

Office of the Borough Mayor

144 N. Binkley St., Soldotna, AK 99669 | Peter A. Micciche, Borough Mayor | (P) 907-714-2150 (F) 907-714-2377



TO: Peter Ribbens, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Peter A. Micciche, Borough Mayor

DATE: July 02, 2025

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

REPORT TO THE ASSEMBLY

On June 4, 2025, the Borough Clerk certified the petition establishing the Ninilchik Recreational Service Area as sufficient and initiated the service area establishment process pursuant to KPB 16.04.025.

The purpose of this memorandum is to provide important and accurate information relating to the proposed Ninilchik 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 Ninilchik Recreational Service Area Boundary

16.90.010 Established—Boundaries

There is established a service area within the borough, designated the “Ninilchik Recreational Service Area,” including that portion of the borough described as follows:

All of the following referenced to the Seward Base Line and Seward Meridian, Alaska:

Commencing at the section corner common to Sections 4 and 5, Township 1 North, Range 11 West, and Sections 32 and 33, Township 2 North, Range 11 West;

Thence west along the township line common to Township 1 North and Township 2 North, crossing Ranges 12 West and 13 West, to the northwest section corner of Section 6, Township 1 North, Range 14 West (protracted);

Thence south along the range line common to Range 14 West and Range 15 West to the southwest section corner of Section 31, Township 1 North, Range 14 West (protracted);

Thence west along the Seward Base Line to the northwest section corner of Section 6, Township 1 South, Range 15 West (protracted);

Thence south along the protracted range line common to Range 15 West and Range 16 West, crossing Township 2 South, to the section corner common to Sections 1 and 12, Township 3 South, Range 16 West (protracted), and Sections 6 and 7, Township 3 South, Range 15 West (protracted);

Thence west along the section line to the section corner common to Sections 2, 3, 10, and 11, Township 3 South, Range 16 West (protracted);

Thence south along the section line to the section corner common to Sections 34 and 35, Township 3 South, Range 16 West (protracted), and Sections 2 and 3, Township 4 South, Range 16 West (protracted);

Thence east along the township line common to Township 3 South and Township 4 South, Range 16W (protracted), crossing Ranges 15 West, 14 West, and 13 West;

Thence continuing east along said township line to the section corner common to Section 36, Township 3 South, Range 12 West; Section 31, Township 3 South, Range 11 West; Section 1, Township 4 South, Range 12 West; and Section 6, Township 4 South, Range 11 West;

Thence north along the range line common to Range 12 West and Range 11 West to the section corner common to Section 1, Township 3 South, Range 12 West; Section 6, Township 3 South, Range 11 West; Section 36, Township 2 South, Range 12 West; and Section 31, Township 2 South, Range 11 West;

Thence east along the township line common to Township 2 South and Township 3 South to the section corner common to Sections 35 and 36, Township 2 South, Range 11 West, and Sections 1 and 2, Township 3 South, Range 11 West;

Thence north along the section line, crossing the township line common to Townships 2 South and 1 South, to the northeast corner of Section 2, Township 1 South, Range 11 West;

Thence west along the Seward Base Line to the southeast corner of Section 32, Township 1 North, Range 11 West;

Thence north along the section line to the section corner common to Sections 4 and 5, Township 1 North, Range 11 West, and Sections 32 and 33, Township 2 North, Range 11 West, the true point of beginning.

Need for Service

This initiative has gained community interest following the Kenai Peninsula Borough School District's decision to eliminate funding for school pool operations, which threatened the closure of the Ninilchik pool—a valued community resource for recreation, swim lessons, and water safety training. In response, many in the Ninilchik community rallied together and successfully raised \$30,000 to keep the pool open for the summer 2025. While this grassroots effort demonstrates the community's commitment to local recreation and water safety, it also underscores the need for a more sustainable and reliable funding mechanism.

The proposed Ninilchik Recreation Service Area is intended to assist in the financial and service stability of recreation planning, maintenance, and development. Establishing the service area within the Borough structure would create a dependable tax base and governance framework to support and enhance recreational opportunities for residents.

Important to note is that the KPB Assembly chose to fund education to the cap this year, therefore, no funding, in-kind contribution, or benefit can move from the KPB budget ledger to benefit the KPBSD. There will be a hard firewall for access, utilities, and all recreational services between the KPB and the KPBSD. Any use of the service area assets or services must be compensated back to KPB taxpayers to remain within the federally required funding cap. Each service provided will be audited for fair market value for KPBSD reimbursement to the KPB (service area).

Assessed Value for Tax Year 2025 (Fiscal Year 2026) and an Estimated Budget After Comparison with Existing, Similarly-Situated KPB Recreation Service Areas

The estimated assessed real, personal and oil property value of the proposed service area is

\$636,742,319. The taxable property value is \$409,496,919. For illustrative purposes, using a 0.75 mill rate, the estimated property tax revenue for the service area would be \$307,123. Using a 1.20 mill rate, the estimated property tax revenue for the service area would be \$491,396.

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. Although there have been requests to remain below the 0.60 mill rate mark, the addition of either a ¾-time or full-time pool manager and two ½-time lifeguards adds approximately \$196,772 in labor costs. These personnel costs, capital replacement needs, and required minimum fund balance, in addition to other items required by the KPB structure, demonstrate that a "0.60 or below" mill rate is unsustainable under the KPB structure. The expected mill rate for the new service area will likely be between 0.60 and 1.20, with the more likely scenario being at the 1.2 mill rate (see table below). The table below is included for Ninilchik citizens to consider in direct property costs to their household or business. For context, the current mill rate in Ninilchik is 9.76 and would likely increase to 10.96 under the proposed service area structure.

	0.60 Mill Rate scenario	0.75 Mill Rate scenario	1.00 Mill Rate scenario	1.20 Mill Rate scenario
Mill Rate	0.60	0.75	1.00	1.20
Estimated Tax Revenue for the Proposed Service Area	\$245,698	\$307,123	\$409,497	\$491,396
Property with a taxable assessed value of \$200,000				
Annual cost to taxpayer	\$120	\$150	\$200	\$240
Monthly cost to the taxpayer	\$10.00	\$12.50	\$16.67	\$20.00
Property with a taxable assessed value of \$350,000				
Annual cost to taxpayer	\$210	\$263	\$350	\$420
Monthly cost to the taxpayer	\$17.50	\$21.88	\$29.17	\$35.00

Population and Parcels

The exact population of the proposed Ninilchik Recreation Service Area is currently unknown, as boundaries do not align neatly with census-designated areas, making precise population estimates difficult. However, based on parcel data, there are a total of approximately 4,854 parcels within the proposed service area. Of these, an estimated 1,000 parcels are believed to be

residential. In addition, there are currently 22 fixed oil and gas parcels within the service area, as identified by the State of Alaska.

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 will be held at the Ninilchik Community Center, 15763 Kingsley Road, Ninilchik, on July 17, 2025 from 6:00 p.m. to 7:00 p.m. The Assembly President has appointed a special committee of three Assembly members to attend. The special committee is charged with providing the full Assembly a report on the public hearing that was held within the proposed service area boundaries. It is anticipated that such report to the full Assembly will occur during the Assembly's regularly scheduled meeting.

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 July 8, 2025, to establish the service area. If that holds, then public hearing on the ordinance would be during the Assembly's regularly scheduled meeting on August 5, 2025. 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 October 7, 2025

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 October 7, 2025.

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. This will involve understanding methods to ensure functional firewalls between the KPB and the KPBSD, an inventory of assets, transfer of assets, and purchase and transfer agreements as needed. 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. Service area employees will be Borough employees and will fall under the Borough's centralized personnel system, including the applicable collective bargaining agreement. Accounting, budgeting, and other finance-related activities will be in accordance with the Borough Finance Department practices and procedures. Assets

procurement, 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 manager for the service area, in consideration of any recommendation from the advisory service area board, will be appointed by the Mayor and confirmed by the Assembly. The service area will be 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.

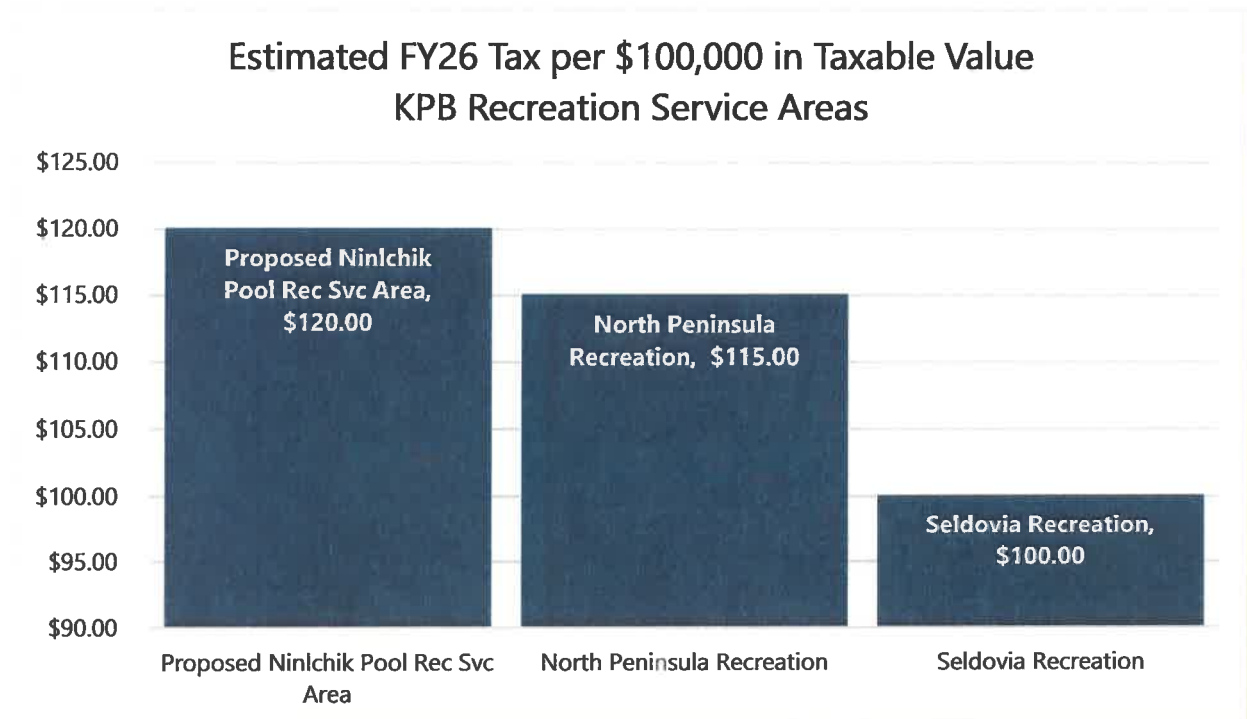
Option 2. Create a new service area, as proposed, pending voter approval. This would require introduction and hearing of an ordinance to establish the service area subject to voter approval. The ordinance may expand, contract, or otherwise modify the boundaries of the proposed service area.

Option 3. Do not pursue formation of a new service area at this time, but actively begin the process of evaluating a Pool Service Area to spread the cost and efficiencies of a larger population and comprehensive organization by expanding the boundaries of existing service areas. This would also require a future vote of the residents within the entire new area.

Summary

I certainly appreciate the initiative by the Ninilchik community to preserve and improve sustainability for recreational services that are so important to all who live in the area. I understand the community's concerns following the recent funding challenges for the pool and commend their efforts to keep this vital resource available. Recreation opportunities contribute greatly to our quality of life, and I am committed to supporting this process in whatever form best serves the community's needs.

At this juncture, I look forward to hearing from Ninilchik residents within the proposed service area during the upcoming public hearing. This will be an important opportunity to gauge the community's interest and 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.

Other Information

Current Mill Rates KPB Recreation Service Areas



Conclusion

If the Ninilchik Community chooses to place on the ballot the proposal to create a service area, or choose another option, those decisions will rest solely with the voters. I will respect and support their decision either way and will continue my administration's efforts to provide quality services at a reasonable cost. 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