

KETCHIKAN CHARTER COMMISSION

AGENDA STATEMENT

NO G-1 & G-2

MEETING OF **March 11, 2005**

ITEM TITLE

Work session₁ to discuss the comments and brief submitted to the Local Boundary Commission on the 2004 Ketchikan Consolidation Petition, as well as any other items of business of the Commission

SUBMITTED BY Glen Thompson

SUMMARY STATEMENT

The Ketchikan Charter Commission submitted the 2004 Consolidation Petition to the Local Boundary Commission the end of September 2004. The LBC provided a comment period for individuals and municipalities until December 27, 2004. The City of Ketchikan submitted a brief and the Ketchikan Gateway Borough Manager, as well as the City of Ketchikan Mayor submitted written comments on the document.

During this weeks' meeting, the Commission will recess into work session to again discuss the format and subject matter of a formal response to these comments and brief. Attached are email responses to a query from the Commission regarding Sections 11.04 & 11.05 of the Charter and the subject of non-recourse bonding as well as a discussion topic regarding the PILT issue and Article XIII of the Charter.

RECOMMENDED ACTION:

G-1 "I move to recess into work session to discuss the Commission's response to the comments and briefs received by the LBC, as well as any other Commission business."

G-2 "I move to reconvene into regular session to consider scheduling of any further necessary meetings, adoption of any proposed language for the formal response (if necessary) and to conduct the rest of the Commission's business."

¹ Work sessions are informal discussion sessions held for purpose of exchanging and gathering information. No action may be taken, formal rules of order are relaxed, and it is not required that minutes be kept.

RE: Sections 11.04 & 11.05 of the Consolidation Charter

Response by Scott Brandt-Erichsen, 3/5/05:

Bob Newell can correct me if I am using the wrong terminology, but the concept is best illustrated by a tangible example. The city of Ketchikan currently has a charter provision which requires a public vote in order to pass revenue bonds. The Borough does not require such a vote for revenue bonds. Generally there are two types of bonds, revenue bonds and general obligation bonds. General obligation bonds pledge the full faith and credit of the municipal entity while revenue bonds only pledge the revenue from the designated project. As such, most revenue bonds are also non-recourse bonds in the sense that the taxpayers are not responsible if there is a default and there is no recourse against the municipal entity involved.

Revenue bonds are often used in connection with major construction projects connected with enterprise activities such as the port, KPU and the Airport. The city has in the recent past been discussing revenue bonds for the port expansion. As revenue bonds of the city these require a public vote. If the new municipality were to issue the bonds as revenue bonds the charter would call for a vote. However, if, rather than calling them port revenue bonds, they are nominally labeled as non-recourse economic development revenue bonds, then section 11.05 would appear to authorize them to be issued without a public vote.

In our experience with economic development, the determination of whether a particular expenditure is within the economic development powers is a factual determination made by the assembly. A court will not reject such a judgment call by the assembly unless it is clearly unreasonable. As such, the range of projects for which an argument could be made that it promotes economic development is very broad. So broad in fact that it is likely that most items for which revenue bonds could be used could be asserted to be economic development projects. As a result, the idea of requiring a public vote for revenue bonds is undercut if you can issue "non-recourse economic development bonds" which are paid by the revenues from the project without a public vote.

You can leave the charter as is, but I wanted to let you know that the public vote requirement for revenue bonds in 11.04 can easily be avoided by the non-recourse bond option in section 11.05. If you want the public vote to clearly apply I would omit 11.05. However, the law does not require that a public vote be used for revenue bonds.

Scott

Response from Bob Newell, 3/5/05:

Scott is correct. The use of the term "non-recourse" when discussing revenue bonds confuses the issue because revenue bonds are by definition secured only by the revenues of the enterprise or project they are intended to finance. Since there is no full faith and credit pledge by the issuing municipality, the bondholders cannot compel the municipality to raise taxes or use other non-related revenue sources to satisfy debt service on the revenue bonds. A municipality can issue bonds that have recourse. These bonds are called "double-barreled" bonds. These type of bonds are secured by the revenues of the enterprise or the project. They also carry a full faith and credit pledge. They are generally categorized as general obligation debt because of the full faith and credit pledge even if the issuing municipal "intends" to use only the revenues of the enterprise or project to pay for the debt service.

Bob

PILT INFORMATION

The section below from the City's responsive Brief is talking about PILT to the Service Area, not necessarily the Municipality, which is what Article XIII of the Charter references; the Municipality only. During the past few discussions on this topic Commissioners have said that the "may" substituted in Article XIII allows the Assembly to charge a PILT. IT DOES NOT SAY THAT THE GATEWAY SERVICE AREA IS ENTITLED TO OR HAS THE ABILITY TO COLLECT A PILT FROM THE UTILITY, OR IN OTHER SECTIONS, THE PORT.

I would suggest that Article XIII be re-written to encompass both the Utility AND the Enterprise funds. (Commissioner Otte)

Also attached to this document are excerpts from minutes talking about the PILT from earlier Commission meetings. Okay, talk amongst yourselves ☺

~~~~~

### **11-A. THE PETITION'S FAILURE TO PROVIDE FOR PAYMENTS IN LIEU OF GATEWAY SERVICE AREA TAXES FORCES SERVICE AREA RESIDENTS TO SUBSIDIZE AREAWIDE SERVICES**

A fundamental principle behind the recent consolidation proposals has been that areawide services should be paid for on an areawide basis. The Petition deviates from this principle when it fails to require Ketchikan Public Utilities and the Port of Ketchikan to make payments in lieu of taxes to the Gateway Service Area. In 2004 the City of Ketchikan will receive \$650,000 from KPU as payment in lieu of property taxes. It will also receive \$102,000 from the Port of Ketchikan as payment in lieu of taxes. These are two of the largest City "taxpayers." This money was available to fund the police, fire, and public works services upon which these two agencies rely. The Petition removes this source of funding, thereby placing a heavier burden upon the taxpayers of the Gateway Service Area.

It is particularly appropriate for the Port to pay service area taxes. The Gateway Service Area will have the obligation to provide land transportation facilities to cruise ship visitors and operators. The Port is a heavy user of these facilities. Since the new Municipality will not have street or road powers, the service area will need to provide streets, sidewalks, and traffic safety from the Port but will not receive compensation from the Port for those services. The service area will also provide solid waste collection, fire protection, and security regulations and the dependency of the Port on the Police Department. Without the services - provided by the Gateway Service Area, the Port literally could not survive. Yet, the Petition exempts the Port from contributing to the cost of these services. Under the Petition, the Gateway Service Area will subsidize the areawide Port operations and KPU.

**As suggested in the June, 2004 Memorandum by Borough Attorney Scott Brandt-Erichsen.**

Charter section 8.03(e) requires payment in lieu of taxes. A similar requirement for ports is in Charter section 10.08(b). While this is not a crucial issue, I would suggest using the permissive " may" rather than the mandatory "shall." If it remains "shall" the budget should calculate the full PILT areawide and in service areas. The revenue amount could be significant, certainly more than the current PILT.

In an effort to provide the Assembly of the new consolidated municipality more leeway in pursuit of a balanced budget, an amendment to Section 8.03 (e) changes the word shall to may in the first sentence. This abrogates the necessity of utilizing PILT, while giving the body the option to do so if needed.

2/27/04 M/S Harrington/Kiffer to amend 8.03(e), Payment in Lieu of Taxes, to substitute "may" for shall in the first sentence and delete everything after the first sentence in that section.

Commissioner Harrington said he felt that this ties the future Assembly's hands in that they must charge and exactly what they must charge. He said he feels it is a hidden tax payment and the citizens should know what they are paying for.

Commissioner McCarty asked Mr. Amylon why this was put in the Charter. Mr. Amylon said it is not at all uncommon throughout the country for public or private utilities to pay payment in lieu of taxes. In his experience in upstate New York, the utility as well as the railroad, both paid taxes determined by the State of New York. The theory is quite simple. Why shouldn't KPU have to pay a fair share for police, fire, snow removal or anything else for which the private citizen pays taxes? They are a revenue generating utility and it is common practice across the country to base it on the assessed valuation of the assets of the utility based on the millage levy. It is no different than the Port paying to the government a payment in lieu of taxes, which it currently does. The Port benefits from the same services as a private citizen: the police, fire, and public works.

Chair Thompson asked Mr. Amylon his opinion about putting how things have to be done in a Charter document, as opposed to just saying it will be up to the new Assembly to determine how the Charter is carried out. Mr. Amylon said that in (d), for example, that incurring of debt is a very sensitive issue. He said that he had heard many times that people could not conceive the voters ever giving up the right to an Assembly to issue debt. In terms of the Utility, generally speaking Utility debt is in revenue bonds and generally, there is a distinction between general obligation bonds that are backed by the full faith and credit of the municipality and the revenue bonds that are solely based on revenues. There were a few in the Council who thought revenue bonds didn't need voter approval, but the majority of the Council felt that was a precedent (no voter approval for debt) that they didn't want to get into.

Mr. Amylon said that paragraph (b), General Manager, is in there to because when the original Charter was written in the 1960's, there was a lot of concern that KPU has to be operated in a reasonable business manner, that the general government side, that if there wasn't a restrictive clause, that it could interfere with the utility operating in a business-like manner. Wouldn't it be easy, without the restriction, to transfer excess funds from the utility to fund general government and then nobody would have to pay taxes? Perhaps ridiculous, but it certainly makes the point about why the paragraph is there.

On paragraph (c), Lapse of Appropriations, Mr. Amylon said he didn't know the genesis of this paragraph, but during his tenure as Manager, his office and that of Finance have made a concerted effort that if an appropriation has been made in one year's budget and no significant activity occurs regarding this appropriation, the policy has been made to have that appropriation lapse. That precludes any department or Division from maintaining and adding to a slush fund or perhaps deviating from the intended purpose by not using appropriated monies in a timely manner. You don't want vast amounts of appropriated monies being carried over for years and years as opposed to lapsing back into reserves and being re-appropriated for a different purpose. The City Attorney can probably further address this paragraph if there are further questions.

Commissioner McCarty said he remembers living near military bases and they paid payment in lieu of taxes. He questioned whether this is not just a way to move money from one pocket to another. He questioned whether the Commission should go out and get commercial appraisals on all of KPU's properties. Mr. Amylon said that even though the City is a little behind, they have current appraisals of municipal properties so that they have values to translate into PILT. He also said that Commissioner Harrington was right, that it could be argued that it's a movement of money. The services offered through property taxes are services that are afforded to the Utility. Commissioner Harrington said that on the other hand, there comes a point where there is an illogic involved of the city paying the city for services. Commissioner Harrington said he didn't want to say don't do it, he just wanted to let it be up to the new government. Mr. Amylon said he was just trying to respond to Commissioner McCarty's argument. There is precedent in terms of military installations and there's precedent in terms of special franchises. He said he didn't want to argue the point and he felt that the rationale for the Utility having a PILT is the same rationale as why there is a PILT by the Port. He said he guessed the question that the Commission is ultimately going to have to look at is how the may and shall are quantified in the transition plan.

Commissioner Harrington said the less changes made in the way things are done now, the better, and the more flexibility that can be given to the new Assembly, the better. He indicated that in providing a transition budget, he would assume the PILT was in there so that somewhere down the road, the new Assembly can say to discontinue the practice. Commissioner Painter concurred. Current practices continue during the transition time until they are changed or re-affirmed by the new Assembly.

Commissioner McCarty said that these are areas that should be highlighted to come back to, since these have financial implications. The assumption is that PILT will continue and there are other things that need to be re-addressed. He said that leaving the things in the charter is better, since

things may change radically in two years and these sections will have to be re-addressed, but that this is one of the areas that should be grayed or highlighted to come back to.

Commissioner Kiffer said that the Utility is locked into paying the taxes with the way it's worded. He wanted to know if there is another way to get that money if the PILT is dropped. Commissioner Finney answered maybe fees, or blocks of money. Chair Thompson said he was going to vote against the amendment because the utility is supposed to run in a business-like manner and they should be paying those applicable taxes for services utilized. If the wording is changed there is a potential for a future assembly will give the Utilities a tax relief that changes their competitiveness and if we don't have a utility providing the highest level of service at the lowest competitive price, we are not getting the efficiencies we want. This section levels the playing field so that the Utilities and any of the competitors are on the same footing and the taxpayers of Ketchikan know what the true costs are associated with the services charged to them. If the utility is going to run on a business-like basis the cost of the infrastructure to conduct the business should be included. He said he feels that perhaps the method or amount set in the Charter could be removed, but not the requirement to pay the taxes.

Commissioner Harrington said the Utilities are NOT like other businesses in town that need the electricity and phone service to conduct business. He said that it raises the cost of KPU doing business, which is like a tax hidden from the people. He said if there were competition for the services provided by KPU, then they should pay the taxes. Further discussion between Commissioner Harrington and Chair Thompson took place.

Commissioner Finney said that he probably would vote for the amendment because one of the options out there is to have them pay those taxes through the utilities and he feels that item (b) should be removed and have the excess income dollars go back into the general fund. If can sell power to the cruise ships at a profitable rate, why then shouldn't the whole community prosper from those sales. Secondly, he says he favors the locally owned utilities as opposed to a larger entity to come in and raise the rates. With a local utility, the people have some say-so in how high the rates go. If not taxing the utility gives them an edge over anyone coming in, and then he would be in favor of that to keep the competitive edge with the locals.

Commissioner McCarty said that (e) and (b) are about the same things. Either we pay taxes, or we shift excess monies to the general government. You can either call it PILT or the profit could go to the general government. He said it seems to him that if you're paying something, it really doesn't matter what form it comes from. There is a possibility that the rates could be jacked up to get a profit to move the money elsewhere, but he said it really wasn't his area of expertise.

Mr. Amylon said he wanted to point out two things and that he wasn't there to advocate "may" or "shall". He said that you couldn't look at (e) without looking at (b) because if PILT are not required, his interpretation of (b), if you have surplus assets or funds, you cannot arbitrarily transfer them to the municipality's general fund. Point two is a side note. The City vs. Borough mindset must be set aside when looking at (e) because the PILT is not going to the City but the new municipality.

Commissioner Kiffer felt that if the utility is taxed, money is being taken out of our own pockets and why is the utility making a single dollar. They should break even. He said he doesn't understand this and he's going to vote yes, but with the assurance that the section will be grayed out.

Commissioner Finney said that if the excess money were taken straight across and the property taxes were lowered as a result, then the municipality would have a different base for generating revenues, say from the cruise ships.

A roll-call vote was taken on whether to substitute "may" for "shall" in 8.03 (e) and set aside everything past the first sentence of that section.

FOR: PAINTER, MCCARTY, KIFFER, HARRINGTON, FINNEY  
AGAINST: THOMPSON, OTTE  
ABSENT: NONE

The amendment passed, with the stipulation that the section be shaded.

Discussion was held on (b), and Commissioner Harrington didn't like the idea of monies transferred from the utility would fund non-profits. He would just as soon leave the monies for the utilities only and have it run as much like a business as possible. Most Commissioners agreed that changing (b) was not a good idea. Commissioner Harrington said he would possibly bring an amendment to this section. Chair Thompson said there were two ways to deal with reserves: transfer funds to the general government, or keep the reserves in the utility and lower the rates. He said that Electric and Telephone are regulated and there is language that talks about how their rates are set. Commissioner McCarty said that the regulatory agencies are comfortable with PILT, but he said he wasn't comfortable at this stage changing the language in (b) because it is such a major change and it leaves it open for the possibility for outrageous rates to subsidize other areas of the government. He said that there should be some way to get the money to the community. By changing the "may" to "shall" there is a safety valve because if a future assembly decides to not do the PILT, they will have to decide where to come up those funds in the general government. The Commissioners also talked about (b) being a safeguard against underhanded transfers of assets from the utility to the general government.

Mr. Amylon spoke to the Commissioners and said that Water, Electric & Telephone are not regulated by the RCA; however, they are regulated related to various aspects within the Telephone Division. He cautioned against inserting language that gives the assembly free autonomy to start shifting excess assets and funds other than how PILT is defined from utility to general government. If you provide language for the Assembly to achieve that end, he said his immediate concern is the opening up of the potential for placing the utility in conflict with a wide variety of statutes relative to the Telecommunications Act. If the Commission were concerned about the accrual of significant reserves, obviously the Assembly would have to look at the need for reserves against the potential reduction of rates. He said in his opinion the Commission should



not look to KPU assets as a substitute source of revenue for general government. Not only is there potential to mask the true cost of general government, but also there is potential to put the utility in conflict with a variety of Federal and State statutes.

Commissioner Finney questioned about when there is money left toward the end of the year, isn't there a rush to spend before the new budget year? Mr. Amylon responded that it is a balancing act. Depending on the involved personalities, there is a potential to do that, but if there is not some kind of emphasis placed on expending money for program projects in a timely manner and those funds are allowed to accrue over a period of time, with no intention of being expended, then there is the potential for understating assets for the Utility because those assets have been programmed for a dedicated purpose and they are no longer un-obligated, even though there may no longer be an intent to spend them depending on the circumstances. That is what led to the City's present practices. When these funds are carried over year to year, the assets available to the budget process are understated. Further discussion was held regarding these and other issues relating to Article VIII.

Marvin Hill, 808 Forest Park, said that one of the checks and balances of the government system is the public budget process and this information is all open to the public. They can come in and see the reserves, etc. The public can act as a watchdog.

Commissioner Finney wanted to know why in 8.01 there was the provision that the Water utilities may be split off water utilities and wondered why this was in here. Commissioner Otte thought that because there were other water service areas and running all the water services by the municipality may be a less expensive option for the community.

Commissioner Finney then questioned section 8.03 (g), Sale of the Municipal Utility. He wanted to know why it was worded electric, telephone, and water services. He felt that it should say electric, telephone, "or" water services.

M/S Finney/Harrington to change the "and" to "or" in 8.03(g).

The amendment passed by unanimous voice vote.

Commissioner Kiffer indicated that in 8.01, the word "water" should be removed to just say "services" be removed. Commissioner Harrington said he would like to highlight the entire of Section 8.01 and come back and revisit it next meeting.

A roll call vote on approving Article VIII, as amended, in the first reading, was taken.

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

Article VIII as amended was approved in the first reading.

**3/5/04 F-1: Acceptance of the Article VIII, Municipal Utilities, of the Ketchikan 2004 Draft Charter , Second Reading**

M/S McCarty/Finney to approve Article VIII, Municipal Utilities, of the Ketchikan 2004 Draft Charter.

M/S McCarty/Thompson to amend Section 8.01(e) from "may" back to "shall".

The reason Commissioner McCarty stated for making that change was due to the emphasis of Mr. Amylon's remarks that much of the utility's operations are governed by Federal and State regulations. There is a certain sentiment that the municipal utility shouldn't have any tax advantages over a private business, therefore the Payment in Lieu of Taxes wipes out any perceived advantage for the municipally owned business. It is also an accepted form of revenue transfer from the utility to the general government. The Federal government pays PILT and if a private company would be paying those type taxes, so the local municipality should pay their fair share. It is also a fairly fixed amount so that planning for expenses is easier from year to year.

He said that if the wording remains "may", there is the potential of having these monies be a political football and a way to potentially hide the cost of government and that wouldn't be appropriate.

Commissioner Finney asked about the rest of the paragraph in 8.01(e) and he was reminded that section was being deleted. It was felt that paragraph was more detailed than needs to be in the Charter.

A reminder that in the transition there are two different calendar years and there may be a problem with the transition. It was then pointed out that the City could have a 6-month budget to get it in synch with the new government. It was also pointed out that the Telephone division has specific calendar year-end reports due to the regulatory agencies. It was felt that this situation could be dealt with, however unwieldy it might be, but the fiscal year should prevail.

A roll call vote was taken on the amendment to Section 8.01(e) to return the wording to "shall" instead of "may".

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

The amendment passed.

M/S Harrington/Finney to insert the proposed language in 8.03 (a) after the first sentence. The

inserted language would be, " Each utility division shall be financially described as a separate business entity. Any underwriting of other division expenses, or special economic development subsidies, will be account for separately."

Commissioner Harrington thought by changing the language as proposed would let the citizens know at the end of the year what is happening with the total businesses of KPU.

KPU General Manager, Karl Amylon, spoke to the Commission regarding the change. He said that this really gets into an accounting area, but he said that what the amendment intends is already being done in the Comprehensive Annual Financial Report. Those individual Divisions are accounted for on an individual basis. He said his concern with the language is that KPU currently operates as a combined enterprise fund and in the context of this combined fund, the accounting requirements are going to be compounded.

He said that currently there are adjustments on a utility-wide basis to account for the Council's time, the Clerk's time, Administration's time, Finance's time, HR's time, and the Law Department's time and this language could be read to mean that rather than doing these adjustments on a utility-wide basis, it would be required to have those transactions broken down on an individual basis.

Chair Thompson requested to know if all the inter-divisional revenues and expenses within KPU identified in the current financial statements. Mr. Amylon indicated they are all identified in the CAFIR. They go into one combined enterprise fund and that's how the organization is set up.

Commissioner McCarthy brought up some examples about business or departmental allocation of time, maintenance, and supplies between divisions.

Commissioner Painter asked Mr. Amylon about inserting the language in the amendment, about the potential for a future assembly triggering rate increases, say in water, because they are being subsidized. Mr. Amylon said they had faced that issue in the current-year's KPU budget, but the way the organization is structured, all the assets coming in and the expenditures have to be looked at to establish a balanced budget. He said that the electric and water rates are going up by 2.5%. He said that it's still the combined revenues of KPU that fund those divisions respectively. He said that his concern is that a door is being opened, by inserting this language, to make each division self-sustaining. He said if that wasn't the intent, it was ambiguous with the new language and there was the potential for misinterpretation of the intent in the future.

Chair Thompson said that it appeared that Mr. Harrington was trying to put into the Charter the requirement that the practice that is already being done in the CAFIR would be continued. Mr. Amylon said that if the goal is to come up for an annual accounting, a profit/loss statement for each division, that is currently being done. Those mechanisms are already in place. When you start bringing language into the document, and want to take it to the nth degree, he said he could read the language and say that all time should be accounted for in 15 minute increments and it could be interpreted that all work within the utility would have to be allocated in this manner. He

said that right now there is a formula for apportioning salaries spent in support of the utility.

Mr. Amylon responded that the CAFIR report is formulated by a number of different sources, including the Charter, Municipal Code, Statutes, and regulations. If the intent is just that there is a clear understanding of what the profit/loss statement looks like on an annual basis for each of the primary operating divisions, those mechanisms exist today. If the intent is to take it further and begin a discussion, perhaps by the new assembly, that each division needs to be self sustaining, that's a decision this Commission needs to make. He said that wasn't a road he would recommend going down at this point. That may be something to leave to the discretion of the new assembly.

Commissioner Harrington indicated that in looking at the 3 arms of the utility and 2 of them are borough-wide and one is just within the City. Already there is a division of those entities. He said that the thought of borough electric & telephone rates underwriting the expenses for water in just the City, generally bothers people in the Borough. That's the first step is to describe these things separately so we know what the cost is. How a future assembly will chose to deal with that remains with them, but in his own sense the first thing would be, can rates be raised to cover the \$800,000 to \$1m loss in water? Probably not, but there's going to have to be some other system to underwrite those expenses. Whether it should come out of the other utilities is a whole different question. Other conversations revolved around the phrase within the 2001 Charter that these will be run like a business. You've got three or four different businesses within one business, but can they truly be run with that kind of spread and doing it in a business-like fashion unless it's pretty isolated as to revenues and expenses. He said if the information is there, he just wants to make certain that the citizens understand what is being looked at within the utility.

Commissioner Finney asked Commissioner Harrington that if those figures are being compiled and are available, does that satisfy his concerns. Commissioner Harrington said that he would be happy with it as is at the moment, but will probably come back to the issue later.

Commissioner McCarty said he was uncomfortable with putting that specific a language in the document. He said he had no problem with full disclosure of where the monies were going. He said he didn't feel this accounting methodology belongs in the Charter.

Commissioner Painter agreed with Commissioner McCarty, but does understand what Commissioner Harrington is trying to say. He said he thinks this kind of detail should be left up to the future assembly. He brought up the borough bus and how all residents support the bus system that only runs within the City limits.

A roll call vote on the amendment to insert the wording, in 8.03 (a) after the first sentence, "Each utility division shall be financially described as a separate business entity. Any underwriting of other division expenses, or special economic development subsidies, will be account for separately."

FOR: HARRINGTON

AGAINST: PAINTER, MCCARTY, KIFFER, OTTE, FINNEY, THOMPSON  
ABSENT: KIFFER

THE AMENDMENT FAILED.

5/19-5/20 minutes:

- ✓ The costs attributed to KPU in a breakdown by percentages were discussed. These costs are charged to KPU in addition to the PILT fees. They are based on cost allocation. These are estimates that constitute the inter-departmental charges seen in the budget.

HARRINGTON again reiterated his desire to have a break out of KPU's revenues/expenses done for each division to show where the funds are going for each. He said he didn't understand why this detailed cost allocation, but KPU department, couldn't be done, since they've done it for the whole of KPU to the municipality. He said that in looking through the current KPU budget, he could not find, nor could Al Hall of the Borough, where these allocations are being made. THOMPSON said that if, in fact, the City is charging KPU for this level of effort on the City's part, KPU is actually supporting the City to a certain extent. That means that maybe the utility shouldn't be sold because it is keeping the taxes down. Conversely, if there wasn't the utility, about half of the expenses wouldn't be happening and the "City" could be reduced. If this level of effort is required for KPU to do its job, then a new utility taking over would have to fund it to that amount and that would come out in the rates.