

Petition

To the Local Boundary Commission to
Annex 2.61 Square Miles to the City of
Soldotna

By the Legislative Review Method

Authorized by City Resolution 2019-041(S), approved September 26, 2019

Table of Contents

Introduction.....	1
Section 1. Name of Petitioner.....	21
Section 2. Petitioners Representative.....	21
Section 3. Name & Class of City for Which a Change is Proposed.....	21
Section 4. General Description of the Nature of the Boundary Change.....	22
Section 5. General Description of the Territory proposed for Annexation.....	22
Section 6. Reasons for the Boundary Change.....	25
Section 7. Legal Descriptions, Maps, Plats.....	42
Section 8. Size of Territory for Annexation.....	42
Section 9. Data Estimating the Population.....	42
Section 10. Information relating to Public Notice & Service	43
Section 11. Tax data.....	43
Section 12. Budget Information.....	44
Section 13. Long Term Municipal Debt.....	45
Section 14. Municipal Powers & Functions.....	45
Section 15. Transition Plan.....	46
Section 16. City Council Composition and Apportionment.....	46
Section 17. Supporting Brief.....	47
Section 18. Documentation Demonstrating the Petitioner is Authorized to File.....	47
Section 19. Petitioners Affidavit.....	48
Exhibit A-1. Legal Metes & Bound Description of the Territory Proposed for Annexation....	50
Exhibit A-2. Legal Metes & Bound Description of the Existing City.....	61

Exhibit A-3. Legal Metes & Bound Description of City Boundaries after Annexation.....	65
Exhibit A-4. Maps and Plats.....	72
Exhibit B. Information relating to Public Notice and Service of the Petition.....	91
Exhibit C. Projected Revenues, Operating Expenditures, and Capital Expenditures.....	95
Budget Projections for the Existing City.....	96
Budget Projections for the Annexation Territory.....	97
Budget Projections for the City After Annexation.....	98
Exhibit D. Transition Plan.....	100
Exhibit E. Supporting Brief	120
Exhibit F. Documentation Demonstrating that the Petitioner is Authorized to File the Petition Under 3 AAC 110.410.....	142
Exhibit G. Affidavit of Petitioner’s Complying with the Requirements of 3 AAC 110.425(e) (Which Requires the Petitioner to Hold a Hearing Before Submitting a Legislative Review Annexation Petition).....	152
Exhibit H. Written Summary or Transcript of the Hearing that the Petitioner is Required to Hold under 3 AAC 110.425(e), and a Copy of Any Written Materials Received During the Hearing.....	173
Exhibit I. Affidavit of Petitioner’s Representative Concerning Accuracy of Information.....	238
 Figures:	
Figure 1. Population 1990 – 2018.....	7
Figure 2. Annexation Implementation Goals from <i>Envision Soldotna 2030</i>	11
Figure 3. Properties in Annexation Territory, Served by City Water and Sewer.....	35
Figure 4. Percent Increase in Population by Decade.....	125
Figure 5. Average Annual Daily Traffic.....	129
 Appendices:	
Appendix A. Analysis of the Fiscal Effects of Annexation for the City of Soldotna.....	239
Appendix B. City of Soldotna Annexation Study – Community Perspectives.....	320
Appendix C. 2018 Popular Annual Financial Report.....	373

The City of Soldotna requests that the Local Boundary Commission grant this petition for annexation under Article X, Section 12 of the Constitution of the State of Alaska, AS 29.06.040(a) and (b), AS 44.33.812, and 3 AAC 110.140. This petition incorporates by reference all of the attached exhibits, figures and appendices.

“Territory” means the territory proposed for annexation. “City” means the City of Soldotna. “Proposed expanded boundaries of the city” means the City *plus* the territory.

INTRODUCTION

Soldotna’s location at the intersection of the Sterling Highway, Kenai Spur Highway, and Kalifornsky Beach Road has allowed the City and the areas around it to develop into a concentrated commercial, recreational, and employment hub for the central Kenai Peninsula region. Originally incorporated as a fourth-class city in 1960, with just 332 residents and 7.4 square miles, the community of Soldotna has seen significant growth and development over the last six decades. The official City limits, however, are essentially unchanged.

The City of Soldotna has invested heavily in providing parks and recreational amenities, as well as cultural programming over the decades to attract visitors to the area and promote a high quality of life for area residents. The City also plans for and funds strategic upgrades to critical infrastructure and public facilities, to keep up with increasing use and maintenance needs. City facilities such as major collector roads, the library, the Soldotna Regional Sports Complex and popular parks such as Soldotna Creek Park, must accommodate not only the residents of Soldotna but the larger regional population that lives very close to, but outside, the city limits. In several ways, Soldotna is much ‘bigger’ in terms of amenities and infrastructure than its modest 7.4 square mile footprint and 4,333 population would suggest.

Depending on whether a property is inside versus outside the City limits, there are dramatically different rules, regulations, tax structures, and voting rights that apply. The Soldotna community has grown and expanded far beyond the original boundaries, and those lines now bisect a larger community that is otherwise cohesive – both socially and economically – into different formal jurisdictions. Residential and commercial development extends across the corporate boundary in all directions. And as the areas outside the City grow, so too does the demand on the City of Soldotna’s resources and infrastructure.

With its centralized location at the intersection of the peninsula’s major highways and a strong retail sector, the City is able to fund the majority of its General Fund operations through a 3% sales tax the City levies on general retail sales. This has allowed the City to keep the property tax mill rate at a historic low of just 0.5 mills (the equivalent of fifty cents per every \$1,000 of assessed real property value). The overall mill rate paid on property inside Soldotna city limits is 0.9 mills lower than currently paid on property in the territory proposed for annexation.

Commercial development continues at the City’s periphery, and at an increasing rate as developable lands inside City limits become harder to come by. The result is that property and sales tax revenues are increasingly being shifted outside City limits. Multiple business owners in the territory proposed for annexation testified in public hearings, specifically citing their 3% sales tax advantage over their competitors inside City limits, as the reason they oppose annexation. This growth and development (both commercial and residential) increases the demand for City services and the cost of City infrastructure needed to support a larger area wide population, but without the ability for the City to obtain additional revenue to support the increases in demand.

In exploring the need and potential for changing the City of Soldotna’s boundaries through annexation, the City is seeking to address critical concerns about maintaining its ability to plan for and deliver essential services in a cost-efficient and effective manner into the future. This petition is the culmination of significant analysis and efforts to engage the public over the past five years, but in reality is a continuation of the same conversation the City and public have been having for decades. Importantly, this petition proposes the first significant modification to the City of Soldotna’s boundaries since the municipality first incorporated, almost sixty years ago.

Impetus Behind Incorporation

The City of Soldotna’s interest in annexation today has parallel threads to its historical beginnings in the late 1950s and early 1960s. Dolly Farnsworth, one of the early Soldotna homesteaders and future Soldotna mayor, wrote of Soldotna’s incorporation in her book *Immigrant’s Daughter*. She describes a Soldotna that her husband left in 1957 and returned to in 1959 that was undergoing unheard of growth, development and opportunity¹.

Clark Fair, a local author, describes the early period this way:

“Some might have said that Soldotna in 1959 was starting to get a little too big for its britches. Statehood and the discovery of nearby oil had jolted awake the sleepy community, which had numbered only 21 residents in the 1950 U.S. Census but was now rapidly approaching 300 and already dreaming of big things to come.”²

At the time, the State of Alaska was encouraging and providing instruction for communities wishing to become incorporated under Title 29 but there wasn’t community

¹ Dolly Mynarcik Farnsworth, *Immigrant’s Daughter, The Extraordinary Life of Alaskan Pioneer Dolly Farnsworth* (WordBroker Communications, PC, 2015), 383-389.

² Kenai Peninsula Historical Association, *Snapshots at Statehood* (Bacchus Press), p. 227.

consensus regarding whether Soldotna should apply for incorporation. Based on Soldotna's population, it qualified as a fourth-class city, a designation that comes with fewer powers than some residents had wished.

A map of potential city boundaries was developed by supporters of incorporation. Because a vote would determine whether Soldotna could incorporate, the map was deliberately drawn to include those seeking incorporation, and to exclude those who opposed it. The result was a small community of just over 7 square miles, with areas 'carved out' of the boundary where residents opposed incorporation.

It has been over half a century since that decision was made, and the Soldotna city limits have not substantially changed despite significant changes to the community overall. Farnsworth explains that "In 1959, it wasn't a problem to be excluded, but years later, the excluded property owners would have been saved lots of headaches and their properties would have been more valuable if each had been included on that original map³."

The City of Soldotna's comprehensive plans, dating back to the 1970s, all mention annexation as a critical community issue, worthy of further consideration. The closest the City came to moving forward with an area-wide proposal to modify its boundaries was in 2008. Following a two-year process, the City Council unanimously approved a resolution authorizing the City Manager to submit a petition seeking to annex 2.17 square miles of territory into the City by legislative review. Subsequent to the meeting, Soldotna City Mayor Dave Carey vetoed the resolution and the Council did not seek to overturn the Mayor's veto. Therefore, the petition was never submitted to the Local Boundary Commission.

³ Farnsworth, *Immigrant's Daughter*, p. 387.

Soldotna continues to grow and develop, inside the city limits and beyond. The underlying concerns which caused the City to consider annexation as far back as the 1970s have only intensified. And the prospect of incorporation becomes more challenging, as development continues to occur outside the City.

The City of Soldotna is seeking annexation as a way of responding to growth and development which has already occurred, to more accurately align Soldotna's corporate boundaries with the community that has developed over the past half-century. And the City pursues annexation as a way to strategically look forward, recognize the development trends in the area and potential future needs, to ensure the long-term fiscal sustainability of the municipality. The City is committed to planning for and delivering essential services for City and area residents into the future.

History of Community

Native Alaskan Athabaskan peoples have lived in and used the areas around the Kenai River for many thousands of years prior to the City of Soldotna's establishment. The history of the municipality itself begins with homesteading that occurred in the late 1940s. The construction of the Sterling Highway from Anchorage, and the Kenai Spur Highway, occurred in the 1950s and resulted in increased settlement. Oil was discovered in nearby Swanson River in 1957, immediately boosting the population and economy of the entire area.

The City of Soldotna incorporated in 1960 with 332 residents and an area of 7.4 square miles. Along with the city of Kenai to the north, Soldotna quickly became a hub for the Central Peninsula region. Soldotna's central location at the intersection of the Kenai Spur and Sterling Highways, and the development of the oil industry on the peninsula and other parts of Alaska,

resulted in rapid population growth in the city's first three decades (1960 to 1990). Today, the city is the location of the Kenai Peninsula Borough and school district administrative offices, Central Peninsula Hospital, and the Kenai River Campus of Kenai Peninsula College.

Soldotna has matured into a service- and retail-oriented community with high levels of amenities and services. Sixty percent (60%) of all health care spending in the entire Kenai Peninsula Borough occurs within the City of Soldotna's small footprint, and residents come from a large area to gain access to high quality health care services. K-12 education is also significant, with 2,801 students attending a school inside the City of Soldotna, of which 600-700 (approximately 25%) are estimated to be City residents.

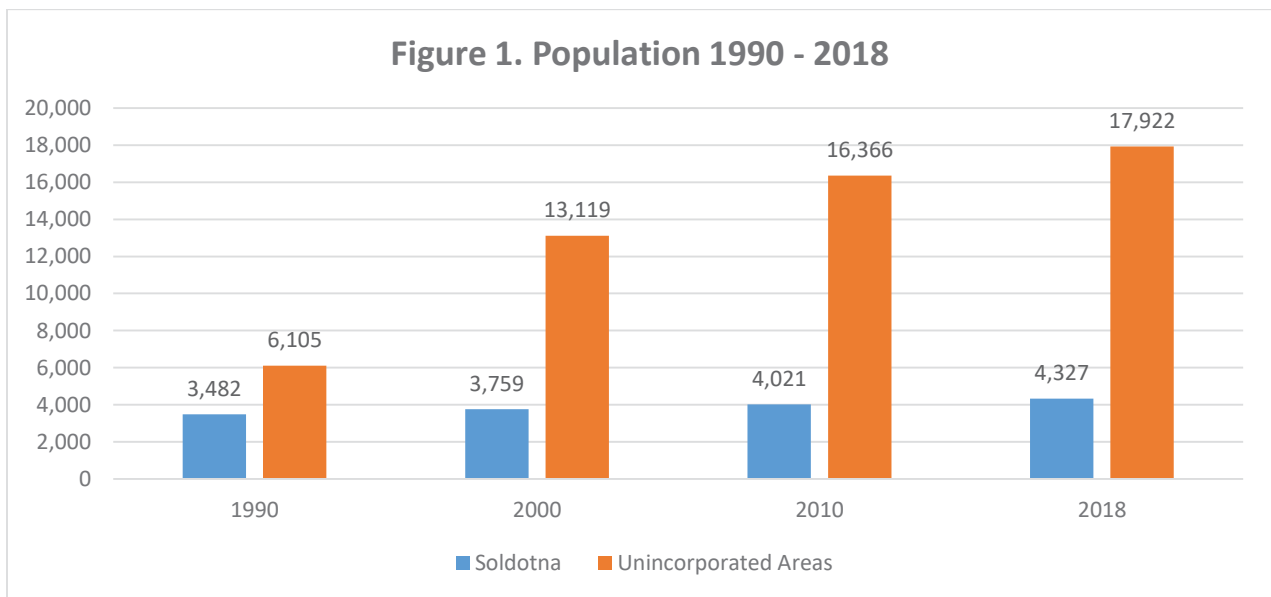
As previously mentioned, retail sales are a significant driver in Soldotna's economy and in providing revenue to fund City government services. Soldotna experiences the largest volume of retail sales of any City on the Peninsula, within a geographic footprint that is approximately 1/5 to 1/3 the size of neighboring municipalities. This statistic speaks to the City's dense concentration of commercial activity, but also highlights the circumstances which make it advantageous for businesses to locate very close to the City, in order to participate in our strong local economy.

The city's pattern of growth has been confined and shaped by natural and man-made features. The Kenai River, local wetlands, and the natural terrain have concentrated development in the western portion of Soldotna. Those factors have contributed to Soldotna becoming one of the most densely settled mid-sized cities in Alaska (with approximately 585 residents per square mile).

Today, much of the developable lands within the city have already been built on. Remaining vacant lands are mostly in-fill parcels, government tracts, and areas with wetlands

and high water tables. This pushes development outside but very close to the City, where land is more readily available and access to City amenities is still convenient. In recent decades, growth in the adjacent lands outside of the city limits has outpaced growth within city limits, in part because of the availability of developable land.

Figure 1, below, illustrates the rapid rate of growth since 1990 that has occurred in the unincorporated areas immediately surrounding Soldotna, compared to the population growth in the City itself.⁴



Why Annexation is Necessary

As the population grows and commercial areas develop adjacent to the City of Soldotna, greater demands are placed on City services and resources. The City has (thus far) been able to react to and accommodate the increases in demands for services. But growth adjacent to the City

⁴ *Unincorporated areas include Kalifornsky, Ridgeway, Sterling, and Funny River. Sources: US Census Bureau, American Fact Finder; Alaska Community Database; State of Alaska Department of Labor and Workforce Development, July 2018 Population Estimates.*

threatens to undermine the City's tax base, and also limits the City's ability to effectively plan for the expansion of services to (for example water and sewer utilities) in areas where they are requested. For example, individual requests to extend a water or sewer mainline to a business or residential property outside the City limits are not planned for in the City's master planning documents (such as the Water or Wastewater Master Plan recently updated in 2016), and therefore are considered on a case-by-case basis. One of the earliest examples of this was a request from the owners of a mobile home park outside the City Limits, to extend the City's water mainline to serve their property in 1992. In the decades since this initial request, the City has entered into service agreements to provide water and/or sewer services to more than two dozen properties outside the City limits. Development in areas adjacent to the City often resembles suburban or urban development patterns inside the City, and only the City of Soldotna (not the Borough or State of Alaska) is in a position to deliver essential water and sewer infrastructure to support such dense development.

The City of Soldotna provides several services that are not offered by the Borough government in the territory proposed for annexation, including parks and recreation; library; animal control; water and wastewater utilities, comprehensive zoning, economic development incentives such as a façade improvement program, local Police protection, and building code review and inspections for commercial and residential construction.

An adjustment to the Soldotna city limits is necessary, to provide equity among businesses and residents who receive municipal services, and those who are collecting and remitting taxes that enable the municipality to pay for the services. Businesses just outside the city limits compete with those located inside city limits for customers and business, but are at a 3% sales tax advantage. Businesses inside the city collect 3% in sales tax for the city in addition

to the 3% levied by the Kenai Peninsula Borough (for an effective rate of 6%). Businesses outside collect only the Borough's 3%. In some cases, these businesses are literally across the street from the City, while in other cases you have to drive past them in order to get to other parts of Soldotna.

Equally as important as cost-effective and strategic planning for infrastructure, is the City's ability to influence the quality and location of future development. Through building and zoning standards, new businesses and development can be guided to higher standards of quality, health, and safety. This is even more important as the density of development in the territory considered for annexation increases. These standards also provide the ability to guide the image and aesthetics of the community. The City of Soldotna has made significant investments toward infrastructure and programs that promote economic growth and improved quality of life, and these same opportunities would be extended into the territory proposed for annexation; areas that many residents already consider to be part of Soldotna.

The justifications for annexation are presented in much greater depth in Section 6 of the Petition. We recognize that the city limits of Soldotna started out very small, at a time when the needs of the community were very different than they are today. And the boundaries have not expanded to keep up with decades of growth and community development. To ensure the long term economic health of the City and to protect its ability to continue delivering essential services to residents now and in the future, an adjustment to the City limits is necessary. The City of Soldotna submits the boundary modifications requested in this petition, after careful consideration and significant input received over the past five years. The annexation proposed will align the Soldotna City limits more closely with existing development and municipal

services being provided to the broader Soldotna community, and will ensure the City's ability to provide cost effective and efficient delivery of municipal services into the future.

The City's Path & Process

Article X of the Alaska Constitution is based on the principle of maximum local self-governance, which is evident in the constitution's approach to changing municipal boundaries. The City of Soldotna has experienced, and will continue to experience, the very scenarios envisioned by the constitutional committee when they designed the process to allow for changing city boundaries. Over the past five years, the City has conducted a thorough, deliberative, and open process before arriving at the decision to submit a petition for Local Boundary Commission consideration. That process is described in detail, below.

Soldotna's comprehensive planning documents, dating back to the 1970's, include the topic of annexation among the City's goals and objectives. The City's current comprehensive plan, *Envision Soldotna 2030*, was adopted in 2011 and includes specific recommendations related to the process the City should follow in exploring the critical need to consider modifying the City boundaries through annexation. The planning process to draft and adopt *Envision Soldotna 2030*, included significant public participation. The need to consider annexation was included as a high priority goal in the 'Regional Growth and Development' chapter. Figure 2 on the following page shows an excerpt from the implementation chapter of the document, which recognized the deficiencies from the City's previous annexation effort (in 2008), and outlined a more thorough and inclusive process.

One of the plan's recommendations was to assemble a group of community leaders to further evaluate the need for annexation (beyond what was considered during the comprehensive

planning process). The City accomplished this in the second half of 2014, after the City Manager invited an advisory panel of twelve community and business leaders, both from within the city limits and outside, to advise the City administration whether annexation should remain a priority. The group met four times and reviewed the City’s comprehensive plan and past annexation effort. They considered existing demographic, social, economic, and physical trends that had shaped Soldotna. And they researched the annexation process itself, by reading educational materials produced by the staff of the Local Boundary Commission. The group also invited and heard from Palmer’s Community Development Director, as she shared Palmer’s experience considering annexation, and offered suggestions for a successful process.

Figure 2. Annexation Implementation Goals from *Envision Soldotna 2030*

<h2 style="margin: 0;">Regional Growth & Development</h2>			
<p><i>Soldotna will develop a forward-looking approach to regional growth and development, and will coordinate with neighboring communities and landowners to identify common interests and goals. The City will also explore opportunities to share infrastructure and public spaces with neighboring jurisdictions.</i></p>			
5 (57)	<p>Explore annexation to promote orderly high-quality development, cost-effective extension of public services, opportunities for large-scale developments requiring larger parcels, protection of the City’s sales tax base, and protection of the natural environment.</p>	High	Administration
	<ul style="list-style-type: none"> Assemble a panel of community and business leaders to evaluate the potential need for annexation and the appropriate areas to be annexed. People appointed to the panel must be impartial, represent a broad spectrum of interests, and be able to grasp the importance of the issue as well as its sensitivity and difficulty. Meetings of this panel should be open to the public and the process should be as open and transparent as possible. Use a variety of methods to educate City and adjacent residents about the annexation process. Develop a new city process to meet with prospective residents and stakeholders to identify the issues and concerns about annexation. Define tentative territory of interest for annexation, consistent with City development priorities. Prepare a preliminary draft annexation petition that addresses issues and concerns of potential annexes, evaluates annexation’s impacts on city operations and finances, and presents a detailed transition plan to extend future city services to the tentative annexed territory. Hold public review and comment on the preliminary draft annexation petition. Present the (revised) draft annexation petition for formal hearing and final action by the city council If approved, submit final petition to the local boundary commission <p style="margin-left: 20px;">Amend Future Land Use Map to incorporate annexed territory</p>		

Source: Envision Soldotna 2030, Comprehensive Plan. May 2011. Page 81.

At its final meeting, the advisory group agreed on a set of statements (“statements of consensus”⁵) that outlined the existing situation, acknowledged that annexation was the appropriate method to address issues the City was experiencing from past and continued growth, and ultimately recommended the City initiate a formal process that was both inclusive and thorough, to continue exploring the issue.

In March of 2015, the City conducted a public work session to update the City Council on the advisory group’s work. The City Council reviewed the statements of consensus and the advisory committee’s recommendations on how to proceed.

City staff recommended that outside expertise would be critical, to assist the City in moving through the process. Specifically, engaging a consultant (rather than in-house City staff and resources) was identified as the best way to develop and implement a robust public outreach plan to facilitate public meetings, gather and share information, and provide advice on code and policy changes. Also, the City sought an independent and expert opinion from a consultant that could conduct an economic analysis as to the potential impacts of modifying the City boundaries through annexation.

The City Council decided to proceed with the financial analysis first, feeling it was critical to understand whether expanding the City limits was feasible from a financial standpoint, prior to engaging the public in another lengthy and most likely controversial discussion about annexation. The City appropriated \$50,000 for this purpose⁶, and in July of 2015, authorized a contract award to Northern Economics to conduct an economic analysis of the fiscal implication of different annexation scenarios⁷ including a ‘do-nothing’ alternative. The purpose of the fiscal

⁵ Statements of consensus can be found in Appendix A on page 249 of the Petition.

⁶ Council Ordinance 2015-018, appropriating \$50,000 for a fiscal impact analysis (included in Appendix A)

⁷ Northern Economics, Inc. *Analysis of the Fiscal Effects of Annexation for the City of Soldotna*. Prepared for the City of Soldotna. June 2016 (See Appendix A).

analysis was to understand the costs of delivering municipal services over a larger geographic area, and to determine whether revenue generated in those areas would be sufficient to cover the additional costs. The City Manager had stated in a public hearing that he was not interested in exploring annexation if it would *increase* the tax burden for existing City residents, or lower the current level of services being provided. Also, a robust fiscal analysis had not previously been performed, and the City Administration did not want to make the assumption that revenue in the study areas would be sufficient to cover the added expenses.

To provide the public with a single location they could go to find information about the City's annexation actions, City staff created and have continuously maintained a webpage devoted to the topic since April of 2015. The site (www.Soldotna.org/annexation) features announcements of meetings and decisions, links to adopted ordinances, a history of annexation actions and documents, City contact information, and links to the Local Boundary Commission web pages and resources. The City also started an email notification list so that interested citizens would be notified by email of upcoming meetings and agendas. Approximately 50 people signed up for the notifications from the City.

In October of 2015, City staff worked with Northern Economics to identify annexation study areas to be included in the analysis. To coincide with the study area selection, Soldotna City Manager Mark Dixson issued a press release⁸ on October 20, 2015, which provided the public with an update on the City's annexation efforts to date and explained the specific criteria the City had used in selecting the areas for inclusion in the analysis. Those criteria included:

⁸ Mark Dixson. "Voices of the Peninsula: Soldotna focuses areas for annexation study." *Peninsula Clarion*. October 24, 2015.

- Areas where residents and businesses are already receiving city services, such as emergency response, water and/or sewer utilities, or where extension of utilities can be reasonably achieved or anticipated;
- Existing or potential commercial highway corridors or nodes near the City, whose development has the potential to erode the City's sales tax base;
- Areas that are undeveloped or under-developed which provide opportunities for residential, commercial, or other types of development, and that may benefit from City services and standards prior to development; and
- Areas where health and safety issues may exist or where a request has been received by the City to offer services not available in the Borough.

The fiscal study looked at nine small areas adjacent to the existing City boundaries, totaling approximately 4.5 square miles when combined. By analyzing smaller geographic areas separately, the consultant was able to report results for each area independently and with a far more detailed analysis.

Each study area was analyzed in terms of existing and projected population growth, housing, land ownership, existing land use, and future land availability. The consultant built a model that estimated revenues according to the City's property and sales tax rates, as well as specific fees for services the City charges. The consultant also modeled the cost of each of the City departments according to a relevant metric (per capita, for example, or in the case of street maintenance per mile of maintained road), and projected the cost of delivering municipal services to each of the nine study areas. Build-out projections were also developed for each study area.

The fiscal analysis concluded that the financial effect to the City incorporating all nine areas was positive, meaning that anticipated revenues from those areas would be more than sufficient to offset the cost of providing municipal services, at or exceeding the current level provided within the City of Soldotna. Overall, the report estimated revenues would exceed expenditures by \$0.35 million annually, growing to \$0.85 million per year by 2030⁹. Because this petition seeks to incorporate 2.6 of the 4.5 square miles originally studied and evaluated, financial information has been updated and presented to reflect the modified (reduced) territory.

In June of 2016, the completed fiscal study was received by the City and released to the public. Northern Economics presented the findings of the study to the City Council at a public work session on June 22, 2016, and City staff hosted an open house on June 30, 2016, to answer questions from the public.

With the fiscal analysis demonstrating that the City of Soldotna has the financial capacity to serve additional areas, the Council voted unanimously in December of 2016 to proceed with a robust public engagement process. Funds were appropriated¹⁰ for the purpose of hiring a consultant, to design and implement a process to achieve broad public input. The Administration felt a third-party consultant would be better suited to effectively engage the public on this topic, both in terms of having specialized expertise in public engagement techniques and methods, and also because of the long history between the public and current (and previous) City Administrations around this topic. The process aimed to identify public concerns and comments, and explore solutions and ways to resolve them.

⁹ Northern Economics, *Analysis of the Fiscal Effects of Annexation for the City of Soldotna*, pg. 56. (Appendix A; page 301 of the Petition)

¹⁰ Ordinance 2016-032 appropriated \$50,000 for the purpose of entering into a contract with a public engagement consultant, to facilitate the public engagement process. (Appendix B; page 366 of the Petition)

In early June of 2017, the City hired the Athena Group¹¹ to engage citizens, identify issues and concerns, offer feedback on annexation, and to give people an opportunity to be heard.

The consultants employed a number of outreach methods, including:

- an online community feedback and discussion forum;
- open houses during the day with City staff who were available to answer questions from every City department;
- Community Conversations in the evening with Council Members invited to attend and participate;
- a presentation to the Chamber of Commerce members during one of their luncheons;
- one-on-one interviews with local landowners or individuals interested in the topic;
- traditional radio and newspaper media ads and interviews;
- social media ads; and
- Emails to community groups and large employers, asking for information to be shared within existing community networks.

To encourage broad participation, the City also mailed a letter to every landowner in all nine study areas as well as inside the City (2,084 mailers were sent), inviting them to participate in the public engagement process. During the process, incentives for participation were offered through the City Library and the Chamber of Commerce, and technology support was made available for computer users.

The online discussion forum was called “Soldotna.Consider.It” and it was open to participants for two months (September 1 thru October 30). Community Conversations, the facilitated discussions with community members to identify their major hopes and concerns,

¹¹ Resolution 2017-015, awarding a contract to the Athena Group (Appendix B; page 371 of the Petition)

were held on four separate evenings, to accommodate as many attendees as possible. One-on-one interviews with business owners and community members were conducted, as previously mentioned, at times convenient for those residents.

The goal of the engagement process was to reach 30% of the targeted population. The result, however, fell substantially short. During the months-long public engagement period, a little over 100 individuals participated in any of the given engagement methods (online, in writing, or in person combined), resulting in a response rate of closer to 2 percent. A copy of the consultant's report¹², which details the methods and findings, is presented in Appendix B.

The consultant's report warned that due to the low participation rate, making generalizations from the gathered input was limited¹³, and offered the following three reasons as to why participation may have been so low:

1. Fatigue with or resistance to discussing the issue among those who are and have been opposed to annexation;
2. A sense among city residents and businesses that annexation won't impact them in any significant way; and
3. Reluctance by those who do not hold strong opinions on the topic to get involved in controversy.

The major themes that emerged from the process included the question "why annex?" Where City staff members were available and creating resources to explain how a person's day-to-day life may differ if their property, home, or business was incorporated into the City limits - most participants struggled to understand why the City was even considering annexation in the first place. Another theme was around value; many residents simply didn't agree that the

¹² The Athena Group, *City of Soldotna Annexation Study Community Perspectives*, December 1, 2017.

¹³ The Athena Group, *City of Soldotna Annexation Study Community Perspectives*, p. 5 (page 325 of the Petition).

services the City could provide (or in some cases already was providing) were worth the ‘cost’ of what they would be giving up via annexation. Other themes included the view that City regulations are expensive and unnecessary; that government can’t be trusted; that annexation is seen as “forced” (particularly with the legislative review method); and that those outside city limits made a conscious choice to live there. Most participants in the process were opposed to annexation.

The Athena Group also looked at the potential for mitigating some of the concerns that were raised during the process¹⁴. The four items that were suggested in the report include:

1. Participants generally agreed that properties already receiving city sewer and water services are reasonable to annex;
2. Consider zoning that reflects character and conditions of annexed areas;
3. Consider a vote to determine consent for annexation; and
4. For two study areas (#2 and #9) there was little objection to annexation.

Athena Group’s final report was delivered to the City Council at a public work session on December 13, 2017. The report concluded that trust around this topic was low, and the options to re-build trust were limited. Further, the options that are available must be considered in light of the city’s need to address the long-term problems associated with growth around its borders.

On March 28, 2018, the City Council conducted a public work session that reviewed the history of the City process to date; addressed why the city was considering annexation; what the possible next steps may be; and an overview of the State’s annexation application process. The work session also identified issues raised in the public input process that will likely require follow-up, including:

- Use of firearms within City limits (especially for agricultural areas);

¹⁴ The Athena Group, *City of Soldotna Annexation Study Community Perspectives*, p. 11 (page 331 of the Petition)

- Use of ATVs and off-road vehicles in rural areas;
- Allowance of farm animals in additional areas;
- Protection of agricultural lands;
- Paving and landscaping standards for urban versus rural areas;
- Other developmental standards (building codes, etc.).

The City Council considered Resolution 2018-003, directing the administration to prepare a draft petition for annexation by legislative review and identifying the areas for inclusion in the petition, at their regular meeting of March 28. After discussion and public testimony, this resolution was postponed to provide time to further consider each of the study areas.

On May 23, 2018, an additional Council work session was held to review all nine study areas and consider potential modifications.

On June 13, 2018, the City Council again held a public hearing on Resolution 2018-003, and adopted several modifications to a Substitute Resolution 2018-013, directing the City administration to prepare a draft petition for the potential annexation of adjoining areas as amended by the City Council. A copy of the Council resolution and supporting packet materials are included as Exhibit G.

It took City staff more than one year to draft the petition and compile the associated attachments, and in August 2019 the document was completed and shared with the public. The Petition included those areas identified by the City Council in June 2019, and was titled, “Petition to the Local Boundary Commission to Annex 3.78 square miles to the City of Soldotna by the Legislative Review Method.” A pre-submission hearing, in accordance with Alaska law, was conducted on September 7, 2019, in the Soldotna High School auditorium. A transcript of the proceedings is included in this petition as Exhibit H.

On September 12, 2019, at its regularly scheduled meeting, the City Council considered Resolution 2019-041, which would have authorized the City Manager to submit the petition to the Local Boundary Commission to annex 3.78 square miles to the City of Soldotna using the legislative review method. After taking public testimony, the City Council approved a motion to postpone the resolution to the September 26, 2019 meeting, to give the City Manager and staff sufficient time to prepare a potential amendment requested by a Council Member.

On September 26, 2019, the Council agenda included the original resolution (Council Resolution 2019-041) that had been postponed from the previous meeting, and also a substitute resolution (Council Resolution 2019-041(S)), which removed approximately 1.18 square miles of the territory proposed for annexation (the areas commonly referred to as ‘Area 4’ and ‘Area 5’). The Council again opened the public hearing, took public testimony, and following the close of the hearing, deliberated on the two versions of the resolution before them. A motion to amend by substitute (effectively bringing the substitute resolution in front of the body in lieu of the original version) was approved unanimously, as was the final vote on Council Resolution 2019-041 (S). A copy of the Resolution and associated Council minutes, are included in this petition as Exhibit F.

Throughout the process, the City Council and City staff have been sincere in the pursuit of a process that would engage the public, allow for sharing of information and concerns, and work cooperatively to identify mutually beneficial solutions. This petition was drafted and submitted, after considering everything learned and discussed over the past five years.

SECTION 1. NAME OF THE PETITIONER. 3AAC 110.420(b)(1)

The name of the Petitioner is the City of Soldotna (hereafter “City” or “Petitioner”). The City is located within the Kenai Peninsula Borough.

SECTION 2. PETITIONER’S REPRESENTATIVE. 3 AAC 110.420(b)(2)

The Petitioner designates the following individual to serve as its representative in all matters concerning this proposed annexation:

Name: Stephanie Queen, City Manager
Physical Address: 177 N. Birch Street, Soldotna, AK 99669
Mailing Address: 177 N. Birch Street, Soldotna, AK 99669
Phone Number: 907-714-1240
Fax Number: 907-262-1245
Email Address: squeen@soldotna.org

Petitioner’s Alternate Representative

The Petitioner designates the following person to act as alternate representative in matters regarding the annexation proposal in the event that the primary representative is absent, resigns, or fails to perform his or her duties:

Name: Brooks Chandler, City Attorney
Boyd, Chandler, Falconer & Munson, LLP
Physical Address: 911 West Eighth Ave., Anchorage, AK 99501
Mailing Address: 911 West Eighth Ave., Anchorage, AK 99501
Phone Number: 907-272-8401
Fax Number: 907-274-3698
Email Address: bcf@bcfaklaw.com

SECTION 3. NAME AND CLASS OF CITY FOR WHICH A CHANGE IS PROPOSED.

3 AAC 110.420(b)(3).

The name and class of the city proposing annexation is:

Name: City of Soldotna

Class: Home Rule City under Alaska Law; City Charter approved on October 12, 2016.

SECTION 4. GENERAL DESCRIPTION OF THE NATURE OF THE PROPOSED BOUNDARY CHANGE. 3 AAC 110.420(b)(4).

This petition, initiated by the City under the authority of 3 AAC 100.410(a)(4), requests that the Local Boundary Commission authorize the annexation of territory generally described as 2.61 square miles of adjacent land, to the City under the legislative review method.

SECTION 5. GENERAL DESCRIPTION OF THE TERRITORY PROPOSED FOR ANNEXATION. 3 AAC 110.420(b)(5).

The territory proposed by the City for annexation consists of approximately 2.61 square miles. The annexation area is located in the unincorporated portion of the Kenai Peninsula Borough (“KPB”) and is adjacent to the present boundaries of the City. The proposed annexation would increase the area of the City to approximately 9.98 square miles. The legal description of territory proposed for annexation is shown in **Exhibit A-1**; the existing City is shown on **Exhibit A-2**; and the legal description of the city boundaries after the proposed annexation is shown in **Exhibit A-3**. Maps and plats of the existing city boundaries and the territory proposed for annexation are shown on **Exhibit A-4**.

All of the territory the City is petitioning to annex is contiguous to current city boundaries. While study areas were evaluated individually during the fiscal impact analysis and public engagement process, it is not the intent of this Petition to offer each study area as a unique case for annexation. Instead, the City has provided a Petition that treats all of the City Council

identified areas as a single territory for consideration, recognizing that it represents a subset (smaller portion) of those areas previously studied in the fiscal impact analysis and public engagement process.

To facilitate references to the annexation studies earlier prepared by the City, the annexation territory will occasionally be broken into subunits and referred to as¹⁵:

- Area 1, or Funny River West
- Area 2, or Skyview
- Area 3, or K-Beach South
- Area 7, or Kenai Spur
- Area 9, or Funny River East

Area 1 – Funny River West. This 0.48 square mile annexation area is substantially surrounded by the City to the north, east and west. The 2015 estimated population of this area was 82 residents. The population is projected to increase by approximately 34 residents by 2030. The area primarily consists of private land (75%). Nearly half of the developed land is in residential use, with commercial and institutional uses accounting for most of the rest. The remaining non-private land (25%) is municipal owned and includes the City of Soldotna’s airport. Most of this annexation area is developed, with only 22% undeveloped. Future development is likely to follow the existing development patterns and may contain a mix of commercial and residential uses. The area is similar to the adjacent land in the City, in terms of land uses, development patterns, and lot sizes, and as explained further in Exhibit D, Transition Plan, is already receiving some City services.

Area 2 – Skyview. At 1.05 square miles, this area consists mainly of Borough and Native Corporation owned lands. It is located south of the City limits and mostly west of the Sterling

¹⁵ The City, as part of the Fiscal Impact Analysis and Public Engagement Process, also studied four areas referred to as, “Area 4 – K-Beach Central,” “Area 5 – K-Beach North,” “Area 6 – Knight Drive,” and “Area 8 – Sterling Highway” which are not included in this petition.

Hwy. Important land uses within this area include Skyview Middle School, Tsalteshi Trails system, Arc Lake Park (City-owned), a one-million-gallon drinking water reservoir and pump house (also City-owned), and a maintenance facility owned by the Alaska Department of Transportation and Public Facilities. Land ownership patterns, existing land uses, and topography make future private development unlikely in this area.

While there are no residents in this annexation Area 2, the presence of vital city facilities (the drinking water reservoir and pump house), a city park, and a public school warrant its inclusion in the annexation territory.

Area 3 – K-Beach South. This 0.19 square mile annexation area is on the City’s southern border and adjacent to the State maintained Kalifornsky Beach Road. The 2015 estimated population of this area is 38 residents and is projected to increase by 170 residents by 2030. The area primarily consists of private land (80%), about 73% of which is undeveloped. Residential uses predominate. Due to its location along an important transportation corridor and because vacant land is available and currently being marketed for sale or lease, this area would provide good opportunities for future residential and commercial development which would benefit from the extension of City utilities and land use controls, prior to continued development.

Area 7 – Kenai Spur. This 0.61 square mile annexation area extends north of current City limits. The 2015 estimated population of this area is 55 residents, and the population is projected to increase by 6 residents by 2030. Almost all land (99%) is privately owned, and 24% of the area is undeveloped. The three primary uses (by acreage) of land in the area are residential (34%), gravel pit (31%), and commercial (11%). This area includes about three-quarters of a mile of the Kenai Spur Highway as it heads north from city limits, has similar land uses and development patterns, and is often mistaken as already being part of the City.

Area 9 – Funny River West. At 0.26 square miles, this is one of the smaller annexation areas. It is estimated that there are two residents in this annexation area that is evenly split between privately held lands and State-owned lands. This annexation area is substantially surrounded by the City and is located south of the Kenai River on the City’s east side, near the municipal airport. It is anticipated that future development on the privately held lands will be residential in nature; however, no growth in population is projected for the year 2030.

SECTION 6. REASONS FOR THE PROPOSED BOUNDARY CHANGE. 3 AAC 110.420(b)(6).

The Petitioner believes the proposed annexation is in the best interest of the State, the territory proposed for annexation, the Borough, and the City. Annexation will promote maximum local self-government, promote the long-term economic and fiscal vitality of the City, facilitate more efficient provision of essential city services to a developing territory, and relieve the State and the Kenai Borough of the responsibility of providing services in the territory to be annexed. For the following reasons, the Petitioner seeks annexation of the territory:

A. To promote high-quality development, orderly growth, and to abate threats to public health and safety.

The proposed annexation territory contains both developed and undeveloped lands with the potential for development and new economic activity in the coming years. Annexation will permit implementation of building and zoning standards to encourage orderly development, the safe occupancy of buildings, and improved quality of building stock. Currently, neither the State of Alaska nor the Kenai Peninsula Borough provide building codes for residential structures in the territory proposed for annexation. Plan review

for new commercial structures in the Borough is conducted through the State Fire Marshall's office, in Anchorage.

The City of Soldotna has adopted the 2012 International Residential Code for residential structures, and provides both plan review and inspections for commercial and residential buildings.

In areas outside City limits, the State Fire Marshal performs only a "Life Safety Review" for the design of new commercial structures. The City has adopted and implements the *2012 International Building Code*, the *2012 International Fire Code and Mechanical Code*, the *2015 Uniform Plumbing Code*, the *2017 National Electrical Code*, and the *1997 Code for the Abatement of Dangerous Buildings* for commercial structures in its jurisdiction. The City's Building Official applies these standards and conducts plan review and inspections during construction, to ensure compliance.

The residential and commercial growth in the areas immediately adjacent to the City has been significant. According to Alaska Department of Labor and Workforce Development data, the three census designated places immediately outside city limits grew 9% from 2010 to 2017 while the City grew 4%. The rate of growth from 2000 to 2017 is even more significant: outside city limits, the neighboring census-designated places grew 39%, while the city grew in population 15.5%. To illustrate the population density around the City of Soldotna, the 2010 population within a five-mile radius of the existing city boundary is, is 13,741 people¹⁶. Exhibit A-4 includes a time-sequenced set of satellite imagery showing the growth within and around the City's boundaries.

¹⁶ Source: US Census Bureau, 2010.

The image, character, and aesthetics of the City are affected by the quality, location, and use of structures in the neighboring areas and gateways into Soldotna. With annexation, land use and building codes will guide development over time toward compatible uses and consistent building standards. This guidance will protect property values both inside City limits and within the annexation areas. In its current situation, existing properties within city limits and adjacent to some gateway areas may be negatively affected by the quality of construction, lack of nuisance abatement, and dissimilar land uses occurring just outside the city boundaries. Annexation will allow the City to thoughtfully guide new and existing development in a way that is compatible, sustainable, and will benefit the larger community.

As an example, along Funny River Road, different land uses and standards currently apply to the development inside and outside the city limits. The result is a diverse mix of uses (gravel pits, warehousing, residential, commercial, etc.) outside city limits that may be incompatible with uses in the city that were deliberately planned for and zoned according to public processes. This incompatibility can have a detrimental effect on the value and health of neighboring properties, and when it comes to gravel pits, can be a topic that garners much controversy. In January of 2018, the Kenai Peninsula Borough Assembly created a working group, to examine the current material site permit process in the borough and consider amendments to borough code. With annexation, density and allowable uses can be addressed through zoning, potentially alleviating problems associated with industrial and commercial uses and residential development.

The City has regulations governing development of property adjacent to the Kenai River, which are in addition to and exceed those standards administered by the Kenai Peninsula Borough. While the Borough has adopted protections on land development within

50-feet of anadromous streams, the City's Kenai River Overlay District (KROD) provides for the review and approval of development within 100-feet of the ordinary high water mark of the Kenai River. The KROD, first adopted in the mid-90's, is intended to provide opportunities for the development and use of land and enhancement of riparian habitat within all zoning districts along the Kenai River while establishing special overlay requirements to control erosion, ground or surface water contamination, or adverse alteration of the riparian habitat.

One specific example of the difference in regulatory requirements inside versus outside the City limits occurred just recently. In 2017, a landowner applied to the Borough to subdivide an 80-foot wide property (0.74 acre) on the Kenai River, immediately adjacent to Soldotna City limits, to create two lots (each with an existing structure on them). The proposed lots would be substandard under the City's minimum lot width requirements, being between 45- and 56-feet in width each, and they also required and received depth-to-width ratio exception from Borough code. Around the same time, the landowner applied to the City of Soldotna, to connect the structures on the property to the City's water and sewer system. The Borough Planning Commission approved the subdivision, creating the new lots. But because these lots are outside the city limits, the city had no authority to comment or provide feedback on the proposal, even though the properties were served by City utilities. Furthermore, the petitioner used the fact that municipal utility services were available to justify borough approval of undersized lots, which would not have met minimum Department of Environmental Conservation (DEC) standards for onsite septic systems. In this way, the City is unwittingly facilitating property development outside the City limits by providing

utilities, while also not being able to require development to meet City (or even borough) standards. This example occurred literally next door to existing City limits.

Development in the territory proposed for annexation creates additional demands on city water and sewer systems, police protection, and other city amenities and resources such as parks and the library. As an example, the City's animal control office receives complaints and handles many animals from areas immediately adjacent to the City, even though it is not the City's policy to accept animals from non-residents. Annual reports show that when the Animal Control Officer can identify and contact the owner of a pet and return it to its home, some years as many as 50% of all impounded animals are returned to homes outside city limits. Areas where borough animals are most likely to come into the City and be picked up by Soldotna Animal Control include Poppy Lane just west of the City limits, Mackey Lake (Annexation Area 7), and Knight Drive just north of the city.

Assigning addresses to physical structures is an example where service delivery could be improved through annexation. In the annexation territory, the Borough uses a different address system to assign building numbers than is used by the City. This results in adjacent buildings (for example along Funny River Road which has portion inside, and outside the City limits along segments of the same street frontage), having non-sequential physical addresses. This has caused confusion for landowners in the past (and for individuals attempting to locate properties with these dual systems in place). The Borough E-911 and Geographic Information Systems have been able to accommodate the multiple different systems of addressing, however, to prevent any delays in dispatching emergency responders. As the Funny River Road example shows, though, there are numerous challenges in providing municipal services where the city boundaries bisect developed areas.

Soldotna is one of the smallest and most densely populated cities on the Kenai Peninsula. Available land is limited, which facilitates 'sprawl' into the unincorporated areas outside of city limits where more land is available, yet there are fewer municipal services. Sprawl is not orderly growth, and it is often more expensive and less efficient for the government entities providing essential services.

This is not only an issue for residents of the Borough, but for the City as well. Ultimately, the City does end up serving many of the properties outside city limits with water and/or sewer utilities, because of their close proximity to the municipal water and sewer system. If a utility mainline is not already in front of the property, the property owner can choose to extend it at their own cost. This is what Cook Inlet Academy did in 2007, by boring under Kalifornsky Beach Road, a state highway, to extend City water and sewer outside the City to their school. Earlier this year, a representative from the adjacent property called the City's public works department to find out whether it would be feasible for them to also be connected to city utilities, should their onsite system eventually fail. This would require a second boring (or cutting the asphalt of the State-owned and maintained highway), to make the crossing. It is very inefficient to treat each separate request as a separate expansion of the City's system, rather than plan methodically for system expansions that can serve not only current customers, but future ones as well. Responding to one-off requests may solve an immediate need, but impose wasteful inefficiencies on the City's utility system overall, the costs of which are borne by all Soldotna utility customers.

Likewise, development near the community's gateways can have a negative effect on the character and the aesthetics leading into the community due to the lack of building standards, land use controls, and beautification programs that exist in the City but not in the

territory proposed for annexation. This sentiment was expressed by borough residents who lamented the loss of vegetation and increase of development along Kalifornsky Beach Road, even as they affirmed that they did not feel the need for the City to offer solutions.

One non-regulatory program the City has successfully implemented in partnership with local businesses is the Storefront Improvement Program, which is a municipal matching grant that helps fund exterior improvements to commercial businesses in the City. No other similar program exists on the Kenai Peninsula, and the City has received inquiries from businesses outside the city limits inquiring whether they were eligible for the program. Since 2012, the City has awarded \$84,000 of municipal matching funds to fifteen separate projects. This effort, along with landscaping improvements installed and maintained by the City's Parks and Recreation Department along the highway corridors throughout Soldotna, are examples of municipal programs not currently available in the borough, that would be extended to the territory following annexation.

B. To provide services needed by the territory to be annexed for current residents and to accommodate growth.

As previously noted, Soldotna and the immediate surrounding area have experienced significant growth over the past two decades. The residents and property owners of these neighboring areas are often dependent on city services, as highlighted in the following examples:

- The Joyce K. Carver Memorial Public Library in Soldotna currently has 9,450 active library card users. Of those, only 2,078 (22%) are verified city residents.
- In 2015, 166 pet animals were handled and returned to their owners by Soldotna Animal Control officers: 58% were returned to owners from outside city limits; in

2017, 114 animals were handled and returned to their owners: 53% were returned to owners from outside city limits.

- There currently 23 properties in the territory proposed for annexation with municipal water and/or sewer service connections.

Because the annexation areas are contiguous to the City, the City will be able to efficiently extend city services after annexation. For example, the City police, public works, road maintenance, and code enforcement personnel must already travel through or alongside four annexation areas (Areas 1, 2, 3 and 9) to serve portions of the City. Two areas (1 and 9) are surrounded on three sides by the City. Irrational and irregular boundaries do not serve the State's interest in efficient local government.

Some parcels in the territory proposed for annexation have issues with existing on-site water and septic systems, such as poor soils, poor water quality, or inadequate separation distance between new and/or replacement systems. As the population and density in these areas increases, the demand for city water and sewer services which can accommodate higher density development will also increase.

The Soldotna Police Department works cooperatively with the Alaska State Troopers and may be dispatched to an incident within the territory proposed for annexation as back-up for a high priority call. In some cases, officers in the Soldotna Police Department will make courtesy or security drive-by visits to businesses outside city limits. Emergency 911 calls are dispatched through a central Soldotna Public Safety Communications Center, which is staffed by both Borough and State personnel and is jointly funded by the agencies who participate. Soldotna Police Department's staffing ratio is currently three officers per 1,000 population. According to Captain Maurice Hughes of E Detachment, the AK State Trooper

staffing ratio is slightly lower than one officer for every 1,000 residents. This information is included to provide additional context, and should not be taken alone in drawing conclusions about agency performance or efficiency. Incorporating the territory described into this petition would transfer responsibility for responding to public safety calls to the Soldotna Police Department, relieving the Alaska State Troopers of that responsibility and enabling them to be more available for other calls for service within the borough. Based on current staffing levels, the City expects to be able to deliver a higher level of service to the annexation territory.

The City of Soldotna has engaged in projects extending water and sewer service outside city limits to properties along Funny River Rd. (Area 1), Kalifornsky Beach Rd. (Area 3), and the Kenai Spur Highway (Area 7). Individual property owners and businesses value these services and have entered into payment agreements with the City for them.

All of the annexation areas have significant land for future growth. For example, In Area 1, approximately 22 percent of the area remains vacant and available for development. In Area 3, most of the properties along Kalifornsky Beach Road are undeveloped and may be very suitable for commercial development. Many of the benefits the city can provide, such as strategic extension of utilities for more cost-effective development, or land use planning to accommodate strategic and orderly growth, are more impactful before development occurs.

C. To provide more reasonable and equitable taxes for those who already benefit from City government, infrastructure, and services.

The proposed annexation will allow the City of Soldotna to collect tax revenues from a significant existing and growing population living and conducting business in areas

immediately adjacent to the City. These residents and businesses presently use city services and infrastructure, but do not pay property taxes or collect city sales taxes to support them. Annexation will eliminate the inequity between city residents and property owners who pay the full range of municipal taxes and fees, and those in the area to be annexed who currently do not. It will also provide equity between city businesses that collect both a city and KPB sales tax (for an effective general sales tax rate of 6%) compared to those outside the city that only collect the KPB's sales tax (and therefore have a lower sales tax rate of 3%).

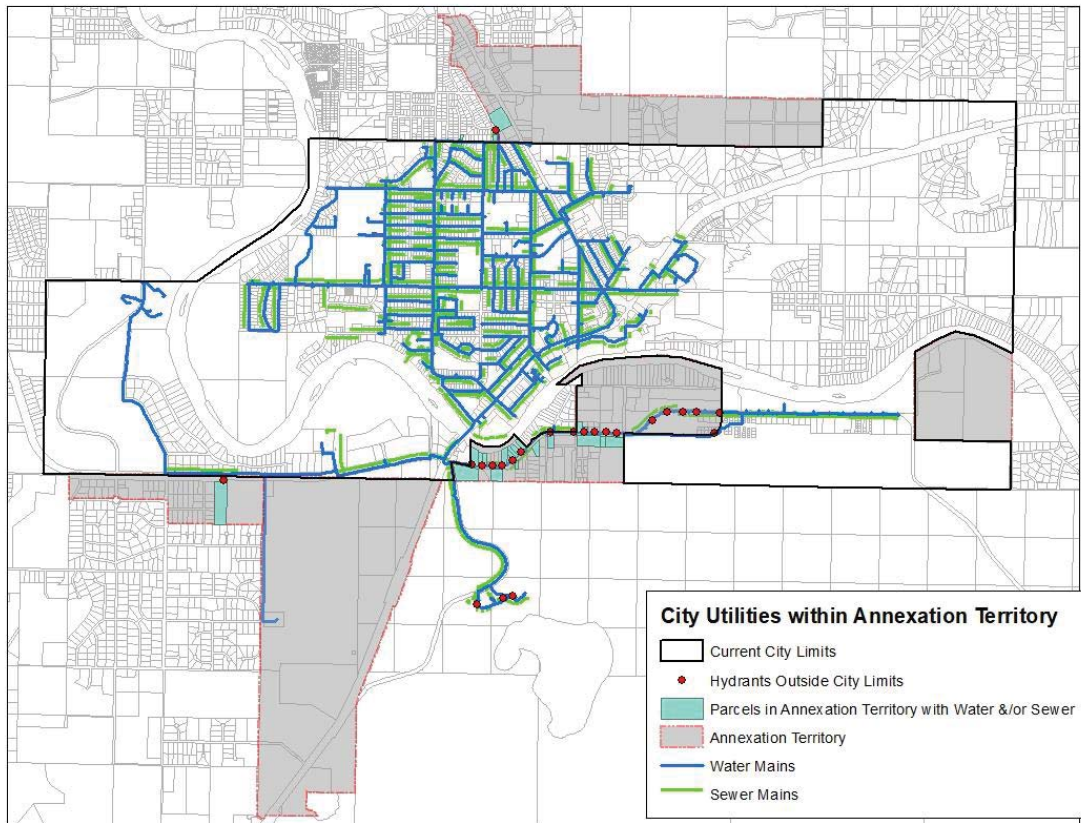
Approximately 177 residents live within the territory proposed for annexation. Residents of these areas regularly use City of Soldotna infrastructure to access area schools and large regional amenities located in the City. In recent years, the City of Soldotna has invested millions of dollars in infrastructure upgrades to its major collector streets. Wear and tear of asphalt surfaces is related to higher traffic counts from school traffic, but also from non-city residents accessing Central Peninsula Hospital (with an estimated service population of 37,196), the Soldotna Post Office (with 4,058 PO box holders), Kenai Peninsula Borough and school district administrative buildings, etc.

Whether it's building in extra capacity in City facilities to accommodate a broader regional population (as the City did in 2013, when the library was nearly doubled in size to its current 9,800 sq. ft.), or the added use of city infrastructure which causes more frequent repair and replacement (as in recent road projects), the City seeks a more equitable distribution of those who use City services, versus those land and business owners who collect the taxes that pay for them.

Many residents and businesses in the territory receive, either directly or indirectly, the benefits of city water service and sewer services. In and adjacent to annexation areas 1, 2, 3,

and 7, water mains have been extended (See Figure 3 below), providing improved fire protection capability through fire hydrants. Fire protection services are provided regionally through Central Emergency Services, a borough service area, but the City does not charge the service area for fire-fighting water supply and these areas may receive better insurance ratings and reduced rates as a result. City water and sewer service is directly available to and is utilized by residents and businesses located in some parts of the territory. The cost of constructing the mains to service these properties, and that benefit these areas, was not paid for by the residents of the areas to be annexed. As previously noted, there are 23 properties connecting to city sewer and/or water, that are outside of city limits and within the proposed annexation areas.

Figure 3. Properties in Annexation Territory, Served by City Water and Sewer.



D. To protect and broaden the City's tax base and to provide the City with a sustainable principal revenue source and promote economic vitality.

To ensure the ability of the City of Soldotna to plan for and secure long-term economic and financial health for residents, it is necessary that the City expand its tax base to include those areas already benefiting from their proximity to the City and those that may continue to develop in the near future. Areas around the City have experienced significant development (commercial and residential), and will continue to do so. With proximity comes the use of services provided by the City without commensurate payment for those services. The City seeks to broaden its tax base to ensure its long-term ability to provide the very services that are in such demand. See Appendix A, for a detailed analysis of the fiscal impact of annexation.

As development occurs outside city boundaries, it deprives the City of tax revenues that could otherwise be collected. It also sets up a disparity between like businesses that operate under two different taxing and regulatory environments. This two-tier system provides incentives for businesses to locate just outside city limits, with damaging effect on the City's economy and tax base. Current examples include a local home improvement and building materials store (just outside of city limits in Area 1 but connected to the City's sewer system), competing with a hardware store inside the City that offers many of the same products. Likewise, the many lodges, recreational guides and tourism-oriented businesses, gas stations and convenience stores, bars and restaurants operating just outside city limits have a 3% sales tax advantage over similar and competing businesses in the City.

Because of State budgetary constraints in recent years, the City has received no State financial assistance for capital projects in recent years and does not anticipate that funding

will be restored in the future. State legislative grants have traditionally been a reliable funding source for large capital projects which benefit Soldotna residents and the broader community. In response, the City has reduced its budget for new capital projects, and has for the past several years concentrated largely on the maintenance of existing facilities and infrastructure. With less funding from the State, it is imperative that the City be self-reliant in maintaining and funding investment in capital assets and infrastructure. With annexation, the cost of city facilities and services would be more fairly shared by the population that utilizes the services and infrastructure.

E. To address significant City interests in the extraterritorial areas.

The City of Soldotna is responsible for, or has a significant interest in, many facilities or activities in the areas to be annexed.

- A portion of the City-owned and operated airport is adjacent to Funny River Road in Area 1. With the airport expansion in 2010, the airport has grown into the adjacent city-owned lands that are inside the airport fence, but *outside of* city limits. The improvements include taxiways and lease lots for airport users. Significant portions of Area 1 and Area 9 are within the flight path to the airport and activities there can now be conducted in a manner that could negatively affect airport use.

Having the newly constructed airport lease lots outside city limits (but inside the airport fence), causes challenges for regulating private development on those parcels. All airplane hangers inside the city limits must comply with local building codes, but the City does not have a delegation from the State to regulate building codes on portions of the airport that lie outside City limits.

- The City has water and sewer mains extended through Area 1 and along Funny River Road all the way to the western boundary of Area 9 – Funny River East. These lines currently serve 18 properties in Area 1 – Funny River West.
- The City has extended and provided water and sewer service to some properties in Areas 1, 3, and 7. Maintenance of this infrastructure and regulation of use of these facilities are important to the City. However, because these properties are not governed by other city regulations, for example municipal codes which would regulate the type of effluent that a commercial business puts down the drain, the City is accepting and treating effluent without the regulatory framework imposed on other utility users that is intended to protect the City’s wastewater treatment system against dangerous and costly permitting issues. In these cases, properties outside the City enjoy the benefit of City infrastructure, but without the additional requirements the City has adopted in municipal code that are intended to protect that infrastructure.
- The City currently has road right-of-ways adjacent to areas outside the city that can be developed in a manner that affects the ability of the city to construct and maintain roads in those city rights-of-way. An example of this is the gravel pit that is adjacent to Knight Drive and east of the Kenai Spur Highway. Excavation of materials to the toe of the road right of way has impaired use of the right-of-way. This gravel pit is outside City limits, therefore regulated through the Kenai Peninsula Borough’s code rather than the Soldotna Municipal Code.
- The City currently owns and operates ARC Lake Park located in Area 2. This 22-acre park provides recreational activities in all seasons, and provides wintertime access to the lands within the Kenai National Wildlife Refuge.

- In 2014, the City constructed a one-million-gallon water storage tank in Area 2 - Skyview. The tank was constructed to provide a water source for standby use and for fire suppression, and is located on the south side of the Kenai River. Prior to this, the only available back-up supply was on the north side of the river. The new tank provides a water source to residents on the south side of the river in the event the water supply infrastructure north of the river is compromised. The tank also improves the hydraulic conditions of the city's distribution system, allowing for better volume and pressures to the full extent of the network. This tank also allows for expansion capability.

F. **Protection of the natural environment**

The City adopted a Kenai River Overlay zoning district (KROD) in 1990. The district encompasses all lands within 100 feet of the ordinary high water mark of the Kenai River. Lands outside city limits are subject to the Kenai Peninsula Borough's 50-foot habitat protection ordinance, first adopted in 1996 and modified several times since. Through annexation, the City's standards would provide a greater degree of protection along this important anadromous stream.

The City also has the ability to provide sewer services to properties in environmentally sensitive locations (for example adjacent to the Kenai River) to reduce impacts from aging or failed septic systems.

Some aspects of the City's zoning standards also provide a layer of environmental protection, for example by preventing the clear-cutting of all trees from residential property prior to development without a landscape plan. City staff work with landowners to encourage the retention of a minimum amount of natural vegetation, which is important to area wildlife (and

property values). Commercially-zoned properties inside the city limits are not held to the same clearing restriction, but are required to install landscaping as part of a site plan review and zoning permit process for new development. No similar requirements currently exist for commercial development in the territory proposed for annexation.

The Soldotna City Council recently took additional steps to protect the natural environment, by adopting regulations prohibiting commercial businesses in the City from providing customers with single-use disposable plastic shopping bags, except in limited circumstances. In discussing the ordinance which adopted the new regulations, it was clear the City's aim was to decrease the number of littered disposable plastic shopping bags in the community which can be harmful to the environment, pose a danger to wildlife, and cause unsightly litter.

G. Additional reasons for annexation specific to each area. (Please also see the annexation area Fact Sheets in Appendix B, beginning on page 354 of the Petition.)

- 1) Area 1 – Funny River West
 - a. Area 1 is surrounded on three sides by the city.
 - b. City water and sewer mains already serve this area.
 - c. Several properties (18) are already connected to city water and sewer with the ability for future connections as residents elect.
 - d. Portions of this annexation area are in the airport flight path creating safety implications for the airport.
 - e. Riverfront properties would be subject to the Kenai River Overlay District.
 - f. Work with KPB to address inconsistent addressing.
 - g. Gain efficiencies for city departments that already have to drive through this area, to serve other portions of the City (police, road maintenance, animal control, etc.).

- 2) Area 2 – Skyview
 - a. Contains a city-owned, one million gallon drinking water reservoir and pump house that serves the city's water utility system.
 - b. Is the southern gateway into the city. Responsible land use controls will guide development within this area to encourage appropriate land uses and to reduce sprawl.
 - c. Contains two important recreational assets: Tsalteshi Trail system, and the City-owned Arc Lake Park.

- d. Though the Tsalteshi Trail system is operated by a non-profit, on Borough-owned land, the City of Soldotna has provided \$135,000 in funding to the organization over the past 10 years, through the City's annual operating budget.
 - e. Contains Skyview middle-school. Soldotna Police would already respond to emergencies at the school.
- 3) Area 3 – K-Beach South
- a. The City has an interest in ensuring both sides of the highway corridor develop in an orderly, and consistent manner. Currently, only the north side of Kalifornsky Beach Road is within City limits.
 - b. Due to its close proximity, the City has a large interest in future land uses and development patterns. This area has large parcels of undeveloped land, which would benefit from the orderly extension of utilities, and land use planning, prior to development. Currently, many of these vacant parcels are advertised for sale or lease.
 - c. City maintenance crews already travel through this area to service and maintain roads and utility infrastructure that are located on the north side of Kalifornsky Beach Road.
 - d. Water and sewer have already been extended into this annexation area to serve Cook Inlet Academy School, and could be extended further to serve additional properties south of K-Beach Road.
 - e. Water and sewer mains already extend along Kalifornsky Beach Road to Chugach Drive. Future land uses could be accommodated by these services.
- 4) Area 7 – Kenai Spur
- a. This area has experienced consistent commercial development along the Kenai Spur Highway which is likely to continue.
 - b. Like Area 2, the Kenai Spur is a gateway to Soldotna and the public often confuses this area as already being in Soldotna. Responsible land use controls will guide development within this area to encourage appropriate and compatible land uses.
 - c. A large strip mall and mini-storage facility located about 800 feet north of the City is already served by City water infrastructure.
 - d. City maintenance crews provide winter maintenance to the sidewalks along the State highway in this area.
- 5) Area 9 – Funny River East
- a. City sewer and water infrastructure already extend to the western boundary of this annexation area.
 - b. Is surrounded on three sides by the City.
 - c. Immediately adjacent to City-owned airport use land.
- 6) All Areas:
- a. All areas contain major transportation corridors into the City's commercial core areas. Patterns and quality of development can be guided to a higher level through land use and building standards.

- b. Annexation will enfranchise individuals within the annexation areas. Residents are affected by decisions of the City, but currently have a limited voice in city government.

SECTION 7. LEGAL DESCRIPTIONS, MAPS, AND PLATS. 3 AAC 110.420(b)(7).

- a) **Legal Description of the Territory Proposed for Annexation.** Exhibit A-1 provides a legal metes and bounds description of the territory.
- b) **Legal Description of the Existing City.** Exhibit A-2 provides a legal metes and bounds description of the existing city's boundaries.
- c) **Legal Description of Proposed Post-Annexation Boundaries.** Exhibit A-3 provides a legal metes and bounds description, including the USGS quad information and dates, of the proposed post-annexation city boundaries.
- d) **Maps and Plats.** Exhibit A-4 provides a map showing the existing boundaries of the city and the boundaries of the annexation territory.

SECTION 8. Size of the Territory Proposed for Annexation. 3 AAC 110.420(b)(8).

- a) The existing City of Soldotna encompasses 7.37 square miles.
- b) The annexation territory encompasses 2.61 square miles.
- c) The City of Soldotna after the proposed annexation would encompass 9.98 square miles.

SECTION 9. Data Estimating the Population of the Territory Proposed for Annexation. 3 AAC 110.420(b)(9).

- a) The estimated population within the current boundaries of the city is 4,317 persons.¹⁷

¹⁷ Population estimates in Section 9 of the Petition are based on U.S. Census data gathered and presented in the attached Appendix A, *Analysis of the Fiscal Effects of Annexation for the City of Soldotna*.

- b) The estimated population within the annexation territory is 177 persons.
- c) The estimated population of the city after the proposed annexation is 4,494 persons.

SECTION 10. Information relating to Public Notice and Service of the Petition. 3 AAC 110.420(b)(10).

Please see **Exhibit B**.

SECTION 11. Tax Data. 3 AAC 110.420(b)(12).

- a) **The assessed or estimated value of taxable property in the territory proposed for annexation.**

Real property: \$53,524,400¹⁸
 Personal property: Not Available¹⁹
 Total: \$53,524,400

- b) **Projected taxable sales in the territory proposed for annexation.**

The projected value of taxable sales within the annexation territory is \$23,276,982²⁰.

- c) **Taxes currently levied by municipal governments within the territory proposed for annexation.**

Taxes levied within the TERRITORY PROPOSED FOR ANNEXATION		
Taxing Jurisdiction	Property tax (mills)	Sales tax (%)
Kenai Peninsula Borough (KPB)	4.70	3%
KPB Road Service Area	1.40	
Central Emergency Services	2.85	
Central Peninsula Hospital	0.01	
TOTALS:	8.96 mills	3%

¹⁸ Source: Kenai Peninsula Borough Finance Director (October 11, 2019)

¹⁹ The Kenai Peninsula Borough reported that due to the mobility of personal property, the taxable value of personal property cannot be accurately provided.

²⁰ Source: Kenai Peninsula Borough Finance Director (October 7, 2019)

While it is not required under this section, the current existing taxes within the City of Soldotna are provided below for comparison purposes. The property tax rate paid by residents of Soldotna is 0.9 mills less than the tax rate paid by borough residents within the territory proposed for annexation. Although three out of four tax mills are exactly the same whether a City resident or non-resident (there is no difference in tax rate or exemptions applied for taxes paid to KPB, CES, and CPH), the City of Soldotna mill rate of 0.5 is lower than the Borough Road Service Area rate of 1.4, therefore resulting in a reduced overall property tax rate for City residents. Soldotna city sales tax rates are currently set at 3%.

Taxes levied inside the SOLDOTNA CITY LIMITS		
Taxing Jurisdiction	Property tax (mills)	Sales tax (%)
Kenai Peninsula Borough (KPB)	4.70	3%
City of Soldotna	0.50	3% ²¹
Central Emergency Services	2.85	
Central Peninsula Hospital	0.01	
TOTALS:	8.06 mills	6%

SECTION 12. Budget Information. 3 AAC 110.420(b)(13)(B).

Exhibit C presents projected revenue, operating expenditures, and capital expenditures for the City, for one full fiscal year beyond the reasonably anticipated date to complete any transition set out in 3 AAC 110.900.

²¹ In addition to the 3% sales tax levied on general sales, the City levies a 1.5% consumer sales tax - for a total of 4.5% - on retail sales of marijuana and marijuana products.

SECTION 13. Existing Long Term Municipal Debt. 3 AAC 110.420(b)(14).

Name/Type of Debt	Purpose of Debt	Date debt will be fully paid
Soldotna Public Library/General Obligation Bond	Library expansion to serve increased population (remaining balance: \$1,670,000)	2031 ²²

SECTION 14. Municipal Powers and Functions. 3 AAC 110.420(b)(15).

Municipality for which a change is proposed, OR alternative service providers	Powers and functions before the proposed change	Powers and functions after the proposed change.
Kenai Peninsula Borough (KPB)	Education Platting Tax assessment & collection Sales tax Fire & EMS Services	No Change
KPB	Planning Land use regulation	City of Soldotna would assume planning and land use regulation responsibilities.
KPB Road Service Area	Road construction & maintenance	City of Soldotna would assume road construction & maintenance responsibilities
State of Alaska	Law enforcement (Troopers) Fish & Game State road maintenance	City of Soldotna would become the primary provider of law enforcement. No change regarding State road maintenance or fish and game management.

The City of Soldotna currently exercises the following general powers and functions:

- 1) Construction and maintenance of streets, roads, sidewalks, paths, and trails, including snow removal, and street cleaning and sweeping
- 2) Water Distribution, including fire hydrants
- 3) Sewers collection and Sewage Treatment
- 4) Animal Control

²² The City has the option to call the bonds on August 1, 2020.

- 5) Police Protection
- 6) Parks, playgrounds, campgrounds, and recreation
- 7) Public Library
- 8) Airports and Aviation
- 9) Planning, Zoning, Land use regulation, and Economic Development
- 10) City Utility Easements
- 11) Taxation
- 12) Building Permits & Codes
- 13) Fire Marshal Plan Review (Under deferral agreement with the State of Alaska)

All city powers and functions that are currently exercised within current city boundaries will be exercised in the proposed annexation territory after annexation becomes complete.

Exhibit D (Transition Plan) addresses how Petitioner will phase-in the exercise of city powers and functions to the territory proposed for annexation.

SECTION 15. Transition Plan. 3 AAC 110.420(b)(16).

See **Exhibit D**.

SECTION 16. City Council Composition and Apportionment. 3 AAC 110.420(b)(17).

The Soldotna City Council is the legislative body of the City of Soldotna and is comprised of six (6) members, all of whom are elected at-large to designated seats. A council member's term is three years. The following is a list of the current composition of the Soldotna City Council.

Council Members	Seat	Term Ends
Council Member Paul Whitney	A	2021
Vacant	B	2020
Council Member Jordan Chilson	C	2021

Council Member Dave Carey	D	2022
Council Member Lisa Parker	E	2019
Council Member Justin Ruffridge	F	2020

The Office of the Mayor is also an elected position who serves as the ceremonial head of government, executing official City documents on authorization of the governing body. The Mayor presides over City Council meetings, may vote in the case of a tie, and has limited veto power. The Mayor appoints members to City Boards and Commissions, which are then confirmed by the City Council. The Mayor is elected at large and serves a term of three years. Soldotna Mayor, Dr. Nels Anderson, passed away in September 2019 and the position is currently vacant. A special election to elect the next Mayor is scheduled for December 17, 2019, for a term that ends in 2020.

Based upon the size of the annexation both in area and population, the City plans no changes to the composition or apportionment of the City Council following the annexation.

SECTION 17. Supporting Brief. 3 AAC 110.420(b)(19).

See **Exhibit E**.

SECTION 18. Documentation Demonstrating that the Petitioner is Authorized to File the Petition under 3 AAC 110.410. 3 AAC 110.420(b)(20).

Exhibit F provides a certified copy of the city council resolution authorizing the filing of this petition.

SECTION 19. Petitioner's Affidavit. 3 AAC 110.420(b)(22).

See Exhibit G.