

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING

March 5, 2004

The regular meeting of the Ketchikan Charter Commission commenced at 6:00 p.m., Friday, March 5, 2004, in the City Council Chambers.

A: Pledge of Allegiance**Roll Call**

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

B: Ceremonial Matters/Introductions

A humorous letter and attachment from the City Attorney was read and commented on.

C: Public Comments

Paul Hook, 488 North Point Higgins Road, spoke about Mr. Amylon's comments of the previous week. He specifically commented about using Telephone monies as a revenue stream for general government. He said it would not best suit the rate payers because with technologies coming on line so fast that if the revenues were siphoned off and wasn't available to update equipment to stay competitive, other private outside industry could conceivably come in and take over the market. He said that he'd spoken to several people over the past week about KPU and if it were not kept as an enterprise fund as it is, the potential is there for the rates to go up and what the Commission is trying to do is create a leaner, meaner government and keep the costs for living here as low as possible.

D. Informational Reports and/or Commission Presentations

Chair Thompson relayed that he and Commissioner Otte met with Karl Amylon this week and got the key to the Commission's office area in the McCaw Building. He thought there was furniture available. There are chairs available from the City on the mezzanine level and they could be taken to the office that evening. There is a computer waiting at TBC. Telephone and DSL will probably have to be ordered through the Borough. There have been discussions with the Borough about setting up accounts. The grant funds from the State are enroute and the Borough has appropriated money. The job listing is out on the Sitnews site, the State jobs site, posted at the City and the Borough. No resumes have been received at this time. The position closes on 3/15/04.

The Chair recognized Harry Martin, Superintendent of Schools and Mike Harpold, School Board Member, indicating they would speak when Article IX, Education, was addressed. Karl Amylon was introduced. He indicated he was present to answer questions on Article VIII, Municipal Utilities

E. Consent Calendar

The minutes of the February 27, 2004 regular meeting were approved by unanimous voice vote.

F. Unfinished business

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

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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.

Commissioner Harrington indicated that he would not be suggesting any more amendments at that time. He said that he is generally distressed about the built in inefficiency of the municipal utility and maybe that is a subject to be taken up after consolidation is over with. This prompted quite a bit of research over the last couple of weeks and the sense he has is a municipal utility is, in part by its nature, at the whims of politicians. And that bothers him a great deal. He was going to bring forth an amendment to allow the future assembly to sell any part of the utility it so chose or to set up a rate-payer-owned utility. Clearly, with the reluctance of the Commission to be viewing things in detail yet, he said he'd have to do a little more research to get this into a better package before he lays it on the table. He said sometime in the future he'd like to bring up language that either authorizes the sale, authorizes the establishment of a rate-payer-owned utility, or some way to move this out of being a municipal utility with its built-in inefficiencies.

Chair Thompson indicated that Section 8.03(g) should be highlighted.

Commissioner Finney said he'd had trouble with Section 8.01 where just the water utilities are approved for being moved out of the main utility. He said that it should be possible to remove any of the utility divisions. It was explained that it was thought the intent of the removal of the water was to move it into the Public Works division instead of the utility.

Commissioner McCarty said that Section 8.03(g) isn't very well written, but it does say that sale of any of the utility can be done.

A roll-call vote was taken to approve Article VIII, Municipal Utilities, as amended of the Ketchikan 2004 DRAFT Charter in the second reading.

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

AGAINST:

ABSENT: KIFFER

Commissioner McCarty noted that the Finance & Borrowing Articles of the Ketchikan Charter Commission Minutes

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Charter were going to be discussed later in the meeting and wondered if before Mr. Amylon left, he wouldn't want to stay and address those sections. Mr. Amylon indicated that he would be happy to attend with his Finance Director, but he would not have anything to add this evening. Mr. Amylon asked that if there are going to be further revisions regarding the Municipal Utilities article he said he would appreciate getting those revisions in advance to give him time to review them prior to a meeting.

G-1: Review and Acceptance of article IX, Education, of the City of Ketchikan's Charter of 2001, First Reading

M/S Harrington/Finney moved to approve Article IX, Education, in the first reading.

Harry Martin, Superintendent of Schools, indicated that the School Board had reviewed Article IX at their last meeting and they did look at the other city's sections and they went through the article and tried to incorporate items from them, as well as from State Statute Title 14. He said that one of the concerns the Board had was in Section 9.02, Term. He said they wanted to make certain that the terms remained at three years, that there was a seven member board and that those were staggered terms and that when (and if) the municipalities consolidated, that there wouldn't have to be a brand new school board election. They wanted to make certain that the people who were on their specified terms would remain on the Board until their regular term expired during the transition.

Under Section 9.03 there was no compensation mentioned, so the Board threw out what they felt would be equitable compensation to be the same as established for the assembly members.

In Section 9.04, the Board felt that it was really a good idea to at least meet as a combined group one time during a year and they wanted to stage that meeting more during the budget sessions. He said they felt this was addressing a joint Assembly-School Board meeting, not an Assembly meeting where members of the School Board were invited to speak or a School Board meeting where members of the Assembly were invited to speak.

On Section 9.05, Budget & Six-Year capital improvement plan is pretty much what happens now. He said he thought they'd changed Section 9.05 (2) by changing the second section to read, "The school district will submit any changes in its budget biennially to the Assembly for approval." One of the things the current Borough Assembly has asked is that we do that more than just at the end of the year. So this would be done about mid-year and then at the end of the year. It was discussed to go quarterly, but many times the grants

are not approved by the end of the first quarter, so they figured it would be better biennially. They also sought the opinion of the Borough Attorney and he thought 4 times a year would be a little excessive.

Superintendent Martin said the part they took out was where it said the Assembly had to approve everything before it was spent. That is really not working. He said that would mean that before applying for any grants or thought there were going to be grants, that they would have to bring it before the Assembly for approval before it went before the School Board for approval before it was sent to the State for approval who then sends it to the Federal government for approval. There are too many approvals. This process would hinder the school district's search for grants and things that would add to their particular budget and programs. He said they get the initial approval by the Assembly and then they have continued to go out and secure grants and additional funding and those would be the things we would bring to the Borough in the biennial report.

On Section 9.05 (3), he said there was some language change in that section about notifying the District. We changed that because the appropriation usually comes later in the budget process. The Assembly doesn't approve the budget and then appropriate at the same time. They do indicate what the budget is, or what they think the funding will be, and they approve the appropriation later. He said the Board didn't want to hamstring the Assembly by saying within 30 days they should give the District the money. He said they do like the part that if the Assembly doesn't notify the District within 30 days, then that is the budget. He said he thought that was what was in the State statutes.

Mr. Martin indicated that there is some concern in the community as to what are the roles of the School District and the School Board as opposed to Assembly and Borough on construction. Basically, by State law, the School Board & District are in charge of only one thing on construction which is the education specs for new construction. Those are the only things the School Board & District have control over. He said they can convene a committee to provide what they feel are the specifications for an educational building for new construction, but those are not the same statutes that apply to an existing building that is being renovated such as Schoenbar, Houghtaling and Valley Park were in the past. He said they can make recommendations for that, and that is what 9.05 (4) speaks to, but they also understand that the Assembly is the final authority on that is how it's set up in the law. What they are proposing in the language in 9.05 (4) is that they have the opportunity to provide input and then recognize that it is up to the Assembly to have the final decision.

Mr. Martin said that the new section, 9.05 (5), has been being discussed for at

least a year on what the capital improvement plan, the 6 year plan, should be and how it is determined. He said the School District and Board have come up with the current language that is working between those entities and the Borough and he wants that language to be carried over to the new assembly. He said the additional language says that anything over \$10,000 or has an expected life over five years should be included in that capital improvement plan. He said they checked other school districts and the Department of Education. He said the DOE indicated that the five-year limit is what they use for determining what constitutes a capital improvement project. If something lasts less than 5 years, it's merely a maintenance item.

Mr. Martin said that adding these new sections, #'s 4 & 5, so that there is an understanding of what items go to the Assembly and which items the School District takes care of. He said that they would request that when those items go on the 6-year capital plan, it stays a 6-year plan and doesn't go to an 18-year plan. One of the problems with the 6-year plan is that items are placed there and due to appropriations and money needs, things don't necessarily get done. He said that they had not been able to suggest any stronger language for this Article in that regard, but were unable to come up with anything that succinctly stated the need to stay with the 6-year plan and not fund those things needed.

Commissioner McCarty asked Mr. Martin if the compensation issue affected the retirement benefits. Mr. Martin said it probably would, since the amount you get is proportional to the amount you've put into the system. He also asked about the fact that the Commission's draft Section 9.04 had the joint meeting at twice a year, where the amendment offered by the School District and Board only had once a year. Mr. Martin said they wanted to make certain there was at least one meeting, especially during the budget. He said that twice wouldn't be a bad idea, but they felt that at least once should be indicated and with the "at least" there was the option for more. If it were left at twice mandated, perhaps the second wouldn't take place.

Commissioner Otte brought up some items for clarification. In the proposed District/Board's amendment, Section 9.02, the last sentence refers to unification. Ms. Otte indicated it should say consolidation and requested that be a friendly amendment to their proposed amendment. After discussion, Mr. Martin said that was okay. She also wanted to know if the items in parenthesis in Section 9.05 (5) were part of the amendment, or just examples for the Commission. Mr. Martin said they didn't want the item limited to just those things in parenthesis, and perhaps they were more explanatory than direct language.

Mike Harpold, School Board member, felt that those items in parenthesis

should stay in there because it has been in issue between the Borough and the School Board as to what constitutes maintenance as opposed to capital improvement.

Commissioner Harrington commented on the proposed language in the amendment for Section 9.05 (2) stating, "The school district will submit any changes in its budget biennially to the Assembly for approval." He said that by statute there is only one requirement to establish the budget. After that the State Statute doesn't speak to anything further than the one approval. However, in other sections of State Statute, it allows the Assembly to exert more control or more involvement in what goes on in the school district. Wouldn't it be better to drop this completely and say there is only one approval, the final budget and to move the Assembly out of approval of anything beyond the initial approval of the budget? Mr. Martin indicated said that he'd rather go with something like that, but thinking that they have to approve our budget, they have to approve those increases sometime. He said his whole problem with this thing is that he doesn't want it to be a detriment to the School District to say "we (the Assembly) needs to approve all these things and if we don't, you can't do them." So, if the District goes out for a grant and the Borough says no, the District cannot apply for the grant, Mr. Martin said he didn't want to have to get approval for those kinds of things. He said he also didn't think that the Assembly would say, if we go out, or if our Title 1 increase goes up, which we think it will this year, that is the place that the President is putting most of the money for many NCLB stuff is Title 1, and we've been told that it probably will go up this year, however, when we present a budget to the Assembly in May, we are going to build that budget on what our allocation is this year, because we haven't been given an allocation for next year.

Commissioner Harrington said that they have a budget that goes up and down and there's little control. He said that if their budget went up a half-million in grants and increased students for example, the District would be spending money and the Borough says no, what happens? Mr. Martin said he didn't know what they'd do. Commissioner Harrington said he thought that adding the language about a second approval was a step without meaning because the Borough couldn't very well say no and put the District in bankruptcy unless they were trying to make a political point.

Commissioner Otte indicated she thought the Assembly had the power to have the District financials reviewed more than once a year. She wondered why this biennial review was being put in the Charter and let the new assembly decide that would be something they'd like to do.

Board Member Harpold said it also had to do with credibility. That this year they

are making an extra effort to keep the Assembly informed of the steps taken. He said the Borough is the pass-through for the funds and the nature of school district funding is just incredible. We put a budget together and send it to the Borough on the first of May, having no idea where the student count is going to be the next year which determines State funding and having only recent experience to draw from to determine what Federal grants might be available, so even just recently, the Board sent a letter to the Assembly asking for an increase in spending authority because it's required because the Borough is the pass-through authority and because the budget is an ordinance and if it increases, permission must be granted from the Borough to increase the spending. Mr. Harpold asked rhetorically if that should be done every time the District gets a grant? He said it would make it impossible to get anything done, due to the fluctuating nature of the funding. He said the auditors indicated that getting the approval was something they should be doing, but he appreciated the point about not codifying it.

Commissioner McCarty said that the Borough is bound by its ordinance to only disperse a certain amount of funds to the District. He said the Borough needs to make certain they have the authority to give the pass-through money. Mr. Martin suggested a change in the suggested amendment Section 9.05 (2) to say, "The Assembly will authorize any changes in the school district budget."

Commissioner Painter asked if the Borough Finance & Legal departments had looked over the proposed changes and Mr. Martin indicated that the Borough Attorney had reviewed the changes.

Commissioner McCarty suggested that the language in the proposed amended Section 9.05 (2) be discussed and brought back with some language that addresses all the concerns. He said he felt that everyone was talking about the same thing but the language needed to be clarified.

Chair Thompson said he thought that if the second sentence was re-worded to say "at least" biennially. Say there was a \$450,000 grant obtained, it was taken to the Borough for approval, in two readings it would be done. They shouldn't restrict you (the District) from doing it biennially, but it should require at least a biennial review. Board Member Harpold indicated that he thought their auditor had spoken about this and he (Mr. Harpold) didn't feel qualified to make any changes. Chair Thompson said he had a question of the deletion of the second part of the original charter document that says, "The school district may not appropriate or otherwise incur the expenditure of any funds, regardless of the source, in excess of the total amount of the budget, as approved by the Assembly, without prior approval of the Assembly." He said that's the control that the Assembly exerts over the School Board is that they approve the budget and the money isn't spent unless it's been approved through the budgetary

process. Chair Thompson said he has a little bit of problem taking that control away from the Assembly. Mr. Martin indicated that he didn't think it was being taken away if #2 was left as it is now. In #1 & #3, they determine the amount of the budget before May 31st. Chair Thompson said determining the amount of the budget and controlling the expenditures through that budget are two different things. That's a discussion of budget vs. appropriations. The second sentence says that there will be no appropriation or expenditures in excess of the budget. That's just simple control. The Assembly says you have approval to spend X amount of money and that's as much that is spent. If there's a need to increase the budget because of grants, the option is there to come back and modify the budget, but that's the control. Mr. Martin said that there are grants that are obtained later in the year and they would have to be at every Assembly meeting saying to increase the budget by X amount because this or that grant was obtained. Chair Thompson said that maybe a threshold could be put in the document, but he really has a problem with completely removing the authority of the Assembly to control appropriations or expenditures for the School Board budget when that's the authority that they have.

Chair Thompson responded to a point of language change brought up by Commissioner Otte that there is a difference between budget and appropriations. Budget is saying this is how much "we" think we're going to spend and appropriations is appropriating the money and actually spending it. There's a distinct difference between the two.

Commissioner Harrington said it should be determined why the Assembly was given the authority to approve the budget in May "in total" only, not dealing with line items, not dealing with any specifics, but they must approve it in total. In State law it was written so that the tax revenues could be developed. That was the sole reason because the Borough is the taxing authority. The budget is approved once to set the tax rate. After that, the State basically was saying they run themselves. Chair Thompson said he understands that and what the document is saying is that they will not spend more than the approved amount. Commissioner Harrington said that's what had to come out of there because it had nothing to do with the establishment of the tax revenues to begin with. That was done in May. The ups and downs that take place throughout the year, it would be an unworkable system. It's only been in the last four or five years that the Borough has exercised the kind of authority they've been doing lately. Years prior to that there was one approval in May and the District/Board never went back to the Assembly; they never asked.

Chair Thompson said that if the language wasn't in there the School Board could spend \$1m in excess of their budget this year and next year that's going

to affect the tax base because the taxes are going to have to go up to cover the shortfall.

Further discussion was held with Commissioner McCarty saying that maybe in the future things would change that property taxes wouldn't be used to fund the schools, but more and bigger grants would. He said he could understand the attitude of looking at grant money as found money, that it doesn't take anything out of the local funds, but it indicates how much money it takes to run the system. He said his inclination is to leave the wording as it is at the moment and next meeting come up with some better language. He said if money doesn't have to be taken from the locals to fund the schools, but instead comes from grants, there is some affect on the local economy.

Mr. Harpold said that the only time he could visualize this kicking in is if the fall enrollment count goes up. That would roll over to the amount of the Borough contribution to match the foundation formula. Chair Thompson asked if that wouldn't go back to the Assembly for approval of a budget appropriation. Mr. Harpold responded that's what we're talking about, should it, or shouldn't it. The large grants wouldn't carry over year to year. If those additional students stay in school the next year, then the Borough's contribution would go up.

Commissioner Finney thought that it was language that has to legally be there. It's essentially to keep the schools or service areas from committing the rest of the taxpayers to pay some costs that are incurred. It's a function of who can incur debt for the municipality. He wanted to know about Section 9.05 (4) and if there were problems in the past where the District and Board weren't consulted regarding remodeling work. He said in Section 9.05 (5), the \$10,000 cap seemed low for capital improvements.

Superintendent Martin said that amount came out of discussions with an Assembly several years back, that they felt anything above \$10,000 would be a capital item instead of maintenance. Mr. Harpold said that State law says that the school district and the school budget is responsible for maintaining the schools. There has always been a question about when the district's responsibility ends and the Borough's responsibility as owner begins. He said he thought the agreement regarding the \$10,000 was that any item over \$10,000 the district could ask the Borough to fund. The problem is that the maintenance department has grown dramatically. It is becoming an increasingly large percentage of the budget. Commissioner Finney asked if the number shouldn't be higher and Mr. Martin & Mr. Harpold indicated they didn't want it higher, since that would mean more maintenance by the district and less that the Borough would be responsible for.

Commissioner McCarty spoke to the history of the language and amount. Mr. Harpold indicated that the School Board felt that the set amount needed to be addressed in the Charter. It gives all involved the same parameters so that there are no misunderstandings as far as who pays for what. Mr. Harpold indicated that approximately \$1.7m was being spent annually on maintenance. He questioned the Commission's desires on the language in Section 9.05 (2) and whether to take it back to the Borough Attorney for clarification. Chair Thompson indicated that what was desired was that the deletion of the second sentence causes concern and that controls in any financial environment are important. He said he feels there's a distinct difference between budget and appropriation and that if there may be a threshold that could be set, say if the budget increases or decreases by a certain percentage that it needs to go back to the Assembly and would preclude numerous required trips before the Assembly. Perhaps if it hasn't changed within plus or minus 10%, then it's not necessary to go to the Assembly, but if the figure goes up or down, the Assembly would need to approve. For the expenditures to exceed budget, that is something that needs to be addressed.

Commissioner McCarty indicated that he wants to make sure the School District gets to spend as much money as can be put into their budget, but if there is a set amount that can be spent, permission should be obtained to spend more. Mr. Harpold agreed that good language in the document could help everyone.

Commissioner Painter questioned whether the appropriate phraseology of something like, grant funding notwithstanding, or something like that would be appropriate. It just needs the proper wording to explain the intent and give the most leeway in the operations.

M/S Otte/McCarty to substitute Article IX as presented in the proposed amendment, except for Section 9.05 (2), which they have agreed to come back to the Commission with better language.

A roll call vote on the above motion was taken.

Commissioners McCarty and Painter spoke in favor of the amendment. Both indicated that if necessary, a third reading of the article in meeting could be arranged. Commissioner Finney suggested adopting the entire substitute Article IX with 9.05 (2) highlighted. This was made as a friendly amendment. Commissioner Finney wondered if the words "for approval" could be stricken from the substituted 9.05 (2). Commissioner Harrington indicated that at a future meeting he will want to delete the compensation paragraph.

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

AGAINST:

ABSENT: KIFFER

The substitution was passed.

Chair Thompson indicated that for 9.05 (5) perhaps language similar to the amendment made to Article I on the CPI could be used. Other suggestions for that particular section were to review the cost threshold every three years, or the amount would be set by ordinance by the new assembly.

Mr. Harpold spoke to the Commission and said that having a good school board is really important to the community. In Ketchikan there have been problems getting people to serve on the school board. He said he felt that compensation was part of this problem. Currently the school board members get about \$100 per month and if a person is a working mother, particularly during budget time, it doesn't pay for a babysitter. There are different people on the board who should be compensated for their valuable time. He said he felt that raising the level of compensation for the school board would send a signal that it is an important job. He said the school budget has been cut for the last five years and it would be really hard to just raise the level of compensation for the board without the transition to a new consolidated government.

A five minute recess was held.

F-2: Approval of a Commission Survey as to Content and Form (Continued from February 27, 2004)

M/S McCarty/Finney to approve the initial survey as to content and form and suggest an inclusion of this survey in the form of an (ad) or (insert) in the (March 20), (March 27), or (April 3) issue of the Ketchikan Daily News.

A brief discussion was held on the survey. A consensus agreed that the survey would be an insert in the March 27th issue of the newspaper. It was reminded to talk to Commissioner Kiffer about the permission to place boxes in the stores and businesses.

Commissioner Finney indicated that perhaps an additional box could be added in question #1 to show whether the person lived in a service area.

Commissioner Painter said there are some rural residents who don't live in service areas and his point in the question was to just initially see which areas were showing more interest in the process. Commissioner Finney said that he agreed and wondering if adding the service area box might not help refine the answers further. It was decided to leave the survey as is for the first one and a subsequent survey could have more a more detailed breakdown of residency.

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

G-2: Review and Acceptance of Article X, Finance, and Article XI, Borrowing, of the City of Ketchikan's Charter of 2001, and the Introduction of Article XII, Service Areas & Areawide; Article XIII, Saxman; and Article XIV, LID's and Service Districts

M/S McCarty/Finney to approve Article X, Finance in the First Reading.

Commissioner Painter agreed with the motion but noted that Al Hall from the Borough is out of town and Bob Newell, from the City, was unavailable for this meeting. He said he felt that their input was very important.

Commissioner McCarty said that for meaningful discussion, the finance directors should be here. He said he felt that a lot of this material is regulated by State law, especially in Article XI, Borrowing. He said that the fiscal year was mentioned in Article X and the Borough's goes from July 1 through June 30, while the City of Ketchikan is on a calendar budget year. If nothing else, in the transition plan, any change in the budget year is a major change. It was pointed out that in the transition plan, the City could probably be on a 6-month budget, then they would be in sync with the Borough. It was also pointed out that the Telephone Division of KPU is required by regulation to do year-end reports (calendar year) and changing them to a July-June fiscal year might make it very difficult for this reporting.

Chair Thompson indicated he would entertain a motion to postpone review of both of these Articles until next week and the Finance Directors could be present.

M/S Harrington/Finney to insert Section 13.03 of the Sitka alternative, Property Tax Limit between Sections 10.06 and 10.07 of the proposed Ketchikan Charter, changing the amounts listed in that section to 1.4% and 14 mill. He said he just wanted to get something on the table and see what the finance directors have to say about it.

Commissioner Painter said that during the election on the City's consolidation proposal in 2001 there was to be a statewide 10 mill tax cap, but it never came out on the ballot, either from municipal outcry or legal problems.

Commissioner McCarty spoke against a tax cap, saying that it stifles government. He said that local government is very responsive, as witness to the special interests speaking their cases at budget time and a cap being locked in is awfully difficult to change, but it will really spark discussion.

Commissioner Harrington said that yes, it will generate discussions, but it is a real issue in the Borough, the belief that the tax rates are going to go through the roof and one of the ways that Sitka got around this belief was to put a limit in their charter.

A roll-call vote was taken on the amendment to insert Section 13.03 of the Sitka alternative, with the numbers changed to 1.4% and 14 mills.

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

The amendment passed.

A roll-call vote on the main motion, as amended, with the caveat that this is the first of three readings was taken.

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

The motion, as amended, carried.

M/S McCarty/Harrington to approve Article XI, Borrowing, of the Ketchikan DRAFT Charter in the first reading.

It was noted that this Article would also have 3 readings. During discussion, it was requested that Section 11.07 be highlighted. It is a very detailed process about Bond elections and perhaps the Borough or City Attorneys and the Borough and City Clerks should also be advised that this will be on our next agenda.

A roll-call vote was taken on Article XI in the first of three readings.

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

The motion carried.

A discussion was held regarding the remainder of the review schedule. It was felt that there were too many complicated issues coming up at the next meeting to discuss each properly (as scheduled). It was decided to move the Articles scheduled for first reading at the March 12th meeting to the March 19th reading. Those items are Article XII, Service Areas & Areawide; Article XIII, Saxman; and Article XIV, LID's & Service Districts.

Paul Hook, 488 North Point Higgins, said that the survey wasn't going out until March 27 and the discussion on service areas is going to be before then. He felt that the survey should go out before the discussions, if at all possible. Commissioner McCarty said that maybe a copy of the survey could go in the with the letters and the Service Area Article to the SA Board members.

Marvin Hill, Chairman of the Forest Park Service Area, said their meeting would be next Monday night, the 8th, and he was wondering if he could get the material for them to discuss and make recommendations at their meeting. Commissioner Otte indicated there were four or five agenda packets for the current meeting available and item G-2 had the service area information. Copies of the survey were also with item F-2.

Mr. Hill said that once their road projects are finished, the Forest Park Service Area plans to lower their mill rate a full mill, which will in turn be paid out for the new EMS service on South Tongass.

Mr. Hill also gave a little history about the inception of the Forest Park Service Area, which used to be a homeowners association, but when insurance on their sewer service was unavailable, they had to become a service area under the Borough's insurance and operation of their sewer plant. He said it cost a lot more under the Borough than when the homeowners association contracted it out to run the plant.

H: Commission Comments

Commissioner Finney talked about the lapse of appropriations and the rush to spend. He felt that was an area he'd like to perhaps look at the Sitka

alternative's idea of putting the lapsed appropriations in some sort of a permanent fund.

Chair Thompson said that as the resumes come in for the staff position, he wants to just have them reviewed by himself and Commissioner Otte and then one or more will be brought forward for the Commission's decision. Other commissioners concurred. He also wanted to talk about spending from the budget. He said that money would have to be spent in the near future and some kind of accounting would be brought to the Commission as to where the funds were spent.

The meeting was adjourned at 8:25 pm.

The meeting was adjourned at 8:54 pm.