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**City of Delta Junction**  
**February 16, 2005 ~ 6:00PM**

**Charter Commission**  
**City Hall, Delta Junction, Alaska**

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The regular meeting of the Delta Junction Charter Commission was held in a conference room at City Hall in Delta Junction, Alaska.

Charter Commission members present: Mike Schultz, Bill Ward, Steve Fields, Art Griswold, Larry Fett, Tana Wood, Fred Sheen, Carol Dufendach (6:03 pm), and Lou Heinbockel (6:15 pm).

Charter members excused: None

Charter members absent: Pat Schlichting

City employees present: Lamar Cotten and Debbie Heral

Also present were five members from the community.

#### **CALL TO ORDER**

Chair Mike Schultz called the meeting to order at 6:00 pm.

#### **PUBLIC COMMENTS ON NON-AGENDA ITEMS**

**Schultz** asked for Public Comments on Non-Agenda Items.

**Janet Boyer** stated that she saw the interview with Schultz in the Fairbanks Daily News-Miner. Boyer was clarifying that she thought Schultz had said that this process was to end in March.

**Schultz** stated that there is logic behind the end of March because some of what needs to be done involves legislation; that would leave us with six weeks of legislative session. There are roadblocks in front of the Commission to even accomplish everything by the end of March.

#### **COMMISSION COMMENTS ON NON-AGENDA ITEMS**

**Schultz** asked for Commission Comments on Non-Agenda items.

**Dufendach** arrived at 6:03 pm.

**Wood** said she had a couple of observations. She just came back from Juneau and in the process mentioned that in some cases the vote came up but she made a point of letting them know that the Commission hoped to have a petition in March and mostly put in the back of their minds to consider, if it does have to consider, if the Deltana REAA as opposed to the whole thing, and that was the main; consider the reality that a Delta REAA makes sense and the combined does not.

**Sheen** directed a question to Cotten and asked if he had any of the updated numbers from the State Assessor that were seen at a meeting the other day.

**Cotten** stated just what was provided in the hand outs-tonight.

**Sheen** said he was going to be on the hill most of next weekend and hoped to talk to about 10 to 15 legislators.

**Griswold** said the other day he was coming back from Fairbanks and Delta was the subject on talk radio; the discussion being on annexation. He stated he thought the people of the Delta area need to be more informed on what's going on.

**Dufendach** said she was in Granite View Sports & Gifts today and Wanda Stewart was saying that there was a move underfoot in the community to get a bunch of business people to testify. She didn't know if they were going to show up or not, but if they did not, it kind of led her to think that the Commission members are the only ones that care.

## **HOUSEKEEPING**

**Wood** moved to approve the minutes of the January 19, 2005 meeting; seconded by Sheen.

Voice vote taken; motion carried unanimously.

**Dufendach** moved to approve the agenda; seconded by Fett to approve the agenda as written. Further discussion.

Voice vote taken; motion carried unanimously.

## **UNFINISHED BUSINESS**

The only subject brought up was the State Assessors' numbers which were slated to be discussed under New Business.

## **NEW BUSINESS**

### **Information Update - FNSB Annexation Issues**

**Cotten** stated that the next day following our last meeting he met with Mayor Jim Whittaker to see if he could explain what he was up to. He just does not expect us to ever do anything so they're going to put in a petition. His understanding is also that the petitions will be looked at together. Cotten also talked to the LBC staff and asked about how it is going to unfold – sometime here in the winter we're both going to show up with petitions. It was again emphasized that this is not a foot race; they will both be looked at and reviewed together. Senator Wilkens has not introduced anything; other bills have been introduced to LBC, but doesn't link to us.

**Ward** asked Cotten to explain again the scenarios that can result out of the LBC when the charter is submitted.

**Cotten** stated that number one, the legislature never gets near the Charter. Two, if they come back and they see something blatantly they don't like in the Charter, i.e., the example they use is Ketchikan now is consolidating with the City of Ketchikan, so they put together a Charter. As an example, they want to call the new government simply Ketchikan. The commission staff wants it to be called the borough or something. They want that to be worked on. They can ask for things like that. They can also outright reject it. Traditionally what they have done sometimes is stuff they don't like, they're not even going to touch it. They are not involved in second guessing your information. In theory they can stop something but in practicality they have not stopped any petitions yet that have gone in front of where the LBC has voted. The history of the Commission is that they are meant to be very flexible about how to do that. They are wanting people to do this and they are not going to throw up an impossible roadblock.

**Ward** asked what about if they just come back and say they don't like the boundaries?

**Cotten** said that boundaries are discretioned by constitution held by the commission. They can't adjust the boundaries. If it comes back not the way we want it, we're going to have to argue it.

**Ward** asked if they reject our lines or do they impose their own lines and submit it back?

**Cotten** then further discussed the process by which the boundaries could be rejected or modified. Bottom line is legally they can adjust the boundaries.

**Wood** stated there is a bill that has been dropped to charge to tax every adult in every REAA an average of the amount paid in the boroughs for education. She expressed that this tells her that we could wind up paying a tax that is driven by Anchorage and Mat-Su and Fairbanks. This is a draft that she picked up in one of the Senator's offices.

**Sheen** stated there was another bill introduced yesterday that had to do with road service areas. Sheen couldn't see how that could be affecting us at this point but it something to be aware of if there is a road service association and they're not keeping up with their duties then they were making up some sort of penalty against them.

**Wood** stated the fall-out of this is that there are quite a few people learning a lot more about service districts. She believes that there are going to be a lot more senators and representatives that are going to be more literate on the borough assembly issues.

#### **Information Update - State Assessor's Office**

**Cotten** stated that Steven Van Sant still has not provided us with any figures to work with. He did speak informally to a couple of local people about the numbers needed to work on the petition. He is saying preliminarily he does not have any strong data or final numbers but is looking at us without commercial, without residential, without raw land, without ag land – looking at us having \$100 million before that. When the sub-committee is working through things, they are having to assume that there is as much as \$175 million. Van Sant will give us a final number and the tables will have to be redone. Cotten said that that number is just not done yet, but he has been checking on the situation.

**Schultz** stated that he has questions about the fact that right now the numbers lead to the price of an average home being approximately \$67,000 and when we started with the feasibility study that number was an average of \$141,000. How did that much of a difference come into play?

**Cotten** stated that he is only working with the data he has been presented. As everybody knows, the concern is 4 mills on \$100 million is \$400,000 for education. Most boroughs pay more than 4 mills. If you did \$400,000 which would start in Year 6 of your existence, so if it's twice as much, it's \$800,000. It's a big concern because it's money we would have to extract locally. That does not include oil and gas properties. What we pay for education is based on the total value of property, including oil and gas properties. In this borough, the value of the oil and tax line here is \$200 million dollars. Fairbanks North Slope and Valdez are required to pay 4 mills on the pipeline but they have property tax. Since we don't have property tax, we don't want to be obligated to pay 4 mills off the gas line. We have to time our own stuff and make that a condition of our petition when it is submitted.

**Ward** asked Cotten if he knows the process with Van Sant. He's going to have his figures eventually. Does he have a process before that becomes an official assessment?

**Cotten** said he is the State Assessor and he makes the determination. He is also a state appeals board. There is an appellate process for somebody to go through

**Ward** stated that we can't even build our structure until we see that number.

**Cotten** said he thinks the informal process works better.

**Sheen** stated that when Van Sant was here before and he was asked if we were going to be able to look at how he came up with this, the response he heard him say was that "even if he did show you how I came up with it you wouldn't understand it".

**Sheen** stated that we should know how he comes up with it.

**Schultz** said he agrees with Sheen that we should be able to see the process. Van Sant owes it to this community to show how he comes up with those figures.

**Cotten** said he agrees and it's just common sense politics.

**Wood** stated that this is probably semantics, but technically he is not doing an assessment. He was going to try and get a range of homes and an average and stuff because he's not like an assessor that comes around that says, "Okay, your property is assessed at ...". So is he really doing an assessment or what is he doing?

**Cotten** stated that Van Sant is setting up a model where he will define categories of values and take the identifiable units here and drop them into those categories.

**Wood** said then it is technically not an assessment.

**Cotten** replied it is also not an official appraisal. This is how they are doing it in the areas that are not imposing a property tax and need to know what the value is.

**Fields** stated that we need to know how long the appeals process is.

**Ward** said we need to find out from the School Board if they can live with 4 mills or are they immediately going to show justification to want more; if they honestly believe the community will need more than 4 mills, then we need to put that into our projections.

**Sheen** said that when Dan Beck came and gave us his projections, it seemed like it matched what we were trying to do.

**Schultz** asked Cotten if there was a cap on that.

**Cotten** said the state encourages you to get more. There is no down side in the School District in asking for more.

**Schultz** proposed a question to the group. Lack of the number, as we've been talking about, the number being an accurate number of the assessed value of the area, starts to create a dilemma for this group. We want to finish our work on the charter and the petition, with the petition describing how to fund the bill. In order to know the demands of the borough, we need to know the number that is missing here. How do we complete our work?

**Wood** said that the Commission went into this feeling that the original numbers were too high; the property values. She thinks a high number ought to be chosen and build from that.

**Cotten** suggested drafting a letter for review by the Committee and Chair to Van Sant's boss stating that we need the numbers so that we can proceed.

**Schultz** was for the letter but said that does not solve what the Commission would be doing over the next 40 days while waiting for a response.

**Heinbockel** stated that we could take another approach to all of this. Take the current school budget, x millions of dollars a year, the current city budget, x millions of dollars a year, add 20 to 30 per cent to that for additional increases, services or whatever and there is a dollar figure. X numbers of dollars needs to be raised and then go backwards from there.

**Schultz** said the 4-mill equivalency that has to be contributed to the school makes no difference on what the school budget is or any difference on how many kids are there.

**Heinbockel** said it might be a starting point on how much to raise every year.

**Fields** asked Heinbockel how much more the borough is going to cost us than what the city budget is now? He doesn't see the borough getting any bigger than the City of Delta Junction.

**Heinbockel** stated that it depended on what the City asks for and what the borough would provide. There is an increase in certain demands for services; one of them being road service.

**Griswold** asked if you go into a power and oil tax and so on, how are you going to assess the service area for that situation?

**Cotten** stated that it's a little difficult without a property tax. It's a lot easier with a property tax but there are other ways to figure out how to do it.

**Griswold** said that for efficiency you're not going to be able to change the utility tax for a service area.

**Wood** stated that she hates to go back and revisit what we have done before.

**Schultz** proposed a question to Cotten: What if we went ahead with our charter work, submitted the charter based on our best estimates at the time, you come up with estimates, and you can update those with the current information of the last two days here, and you finish our work? You finish writing a charter, you make up the petition and you say here's a tax structure that will cover this list of expenses and it's sort of like offering a conditional charter to them. As soon as the state assessor completes his work we may have to come back and revise these numbers but at least it's completed the process of writing the charter. That phase of the process will be done. Cotten was asked if he would recommend doing it that way or if there was a good solid reason to not do it that way.

**Sheen** asked about long term inventorying for land; how we could create some sort of mechanism like a requirement that everybody has to register their piece of property for a small fee and they have to register it by such and such a time, some way to get a better grasp of properties; where they are and a mechanism, that sort of thing. The purpose being to keep better records and you could have a small amount of revenue that came in off the registration process, the transfer of a piece of land for sale, or whatever.

**Ward** stated that one thing that has always gone back to the basic core of this thing - the legislature and Gary Wilkens, specifically, has insisted that this area create a borough to start paying its share, because we have enough wealth to afford a borough. As we go through this and come up with assessed values to substantiate his idea of wealth, which is property and physical assets, the thing that Ward always wanted to do is keep in the back of his mind if the community is more driven by its economic wealth, not it's physical asset wealth; how much money is generated, is in people's banks and created by business and industries and all that, to pay for a tax base. As the values reach a certain level where the taxable obligation gets to a certain level, then you have to look at people's ability to pay. He certainly feels that he has an ability to pay. There's a lot of people that don't have the ability to pay but you will get down to the point where there will be a judgment of who can pay and who can't. Ward would hate to get behind creating another bureaucracy that lowers a person's standard of living to a point where it hurts them. He does not believe in that. He also does not believe in finding out that half the community can't pay so the whole burden goes on the other half; then that's unfair taxation. As we get these values we also have to decide in our mind, is a borough the proper thing to impose on this community and that obligation? You could reach a level where you could arguably say this area can't afford to be a borough because we don't have the economic wealth to support one. Without final numbers we will never really know.

**Heinbockel** totally agrees with Ward on the ability to pay. Reading things that Gary Wilken puts out, his area has a great amount of economic opportunity that rural areas do not have and also has a much lower cost of living than those rural areas.

**Schultz** stated he appreciates the way Ward is looking at this situation. The problem he has with it is you're trying to say what is a fair tax and can the community afford it. The problem Schultz has with it is the FNSB will never ask us those questions. When they annex us then they will impose on us, the base plus however many service districts, they will never take that into consideration; we will just be annexed and then we will be paying property taxes and it will be that a bill comes in the mail and too bad if you have more property than you can afford to hang on to because of taxes, there is a process that will happen and it will go from there.

**Schultz** asked for any more comments.

**Schultz** called for a break at 7:10 pm.

**Schultz** called the meeting back to order at 7:24 pm.

### **Information Update - Teck-Pogo, Content and Process**

**Cotten** said there is a subcommittee of this Commission, and a subcommittee of the City, and they started having an informal conversation with Karl Hanneman about the prospects of a PILT payment. Karl submitted a fairly general thing the committee looked at; they have returned something in hopes that it will be a continued dialogue between the committee and Pogo. After some of those discussions, the whole intent of what was said was to come back in and report to the full body as to where we were at some point; submit a progress report. He believes that the result has been a better product by having these discussions.

**Schultz** stated that a quick review for the commission; the subcommittee is Schultz, Ward and Schlichting and they have had three or four meetings over the last month. Schultz asked if there were any questions.

**Sheen** asked what the city's role is in that?

**Cotten** said the City and Pogo have had some informal conversations about the possibility of Pogo providing some assistance directly to the City prior to the borough being organized because they don't have any taxes and they are getting rid of their operating grants, and secondly the idea would be that the City, because we don't exist and this group would not sign a contract, the purpose of the two committees combining is that they would try to come up with something that this committee could buy into, this City would not sign anything with them

unless this committee concurred. To paraphrase what Hanneman's intent is that he wants clarity and certainty about what they're going to have to pay and he wants to steer away from a severance tax.

**Griswold** asked how badly is the city going to need to deal into this to get themselves out of financial trouble?

**Heinbockel** stated that the City is not in financial trouble yet and they have some fallbacks, too. Assuming the PILT will continue at the kind of levels it has, we are not in any dire straits. They are keeping a close eye on the financial situation with the growth that is occurring.

**Schultz** asked if there were any other questions on the subject of the sub committee?

**Wood** stated that the sub committee members were appreciated for the time and effort they have been putting forth on this.

### **ADDITIONAL PUBLIC COMMENTS**

**Schultz** asked for any Additional Public Comments.

**Todd Zachgo** asked if Schultz could be more descriptive about the PILT with Pogo; are you talking about a severance tax or in lieu of taxes?

**Schultz** stated that PILT was the acronym for Payment in Lieu of Taxes.

**Zachgo** asked to what level?

**Schultz** stated that a PILT could work any way you make it work. It can be a formula of some type or it could work out to be the same number as a property tax but it doesn't have to and it doesn't have to depreciate or appreciate, those are all variables, and at this time there is no number so I can't share with you what it will be. It is under negotiations. Hopefully at our next meeting the report that Cotten was talking about should outline what it will look like.

**Schultz** asked for any other comments from the public on any of these issues with the borough.

**Zachgo** asked that if we do end up having to pay a property tax, what is the rate of exemption and who would be exempt?

**Cotten** reemphasized what everybody at this table has said and that is they're not proposing a property tax, we're trying to avoid it.

**Schultz** asked for any other comments.

There were none.

### **ADDITIONAL COMMISSION COMMENTS**

**Ward** talked about getting around the revenue issues - should we also investigate the potential of a continuing impact funds or contributions from the military or federal? He states that we can make a pretty strong argument that with the level of military activity that is having a real significant impact on the community and it's going to be very difficult to access any of their income or assets or anything like that and wonders if we should be pursuing parallel with everything else, the ability to negotiate with the federal government on any continuing revenue stream from them; maybe consider that as an option as well.

**Sheen** asked if the City at some time got some kind of land revenue?

**Heinbockel** stated the major source right now is federal PILT money. That covers a huge geographical area because the City is the only legal entity in that geographical area other than Eagle. Eagle gets PILT money also. He does like the idea of being able to tax those who come to our state, make the salaries and benefits that are here, and take it and run.

Discussion followed on how that may be possible. Taxing everybody who is employed here, not just living here. Those employed here but live elsewhere such as Fairbanks would still pay taxes to the Delta Borough.

**Dufendach** stated that the local business community feels that it's really going to kill the business in Delta if you use the sales tax.

**Next meeting** is the third Wednesday in March, which is March 16<sup>th</sup>, unless something is urgent and requires a meeting prior to that.

**ADJOURNMENT**

**Fields** moved to adjourn at 8:15 pm; Fett seconded. Voice vote taken; unanimous. Motion carried.

Debbie Heral  
Transcription Clerk  
City of Delta Junction  
Approved: April 6, 2005