposed for annexation who are not residents of the area are not entitled to vote. Further, individuals residing within the existing boundaries of the borough are not permitted to vote on the matter. Annexation is effected by majority approval of those voting on the proposal [AS\29.06.040(c)(1)].

Local Action / Municipally Owned Property - A municipality may annex contiguous property which it owns by simply adopting an ordinance and gaining LBC approval [AS\29.06.040(c)(2)].

Local Action / 100% of Voters and Property Owners - If all of the individuals who own property (including non-residents) and all of the registered voters (including those who do not own property) residing in an area petition the municipal government for annexation, that municipality may initiate formal annexation procedures through the adoption of an ordinance. Again, the annexation must be approved by the Local Boundary Commission [AS\29.06.040(c)(3)].

Step Annexation - This process (which has seldom, if ever, been used) is intended where services are to be gradually extended to the annexed area over a period not to exceed five years [AS\44.47.567(b)(2)]. Under this process, the LBC first approves an annexation petition. It is then submitted to the voters of the area proposed for annexation. If passed by a majority of those casting ballots, the proposal must then be submitted to the state legislature during the first 10 days of a regular session. If a majority of the members of both houses of the legislature do not reject the proposal within 45 days of its submission, the annexation takes effect.

Legislative Review - Under this method, the Commission may submit any recommended boundary change to the state legislature. Recommendations may be submitted only during the first 10 days of a regular session. If a majority of the

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members of both houses of the legislature do not reject the proposal within 45 days of its submission, the annexation takes effect [Section 10, Article 12 of the Alaska Constitution; AS 29.06.040(b)].

### E. Legislative Review Process

The CBJ has proposed the legislative review method for annexation. This process is summarized as follows:

1. A petition with supporting brief is submitted to DCRA.
2. The form and content of the petition are reviewed by the Department to determine whether they are substantially proper and correct.
3. If the form and content of the petition are accepted, public notice of the filing of the petition is given.
4. The Department issues a draft report and recommendation on the proposed annexation for public review. A minimum of 4 weeks is allowed for public comment.
5. The Department issues its final report and recommendation to the Commission on the proposed annexation. The report is released at least three weeks prior to the hearing to be held on the proposed annexation by the Commission.
6. Public notice of the hearing before the Commission is provided at least 30 days prior to the date of the hearing.
7. The LBC conducts a hearing in or near the territory proposed for annexation. At least two members of the Commission must be present.
8. Within 90 days of the public hearing, the LBC renders a decision to: a) accept the petition as presented, b) amend the boundaries and/or modify the process proposed for annexation or c) reject the petition.
9. Following its decision, the Commission indicates the basis for its action in a written statement. Any individual may file a request for reconsideration within 20 days of the approval of

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the statement of decision (see 19 AAC 10.870). The Commission's decision may be appealed to the Superior Court.

10. If the LBC approves a legislative review petition, the Commission must submit a recommendation for the annexation to the legislature within ten days of the beginning of the next regular legislative session.
11. If not specifically rejected by a majority of the members of both the House and Senate within 45 days of submission, the annexation is approved.
12. If the annexation is approved by the legislature, the municipality must clear the boundary change with the U.S. Department of Justice under the provisions of the Federal Voting Rights Act. This must be done before municipal voting rights may be properly extended to the voters in the annexed area.

### F. Examination of the Process Proposed for Annexation

19 AAC 10.600 allows the LBC to consider all methods of annexation and to utilize the most appropriate for any particular petition. Of the five alternative procedures for annexation discussed in previously, three may be ruled out as unavailable or inappropriate in the current instance. These are:

Annexation by Ordinance of Municipally Owned Property - This process is unavailable since the CBJ does not own all of the territory proposed for annexation.

Annexation by Ordinance Following Petition from 100% of Voters and Property Owners - This process is not available because all of the property owners and resident registered voters in the area did not petition the City and Borough of Juneau for annexation.

Step Annexation - This process is reserved for annexations which anticipate gradual extension of those municipal services funded with sales and/or property taxes (i.e. "full municipal services") to the area over a period not greater than five years. The City and Borough of Juneau proposes the extension of "full municipal services" immediately upon annexation. Therefore, this process is inappropriate.

The two remaining methods of annexation are the Local Election process and the Legislative Review process. It appears that the principal reason CBJ officials chose to use the legislative review process was because of the lack of resident voters in the

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area originally proposed for annexation.

Further, the legislative review process was designed to remove annexation decisions from the parochial political arena when public opinion in an area proposed for annexation could block an otherwise justified and appropriate boundary change.

### G. Criteria for Annexation of Contiguous Territory to a Borough

State laws establish criteria to be applied in judging the merits of any proposal for the annexation of territory to a borough. The law requires:

That the annexing borough's willingness and ability to serve the area proposed for annexation must be established.

That one or more of eight other basic standards for annexation be met in order for a proposed boundary change to be endorsed by the Local Boundary Commission.

That the post-annexation boundaries of the borough also meet the standards for borough incorporation.

### H. Willingness and Ability to Serve the Areas

To approve all or part of the subject annexation, the LBC must determine with respect to the approved area that:

the annexing organized borough demonstrates to the satisfaction of the commission that it is capable of extending and willing to extend services to the annexed area in accordance with this subsection. If possible, areawide and nonareawide borough services shall be extended to the annexed area immediately. If the immediate extension of services is not possible, the commission must be satisfied that the services not immediately extended will be extended as soon as possible and that reasonable plans have been formulated for the capital expansion necessary for the extension of services. (19 AAC 10.200)

### I. Other Standards for Annexation

As noted previously, in addition to determining that the City and Borough of Juneau is able to serve the areas proposed for annexation, the Commission must be satisfied that the territory proposed for annexation meets one or more of the following eight standards to the extent that annexation is otherwise warranted. (19 AAC 10.190)

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1. The contiguous territory is totally surrounded by the borough's boundaries.
2. The land in the territory is wholly owned by the organized borough.
3. The territory is in need of municipal services which the CBJ can provide more efficiently than another municipality of the state.
4. There is a reasonable likelihood that future growth and development will occur within the territory and that annexation of the territory will enable the CBJ to plan for and control that development.
5. The health, welfare or safety of borough residents is endangered by conditions existing or developing in the territory and annexation will enable the borough to remove or relieve those conditions.
6. The extension into the territory of borough services or facilities is necessary to enable the CBJ to provide adequate service to its residents, and it is impossible or impractical for the borough to extend the facilities or services unless the territory is within the borough's boundaries.
7. Residents or property owners within the territory receive or may be reasonably expected to receive, directly or indirectly, the benefit of borough government without commensurate property tax contributions, whether borough services are rendered or received inside or outside the borough.
8. The annexation is otherwise necessary to accomplish a valid public purpose.

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### SECTION III EXAMINATION OF PROPOSED JUNEAU ANNEXATION

In order to approve the annexation petition, the Commission must not only be satisfied that the petition meets at least one of the eight standards for borough incorporation, but must also determine that the borough is willing and able to extend services to the annexed area.

The petitioner contends that the post-annexation boundaries would satisfy all standards for borough incorporation and four of the eight annexation standards. After review and examination of the issues evident in the proposed boundary change, the Department concurs with the petitioner with respect to all but one of the annexation standards. The standards which the petitioner asserts are met, and the extent to which DCRA agrees or disagrees, are identified and discussed as follows.

#### A. Application of Borough Annexation Standards

1. Annexation Standard [19 AAC 10.190(a)(3)]: The area is in need of municipal services which the CBJ can provide more efficiently than another municipality or the state.

The CBJ is in a position to serve this area more efficiently than another municipality or the state. This conclusion is based upon: 1) the area's proximity to the CBJ; and 2) the services available from the CBJ.

Based upon the petition of the CBJ and discussions with municipal officials, it is understood that the following direct services would be available to the area proposed for annexation as part of current general areawide services:

- emergency police services (offered in a limited capacity and only in emergencies);
- search and rescue;
- emergency medical services;
- planning, zoning and coastal management;
- building inspection.

Services located within the current boundaries of the CBJ and available to property owners in the annexed area would include:

- the Juneau International Airport;
- the Juneau hospital;
- Juneau harbor facilities;

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- social services;
- cemeteries;
- libraries;
- convention facilities;
- museums; and
- administration (Manager, Attorney, Finance)

It is expected that these same services would be available to the area suggested in this report for possible expansion of the CBJ boundaries beyond the 140 square miles requested by the CBJ. Additional services (such as fire protection) could be added at the request of taxpayers through the formation of a service area.

Legally, the CBJ would also become responsible for the delivery of public education in the newly annexed area. There are no schools within the 140 square miles proposed for annexation by the CBJ. However, there is one school which currently exists in Hobart Bay (within the suggested "ideal" boundaries). The Hobart Bay School has a student population of approximately 35 students. There is also reported to be one second grade student in Funter Bay who receives education through the State Centralized Correspondence Study program.

The Hobart Bay School, while a part of the Chatham School District, is actually operated by the Southeast Island School District. Such arrangements are allowed by AS 14.14.110 which states that "when necessary to provide more efficient or more economical educational services, a district may cooperate or the department (of education) may require a district to cooperate with other districts . . . in providing educational services". Thus, there is no reason why this arrangement could not continue, if the Hobart Bay School were annexed to the CBJ.

According to the Superintendent of the Chatham School District, the Hobart Bay School is expected to close after the 1990-1991 school year. The school was opened to provide education to the children of workers involved in logging activities in the Hobart Bay area. These logging activities are expected to be completed in the near future and the school will close at that time.

If Funter Bay were annexed, the lone student in that community would continue to receive instruction through the State correspondence program. The CBJ would not be required to provide a school in Funter Bay. Regulations of the Department of Education (04 AAC 05.040) require a district to "provide an elementary school in each community in which eight or more children are available to attend elementary school". These same regulations also require the district to "provide a secondary school or, if so requested by the local school committee, a partial secondary school program . . . in each community in the district in which there is one or more children

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available to attend a secondary school and there is, or there is required to be . . . an elementary school operated by the district.”

The Juneau School District does not offer direct correspondence study. Thus, again, the Funter Bay student would be educated through the State Centralized Correspondence Study program. Currently, there are reported to be 25 students who live in the Juneau School District who receive instruction through the State Centralized Correspondence Study program.

The CBJ states in its brief in support of the annexation petition that it “. . . presently serves as the support center for Greens Creek and several other mining projects under exploration.” The Department concurs with the CBJ assertion that no other community is better prepared to provide the support, transportation and commercial services needed by the mining industry in the region in general, and the Greens Creek project in particular.

The CBJ has devoted considerable time and effort to development of a mining ordinance to regulate mining activity within its boundaries. It appears more capable than any other government entity in the region to provide planning and other services which may be needed by mining and other commercial enterprises in the region.

Travel to the area proposed for annexation is via the CBJ. The major employer in the area proposed for annexation, the Greens Creek Mine, has its corporate offices in the CBJ. Miners commute to work daily by ferry from homes within the municipal boundaries of the CBJ.

2. Annexation Standard [19 AAC 10.190(a)(4)]: There is a reasonable likelihood that future growth and development will occur within the territory and annexation of the territory will enable the organized borough to plan for and control that development. The Greens Creek project and related activity has spurred significant economic growth in the territory. According to the petitioner, the mine will operate for approximately twenty years. The CBJ’s mining ordinance would enable the borough to appropriately regulate and control certain elements of the development.

3. Annexation Standard [19 AAC 10.190(a)(7)]: Residents or property owners within the territory receive or may reasonably be expected to receive, directly or indirectly, the benefit of organized borough services without commensurate property tax contributions, whether such services are rendered or received inside or outside the territory.

The petitioner asserts that this standard is met by virtue of the fact that Greens Creek

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Mine employees reside in the CBJ. Accordingly, education and other services are typically provided to the miners and their families by the CBJ. It is evident that the Greens Creek Mine and related population have an impact upon the CBJ.

In a letter dated May 22, 1990 (see attachment A), the CBJ contends;

"without the annexation, the citizens and businesses within the CBJ will be required to subsidize the public service costs which would otherwise have been paid for in part by property taxes on the mine. These costs will not be paid in full by the property taxes collected on the Greens Creek headquarters and the property of the Greens Creek employees located within the CBJ boundaries."

While the Department agrees with these statements, the typical application of the standard would be based upon actual extension of services to the mine site itself. The CBJ has given no indication that it currently provides direct services to the area proposed for annexation.

When applied in a manner consistent with precedent, the Department does not agree that this particular standard is reasonably met. Nonetheless, the Department believes that the arguments of the CBJ are legitimate. These arguments, however, would be more properly put forward for consideration under the public purpose standard discussed next.

4. Annexation Standard [19 AAC 10.190(a)(8)]: The annexation is otherwise necessary to accomplish a valid public purpose.

The CBJ implies in its brief that the area requires sheltering from other taxing jurisdictions when it states "The CBJ can assist in assuring that this development activity is safe, orderly, causes minimum adverse impacts, and is not subjected to unreasonable regulation or overly burdensome taxation." Apparently this reflects concern when the petition was drafted that a petition for formation of a Chatham Borough might be initiated with the assistance of or under the auspices of the City of Angoon.

While no such competing petition has been lodged, the CBJ's decidedly proprietary stance in issues related to the Greens Creek Mine does appear to be rather reasonably derived from the close and continuing relationship between the prosperity of the mine and the employment it brings and the CBJ economy. For example:

The administrative headquarters of the Greens Creek Mine is located in Juneau;

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Homes of mine workers are located in Juneau and they commute to their jobs at the mine.

Since the mine itself is located outside the CBJ's municipal boundaries, the CBJ receives no property tax revenue on the taxable value of the mine site. The petitioners argue that "The local government which provides the support services for the development and which experiences the impact from the development should have the best opportunity to acquire the [tax] revenues associated with the development."

The argument could apply to an equal, if not greater, extent to the other part-time residents and/or owners of property located in areas adjacent to the boundaries of the CBJ but not included in the petition for annexation. In the Department's belief, such areas include Funter Bay, Hawk Inlet, Horse Island and Colt Island, the Glass Peninsula, Windham Bay and Hobart Bay.

The social, cultural and economic ties of this portion of Southeast Alaska to the CBJ are extensive. Annexation of additional territory would more fully satisfy the constitutional instruction that a borough include "an area and population with common interests to the maximum degree possible" within the boundaries of the Borough (Alaska Constitution, Article X, Section 3).

The petitioner's brief also states that "This annexation proposal is an effort to conform the existing boundaries of the CBJ to actual development activity which directly affects the CBJ." To be fully consistent with this goal, the area proposed for annexation should be enlarged.

On this basis, the Department concludes that sufficient valid public purpose would be served as a consequence of the annexation to satisfy this standard. In addition, the standard could be more fully met if the area proposed for annexation were expanded.

### B. Application of Borough Incorporation Standards

19 AAC 10.220 requires that:

"the commission will approve and recommend to the legislature the annexation of territory to an organized borough only if it finds that the resulting boundaries of the expanded borough conform substantially" to the standards for borough incorporation.

Clearly, all of the following requirements of AS 29.05.031 would continue to be

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fulfilled by the CBJ subsequent to the proposed annexation.

1. The population within the expanded boundaries of the borough is interrelated and integrated as to its social, cultural and economic activities.

Annexation would not be significant in terms of bringing additional population into the CBJ, but would bring into the CBJ's boundaries an area which already has significant social, cultural and economic ties to Juneau.

2. The population within the expanded boundaries of the borough is large and stable enough to support borough government.

The greater Juneau area is one of the key metropolitan areas of Alaska. Its population is ample for purposes borough government.

3. The expanded boundaries of the CBJ would conform generally to natural geography and still include all areas necessary for full development of municipal services.

The proposed post-annexation boundaries would conform generally with natural geography, to the extent that this standard is typically met by other organized boroughs.

4. The economy of the expanded borough includes human and financial resources capable of providing municipal services.

Annexation of the area would permit the CBJ to increase its annual revenues. Much of the anticipated revenue would be derived from the Borough's areawide real and personal property tax. The current tax rate which would apply to the mine is 5.42 mills (note: most urban areas of the CBJ are currently taxed at about 13 mills). On the basis of the area's estimated taxable value, the 5.42 mill tax would generate approximately \$336,000 per year. The CBJ also estimates that \$150,000 in additional annual tax revenue would accrue to the CBJ since goods for the Greens Creek Mine would no longer be exempt from CBJ sales tax, as is currently the case.

Annexation of the mine, however, would cause the CBJ's funding from the state under the education foundation formula to decline by an estimated \$248,000 beginning in FY 94. Expansion of the boundaries to those suggested as 'ideal' boundaries in this report would offer potentially significant increases in revenues to the CBJ under the National Forest Receipts program. Program receipts would

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approximately double. In the current year, the CBJ received \$498,750 in program funds. Historically, however, NFR funding has fluctuated greatly from year to year.

5. Land, water and air transportation facilities of the expanded borough allow the communication and exchange necessary for the development of integrated borough government.

The petitioner notes (brief, page 31):

The area to be annexed is no more distant or difficult to reach than many other areas of the CBJ which are not on the road system. Air and water access from the CBJ to the Greens Creek area is in place at this time. The use of a vessel by the mining company for daily commuting by workers indicates adequate proximity.

While owners of property in other, adjacent areas in the vicinity might argue that a lack of road access renders inclusion in CBJ boundaries inappropriate, in the context of the State of Alaska as a whole, the lack of road access prohibits neither the delivery of desired municipal services nor the exchange necessary to provide responsible municipal government.

The Department concludes that this standard would continue to be met, at least to the minimum degree required by Alaska law.

### C. Other Considerations Regarding CBI Annexation

#### 1. History of Existing CBI Boundaries

The Greater Juneau Borough was incorporated in 1963. Less than two years later, the Borough unsuccessfully proposed to annex approximately 2,657 square miles. The area proposed for annexation included all of Admiralty Island and a portion of the mainland lying south of the Borough.

The area proposed for annexation included the community of Angoon. It also encompassed other areas which are presently inhabited. These include Funter Bay, Hawk Inlet and Colt Island. Records are not available to indicate why the 1965 annexation proposal was never implemented.

In 1970, the Greater Juneau Borough, the City of Juneau and the City of Douglas unified to form the City and Borough of Juneau. The boundaries of the CBJ have never been extended beyond those of the former Greater Juneau Borough.

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The recent resurgence in mining activity in the region presents an array of both challenges and opportunities for municipalities in the region. While it presents an opportunity for the area's economy to become more diversified, demands upon government services ranging from education to emergency medical services can be expected to increase. Thus, impacts upon its service delivery mechanisms and the opportunity to broaden its tax base through annexation prompted CBJ policy makers to initiate the current annexation effort.

### 2. Model Boundaries

The Department believes that areas adjacent to the 140 square miles proposed for annexation appear to belong within the model boundaries of the City and Borough of Juneau. These include Funter Bay, Horse Island, Colt Island, the Glass Peninsula, Windham Bay and Hobart Bay.

Residents and property owners in these areas appear to have greater social, cultural and economic ties to Juneau than to a prospective Chatham Borough or any other region.

The Department's preliminary recommendation (issued April 9, 1990) concerning the model boundaries of the CBJ did not suggest inclusion of any of the mainland south of the current boundaries of the CBJ. However, in a letter dated May 22, the City-Borough Manager requested the inclusion of certain mainland areas to the south (see Appendix A). Specifically, the letter noted:

We also request changes in the ideal boundary map for Central Southeast Alaska. The ideal boundary map should be reviewed to determine whether the mainland section of the proposed Chatham Borough should be divided between a possible northern addition to the proposed Petersburg/Wrangell Borough and a possible southern addition to the CBJ. The mainland area immediately south of Juneau is more within the CBJ's area of responsibility than that of a potential new borough. A Juneau-based corporation, Goldbelt, conducts logging activities in Windham Bay and Hobart Bay and Juneau residents recreate in these areas. The CBJ already supplies emergency services in this area and several Juneau-based commercial operators transport people and goods to various location south of the ideal boundaries of the CBJ as proposed by DCRA.

The Department finds the rationale put forward by the CBJ City-Borough Manager to warrant the expansion of the recommended ideal boundaries as shown in Exhibit B.

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### 3. Impact Upon Financial Viability of Chatham Borough

Annexation of the Greens Creek Mine to the City and Borough of Juneau would significantly diminish the property tax base of a prospective Chatham Borough. The mine has an estimated value of \$62,000,000. That represents 48.3% of the estimated taxable value of a prospective borough encompassing Kake, Hoonah and Angoon.

While the relative value of the mine is significant in terms of a prospective Chatham Borough, its exclusion from that prospective borough may actually increase its viability. As discussed earlier, inclusion of the mine in the CBJ will increase its required local contribution to schools by \$248,000 — the same would hold true for a Chatham Borough.

The CBJ will more than offset the reduction in the loss of education funding through the levy of municipal property taxes. Unless a prospective Chatham Borough were willing to levy a property tax at least equal to 4 mills, inclusion of the mine would actually be a financial burden on the borough (an exception would exist if the borough would be willing to levy a severance tax).

Typically, property taxes are viewed by residents of sparsely populated rural boroughs as being among the least desirable means of raising local revenues. For example, none of the three most recent boroughs formed (all of which encompass rural, sparsely populated regions) levy property taxes.

Unless the property tax base of a borough is significant, property taxes are typically avoided because the tax is relatively difficult and expensive to collect. The property tax base of a prospective Chatham Borough encompassing Hoonah, Kake and Angoon would not be particularly strong. Including the Mine, the property tax base in the Chatham Borough would be slightly more than 75% of the average per capita tax base in all organized boroughs in Alaska. Without the Mine, the property tax base would be about 40% of the average per capita tax base in all organized boroughs.

With respect to a possible severance tax, based upon a written opinion of the State Attorney General's office, it is believed that a Chatham Borough could levy a severance tax on mines operating within its boundaries. However, no borough in the state currently levies such a tax. Any attempt to levy a severance tax on mines in a Chatham Borough would be expected to meet with considerable legal and political resistance. Thus reliance on such a tax may prove to be inappropriate.

Perhaps the greatest concern in terms of this annexation regarding the financial viability of a prospective Chatham Borough would be the inclusion of significant

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additional portions of the Tongass National Forest within the CBJ. Because, boroughs are entitled to National Forest Receipts strictly on the basis of the extent of National Forests within their boundaries, annexation of any additional forest lands to the CBJ will diminish potential program revenues for a prospective Chatham Borough.

As noted earlier, based on current levels of funding, the annexation to the CBJ of the 3,087 square miles suggested for inclusion within its 'model' boundaries would generate nearly \$500,000 in additional National Forest Receipts for the CBJ. If these National Forest properties were included within a Chatham Borough, the same would hold true for that government. \$500,000 represents the equivalent of a 7.5 mill property tax for the prospective Chatham Borough (based on value excluding the Greens Creek Mine). As noted earlier, it is important to recognize that revenues under the National Forest Receipts program can fluctuate widely from year to year.

This circumstance notwithstanding, the Department and the Commission agreed at the beginning of the 'model' boundaries study that boundaries should not be gerrymandered to ensure financial viability of a particular region. That is not to say that financial viability is not an important issue, but rather that it is an issue which should be considered independent of the boundary issue.

Therefore, because the Department believes that the Windham Bay and Hobart Bay areas are more closely linked to the CBJ, inclusion of these areas within the model boundaries of the CBJ is considered most appropriate.

SECTION IV  
CONCLUSIONS

1. Regarding CBJ Annexation Petition

The CBJ's proposed annexation of the Greens Creek Mine satisfies all necessary standards for annexation. However, a central issue related to this annexation petition is whether the proposed post annexation CBJ boundaries include, to the extent warranted, all of the territory that is socially, culturally and economically interrelated to the Borough to the maximum degree possible.

2. Regarding Model CBJ Boundaries

The Department concludes that the ideal boundaries of the CBJ are more expansive than the area petitioned for annexation, even though it is evident that the model boundaries encompass the Greens Creek Mine. The ideal boundaries of the CBJ also encompass other adjacent areas, including the Mansfield Peninsula, the eastern half of Seymour Canal, Glass Peninsula, Horse Island, Colt Island, Windham Bay and Hobart Bay. The proposed boundary change should be expanded to include areas likely to receive CBJ services or to be heavily utilized and impacted by area residents.

3. While annexation of the Greens Creek Mine would diminish the tax base of a future Chatham Borough (but might not adversely affect its financial viability), the Greens Creek Mine has too many links with the CBJ to justify its inclusion in any other Borough.

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### SECTION V RECOMMENDATIONS

The Department's position in these matters is presented as a series of recommendations for consideration by the Local Boundary Commission. It is important to keep in mind that the Department and the Commission are independent of each other. Ultimately, the decisions will be made by the Local Boundary Commission and, presumably, the Legislature. The Commission is under no obligation to accept the recommendation of the Department and the Legislature is under no obligation to accept the recommendation of the Commission.

#### A. Regarding CBJ Annexation

1. The Department recommends that the Local Boundary Commission make the annexation of the Greens Creek Mine contingent upon the inclusion of all areas found to be within the 'ideal' boundaries of the CBJ. In the Department's view, these include the eastern half of Seymour Canal, all of the Mansfield Peninsula, Glass Peninsula, Horse Island, Colt Island, Windham Bay and Hobart Bay. The area recommended for annexation by DCRA encompasses approximately 3,087 square miles. The suggested configuration of the territory recommended for annexation is reflected on the map in Exhibit B. A written description of the ideal boundaries is provided in Exhibit C.

The Department's rationale for recommending that the proposed annexation petition be expanded is based upon the following:

The 140 square mile area proposed for annexation by the CBJ is uninhabited. If approved as requested, the annexation would generate significant revenues for the CBJ, but would not create significant demands on the CBJ for delivery of services.

The annexation proposed by the CBJ is similar in many respects to one proposed by the Fairbanks North Star Borough a year earlier. Fairbanks had petitioned to annex pump station number 7 of the trans-Alaska oil pipeline. Like Juneau's proposal, this annexation would have generated significant revenues for the borough with no significant increase in the demand for services.

Although approved by the Local Boundary Commission, the Fairbanks annexation generated intense conflict (not only in the region, but statewide as well). This conflict spilled over into the legislature where the matter was debated for several days. Ultimately, the legislature — which has final say in such matters — rejected the Fairbanks annexation. In doing so, the legislature sent the message that

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boroughs should not be allowed to annex 'select' areas while ignoring 'less desirable' areas which should also be within their boundaries.

In response to concerns raised in the course of the Fairbanks annexation, the Commission determined that future requests for borough boundary changes should be examined with due consideration given to the affected region's "ideal" regional government boundaries.

Accordingly, as a matter of policy, the Department supports the Local Boundary Commission's model boundaries effort. In this spirit, examination of every petition for annexation of territory to existing boroughs is routinely evaluated in the light of model boundaries for the respective borough. The petitioner has identified ties between the Mansfield Peninsula and its residents with the CBJ. The Department contends that similar strong ties exist with the other areas suggested for inclusion in the CBJ.

Since the effort to expand the CBJ boundaries has been initiated, it would be irresponsible to not include all of the area appropriately within the extended boundaries. It would be particularly irresponsible if an effort to attempt the full and appropriate extension of CBJ boundaries were deferred because of political pressures imposed by purely parochial interests or recreational property owners wishing to avoid property taxes.

The Department's position with respect to the CBJ annexation proposal is consistent with its recommendation concerning the resubmitted Fairbanks annexation proposal. In the case of the pending Fairbanks petition, the Department recommended that the annexation of pump station number 7 now be permitted only if the annexation is expanded to take in an additional 4,558 square miles which are believed to be within the 'ideal' boundaries of the Fairbanks Borough. The Commission is scheduled to rule on the Fairbanks proposal on the same date as it conducts the hearing on the Juneau annexation proposal.

2. **The Local Boundary Commission should approve an amended annexation petition on the condition that the CBJ Assembly adopt a resolution affirming its willingness and ability to extend areawide services to all of the territory encompassed by the expanded petition.**

As noted earlier, the Commission's regulations require that annexation should be rendered only after the LBC is satisfied that the CBJ has demonstrated that it is willing and able to extend municipal services to the annexed territory. In this instance, the Department maintains that the LBC should condition approval of the

## JUNEAU ANNEXATION/MODEL BOUNDARIES

annexation petition on the submission of an assembly resolution pledging extension of borough services to all of the area determined by the Commission to be within the ideal boundaries of the City and Borough of Juneau.

In a letter dated May 22, the City-Borough Manager of the CBJ stated that:

The CBJ does not object to the establishment of broader boundaries if the LBC finds that this is in the best interests of the state, Juneau and the affected communities and residents.

While the letter was specifically authorized by the CBJ Assembly, a more formal and specific resolution concerning the matter would still be in order. Further action by the Assembly would presumably follow the decision of the Commission regarding these matters. Once the Commission acts, the Assembly will have a formal decision to consider regarding the 'ideal' boundaries of the City and Borough of Juneau.

The Department realizes that the recommendations in this report will certainly generate controversy. However, the recommendations relate to what is perceived to be the 'model' boundaries of the CBJ. Given the evidence of social, cultural and economic integration of the area recommended for annexation with the CBJ, the Department feels the present recommendations are appropriate. However, in the event the Commission accepts the recommendations, the Department also recognizes and respects the right of the CBJ Assembly to withdraw its annexation petition should the Assembly not wish to accept the larger area.

**JUNEAU ANNEXATION/MODEL BOUNDARIES**

**EXHIBIT A**

**CORRESPONDENCE CONCERNING THE CITY AND BOROUGH OF  
JUNEAU PROPOSED ANNEXATION AND MODEL BOUNDARIES**

**(SHOWN IN REVERSE CHRONOLOGICAL ORDER)**

# Alaska State Legislature



SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100  
(907) 465-4766

COMMITTEES:  
FINANCE  
VICE CHAIR -  
HEALTH EDUCATION  
& SOCIAL SERVICES  
BUDGET & AUDIT  
BANKING &  
ECONOMIC  
DEVELOPMENT

June 12, 1990

Mr. Dan Bockhorst, Supervisor  
Grants and Local Boundary Commission  
Division of Municipal and Regional Asst.  
949 East 36th, Room 405  
Anchorage, Alaska 99508

RECEIVED

JUN 14 1990

Dept. of Social & Reg. Affairs  
Div. of Municipal & Reg. Asst.

Dear Mr. Bockhorst:

This letter is to provide you with my recommendation on the matter of the proposed City and Borough of Juneau annexation of the Greens Creek Mine.

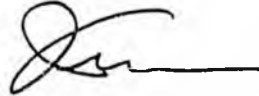
I have received a number of letters from individuals, predominantly with cabins in Funter Bay and other affected areas, who believe annexation of a larger area than the original proposal would be detrimental to their interests. After reviewing their concerns, I have to agree that they are legitimate.

I feel there are compelling reasons to annex only the Greens Creek Mine area. Juneau is the bedroom community for the Greens Creek Mine. We provide schools, roads, and other public services to employees of the mine. Greens Creek Mine receives the benefit of these services without paying property taxes on the mine itself, therefore the mine is not picking up the full social cost of its operations.

Conversely, the property owners in Funter Bay and other remote areas who own predominantly recreational cabins, feel that annexation of their property would be harmful. In actuality, remote recreational sites receive little or no benefit from organized municipalities. One of the reasons people chose to recreate or reside in remote areas is to be free of governmental interference and regulation. In fact, regulation by a municipality would defeat the need of many Alaskans to be free of government regulation in at least one area of their lives.

While it would be nice to be able to draw nice, straight lines on a map in designating all boroughs in Alaska, I do not feel in this case it would be beneficial to any of the parties concerned to do so. Therefore I recommend the Boundary Commission approve the City and Borough of Juneau's original request to annex only the Greens Creek Mine area. Your favorable action on this recommendation will be appreciated.

Sincerely,



Jim Duncan  
Senator

cc: Sam & Helen Pekovich  
Phillip & Carol Gray  
Peter & Patti Jones  
Phillip & Donna Emerson  
James A. Doyle  
Kevin Ritchie, City Manager, City & Borough of Juneau

TO: \_\_\_\_\_  
 DEPT. A. B. Smith FAX # \_\_\_\_\_  
 FROM: PH PHONE \_\_\_\_\_  
 CO. ABC FAX # \_\_\_\_\_

NO OF  
 PAGES  
5

Philip J. Emerson  
 3 Crab Cove  
 Funter Bay, AK.  
 99650-0140

14, 23, 1990

Mr. C.D. Bettisworth, Chair  
 Local Boundary Commission  
 130 Seward St.  
 Juneau, AK. 99811

Dear Mr. Bettisworth,

My family and I live at Funter Bay which is on Mansfield Peninsula, the northern tip of Admiralty Island. In the last month my family and I have just become aware of serious potential changes to our subsistence lifestyle brought on by proposed City and Borough of Juneau annexation of our area due to pressure being exerted by the Local Boundary Commission.

The CBJ proposed an annex of the Greens Creek mining operation in Hawk Inlet and in return the LBC extended these boundaries to include Funter Bay. Due to the fact that the LBC did not inform the residents of Funter Bay of this change it has incurred a lot of time trying to acquire information, expense in travel costs to appear before the CBJ council meetings and stress incurred by the LBC's lack of concern for the residents and land owners of this area.

I have been trying to read all the information available to me at this time and am finding it quite difficult to understand. In the Model Boundaries Study (Chatham/Juneau, Dec. 1989) there is a question and answer section that states that the LBC "...will not create boroughs. It will not even promote or propose the formation of regional governments." And yet in the Aug., 1989 Chatham Region Borough Feasibility Study there is a statement of borough government by the LBC (attachment C pg. 59) that recommends to the legislature, "4) to provide for the formation of boroughs in all parts of the state, coupled with a mechanism to ensure that all boroughs created in this fashion are financially viable." How can the LBC tell the voting public one thing and then propose just the opposite to the lawmakers?

I cannot see that putting all the small communities in Southeast in "ideal" boundaries is going to help the state's money problems or the problems of each totally separate community. The State of Alaska created a problem for themselves during the big money days of the oil pipeline by supplying too much to too many and now must put the burden back on the people. That is fine, if the people want it they should expect to pay for it; but don't do it by throwing together communities that do not, "embrace an area and population with common interests to the maximum degree possible." On page 70 of the Chatham Region Borough Feasi-

bility Study there is a statement on the position of the Local Government Committee that says, "although voluntary incorporation was preferable, organized boroughs should be created without approval in the area if considered necessary by the state". May I quote Article 1 section 2 of the state constitution. "All political power is inherent in the people. All government originates with the people, is founded on their will only, and is instituted solely for the good of the people as a whole."

Every letter from the smaller communities I have seen in all your studies has the same reply, no one wants to be part of any organized borough and I don't think it is right for the State of Alaska to force any community into a borough because the LBC feels they have to draw lines on a map and, "square the corners". The State should take the initiative from these findings by the LBC and let each community in southeast take care of itself with its own tax base.

I now would like to refer to the "Report and Recommendation to the Alaska Local Boundary Commission concerning the Application of Borough Incorporation Standards." Pg. 10 of this report dated April 9, 1990.

I am enclosing a letter I wrote to the Mayor of Juneau that covers the first point. To the best of my knowledge this letter was not read at the assembly meeting and I have received no reply. Perhaps you can tell me the social, cultural and economic ties that make Funter Bay different than Hoonah, Pelican, Elfin Cove or Gustavus. If I am so close to Juneau why does it take me three and a half hours to run my boat to Auke Bay or seven hours to Juneau proper? Funter Bay has once a week mail service; during the winter this can be extended to a month or more due to weather. To charter a plane and attend a CBJ borough meeting, stay in a motel, rent a car, eat meals etc. can cost \$400 to \$500; is this accessibility to local government? Taking Hoonah as an example in comparison, it is connected directly to Juneau by State ferry service three times a week, (summer) and numerous daily scheduled flights throughout the year. Many of their business and social activities are Juneau centered. They have a Juneau FM radio station repeater. All of these circumstances seem to show greater "cultural, social, and economic ties" to Juneau than the community of Funter Bay ever had.

I have a hard time understanding point #2. It sounds like an invading country justifying its actions. The CBJ could annex the whole unorganized borough and say that they are large and stable enough to support borough government. Point #3 talks about natural geography. I guess all one has to do is look at the map with the lines the LBC has drawn to see this. First of all Admiralty is an island, totally separated from Juneau; the proposed LBC annexation only includes a small section of this island and with a boundary line that follows no natural geography. At the CBJ council meeting of May 7th, Mr. Gene Kane of the Department of


Community and Regional Affairs stated to the council that the Mansfield Peninsula was being included in the selection to , "square the corners" of the CBJ boundary. I would like to know what happened to the square corners on the southern boundaries of the IBC's enlarged annex lines?

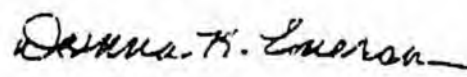
Point #4 and some of #3 has to do with supplying municipal services. Can you tell me how the CBJ is going to supply this area with services except for taxes and enforcement of borough laws? For 18 years I have supplied my family with every amenity we need and we do not need borough services that cannot be supplied.

On the top of page 10 there is the quote about the expanded area conforming "substantially" to these standards. Has any one from any of your offices or organization been to Hunter Bay to come to all these conclusions? In point #5 it states that Hunter Bay is no more distant or difficult to reach than many other areas of the CBJ; if this is true you should be able to come out here and talk to us on a regular basis. Do other areas of the borough that are only accessible by air or water have a resident population?

State law says, "The entire State shall be divided into boroughs, organized or unorganized." Hunter Bay is part of the unorganized borough and wishes to remain in it. We are no more "related" to Juneau than any of the other outlying communities, I would even say less so than many of them, and I cannot see that any of the factors used in setting boundaries are fulfilled by the annexation of Hunter Bay by any borough. On page 10 once again it says, "Annexation would not be significant in terms of bringing additional population into the CBJ,...". I would like to believe that the individuals of this State are significant.

Respectfully yours,

  
Philip K. Emerson

  
Donna K. Emerson

cc: Ms. Jo Anderson, Mr. Lamar Cotten, Ms. Shelly Dugan,  
Mr. Guy Martin, Local Boundary Commissioners;  
Senator Richard Eliason  
Representative Peter Goli

# ALASKA-DANO MINES COMPANY

P.O. BOX 210609  
ANCHORAGE, ALASKA 99521

May 25, 1990

Local Boundary Commission Component  
Department of Community & Regional Affairs  
949 E. 36th Ave. Room 405  
Anchorage, Alaska 99508

REC-...  
Mr.  
Dept. of Comm. & Reg. Affairs  
Div. of Municipal & Reg. Asst.

Dear Sirs:

As the undersigned stated before the City and Borough of Juneau Assembly meeting of May 7, 1990 the above Company, as an owner of property fronting on the south shore of Funter Bay, Mansfield Peninsula, Admiralty Island, objects and protests to the annexation of the Mansfield Peninsula by the CBJ as proposed by the Department at this time on the following grounds.

The property of the Company gives promise of containing one or more deposits of commercial ore which promise has not yet been proven. The Company needs, and is trying hard to obtain, exploration by an entity willing to invest substantial sums, way beyond the limited resources of the Company, to conduct that exploration.

Interesting such an entity in the property will be more difficult, and possibly unlikely, should the area be annexed for a number of reasons. The mandatory borough functions alone would mean at best a tax, even that of a special service district at a mill rate of between 4 and 6 mills, which would soon exhaust the limited financial resources of the Company, or increase the costs of such exploration and thus decrease the interest of such an entity.

Perhaps more important is the realization that annexation would mean planning and zoning in a distant and sparsely settled area under ordinances developed for urban area concerns which could defeat mineral exploration. And while a limited service area could be devised in which other ordinances would not apply there would be concerns that such an accomodation could be unilaterally changed at any time. It is apparent that some segments of the mining industry, possibly one which might be willing to do that needed exploration, do not regard the CBJ mining ordinance as one that encourages mining exploration, as it was ordained to fit the needs of an urban area, not that of Funter Bay.

So there exists a situation whereby annexation at this

time would hinder and possibly defeat mineral exploration which if accomplished could in the future result in values to the State and to CBJ in the form of mining and corporate taxes, property tax, sales tax, user fees and other revenues.

In the meantime CBJ does obtain revenues from the Mansfield without the cost of extending its governmental services to that area. In the past, and in the present, activities on the Mansfield has generated business for Juneau merchants and vendors of services all of which leads to taxable property and transactions. That business has been sought as valuable. Almost all of that activity has been extended to that area by residents of Juneau who are taxpayers in CBJ. The Company pays sales taxes on purchases and services rendered to it by residents of CBJ.

The people of the Mansfield and the activities conducted in it have chiefly relied on Juneau and CBJ facilities. While that establishes a cordial relationship it does not of itself justify annexation at this time, as there appears not only no need by CBJ services, but instead an aversion to the enforced rendition of them.

This relationship does however justify the concept of eventual annexation when circumstances change by reason of mining or other development leading to more settlement and a need for municipal services, and supports the approval of the model boundary proposed by the Department. This economic and cultural relationship should prevent the annexation of the area by any other city or borough.

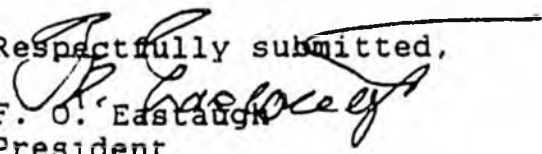
In view of the present lack of need for services which would be rendered to the area as a result of annexation, annexation should be deferred. And should the Company property be developed into a producing mine, the CBJ would be the economic beneficiary of such activity which could well justify annexation at some time in the future.

Such deferral would not run counter to the Constitutional mandate that all government powers shall be vested in boroughs and cities, nor the consequent State aim of eventual organization of the unorganized borough, considering that over 64% of the State is still in the unorganized borough.

The Company therefore proposes and requests that annexation of the Mansfield Peninsula be deferred until some future time, and that the model CBJ boundary proposed

by the Department be approved in concept, subject only to changes that might be warranted by conditions existing at the time of annexation.

Respectfully submitted,

  
F. O. Eastaugh  
President

cc: Hand delivered to  
Mr. Peter Freer,  
Local Boundary Commission  
Juneau, AK 99811-2110  
Mr. Kevin Ritchie  
City & Borough of Juneau  
155 S. Seward, Juneau 99801  
Mailed to:  
Members of the Local Boundary Commission

CRRCBJ



CITY/BOROUGH OF JUNEAU  
★ ALASKA'S CAPITAL CITY

RECEIVED

MAY 25 1990

May 22, 1990

Div. of Comm. & P.  
Div. of Municipal

Mr. Dan Bockhorst  
Grants and Local Boundary Commission Supervisor  
Division of Municipal and Regional Assistance  
Department of Community and Regional Affairs  
949 East 36th, Room 405  
Anchorage, Alaska 99508

Re: Draft Report to LBC on CBJ Annexation Petition  
and Ideal Boundary Study

Dear Mr. Bockhorst:

The City and Borough of Juneau (CBJ) is pleased to have this opportunity to comment on the Department of Community and Regional Affairs' (DCRA) draft report to the Local Boundary Commission (LBC) on the CBJ's annexation petition and the "ideal boundaries" for the central portion of Southeast Alaska. The CBJ's comments are as follows:

1. The CBJ did not attempt to annex all of the Mansfield Peninsula or any of the Glass Peninsula in its annexation petition submitted to the LBC. The annexation petition was intended to solve the problem of having a large number of CBJ citizens who work beyond the CBJ boundaries. Additional annexation is beyond the scope of the CBJ's present petition.
2. The CBJ does not object to the establishment of broader boundaries if the LBC finds that this is in the best interests of the state, Juneau, and the affected communities and residents. However, considerable public notice and discussion should take place before final boundaries are drawn. The standards for annexation discussed in the CBJ's petition may or may not be met with respect to those areas which are being suggested by DCRA as appropriate for annexation because they are within the recommended "ideal boundaries" of the CBJ.
3. The CBJ received no objections from property owners in the area proposed for annexation in the CBJ's petition. However, with respect to the expanded annexation boundaries proposed by DCRA, the CBJ has received nothing but objections from property owners within the proposed expanded

boundary area. These objections have been voiced most strongly by the residents of Funter Bay.

4. The CBJ is very concerned with the apparent lack of notice of the ideal boundary study given to property owners in the area of the ideal CBJ boundaries as proposed by DCRA. The testimony and written comments received by the CBJ from these property owners has uniformly reflected a lack of notice from DCRA as to the existence or nature of the study. The CBJ strongly urges DCRA to give notice to all property owners, including Forest Service lease holders, within DCRA's proposed ideal CBJ boundaries of the upcoming public hearings on the CBJ's annexation petition and DCRA's report and recommendations.
5. The draft report states that the CBJ's petition does not meet the annexation standard set forth in 19 AAC 10.190(a)(7). That standard reads: "Residents or property owners within the territory receive or may reasonably be expected to receive, directly or indirectly, the benefit of organized borough services without commensurate property tax contributions, whether such services are rendered or received inside or outside the territory."

The area proposed for annexation will be much like the Taku River, Lucky Me, Shelter Island, and Taku Harbor areas; all of these areas are already within the CBJ. These areas receive all areawide services although the number of full-time residents in these areas is low. Many of the property owners in these areas own their property for recreation purposes, and also own urban property within the CBJ for residential purposes. The CBJ also collects property taxes from their place of work if it is privately owned.

Greens Creek is the only private business which employs a substantial number of CBJ residents that pay property taxes on only a small portion of its facilities, i.e., its corporation headquarters in Juneau. However, Greens Creek employees generate as much public service cost as 200 employees of a mine development located within the boundaries of the CBJ. Thus, without the annexation, the citizens and businesses within the CBJ will be required to subsidize the public service costs which would otherwise have been paid for in part by property taxes on the mine. These costs will not be paid in full by the property taxes collected on the Greens Creek headquarters and the property of the Greens Creek employees located within the CBJ boundaries. The property owner within the territory proposed for annexation (Greens Creek) is receiving the benefit of CBJ services without commensurate property tax contributions. Therefore, annexation standard 19 AAC 10.190(a)(7) is met.

5/22/90

RECEIVED

MAY 24 1990

Dept. of Comm. & Reg. Affairs  
Div. of Municipal Affairs  
Tel. 7391

LISC component  
Dept of Community & Regional Affairs  
949 E. 36th Ave. Room 405  
Anchorage AK 99508

DEAR SIRs,

could you please send me your draft

report on annexation for the City of Borough

of Juneau. could you please include a copy

of all the guide-lines, criteria, etc. necessary

to annex lands by a Borough and any

legal or constitutional information pertinent

to expanding Borough boundaries.

We look forward to meeting you in

Juneau on July 12th for your hearing

on annexation.

Sincerely,



Peter D. Jones

To Box 1064

Juneau, AK

May 21, 1990

Dept. of Community and Regional Affairs  
155 S. Seward Street  
Juneau AK 99801  
Murray Walsh  
Bruce Botelho  
Rosalee Walker  
Rosie Peterson  
Dennis Egan  
John McKinnon  
Caren Robinson  
McKie Campbell  
Errol Champion  
George Davidson

Dear Assemblymen:

I would like to protest the annexation of Admiralty Island cabin sites. The cabin we are concerned about is located in the Seymor Canal area. This annexation will not benefit anybody with cabin sites in the area up for review. I would like to address the assembly members comment in the newspaper about nobody protesting the annexation thus far, since it was only last week I first heard about this new ordinance or I would have protested sooner. There ought to be a better way of announcing these ordinances that come up for review.

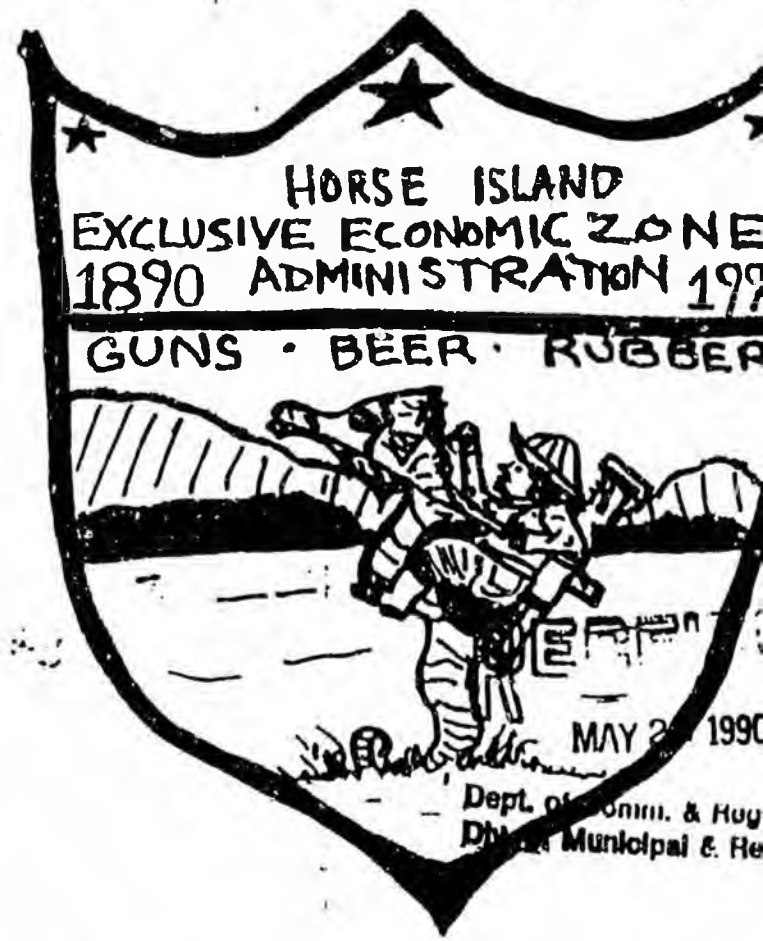
In conclusion I would like to say that putting a tax on all cabins in this area will lesson the pleasure that cabin owners have being able to go and hunt and fish in this beautiful area.

Thank you,

Farlin F. Cameron



**ON THE  
ALERT**



**CELEBRATING  
100 YEARS  
OF  
FREEDOM**

# Breaking free for 1990

Your presence is requested at the Horse Island Centennial Celebration.

Lt. Commander H.B. Mansfield, USN, captain of the USCGC steamer Patterson, named Horse Island one-hundred years ago this summer.

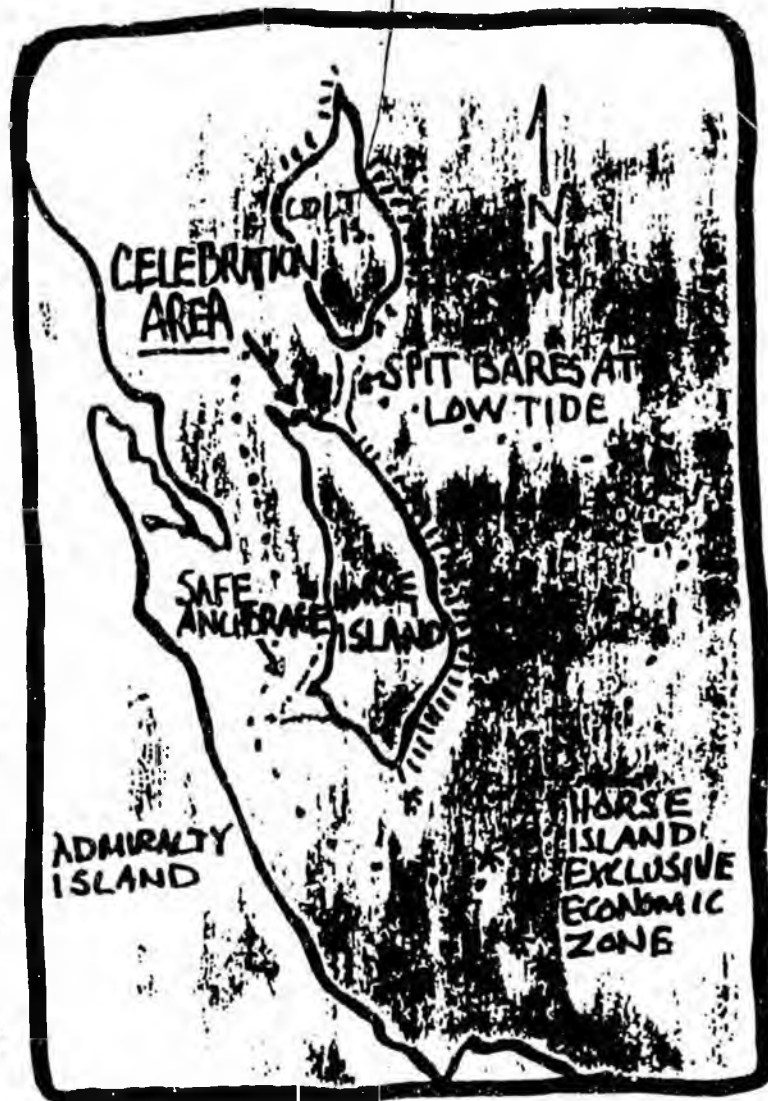
So the members of the Horse Island Exclusive Economic Zone Administration (a group of Horse Island land owners and users committed to the protection of freedom and the Alaskan way of life) decided to have a party.

The festivities begin Saturday, June 9, 1990 at 3 pm. There will be fun and games along with a serious discussion about what can be done to stop the land and revenue hungry City and Borough of Juneau from imposing it's unwanted will upon our island paradise.

All your friends will be there... so join us at the Horse Island Exclusive Economic Zone Administration's "Festival of Freedom."

R.S.V.P.

Horse Island Exclusive Economic Zone  
Administration  
P.O. Box 2208  
Juneau, Alaska 99802  
(907) 364-2310



## TIDE TABLE

Sat.	High:	3:09 pm
		14.3 ft
	Low:	8:36 pm
		3.9 ft
Sun.	High:	2:33 am
		16.5 ft
	Low:	9:11 am
		-1.6 ft
Moons:		Full

The hope is that the informal economic sector can be expanded. People can become politicized by active participation in thriving small economies and mutual support networks which they themselves control.

May 18, 1990

LBC Component  
Department of Community & Regional Affairs  
949 E. 36th Avenue, Room #405  
Anchorage, Alaska 99508  
FAX: 563-1734

RECEIVED  
MAY 22 1990  
Dept. of Comm. & Regional Affairs  
Div. of Municipal Affairs

To Whom It May Concern:

The issue of annexing into the City & Borough of Juneau a 1116 square mile area of Admiralty Island has received little community focus or debate. The players in this issue are the State's Local Boundary Commission, the City Government and the Green's Creek Mining Consortium who line up against the residents of the Mansfield and Glass Peninsula and Horse Island and Colt Island. Government and business want to expand the Borough, however the people who own what little private and permitted land there is in the proposed expansion area do not want to be acquired.

Thus we have the classic back drop of the "Big Guy" against the outnumbered "Little Guy". This issue will no doubt be settled on the principle that serves the good of the whole, I must ask what that good is?

As the local sportsman knows and cherishes, the distance between the City of Juneau and Admiralty Island might as well be half a world apart. The individuals who have chosen to make a life in places like Funter Bay live under very different circumstances than the assembly members who are soon to represent them. It is fundamentally correct to say that the conditions of life, the interests, wants and needs of the rural residents about to be acquired by the City & Borough will be diminished when they become involuntarily annexed.

Clearly the losers are anyone who owns property in the expansion area and anyone who ever dreams of owning and building a remote cabin without permits and City & Borough of Juneau building codes. So who are the winners and what is the 'good of the whole' that's being served?

Green's Creek Mine is a winner presumably, since they proposed and are in favor of their leased mining properties being acquired by CBJ. In fact they are the reason for the expansion. The prospect that in the short life time of the mine they would be encompassed by a new Chatham Borough is enough encouragement to side them with CBJ expansion. They have cut their losses by siding with the largest regional metropolis that could command the greatest political access. This has a bipolar effect on Alaska's rural development by leaving out the peripheral communities that may have a indigenous claim to the resources being extracted.

The City and Borough Government perceives themselves and the people they represent as winners in this new arrangement. This assumes that Big is Better and Taxes will exceed the cost of services rendered in the newly annexed areas. Neither of these assumptions are likely.

If you are an active Juneau Hunter, Fisherman, Kayaker, Adventure Trekker or Naturalist; the notion of the City and Borough extending political control into the Seymour Canal should be sufficient to set off a warning light. For those of us like myself, who welcome Green's Creek Mine to this community must understand that annexation is not necessary for its continued positive contribution to this local economy. Ultimately we must understand that the Green's Creek Mining consortium is a Multi-National Corporation with a responsibility to its shareholders and not to the benevolent good of the whole.

The State's Local Boundary Commission's proposal to expand upon the City and Borough relatively meager annexation plan is disingenuous at best. While governments world wide are pushing towards decentralized political systems with greater regional autonomy, the State of Alaska appears to be backsliding.

Very truly yours,



Peter D. Jones  
P. O. Box 02-1064  
Juneau, Alaska 99802-1064

May 17, 1990

LBC Component  
Department of Community & Regional Affairs  
949 E. 36th Avenue  
Room #405  
Anchorage, Alaska 99508

FAX: 563-1734

To Whom It May Concern:

I think it highly unfair for the City & Borough of Juneau to be allowed to approve annexation of a 140 mile perimeter, which happens to include Horse and Colt Island.

Both Horse and Colt Island are strictly recreational areas sold via state lotteries over the past 10 years. As a land and cabin owner on Horse Island I find it unconstitutional to have to pay taxes based upon a City whim of desiring tax monies from the Greens Creek Mine.

If you want Greens Creek Mine dollars, fine, but do not find it necessary to pass your greed on to other existing Juneau and Douglas taxpayers. We already pay our taxes through our mortgage and housing loans and property values.

Not to mention the stupidity of having to build recreational cabins to City codes and provide water and sewer requirements when we have no such luxuries being provided to us by the City.

I bought land on Horse Island to get away from Juneau and have a quiet place to get away with my kids. I did not buy land to build a full time home in City limits.

Thank you.

*Patti D. Jones*

Patti D. Jones  
P. O. Box  
Juneau.

Jordan Creek Center  
8800 Glacier Highway, Suite 223  
Juneau, Alaska 99801

## RUDDY, BRADLEY & KOLKHORST

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW

P.O. Box 34338  
Juneau, Alaska 99803-4338  
Telephone (907) 789-0047  
Fax (907) 789-0783

William G. Ruddy  
James B. Bradley  
Kathryn M. Kolkhorst

May 17, 1990

RECEIVED

MAY 21 1990

Dept. of Comm. & Reg. Affairs  
Div. of Municipal & Reg. Asst.

Local Boundary Commission Component  
Department of Community & Regional  
Affairs  
949 East 36th Avenue, Room 405  
Anchorage, AK 99508

Re: Proposed annexation of Mansfield Peninsula by  
the City and Borough of Juneau

Dear Persons:

I am an owner of real property in Funter Bay and am strongly opposed to the proposed annexation. Some of the reasons for my opposition are as follows:

1. There is virtually no community of interest between CBJ and Funter Bay. Indeed, most of the people who go to Funter do it to escape Juneau. Is it really necessary to allow the City to pursue them?

2. If annexation took place, the City and Borough of Juneau would provide absolutely no services to Funter Bay except, perhaps, planning and zoning, which, to the best of my knowledge and belief, no one in Funter wants anyway. Beyond that, the City is incapable of delivering any service. That may not be too bad because the people of Funter don't want any City services anyway. However, it is strikingly mindless to believe that it makes sense to take a community of people who do not wish to be brought into the city, bring them in against their will, give them no services and make them pay for the privilege. That sort of a result can only be the product of an overzealous and uncaring bureaucracy.

3. There has, in limited circles, been discussion of placing all land within the state into one borough or another thereby ignoring the concept of the unorganized borough which has served the state so well over the years. While such an organizational move is possible, I believe the concept is highly unlikely to survive serious legislative scrutiny. If time proves me wrong and it

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becomes necessary to place Funter Bay into some borough,  
the problem can be dealt with at that time. For the  
present, Funter is in the unorganized borough and wants to  
stay there.

Thank you for your time and attention.

Very truly yours,

RUDDY, BRADLEY & ROLKHORST



James B. Bradley

JBB:gm

cc: Local Boundary Commission, Juneau  
Honorable Dick Eliason  
Honorable Peter Goll  
Mr. Kevin Ritchie, Juneau City Manager  
F. O. Eastaugh

May 17, 1990

LBC Component  
Department of Community & Regional Affairs  
949 E. 36th Avenue, Room #405  
Anchorage, Alaska 99508  
FAX: 563-1734

To Whom It May Concern:

I think is highly unfair for the City and Borough of Juneau (CBJ) to be allowed to acquire annexation of a 140 mile perimeter, which happens to include Horse Island and Colt Island.

Both Horse Island and Colt Island are strictly recreational areas sold through State of Alaska lotteries over past years. As a land and cabin owner on Horse Island I find it unconstitutional to have to pay taxes based upon a CBJ desire for tax monies from the Green's Creek Mine.

I understand Green's Creek Mine approached CBJ first on this issue. If the City and Borough of Juneau want Green's Creek Mine dollars and Green's Creek Mine wants CBJ protection and services, fine, but do not find it necessary to pass your greed on to other existing Juneau and Douglas taxpayers. We already pay our taxes through sales tax, land and property values.

Not to mention the stupidity of having to build recreational cabins to City codes and meet water and sewer requirements when we have no such luxuries or services being provided to us by the City. Nor want any.

I bought land on Horse Island to get away from Juneau and have a quiet unrestricted place to spend time with my kids. I did not buy land to build a cabin to CBJ specifications and codes. What happens when I want to put a deck around my cabin. Do I fly a CBJ building inspector at my expense to Horse Island to tell me how to plan my dream. Hell no!

Thank you,

*Patti F. Jones*

Patti F. Jones  
P. O. Box 02-1064  
Juneau, Alaska 99802-1064

CC: The Juneau Empire  
Murray Walsh, CBJ  
Rep. Jim Duncan  
Rep. Fran Ulmer  
Rep. Bill Hudson

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Dept. of Comm. & Regional Affairs  
Div. of Municipal Affairs