

Your Questions Answered: Annexation Process and City Operations

Public outreach activities conducted for the City of Palmer for the Community and Economic Annexation Analysis revealed a number of questions and areas of confusion about the annexation process and about how the City currently delivers and pays for the services it provides. The information that follows is intended to answer these questions and clarify as much as possible about how things currently work. The full study will present more information about specific changes that would be driven by annexation.

Annexation Process

The [Annexation Process graphic](#) illustrates the city annexation process described in the [State of Alaska Administrative Code](#).

Reasons to Annex Land

Annexation is typically used by cities to protect public health and welfare by extending city services, to manage growth by extending the area where city land use and other regulations can be applied, and to balance public service provision with tax revenues so the costs of these public services are spread more broadly and equitably among the people and businesses benefitting from them.

The greater Palmer area has been growing for decades and continues to grow today. Palmer is currently growing at a rate of 2.35% each year. Palmer's population has increased by 28.99% since the 2010 census, from 5,937 people in 2010 to 7,658 residents in 2020. As the greater Palmer area continues to grow and develop, the City is considering a future annexation to protect the area's character and quality of life.

The [City of Palmer Annexation Strategy](#) provided the rationale for annexation that applies equally in 2020 as it did in 2010. That study discussed how State law generally favors city annexations to sustain the fiscal viability of existing cities, to plan for growth and the efficient provision of essential public services to adjacent areas. Palmer's case for annexation would rest on:

- The city's constrained boundaries with ongoing growth in the City's periphery.
- The City's unique ability to plan for and deliver essential public services to adjacent areas as development progresses.
- The City's demonstrated capacity to provide expanded public services without impacting the quality and costs of services to existing residents.
- The City's need to maintain its sales tax revenue base.

Study Areas

The Study Areas shown in the interactive web map and [downloadable PDF](#) show seven areas identified by the project team and City staff as geographic areas for the annexation study to analyze. This is not a land use map. Some study areas may include land with similar land use and character to areas outside the study areas.

The Study Areas map represents a set of geographic boundaries the project team is using to model city finances and service needs upon a hypothetical annexation. The study areas may include geographic areas that prove to be unfeasible for annexation as much as they may be feasible. The forthcoming study results will give the City more information before it pursues any annexation petition. If the City moves

forward with a petition, the area proposed for annexation could include land inside or outside the study areas.

Current City of Palmer Boundaries

The interactive web map and [downloadable PDF](#) also show current City of Palmer boundaries. As Palmer has grown and developed over time, some neighborhoods have grown across City boundaries, making it confusing to residents whether they live within the City or outside the City in the Matanuska-Susitna Borough.

Taxes

The Mat-Su Borough collects property taxes for the entire Borough, including City property taxes, and remits the City property taxes back to the City. All Borough residents pay the MSB areawide property tax, inside and outside City boundaries. Inside City boundaries, residents also pay the City property tax. Outside City boundaries, residents also pay the MSB non-areawide property tax. City and Borough property tax rates change from year-to-year; 2020 tax rates are shown below. Property tax exemptions for seniors and disabled veterans and farmland use tax deferments apply equally for City and Borough residents.

Inside Palmer City Limits, property owners pay:

	10.386 mils	(MSB areawide property tax, 2020)
+	3.000 mils	(City property tax, 2020)
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	13.386 mils	(total property tax, 2020)

Outside Palmer City Limits, property owners pay:

	10.386 mils	(MSB areawide property tax, 2020)
	1.500 mils	(South Colony Road Service Area tax, 2020)
	0.960 mils	(Greater Palmer Consolidated Fire Service Area property tax, 2020)
+	0.573 mils	(MSB non-areawide property tax, 2020)
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	13.419 mils	(total property tax, 2020)

The City of Palmer also charges a [sales tax](#) (currently 3%), which is collected by businesses within City limits. Palmer collects sales tax for online sales as a member of the [Alaska Remote Seller Sales Tax Commission](#). Palmer's sales tax has a cap of \$1,000 per item/service and a number of exemptions (PMC 03.16.050), including for land/property sales, various school-related sales, medical services and prescriptions, bulk sales of feed, seed and fertilizer to farmers, various financial sales and services, food stamps, funeral expenses, some aviation-related sales and other exemptions. The Mat-Su Borough does not have a sales tax.

Services

City property and sales taxes go into City of Palmer's General Fund, which pays for city administration and some city services. Other city services are set up as separate enterprise or proprietary funds that are

operated more like private businesses and pay for themselves through user fees, leases and/or sales. In general, when hourly City personnel work on behalf of an enterprise fund, their time is billed to the enterprise. Enterprise funds have a payment in lieu of taxes (PILOT) based on gross revenues to account for general fund City staff time devoted to enterprise activities.

City Administration and Finance

The City's general administration team includes the City's Attorney, [City Manager](#), [City Clerk](#) and Human Resources. The [Palmer Finance Department](#) manages the City's accounting, prepares the budget, manages the City's audits, collects the City sales tax, administers City business licenses, manages billing and collections and does grant reporting for the City. These functions are paid for through the City's General Fund. The City also maintains a separate enterprise fund for land sales that has had very limited activity over the years; it is not the responsibility of a particular city department.

Police

Within City limits, the [Palmer Police Department](#) provides police, emergency, and dispatch services as well as public safety education within City boundaries. Police services are also paid for through the City's General Fund. Alaska State Troopers provide public safety services to areas outside City limits and are also headquartered at the Palmer Trooper Post in the same building as the Palmer Police Department.

Fire and Emergency Services

[Palmer Fire and Rescue](#) provides fire safety education within the City of Palmer, and fire and rescue response within the [Greater Palmer Consolidated Fire Service Area](#) (which extends beyond City boundaries) by a cost-sharing agreement between the Mat-Su Borough and the City of Palmer. Palmer's cost-share is paid for through the City's General Fund.

The Insurance Service Office (ISO) gives a fire score to fire departments and their surrounding communities. The "ISO rating" is meant to reflect how well the local fire department can protect its community and the homes and businesses within it. Insurance companies use the score to help set home insurance rates, so a better ISO rating often translates to lower property insurance premiums. ISO ratings are based on the quality of the local fire department (i.e., staffing levels, training and proximity to fire stations), available water supply (i.e., proximity to hydrants, volume of water available for firefighting), quality of the areas emergency communications system (911), and fire safety education and outreach. ISO ratings go from 1 to 10: 1 is the best possible rating, and 10 means the fire department did not meet the ISO's minimum requirements. Within Palmer City limits, Palmer Fire and Rescue currently has an ISO rating of 3/3Y (Y notes distance from hydrants). Outside City limits, the Greater Palmer Consolidated Fire Service Area has an ISO rating of 5/10, mainly because of longer distances to a water supply, fire stations, and a limited number of firefighting personnel. Water for firefighting is supplied at a fire station or hydrant. There are currently three fire stations within the Greater Palmer Consolidated Fire Service Area. For ISO rating purposes, a 10 means the residence is more than 5 miles from a fire station. Firefighting personnel include full-time, part-time or paid-on-call responders. For ISO rating purposes, 3 paid-on-call personnel on a response count as one full-time responder.

Public Works

The [Palmer Public Works Department](#) currently employs 15 full-time staff members who provide a maintenance and utility services for the City and greater Palmer community through seven divisions listed below. Although the Department's budget is funded by the City's General Fund, some Department responsibilities are funded through enterprise funds.

The City provides [additional guidance for landlord accounts](#) with City utility services. All landlords are required to have a landlord agreement, City business license and collect City sales tax up to the first \$1,000 of each rental unit (PMC 03.16.040(F)).

Administration Division

The Administration Division provides general oversight of all divisions within the Palmer Public Works Department. The division also provides central administrative services for the department, which include managing projects, tracking purchase orders and work orders, and managing financial code entries for department activities and expenses before submitting to the City Finance Department.

Streets Division

All roads within the City of Palmer are owned by the City, Mat-Su Borough or the State of Alaska. The Streets Division maintains City streets and storm drains, City-owned streetlights and road signs. Street maintenance includes snow plowing and removal, paving, grading and leveling unpaved roads, streetlights. The Palmer [Snow Removal Map](#) shows where the Public Works Department prioritizes snow removal on City streets (note: any road designations on the snow removal map that are not marked with a priority level are platted roads that have not been developed).

Fleet Division

The Fleet Division maintains the City's vehicle and equipment fleet, which includes City trucks, police vehicles, fire trucks, dump trucks, snowplows, fuel truck, grader, loaders, generators, etc.

Water/Wastewater Division

The Water/Wastewater Division operates the City's Water and Sewer Utility, which is set up as an enterprise fund and provides piped water and sewer services. The Utility's revenue comes mostly from connection, disconnection and service fees charged to customers. The Palmer Water and Sewer Utility has a service area much larger than Palmer's current boundaries. City water and sewer service regulations are found in [Palmer Municipal Code \(PMC\) Title 13](#), [PMC 8.12.010](#) and [PMC 8.16.010](#). PMC allows the Utility to extend piped services to properties outside City limits upon approval by the Palmer City Council (PMC 13.08.070). The utility already provides piped water to a small number of customers located outside existing City limits. Within City boundaries, PMC generally requires that properties be served by the utility if practical. If determined to be impractical, City code allows properties to be served by a City- and State-approved onsite system, such as well and septic (PMC 13.08.030, 13.16.025, and 13.16.030).

Solid Waste Division

The Solid Waste Division operates the City's solid waste collection and disposal services, which are set up as an enterprise fund that generates revenue through collection fees and penalties. Solid waste collection is required by Palmer Municipal Code for all residents (PMC 8.20.010). The City currently collects trash and charges user fees to customers within a service area that is smaller than existing City boundaries. Outside the service area, the City requires property owners to contract with a private collection service of their own choosing. Generally, areas within the City that are east of the Glenn Highway receive City trash collection services, and areas within City limits that are west of the Glenn Highway contract with a private waste management company.

Facilities Division

The Facilities Division performs preventive maintenance and light repairs on City buildings and the Palmer Airport.

Parks Division

The Parks Division provides maintenance and light repairs for City parks and trails. Community Development is responsible for parks and recreation planning and operations.

Community Development

The [Palmer Community Development Department](#) provides planning and zoning administration, plan review, plat review for new subdivisions, code enforcement and building inspections. The Community Development Department also manages the MTA Events Center, the Palmer Library and Palmer Depot under the general fund. Community Development staff include a Department Director, Building Inspector, Community Development Specialist, and Administrative Assistant, as well as the Palmer Public Library Director and MTA Events Center Manager.

Palmer Golf Course

The [Palmer Golf Course](#) is set up as an enterprise fund; it generates revenue from green and trail fees, equipment and space rentals, as well as snack bar, merchandise and beer sales. The City contracts with a private management company to perform all golf course activities (e.g., sales, maintenance).

Warren “Bud” Woods Palmer Municipal Airport

[Palmer Airport](#) facilities include a number of hangars, a helipad, a 6,000-ft main runway, a 3,600-ft crosswind runway, and a 1,500-ft gravel runway. The airport offers aircraft parking for day and overnight use as well as long-term tiedowns, fueling and ground support, field maintenance and an aircraft parts store. The airport is home to a number of local [aviation businesses](#). The airport is set up as an enterprise fund and managed by the City Airport Superintendent. Some facility maintenance is provided by the Public Works Department Facilities Division. Airport operations are funded primarily by Airport property and sales taxes, revenue from tiedowns and land leases.

Regulations

As part of an annexation petition, the City must submit a transition plan for the areas proposed for annexation to the [State Local Boundary Commission](#). The transition plan would describe when and how City regulations would be applied to annexed areas, including applicable zoning, as well as any regulatory changes that would take effect upon incorporating annexed territory into the city.

Some land uses and building structures that would not meet existing [Palmer Municipal Code \(PMC\)](#) could be grandfathered (allowed inside expanded City boundaries by “grandfather rights”). The City could also change certain existing City regulations upon annexation either for the entire City or creating regulations that apply only in certain areas or land use designations. The 2020 Annexation Study may include recommendations to the City about regulations that could either be modified, amended or candidates for grandfathering. The project team encourages members of the public to help us identify specific areas of potential regulatory conflict.

Existing Palmer Municipal Code can be viewed at <http://palmer.municipal.codes/PMC>

Governance

Residence inside City limits is required to vote in City elections, run for a City office, or to serve on some boards and commissions. Palmer Municipal Code requires that:

- a person be a resident of the city for at least the preceding 30 days to vote in City elections ([PMC 18.10.010](#)).
- a person who wants to run for city office be a qualified voter of the city and meet state and city requirements for the office ([PMC 18.15.010](#)).
- a person reside in the City to serve on the [Planning and Zoning Commission](#) ([PMC 2.20.010](#)).

- a majority of [Parks and Recreation Advisory Board](#) members reside in the City ([PMC 2.22.010](#)).
- at least two members of the [Airport Advisory Commission](#) reside in the City ([PMC 2.25.020](#)).
- at least two members of the [Board of Economic Development](#) reside in the City ([PMC 2.30.010](#)).