

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING

May 5, 2004

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

A: Pledge of Allegiance**Roll Call**

PRESENT: PAINTER, OTTE, THOMPSON, FINNEY, KIFFER, HARRINGTON,
MCCARTY (arrived 6:09 pm)

ABSENT:

B: Ceremonial Matters/Introductions

Lance & Jake Mertz were recognized by the Chair as being in the audience.

C: Public Comments

Lance Mertz commented on writing his Master's thesis on government consolidation and he said he'd devoted as much of his paper as he could to the actual consolidation effort in Ketchikan. He said that the paper didn't delve into detail, but there are general principals that can be applied. He indicated that he wanted to help the Commission as much as possible.

D. Informational Reports and/or Commission Presentations

THOMPSON indicated he'd passed out a budget worksheet that he had put together. He put the formatted budget that was submitted with the last petition and took the 2004 City and the 2003-4 and reformatted them into the same format as had previously been submitted. He said the cover page gives a broader view of the breakdown of the City and Borough budgets, with KPU being just one line item at the bottom. He said it shows starting balances; revenue, and, in the case of the City, there were some transfers of revenue in and out of the funds; expenses for operation; capital expenditures split out;

expenses transferred out of the departments to other departments; total expenses; and then the beginning aggregate revenues, subtract the expenses and the reserve figure as of 12/31/04 is determined. The final column shows net change, year to date, for each of the funds. He said that overall, the City's budget is running about \$4m to the good and the Borough is running almost \$7m to the negative. KPU went into reserves about \$3m.

THOMPSON went on to explain that the next pages show the City and the Borough side by side and then showed a combined column for both of them. He said there were notes throughout the document talking about what was placed in the document. In the prior-submitted document there had been both the City Service Area and there was a Greater Ketchikan EMS Service Area. He said he didn't attempt to move those numbers into the departments. He said that Exhibit D of the City's current budget has all the detail on the funds.

This document is a starting point for the Commission. From the revenue side it shows whether the revenues are coming from sales or property taxes or user fees. As things get moved from the City to the new Municipality and from the new Municipality to the City Service area, the revenues and expenses will need to be reviewed to make certain there is no deficit and preferably no large surplus.

THOMPSON said he couldn't specifically identify some expenses. In the Public Works Streets summary page, they split out their expenses between operating expenses and capital projects, but it wasn't identified as to what these were specifically, so they were pulled out and no where else was found to put it, so there's a couple of things in there that were editorialized to make it balance, but all the numbers are in there. At the bottom of page 13, it is tied back to the totals.

The Commission needs to review these budget items and determine what makes up the numbers. He said the Commission probably wouldn't be doing a lot of changes to the document, but things will probably be moved around. The cover sheet only reflects the fund balances as they were based on the budgets. Total reserves for all three entities were \$53m budgeted at the end of the 2004 fiscal year, \$23m in the City and \$22m in the Borough. The individual funds are having some problems, i.e. the Borough Land Trust fund had budgeted reserves of \$9m, but he thought that figure had been reduced by the actual this year.

THOMPSON said that not the next meeting, but the following one, the Commission will want to start the budget review in earnest because as the Transition Plan is reviewed, the budget information goes hand-in-hand with

that review. FINNEY wanted to know if the reserves were unencumbered and THOMPSON said some were encumbered.

THOMPSON said the LBC may want the detail pages, but the cover sheet really shows more of the picture because it shows what the fund balance was, what the transaction activity was and what the year-end totals were. If one of these cover sheets could be done for each of the three years that need to be submitted by the Commission, it will actually show the picture pretty well, because the detail pages don't show the fund balances.

MCCARTY arrived at 6:09 pm.

THOMPSON indicated he'd emailed Dan Bockhorst asking who the petition representative should be. There had been no answer to this point. He also sent an email to Bob Newell asking him to detail the \$950k savings in the first year of operating the new municipality. OTTE indicated that Mayor Weinstein had stopped by the office prior to the meeting and said that in relation to that email request to Mr. Newell, the savings were gained by just the salaries of the previously duplicated positions that made up the \$950k savings.

THOMPSON said that each of the City and Borough has complete staffing plans and organizational charts that will be of some help in determining the projected budgets. He said there were also allocated costs between departments for services provided. Those won't necessarily show up in the transfers, but in the detail pages those will be more apparent. It was not clear what some of the Funds were. Most are self-explanatory.

PAINTER said he'd done the updates to Exhibit A. He said he'd updated the population figures based on the 2000 Census. OTTE indicated that she had already updated the Exhibit using the 2003 demographic figures and that Clerk Edwards had also forwarded the demographic figures for inclusion. PAINTER indicated he'd used the same formatting for his changes and the updates to the historical information were based on Mr. Bockhorst's Chamber presentation.

OTTE asked which figures should be used in updating the Petition and Exhibits, the 2000 census or the 2003 demographics. She indicated the items included as FYI in the meeting's packets were: the 1999 document by Mayor Weinstein which was a precursor to the actual submitted petition; the Clerk's comments on Exhibit G; the TAT EMS report; and Lance Mertz's masters thesis which he has indicated may be used by the Commission.

OTTE also indicated that from now on, agenda packets would be provided to

the Commissioners in hard copy format. She said she felt that it would help all in the long run so that the Commissioners do not have to print their agendas at home. Items can be reviewed on the computer and notes can be made. For the meetings, everyone will have the same page numbers for ease in review.

She said that the Petition and Exhibits are all on the Internet now. The Charter is included in this larger document and is not on the Web separately. The survey results are posted and OTTE said she would try to get the paper copy comments typed for inclusion with the ones submitted with the Internet surveys so those can be added to the result worksheet.

OTTE said she felt an extra meeting was warranted this month and at some point in the meeting that date should be selected. She said that KGB had set a special meeting on May 14th, a Friday, so that date was out for the Commission.

E. Consent Calendar

The minutes of the April 21, 2004 regular meeting were approved by unanimous voice vote.

F. Vouchers

M/S MCCARTY/PAINTER to approve vouchers in the amount of \$ 813.71.

FOR: KIFFER, FINNEY, MCCARTY, HARRINGTON, PAINTER

AGAINST:

ABSTENTION: OTTE

The vote was 6-0, with 12 abstention, for approval. OTTE had a voucher for payment submitted with this agenda item.

G-1 Recess the meeting into worksession to consider the 2004 Draft Consolidation Petition, including changes to Exhibit A, Exhibit D, and Exhibit E-3; initial review of Exhibits G, H, J, & K; discussion of the 2004 DRAFT Charter; and other items of business before the Commission.

M/S MCCARTY/PAINTER to recess the meeting into work session to discuss the 2004 Draft Consolidation Petition, including changes to Exhibits A, D & E-3, as well as initial review of Exhibits G, H, J, & K; discussion of the 2004 DRAFT

Charter; and other items of business before the Commission.

The move to recess into work session was approved by unanimous voice vote.

NOTE: Work sessions are informal discussion sessions held for purpose of exchanging and gathering information. No action may be taken, formal rules of order are relaxed, and minutes are not kept.

While minutes are not kept in work session, some of the items discussed were:

- Changes in Exhibit A submitted by PAINTER were approved for inclusion.
- Numbers used in updating the Petition and Exhibits will be from the 2003 demographics, whenever possible, otherwise, figures from the 2000 census will be used.
- If items are changed in the DRAFT Charter reference composition of the Assembly or method of election, Exhibit D will need to be changed as well.
- South Tongass Service Area powers need to be updated in Exhibit E-3 and other sections referencing service area powers.
- A new agenda cut-off day needs to be established so that packets can be made available for the Commissioners to pick up at the office. The date updated will be added to the Draft documents for easier reference.
- KIFFER to find out if Saxman is included in the South Tongass Service Area for fire protection or if they are mutual aid only for this service. The City of Saxman pays only the base Borough rate of property taxes, 7 mills, according to the Borough Finance Director.
- Exhibit F, Budget, will be on the agenda for the next meeting. Discussion regarding sales taxes and assignment of those taxes was discussed.
- While changes in the taxation could be legislated by the Commission via the Charter, it is the feeling of this Commission that those types of changes should follow the normal citizen review separate from the consolidation process. The current DRAFT Charter has a cap on property taxes, with voter approval needed to go above that figure, and sales taxes can only be raised by a vote of the people. It would be worth looking into putting a cap on or going back and voting on the fees that are charged in the course of municipal government. The Transition Plan and Budget are places for suggestions, not to tie the new Assembly's hands as far as what will actually be needed at the time the new government is put in place.
- KIFFER pointed out that the people are going to have to vote on the whole consolidation plan and if the public perceives tax increases, that's just

one more step the public will have to take overcome to vote for the consolidation. OTTE pointed out that one of the reasons there were tax increases in the last consolidation effort was because the budget was balanced. Neither the City nor the Borough have had balanced budgets for quite awhile, so when the budget is balanced and reserves are not used to do this, there will probably be some increased costs. This Commission needs to educate the public that a new government cannot start by tapping reserves to balance the budget. KIFFER said that what the public expects from this effort is to save money, and selling any increases will be tough. MCCARTY pointed out that the City & Borough will be working on the tax issues between now and September so this Commission may not have to deal with quite so much change by the time this document is submitted.

- Lance Mertz explained the reason that money from the Hospital Sales Tax Fund was previously transferred to the new municipality's general fund because the sales tax fund is simply a holding fund. Those funds were transferred because of obligations for the hospital. The money was taken out of the sales tax fund to pay the bonds on the capital improvements to the hospital. General government is not being run off the Hospital Sales Tax.
- HARRINGTON pointed out that there needs to be a simplification in the budgeting process so that a normal citizen can follow the budget and understand the document. A document needs to be developed that shows where and why the transfers of funds occur. Citizens should be able to see the amount of tax dollars and where those dollars are spent.
- THOMPSON explained his approach to the budget worksheets he'd developed as being a top-down presentation. The overall totals were listed on the front page of revenues and expenditures. The next pages then detailed to a certain level how the first page figures were determined.
- The Commission will need to get a listing of all the bonded indebtedness and the debt service from the respective finance offices.
- There is a Federal requirement for major groupings of minorities to be recognized. A local contact for the US Department of Justice needs to be determined. A letter needs to be drafted to the major minority groups, KIC, Cape Fox & Saxman to introduce the Commission's process with invitations to attend the meetings and the locations of the documents on the Internet. Section "C" of Exhibit G will be highlighted until later in the process for a total re-write.
- In Exhibit J, the Transition Plan, Section C 7 (d), regarding the Municipal Facility and Vehicle Maintenance, this area should be revisited due to duplication of efforts by the KGB School District, the Borough, and the Airport. While this Section C concerns things as they are currently within

the City, at some place in this Transition Plan, these duplications of vehicle maintenance facilities should be addressed.

- OTTE suggested that the new service area encompassing the former City of Ketchikan should not be named the Ketchikan Service Area since the new municipality has been named Ketchikan. It was suggested that the name be highlighted and suggestions for a different name be brought forward at a later date for global change throughout the entire document.
- HARRINGTON to find out the correct number of School District employees and classrooms.
- Throughout the Transition plan, references are made to contractual services between the new municipality and the Ketchikan Service Area. This is incorrect in that the Ketchikan Service Area is an operating entity of the municipality and cannot enter into a contract. There is not a necessity for a contract to be written. The municipality can simply say that services (building code enforcement, etc) within the Ketchikan Service Area will be provided through cost reimbursement between the municipality and the service area. The way the Transition Plan was written, it is almost as if the Ketchikan Service Area is being set up as an entity that is separate from the municipality and in all those cases where it says the municipality (borough) will contract with the Ketchikan Service Area for administration of those services. What these sections should say is the municipality will reimburse the Ketchikan Service Area for the administration of those services. There doesn't need to be a contract. It's an accounting function between divisions of the municipality.
- There will be a borough building code only applicable to the Ketchikan Service Area.

A 10-minute break occurred between 8:04 & 8:15 pm. NOTE: HARRINGTON was called away from the meeting at the beginning of the break.

Discussion continued on the Transition Plan (Exhibit J), including these points:

- It was requested that the "nominal cost" of the Historical Commission be determined. This cost will transfer from the current City Manager's Office to the Museum Department upon consolidation.
- Clarification is needed on what constitutes a special revenue fund basis listed as funding for the Ports and Harbors Division. It is noted that there are significant reserve funds in this account. It is noted that if there is so much money in reserves for this Division, why are user's harbor fees escalating. Another question would be why is this Division set up as an enterprise fund and not just take the "profits" from the Division into the general fund. MCCARTY noted that the reasoning probably coincides with the fact that the cruise ships agreed to the taxation & fees, but only

with the caveat that the funds stay for harbor improvements.

MCCARTY left the meeting at 8:43 due to prior commitments.

- PAINTER questioned how telephone/electric services are handled for new areas, wherein the user must pay for poles, lines, etc. and then other users come in and hook up utilizing the poles/lines the initial user had paid to have installed. KIFFER said that if KPU is going to be certificated for providing service to an area, then they ought to be providing service within that area. THOMPSON pointed out that these issues have to do with the management of KPU and the State regulation of their activities, not with what the Commission is considering.
- There was a question as to what the water certificated area was exactly and OTTE agreed to contact the KPU Water Division to find out. There are three separate certificates for public convenience for the Utility: telephone, electrical & water. When any of these certificated areas is proposed to be changed, the State regulatory authority for that utility must approve that area change.
- FINNEY pointed out the reference to the fact that once the governments are consolidated, the governing body of KPU will be the new Assembly, rather than just the City Council as it is at present. He felt this would be a key informational item when presenting the consolidation effort to the citizens.

G-2: Reconvene into regular session to consider changes to the 2004 Draft Consolidation Petition

The Chair moved to reconvene into regular session and there was no objection. THOMPSON indicated that when the work session resumes the next meeting the review would start at the nonareawide powers section of the Transition Plan (Exhibit J).

H: Unfinished/Old Business

H-1: Ketchikan 2004 DRAFT Charter

H-1a: Amend Article XIV, Local Improvement & Service Districts, Section 14.02

M/S PAINTER/OTTE to amend Article XIV, Section 14.02, to read,
"The Assembly may begin procedures for local improvements
either by resolution or upon receipt of a petition. Procedures for

local services may begin only upon petition of the owners of a majority of the property, or a majority of the property owners which will be assessed for the local service.”

OTTE indicated that it was a good compromise. That it was just the initial step to get a petition to form a local improvement district, and it doesn't decide anything at this stage.

A roll-call vote was taken on the motion.

FOR: FINNEY, KIFFER, PAINTER, THOMPSON, OTTE

AGAINST:

ABSENT: HARRINGTON, MCCARTY

The motion passed with 5 yes votes.

H-1b: Amend Article XII, Nonareawide & Service Area Powers, Section 12.02 (k)

M/S PAINTER/OTTE to delete the language ‘emergency disaster planning, emergency communications’ found in footnote 4 of #7 of the Draft Petition and add the phrase ‘emergency communications’ to Article XII, Section 12.02 (k) of the 2004 DRAFT Ketchikan Charter.

A roll-call vote was taken on the motion.

FOR: FINNEY, OTTE, KIFFER, PAINTER, THOMPSON

AGAINST:

ABSENT: HARRINGTON, MCCARTY

The motion passed with 5 yes votes.

H-2: 2004 DRAFT Petition, including Exhibits A, D, and E-3

M/S PAINTER/OTTE to accept the changes made to the Petition and Exhibits A, A5, D & E-3 and to consider these documents as part of the 2004 Draft Consolidation Petition & Exhibits to be distributed for public comment via the Internet and various public locations in the community.

M/S THOMPSON/FINNEY to amend to approve the changes made prior to and at this meeting and bring back the sections for final approval at the next meeting.

A roll call vote was held on the amendment.
FOR: THOMPSON, PAINTER, KIFFER, FINNEY, OTTE
AGAINST:
ABSENT: HARRINGTON, MCCARTY

The amendment passed with 5 yes votes.

A roll-call vote was held on the main motion as amended.
FOR: OTTE, KIFFER, PAINTER, FINNEY, THOMPSON
AGAINST:
ABSENT: HARRINGTON, MCCARTY

The motion, as amended, passed with 5 yes votes.

I: New Business

I-1: 2004 DRAFT Petition, including Exhibits G, H, J, & K

M/S OTTE/PAINTER to adopt the clerical changes as set forth in work session, to include changes in wording, updating population and tax numbers and deletion of unnecessary references in the Draft Petition Exhibits G, H, & J (K was not reviewed at this meeting) and bring these items back at the next meeting to resume review.

A roll-call vote was taken on the motion.

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

The motion passed with 5 yes votes.

J: Commission Comments

FINNEY indicated that the budget worksheets developed by THOMPSON would be very helpful. THOMPSON said that any suggestions as to presentation formatting would be appreciated.

PAINTER also thanked THOMPSON for his efforts on the budget.

KIFFER said the Commission's job is to save money and the numbers are

going to show where money can be saved. Throughout the entire process he's been waiting to see the numbers, as he feels that will be a big help in making a determination on the Petition and Exhibits, as well as the Charter. KIFFER also said that the provided binder is very helpful in keeping organized.

THOMPSON said he tried to tie all the numbers together and this effort is a good start. The key for the Commissioners is that this is a guideline budget and if the micro-management level is attempted, the Commission's efforts will bog down. He said that a lot of budget processes start from the bottom up, but this effort is being done from the top down and will only go so far down into the details of each line item.

The meeting was adjourned at 9:09 p.m.