

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING
& WORKSESSION

February 19, 2005

The regular meeting of the Ketchikan Charter Commission commenced at 9:01 a.m., Saturday, February 19, 2005, in the City Council Chambers.

Roll Call

PRESENT: OTTE, HARRINGTON, MCCARTY, PAINTER, THOMPSON, FINNEY,
KIFFER

ABSENT:

A: PLEDGE OF ALLEGIANCE**B: CEREMONIAL MATTERS/INTRODUCTIONS**

Guests attending the meeting were introduced: Dan Bockhorst of the Local Boundary Commission, City Manager Karl Amylon, City Finance Director Bob Newell, Borough Manager Roy Eckert, Borough Attorney Scott Brandt-Erichsen, and Borough Clerk Harriett Edwards. It was also noted that Tom Miller from the Daily News, as well as Sharon Lint from Sitnews, were in attendance.

C: PUBLIC COMMENTS

Borough Clerk, Harriett Edwards, read a prepared text as follows:

I would like to point out several areas of the charter that I believe will cause confusion for those that have to deal with it. Also, I would like to once again state my views on the election process as it deals with the property tax cap, fees, and sales taxes.

Section 10.07, Property Tax Limit

As Mr. McCarty mentioned at your meeting of September 10, 2004, the election to raise the property tax cap is actually a vote to amend the charter. Under Section 15.02 of the Charter, "proposed amendments shall be submitted to the qualified voters of the municipality at the next regular or special election occurring more than seventy (70) days after the adoption of the ordinance, etc." If all required timelines are met, it would take a minimum of **80** days to hold an election. This would include the introduction and public hearing of the ordinance calling for the charter amendment.

If the property tax cap is retained, I would suggest modifying Section 10.07 to remove the second sentence of the section. It is unnecessary and will cause confusion.

If the purpose of the property tax cap is to encourage people to vote for consolidation, the commission is doing a disservice to the community and future Assemblies. It is putting off on some future Assembly the onerous task of fighting to raise the cap in order for the government to function. The reality of inflation, in itself, makes this a certainty.

Section 10.08, Taxation: Supermajority Requirement to Raise Taxes or Fees Limit

In this section I do not have a problem with the 2/3 vote of the Assembly to raise fees and sales taxes. However, as previously pointed out by Scott Brandt-Erichsen, the mill levy has to be established each year by the Assembly. It is zero at the beginning of each year so technically it cannot be raised. I would suggest the wording of Section 10.08, first sentence, be revised to remove the words "property tax levies". A sentence could be added to state the resolution or ordinance setting the property tax levy, not to exceed the property tax limit, also requires a 2/3 vote of the Assembly.

It is the responsibility of the Assembly to assure the municipality is run efficiently and prudently. My question is what would trigger the call for an election? Would an election be called if the Assembly can't get a 2/3 vote? Does the Assembly even have to vote on an increase or could it avoid an unpopular decision by calling for an election?

I'm concerned this opens the door for the Assembly to put off on the voters the decisions it was elected to make. Will the voters have a better grasp of the municipality's finances than the Assemblymembers? This commission has worked very hard for the people of Ketchikan and has done a very good job. However, on this particular issue, I believe the commission has been shortsighted and extremely unfair to future Assemblies. At one time I addressed the commission about the negative attitude it exhibited toward the motives of future Assemblies. Do you honestly believe the future Assembly members would be no less concerned about the wishes of the public than you, who are also elected officials, are with the concerns of the public during this charter commission process? The public has many opportunities to access their Assembly members and have ample opportunities through the public comments period of meetings to let their wishes be known. A prudent elected official takes the time to hear what his or her constituents have to say and use that information, along with knowledge of government, to make the decision they feel is best for the community at large. Government is run by the people; the people determine the services they want from government and should expect to pay for them.

Do not allow this consolidation process to create a government that is being run by one election after another. The citizens of the community vote for those people they believe will best represent their interests in governing the community. The citizens do not want to be going to the polls every few months and, in essence, making decisions for the Assembly. We have a representative form of government. The recourse of the voter is through the ballot box each October, and through the process of initiative, referendum, and recall.

I would like to again thank you for all the time and effort you have put into this consolidation package. You have made it a very public process and set high standards for the other governing bodies in the community.

D. INFORMATIONAL REPORTS AND/OR COMMISSION PRESENTATIONS

NONE

E. CONSENT CALENDAR

M/S MCCARTY/PAINTER for approval of the minutes for the meeting of January 21, 2005.

The minutes were approved by a unanimous roll-call vote.

F. VOUCHERS

NONE

G-1 RECESS THE MEETING INTO WORKSESSION TO CONSIDER THE 2004 CONSOLIDATION PETITION, INCLUDING DISCUSSION OF THE BRIEF AND COMMENTS SUBMITTED TO THE LBC BY THE CITY AND BOROUGH

Note: Work sessions are informal discussion sessions held for the purpose of exchanging and gathering information. No action may be taken, formal rules of order are relaxed, and there is no requirement that minutes be kept.

M/S MCCARTY/HARRINGTON to recess the meeting into work session. A unanimous roll-call vote was taken.

THOMPSON asked Dan BOCKHORST to introduce himself to the body and give his comments.

BOCKHORST said he was an employee of the Alaska Department of Commerce, Community and Economic Development and in fact, he said, he serves as staff to the Alaska Local Boundary Commission. He said he'd been in that position for the last 25 years and has been involved in prior attempts to combine the local governments in Ketchikan and he said he'd also been involved in Ketchikan annexation proceedings and City of Ketchikan annexation proceedings. He said he was here today to represent the staff's view, now the Local Boundary Commission. He said he didn't speak for the LBC. He said, like the Charter Commission, the LBC is a group of citizens that volunteer. We have a responsibility in the law to evaluate petitions that come before the LBC and to make recommendations to the LBC. He said the staff's recommendations are not binding on the LBC. There is a pretty good track record in terms of hitting the

target reasonably well in terms of the kinds of issues and concerns that the LBC examines.

BOCKHORST went on to say with that opening remark he'd like to say that he thought there are two fundamental questions before this Commission. The first is what is needed in order to get approval of the Petition that is before the LBC. He said in that regard he thought that Roy Eckert, in his letter of December 21, 2004, reasonably hits the mark. He said he thought that were some refinements that would, could or should be made as the matter proceeds, but Mr. Eckert, in his formally submitted comments on behalf of the Ketchikan Gateway Borough to the LBC, said as follows: that "The consolidation petition, Charter, transition plan, and three-year budget provide an adequate basis for creation of a new consolidated municipality. There are likely innumerable specific policy issues or choices made in the petition that could be debated but never fully resolved to the satisfaction of all because not everyone shares the same opinions. However, we do not believe that any of these points present legal defects with the petition or the organization proposed." BOCKHORST said that was one fundamental question.

BOCKHORST continued that he thinks there is a more significant question that needs to be addressed by the Commission here. And that is what is necessary to get approval of the proposal among the voters that are going to be voting on this question. In that respect, the Ketchikan City government has raised some very serious and significant concerns about the proposal. He said in his view, there are ten fundamental issues that the City of Ketchikan has raised and in its formal responsive brief and opposition to the proposal as it's currently written, the City of Ketchikan uses some fairly forceful language in expressing its concerns and objections. He said he'd like to highlight some of those concerns in their own language.

Pg 3: "In their zeal to put consolidation in a favorable light, the Petitioners have seriously underestimated costs, over-estimated revenues, and transferred assets in a manner harmful to the City's residents."

Pg 6: "The new Municipality will immediately need to raise the property tax cap and/or slash spending in ways not yet anticipated."

Pg 12: ", the Petition burdens residents of the City of Ketchikan with unreasonable risks and costs."

Pg 15: "The proposal is simply not equitable."

Pg 16: The City says, and it indicates that the Proposal uses "their money", referring to residents of the City of Ketchikan, "to disproportionately reduce the tax burden on residents in outlying areas."

BOCKHORST continued that in addition to the formal responsive brief submitted by the City of Ketchikan, Mayor Weinstein filed separate comments that were also critical of the Petition.

In those comments Mayor Weinstein indicated that "the proposed efficiencies," in this proposal, "are substantially less than those proposed by the City" in its 2000 petition for consolidation. He also indicates that from his perspective, "if there are no significant savings, there is no reason to consolidate."

Mayor Weinstein also indicates, as the City does in its responsive brief, that the proposal is not fair to City residents. He indicates that the proposal "harms City residents by keeping property taxes artificially high," and "the effect of changing the City's current form of government is something significantly less representative than its current status."

BOCKHORST said that while he was preparing for this meeting, he said it struck him that there were a number of parallels between this body and the Local Boundary Commission. He said he'd served for the LBC for a quarter-century, and like you (Charter Commission), members of the Local Boundary Commission donate their time. They get no compensation for the service they provide. And in that regard, I echo what Harriett said that I, too, have a great respect and admiration for all the many hours of service that you have dedicated to public service in this respect. Similarly, the LBC, like this body, was created to render broad political judgments about how to best create a local government structure that serves the needs of the public. The LBC makes its examination from a statewide perspective; you folks are looking at it from the local perspective. But nonetheless, both bodies share the same goal. In that regard, he said, he has a great appreciation for some of the many difficult decisions that you folks have had to face, and he said, he'd followed the proceedings carefully over the past more than a year in terms of your work that has been carried out.

BOCKHORST said that in conclusion, he thinks that there are two approaches that you can take to this issue that is before you. Number one, you can make minor housekeeping changes that are evident in some of the discussion that has been submitted by the Borough and the City and then proceed, in which case he expects that with due consideration of the comments that the Commission will work through and there will probably be an election on the question.

The second option is to step back and engage officials of the City of Ketchikan, the Ketchikan Gateway Borough (and he indicated he wasn't saying that hadn't

been done already), but to further engage them in good-faith efforts to try to address their concerns. It is his own particular perspective, having worked with officials of both the Borough and the City in the past with regard to the City government, that the citizens of the City of Ketchikan have confidence and trust in the City of Ketchikan Finance Director, the City Attorney, the City Manager, the City Council and the City Mayor. He said it is his further consideration that given the circumstances and the serious concerns that those public officials, some of whom are elected, some of whom are appointed, but nonetheless all of whom serve the interests of the community of Ketchikan, he thinks that it is probably going to be difficult, given their concerns, that when this issue does go before the ballot, it faces far greater challenges than it would if you could get those folks on your side. With that said, he was prepared to offer any additional comments or assistance he could.

MCCARTY said that one of the things that the Chair had written in a letter to BOCKHORST was relating to whether set up a skeleton and letting it be fleshed out by the new body. Some of the adverse comments that have been made saying the Petition needs to be more specific. He said he was wondering from BOCKHORST's perspective or suggestions, having been through this in a number of spots throughout the State, on how far this body should go. Some of the people are saying that it should be turn-key ready and others indicate it would be taken care of once it's set up and approved.

BOCKHORST said that he sincerely has a great appreciation for the difficult decisions and issues that are before the KCC. He said it is interesting to note that when Alaska's constitution was written, they took the approach of putting a skeleton only into that constitution. The local government article of Alaska's constitution comprises 877 words. It would take about 2 minutes to read. The constitution convention local government committees met for 44 different meetings over the course of 5 or 6 months to carefully craft those words, so that's one approach. There is a great deal of detail in here. He said his suggestion would again be to try to enlist the support and assistance and concurrence of both the City and the Borough. He said he didn't know that he could or should give the KCC an answer to the question. He said that if the KCC wants to achieve success in terms of consolidation, he thinks that it is critical to, at least, if not enlist the support of the City of Ketchikan officials and the Ketchikan Gateway Borough officials, at least make sure they don't have their strong opposition. He continued that he thinks that in the course before this matter was even presented to the voters, he did make some remarks to the Ketchikan Chamber of Commerce and observed that there was a prior attempt in the Fairbanks/North Star Borough to consolidate the City of Fairbanks and the Fairbanks North Star Borough and it was done through a group of citizens and in that case, both the Borough and the City vehemently opposed the proposal and it was shot down on the order of 5 to 1 in terms of the voters. He said that he

suspects that again, he has a great deal of respect for the local public officials in the City and the Borough and on this body, and he said he thinks to the extent that there isn't at least neutral attitudes toward the proposal or support for it, he thinks it's going to run into a difficult situation with the voters. He said he didn't know if he'd given MCCARTY a reasonable answer to the question, but he thinks that the elected officials, Mayor Weinstein and the City Council, the Borough Assembly, and he said he does recognize that there are Borough Assemblymembers on this panel (KCC), he thinks that it's best to go forward with all of them in agreement, or at least not in opposition to the proposal.

PAINTER said he just wanted to comment that he concurs with BOCKHORST and EDWARDS in regard to the elected officials. He said that both he and THOMPSON were elected to the Borough Assembly in October and have served and continue to serve on that body. He said he takes a little different view than he did, as he said he remembered MCCARTY saying, having been there now, he has a little bit different attitude toward the elected officials in the community, both on the City side and the Borough side, as well as staff. It's easy to stand back as a private citizen and scoff at what goes on here. He said he took it very seriously and there's a lot to be said there. Initially, we looked at the City's 2000 document as a platform and compared it with the other successful consolidations, Haines, Juneau and Sitka, and tried to make it a little more palatable for the voters. In some areas we debated issues until the cows came home. There were a few times where there were 4-3 votes and nobody likes to see 4-3 votes. Maybe we went a little too far in some areas and hopefully somehow, some way we can come to a middle ground agreement so that it is most palatable to most of the voters, because that's where the paycheck comes in.

FINNEY said it was obvious that they've turned Mr. PAINTER. He's gone to the dark side. THOMPSON said the expression was cut from the herd.

THOMPSON said that this really comes down to two issues that are outstanding that are somewhat inter-connected. The one is the sufficiency of the budget as it stands and the other is the tax cap and changing the fees. At the last KCC meeting there was some discussion among the commissioners that there was some confusion; one was there was not an intent that if we were at the property tax cap that's in the Charter, that we would have to an election. That should have been a super majority like everything else. We went back and reviewed the minutes and in fact, what was submitted to the LBC that says go to an election, was what we agreed to during that meeting. That wasn't the intent and we can certainly modify that. On the budget side of things, the City has raised some very good points, and the biggest one that stands out in everyone's mind is PERS & TRS and that's now come to the forefront of the news and how significant a problem this is going to be for the communities. The question is

how we dealt with that in our budget was not to deal with it, but just note that there was a problem out there that no matter what, it was going to have to be dealt with. The City felt that was insufficient and that we should have gone through and addressed that. Perhaps that's true, but in doing so, we would have to usurp the privilege of future assemblies in saying this is how we think it should be done; we're going to raise taxes or reduce services, which is what we were attempting not to do. He said he'd like to open the floor up the managers and get some comments to see how we can get past impasse.

Roy ECKERT said he'd like to go first and he wanted to apologize that he would have to leave in a little while because he had conflicting meetings. He said that THOMPSON had hit the nail on the head. The PERS/TRS issue is huge from a manager's standpoint. It's not the fault of the Boundary Commission or the committee here, or anybody else, it's a State issue and as we were told in a Nome manager's meeting a year ago, people that are on the system just aren't dying fast enough; it's causing a problem in the system. To be totally blunt, that's what it is. But, it does cause a problem and somebody was in my office last week and he said they said it the best he'd heard it put: As far as the consolidation attempt, we're like a builder. We're building a new house and we're telling the owner (the public) here's your new house. Go ahead and move in, but we can't tell you exactly what it's going to cost you yet. With PERS & TRS and everything else, he said he thinks the bottom line is when it goes to the vote, people are going to want to know what it's going to cost them. And if we (all of us together) can't answer that, we have a problem. He said he's not sure there's a simple answer to that. He said that EDWARDS had mentioned earlier that by asking the new Assembly to come up with a solution and the answers to that question would be like this person who went to the bank and said they had bought a house and it's already done and I've moved out of my old one, but I don't know what it's going to cost me and whether or not I can afford it, but give me the money. ECKERT said that given the state of our local economy, he's not sure that if we cap the taxes, that's one thing, but if we don't cap them, it's another. It's a two-edged sword. He said he's not a fan of increasing taxes, which goes into the alternative of decreasing services. That's obviously something that both local governments here and all governments, not just in Alaska, but also across the United States are having to look at. A lot of people have come to assume that services that are not provided by taxes are a right, and they're not. There are certain things that are required by governments to provide, but there are a lot of things that we provide that are not required, but if you start cutting them, it would be like saying to the people that one way to solve the PERS/TRS issue is to elect to opt out. I daresay that if we decided to opt our employees out of the PERS/TRS system, it would be worse than opting people out of Social Security. There would be a bigger fight because PERS/TRS will be here; he said he didn't have any faith in Social Security. There are a lot of huge issues, but that's the crux of the matter right there. All these issues boil

down to we're building a house. We're going to move in. What's it going to cost? If we can't tell the potential owner what it's going to cost, they don't know if they can afford it or not, and if they can't what do they do?

FINNEY said to ECKERT that you're the banker. Like you said, of those two houses, you tell us what's the second house. That's our concern, it seems like you guys need to tell us what are the PERS/TRS costs going to be. How are the Borough and the City going to deal with that between now and three years from now when the consolidated government gets put together? Are they going to be cut or are you going to raise taxes? You tell us and we'll incorporate that.

ECKERT said that's a State issue handed down to us. FINNEY said you're the manager. ECKERT said we don't know exactly what it's going to be, but we're going to have to look at either cutting some services or raising taxes, or both. THOMPSON interjected that we may get some money from the State. There are a couple of bills in the legislature right now. ECKERT said that if we get money from the State, and he urged AMYLON to weigh in on this, if they decide to fund the shortfall for a year or two, he said that compounds the issue because if we don't keep funding at 5% or increased costs, then once that is paid off, we're really going to take it. It's going to be worse than not funding at all.

MCCARTY spoke to both ECKERT and AMYLON and said he sees it sort of as a balancing thing; how far can we go? We have this thing turnkey ready and have we gone too far that we've gotten so detailed that we've pre-empted some things that an elected political body can handle. That's a theoretical one. On the specifics, he said, it almost seems to him that a lot of the comments are valid about numbers and that, but we don't know what they're going to be and to try and do something now, as opposed to as we get closer to something, trying to come up with the most accurate numbers you guys that are down in the trenches can give us. He said he had a problem with that. We can try to guess now, but like with PERS/TRS, we don't know exactly where those are going to go. Those are big ones. Insurance is a huge cost for local government and it seems to be skyrocketing. And that's leaving aside all the other things that can come up. He said the moving target we've talked about; we know we need something better as we get closer to the election to educate the people, but how far do we go? Is it an education process, or should it be in this document? He indicated that AMYLON and NEWELL really had some pointed comments and that's philosophically a real problem we have here. We're saying we don't want to go too far in tying up the flexibility, setting in concrete this system, and we're concerned about some of these things should be political decisions argued at a political body, as opposed to this volunteer group.

AMYLON said from his perspective, nothing is being set in concrete. Projections are part of a financial plan and that's what they are. He said he thinks the

bottom line here is does the KCC want to present a petition to the voters that is a best guess estimate as to what that second house is going to cost. If the KCC doesn't go through that exercise and consolidation passes, and then it's out of the frying pan and into the fire, and the costs were understated and the new management staff and new Assembly find themselves in a position of saying that to fund these things, well, the tax cap we promised you we were going to impose is no longer a viable mechanism. AMYLON said from his perspective, the new Assembly and management staff will have no credibility and that's the worst thing that can be when starting out of the gate.

AMYLON said that the finance directors can get together and probably give some projections that would more accurately reflect what the cost of PERS is going to be over the next 2-3 years. In his opinion, the legislation that's in Juneau right now, and reading the Governor's budget message, it's a temporary fix. It's not intended to be permanent. So there might be relief over the next 1-2 years, but after that, he said he didn't think that would be there. He said that ECKERT is right, once it goes away, there will be a huge, huge mess.

KIFFER said that we'd discussed this before and we found ourselves in the same position that the Borough and City are right now. Yeah, there's a problem here and the fix is...what? He said that's why he supported kind of ignoring that particular situation because he didn't feel that the KCC could come up with a projection that was going to be even close. The Borough & City governments are dealing with this on a daily basis right now and haven't come up with a plan, so he said he didn't know. He said he liked the idea of stepping back and that he agrees with BOCKHORST in that we don't want 4-3 votes and this thing, if the two governments can't support this thing, it isn't going to fly. He said he's leaning toward stepping back.

HARRINGTON said first of all, on the tax cap and on the PERS increase. He said as a volunteer organization, we have what you give us. And what we were given was a 5% increase. He said a 5% increase in PERS is nothing. But it wasn't 5%, it was more like a 50% - 5% of total salary increase. He said that never really got translated into his papers, so that the difference being huge as far as budget. He said had he had a firm grasp that was the kind of figures that were being discussed, he said it would have been relatively easy to at least have changed the projections on the payrolls to instead of holding with a 1 or 2% increase like we did, to go ahead and jump them up 7% a year for those three years. Those kinds of adjustments could have been made on the budget side.

HARRINGTON said he firmly remembers on the tax cap, he left the meeting that final day fully convinced we had set in concrete that we could raise the level of property taxes and sales taxes, the process to raise both was identical, a super

majority of the Borough Assembly. Thus giving that Assembly the flexibility to solve the tax problem, whatever it was, by either choice.

THOMPSON said he could clear that up for HARRINGTON a little bit. When we left that day, we'd set a 10-mill cap, hard number in the Charter. Within that cap, if we're at 8 or 9 as the previous year's levy, the increase over the prior year's levy, that was the 2/3 vote. To actually raise the cap was going to take a vote of the people. HARRINGTON said he understood that's how it got translated on the paper, but that wasn't his understanding of the motion and it may well be his misunderstanding, but he said, he'd left here fully convinced we had gutted the hard number tax cap and remembering that he was one of the strong advocates of that tax cap, leaving was with a mixed sense of he understood the logic of having parallel, equal sales & property taxes the same way and it was a step back for him because he had been probably the strongest proponent of maintaining a tax cap. He said he thought the problem had been solved and he was willing to back up and solve that specific problem if the Commission goes along.

OTTE questioned HARRINGTON saying that as long as he was willing to back up, would he be willing to change the hard number in the Charter to something like 2-mills above the current mill levy when consolidation takes effect, or something on that order that would make it so the new Assembly would not have such a hard time? Would that be an adequate compromise that it would take the hard number out of the Charter? HARRINGTON said that was what he'd assumed had been done. He said he knew it was going to be in there, but that it was easy to change. He said it was a misunderstanding on his part, but he thought why was he willing to get that close at the last meeting that we were settling the them and us sense and that we were getting to where we could speak as a unified body to solve the potential problems in the community.

PAINTER addressed the managers and said the big-ticket items were the PERS & TRS and insurance costs. He stated he thought there was a state-mandated sales tax cap at 10 cents. BRANDT-ERICHSEN said there was a State property tax cap of 30-mills, but there's no sales tax cap. PAINTER said he thought there was. He said to disregard his question.

MCCARTY said that at some point we were really going to have to address the issues relating to the balancing between the City and Borough and is more of a problem, he thought, than the tax cap. He said he thinks that we're going to be driven by reality to something that's a little more workable than what we have. Along those lines and talking cap issue for the moment, he wanted to know if instead of a zero-based budget meaning that we're going to be where we are right now or less, realistically what we're talking about for either two governments or one is cutting the amount of increase that's going to happen,

either revenues will have to be raised or spending is going to have to decrease. It's not something where we can hold the line. It's just going to cost more in the future, so we're maybe slowing down the increase is how he sees it happening. What does it look like in the future? It looks to him like we are looking at less Federal and State funding, it's going to be more a take care of ourselves money situation.

MYLON said he agreed and that he didn't think that there is going to be any miracle Federal or State bailouts. It goes back the premise that he tried to convey over the summer in that from his perspective, it's absolutely incumbent that a spending plan is developed that is realistic and as accurate as possible because that's what the voters are going to use as the basis. He said he understands the reluctance of the commission to say either tax increases or cuts in services are necessary, but for the long-term, he said he thinks the commission is better off being up front about it and having things shake out as they may.

ECKERT said he agreed 100%. He said fuel cost increases need to be addressed. He said the Borough is going through their budget process right now and fuel costs increases from last year are killing them. He said also taking the PERS/TRS, insurance, which is one of the least % increase they are dealing with, those are all playing a key role in the budget process and consolidation or not, we have to step back and look, with the decreased Federal and State funding, at what the ability of the citizens of this community to pay increased property taxes when the jobs are going away, things are happening, and the economy is just struggling to hold its own. How far can the governments go raising those taxes? He said he thinks they're going to be forced into a situation in the very near future, if not the immediate future, of looking at what services does government provide that private industry should be providing and back away from non-essential services. There are some hard choices coming up.

MYLON said for what it's worth, he reviewed the meeting minutes from 1/21/05, and there was a lot of discussion about taking a philosophical approach and putting the skeleton in place and setting the direction and then letting the future assembly and management work the problem through. It's good to say that, but the new Assembly and staff have to be given the tools to do that. Setting an arbitrary tax cap is in complete opposition to that premise because the flexibility is not being given, be it reducing services or having to increase revenues, half of the equation is being locked from the start.

KIFFER said that's only half the equation. This thing ultimately has to fly at the vote. He said he was with HARRINGTON with the tax cap and he said he was somewhat disappointed at how his perception as to how we left it. He said his perceptions were the same as John's that yeah, the tax cap is in there in ink, but

essentially a 2/3 vote raises the cap. If the tax cap is in there and it just takes a super majority on the Assembly to raise it, that, in his mind, it solves both problems. Granted, a tax cap in this charter is going to increase votes, now, if we can adjust that tax cap if we have to, by the Assembly's actions, doesn't that get us both hands?

PAINTER said he wanted to ask each one of the managers to refresh everyone's memory about the current method of raising taxes. He said the Borough and the City set the millage rates and/or sales taxes by Ordinance? Both? BRANDT-ERICHSEN said the mill levy is set by a resolution and sales tax changes, at the Borough, there needs to be a public vote ratifying any increase. Changes in exemptions are done by Ordinance. The sales tax increase would be done by an Ordinance and then a vote. He said he didn't recall whether the City requires a vote to increase sales taxes or not. NEWELL said the City is like the Borough except they require no vote on any increases.

THOMPSON said that was part of the rationale behind the super majority requirement was the melding of the two. On the one hand there has to be a vote and on the other hand, it's left to the City Council. A super majority is kind of a compromise position. Following up on that, to the property tax, the idea was that we wanted to have increases to the property tax levy, and he said he understands that it resets to zero, but we're talking from year to year, increases in that property tax levy would also require a 2/3 majority of the new Assembly, so that it would not be something that it was easier to raise property taxes than it was for sales taxes. They'd be on the same basis and require the same level of support from an elected body to increase them, whichever made more sense from a practical standpoint would be the tax that would be raised. He said he'd not been much in favor of the tax cap because, he said, he thinks it's superfluous if you're going to have that. The other thing with this tax cap, we exempted any of the bonding requirements and the bonds basically require the full faith and value of the municipality behind it.

MCCARTY said that EDWARDS made a real good point and we had discussed it when we were talking about having an election for it. He said he thought he could see where we were going, but he said he thought her point was a really tremendous valid one of why we are doing a disservice if we talk about having a firm cap that requires an election, because that means with the budget finalization in mid-June, if we're using that calendar, you've got to block back until 2 1/2 months or three months you start the election process. You've seen Congress, watched the Juneau legislature and look when all those revenue bills come out; the last 3 days of a session. As the numbers get closer to the deadline and have more accurate figures, that's when you can make a valid judgment. What do we need to make this happen, or what are we going to have to cut that's going to leave blood on the floors to balance this out. If you have

an election and you're mandated to have this process started so much sooner, you're either taking a major risk that we know we can make it work, or you start the expense and it may be unnecessary. He said he's not a fan of the cap, whether it takes 5 or 4 votes to do the raising, if there is enough good reason for it, you're going to get the votes to make it happen. He said he could live with that part, but he thinks the election is a terrifically dangerous process to have to use with respect to the cap. That's what the body is elected to do, to make the tough decisions. He said he thought it was kind of ironic, you run for the office, 3 of you, basically if you're talking about a cap, you're running on a program of please elect me, but I don't trust myself to be able to do the job without you putting this restriction on me. That's an interesting election campaign plank that was in effect. He said he thought that as they were on the body they started to realize what the give and take was. There are tremendously skilled staff with long memories. That sort of institutional memory in the background is a tremendous benefit, and then eventually at the table, the politicians who make the policy decisions that will be implemented. That's a reasonable compromise.

PAINTER said he didn't know how anyone else there feels, but he would be willing to remove any wording in reference in the document to the tax cap and insert the appropriate wording that any raise in the millage rate would have to go by super majority, or 2/3 vote, of the Assembly and remove the entire tax cap. HARRINGTON said that's what he thought we'd already done.

THOMPSON said he wasn't hearing any disagreement at the table. He said the question he has, and he said he would direct it to the City because of the forceful nature of their comments, what is it going to take (speaking to AMYLON), in your opinion, to make this a document that maybe you can't support, but not oppose? What steps do we need to take at this point?

AMYLON said that was a tough question. He said he didn't think the Council has given any specific direction as to what it's going to take to garner official City support, so he said, he can only speak from his perspective. He said it goes back to the two issues. One is having a financial plan that's realistic, that not only details what the probable costs of the new Borough will be, but is accurate enough where both City and non-City residents can make an informed judgment as to whether or not they support the cost of that new government. AMYLON continued that the second issue is the issue of fairness and how this body is going to fund that budget and how the resources that are on the table are going to be divied up. He said they'd raised some specific concerns about is it fair to be utilizing what are now City revenues/resources to finance the new Borough at the expense of City residents. And then how does that play out into what will become the new service area's ability to fund those services that are left with us and, a specific case in point is Public Works and the proposed use of the Public Works sales tax. Those issues are problematic and, he said, he thinks the KCC is

going to have to go through the exercise of if you want to address those services, then how is that going to impact on the cost of the new consolidated government. The KCC is going to have to draw your own conclusions, but he said from his perspective, especially in the Public Works sector, that if consolidation takes place, the new service area will still be confronted with some major expenditures down the road and it's going to need the resources to fund those.

MCCARTY said one of the specific things that had come up was some funds that were discussed that may or may not have money in them. He said he'd been watching some governmental entities at work and if there's money left in the budget at the end of the year, there's a rush to spend it because you don't want to turn it over because you don't know if you'll get it in the future. He said he didn't know how many of those funds were out there at this point, either projected to be spent, or have a very good likelihood of being spent and be gone from the public pool.

MYLON said he could comment in a couple of contexts. There is a problem at the hospital. The hospital has to be fixed and the only way that's going to get done, barring litigation and, if litigation is gone through, we're looking at probably a two-year process based on what the attorneys have told him. The City is going to draw the hospital sales tax down to nothing and from that they're probably then going into the Public Works sales tax to fix that problem and this is probably going to be done before June or July this year. So those monies are simply not going to be available to use as projected in the consolidation financial plan. Another area, MYLON continued, is the Economic Development Fund and the Major Capital Improvement Fund. Those monies, right now, are tied up with port development projects and they probably will be for the next two to three years. That probably isn't as significant a problem as the Hospital Sales Tax Fund. If a port project goes forward, depending on which alternative is selected and how it may be financed, he said he thinks there's a strong likelihood that certain elements of that expansion program may have to be funded out of Public Works sales tax and that is a critical concern to him because if the plan that goes forward decreases the amount of Public Works sales tax that the service area can generate, it's going to be a real problem for us.

MCCARTY said along those same lines, following up that Public Works thing, he said the KCC had a long discussion about how it seemed to make a lot of sense to that there is some benefit of having a Public Works unification, if nothing else, shared equipment, maybe shared mechanics, that sort of thing between the Airport, the City in one form or the other and the Borough. So, theoretically it made sense. It sounds to me like the problem is more mechanical in how it's done. Is that accurate, or do you think there's too many problems of trying to combine them?

MYLON said he could speak from his end and then he'd defer to ECKERT because he deals with that same issue every day on KPU & City Government and why can't there be two maintenance garages; why can't we combine the staffs? He's been working with his Public Works director and the Electric Division manager to try to advance a new facility that could serve that role. The question is the initial capital outlay is very significant and for the Borough and the City to combine those kinds of functions, a centralized facility will be needed before the economies of scale start. You can't do it in the context of existing facilities.

ECKERT said that he agreed. He said if you look at what the Borough has to work with public utility-wise, it's not much. It's more in the way of labor force. The equipment they have is getting old and it's going to require some significant investment in the future. What is provided for out in the Borough is not connected with what City services that are provided. He said, for example, the City came out to the Fawn Mountain school and put the electric in out there, it's a public utility and they did a great job and they did it quickly. ECKERT said there's no savings there. There's only one electric division already. What we look at is savings, when we look at combining the two, is really not much. It's said we could save personnel, but not really because the territory would really be expanded if it's a consolidated public utility because the sewer and water people have to go out, especially if we spread out to Mountain Point, the treatment plant out there, we're looking at doing something at Whitman Lake, so it's just spreading it out. Equipment-wise there's not a lot of savings. There would have to be some maintenance facilities to keep equipment at opposite ends to save transportation costs. It's a problem. It would take a lot of study and a lot of revamping. A central garage, you might see some economies there if you had mechanics and things, but overall, the combination, he didn't think the savings would be there on the scale that everyone thinks there's going to be.

BRANDT-ERICHSEN said he said he had a couple of comments not directly responsive to what ECKERT and MYLON have just said, but about the general discussion. Scott said when he first started working in local government as an attorney, one of the principles was, if you want to figure out what's going on, follow the money. The main issues the KCC is dealing with; BOCKHORST identified what's needed to get by the LBC and what's necessary in order to get approval of the voters. The LBC is more structural, but the voters issue is follow the money. What's it going mean to somebody's pocketbook? Where's the money going and where's the money coming from? Most of the issues that the KCC is looking at today are money things. What HARRINGTON recently described regarding the tax cap issue, if there is a shift to a system where whether for sales or property tax it can't go above current levels without 2/3 vote (a super majority) of the Assembly. Scott said he thinks the tools are being given to solve the problems. He said he thinks that goes a long way to letting the new elected body do what needs to be done to have government run

smoothly. All that has to happen is to come up with the right wording. On the tax levy, just changing the way it's described so that the principle of whether the sales tax is going to be raised above current levels in a service area or areawide, there must be a super majority vote of the Assembly or whether property tax is going to be raised above the prior year's levy, a super majority is needed as well. That can be done and it will take care of a lot of problems.

BRANDT-ERICHSEN continued that the second issue is for the current assets of the City and the current assets of the Borough, how are those divied up? In the City's comments they made a lot of objections to monies that are currently in City funds being split and going into funds that are going to be areawide. That doesn't have to be done. Those funds can be left in City funds and within five years the Assembly will have the tools to balance it out. One of the reasons there is a problem there, and there are philosophical differences on this, but if he did the math, it sure looks that way to him. People who live in the Borough pay money to City sales tax, or for their electric and telephone utilities that goes to spending that only benefits people who live in the City except to the extent when someone lives in the Borough and comes into the City, they get the benefit of the police and the hospital and what have you. 85% of the commerce and 85% of the sales tax that's generated in the City boundaries, but there aren't 85% of the people there. Mathematically, there's more money generated than the distribution of population. Whether it's \$600,000 or \$800,000 a year, whatever it is, subsidy to the KPU Water division. Everybody pays their telephone bill. Maybe most of the revenue actually comes from people who live elsewhere through the Federal regulations, but everyone is paying in, but not everyone is using the City water. The payment in lieu of taxes for the docks and for KPU goes to the City; it doesn't go to the Borough. So there is an unequal division at this point. If you try to fix that; if you try to make it all equal at the same time as consolidation, the City voters are going to be alienated; maybe not all of them, but some of them. So, if you're trying to get the thing passed, you probably don't want to alienate them if this problem can be fixed by a future Assembly. So, leave the monies where they are and let the future Assembly adjust the rates for different things so that it's equitable, but give them the tools so that they can do that, whether it's by super majority or otherwise.

BRANDT-ERICHSEN said the other problem, and this he said he thinks a bigger political problem for getting the thing passed is the way different things are funded. In the City budget they've been able to hold the mill levy at 6.4 for five or six years now and there are some things that help keep the mill levy down. One is the PILT; different combinations of things allow them to keep the property tax levy down. If those costs are being shifted, the same services are being provided, but the costs are being shifted different places, the tax levy is going to have to go up, whether it's sales tax or property tax, but the total amount of money demanded is going to be close to the same. The PERS & TRS

impacts; 5% a year increases for three or four years, if there's no consolidation, the Borough and the City have to come up with something to solve that. They're going to have to increase mill rates or increase sales tax, or cut services. For the KCC to propose a three-year budget that takes that into account, you're going to have to be proposing taxes that are higher than what people are paying. And that doesn't look good. He said he thinks that if you could get all of the non-utility, all of the tax spending translated into a mill rate equivalent, so you could compare apples and apples between the proposed budget and the existing budgets, he said he thinks it would look a lot better. For example, if the Borough had to cover all of those PERS & TRS costs, the mill rate equivalent, let's say it would be 11-mills to cover all of the things that the Borough spends money on. Well, the Borough doesn't levy 11-mills because it pulls money from here, there and the other place to try and have the taxes be lower. But if you're proposing a budget, you can't do that moving around as much, because you don't have the same tools. If you could get the City and the Borough to commit to translating their spending, their non-fee revenue spending, to a mill-rate equivalent, then there could be an apples-to-apples comparison and the KCC proposed budget might not look so bad. But if the City and the Borough don't have to project a three-year budget covering this PERS & TRS increase, or whatever other things they might not be proposing to cover, your budget's going to look worse. People are going to look at it and say, why should I do this? I'm going to spend more money. The reason why he thinks that is important is the newly elected folks and whoever their staff is, you want people to feel good about this thing that they've done, creating a new government. You don't want it to be a "gotcha" where, okay, they passed it, and boy, there's all this extra expense. We have to spend more. Our taxes were a lot less before. And that's a public education thing because if we're artificially, through one means or another, keeping our mill levies lower, or keeping our spending lower where we know there are these increases we're going to have to do, but we're not telling people about them, the public is going to feel hoodwinked and it will undermine the ability of the new manager to manage, it will undermine the confidence in the new government, and you really want to set it up with confidence of the voters because they have to make some tough choices on important things and they'll be able to do it a lot better if they have confidence of the voters than if they have angry mobs saying how come my taxes are so much higher than before consolidation? I hate you!

MYLON said he'd agree with Scott if it were an "all things being equal" proposition. But, he said, he didn't think you can ignore those increasing costs given the fact that a number of City services and obligations are going to go areawide and that is going to put an increased burden on all Borough residents, including those that live outside the City and he said he thinks they have a reasonable expectation to know what that cost is going to be prior to consolidation. He said he doesn't agree.

BRANDT-ERICHSEN said he's saying tell them the cost, but when you tell them what the current cost is, give them what the mill rate would be if they were just paying property tax to pay that amount now.

MCCARTY said what he's hearing is two parts to this tax thing; one was what he mentioned earlier that he thinks the bill's going to be bigger, but it's not going to be caused by consolidation, but there are things on the rise and we're going to have to fund by more taxes, or try to find some way to cut down. That's the one aspect that may be in our information we need to provide that we're projecting right now. This is going to happen whether you consolidate or not and you're going to have to be ready for it. There's another one that AMYLON's referring to that there's going to be some costs allocations that are going to happen, either by more taxes or reduction in services by this event. So, you have one that we're going to have to get ourselves ready to address no matter what, whether this thing is passed or not, so folks, if your bill goes up 3-mills to pay for PERS & TRS, it's not because of consolidation. There's another part that if we do this, this part will happen and you're saying those numbers we need to get more precise on. MCCARTY said he thinks that part of this education is this other part you're speaking of. It's going to happen anyway, folks, and maybe this is a way to help us handle that. He said he didn't know how those could be broken out. He said we have our numbers guru and of course, he can fix it.

THOMPSON said he was going to ask for HARRINGTON's comments and then there would be about a 10-minute break.

HARRINGTON said to AMYLON that he'd said there were some services that the City now provides that are going to go areawide that those costs would have to be spread to the Borough residents. He wanted to know what services AMYLON was talking about that aren't already covered by the Borough residents?

AMYLON said there were a number of services like the Museum, the Civic Center, and the Gateway Center for Human Services; those are going to go areawide, as will Ports & Harbors and that type of thing. Above and beyond that, even though the PERS costs are on the horizon as we are now, with those employees going to the Borough, that's going to shift how the PERS allocations are going to have to be funded from a purely what is now a City basis, to a Borough-wide basis. And, he said, that's his point.

HARRINGTON said that he was trying to track that AMYLON suggested that the Borough residents, the rural residents of the Borough weren't covering some of those costs already for these services that were being expanded. He wanted to know if he'd misunderstood AMYLON. Is there an additional cost that needs to be spread to the Borough/rural resident above and beyond what we are currently being covered? AMYLON indicated he didn't understand. HARRINGTON said it

was the step going to City services expanded to the Borough. OTTE interjected to HARRINGTON that he wasn't talking about the services being expanded, he was talking about the costs and associated...AMYLON continued, the cost of those services are now going to be funded areawide as opposed just by City residents under the current structure. HARRINGTON wanted to know what that is? What is that figure? Where are those dollars? He said he'd been operating under the assumption that the rural residents are already covering through sales taxes, a lot of those services. AMYLON said but not 100%. A good portion of those services are funded by the City property tax. That's going to go away and somehow the new Borough is going to have to pick up that additional cost, including the indirect cost that we've been talking about in terms of payroll and PERS. He said if HARRINGTON was asking him what that specific dollar figure is, he didn't know. HARRINGTON said he'd been operating under the assumption that if we try to hold the current tax structure stable through the next several years, that is not necessarily the dollar amount, but the funding process, so that all services that are currently being covered, will continue to be covered at about the same rate. As the transition goes through, no one sector of our society takes a sharper tax burden than what they are currently covering. AMYLON said his contention is barring an infusion of a new revenue source, that's an objective that cannot be reached. HARRINGTON said he was saying at a proportionate level. He said he knows that as costs go up, that a slight increase in the mill rate across the Borough and the City may be required, or a slight increase in sales taxes may be required, but they're going to be required anyway. He said what he saw within the City's proposal was a very sharp demarcation, a drop of taxes within the urban residents and rise within the rural residents and that was pivotal to the defeat within the rural area and that's why we've been trying to say, you can't do that, you've got to hold it steady as we move. AMYLON said he understood what HARRINGTON was saying and if HARRINGTON was asking him if he was expecting that kind of dramatic decrease in the City tax rate if the City's suggestions are endorsed by the Commission, he would likely say no, because things have substantially changed from three years ago. He suggested that he and HARRINGTON talk during the break.

There was a break in the meeting between 10:15 and 10:27 am.

MCCARTY said that it really sounds to him where we're going to have to put our work. We can deal with some of the funds that were brought up. The money just isn't there, or realistically it's pretty well allocated. That part we can handle in the budget fairly easily. This allocation, talking about this fund from the City is going to go to the Borough; this fund from the Borough to the City is a philosophical one that seems to drive the issues are much harder to resolve. He said he thinks there is some benefit of trying to get more into Scott had mentioned, kind of that allocation of working with some of those numbers and frankly, from his perspective, he thinks that there is a good likelihood that, one;

it's either going to cost more to run this new government than what we have now; or we're going to have to make major cuts or a combination of those. That's inevitable. We need to make that obvious. He said he didn't think we are doing a service by saying we're going to hold the line when we know that's not realistic. The other part is, he disagreed with a majority of the board, he said he believes that the equitable result of what happens is there's a good chance that the tax level, however it's allocated, either sales tax or property tax, goes up in the Borough and, at the same time, probably doesn't move much within the City limits. There are things like the Civic Center and the Hospital and a couple of others that are areawide benefits and right now there are some of those resources that, leaving aside how you argue the sales tax, people in the Borough are not supporting. They're certainly not supporting them through their property tax. He said he thinks that's something, you talk about the tax equivalencies from whatever we're looking at, the benefits, however we analyze it, he thinks that's something we have to face up to and he thinks that's the way we should look at it. Trying to put this thing together, trying to sell it to one group or the other that we're not going to hurt you, therefore you'll vote for it. He said he thought that was somewhat of a fool's errand. We're not going to get there. He said he thinks we've got to look at it and he knows we want to make it pass, but if we do too much of a sell job without giving the accurate numbers, it's an unworkable method and there's going to be a lot of dissatisfaction when you open up the box and find out what's inside. He thinks that the local population is prepared to go for this. They are committed to thinking it's a good idea and make it happen and if you will, a lot of the tuning is going to come from those seven people who are going to be sitting here when it happens, implementing it and running it in the future. He said he's real concerned about that idea that we've got to make sure it has no rough edges and sharp corners so people will like it. If we try to make all the people happy all the time, we're going to have something that isn't worth a hill of beans.

PAINTER said one thing that's really to forget the mindset of rural and urban, City and Borough resident. He said he has to keep telling himself all City residents are Borough residents with the exception of specific service area powers and functions and fees and additional millage rates, all City residents pay for Borough functions also. The thought occurred to him when we spoke earlier primarily on PERS, TRS is also a big cost. The costs of that TRS are burdened on all residents, whether City or not. He said he just didn't know that we could come to the finite answer of what we're trying to do. He said he thinks the beauty in consolidation is, and it hasn't been touched on a lot, developing a more well-oiled machine, or the chance to develop a more well-oiled machine, whether that's efficiencies in our operation of government and functions and services, or legislative to the State. Recently the Borough hired the same lobbyist as the City employs. A lot of people talked about that and a lot of people brought it to him that it's much more favorable to our representatives in

Juneau that the community of Ketchikan be represented by one person. So there's a lot needs to be said about having the tools to make the possibilities of more efficiency happen.

KIFFER said he thought this budget is going to a huge stumbling block specifically from the City's point of view. He said he wondered if it wasn't as simple as scheduling work session to re-look at the budget and as part of the folks sitting here at this table we have both finance directors here and we just hammer out a budget that's going to work. The figures that we initially started with were not the ones we kind of ended up with. The PERS, as an example, we knew it was up there and we knew there was an increase, but nobody had any idea how much. So, he said, his thought is maybe we need to look at the...let's re-look at the budget, let's put it back into work session and have the people here from the City and the Borough that can give the absolute most updated figures and their concerns and include them as part of this discussion.

THOMPSON said he'd like to make a comment to that before he recognized MCCARTY. He said to BOCKHORST that when we present a budget, he said he was going to say this with the example that AMYLON went in with the Hospital Sales Tax, which is the potential that those reserves will be depleted over the next few years which we had no idea was a potential at the time we put together our budget. At what point do we draw a line in the sand as far as the Commission is concerned in terms of...is this to be a feasibility statement or is it to be more of a turn-key, all-encompassing, continually updated document?

BOCKHORST said that this is an issue that occurs in every significant or complex proceeding before the Local Boundary Commission is that at some point you have to take a snapshot, and that's what it is you present to the LBC. Obviously there have been things that have changed and evolved since then and as the process moves forward, as we have here, so you put this petition to the LBC in September of last year. The City and others have commented on it and information has changed and at this point today you have an opportunity to make a decision whether you want to move forward with that proposal or you want to take into consideration some of the things that have changed. He said he thinks that the LBC would recognize that you cannot continually update a proposal to deal with every little nuance that evolves, and he said he thinks the LBC takes the broader perspective, in other words, is this, in a very general nature, an economically viable issue. He said he didn't think the LBC does or should get involved in the local policy determinations, the political determinations, about which make up the fundamental character and nature of this proposal. Those are decisions that are rendered locally, otherwise if it's the LBC's venue and decision to start tinkering with the Petition, then it becomes the LBC's petition and not the local petition and he said, he thinks we'd get embroiled in even a worse circumstance. He said, again, his strong

recommendation is to try to reach a consensus among the stakeholders in this proceeding, this body and the officials of the City of Ketchikan and the officials of the Ketchikan Gateway Borough and try to reach a consensus and move forward from there.

THOMPSON said it sounds to him that because of the fact that PERS & TRS were issues that we knew about and didn't address to the City's satisfaction or perhaps to the voter's satisfaction, that we should be looking at those and in circumstances where we know that there is a material change in what's happened, for instance, this hospital thing, that perhaps we should at least have something in our documents to address that, but as far as the minor mechanics of things that change over time, that's probably not something we need to worry about.

OTTE said she's hearing BOCKHORST. He does not want to tell us what to do. It's up to this body right now to decide whether we want update our budget to reflect all of these issues that have been raised, to look at them. Or, do we want to mention everything and keep it on the skeletal level that it is now. Mr. BOCKHORST has essentially told us that it's up to this body.

PAINTER said that the City and the Borough have been quite generous in the past year with their staff time to this Commission and he said, he didn't take that lightly. He said he doesn't think that we need to go back and task the City & Borough finance directors to help us completely revise the 3-year budget. There are things that will affect the 3-year budget that we don't know. There have been things that have changed in the community, service area changes, and ordinance changes since our document was filed. We talked about all of the moving targets and where do we draw a line in the sand. He said he thinks we need to provide the wording in our document to allow the future Assembly to make the changes as needed to try to keep up the changes. Give them the tools to do so. We can't look...we don't have a crystal ball to look into to see all of these things that could be, or more than likely, will be on the horizon. He said he didn't feel in all fairness to task the Borough staff and the City staff with going through this ordeal again. He said he thinks it's a big step if this body deletes the language in our document as to the tax cap and allows any change or increase in the millage rate, property tax rates be done legislatively with the new Assembly. He said he thinks that's a big step in solving the daily workings of the government.

KIFFER said he thinks there are some problems with the budget that are truly beyond our control. We don't have a crystal ball. But, he said, he senses that is not the entire issue. He said he still thinks there are some fundamental problems with not just budget, but the allocation of the funds. He said he thinks that we've got a great opportunity here and he would hate to just make some

changes just enough to get it squeaked by the City and the Borough governments and get this thing out to a vote. He said to him it makes more sense that if the City and Borough governments have problems with this thing, and he said he thinks they do, he doesn't think that it's just the amount of money, he thinks it's the way that money is being used. He said he'd like to spend a little more time and bring them to the table and if there are issues, now is the time, let's hammer them out and put together a better document even if it takes a little more time.

HARRINGTON indicated to BOCKHORST that on the current schedule, the KCC is to respond to the Brief/Comments by the end of February. If we back off of that for a little while and say we need an extra month and a half or so to review the budget and to refine some of the documents and potentially address some of the other concerns, he said he'd seen enough little things that need to be tweaked anyway, he inquired if that was within BOCKHORST's purview to allow us another month and a half or so?

BOCKHORST said that the LBC Chairman sets the schedule. When he set the schedule for the end of this month, he wanted to be sure that we had conferred with this body to whatever end it wanted as far as a schedule. In doing so, he also indicated that he would more than willing to grant an extension, and BOCKHORST continued he would strongly urge the KCC to take advantage of that opportunity, not necessarily a month and a half. He said he didn't know that the KCC would want to set a specific time. He said that he thinks the commitment that the LBC Chair has is that you folks take as much time as you think is necessary to work this proposal out and come to a consensus and BOCKHORST continued that he thinks that is consistent with what he would recommend.

MCCARTY said he thinks KIFFER hit the nail on the head a number of times in his comments. He said the analysis he sees is the first stage, do we want this as a body and that is based on does the community want to give consolidation a good try? He said he didn't think there was any doubt of that. Some of our members were brought somewhat reluctantly to table when we started and were skeptical of the process, but he continued, he thinks that we're unanimous in saying this is something that's really worthwhile to look into. We want to keep it up. MCCARTY continued by saying the next one is a tougher one. Can we do it? BOCKHORST stated very clearly at the beginning and throughout he's made the comment, we're not going to make it if we have substantial objection from any particular sector, especially such important and talented ones as the Borough and City governments. Whether they're right or wrong, unless we can bring us all to the table to some sort of mutual agreement or at least a mutual compromise where we won't shoot at each other, it isn't going to work. And, of course, you've got to have something that's palatable enough that the voters will

actually accept the final result. He said it sounds to him on these numbers; there are some things that are just kind of systemic, the numbers are so important, such big ones, and they're number issues. We need to address those. Some of the other ones, though, are philosophical, you know, the allocation between City and Borough. That may be tougher to get into, but he said he really thinks it's worthwhile. MCCARTY continued that we have some major things we know we can change; the cap – we obviously want to make some adjustments to how we handle that. He said we really need to get closer to agreement before we go further with the process and there may be some things that the either the Borough or the City may just say, I'm sorry, we just strongly disagree on this one and there's kind of no middle ground. He said we need to do that and some of these things, like say, the issues we have on allocation, may well have been addressed by the fact if there's no money there, why are we fighting over divvying up an empty pie pan? MCCARTY continued that he just kind of slide that across to the two City representatives that it sounds like some of these would be addressed by the fact that we recognize that the hospital fund is not available. That takes out some of the concerns you have. AMYON said he agreed. MCCARTY continued that on the Public Works, he said what he thinks that we heard them say was great theory and I think we all agree that in the long run it makes sense, but if you've got this major stumbling block that in the not too distant future, with or without consolidation, we may need new warehouses and new buildings, that's a major capital outlay. We may have to wait. Keep it as it is, it's running. If it ain't broke, don't try and fix it with the idea that these are areas that should be looked at in the future, but back off from doing some of these things. On some of those; now, the Public Works wasn't simply the building; it's an over-all function and that gets more into a philosophical thing, but there are some of those, while a great theory, again, using this idea that if to do anything near what we're talking about is going to be a major capital outlay, that's not maybe worthwhile to go into right now. Folks, I don't think we want to be telling people that we're going to go out and spend millions of dollars for outlay, bonding or whatever, over and above these tax things we might incur.

OTTE said she didn't think AMYON was referring to the departments themselves, but to the allocation of the Public Works Sales Tax and the percentage thereof, which we were assuming, as opposed to leaving it in the service area. She said she was a firm believer that we should continue on and get this...she said she didn't want to have gone through the past year for basically nothing if we cannot get this acceptable, at least cover some of these major issues, and there's going to be disagreement no matter what we turn in, but if we can get some of these major hurdles ironed out and get this response back to the LBC so we can keep the process moving, let's meet. Let's have our Friday night fun evenings again and let's get to work and do it. There's a whole bunch under our belts.

MYLON said if the Commission is willing to go through that exercise, he said that speaking for NEWELL and himself, they'd certainly make themselves available, but he said he thinks that the Council will take that as a very positive step forward in terms of the process and moving this along.

HARRINGTON said he wanted to remind everyone of where we were in September when we finally, in his mind, made some compromises at that 11th hour on the vote for raising the sales tax. That shifted from an areawide vote of the people to a vote of the new Assembly. At the same time that we moved that tax cap to a vote of the Assembly, in his memory. At that point, that ¼ % sales tax that was built into the Charter, he said he knew at the time it was pointless because this future Assembly had the option of taxing to fill the need. And it was one of those things that he'd mentioned that we didn't need to have in the Charter, but at that hour, we were at a deadline and we couldn't extend too many more meetings to clean up those little things. He said he thinks we now have the opportunity to go back and clean up some of those details because of those changes we made at the end of the process in September.

FINNEY said that to get the City's yes, the budget needs to be financially realistic and FINNEY said he thought MYLON had said that NEWELL would be happy to give us those numbers. He said he was curious, though, that three years hence, Bob, you can project a realistic budget with the PERS and all that? That's only half the equation we've got to deal with then, because then we've got to know, Karl, how you think the City is going to get three years hence from here to there. Are you going to cut services or are you going to raise taxes? We've got to have both parts of that to fit into what we're doing here. We need the same thing from the Borough. And then we can incorporate that and he said, he thinks we take those issues and kind of couple them with BRANDT-ERICHSEN's concept about here's the taxes based on a millage rate with the consolidation and without. But we've got to have both parts.

MYLON said that they were prepared to go through that exercise with the Commission and, he said, he thinks it really moves the process forward in a positive way. NEWELL said he tended to agree. FINNEY said he really liked the part where MYLON was volunteering NEWELL. ☺

OTTE said that she didn't think it was three years. She said her guess is, according to the time line, it's sometime in 2006. We're in 2005 now. (Interjection: I wasn't thinking of the 3-year budget we needed, just the start date. DUH) HARRINGTON said 4 years, then. We need the next year plus three more. OTTE continued that it was happening quickly at this stage.

FINNEY continued by asking MYLON for his thoughts, if he were to give a thumb-nail sketch, 2 years, 1 year or whatever, is it going to be a combination of

raising taxes and cutting services or.... AMYLON said that if we go through the exercise, the Commission will be in a position where it's going to have to make certain judgments on whether it wants to embrace projected increases in taxes or look at decreases in services. This is what we talked about during the summer. He said he didn't want to pre-guess or pre-judge what the outcome is going to be, but he said, clearly there are probably a half-dozen major financial issues that we (the City) feel that the Commission ought to address and we're prepared to work through that with the Commission.

THOMPSON said that one of the things that's interesting, though, is if we take the tack that the goods and services that are currently being provided by government now are those that are desired by the voters and the citizens and we hold that as a minimum denominator, then what we're talking about is what would be the effects on taxation with and without consolidation going forward, and that will actually give a clearer view. If we just put a proposed budget together for the consolidated community that shows taxes are going to increase, the knee-jerk reaction is going to be not to vote for it, but if at the same time, you show Borough and City projected budgets for the same time that the consolidated budget is based on that shows those would go up also, keeping everything equal on the services provided, that makes it a little more palatable and a little bit more explainable to the general public.

MCCARTY said that was what BRANDT-ERICHSEN was talking about of some things are going to happen no matter whether we do or don't consolidate. That's one part. There may be the ability to make some projections if we will have these savings, whatever. That's the second phase. The third one is he wasn't so sure that we'd be in a position to say you should cut services or you should raise taxes, but if we can put a decent budget together, we can give some projections and say, folks, there's going to be this big a gap. If we maintain where we are now, to keep that status quo, you're going to have a gap of X amount. Now, that's going to be up to the political body to make that call as to how the gap is bridged. But we've identified that gap and it sounds like we're going to be in a lot better position to give some pretty good information to say, this is where you're going to be and he said, he'd like one body making that decision, as opposed to one that decides one side and one the other and what the heck are we going to do?

BRANDT-ERICHSEN said how you're going to meet the gap, whether it's cuts or increases in taxes, what will make you look bad is if your budget says here's what you need to meet it and not propose cuts and it's being compared to an actual approved budget that made cuts instead, or did fund balance transfers. In order to get the background data you would need to put together and apples and apples thing. He said he thinks that for each of the functions that are done by the Borough and the City, you'd need six pieces of information:

- ✓ The total expenditures. Taking the Civic Center, for example, the total amount that's expended by it.
- ✓ Of that expenditure, the revenue that's coming to make the expenditure. How much is coming from sales taxes and which sales taxes. Is it Public Works sales tax, the General Fund sales tax, or what?
- ✓ How much is through fees?
- ✓ Is any of it from property tax, if so, what jurisdiction? Is it City, Borough?
- ✓ What percentage of that expenditure are personnel costs? That number will allow you to calculate what your PERS/TRS increase would be.
- ✓ What percent or amount is funded by outside grants, fund balance transfers that are not either sales or property tax or fees?

And then, if the City is currently running at X percent sales tax, X percent property tax, and you know the dollar amount, you can spread it areawide and calculate what property taxes you would need to provide that same revenue and you can make that apples-to-apples comparison, but if you don't have the breakdown and you don't know where the money is coming from for this type of expenditure, you're taking a guess. Your total expenditure for the Civic Center, let's say it costs \$500,000 a year to run now. If it's an areawide function, it should cost about \$500,000 to run. There will be increases because of PERS, but they're the same increases whether it stays with the City or whether it's consolidated. If you identify your ceiling, consolidated here's what your budget would look like, unless there are cuts and non-consolidated, here's what your budget would look like. You're going to make the same cuts whether you're consolidated or not consolidated. Being consolidated you might have more options for what to cut. He said he thinks the proposed budget will come across better to the public if you're able to develop that information.

NEWELL said he understands what Scott is saying. He said he'd probably take a little bit different approach, but he thinks we could probably end up at the same place at the end of the day.

THOMPSON asked if that made logical sense that that would be a better work product, acceptable to the City, Borough and the voters than what we have right now?

NEWELL said he couldn't really speak for the voters, but he said he thinks if the Commission can show an apples-to-apples comparison, he said he thinks that would be a lot more meaningful, but that's just his personal opinion. OTTE wanted to know what other format that NEWELL would suggest. He said he'd want to take a look at it and think about it a little bit more. He said he's also

very much concerned about the amount of time it would take to do it, so he said, he would want to look for the most expedient way to get to where Scott is talking about.

PAINTER said BOCKHORST had explained to us that we were going to have to apply for an extension of 45 days, 30 days, or somewhere in between. THOMPSON said he heard him say we could make it an open-ended one that we can respond when we're ready to.

BOCKHORST said that the LBC Chair has indicated that they don't want to put arbitrary deadlines on folks if they're willing to work and cooperate and he said, he thinks that's the end that we're all looking for.

PAINTER said that AMYLON had offered their services to help us work through this and he wanted to ask Scott, since ECKERT is no longer here, what his feelings were, since the Borough's coming up on their budget crunch time in June, about... BRANDT-ERICHSEN said he supervises one staff member. He said he didn't think she knows the budget much. PAINTER then asked him what he thought the general consensus is of the Borough staff in this whole scenario.

BRANDT-ERICHSEN said based on past conduct, he said he thought the staff's position has been to try and provide helpful information as needed. He pointed out that the Borough finance director is new to the Borough and is going through his first budget process and so he doesn't have the history that Mr. Hall had. PAINTER said he didn't know that it would require a lot of staff time from Mr. Houts. Most of the financial concerns seem to be from the City's standpoint. Understandably, before we re-submit this to clean it up and do the changes to the thing, we would want the Borough's approval of the thing, in unison with the City's approval, because what we don't want is to come down to the end of the line and go to the election with one or both of the governments opposing the consolidation. He said he guessed it would be a review by the Borough of what we've come up with. BRANDT-ERICHSEN said based on his experience, he said he thinks that identifying the transfer of costs into a mill rate for the Borough services would probably be easier because they are areawide services and so any dedicated sales taxes that the Borough has are for capital items and they don't mix into the general government budget, so it's a lot easier to isolate the different components. He said he didn't think it would be nearly as much work as for the City. The City has a more complex arrangement because they've got specified sales taxes for specific funds and some that fund multiple functions. He said he couldn't commit the Borough staff to doing it, but he said he would expect them to cooperate and be helpful.

NEWELL said he had one point and that was that granted, a lot of the financial issues have been raised by the City, but in terms of trying to help you work

through the problem, he still thinks we need to have some input from the Borough, because he said, he would not want to be responsible for making any financial projections based on Borough operations, so we would still need their cooperation.

THOMPSON said from the standpoint from being the one sitting in the hot seat putting this budget together, he said he'd be willing to meet with NEWELL and HOUTS on an as-needed basis, as mutual schedules allow, to try to hammer out some of the differences in the budget and some of these things to see if we can come to a consensus. But, he said, it's to a point where we need to let the cards fall where they may. He said that he understands that our premise at the beginning of the Charter Commission originally was first, do no harm, keep the tax rates and services where they are and based upon the fact that things have changed, for instance, this hospital issue, which the City's looking at a considerable draw-down in the reserves of the Hospital Fund, and also spending a considerable portion of the taxes that would have gone into that fund on some repairs and some things that will take years to resolve. Those monies may or may not be available for the budget and in our original plan they were part of funding some other operations inside the consolidated borough, so if we go with the premise that what we have for governmental goods and services right now is what the voters want, and we can show tax comparisons and we show here's where they are separately and here's where they are combined and then we just let the cards fall where they may. He said he thinks we're going to get a consensus from both governmental bodies that whether or not it's something they want to vote for, at least it's something that it's a fair representation of the facts. He thinks that's where we need to get to with that. He said the question he would have for AMYLON, is that okay with the City?

AMYLON said he would agree with that approach whole-heartedly.

MCCARTY said that it sounds like we've got a pretty good consensus and now it's going to be a matter of setting up formal sessions, informational sessions back and forth, and then bringing it back and doing something about it. Just looking, having done negotiations for many years, it sounds to me that we're pretty close to a consensus. Once we get some numbers and iron out some of these things, a lot of these issues drop out. They're not issues. If we don't have to worry about some of these funds if they're not there, you don't worry about divvying something that doesn't exist. A lot of these issues are going to drop out real quickly and then we start getting down to some of these ones that are pure philosophy as to how we're going to do it. That's going to be, to some extent, either up to the voters or we'll make a decision how we want to get there. He said he sees us narrowing the areas of disagreement dramatically and maybe there's a good chance that we get to a place that everyone's willing to say we can live with this as it is. Now it's a matter of setting up some specifics on the

schedules and to a large extent, the numbers are the ones that we really have to resolve and that's going to take some sitting around the table with a big pot of coffee, and then it comes back to us.

THOMPSON said he thinks that from where we are now to where we need to get to, it's going to take considerable amount of time to talk through some of these things and we may even want to change the format completely of what we present, so he said, he would suggest that what we can do is recess this meeting at the call of the Chair. That will allow me time to get with HOUTS and NEWELL as our schedules allow and at least start a discussion as to how do we get from point A to point B and then once we've got that as a consensus, maybe get some draft documents together and at that point then we'd call the Commission back to discuss where we are on that, but that would be to your pleasure.

HARRINGTON said he rather establish a formal meeting at the conclusion of this meeting because we do have several minor issues that we can address to amend the Charter and Petition, particularly the comments that Scott made regarding that, when we send out, that adds a flexibility to the future Assembly. There's the tax cap issue that can be addressed. Several of these things that we need to have, and that will also keep us on task and on track to get this done in a timely fashion. He said he didn't like the open-ended; let's work until it's done. He said he'd rather we set ourselves some sort of deadline so that we're not working in the dark.

THOMPSON said he concurs with that and he concurs whole-heartedly that we could set another meeting up to discuss those other issues, for instance, all the housekeeping things that we talked about. He said what he was thinking of was in terms of the budget, having gone through it once. It took virtually two months, and that was really working at it long and hard, and based on our schedules, whether or not the three of us would have that kind of time within the next two to four weeks to complete that effort, it's hard to say. THOMPSON said he wasn't talking open-ended two or three years down the road; he's saying 30 days, over the next two weeks we can get together and say here's where we are, this is where we want to get to, how do we go from point A to point B and what format do we want to take and how do we want to do this, and then at that point, come back to this body and say, we have a map and a game plan on how we're going to get there and meet at that time and let you know where we are.

MCCARTY said we schedule a meeting for housekeeping, the cap and these issues, date-specific. The other one, you guys meet. We don't necessarily need a meeting to be advised what your schedule is. A letter from you, as the Chair to us and to the regular notice route just to kind of give us a heads up as to what you've done and where we're heading. He said he thinks that might be

sufficient to address that. He said he didn't see having a meeting if we can handle it by letter.

THOMPSON said what he hoped is if we set up a meeting two weeks hence to deal with some of the housekeeping things and he said he was going to ask Scott if he would be willing to task, there was something that you suggested some verbiage in there to clean up some of the things. He said that Scott hadn't suggested the verbiage, but he'd said we needed to clean up this area and he said he was hoping Scott would suggest some draft language for the Charter. OTTE said that were several places on the Notes in Agenda Item G-1 & G-2, there are some notes and there are a couple of places that say "need new language from the attorneys". The Notes are numbered according to the Brief and Comments documents and then some of them are labeled "fix", the "moving targets" are what we've been discussed, but those are the budget ones that THOMPSON is going to review.

THOMPSON said to BRANDT-ERICHSEN that he had suggested that we needed to clarify some things and be specific. OTTE interjected some other examples. THOMPSON continued that there were several Comments that we concurred would be a good idea, but we didn't have any draft language suggested there. BRANDT-ERICHSEN said he could help with the language, however, on some of the things, for example, the geographic boundary vs. function, he said he needed to know which way the Commission wanted that. THOMPSON said he believed the consensus was function.

THOMPSON said that having been said, the question then before we go out of work session, did the Commission wish to address the topic of the tax cap at this meeting or wait for a meeting in the future? MCCARTY and others concurred that it would be better to have some actual language in front of us, instead of just the concept. OTTE said that's where we got in trouble last time is because we started diverting off the pages of written suggested motions, and then things went awry.

THOMPSON said he wanted to summarize our action plan at this point:

We'll meet two weeks hence. We will attempt to address all the housekeeping issues that we have identified with suggested motion language. OTTE wanted to know if we wanted to meet on Friday night in two weeks or on Saturday? The consensus of the Commission was Friday night. MCCARTY said he would be out of town. The date is March 11.

THOMPSON said the tax cap language would be addressed and get it to our original intent and there will be a budget revision update in getting a consensus with the City and the Borough.

PAINTER said two weeks Friday was March 4. THOMPSON said he'd be out of town. MCCARTY said he would be also.

HARRINGTON wanted to know what was wrong with next Friday, the 25th? He said let's get this thing going. THOMPSON said he would be out of town both the 25th and the 4th. MCCARTY wanted to know if this next meeting was going to be that much of a problem if both are gone? He said he was thinking like scheduling you can just send us a letter and he said he thinks we are awfully close on a consensus what to do about the cap thing and if not, we can always reconsider it when we get all 7 of us back at some later meeting.

OTTE clarified that the desire was to meeting next Friday, 2/25, and do the housekeeping and bring her lots of presents and chocolate since she'd be typing the entire 3-day weekend. Then the next one would be March 11th? MCCARTY said he thought she'd been fired. ☺ Not yet, OTTE said.

THOMPSON verified that PAINTER (Vice-Chair) would be available on the 25th to Chair the meeting.

THOMPSON asked if anyone at the table, Mr. BOCKHORST, or anyone else have any final comments.

OTTE said she appreciated BOCKHORST coming down for the face-to-face. She said we probably could have done this teleconference, but having him actually here makes it a lot more real. Before, you were just a name up there and an occasional correspondent. Now, by being here, it's reinforced things for us and maybe given us a little boost to get us back up and running again.

MCCARTY said the Internet has been helpful the way you (BOCKHORST) and others have been able to get the information out. He said he didn't know if it's worked with other consolidation efforts, but it's so convenient that when we ask a question, we've got an answer that day and it's appreciated. He said he knew BOCKHORST had a fairly heavy workload, but it's probably been useful to him to get the updates from our Commission and seeing what's happening.

BOCKHORST said he's very impressed with the KCC efforts. He said he's impressed with the meeting today and the apparent consensus. He said he was in the same boat as Scott, he only has one staff member and they do have a pretty full plate. He said they deal with 162 municipal governments in Alaska and many of the unincorporated areas are looking at borough incorporation or borough annexation. This is really the epitome of what constitutional form of government is talking about, trying to enhance and facilitate two existing governments that collectively have been in place for close to 150 years and trying to evolve to what was the vision of the Alaska constitutional framers and

that is, one central government serving an entire community with one voice and one group of representatives. It's an exciting issue for him.

MCCARTY said that if you can have a fairly decent document as a starting point, it's great for discussion purposes if nothing else. BOCKHORST said that he was not making his remarks gratuitously, but he said he works with many municipal governments in the State and he said to him, it's always a pleasure to be in Ketchikan because the folks on the City and Borough staff are the epitome of professionals and they care about the community, so he does hold this community and this region up as a model and he has shared much of this material with others that are interested in these kinds of issues.

THOMPSON wanted to know if the KCC needed to give BOCKHORST a formal request for an extension of time. BOCKHORST said that if we wanted to state a specific time now formally, the LBC Chair has indicated the end of the month as the deadline for receipt of the reply brief and obviously that needs to be addressed. If you want to leave it open-ended, we can arrange for that; if you wanted to have a specific time, we can do that, too. But one way or the other, it has to be addressed and you can tell me today in formal session and he can pass that on, or you can send me a note, either way.

THOMPSON said that should be an agenda item for next week. He said he was going to suggest putting a deadline on it, let's see if we can get an extension for whatever you guys, 30-60-90 days. He said 30 is probably too little and 90 may be too many, but somewhere in there. PAINTER said that THOMPSON was in the driver's seat, being the bean counter. THOMPSON said he was thinking probably 60 days, so, (to NEWELL) do you think that would be enough time? He responded that he didn't know. THOMPSON said we could ask for an additional extension from that.

KIFFER said he'd suggest after the first meeting when the 2 finance officers and THOMPSON get together, there would probably be a better idea as to how long the process is going to take and then come back with a recommendation as to how long we need. THOMPSON said that this Commission needs to let the LBC know by the 28th. KIFFER wanted to know if we could leave it open until we have a better idea of a time frame. THOMPSON said that BOCKHORST said we could have it open-ended. OTTE said then let's just leave it open-ended and we'll have the deadline for ourselves. We do have an agenda item today that addresses things that we talked about in work session. MCCARTY said that a transmittal letter from THOMPSON saying our request was open-ended but it's this Commission's every intent to push this as hard as we can with some hope of having it done by the end of April.

MYLON said that prior to setting a firm date, you might want to touch base with ECKERT and the Borough finance director because Scott had a good point, they are going into budget.

MCCARTY said he couldn't imagine the project being new to your job and right into a budget. Mr. HOUTS is quite capable, but he said he didn't care how good you are, that first one's got to be rather interesting.

HARRINGTON wanted to know if at this point amend the document, do we back up to where we were in December, or are we progressing on the calendar to get it approved. BOCKHORST said that's significant in terms of...he said he thinks the LBC and staff are committed to moving this thing along quickly. He said the fact that you're taking the time out to resolve and attempting to resolve these conflicts at the local level, he said he couldn't tell us how much easier that's going to be in the process because if that wasn't done, you would really add to the difficulty in getting it through the LBC and the work that we would have, so that's a very significant development as far as we are concerned. At some point, if there are going to be changes, there will have to be an amendment to the Petition and that can be done through the Borough, as they're the petitioner as the way the Petition was initially submitted, or the LBC can amend the petition. He said that the LBC, for reasons he explained earlier, would not want to amend this Petition to make significant changes unless it was clear that it had the support of this body and the support of others, and then the question would become if the Petition is amended, is there a need to provide for additional opportunity for responsive briefs and comments. And those things, we will work out to the extent that it is evident that there is greater support at the local level. He said he thought that would help move this thing along much quicker than it would otherwise.

MCCARTY said that we do the work here and yours (BOCKHORST) is relatively brief, hopefully, or we don't do the work here and yours is longer. BOCKHORST said their work would be more difficult and you're still going to be doing the work, too.

PAINTER asked BOCKHORST if there were any other responsive briefs, other than the City's and the Borough's. BOCKHORST said there was one responsive brief from the City and there were two letters of written comments from the Borough and Mayor Weinstein. The Mayor and the Borough are in the same category and the City government, through MYLON as a representative, is a formal respondent in the proceedings.

MCCARTY said he had one last comment before going out of work session. He said he thought all of us wanted to thank all the help we've had from the local government staff. It's been very valuable and on the specific point, rather than

seeing it as an offense by the City against the process, an attack on the process, what he sees is somewhat like turning in your first draft to your college professor and they take a look at the paper and they're not saying it's worthless, but the job is to do a critique on it and say maybe come back when you can do it a little bit better. So, he said, he takes that as positive comments because he said he believes both the Borough and the City are, in spirit, very supportive of the process, but they want to make sure it's done right. He said he thinks there has been some real benefits of those comments and we'll see whether we can finally resolve them or not.

G-2 RECONVENE INTO REGULAR SESSION

M/S PAINTER/MCCARTY to reconvene the meeting into regular session.

A unanimous voice vote passed the motion to reconvene into regular session.

M/S MCCARTY/PAINTER to set a meeting for the 25th to discuss various modifications to the Charter and Petition and get an update on finance and other issues.

OTTE said MCCARTY indicated financial matters, but she said that modifications to the Petition should be what are considered because we're not going to do the financial stuff. MCCARTY said that he would accept the meeting with the motion and items for that meeting, hopefully action items on modifications to the various provisions, including, but not limited to review of the cap and hopefully an update, if available, on the meetings on finance and/or a time line if one is developed. THOMPSON said that would be recognizing the fact that he was not going to be present. MCCARTY said he realized that, but maybe by that time you (THOMPSON) will have had a chance to have a preliminary meeting and it may be there is enough developed from that that you could give us an information update.

A unanimous roll-call vote passed the motion for a meeting on the 25th.

MCCARTY asked that the agenda also include an action item relating to the formal request to the LBC as to an extension of time for consideration of our Petition. THOMPSON said he needed a second. PAINTER said he'd like to amend that... THOMPSON said someone needed to second that. KIFFER seconded the motion. PAINTER said he'd like to do that before then, if at all possible, if all it's going to require is a quick note from the KCC Chair to the LBC and Mr. BOCKHORST asking for an extension of an undetermined amount of time, at this point, which will be determined within 30 days when that will be because the 25th is 3 days before the end of the month and he said he didn't want us to get crossed up. It's a simple deal. MCCARTY said we could either

take an action item now and say we want the request...it was his understanding from the comments that the desire was for us to take a formal action and do it next week.

THOMPSON said let's go ahead and put it on the agenda. He said he didn't think we needed a motion to do that. Let's put it on the agenda that we'll discuss the formal time frame of when we set a deadline, and in the meantime, if he has the concurrence of the body, he said he'd send a letter to Dan or he could just take it as direction today to ask for an undetermined amount of time and we'll come back to you later and tell you when we think we'll have it ready. HARRINGTON said to just get a motion on the floor.

HARRINGTON said we should ask for an extension of at least 60 days to amend this document. PAINTER seconded the motion. MCCARTY said he would withdraw his motion. THOMPSON said we had a motion and a second to extend our response period at least 60 days. OTTE requested an amendment to say at this point we would like to amend our response period with an indeterminate final date. We will do our best to hurry the process along. MCCARTY asked to modify the request. HARRINGTON said he thinks he did that with "at least 60 days".

MCCARTY said that he'd mentioned earlier that we were going to ask for a request for an extension of time. That's the motion on the floor. He said he was comfortable with the idea of either having a 60-day or setting an indeterminate. What we do is we have a nice transmittal from you as the Chair, with an explanation that goes along with probably the comments that Mr. BOCKHORST will have already passed on that we're going to push this as quickly as we can and we're going for as short a time as possible. Whatever language you wish to use, just an accompanying letter and maybe it's better to do an open time period.

THOMPSON said why don't we leave it at "at least 60 days" and if we need more time, we'll know when that deadline is and we can ask for more time at that point. That does both. It gives us a target deadline, and if we need more time, we'll go back and ask for more time. MCCARTY asked for the motion.

OTTE said to extend at least 60 days.

A unanimous roll-call vote was taken on the motion.

H: UNFINISHED/OLD BUSINESS

- H-1 Termination of Commissioner Otte's contract for secretarial service, effective 9/30/04.

M/S PAINTER/HARRINGTON to terminate Commission OTTE's employment contract retroactive to September 30, 2004.

THOMPSON said he'd like to say thank you very much to OTTE. He said he was very pleased with Debby and all the things she did to make this thing move forward, and continues to do so on a voluntary basis.

A roll-call vote was taken on the motion.

FOR: HARRINGTON, KIFFER, PAINTER, THOMPSON, MCCARTY
AGAINST: FINNEY
ABSTAIN: OTTE

The motion passed 5-1 and 1 abstention.

H-2 Discussion of changes to the Petition as a result of the work sessions. Any changes decided upon will be brought forward for a formal vote at a subsequent Commission meeting.

NONE

THOMPSON said those things had pretty well been covered today.

I: COMMISSION COMMENTS

FINNEY said that one thing that's been discussed a lot with BOCKHORST and the City and Borough is that we're trying to get consensus on this and he said he's not sure that's necessarily where we will end up. One thing we could end up with in our Petition is to have both the Borough and the City equally mad at us and that's probably as good a consensus as we'll get. ☺ At first, the Borough says that it favors the City and the City says it favors the Borough; we've got to be where we need to be.

HARRINGTON had no comment.

PAINTER said he'd like to thank BOCKHORST for coming down and the Borough and City staff and he said he looks forward to the future of making the necessary changes so that we can go to the voters unified toward consolidation.

MCCARTY said we knew we had somebody we'd selected as Chair who was behind this process and helped to get the election started, but he said, he didn't think we knew or anticipated that we'd put in a financial guru and it is becoming

obvious to us that was one of the biggest things we need to work through, so the work that Glen has done is incredible. The work that the staff on both bodies has done, but you need somebody as a catalyst and without having had someone with the ability and the desire to work those numbers so hard, we wouldn't be where we are and we wouldn't have the chance of making it work that he hopes that we have. So, you get kudos also (THOMPSON), but in different areas each of the departments of the two governments have given us immense help; the attorneys, the clerks, the finance and the managers and hopefully this effort is going to work. He said he didn't envy the guys trying to work the numbers. It's easy for us that don't do it to say no problem; we'll see it when you come back.

KIFFER said he appreciates the understanding that the local governments and Mr. BOCKHORST has in this process and that we're not all government-type folks and legislators, he said he appreciated the patience shown.

OTTE had no comment.

THOMPSON said he'd conclude by also thanking Mr. BOCKHORST for coming down clear from Anchorage and the staff for coming in on a Saturday. This entire process is about becoming one community and he said if we can't agree on a document that we can all, maybe not embrace and love and nurture ourselves with, at least not oppose, then we're spinning our wheels. THOMPSON continued that he thinks we can get to that point. We just have to maintain a basis in reality and move forward on it. The process has been...this is try number 5 and it's something that the community has been attempting to do for many, many years. He said he thought it was possible to do it. We'll see where we can go from here.

The meeting was adjourned at approximately 11:36 a.m.