

**KODIAK CITY COUNCIL**

**WORK SESSION AGENDA**

**Tuesday, September 12, 2017**

**Kodiak Public Library Multi-Purpose Room**

**7:30 p.m.**

*Work sessions are informal meetings of the City Council where Councilmembers review the upcoming regular meeting agenda packet and seek or receive information from staff. Although additional items not listed on the work session agenda are sometimes discussed when introduced by the Mayor, Council, or staff, no formal action is taken at work sessions and items that require formal Council action are placed on a regular Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the "official record" should be made at a regular City Council meeting.*

**Discussion Items**

1. Public Comments (limited to 3 minutes)
2. Budget/Annexation Discussion.....1
3. Discuss Letter to Senator Sullivan About Further NPFMC Action  
on Trawl By Catch ..... Letter Available at Work Session
4. Continued Discussion About Plastic Bag Ban  
(Councilmembers Davidson and Walker).....11
5. Elected Officials Training/Travel Requests
6. September 14, 2017, Agenda Packet Review

**To Be Scheduled**

1. November and December Meeting Dates


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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Mike Tvenge, City Manager 

**Thru:** Matthew Van Daele, Deputy City Manager

**Date:** September 12, 2017

**Agenda Item:** **Annexation Discussion**

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**SUMMARY:** The following was prepared to aid the Council's discussion regarding annexation of territory adjacent to, but not currently included in the City of Kodiak's Corporate Boundary. This document should be treated as draft information, and if further discussion is desired, additional research will likely be required.

### ANNEXATION INFORMATION

#### **BACKGROUND**

When the City of Kodiak was incorporated on September 11<sup>th</sup>, 1940, the City limits were established along the original Kodiak Townsite's boundary and included approximately 129 acres. In the succeeding 77 years, the City's "Corporate Boundary" has extended to include approximately 2,590 acres of land through "annexations" of various adjoining parcels.

Alaska State law has established several procedures for different scenarios regarding annexation. In several instances of past annexations, City property contiguous to (but outside of) the existing Corporate Boundary has been annexed into a revised City Limits. In these cases, the City Council produced (and passed) an Ordinance to annex the "territory," and these Ordinances were then used as the foundation for petitioning the Local Boundary Commission to allow annexation.

In most other cases, potentially-annexed territory includes more than just City property, which requires different processes and procedures for annexation to be considered. "*Annexation upon unanimous consent of owners and voters*" is one such process, in which every property owner within the territory to be annexed, and all voters residing within this territory may unanimously request to be annexed by the neighboring City. If all property owners and all registered voters in the denoted territory are unanimous in their consent to be annexed, the City Council may adopt an Ordinance approving the proposed annexation, followed by a petition to the Local Boundary Commission. Like annexing contiguous City parcels described above, if the Local Boundary Commission approves the petition, annexation may then occur.

Finally, a territory can be annexed through an election, known as "*annexation by vote.*" This process requires the requesting City to hold publicly-noticed City Council meetings to discuss proposed annexation before drafting a petition to the Local Boundary Commission, in order to incorporate public input, comments, and concerns into the petition document – or to evaluate whether annexation is worth pursuing. If, after these public meetings the City decides to continue annexation proceedings, and if the Local Boundary Commission approves the petition request, the annexation question will be put onto a ballot for registered voters in both the potentially-annexed territory, as well as registered voters within the existing City limits to decide. If a majority of voters in both areas determine annexation is acceptable, the proposed annexation will take effect.

For annexation to be a viable consideration, several key criteria should be considered, such as:

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- 1) the territory proposed for annexation is compatible in character with the City to which annexation is proposed, and exhibits a reasonable need for City services;
- 2) the proposed post-annexation boundaries of the City include both the human and financial resources necessary to provide essential city services on efficient, cost-effective levels;
- 3) the population within the proposed post-annexation boundaries of the City is sufficiently large and stable to support the extension of these city services; and,
- 4) the annexation will not deny any person the enjoyment of any civil or political right.

The territory both north and south of Kodiak's existing City Limits (already densely populated in the north, and without a population but offering excellent settlement and development potential in the south) are each unique candidates for annexation.

The southern territory, though not currently populated, has significant tracts suitable for residential, commercial, and industrial development. The major landowner within this southern territory has recently approached the City to discuss the possibility of annexation, and the City itself has almost 200 acres of land within this territory as well. Existing commercial and recreational areas of the City would flow smoothly into any future development in the territory proposed for annexation, with no significant geographic, cultural, or socioeconomic differences, and future residential development would further add to the strength and stability of the greater Kodiak community.

Conversely, the northern territory is populated to a density comparable to the City, and though these individuals shop within City Limits (and thus pay sales tax), registered voters in this territory are disenfranchised simply because they live outside of City Limits. Therefore, even though they pay sales tax, they have no ability to directly participate in the City government to determine how this tax is spent, they are unable to vote in general elections, and they are unable to stand for election themselves. Additionally, nearly all the residences in this territory receive water and sewer services from the City, but pay a 20% higher surcharge on their water and sewer bills. The nature of this territory indicates the residences and residents would benefit from more comprehensive municipal services than what are currently received.

Furthermore, in this northern territory, the current arbitrary border of City vs. non-City has created two distinct "classes" of citizens in what should be a homogenous community – those inside the border who are enfranchised to participate in their local government, as well as having reliable police protection and accountable road maintenance; and those outside this border who pay higher property taxes, higher water and sewer rates, and in spite of paying sales taxes are still disenfranchised.

*Sources: U.S. Survey 2537-A, establishing the boundaries of the Kodiak Townsite; Charter of the City of Kodiak; Alaska Local Boundary Commission; Alaska Administrative Code 3 AAC 110; Title 29 of the Alaska Statutes; KIB GIS online mapping tool*

#### **GEOGRAPHIC AREA AND POPULATION**

"Annexation North" encompasses the northern territory described above, and includes approximately 2 square miles (1,275 acres). It comprises the entirety of the Kodiak Island Borough's Service District Number 1, as well as adjacent undeveloped City property (78 acres), and the City's Wastewater Treatment Plant (6 acres) bordering the service district.

The primary landholders are: 1) the Kodiak Island Borough (208 acres); 2) the City of Kodiak (83 acres); 3) Natives of Kodiak (25 acres); 4) the Kodiak Baptist Mission (25 acres); and, 5) all others (934 acres). Accurate population data are not available at this time, but based on a rough count of households (about 1,100) and corresponding census information (available on the us.gov site under Kodiak's 2016 dataset), it is estimated approximately 3,000 people live within this area.



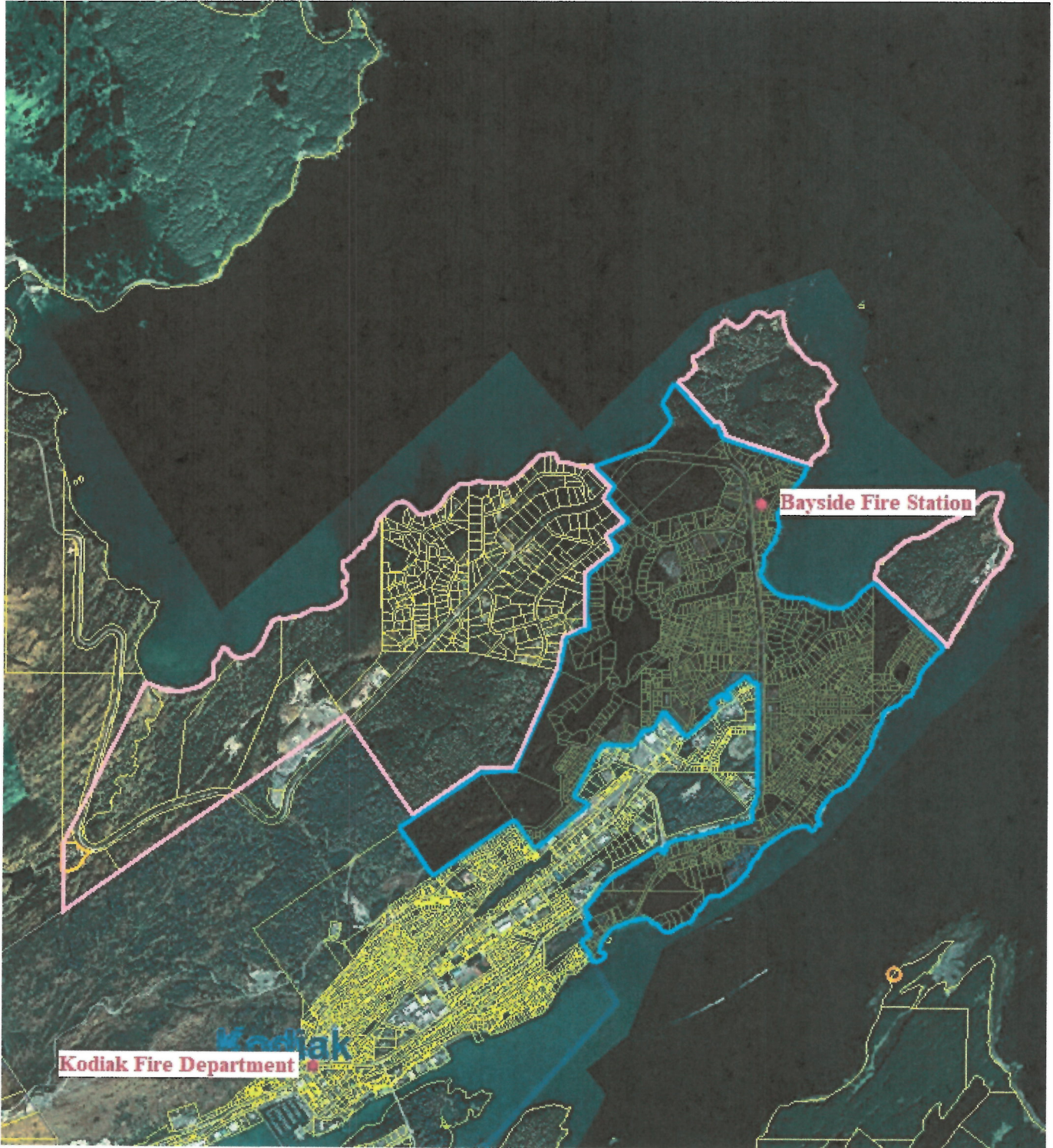
“Annexation South” also includes approximately 2 square miles (1,317 acres), and reaches from the southern border of the City of Kodiak’s existing corporate boundary, to the start of the contiguous USCG reservation encompassing the Kodiak State Airport. There are no residents in this area.



The primary landholders are: 1) Natives of Kodiak (644 acres); 2) the State of Alaska (260 acres); 3) the City of Kodiak (198 acres); 4) the United States Coast Guard (73 acres); 5) Kodiak Electric Association (62 acres); 6) Silex LLC (56 acres); and, 7) BLM (24 acres).

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FIRE PROTECTION, EMS, AND THE KODIAK FIRE DEPARTMENT

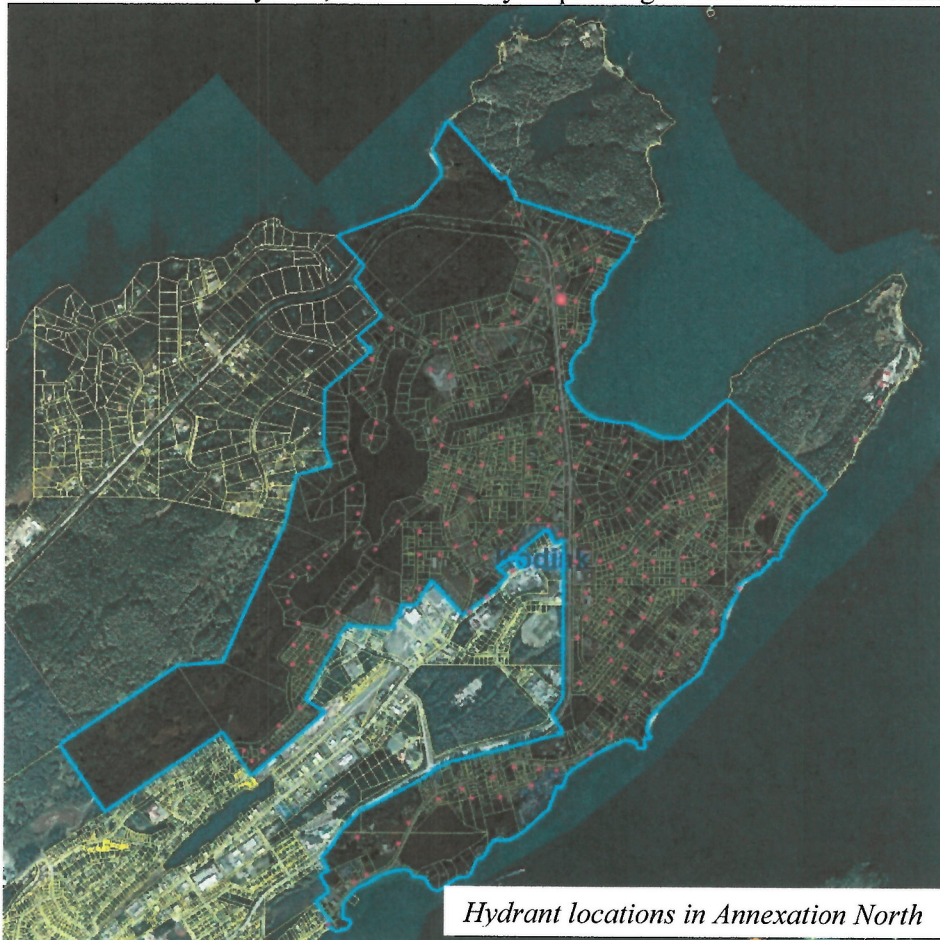


*Locations of the Kodiak Fire Department's Headquarters, Bayside Fire Station, and the areas of Fire Protection Area No. 1 (pink bordered) that fall outside Annexation North (blue shaded)*

Annexation North contains much of the area covered by the Borough's Fire Protection Area No. 1. Bayside Fire Station (the "Headquarters" of Fire Protection Area No. 1) is responsible for providing multiple services in the fire protection area, including fire suppression and prevention, injury prevention, and other associated services. These services are funded through a tax of 1.5 mills on properties within the fire protection area, and in FY16 this mill rate produced \$572,731.83 in revenue. After expenses (\$360,492.97), the fund balance was \$798,702.00.

Fire Protection Area No. 1 has only one FTE (the Fire Chief), but works to maintain a group of 30 volunteer firefighters. Additionally, the fire protection area's goal is to maintain an ISO (Insurance Services Organization) rating of 4 to maximize cost savings in fire insurance for residents and business owners within this area.

Even without annexation of additional areas, current staffing levels at the Kodiak Fire Department (KFD) need to be addressed, including the creation of distinct Driver/Operator positions. This is particularly important due to the existing increases in call volume and situations of handling multiple call-outs simultaneously. Furthermore, the existing Mutual Aid Agreement with Bayside Fire Station and the fact that KFD provides EMS response and transport throughout Kodiak's Road System, KFD is already responding to calls within Annexation North.



For adequate continued fire protection, a full-service fire station must be maintained in Annexation North. Bayside Fire Station is the logical choice, due to its existing apparatus, infrastructure, and staff, but Annexation North does not include all of the area protected by Fire Protection Area No. 1. If annexation were to be pursued, it would be essential to work with the Borough to determine the status of all of this fire protection area, such as pursuing a contract with the Borough to expand KFD service into this area.

To determine proper staffing levels, a review of Bayside’s station, call records, and thorough communication and consultation with Fire Protection Area No. 1’s Fire Chief are essential. Currently it is estimated that an additional 10 FTEs would need to be hired to properly cover Annexation North, but before a review of Fire Protection Area No. 1 and consultation with Bayside’s Chief, this figure should only be treated as an estimate. These 10 FTEs would allow three shifts of three watchstanders, plus a “floater” to cover for sick leave, vacation days, and other leaves-of-absence. Bayside’s existing cadre of trained volunteers would also need to be retained to assist the FTEs in responding to calls for service. In addition, due to the increased workload, an Assistant Chief (who would serve as the Department’s Training Officer) position would be required to meet and maintain the training requirements for all responders in the proposed larger Fire Department. It would be logical to base this Training Chief at Bayside, both to help the overall command structure of KFD, as well as Bayside’s excellent existing tradition of and infrastructure relating to support of training activities.

Annexation North contains nearly 200 acres of “wildlands,” while Annexation South is almost exclusively comprised of wildlands. Currently KFD is not equipped to effectively deal with wildland fires, so additional equipment and apparatus (such as fire tenders) and training would need to be evaluated. Once Annexation South is “built up,” with potential retail stores, residential housing units, etc., a satellite fire station would need to be considered to cover any increase in call volume and required emergency response.

Adding 10 new FTEs to the Kodiak Fire Department would include the following costs:

One-Time Personnel Costs (per FTE)

Initial physical testing and verification:	\$1,000.00
Uniforms and Equipment:	<u>\$1,600.00</u>
<b>Total per new FTE:</b>	<b><u>\$2,600.00</u></b>
	x10: \$26,000.00

Annual Personnel Costs (per Fire Captain)

Average Wages and Benefits:	\$156,154.87
Medical Testing and Evaluations:	\$700.00
Uniforms and Equipment:	<u>\$700.00</u>
<b>Total per new Fire Fighter:</b>	<b><u>\$157,554.87</u></b>
	x3: \$472,664.61

Annual Personnel Costs (per Fire Fighter)

Average Wages and Benefits:	\$111,978.23
Medical Testing and Evaluations:	\$700.00
Uniforms and equipment:	<u>\$700.00</u>
<b>Total per new Fire Captain:</b>	<b><u>\$113,378.23</u></b>
	x7: \$793,647.61

Total Costs, Year One: \$1,292,312.22  
 Total Costs, Subsequent Years: \$1,266,312.22

In addition to the new FTEs, the annual operating budget of Bayside Fire Station would need to be maintained, which has had an average overall expenditure of approximately \$600,000.00 over the past five fiscal years. If annexation were to occur, future critical building upgrades and maintenance (estimated to be \$450,000.00) would fall under future budgetary considerations.

*Sources: KIB GIS online mapping tool, KIB Comprehensive Annual Financial Report (FY16), Kodiak Fire Department*



**PATROL LEVELS AND THE KODIAK POLICE DEPARTMENT**

Using the rough estimate of 3,000 citizens in the annexed areas, the City of Kodiak’s population level would become 9,191 residents. Established standard operating procedures in many parts of the United States have a ratio of 1.8 officers per 1,000 citizens, increasing to 2.5 officers per 1,000 citizens when the population reaches or exceeds 10,000 residents.

Kodiak presents a unique situation with our remote setting, the need to be self-sufficient and self-reliant, and the presence of both the Alaska State Troopers (the “blue shirts”) and the Wildlife Troopers. We are currently waiting to receive call volume, call type, and response time statistics from the Alaska State Troopers for the annexation areas, but a very high probability exists that if these areas are annexed (especially Annexation North), a significant number of blue shirt Troopers will be pulled out of the Kodiak Post, based on similar instances that have occurred elsewhere in the State. Even though residents of Monashka experience long delays between reporting an incident and Trooper arrival, the presence of the State Troopers on Kodiak provides a “force multiplier” for KPD, particularly in high-risk situations. Therefore, even though we would not achieve the 10,000 citizen threshold, it would be prudent for response time, citizen safety, and unit cohesion/morale to aim for the ratio of 2.5 officers per 1,000 citizens if annexation were to occur, which currently equates to hiring an additional 8 officers.

Adding the required 8 new patrol officers includes the following costs:

One-Time Personnel Costs (per officer)

Workstations and IT equipment:	\$1,875.00
Weapons and Tools:	\$1,500.00
Training:	\$5,000.00
Academy Tuition and Training ( <i>though in the past this was covered by the State, due to the current financial situation the full cost may be borne by the City</i> ):	<u>\$11,000.00</u>
<b>Total per new Officer:</b>	<b><u>\$19,375.00</u></b>
x8:	<i>\$155,000.00</i>

Annual Personnel Costs (per officer)

Average Wages and Benefits:	\$119,740.00
Uniforms and Vests:	<u>\$1,695.00</u>
<b>Total per new Officer:</b>	<b><u>\$121,435.00</u></b>
x8:	<i>\$971,480.00</i>

One-Time Equipment Costs

Patrol Vehicles:	<u>\$45,000.00</u>
x4:	<i>\$180,000.00</i>

Total Costs, Year One: \$1,306,480.00  
Total Costs, Subsequent Years: \$971,480.00

*Sources: KIB GIS online mapping tool, Kodiak Police Department, International Association of Chiefs of Police*

**PUBLIC WORKS – ROADS, WATER, AND SEWER**

Annexation North comprises the territory currently included in the Kodiak Island Borough’s Service District No. 1. This service district was originally created to provide water, sanitary sewer, and road services to its residents, but in 1995 the service district divested itself of the water and sewer infrastructure, and the City took ownership. Because the annexed areas in the north are already on existing water and sewer systems maintained by the City’s Public Works Department, no measurable additional costs will be realized by annexing this area into the City’s

corporate boundary. However, there will be a subsequent drop in revenue from bills due to the higher fees (20% greater than those in City limits) paid by customers residing outside City limits.

Roughly 60% of the roads (equaling 11.2 miles) in this territory are managed by Service District No. 1, which rather than being directly managed by (and accountable to) a public works department, are instead governed by an elected Board. Maintenance activities, possible improvements, and contracts are primarily determined by this Board, and rather than direct contact with a public works department, there is a complaint-based system for citizens to file “complaint forms” for possible consideration by the Road Service Area Board. Within Service District No. 1, there are three smaller “sub-districts;” the Trinity Islands and Woodland Acres lighting districts (to provide street lighting for these neighborhoods) and the Mission Lake Tide Gate service district (to protect properties adjacent to Mission Lake).

If annexation were to occur, the responsibilities of these service districts would likely be assumed by the City’s Public Works Department. The City already maintains some street lighting within the existing Corporate Boundary, so there would be little change in either the Trinity Islands or the Woodland Acres lighting districts, particularly because these two accounts have approximate fund balances of \$29,000.00 and \$30,000.00, respectively. The Mission Lake Tide Gate account has a fund balance of approximately \$48,000.00, which was established and managed to cover future maintenance costs of the tide gate. However, it is important to note it is not known if these fund balances would be transferred to the City from the Borough if annexation were to occur.

The greater Service District No. 1, and its road maintenance and repair, would be a much more significant undertaking for our current Public Works Department. The 11.2 miles of road are not contiguous, which would result in greater transit times than currently experienced for road maintenance and work within City Limits (which would be particularly noticeable during snowfall events), and approximately 80% of the Service District roads are gravel (the main paved road is Sharatin, at approximately  $\frac{3}{4}$  of a mile long). The predominance of gravel roads would offer its own unique challenges, and would likely result in the need of hiring an additional 4 FTEs and purchasing a pair of road graders to effectively maintain safe driving conditions for the residents. It is very likely that if annexation were to occur, maintaining existing contracts (or seeking new ones) that had been established by the Service District would be advisable as we evaluated the best course of action for the newly annexed territory, and the Public Works Department evaluated its own needs and abilities.

Although the water and sewer in this territory is already maintained by the Public Works Department, adding the residents who reside in this territory to the population of the City of Kodiak would be bringing our population very close to the 10,000 resident threshold that may result in new regulations and considerations by State and Federal agencies regarding public water and sanitary sewer systems. Meeting or exceeding the 10,000 resident level is important to research further, and as with the other aspects of public works and annexation, more time is needed to consult with our Public Works Department to evaluate the challenges and opportunities associated with possible annexation of this territory.

*Sources: KIB GIS online mapping tool, KIB Comprehensive Annual Financial Report (FY16), City of Kodiak Public Works Department*

## **PARKS AND RECREATION**

Our Parks and Recreation Department is currently maintaining all of the ball fields outside the existing Corporate Boundary, which includes grounds keeping, event scheduling, and structural (including fence) repairs. It is estimated that this work amounts \$2,500.00 annually, and approximately 8 hours of labor per week. If annexation were to occur, it is anticipated that there would be some additional costs (waste bins, picnic tables, fertilizer and seed, etc.), and potentially an additional 8 hours per week of work. However, the overall impact on the Parks & Rec Department would be minimal, because of the existing work being conducted in this territory. Conversely,

with a full-time Parks & Rec Department assuming responsibility and oversight of the ball fields and parks in the territory included in Annexation North, residents would enjoy better service in their neighborhood parks.

*Sources: City of Kodiak Parks and Recreation Department*

**FINANCE – MILL RATE**

The Kodiak Island Borough’s certified 2017 tax rolls report a total value (after exemptions) of the following areas that fall within the boundary of Annexation North:

TCA 7 (Service District One):	\$290,431,999.00
TCA 2 (Woodland Acres Street Lights):	\$55,592,900.00
TCA 72 (Trinity Islands Street Lights):	\$13,391,000.00
TCA 71 (Mission Lake Tide Gate):	<u>\$6,942,300.00</u>
<b>TOTAL:</b>	<b>\$366,358,199.00</b>

If annexed, these areas would all fall within the City’s Tax Code Area, which is a flat rate of 2.00 mills. Correspondingly, these areas would see a marked reduction in their property taxes, as follows:

TCA 7 (Service District One):	-1.75 mills off current tax bills
TCA 2 (Woodland Acres Street Lights):	-1.85 mills
TCA 72 (Trinity Islands Street Lights):	-1.95 mills
TCA 71 (Mission Lake Tide Gate):	-2.75 mills

Even with these reduced taxes, based on the City’s flat tax of 2.00 mills and the 2017 certified tax rolls, annexation of this northern area would produce \$732,716.40 in revenue.

The properties in Annexation South fall within TCA 5 (Rural and Remote Borough), which is only subject to the flat Borough-wide base rate of 10.75 mills. The only currently non-exempt property in Annexation South is the 56.28 acre Silex, LLC parcel, with an assessed value of \$353,000.000. Accordingly, this parcel would see an increase in its tax bill due to the 2.00 mills of property within City limits.

At this time we do not have solid estimates or projections of sales tax revenue within the two potentially-annexed areas. There are not currently any retail establishments in Annexation South, while there are some retail, restaurant, and fuel service businesses located in Annexation North. Data from the 1999 study, though nearly two decades old, indicated estimated sales tax revenue of \$236,040.00, which when accounting for inflation is equal to roughly \$350,000.00 in current dollars. However, it is not known how many businesses have opened (or closed) in this area since 1999, nor how the original figure of \$236,040.00 was calculated.

*Sources: KIB 2017 certified tax rolls, FY2018 KIB mill rates, 1999 Petition for Annexation to the City of territory northerly of the current City limits*

**NEXT STEPS?**

If the Council wanted to continue discussion and consideration regarding annexation, it is advised to further research the impact adding this territory would have on our Public Works Department, specifically with what permits, regulations, certifications, and infrastructure improvements may be required if we reached or surpassed 10,000 residents of the City of Kodiak. Additionally, the sales tax figures above are not up-to-date, and it would be advisable to develop (or at least seek) a stronger dataset.

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