

Appendix I

Proposed Municipality of Wrangell Petition Exhibits D-1 and D-2

**UNIFIED MUNICIPALITY OF WRANGELL
PROPOSED BOROUGH BUDGET
FOR THE FISCAL YEARS ENDING JUNE 30, 2007, 2008, 2009**

CITY DEPT OR ACTIVITIES WITHIN GENERAL FUND BUDGET	UNIFIED MUNICIPALITY BUDGET				
	CITY 2005-2006 FY APPROVED BUDGET	2007 FY BUDGET	2008 FY BUDGET	2009 FY BUDGET	
REVENUES:					
TAXES	3,235,708	3,375,000	3,385,000	3,395,000	NOTE 1
LICENSE & PERMITS	2,640	2,700	2,700	2,700	
STATE AND FEDERAL	147,961	60,000	60,000	60,000	NOTE 2
PILT-FEDERAL	183,448	200,000	203,000	206,045	NOTE 3
PILT-OTHER	61,052	61,000	61,000	61,000	
CHARGES /SERVICES	343,814	345,000	345,000	350,000	
FINES & FORFEITURE	131,750	132,000	135,000	140,000	
SALES & LEASES	111,200	112,000	113,000	114,000	
TIMBER RECEIPTS	579,465	825,466	844,452	862,978	NOTE 4
MISC. INCOME	71,300	75,000	75,000	75,000	
GRANTS	-	300,000	200,000	100,000	NOTE 5
PERMANENT FUND	250,000	250,000	250,000	250,000	NOTE 6
TOTAL REVENUES	6,118,338	5,738,166	6,674,152	5,816,723	

CITY DEPT OR ACTIVITIES WITHIN GENERAL FUND BUDGET	UNIFIED MUNICIPALITY BUDGET				
	CITY 2005-2006 FY APPROVED BUDGET	2007 FY BUDGET	2008 FY BUDGET	2009 FY BUDGET	
EXPENDITURES:					
FINANCE	312,317	318,500	330,000	340,000	
ASSESSOR	20,000	35,000	28,000	22,000	NOTE 7
ADMINISTRATION	531,879	540,000	550,000	560,000	
COMMUNICATION	-	25,000	10,000	10,000	NOTE 8
FIRE/SEARCH & RESCUE	268,583	275,000	285,000	290,000	NOTE 9
POLICE	681,639	689,000	715,000	730,000	NOTE 10
JAIL OPERATIONS	371,722	392,200	408,000	420,000	
PUBLIC SAFETY BLDG	158,260	159,905	182,000	185,000	
PUBLIC WORKS	154,946	161,700	177,000	190,000	
BLDG. PERMITS	-	6,000	6,000	6,000	NOTE 11
STREETS	295,869	310,000	315,000	320,000	
LIBRARY	198,427	207,000	212,000	220,000	
MUSEUM	90,000	90,000	90,000	90,000	
COMMUNITY PROM.	117,320	155,000	155,000	160,000	
PLANNING & ZONING	26,660	56,000	40,000	32,000	NOTE 12
PARKS & CEMETERY	48,850	59,000	61,000	63,000	
SWIMMING POOL	152,580	155,000	160,000	165,000	
EDUCATION	1,379,796	1,456,201	1,452,590	1,457,141	NOTE 13
CAPITAL	159,700	150,000	150,000	150,000	
COMMUNITY CENTER	103,204	110,000	112,000	115,000	
TOTAL	5,072,712	5,350,506	5,418,590	5,505,141	

BUDGET SURPLUS (DEFICIT)	45,626	387,860	255,562	111,582	
---------------------------------	---------------	----------------	----------------	----------------	--

**UNIFIED MUNICIPALITY OF WRANGELL
BOROUGH BUDGET NOTES FOR FY 2007, 2008, 2009**

NOTE 1:

TAXES: As a Unified Municipality both sales and property tax revenue will increase. In the budget presented, there is an increase from the current 2005-2006 FY and each of the next three fiscal years as a borough. A portion of the additional increase comes from small increases in sales tax revenues, due to sales occurring in the area proposed for incorporation and increases in the price of fuel and other commodities. Another part of the increase is derived by the addition of property to the tax roll by borough formation. It is estimated that \$14,400,000 in real property value will be added to the tax roll, at a mill rate of 12 for property within the proposed service area and a mill rate of 4 for those outside the service area. The real property taxes will be imposed as soon as feasible, and not phased in as allowed under AS 14.17.410(e). The city's property tax base has shown only small increases in recent years and it is anticipated that this trend will continue for at least the near future. The remainder of the increase is due to the recent passage of school bonds.

NOTE 2:

STATE AND FEDERAL: This category contains several small annual operating grants that the city receives for the library, police and other general purposes. At this time it is not known if the state legislature will reinstitute a plan of revenue sharing or community dividend program (though currently there are a number of such bills pending before the Alaska Legislature – see, S.B. 219, S.B. 226, S.B. 247 and H.B. 351), and thus the only items included in this category are those that are currently established.

NOTE 3:

PILT-Federal: The city receives payment annually from the federal government in lieu of taxes. For FY 2006, the city received \$183,449. This is expected to increase somewhat due to borough formation, to approximately \$200,000 in FY 2007, and to thereafter rise at a rate of roughly 1.5% annually.

NOTE 4:

PUBLIC LAW 106-393: Under PL 106-393, the Secure Rural Schools and Community Self Determination Act, the city has received annual National Forest Receipts payments. For FY 2006, the city received \$592,927, excluding the 15% Title 2 funds.

This Act expires in FY 2006. A bill reauthorizing the Act for a five year extension is currently pending before the U.S. Congress, and is expected to be acted upon in the next few months. The reauthorization is also contained within the President's recently issued 2007 budget proposal. If the Act does not pass, payments to affected cities and boroughs would be significantly reduced and revisions to the forecasted budget would need to be made.

Assuming reauthorization, it is estimated that following borough formation the 85% payment would increase to approximately \$825,000 for FY 2007, based upon the

9.956% of the Tongass National Forest located within the proposed borough boundaries. The Act also contains an inflation factor, and the increases provided for FY 2008 and FY 2009 are in line with historical averages.

NOTE 5:

GRANTS: State Organizational Grant: This \$600,000 in funding for newly formed boroughs, per A.S. 29.05.190, will be received over a three-year period. The new borough will receive \$300,000 in the first year, \$200,000 in the second, and \$100,000 in the third year.

NOTE 6:

PERMANENT FUND: The City of Wrangell voted in October 1997 to establish a Permanent Fund in the amount of \$5,000,000. The purpose of the fund, which is "inflation-protected", is to provide a source of money to help replace declining state revenues. Fund revenues in excess of inflation are annually deposited into the city's general fund. The principal can not be accessed without a vote of the people.

NOTE 7:

ASSESSOR FEES: The city's assessor has estimated that borough formation will cause the cost of annual assessment to increase \$15,000 in the first year, \$8,000 in the second year, and \$2,000 per year thereafter.

NOTE 8:

COMMUNICATIONS: The newly formed borough plans to augment and/or supply communication links between the existing city and those living in outlying areas. Various options are being considered, and the cost set out in the budget is the estimate for those services.

NOTE 9:

SEARCH AND RESCUE: The Wrangell Search and Rescue already provides emergency response services to the area proposed for borough formation. It is anticipated that this will continue, along with the provision of additional emergency training to residents in certain outlying areas, particularly Thoms Place and Meyers Chuck, to facilitate response assistance. Currently, the state troopers reimburse the city for much of the search and rescue work done, and the city has been advised that this will continue after borough formation.

NOTE 10:

POLICE: As-needed police services will be furnished outside the new borough's service area. Air transportation to the site will be chartered when necessary, and the estimated costs for this transportation and other associated expenses are estimated and included within the budget.

NOTE 11:

BUILDING PERMITS: The cost of providing inspection and building permit services is anticipated to increase minimally following borough formation, and the estimated increase equals \$6,000 per year.

NOTE 12:

PLANNING AND ZONING: It will take several years to evaluate all of the borough lands and zone them appropriately, working closely with residents in outlying areas. Once the initial task is completed, planning and zoning assistance will be provided as needed to outlying areas.

NOTE 13:

EDUCATION: Based upon information received from the Wrangell Schools Superintendent, and the Superintendent of the Southeast Island REAA, we do not anticipate any significant increase in actual school costs when the Unified Municipality is formed. Wrangell has been providing school services to between 5 and 10 students who reside outside the existing City, and will continue to do so at the same levels and at the same costs. These students are already counted in the Wrangell School District's average daily membership for formula funding purposes.

The current city budget figure for the education expenditure -- \$1,379,796 -- includes the City's required local contribution, the additional funding up to the maximum cap, National Forest Receipts paid to the school district, and net annual debt service (total minus 70% state reimbursement) on school general obligation bonds, as follows:

Required Local Contribution:	\$ 592,666
Additional Funding to Max.	\$ 705,930
Nat'l Forest Receipts	\$ 17,691
Net Debt Service after reimb.	\$ <u>63,509</u>
TOTAL	\$1,379,796

The amounts projected for the borough are similarly calculated, with the increased required local contribution for the area of the borough taken into account.

Other general information about the budget:

Other services that the City of Wrangell currently provides include harbors/port, water, sewer, electricity, landfill, garbage collection and hospital. All of these services are owned and operated by the city as enterprise funds. Only those that use the services pay for them. This results in no impact on the general operating budget of the city.

The attached budget for the fiscal years ending June 30, 2006, 2007, 2008 and 2009 includes estimates for both our current level of services and the expected additional services under a Unified Municipality.

Some of the expenditure portion of the budget will increase regardless of borough formation. The rising employer costs associated with the state retirement system and

health insurance continue to increase costs for employee benefits. This is the most significant reason for the administrative increase over the next 3 years. As more is known regarding a possible solution to the state retirement problem and state revenue sharing, the budget can and will be balanced on the funds available. Other expenses have been reasonably stable and are expected to continue in that manner.

EXHIBIT D-2

CURRENT CAPITAL PROJECTS

The City of Wrangell is currently conducting six capital projects that do not appear in the annual approved operating budget. Generally, these are projects that are entirely paid for by grant funding.

1. **Heritage Harbor-** This is a 25 million dollar project paid by the Army Corps of Engineers, State of Alaska and the City of Wrangell. 70% of this project is complete. The remaining portion is installation of the float system and the city is waiting on legislative funding in order to finish all of the floats.
2. **Nolan Center-** This is a 9 million dollar project and is 95% complete. The final portion of this project being worked on now is coming from a USDA grant to finish up the project.
3. **Community Cold Storage-** This project is in the planning stage and is planned to be designed and constructed within the next 2 years. At this time, the majority of the funds for this project are grant funded, with the remainder from City funds.
4. **Boat Haul Out-** This project is being designed at this time and is expected to be completed within the next couple of years. This project is funded with an EDA grant and an appropriation from the Wrangell Permanent Fund.
5. **Harbor Renovations-** This project will make approximately 3.5 million dollars in improvements to the existing Wrangell Harbors. These funds were given to the city at the time the state turned over the harbors to the city. This work is expected to be complete by 2008.
6. **School Construction-** This project is funded by the 2005 School Bond and the work is expected to be completed by September of 2007.