

Office of the Borough Mayor

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TO: Ryan Tunseth, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Peter A. Micciche, Borough Mayor

DATE: July 22, 2026

RE: Sterling Recreational Service Area Proposal – Mayor’s Report

REPORT TO THE ASSEMBLY

On June 30, 2026, the Borough Clerk certified the citizens petition establishing the Sterling Recreational Service Area as sufficient and initiated the service area establishment process pursuant to KPB 16.04.025. The petition received 86 verified signatures, meeting the minimum number of 86 verified signatures required for certification.

The purpose of this memorandum is to provide important and accurate information relating to the proposed Sterling Recreational Service Area to assist assembly members and the public on this important decision. Pursuant to KPB 16.04.010 – 16.04.040, the following is submitted for your consideration.

Proposed Sterling Recreational Service Area Boundary

16.90.010 Established—Boundaries

The proposed Sterling Recreation Service Area boundary conforms to existing service area and electoral district boundaries wherever practicable, and is drawn so that no current KPB tax parcel is divided by the boundary.

The boundary begins at the intersection of the Sterling Highway and DeVille Road near Milepost 89, coincident with the current KPB Assembly District 4/5 boundary. From there it follows the Assembly District 4 boundary northward until it becomes coincident with the Kenai National Wildlife Refuge (KNWR) boundary, then continues along the KNWR boundary north, then east, then south, continuing south along the extension of the KNWR boundary line until it intersects the Kenai River.

The boundary follows the Kenai River westward, following the north shore of the Kenai River, to the section line common to Sections 32 and 33, T5N R9W, then follows that section line and its northward extension between Sections 29 and 28 to the south boundary of Section 20. From there it proceeds west, then north, to include the SE¼SE¼ and NE¼SE¼ of Section 20.

From there the boundary continues west to St. Theresa Road, north along St. Theresa Road to the Sterling Highway, and west along the Sterling Highway to the point of beginning.

A formal legal description will be prepared and incorporated as part of the service area establishment process. A map depicting the proposed boundary is attached for reference.

Need for Service

This process was initiated by citizen petition, not born by the Assembly or the KPB Administration. The purpose is to establish the Sterling Recreation Service Area indicates a community interest among petitioners in preserving and enhancing recreational opportunities, community programming, and public gathering spaces within the Sterling area. Petitioners have identified a need for a stable and locally governed mechanism to support recreational services that contribute to the health, well-being, and quality of life of area residents.

Currently, no recreation service area exists within the proposed boundaries. Recreational facilities, programs, and community activities in the area are supported through a variety of organizations, volunteers, and funding sources. Petitioners have proposed the creation of a recreation service area to establish a dedicated mechanism for the planning, funding, operation and maintenance of recreation-related facilities, programs, and services within the proposed boundaries.

The proposed Sterling Recreation Service Area would establish a framework for local oversight, planning, and funding of recreation-related facilities, programs, and services. As outlined in the petition, the service area may support operation and maintenance of community facilities, youth and senior programs, educational and cultural activities, community events, outdoor recreation opportunities, and other services that promote community engagement, healthy lifestyles, and overall community well-being.

Creation of the service area would allow residents within the proposed boundaries to determine the level of service they desire and provide a dedicated funding source to support those services. It would also provide a transparent governance structure within the Kenai Peninsula Borough framework, ensuring local input and accountability while allowing recreation services and facilities to be planned and managed in a manner that reflects the priorities of the Sterling community.

Assessed Value for Tax Year 2026 (Fiscal Year 2027) and an Estimated Budget

The assessed real property value of the proposed service area is \$1,086,842,000. The taxable real property value is \$729,833,200. For illustrative purposes, using a .25 mill rate, the estimated property tax revenue for the service area would be \$182,458.

No annual budget, spending plan or capital plan has been provided as part of the proposed service area, only that it can be used to “build and maintain facilities” as well the provided scope of services, which may include labor and employee costs. The KPB structure ensures sustainability in stable revenue conditions to provide for the various service requests of the community, while also providing a fund balance for future capital needs within the service area.

The mill rate for the new service area, as requested by the petitioners, will be .25. The mill/tax revenue associated with this service area will be limited to that .25 mill. The below table is included for Sterling citizens to consider in direct property costs to their household or business.

	.25 Mill Rate scenario
Mill Rate	0.25
Estimated Tax Revenue for the Proposed Service Area	\$ 182,458
Property with a taxable assessed value of \$250,000	
Annual cost to taxpayer	\$ 62.50
monthly cost to the taxpayer	\$ 5.21
Property with a taxable assessed value of \$350,000	
Annual cost to taxpayer	\$ 87.50
monthly cost to the taxpayer	\$ 7.29

Population and Parcels

The exact population of the proposed Sterling Recreation Service Area is currently unknown, as boundaries do not align neatly with census-designated areas, making precise population estimates difficult. However, the population is estimated to be approximately 4,000 residents. Based on parcel data, there are a total of approximately 4,662 parcels within the proposed service area of which 4,018 have a taxable value.

Next Steps – Plan for Service Area

I. Public Hearing to Consider the Necessity for the Proposed Service Area

The public hearing, or community meeting, to further determine the need for the service area and to identify the service area boundaries is tentatively scheduled to be held at the Sterling Community Center, 38377 Swanson River Rd., Sterling, on August 13, 2026 from 6:00p.m.-7:00 p.m.. The Assembly President will appoint a special committee of three Assembly members to attend at the August 4, 2026 Assembly meeting and set the time and place for the community meeting. The Borough Clerk will prepare a report to be included in the ordinance.

II. Introduction and Public Hearing on Ordinance Establishing Service Area Subject to Voter Approval

It is currently anticipated that following the community meeting and gathering of community input, an ordinance will be introduced during the Assembly's regularly scheduled meeting on August 18, 2026, to establish the service area. If that holds, then public hearing on the ordinance would be during the Assembly's regularly scheduled meeting on September 1, 2026. If the ordinance is enacted, it will be subject to ratification by the voters within the proposed service area boundaries.

III. Vote of the People on November 3, 2026

Should sponsors of this service area choose to continue after gathering likely data, it is anticipated that the voters within the proposed service area will decide whether or not to establish a service area during the Borough's regular election held on November 3, 2026.

IV. Service Area Establishment Process following the Vote

In the event the voters approve establishing the service area, the Borough Administration will then work through the process of installing the service area. The KPB must charge a minor fee to the service area for related services. This will involve understanding methods to ensure functional firewalls between the KPB and the entity managing and operating the service area, if that is what is proposed. The ordinance establishing the service area, subject to voter ratification, will contain necessary provisions regarding the legal description of the service area, the service area board of directors, qualifications for board service and terms of office, powers and duties of the advisory service board, and other provisions similar to fire and medical service areas that exist under Borough Code. As proposed, there will be no Borough employees serving in this service area. Accounting, budgeting, and other finance-related activities will be in accordance with the Borough Finance Department practices and procedures. Services, or capital improvement contracts will all be in accordance with the Borough's Purchasing and Contracting Department processes and procedures.

Ultimately, this means that there will be a transition from a local, volunteer governing board to a local advisory board with Borough Administration oversight and responsibility

for the service area. The advisory service area board will be appointed by the Mayor and confirmed by the Assembly. The service area will be a under the executive branch of the Borough. Future budgets and spending approvals will be via the KPB Administration with advisory input and feedback.

Options for the Assembly to Consider After Public Hearing

Option 1. Do not pursue formation of a new service area; maintain status quo.

Option 2. Create a new service area, as proposed, pending voter approval. This would require introduction and hearing of an ordinance to establish the service area subject to voter approval. The ordinance may expand, contract, or otherwise modify the boundaries of the proposed service area.

Summary

The KPB is a 2nd Class borough, which provides for the right of citizens to organize service areas in their community. This proposed citizen's initiative by Sterling community petitioners is designed to preserve and improve sustainability for recreational services important to many who live in the area. As per KPB code, it is specifically my role it to impartially provide the most accurate information possible so that Sterling Area voters can make their own personal decision prior to casting their vote on the proposal.

At this juncture, I look forward to hearing from Sterling residents within the proposed service area during the upcoming public hearing. This will be an important opportunity to gauge the community's interest and level of support for establishing a recreation service area. Following the hearing, we will have a clearer understanding of community priorities and the boundaries that best align with those interests.

Conclusion

If the KPB Assembly chooses to place the proposal to create a Sterling Service Area on the ballot, the decisions will rest solely with the voters of the Sterling Area. I will respect and support their decision either way and will continue my administration's efforts to provide quality services at the lowest cost possible to the Sterling Area or any other KPB taxpayer. Please feel free to reach out to me for additional information at 907-714-2150 or via email at pmicciche@kpb.us.

Respectfully,



Mayor Peter A. Micciche