

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING

April 2, 2004

The regular meeting of the Ketchikan Charter Commission commenced at 6:00 p.m., Friday, April 2, 2004, in the City Council Chambers.

A: Pledge of Allegiance**Roll Call**

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

ABSENT:

B: Ceremonial Matters/Introductions

NONE

C: Public Comments

Jack Shay, 832 Buren # 29, said he wanted to compliment the Commission on their work and dedication to the job. He said that he'd like to recommend a method of filling of vacancies on the proposed Assembly by considering the person with the next-highest vote total for the position. He said they'd already jumped through hoops to file for the position, had indicated their interest and had undergone public scrutiny during the election process.

Robert Cowan, 229 Raspberry Lane, spoke to the Commission regarding service areas, and specifically Mud Bight. He told the Commission that he's the former Chair of the Mud Bight Service Area, but is not active on that board at this time.

Mr. Cowan said he does own property within the boundaries of that service area. The service area consists of 114 parcels, 34 of which are owned by non-profit or governmental agencies, and thus do not pay any fees toward the service area powers or projects. He said in the two decades the service area has been in existence, 1 mile of road has been produced and an engineering design for sewer treatment and outfall. He said that four-tenths of the mile of existing road was constructed by individual lot owners, not the service area. He

indicated that he felt the State, the Borough and Mental Health Trust have benefited economically by land sales at the expense of property owners in the subdivision.

He said that 3 or 4 persons are supporting approximately 15% of the gross annual funds of the service area. He said that he hadn't brought a map of the service area showing land ownership, but he was sure if the Commission requested it, one could be obtained.

Mr. Cowan said that Mental Health had repeatedly administered land sales without providing access to the parcels, electrical service or sewage treatment, all of which are required by law with land disposals of 5 acres or more under Title 29 of the State code. This statute was put into place shortly after the State land sales in Ketchikan, Mud Bight and Mountain Point. He said that over 75% of the collected service area fees have been spent on the south side of the service area (nearer the new access by Rhea Road). No maintenance or service has been provided to Snow Goose Road (the north side) in the past decade other than those services provided by the parcel owners.

Mr. Cowan indicated that there is a petition process started and will be a recommendation to the KGB Clerk under Statute 50.05.120 of the by-laws to proceed with the action of total abolishment of the Mud Bight Service Area and relinquishment of service area funds to parcel owners. He said that the present Board had been informed of this petition drive on February 24 at an advertised Board meeting. He said they wanted no further services from the KGB.

PAINTER asked specifically where the service area boundaries were located. They encompass land in Mud Bight only, not Sunset Drive or any adjacent land to Mud Bight off D-1. Mental Health got a lot of the parcels because people getting the land as homesteads reneged on their agreements and the land either reverted to the State or the Borough and was then given to Mental Health.

The Mud Bight fees consist of \$115 per lot per year for the powers of road building, maintenance & sewers. He indicated that even though there are 114 lots, only 77 are charged this fee because the other land is Mental Health or Borough land. He said the Borough recently discovered they hadn't been charging correctly for the lots and they were attempting to get all the back fees owed by the parcel owners, which Mr. Cowan felt was unfair, since it wasn't the error of the landowners. He said he'd researched some land in Sitka where a similar error had been found and Sitka didn't attempt to collect anything owed previously, but just fixed the assessment and collected from the date the error was discovered. He felt that was much more fair.

Mr. Cowan said he'd come before the Commission to advise about the proposed disbanding of the service area for the Commission's purposes in forming the new government. He said that issue should be resolved prior to the Commission's finalization of the Petition and other documents, but should their effort not succeed, Mr. Cowan wanted the Commission to know that Mud Bight shouldn't be considered a service area in the new government.

It was determined that there were only approximately 7 or 8 resident landowners within the Service Area.

David Wieler, Whipple Spur, spoke to the Commission regarding the expenses in water and landfill that are expected with regulatory changes. He said that the City will soon have to filter water and the plant itself will cost \$20 or \$30 million and he wondered how that was going to be paid for.

D. Informational Reports and/or Commission Presentations

THOMPSON talked about the answering emails received from Mr. Bockhorst regarding Saxman. He said he hadn't checked whether the amendments mentioned by Mr. Bockhorst had actually been incorporated in the Charter we had adopted as our Draft. OTTE indicated that the DCED amendments were all on a piece of paper that had been distributed to the Commissioners this evening because they had not been included in the Draft the Commission had adopted.

THOMPSON said there had also been answers from the attorneys regarding whether collection of fees could be handled the same way as taxes and they attorneys indicated that wouldn't be a good idea. They had also spoken to the issues raised about Saxman.

THOMPSON said he'd gotten a copy of the consolidation budget submitted by the City in 2001 in Excel format. All Commissioners indicated they'd received that email and attachment. He said it was a very summarized spreadsheet and he'd asked Mr. Newell if any of the backup work papers showing how this summarized budget had been determined, but Mr. Newell didn't think those work papers were readily available, specifically the inter-departmental transfers. Mr. Newell indicated some of those transfers had to do with debt retirement, and that a lot of this information will have changed. OTTE questioned whether any further budget breakdown is required to be submitted to the LBC, or just one similar to that provided by Mr. Newell.

OTTE told the Commission there had been 135 Internet responses and 35 paper responses to our survey to date. Sitnews asked that they be given notice when we'd like to close the survey so that they could post the end date on our site and get the last-minute responses.

HARRINGTON said that there were no new business items on the agenda and perhaps the Commission could discuss what will be the next steps taken in the process. He wanted a discussion item added to the agenda regarding this planning. THOMPSON said it wouldn't be legal to amend the current agenda, but it can be added for next week and Commission Comments would be a place to discuss the potential agenda item.

E. Consent Calendar

The minutes of the March 26, 2004 regular meeting were approved by unanimous voice vote.

F. Vouchers

M/S MCCARTY/PAINTER to authorize the payment of vouchers, as submitted, for a total of \$1,926.06.

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

The motion was approved by a vote of 6 yes votes.

G-1: Review and approval of article XII, Service Areas & Areawide, of the Ketchikan 2004 Draft Charter in the Third reading of three

M/S MCCARTY/PAINTER to approve Article XII, Service Areas & Areawide, of the Ketchikan 2004 DRAFT Charter in third reading of three.

MCCARTY started to make individual amendments to Article XII based on the actual wording that should have been in the Ketchikan 2001 Charter document by amendment but had not been included in the Charter document, just the LBC approval of the petition at that time. It was pointed out that since the Commission had adopted the approved City of Ketchikan 2001 Charter as a working draft, those amendments should have been a part of the original document under scrutiny by this Commission.

M/S MCCARTY/PAINTER to incorporate the amendments to the original 2001 Charter into the Ketchikan 2004 DRAFT Charter as presented.

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

The motion was approved with 6 yes votes and 1 no vote.

M/S OTTE/PAINTER to postpone final approval of Article XII, with any amendments submitted at the current meeting, to the next regular meeting on April 9, 2004, or a fourth reading of four. This action was approved by consensus of the Commission.

FINNEY wanted to know what the procedure would be to bring back any of the questioned items in the DRAFT Charter. He was told to just add that item to the agenda of any meeting and the section would be discussed again at that time.

M/S MCCARTY/FINNEY to re-insert the hyphenated word "air-taxi" into Section 12.02 (h).

MCCARTY indicated that in reading the attorney's responses to the question regarding why air-taxi was in the document to begin with, he thought it should be put back in to insure it was in place should further regulation (above & beyond the Federal & State regulations they follow) of those entities by the municipality be desired. He said there might be a better way to phrase it so that it's clear the municipality is not going to operate an air-taxi. He said that to provide for public transportation doesn't necessarily mean to operate them, but to have some sort of control over them. In looking at the airport, the municipality is not running jets or private planes in and out, but there is the ability to have some regulation of how those operations take place, recognizing there are some areas only the Federal or State government can control.

KIFFER said that language could give governmental control to some portions of air-taxi, however, air-taxi is not public transportation. Air-taxi is not considered public transportation and as part of the what "should have been in" reference the firefighting, he said he felt that something was being put in the Charter that should be left to the Assembly.

PAINTER said he disagreed. Of any service industry in our community, the air-taxi is probably the most governmentally regulated industry. The air-taxis are required to abide by local noise-abatement regulations. He said he didn't feel the reference should be in the Charter.

FINNEY wondered if this would be the place where regulating the hours of operation would be handled. He said that would be the only thing he could see for regulating the air-taxi. PAINTER said the Borough currently regulates who has leases on the counter space at the airport. He said including this reference potentially would put too much government over private business, similar to when recently a local company wanted to put in a private cruise ship dock.

HARRINGTON said it was clear that the municipality did not want to run an air-taxi operation. But since this reference is under the power to provide public transportation systems, if air-taxis are viewed as part of the system of transportation of the public in this area, which they clearly are, and if this is the way to give any future Assembly the power to put some limits on the air-taxi system or to provide docking space at the airport, he said he could see a reason to include it, but with the understanding that it's part of the systems, he would support the motion to add the wording back.

KIFFER said he didn't see where a for-profit, for-hire business can be considered public transportation. Air-taxis are not owned by the government. Granted, the Assembly would have powers to provide services, docking & moorage, which they already have those powers if the government owns the land utilized by these private companies. He said he didn't see this as a public mass transit system. He said it was very clearly put down in the City the last time they were trying to tax their passengers and as Mr. PAINTER said, the air-taxis have extensive Federal and State regulations.

PAINTER said as a point of clarification that an air-taxi is a public transportation provider. They are not owned by the government, but must abide by various governmental rules in order to operate.

FINNEY said that if air-taxis were included, why not taxi cabs and horse-drawn trolleys? The section says included, but not limited to, so he said that the specific wording to air-taxi did not appear to be warranted since the other methods of public transportation were not included.

THOMPSON said he agreed with Mr. FINNEY. Most municipalities regulate the number of taxi medallions that are issued, so that there isn't a competitive melt-down.

MCCARTY said that the language "and other auxiliary services" may already cover it. The municipality would have the ability to regulate the taxi-cabs. He said that the argument could be made that air-taxi was specifically taken out

which meant that the Commission did not want to regulate that one public transport type. That's the main reason he proposed to re-insert the language. If it hadn't been there to begin with, he said it probably wouldn't matter.

THOMPSON said that the question had been posed to the City and Mr. Bockhorst as to why it was included in the first place and neither could give a specific reason and indicated they really didn't know where the reference had come from. He said it seems awkward to have the wording in the section.

HARRINGTON said that with the concern mentioned that by excluding air-taxi suggests that the Commission is saying they should not be controlled, if, in the conversations noted in the minutes, it can be noted that is not what the Commission is saying. The Commission feels that the reference specifically to air-taxi is not needed because it is covered under the rest of the language, as in the rest of those things. The minutes should reflect that air-taxis are not specifically being exempted from any municipal rules, regulations, limitations on flight, etc., but rather placing reference to them under auxiliary services.

A roll-call vote was taken on the amendment to re-insert the hyphenated word air-taxi back into Section 12.02 (h).

FOR: HARRINGTON

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

The motion on the amendment failed 6-1.

A roll-call vote on the main motion, as amended was taken.

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

AGAINST:

The main motion passed 7-0.

G-2: Review and approval of article XIII, Saxman, of the Ketchikan 2004 Draft Charter in the Third reading of Three

M/S MCCARTY/PAINTER to approve Article XIII, Saxman, of the Ketchikan 2004 DRAFT Charter in the third reading of four

M/S MCCARTY/HARRINGTON to incorporate the 2001 amendment language to Article XIII and bring it back on April 9, 2004 for final approval.

A roll-call vote was taken on the amendment.

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

The amendment passed 6-1.

THOMPSON said that one of the questions presented to Mr. Bockhorst and the attorneys concerned the indication that Saxman would continue to receive areawide services as they had in the past. The question was what did they have to pay for these services. The comment from the Borough Attorney said that it was implied that if they are receiving the services, they are paying for them. He put some language in his email response that specifically indicated that would be very specific; if they are receiving areawide services, they would be paying the taxes or the fees associated with those services. THOMPSON said he would have an amendment regarding this issue at the April 9 meeting.

KIFFER said the language spoke more to “should” happen, but that may be alright in an Assembly conversation or negotiation, but not in a document like the Charter. This needs to be spelled out and the folks in Saxman need to be encouraged to come and discuss this Article with the Commission. He said there were probably a lot of folks who were misinformed and probably don’t understand the reason why Saxman is opting out of the new municipality.

MCCARTY suggested that the Chair write a letter to the Saxman mayor and enclose the comments from Mr. Bockhorst and the attorneys to bring him up to date on what is being considered by the Commission.

A roll-call vote on the main motion, as amended, was taken.

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

The motion passed 5-2.

G-3: Review and approval of article XIV, Local Improvement & Service Districts, of the Ketchikan 2004 Draft Charter in the Third reading of Three

M/S MCCARTY/FINNEY to approve Article XIV, Local Improvement & Service Districts, of the Ketchikan 2004 DRAFT Charter in the third reading of three.

THOMPSON indicated in the answers from the Clerks to the email questions on this Article.

M/S THOMPSON/PAINTER to amend Section 14.02, Local Improvement Procedure, to change the wording from "*on its own initiative*" to "by resolution".

A discussion was held regarding the wording in the sentence following that of the amendment, wherein it states, "*Procedures for local services may begin only upon petition of the owners of a majority of the property which will be assessed for the local service.*" OTTE suggested changing the wording to "a majority of the owners of the property" because that would give the owners, whether they own one or ten parcels, the same voice, rather than the owners of a majority of the property. One person could own a majority of the property in a proposed LID.

THOMPSON said it's a matter of what you want to say. If a person owns 10 lots in a proposed LID and that's 90% of an area, that person should not just have 50% of the vote. He said that if two other people have one lot each and one person had 10 lots, it wouldn't be necessarily fair that the 10 lots wouldn't entitle the owner to 10 votes.

A roll-call vote was taken on the amendment to change the wording to "by resolution."

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

The motion to amend passed 7-0.

Further discussion was held on the second sentence of Section 14.02. MCCARTY said you could have a majority of owners, meaning no matter how big, how small, or how many; or it could be, as stated, a majority of the property. Would you factor in that the biggest chunk gets 10 votes?

THOMPSON said he thought it would be fair to represent a majority of the assessed value, because the discussion is about taxes. So, the person paying the most taxes should have the most vote on the raise in taxes.

FINNEY said that might get onerous when you cast the vote. THOMPSON then indicated that this was just for the petition. Not the tax itself. The petition has to be filed and this section is how many signatures are needed to file a petition to the Assembly to look into an LID and if there's a signature on the petition, that's

certifying how much of the assessed value is represented by that signature. He said that it seemed that was the fair way to do it.

KIFFER said that ultimately the LID is paid for by the value of the property. He said he thought the vote should be accorded on the property itself. He said that cleans it up for all the other requests; it's by the property.

HARRINGTON said this refers to beginning procedures for LID's by either resolution or petition. He wanted to know where the final procedures come from. THOMPSON said the next wording says the "Assembly shall prescribe by ordinance special assessment procedures, ..." This places the equalization of the request for an LID with the Assembly, not the property owners. MCCARTY said the owners of the property start the process and then the Assembly can be lobbied and the Assembly handles the issue. There is the potential for a minority of the property held to raise the taxes on someone who owns a majority of the property, but this section only deals with how to get the information/request before the Assembly so they can deal with the details and see whether the LID process should be started.

PAINTER said in any other deciding process within the community, it's one person, one vote and doesn't matter how much property a person owns.

KIFFER said that the argument could go the other way. If the owners of a minority of the land in a proposed LID were to be able to force an owner of the majority of the land into something he/she didn't want. It was again pointed out that this section is only dealing with proposing an LID to the Assembly. It's not who votes for that LID. That's the Assembly's job.

THOMPSON said he liked what MCCARTY said that one person/one vote to get the process started and allow the Assembly to be the Board of Equalization.

OTTE said the wording seemed to be fine the way it is.

M/S MCCARTY/PAINTER that the second sentence in Section 14.02 will read, "Procedures for local services may begin only upon petition of a majority of the owners of the property which will be assess for the local service."

MCCARTY said that this just gets it started. Until an ordinance is adopted by the Assembly, there won't be a LID. It cannot be made to happen just by a petition. The third sentence talks about what criteria the Assembly will use in assessing for a LID. He also explained LID procedures for the Commission.

KIFFER wanted to know if there was a specific recommendation from the Clerk.

She said that it should read fifty percent of the owners. The language that has been proposed would be very similar.

A roll-call vote was taken on the amendment to change the language in the second sentence in Section 14.02.

FOR: FINNEY, KIFFER, PAINTER, THOMPSON, OTTE, MCCARTY
AGAINST: HARRINGTON (Emphatically)

Section 14.02 will be highlighted.

A roll-call vote was taken on the main motion to approve Article XIV in the third reading of three.

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

The motion, as amended, passed 6-1.

PAINTER requested a return to G-1 to question 12.04 (d) and mentioned that the Borough Clerk questioned why the Ketchikan Service Area was specifically exempted from voter approval for expansion or reduction of powers. THOMPSON said that language empowers the Ketchikan Service Area. The City will dissolve with consolidation and the service area is not in existence now, so what is being said is that whatever the City of Ketchikan is currently providing will continue over to the Ketchikan Service Area unless the municipality takes on those powers.

G-4: Review and Approval of Article XV, Charter Amendment, of Ketchikan 2004 Draft Charter in the Second reading

M/S MCCARTY/PAINTER to approve Article XV, Charter Amendment, of the Ketchikan 2004 DRAFT Charter in the second reading.

There was no discussion on this item.

A roll-call vote was taken on the motion.

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

The motion passed 7-0 and Article XV is moved on to the DRAFT document.

G-5: Review and approval of Article XVI, General Provisions, Ketchikan 2004 Draft Charter in the Second reading

M/S MCCARTY/PAINTER to approve Article XVI, General Provisions, of the Ketchikan 2004 DRAFT Charter in the second reading.

MCCARTY said that Section 16.06(b) where the language was changed to allow for voter approval and he wanted to know if there had been any discussion as to the impact of that change on bonding issues and other financial commitments. It was indicated that wasn't discussed. MCCARTY said that section causes him great concern along those lines. There are many major commitments and it is understood that some financial issues were to have been stopped after a certain date (some taxes or percentage of taxes for specific projects) and maybe stricter language is needed to make certain those items are dealt with or re-affirmed, but he said he felt that putting the voter approval language in the Charter is a major problem. He said that one thing that he can think of is employment contracts. If in three years a sales tax is not passed, what will happen? Will the government shut down? What will be done about the financial obligations to employees, or contractors. He said he thinks this is not a wise situation to put into the Charter. There is always the ability to work with the Assembly and within some restrictions there is the ability to re-visit this type of ordinance, by use of referendum and initiative. He said that having a drop-dead date that there must pass a new ordinance or have voter approval for taxation to continue is a pretty draconian way to handle the situation.

M/S MCCARTY/PAINTER to delete the last sentence of 16.06 (b).

HARRINGTON said that in a community like Ketchikan, most of the citizens are fully aware that if there isn't a sales tax, there will be much higher property taxes. He said he could guarantee that bonded indebtedness cannot be removed, it must be covered. If that means a dramatic increase in property taxes, that will happen. With this sales tax measure, this allows for a limit and a change in the process of doing business currently utilized. The current sales tax structure, there is a sales tax that is driven by the what will be the Ketchikan Service Area. It is locked in and the rest of the municipality will have no say over that sales tax the way it is now written. He said he really didn't like the fact that during the last week's meeting the other phrase in his amendment had been dropped which was, "Any future sales taxes must be voted on by the entire Borough, whether they are areawide or nonareawide." He said there are some

basic inequities in the current system and we are locking these inequities in, given the way the Charter is being structured. He said the prior-approved added language to provide for a approval by the voters of the sales tax within three years of Charter ratification, is merely one way for the inequities to be removed within those first three years of a consolidated community. He said that without something similar to this language, the Commission will have an active group within the Borough fighting the Charter.

KIFFER said he'd like to add that he thinks the indebtedness will be paid and the Assembly is going to hike the property tax if the people do not approve a sales tax. That's just the way it's going to happen. They will do that because they have to cover those expenditures. Hiking that property tax is going to be, actually, a more equitable way of covering the bonds. This language gives the power to the people to make that decision about what they want to do. Do they want to pay more property tax or have a sales tax?

MCCARTY said that every October there is the opportunity to change at least 2, if not 3, positions on the Assembly. That's the time to make the input. For sufficient reason, at any other time there is the opportunity to recall, have referendums and initiatives, attendance and lobbying at the meetings. Those are the ways that government is run. This draconian drop-dead approach is a terrible way to manage the government's finances. The Commission has been talking about an over-all framework for the government body. If this sort of thing is going to be done, perhaps the transition plan is a better place to put this specific language. He said the Commission is assuming that the people on the elected Assembly cannot be trusted; the voters cannot be trusted to elect people who will be responsible and responsive; there is no trust in the population to be able to take things into their own hands, whether it's to petition, referendum, or initiative the Assembly to attempt to fix matters and there is this attitude that we (the Commission) are going to save ourselves from ourselves. It is a lot easier to block passing these things and then scrambling to find a solution than it is to continue with the system that basically is in place now. The idea that one group is so incredibly disenfranchised that we've got to save ourselves from everybody else, frankly, the problem is more on whether we really want to go for consolidation or do we want to let it collapse and move on. These sorts of things, he said, are more designed to make sure that an illegal entity is created or there is something created that is just not workable.

FINNEY said that he didn't know if he necessarily agreed with MCCARTY's statements, but his point that if the sales tax were voted out and there is a cap on the property tax, KIFFER's point of upping the property tax to fund the bonded indebtedness and contractual obligations may not work. He said his biggest

concern on this portion of the Charter is as HARRINGTON stated, locking in the 2.5% may be better suited being dispersed differently as the Commission goes through the document.

PAINTER said that as a businessman, he kind of agrees with MCCARTY. There are a lot of inequities in the present sales tax structure. In his opinion, improvement needs to be done to reduce the loopholes; and enforcement efforts need to be accelerated, especially in the summer months with shipping methods. He said that the Commission needs to remind itself that the Charter is just a shell document, just a guide as to how to structure the government. The details should be left to the new Assembly. He said that he didn't think the added language should be in this Section and he agreed with MCCARTY about the elected officials taking on the burden of being fair with the taxes.

FINNEY said that taking that logic further along the same lines, if the language isn't left in there, three years in the future we (the Commission) doesn't have the same trust in the people who elected the officials. If the people have faith in those officials, it shouldn't be an issue. If the tax is good, the way it's being dispersed, the people are given the opportunity to decide.

THOMPSON asked if earlier in the Charter review process, didn't the Commission say that any future increases in the sales tax have to be voted on by the voters? HARRINGTON said yes, but only in the area where it's being proposed to be changed. If it's an areawide sales tax, then all voters would get to vote. THOMPSON said that any property tax increases would have to go before the voters; with a cap. He said it sounded as though there were pretty good brakes on the system right now. He said he is concerned that if the voters, for whatever reason, don't pass the sales tax, there could be a real problem financially. He said he thinks this type of thing belongs in the transition plan and the new Assembly needs to be told in the transition plan that they will need to address the inequities in the sales tax and by ordinance, fix it.

HARRINGTON said that would be a fine way to do it, so long as all the specifications in the Charter that say what percentages are going already to the City and to the Borough are eliminated, and say the current sales taxes will remain in effect through the transition plan and allow for some way to eliminate the inequities, but take all of it out of the Charter so that a 2.5% sales tax isn't blocked in to the Ketchikan Service Area. He said that all the language saying the service area may establish a sales tax on themselves by just a vote of those people. Then, he said, he would feel the language in the Charter was getting close to what he desires, but as it now stands, it is unacceptable.

FINNEY said that makes sense, to take out the 2.5% and leave it up to the elected officials in whom there is so much faith, then it would be in their hands.

THOMPSON asked HARRINGTON if he would be willing to bring some amendments back to this body at the next meeting. HARRINGTON said he would with the understanding that when the transition plan is being formed, the Commission will speak in detail to these sales taxes and how they will be run for the interim period of involvement and leave it up to the Assembly to do what they will.

KIFFER wanted to know that if everything past the first sentence in 16.06 (b) could then be eliminated.

MCCARTY said this Article needs to be brought back at the next meeting. The Commission needs to get with the City and Borough finance offices and get them to respond. He said he's not sure, but he's guessing that may be that the 1% for the hospital may be attached to something. That's a question that needs to be answered. If it is not specifically attached to something, then there's less of a reason to put the specific language in the Charter. We need answers as to why the percentages were put in the Charter.

PAINTER wanted to query the North Tongass Commissioners as to whether they had the intention of funding the services, specifically fire & EMS, in the North Tongass Service Area from sales taxes. FINNEY said it wasn't a yes or no answer. He said he doesn't have enough information to make that answer. Personally, he's leaning toward any sales tax being used for areawide services. He said he would entertain it if the money situation looked right. HARRINGTON said it wasn't a yes or no answer, also. It would have to go to the voters in North Tongass to raise a sales tax there to do it, and he would entertain that as a possibility, but only if the folks had a chance to vote on it. PAINTER said that up to this point HARRINGTON said he was concerned about the inequities of the distribution of the sales tax and what it paid for and PAINTER said he was getting the feeling that the north end Commissioners were after sales tax money to fund their fire & EMS. HARRINGTON said no. KIFFER said that he'd like to see an areawide sales tax. He said he's got some reservations about whether that actually can be done, because inequities are built into that, as well. He said the only thing he's still firm on is that sales tax should be funding areawide services. And how nonareawide services are going to have to be funded somehow, so some way if there is an areawide sales tax, some way there is going to have to be, for instance, the City is going to have retain more of the sales tax than the residents of North Tongass, but he said he's not sure how he would vote to make that happen. He said areawide powers should be funded by areawide sales tax.

FINNEY then pointed out to PAINTER that it seemed the discussions over the past few weeks that there's a feeling that areawide powers have to be equal, so if there is areawide water, that means, or areawide fire, that's easier. If there is areawide fire everyone has to have fire hydrants to make it equal. He said that's the feeling he's gotten and I didn't think that was correct.

PAINTER said he disagrees because being a former fireman, fire hydrants and tanker operations and insurance ratings, yes, fire hydrants have an advantage when it comes to insurance ratings over tanker operations in rural areas. When the Shoreline Service Area was annexed, the City told them they would be able to enjoy the benefit of their "5" rating and that didn't prove to be true. There are no hydrants, and even though the Shoreline Fire Department had the lowest rating that could be achieved with a tanker operation and it was proven they could provide x amount of gallons per minute to fight a fire.

FINNEY said that was his point. He said he didn't think that there has to be equal service just because there are areawide powers. Because even within the City, when you say that everyone is paying the same amount and there are hydrants, but that's not equal service to everyone in the City because the guy that's a block from the fire station is going to get better service than someone living a mile away or up some long flight of stairs. So the service is not equal. He said he thinks that's important as the Commission reviews the areawide services.

KIFFER said there is some inequity about trying to have say North Tongass wanting sales tax to fund nonareawide services. Sales tax in relationship to sales tax in the City, the individual service areas are not going to get the best for their money. There isn't the sales tax potential outside the City limits as there is within the City. He said he's not sure how it can happen, but he'd like to see it happen, but he'd like to go with an areawide sales tax.

THOMPSON said that the maximum extent possible, service area services should be paid through property taxes and sales taxes should fund areawide services. Whether that's going to work out in our proposed petition, that should be left to the new Assembly to decide how to set the sales taxes and the property taxes. If a service area needs to pass a sales tax to provide services to its constituents, so be it. The Ketchikan Service Area may pass a 2.5% sales tax to provide public works and if the voters in the Ketchikan Service Area say that's what they want, then that's the way it is. He said when he comes to town and get the benefit of the police, sidewalks, streets, fire & EMS, when he's inside the City limits. He said he is getting something for that sales tax that he pays as part of his commerce.

OTTE wanted to know if there had been a response to the question regarding parceling out an areawide sales tax on a pro-rata basis to the various areas. THOMPSON said the indication from Mr. Schweppe is that it could be done. He said that care needs to be taken when setting it up.

HARRINGTON said that his thought process in adding the wording to 16.06 (b) about a cut-off date and reauthorization by the voters of any sales tax started from a position that areawide sales tax should be standard across the area and all sales taxes go to areawide powers. He then questioned himself whether it would fly with the City Service Area who have the predominant number of voters to get this Charter passed. He then thought, no, he didn't think it would because it would raise the property taxes in order to do that. He then questioned how a little more equity could be inserted into the sales tax issue and the only way he could see is to take the locks out of the charter and say to the future Assembly that sales taxes should be reallocated, figure out a system that's more equitable for the entire population and bring it back to the people. That's what prompted the proposed language. He knew the three years was arbitrary and the cut-off date was arbitrary, but he said he needed to have something that said the future Assembly must address this issue. If that one isn't approved, he said he's willing to come up with another possibility, but something needs to be done.

Paul Hook, 488 North Point Higgins, spoke from the audience and he said he'd turned in his survey and one of the questions was areawide sales tax to lower property tax and he said he voted yes. The people that he's spoken to agree that if groceries are bought at Lighthouse or Texaco, dining takes place at Clover Pass or Salmon Falls, there are a lot of businesses going on out North and that is where businesses and sales tax revenues are going to increase. If that pool of money (right now it would probably be pretty small) and it would be used to fund the areawide services. Most of the property taxes go to schools. If the funds could be redirected so that people areawide would benefit from lower taxes by having an areawide sales tax and along the same line, could that revenue help pay for the fire & EMS? That's unknown. That's not why it should be done, but if the property taxes could be lowered and the people that don't own property could help shoulder some of the burden.

KIFFER asked HARRINGTON if he was confident that in the transition plan that his goal of having the Assembly reallocate, or go back to the people for reallocation of the sales tax vote would happen and be just as effective. HARRINGTON said taking MCCARTY's concerns into effect that says that eliminating the drop-dead date, but remove some of the language, and say that in the transition plan, the future Assembly must address this area, yeah, he

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said he thought that could be built in there. It's the locking of the other stuff in the Charter that has him concerned.

A roll-call vote was taken on the amendment to delete the added language in 16.06 (b) which states, "Within three years of ratification of this charter, the Assembly will present for voter approval a reauthorization of a sales tax, including both areawide and nonareawide sales taxes."

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

The amendment to remove the language passed 5-2. The section will be highlighted.

A roll-call vote was taken on the original motion to approve Article XVI.

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

The main motion passed 7-0, and Article XVI will be on the agenda of April 9, 2004.

I: Commission Comments

PAINTER said the public email comments were interesting this week. He said he thinks the Commission needs to openly discuss some things now that the first Charter review is winding down, i.e. the plan of attack on the transition, budget and petition; and how often will the Commission meet. He said he'd like to hear others' comments.

THOMPSON said he thought the next step should be to review the Petition because the Petition encompasses the transition plan and the budget. He said what he'd like to do is take the first few sections of the Petition....the lion's share of it is historical justification and he thought that could be reviewed rather quickly. What should be added to that section is the previous failed attempt by the City and add that to the Petition and then the Transition Plan is next. Maybe that could be broken doing the nuts and bolts of the Petition and then look at the Transition Plan and perhaps break that down into some sections and the budget. The Transition Plan is going to drive the budget, the budget is then going back to the Charter and drive some of the language regarding taxes. Perhaps on 4/9 we put the Petition on the table and have everyone read through Ketchikan Charter Commission Minutes

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it, focusing on the main petition, rather than the Transition Plan, which was an addendum and the budget was an addendum and we can just take the Petition and leave it on the table until we've worked all the way through.

OTTE said she would convert it into a Word document from the PDF format. It was pointed out that the metes and bounds could be taken out for the review process and get updated metes and bounds for the City Service Area which will include the former Shoreline Service Area. MCCARTY suggested just adding the wording "current City limits or current Borough limits" into the document.

THOMPSON said if there is no objection, the first reading of the main body of the Petition will be on the next agenda.

HARRINGTON said that as the Commission finishes the first review of the Charter, this document should be distributed to a lot of people. One or two should go before the Assembly and Council and give them the packet and ask for their review and examination. It should be sent to KIC, Chamber of Commerce, Rotary, and any other organization and asking for their input on the rough draft. He said that as much personal contact in giving the document over to folks for review is needed. HARRINGTON said he would speak at noon meetings.

PAINTER questioned the LBC process for the consolidation effort and that was explained to him.

HARRINGTON said that on the next step the budget should not be held off until later. The budget should be going in tandem, not to be changing it, but to gather the information to getting it to us. He said he would like to see the budget done in multiple ways. One way specifically would be a powers-driven budget with the powers listed and the costs associated with those powers listed in a budget format.

THOMPSON said he thought that with having access to the Borough and City's budgets and those could be combined showing all the expenses and all the revenues and at least get an idea. Formatting questions were discussed for utilizing the PDF documents into a new Excel budget formatted like the City's 2001 consolidation budget. THOMPSON agreed to be the one to do this task, since if too many people were involved it would not work. It was pointed out there seemed to be a lot of inter-departmental transfers. Costs for tasks such as janitorial are spread out over departments.

OTTE pointed out that there needs to be a plan as to who does what and not have everyone just going into the budget and transition plan and making

changes. It would be too hard to keep track of the changes. THOMPSON said that a working draft needs to be established. We know what the LBC expects as far as a budget. If the City & Borough budgets are put into the same format as the one the City submitted to the LBC then we'll have a working document. THOMPSON said he would take on the task of formatting a new working budget. It won't be complete by the next meeting, but he will do that task. Once that document is finished, there will be a lot of questions as to what went into that final number and then further research will need to be done to come up with what is in the totals.

MCCARTY pointed out that having a working document to start with has worked well with the Charter. Having an existing document as a starting point and working off that is the plan to follow. Discussions can start in the next couple of weeks and then the document can be broken down.

THOMPSON said that knowing what was submitted last time and that it was acceptable, he can come up with a melding of the two budgets into a working draft for this Commission can occur. When melding the two, he said he's sure there will need to be organizational charts in order to see where positions overlap. THOMPSON said these changes are going to have to be tied into the transition plan as to how the services/departments will be melded and at what time in the plan. He said the task won't be complete by the next meeting since there's a lot of work involved. He said he'd asked Mr. Newell if there were working papers showing how the City arrived at the final numbers in that 2000 budget and there probably were, but the final product is what needs to be targeted.

PAINTER said that the Commission needs to be thinking of savings in the way of personnel duplication, departmental duplication and in order to sell it to the voters.

OTTE said that the working papers are going to have to be created anew since the information in the City's 2000 budget is so outdated. THOMPSON also said that since the Commission will be doing initial budgets for 2005-2006 due to the timing of the process, there will be some use of a crystal ball to come up with projected figures for things.

THOMPSON discussed going to the Juneau Chamber of Commerce luncheon that week and how for the most part, their members were positive about the move of the ferry administration to Ketchikan.

HARRINGTON spoke about the fact that there can never be equal implementation of areawide powers. He wanted to know if the Assembly can,

by ordinance, say powers will NOT be delivered to certain areas (wilderness areas?) and have lower property taxes in those wilderness areas. A discussion ensued to maybe have an umbrella Ketchikan roaded area under which the service areas would function. That way there could be animal control (or other services) under the umbrella service area, and the non-roaded portions of the municipality would not be responsible for the costs as they would be with an areawide power.

FINNEY said there were good email comments this week and he encouraged people to send in their comments. He said the point of getting the costs associated with the services and powers is important to see as the Commission deliberates the issues.

MCCARTY said he agreed with a lot of the comments. The taxation issues are hot topics and he thought this area should be pointed out as a major area that needs to be addressed. If you have the geographic reality of this island and once the current City limits are left, the cost per unit of say, each hydrant or whatever is needed North or South, is fairly astronomical. It doesn't mean that those persons have less rights to those services, but the reality of the costs have to be addressed. Everyone on this island is being affected by a lot of the issues, for instance, KPU, but the longest time, the only people who could vote for things related to KPU were the City residents. Those things need to be clearly highlighted and those issues need to be addressed. He said that some of the issues should be handled in the transition plan rather than the Charter by saying in the plan that there are certain things that MUST be addressed by the new Assembly and that even though a person may not live inside the City Service Area, the whole population is affected by the decisions of that area and that those living outside the City Service Area do benefit to one degree or another from the services that are provided within that area.

KIFFER said he agreed that the services do not necessarily need to be the same in each area under service areas. He said he's a strong proponent of areawide services and do what can be done to fund them with sales taxes, but make sure the services are really areawide. The Commission is here to consolidate the governments for the sole purpose of making it cheaper, and, for instance, if you do the fire departments areawide, the people will complain that they are not getting the same level of service. Zoning has been questioned a lot lately and people want to know what they're getting from that mandatory areawide power. He said the Commission needs to be careful and fund services out of service areas by property taxes. If everyone truly gets the same service, then that should be an areawide service. Police powers are not an areawide service. He said he thinks even before getting into the petition, he said he'd like to spend some time and go back and review the Charter with all

the changes.

OTTE said that once the items are finished after the next week's meeting, the DRAFT charter will be distributed to each of the Commissioners with all the changes. She also said that in a brief look at the surveys, there are a lot of positive comments about the Commission's efforts.

The meeting was adjourned at 8:18 p.m.