

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING

May 19 & 21, 2004

The regular meeting of the Ketchikan Charter Commission commenced at 6:00 p.m., Wednesday, May 19, 2004, in the City Council Chambers, recessed and re-convened on Friday, May 21, 2004 at 6:00 p.m..

A: Pledge of Allegiance**Roll Call**

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

B: Ceremonial Matters/Introductions

Kayhi students completing their class requirements were recognized as being in the audience by the Chair, as well as Lance Mertz.

C: Public Comments

None.

D. Informational Reports and/or Commission Presentations

THOMPSON indicated he had contacted the Finance Directors for the bonded indebtedness and that information was provided or the location in the previously provided documents was given. The City is behind on several major tasks and will be unable to provide the Commission any further assistance. He said that the nominal cost of the Historical Commission was determined to be approximately \$1000 per year in the Museum Department's budget.

THOMPSON said he didn't get an answer to the question of the special revenue fund basis to run Ports and Harbors. He said he may re-address that question to Mr. Amylon. THOMPSON said he thought that MCCARTY's comment of the previous meeting that funds and fees paid by the cruise ships

were prefaced with a caveat that they be used for ports and harbors.

OTTE said that there was a document on the table at the meeting consisting of transcripts from the prior consolidation's public meetings and advertisements with questions and answers. She said this document could show what some of the specific concerns that were addressed to the City as the prior petitioner and could be of some use for bullet points in this Commission's advertising of the current consolidation effort.

When queried, the Commissioners indicated they were happy with the way the packets were presented.

HARRINGTON noted that he had attempted to get the requested information from the School District on the number of classrooms and employees needed for the Petition document, however, with the Borough meeting scheduled for Monday evening, the District employees were quite busy and he would get back to them and get the numbers prior to the next regular meeting.

It was also noted that KIFFER was to get the information as to whether Saxman was a part of the South Tongass Fire Department, but since he was absent, a reminder should be sent to have the information for the next meeting.

E. Consent Calendar

M/S MCCARTY/HARRINGTON for approval of the minutes of the May 5, 2004 regular meeting.

PAINTER pointed out that there was a correction needed on page 4 under vouchers to change the number from 12 abstentions to 1.

The minutes of the May 5, 2004 regular meeting, as corrected, were approved by unanimous voice vote.

F. Vouchers

M/S MCCARTY/PAINTER to approve vouchers in the amount of \$ 748.37.

FOR: FINNEY, MCCARTY, HARRINGTON, PAINTER, THOMPSON

AGAINST:

ABSENT: KIFFER

ABSTENTION: OTTE

The vote was 5-0, with 1 abstention and 1 absent, for approval. OTTE had a voucher for payment submitted with this agenda item. PAINTER asked that the current balances on the budget line items be distributed at the next meeting.

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, G, H, and J (through page 18); and initial review of the remainder of Exhibit J, K and F; 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, G, H & J (through page 18), as well as initial review of the remainder of Exhibit J, K, and F; discussion of the 2004 DRAFT Charter; and other items of business before the Commission.

The move to recess into work session was approved by a roll-call vote:

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

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:

- A lengthy discussion revolving around wastewater services throughout the municipality was held. Some of the points made include:
 - Wastewater fees should be on a user basis, not a nonareawide fee.
 - Inequities in the current system are costing some more than is warranted.
 - It was suggested that more verbage be added to the Transition Plan to suggest how the new Assembly may want to address different situations, for example, a new paragraph could be added to the wastewater section to look at the way the fees are being assessed and suggest a more equitable solution be established as the ordinances are reviewed.
 - The new Assembly will need to review all the ordinances, but perhaps a deeper question in terms of when the Assembly wants

to increase the sales taxes to an area, that has to go before the voters, however, they can pass a mandatory fee on a nonareawide basis, such as the disposal of garbage outside the city limits, and the sewer fees on the north end, without any ratification by the voters. Something in the Charter should say if an areawide tax is adopted and it is called a fee, it should be ratified by the voters. [Charter, Article 12, Section 12.04(f)]

- Current and proposed sludge disposal procedures by the Borough were discussed. It was assumed if consolidation occurs there would be one department of the municipality of Ketchikan that handles all the wastewater issues. The duplication of expensive equipment was noted as one of the advantages of one department.
- The wastewater section needs to be re-written as the prior plan was conceived before the Borough got involved in nonareawide wastewater treatment & disposal. It was suggested that the Borough Attorney may help in re-writing the section in light of the current situation.
- The word “only” should be removed from the last sentence in paragraph 1 on page 19. The employees currently working for the City wastewater treatment will be providing that service for the new service area, but not exclusively.
- What is the \$15 sewer fee based on? How was the number determined? It was felt that it’s a tax cloaked as a fee. The fee is not fair to all, since some households have more people than others, requiring more frequent pumping of the septic tanks.
- The problem with equity is complexity and that usually increases the cost of oversight. The third paragraph in the section was scrutinized where it says “Section 12.04 (f) of the proposed charter grants to the Assembly the continued power to terminate or alter service areas without approval of the voters, in order to provide sanitary sewage service on any basis determined by the Assembly.” It was noted that one of the reasons that’s in there like that is the management of a sewage system is such a public health issue and if it’s not done, there is disease.
- The tax Assessors, with the new technology available to them, should be able to incorporate assessment of the septic systems into the total factual data regarding the property. The main reason we don’t have water meters or parking meters is the cost of equipment, maintenance and over-site of the use. Once the path is taken away from flat fees, it costs time and money to have a different system.
- Once the amendments to the Charter have been completed, the

Transition Plan should be updated to reflect those changes. This section should be highlighted for now.

- In reviewing Article XI which talks about taxation and it goes with 12.04 (f) does the same thing, allowing the Assembly to set whatever fees they want without voter approval. It should come out of the document, "The Assembly may by ordinance exercise sanitary sewage powers on an areawide, nonareawide, or service area basis in such manner as it determines." And then if they want to have a fee, blanket or otherwise, it is automatically assumed that everything is approved when the Charter is approved, everything stays status quo, and they simply have to bring that back. The existing sales taxes and areawide fees would not be able to be increased without a vote of the people. It's working now, maybe not as well as it could. Some sort of Board of Equalization or Ombudsman should be contemplated. If someone has a problem, and the blanket rules and bureaucracy sees things in black and white, sometimes the issues are gray because not everyone lives in the same methods.
- There is fear of building code enforcement powers migrating areawide. The Transition Plan calls for exercise of this power within the new City service area only. The word initially was questioned in this section. Hope was expressed that this power would only go to the other service areas by a vote of the people. This would be a good bullet point for educating the electorate.
- The phrase "special revenue fund" was questioned and Mr. Mertz indicated that it was a term for government accounting. It doesn't mean it's "special". The phrase could be read as a "dedicated" revenue fund.
- The way the document reads, the translation to this Commission's time frame would be from July 1, 2001 to July 1, 2006 as a feasible date for the beginning of the new municipality. It was decided that the date would be eliminated from the beginning of those sentences. Another phrase to be removed is in the sentence, "The following services will be provided by and only in the Ketchikan Service Area:" The words "by and" should be deleted since the services are not provided by the Ketchikan Service Area, but by the municipality in the KSA.

- Mr. Mertz spoke regarding the need to consolidate the current fire & EMS areas, the City and the North & South Tongass departments, into one areawide fire & EMS department. Three fire chiefs are too many. This would be a way of saving administration money. The development of a single fire/EMS department servicing the entire area under a nonareawide power would be understandable and a doable option. There could be Assistant North & South Chiefs that could run the fire houses in their areas, but there would be a single point of contact for the training for the EMS and the airport fire department. He said there were a lot of possibilities and a lot of money to be saved. This would be a department for the entire roaded area, exclusive of Saxman and Saxman cannot be included in the South Tongass Fire Department right now because they are not taxed for the South Tongass Fire Department. They more than likely have a mutual aid agreement. It wouldn't take away the character of the individual departments for all the administrative stuff.
- HARRINGTON said that goes to what he's been talking about to bring an amendment to the Charter on fire & EMS. The Transition Plan is only the guideline. The Charter is the binding document and he said the three local Departments are supposed to be having a meeting the next week and one of the items on the agenda for this meeting is to fashion language for the Commission regarding fire & EMS. He said he didn't know if it would happen next week or next month, but that's the intent. THOMPSON concurred. He said that the Transition Plan section (b) on page 21, Fire Suppression, and some modifications to Charter 12.03 and perhaps what would need to occur would be to pull the operation of fire departments out of 12.03 and put them into a separate paragraph much as the sewer powers are. MCCARTY said that unless there is a strong consensus between the three departments to make some major changes, he would suggest that the Commission stay away from anything in the Charter and put some encouraging language in the Transition Plan that the three departments do their best to communicate and work together to facilitate cost savings, communications and provision of services. That's about as far as this Commission can go now. If something comes out of the

meeting of the departments, it would be good to put it into the Transition Plan, because, assuming we can get past the territorial concerns, there are a number of reasons why coordination between the three groups is necessary.

THOMPSON said that 12.03 has to do with services provided by service areas and it says, "The following powers shall be exercised **only** through services areas:". If that sentence were modified to say, "The following powers shall be exercised through service areas or on a nonareawide basis, if ratified by the voters," and put all three of those, police, fire & collection of solid waste with that new sentence. Those are the three that have been set up only through service areas, but that allows the power that if the municipality says that this is a good idea and get the consensus of the fire departments and the voters get a chance to give their assent, it would be done. PAINTER suggested on an areawide or nonareawide basis. That would give the flexibility to the new Assembly, but also the checks and balances for the voters. MCCARTY said he didn't see the point of changing the language. An amendment to the Charter the way it is written would do the same thing and still require the voters to approve the change. THOMPSON responded that it would give the new Assembly the flexibility to change the status quo, which is how the issue will be when the new municipality starts. The way the Charter is written now, there isn't the option to change the status quo without amending the Charter.

- A discussion was next held on the Public Works section of the Transition Plan. The following are some of the points made:
 - There is a Public Works Department at KGB that was not as extensive as when the original consolidation petition was written.
 - City Public Works providing services to KPU and other divisions. The Public Works Engineering should be a part of the municipality and charge back to the various departments/divisions any work performed.
 - City Public Works currently providing for streets & sidewalks. There are no sidewalks outside the core City area. The new municipality could manage that and charge it back to the City service area.
 - Engineering staff itself should be on the municipal level rather than the service area level.
 - The service area should not be charging the municipality. Mr. Mertz said that it's the tail wagging the dog. There should be an over-all Public Works Department for the entire municipality and then charge out there services where utilized. Assets and liabilities of the Public Works Department, which belong to the service area,

can be charged out when used by the municipality's areas.

- There was a discussion about how the funding would be handled for this department, since all references in the current Transition Plan indicate a 1.5% dedicated sales tax within the City service area.
- It was decided that HARRINGTON would re-word sections (c), (d), (e) & (f) of the Transition Plan (pages 21-23) section on Public Works. Some sections of the Charter may have to be re-addressed as well. The level of expense and effort currently is within the existing City and it would need something to say that sidewalks are not going to be constructed along Tongass Highway. The multi-garage situation was also discussed (Central Garage concept).
 - Summary of Services to be updated once all changes to the Plan have been incorporated.
 - Billing services should be addressed, since both the City and Borough, as well as KPU do billings. One or the other of the entities has a better system for billing and it should be used. Multiple billings on one statement, etc. should be suggested. Some have to be billed separately, for example, the property taxes, but most other fees, charges, etc. could be put on one statement.
 - City/Borough attorneys will be contacted to check on the status of any lawsuits or major issues facing the separate entities that will be assumed by the new municipality. This could be a bullet point in an informational packet.
 - The schedule of the consolidation process was reviewed.

A break was taken from 7:15 to 7:26 pm. MCCARTY left the meeting at this point due to a prior commitment.

- OTTE to find out how many contract executive level employees are within each current government and the termination provisions of each of these contracts. Should there be a prohibitive termination provision in a contract, the least expensive way to handle the situation would be to keep the employee on staff, perhaps in a different executive position. A possibility for the new Assembly might be for them to say if anyone resigns or retires, the position won't be filled for the remainder of the budget year, at which time the position's need would be assessed. Current employment figures from each of the entities need to be obtained.

- The section on Executive Organization was discussed, as to how staff will be selected once consolidation is approved. It may end up where the new municipality needs two assistant managers. This Commission needs to decide whether KPU is going to be a part of the new municipality or a separate utility entity with its own manager & governing board, or is the Commission going with the status quo. The new manager of the municipality is not going to have time to be both manager of KPU and manager of the municipality. Mr. Mertz indicated in his master's paper that it will take more people initially to run the new municipality for a short time, maybe even a year. There will be two audits needed, close-out audits for both the City and Borough; the personnel system will need to be re-established; a complete review and any changes will have to be made in the medical and other benefits; and the data processing departments will have to be integrated. It will be a very complex process. Re-assignment of current personnel to fit the needs of the initial year would be the best. The City attorney does a lot of criminal work while the Borough attorney does very little of that type of work, but both are very busy. There will probably be another Deputy Clerk due to the sheer volume of the activities. Mr. Mertz said he doubted whether the purported savings of \$950,000 would occur initially. This would be another bullet point for voter education. Giving the new Assembly and Manager flexibility during the transition year(s) would be optimal.
- Another personnel issue that will need to be addressed by the new Assembly and staff is the merging of the many union contracts. Currently there are seven different contracts between the two governments and their workers. The Transition Plan indicates that the existing contracts are inherited by the new municipality, but in the budget process, those incremental wage increases and any benefits increases need to be addressed. It may be that groups of employees covered under separate contracts will have to re-negotiate at the earliest opportunity to get into one contract.
- The costs attributed to KPU in a breakdown by percentages were discussed. These costs are charged to KPU in addition to the PILT fees. They are based on cost allocation. These are estimates that constitute the inter-departmental charges seen in the budget.
- HARRINGTON again reiterated his desire to have a break out of KPU's revenues/expenses done for each division to show where the funds are going for each. He said he didn't understand why this detailed cost allocation, but KPU department, couldn't be done, since they've done it

for the whole of KPU to the municipality. He said that in looking through the current KPU budget, he could not find, nor could Al Hall of the Borough, where these allocations are being made. THOMPSON said that if, in fact, the City is charging KPU for this level of effort on the City's part, KPU is actually supporting the City to a certain extent. That means that maybe the utility shouldn't be sold because it is keeping the taxes down. Conversely, if there wasn't the utility, about half of the expenses wouldn't be happening and the "City" could be reduced. If this level of effort is required for KPU to do its job, then a new utility taking over would have to fund it to that amount and that would come out in the rates.

- There is a provision in State government that the Senate President and the Speaker of the House can actually do an informal polling that will allow the conduct business and that then becomes the first item of business before the convened session. This has to do with whether the option of having the consolidation election in the fall of 2005 is even available.
- The taxation section (10) was discussed and several items were deleted and dates were changed. It could be that this Commission will direct that all the property and sales taxes collected on an areawide basis will go into one pot and out of that pot will be funded the schools, general government and the property taxes put into place for the service areas, will go to fund those service areas' specific services. This way the percentages shown being directed to specific issues like the Hospital or Public Works would not have to be delineated. It was brought out that not all sales taxes can be used for areawide services since the City's level of services they receive are predicated on some of these delineated sales taxes and would make the property taxes much higher in the City area. THOMPSON indicated that this wouldn't happen if the lion's share of the services provided were taken to the new municipality. The whole tax/revenue process is perceived as the make or break area of the consolidation effort.
- THOMPSON to update the City and Borough debt tables and verbage associated with any new bonds issued since this original document was written. Under the G.O. Bonds, if it is regarding an item that will be assumed under an areawide basis, that bond indebtedness should go areawide and if it is something that's staying within the City service area (new police station) it should stay in that budget. One of the G.O. bonds was re-issued for harbor improvements, which will be an areawide function, as well as wastewater and the new police station. These will have to be broken down as to percentages being paid from a particular source.

- Asset amounts of the City and Borough need to be updated and several areas of Section J of the Transition Plan were highlighted for further review.

The meeting was recessed from work session at 8:27 pm, to be re-convened into work session on Friday, 5/21/04 at 6 pm.

The meeting was re-convened into work session on Friday, 5/21/04 at 6:02 pm. The Pledge of Allegiance was recited and a roll-call vote was taken.

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

The Chair pointed out that the meeting was still in work session. The Secretary read the footnote that work sessions are informal discussion sessions held for purposes of exchanging and gathering information. No action may be taken, formal rules are relaxed, and minutes are not kept.

When the prior meeting recessed the Commission had just reviewed the Transition Plan (Section J). Beyond that are exhibits and staffing plans.

The following items were discussed in work session:

- HARRINGTON made changes in the section of the Transition Plan entitled "Service Areas to be Established:" and he and MCCARTY explained those changes.
 - It was discussed about the ability to have one central garage. The way it (the proposed changes) is written the City service area gets a 1.5% sales tax for Public Works. Their garage is funded through this tax. Any work done for non-City service area is charged back to whomever has the work done (other service areas) who are also paying sales taxes. The Public Works Department funded by that 1.5% tax and the Borough has a Public Works Department paid for by current Borough residents out of property taxes. The proposed City service area central garage is all paid for by sales tax dollars. To try to consolidate this cleanly into concise statements within the given format is almost impossible. From the way HARRINGTON sees it there is a choice: either there is one Public Works Departments for the municipality that delivers services nonareawide, including the City service area. It was questioned as to how this could be done effectively without raising

the City service area sales tax beyond the level that the citizens would not vote for the consolidation effort. He didn't think that could be done. The only way to do it would be to keep the 1.5% sales tax funding Public Works, but if there is an areawide function and a nonareawide tax, there is a problem. HARRINGTON said that initially he made the 1.5% sales tax areawide and make these functions areawide, but Streets are a service area function. The process of outgrowth of trying to get some sense so that the savings could be garnered by having a Central Garage is not working. He said he basically eliminated any reference to the Public Works Department in the assets that are going to be transferred from the City of Ketchikan to the municipality back to the service area. By putting the 1.5% sales tax areawide, he said he was unsure about the legality of funding a service area function with an areawide tax, although he said he'd personally be in favor of doing that, partly because most of that Public Works stuff is City stuff and he said he had no problem with all of the citizens paying for that. It just offends his sensibilities to have a department paid for already and one of the service areas needs some, say engineering, that the service area would have to pay again. He said the pages distributed at this meeting were for the Commissioners to review and come back with some suggestions as to how to deal with the problems in the section.

- PAINTER suggested that the City service area have nonareawide Public Works Department power and a 1.5% service area sales tax to fund it. HARRINGTON responded that approximately 40% of the sales tax revenues for the City's Public Works come from the Borough residents and the garage is in there under Public Works and may not, according to the current wording, function outside the service area. One of the perceived savings was a Central Garage servicing the City, KPU, Schools, municipality, airport and other service area vehicles. PAINTER wondered if the wording were changed to have the City service area's powers changed to have areawide or nonareawide Public Works, then that gives them the leeway to do either/or, so then technically, if the outlying service areas needed to take advantage of the Public Works Department, they also would have to adopt or have nonareawide Public Works. HARRINGTON pointed out that it's already written to have areawide Public Works.
- OTTE pointed out that if the City service area were given nonareawide Public Works powers, funded by a 1.5% service area tax, the Department could then charge out to any other entity the services

performed. HARRINGTON said that's not what he was going for. He wants the municipality to have the Public Works powers to avoid parallel services for vehicle repair and there must be some cost savings to consolidate those into a single entity, but how is it to be funded equitably if the municipality is funding it out of property taxes and the City service area is doing it out of sales tax?

- THOMPSON said that if the City service area is thought of as a construction project, the municipality is a provider of services for that project. All the people who work for the Public Works Department work for the municipality and there are several different things that department does: vehicle maintenance, streets/sidewalk maintenance, and other public works functions. Within the new municipality's Public Works department, they would charge their time to the service area, much as like a construction project. How that is funded does not necessarily have to bear any relation to one-to-one from the municipality up. There could be a Public Works sales tax within the City service area to fund that provides the revenue to cover the costs incurred by the service area for Public Works exercised only within the service area. If the areas outside the City service area are paid through sales or property tax, that would be completely separate. That would be to pay for the Public Works services needed by the areas outside the City service area, those revenues collected outside the City service area would be for those services.
- THOMPSON said that his problem with the whole thing is having the Public Works department working for the service area rather than the municipality. They should work for the municipality with the costs of their services and personnel being billed to the users. OTTE wanted to know what would happen if the garage(s) were put in a separate department outside of Public Works? THOMPSON said it is already segregated into a different division within the Public Works department.
- MCCARTY said the Commission seemed to be going in the direction of getting into the finite details of getting the department run as opposed to a Transition Plan. He said there are two major functions of the service district: the capital aspect, the facilities and equipment; and the operating aspect. The Commission needs to stay out of the operating aspects. Funding is not something that the Commission needs to get into. That's where the voters or the legislative body gets into it. Talking about how the 1.5%, or how the charge-backs are done are operational decisions. That's not something that belongs in the Charter and

it's far too detailed for the Transition Plan. What should be put in the Transition Plan is just recognizing the overall factor that there are many departments or service areas that would appear to benefit from joint operations. Examples could be noted such as a Public Works garage facility for the entire municipality, not just the service area. Some language in the Transition Plan to address suggestions from the Commission: "Once the municipality is up and running, a workable system to make certain there is equity in the taxes should be arrived at. If there is a City tax and then a municipality areawide tax is added, the City residents are going to be paying both of those. Either way it's cut, arguments can be made of equity. That should be worked out when the system is up and functioning. This Commission's job should be to add to the Transition Plan that certain capital assets should be shared, certain operating functions and that's all that's needed in the Transition Plan.

- HARRINGTON said if that's the way the Commission wants to go, then a major re-write needs to be done throughout the document, since these things are built in throughout the document. In the 5 pages on the table, each section talks about a department, how it's funded, where the funding comes from and where the funding goes. That could be deleted throughout the Transition Plan and it cleans up the document, but that's probably not what the LBC wants. MCCARTY said that the way the Transition Plan is written can speak as to what it is at the moment and he said he thinks the Transition Plan should say that other ways need to be explored. He said he didn't think this Commission has the time or the resources to spend and analyze the operation of Public Works. All that can be done is to go with the document currently in hand, and make some suggestions as to how to streamline or change some of the structural way services are delivered. There also needs to be a review of the funding mechanisms to make certain people are paying their fair share, while ensuring that people aren't having to pay more than their fair share. MCCARTY felt that by getting too far into the details, the Commission is getting too far into the legislative and political realm of decisions the community is going to make.
- Page 23, Section (f) of the Transition Plan where it says, "Funding facility and vehicle maintenance on a service area basis; termination of the City's existing 1.5% Public Works Sales Tax; and imposition of a 1.5% Ketchikan Service Area Public Works Sales Tax will become effective the first day of the service area's initial fiscal year." The previous submittal to the LBC talked very

specifically about how the funding is in place for what services. That's the area where if the Commissioner were to edit this, to allow for a vehicle maintenance facility that does is not set up exclusively as a service area separate from the municipality, that has to be changed. HARRINGTON said that's where he came into the problem based on the discussion at the last meeting to edit these Public Works sections. Either the references to how it's funded and put in verbage that says something about allowing for a Central Garage to handle all of that, but it's not that he was trying to get into details, but he was at a loss as to how to word the desired changes.

- MCCARTY again pointed out that the Transition Plan is not a binding document, but rather a suggested route map for the new Assembly. There may be some word changes warranted in the section, but once some changes are made, the question becomes where do we stop? Since the document passed muster with the LBC before, he said this Commission should stick with the same language, except for taking out the Shoreline references or changing the dates and amounts where warranted, and indicate that this is what is being done initially as it is set up in the Transition Plan, but make suggestions that some changes should be done. Where the concept is going to pass or fail muster in the community is what is said and presented to the community by this Commission, not from people scrutinizing the documents.
- HARRINGTON said that it's the group of people who did look extensively at the plan the last time it was presented that will make the difference in the new election. He said he wants to get rid of those things that are stumbling blocks. MCCARTY interjected that the last attempt failed because of the Shoreline Annexation and because that a number of people outside the City limits felt that their taxes were going to go up and they weren't going to get anything in addition and if this Commission can meet those concerns, it may have a chance to pass, and if it can't meet those concerns, it won't.
- PAINTER said he felt this is an opportunity that should be grasped because there are savings to be made and as Lance Mertz mentioned last meeting, the complication in what is currently being discussed is the Public Works Department. It seems to be a catch-all for a lot of different functions. Upon consolidation there are going to be other areas that also increase the load on the Public Works department. If you add the maintenance of airport equipment, the School District, the airport runway maintenance,

etc. the problem is that this Commission is trying to prove a point that by consolidating the municipality's vehicle maintenance, whether it's a KPU line truck or Public Works Sewer vehicle, or an airport snowplow, if that maintenance is consolidated into one central facility, there are savings. PAINTER went on to say that he thought this was an opportunity to show the community some real cost savings. He said that he didn't want to say that the vehicle maintenance of Public Works be separated out of Public Works and form a Central Garage or Motor Pool, but somehow, if the governmental vehicle maintenance facility under one operation, there would be cost savings. MCCARTY pointed out that when the Parks & Recreation went from a City department to the Borough, it cost a lot more because different maintenance functions had been being performed by the City's different crews for Parks & Recreation with no charge-back of costs, so when the Borough had to start doing those tasks, the costs rose appreciably to reflect the accurate costs of operating the department.

- FINNEY said he understands both MCCARTY & PAINTER, but his concern is that the current language is like the tail wagging the dog. The powers need to come to the municipality, then be charged out to the service areas. The way it is written the power is in the service area and the municipality is being charged. MCCARTY said that the semantics can be important to what is being discussed regarding names of the different entities, whether it's the proposed municipality (Borough) or the service areas. The Borough has it, but if it's not an areawide power then a service area is running the department or billing it out, for accounting purposes the numbers are run back and forth. If use of equipment or services is needed, the funds can be charged out. THOMPSON reminded all that it's not just revenues and expenses, but where the assets will go. He gave an example of the police department, since that will be strictly a service area function, the service area fund accounting gets all the assets. Right now, as it is written, all of Public Works is going into the fund accounting of the City service area and some areawide services are going to be provided by this service area department and other areas of the municipality will get charged for those services received. He said it seems more logical to have those assets and liabilities go to the municipality and charge back to the service areas.
- MCCARTY said that the Commission is getting into a semantics thing; the function is there and the Commission is getting too much into which name, or something. THOMPSON disagreed,

saying that there is a Public Works Department currently at the Borough and there is one at the City. This should be an area where some efficiencies can be made. If those two (Borough & City) can be combined and have things charged out when used. When there is duplication of effort, if the assets, liabilities, and charges start at the top and flow back down, it makes more sense than having it flow up. MCCARTY said he didn't disagree with THOMPSON, but wondered if that was the Commission's function in this document. THOMPSON said that could be made this Commission's plan, that is what this Commission envisions. Whether or not the new Assembly follows that plan is up to them.

- HARRINGTON said the pivotal point in all of this is, in one instance, MCCARTY is right in that if Forest Park Service Area buys something and someone else uses it, the other needs to pay Forest Park for the use. If the City buys something with money from North Tongass and then charges it back out to North Tongass, then North Tongass is paying twice. The only way to get around the fact that this is what is proposed for Public Works has to do with how the sales tax is dealt with, which is pivotal in this document. This would be institutionalizing an inequity. It could be dealt with by the Commission. It is a hot potato.
- The Commission needs to decide how this issue is going to be addressed. Is the Commission going to address it, or let what is written stand and let leave it for the new Assembly to deal with any inequities found. OTTE remarked that the Commission's job was to build the most efficient and cost effective government with the tools at hand. The tools are there to say that there should be a Central Garage. FINNEY said the Commission should build the framework for the most efficient entity. MCCARTY said it could be seen that a Central Garage should happen, but he didn't think this Commission should be spending any time giving details of the dimensions, locations or appearance of that garage. He said he thought the Commission was getting too far into that type of detail.
- THOMPSON said he was looking at it from a command and control structure. If there is a subsidiary (a service area) that is controlling the assets that may be needed on a borough-wide basis, the direction should come from the borough manager to the service area and if there happens to be a service area manager or service area representative and they say the asset cannot be released from the service area or work cannot be performed because of prior work commitments, someone needs to set those priorities and that should be the borough, not the service area. MCCARTY said that's why there are advisory boards

and the Assembly. FINNEY said he didn't think they (advisory boards) were very effective.

- HARRINGTON said that if a structure can be provided that has enough specificity to get started and gives enough flexibility to the new Assembly to do whatever needs to happen, he said he'd like to set that in motion. One of the things he would like to see is in the sales tax area: making it up to the Assembly where, when, how, and how much of the current existing sales tax, so that there isn't a 1% public safety sales tax and a 1.5% public works sales tax and a 1% hospital sales tax. He said he thinks that ties up the whole process to any future borough assembly whereas if it is stated that there is 5.5% right now, 2 is for the borough and 3.5 is in the City and it can be up to 5.5% areawide, but all of these services must be taken care of and to begin with, the existing structures need to be given priority to remain as they are and over time shifting into the most effective and efficient system. HARRINGTON said if there were some way to lay out the fact that this is the way the Commission is having the organization start, but please think about specific ideas as far as improvements.
- PAINTER said that in the Transition Plan, the way that the transfer of assets was handled, the Public Works facilities shouldn't be transferred to the City service area, but rather to the municipality to enable the new assembly to consolidate the various maintenance sections.
- THOMPSON said there is an inherent problem in that scenario, because if assets belonging to and paid for by a service area's citizens were transferred to the municipality, that would be an inequitable situation because those assets were purchased for the use in that service area and the same thing somewhat holds true inside the City of Ketchikan. The sales taxes were collected within the boundaries of the City of Ketchikan, regardless of who paid for them, a lot of that sales tax is coming from the tourists. If the situation is observed from a jurisdictional standpoint, you draw a line in the sand and say that as of this moment the City has this much "stuff". If assets and liabilities are going to be transferred to the new municipality, they have to be things that will be used on a borough-wide basis. If the services are going to stay within the City service area, those assets & liabilities should stay within the service area. This is an accounting function. All the people who work for the municipality, the manager will be the over-all manager of everything and he/she will direct what happens within all the service areas, as well as the municipality at large. The way it's currently written, it's almost set up that the City

service area will have its own management structure and it will have its own control of its assets and that's not really what's happening. What's happening is that the new municipality manager will be in charge of those things and will make those decisions through the departments and if the words can be removed that make it sound like that there's a government within a government, he said he thinks the petition will fly. The current plan, as written, loses track that a new service area is being established and the new service area has some assets and liabilities that are split out from everyone else and put in their own column on the page and they have their own income and expenses. Some of those expenses can be charged back to the new municipality, they can be charged to the other service areas and that sort of thing. There is some language in the Transition Plan that indicates contracting with the service area that is a problem. It's not a contract. It's a cost allocation. THOMPSON said it made sense to him if there isn't a consolidated fire department, the assets of the Ketchikan Fire Department need to stay within the City service area.

- HARRINGTON said he would re-work his changes because it has been made simpler by that rationale. He said he would clean up just a few language areas and get it back to the Commission with deletions and the changes according to the format. He said he'd send it to the Secretary to put into the correct format. Ignore the 5 pages submitted at this meeting and a new document will come out at the next meeting.
- MCCARTY suggested a way to immediately address the Chair's comment would be that there be a definition paragraph that says, "For purposes of this Section, when we refer to contract, contract is meant to refer to an agreement as to cost allocation because service areas are not a separate entity." If that is put in the document as a lead-in to the whole section that it is understood that the over-all municipality is going to take over these things, is going to own these things, and preface that it's understood that the umbrella organization that is going to own everything and then usage will be allocated as to whether it's a service area, nonareawide, areawide cost allocation and for purposes of this document when contracts are referred to, that is referring to a cost allocation process.

MCCARTY said that if that is done in each paragraph, each Section grows about a dozen lines. HARRINGTON said he liked that idea. He said he'd like to expand it at the very beginning to say, "This Transition

Plan is the beginning of a process. The goal is the most cost effective way possible to deliver services which means some of the allocation of resources here will change because there will be some cost benefits taking place.

THOMPSON said that if that were done in a summary and say that these are types of areas that we think in the future could be examined for efficiencies and the Public Works, the Fire Department, specialized equipment where only one is needed in the community and there are currently 3. That could be done almost right at the beginning of the Transition Plan. Adding a whole section like that would be worth be worthwhile. THOMPSON asked MCCARTY if he'd like to try to write the legalese for the contract. MCCARTY said he would try, but he really didn't have a lot of spare time. THOMPSON said those sections could be pulled out of the minutes and emailed to MCCARTY and HARRINGTON.

MCCARTY said the idea of an introduction is better than trying to change the whole document. If the introduction gives the direction the Commission is going and what is envisioned, instead of having to change each section with all the things that could be thought up. It allows the future Assembly to make the necessary cost effective changes in the allocation of the assets. It also gives the allocation of the costs. What revenue source will fund a function, how expenses will be allocated; all of these things will probably change over the time of the process. Hopefully if money is saved, taxes won't have to be as high, or the money could be put into a different area, if the same taxes are kept.

FINNEY wanted to know if this would solve HARRINGTON's concerns about the sales tax. THOMPSON said not necessarily. MCCARTY said that it's something that has to be addressed. He said that's why he has trouble when the Commission fixes the numbers in the document in an area that has any rigidity to it. Things may go up or down. A good example is what's happening with fuel costs right now and the proposed sales tax and/or property tax increases by the Borough within the next couple of weeks. THOMPSON said this Transition Plan is like a map and if this Commission gives specific examples of what is envisioned happening when the new government comes about, like the sales tax example. 85% of the sales tax is collected within the City limits, but 40% of the people who pay that tax live outside the City limits. MCCARTY said that additional wording could be that people have pointed these things out and these are areas that need to be addressed. This Commission does not know the answers, but the legislative process of the new

municipality needs to address these things.

The Charter needs to be reviewed to make certain there is the flexibility for the new Assembly to make the changes without having to go back and review the Charter. That should be this Commission's task to make certain that flexibility is there. FINNEY said that the 1% hospital tax does more than just going to the hospital and mental health. If in the Charter it's written there is 1% going to the hospital, would that allow the new Assembly to take any excess money from that 1% and use it elsewhere? HARRINGTON said he'd like to see all the sales tax designations other than those that are specific to current bonded indebtedness. THOMPSON said that the Charter could be reviewed and it could be said that initially the status quo will be maintained, however, future assemblies have the power to change the allocation of the sales tax as specified herein and that would give them the flexibility to do that.

MCCARTY said the hospital tax is another example of one of those preface situations. If it is named a hospital tax, it's dedicated for a particular purpose. If bonds have been purchased with collateral and if the money is supposed to go to the hospital, a lawsuit could be brought to say that the money couldn't be used elsewhere, it has to be used to pay off the hospital bonds. If a voter has been told that the money is for a specific purpose, it's almost a contractual arrangement. That was what was voted on and approved. It wasn't voted on to be used for harbors, or boats, or anything else. That's why using numbers in the Charter is not a good idea. THOMPSON said the Charter should be reviewed again to look for those situations and make sure the new Assembly has the flexibility, with the approval of the voters, to change the allocations.

FINNEY wanted to know how the wording could be changed in the Charter, say in the hospital tax situation. MCCARTY said that it may just need a preamble in there that says there are existing obligations that must be met as far as allocations, but there may be some way to pull the numbers out. In the Transition Plan it recognizes that there are current funding sources, dedicated funds, and those must be maintained as long as there is an obligation to do so, but must be revisited.

The hospital tax is predominantly for bonded indebtedness for capital improvements. PeaceHealth leases the hospital facility and they do all the operations, so the money from the tax goes to infrastructure. PAINTER wanted to know who is in charge of determining which projects associated with the hospital get done. Currently the School Board comes before the Assembly with capital improvement needs. Mostly

PeaceHealth will propose, or someone in the community will propose, a capital improvement to the hospital before the City Council and the project is then put on the ballot. The hospital also has an annual budget. PAINTER wanted to know why it wasn't treated the same way as the Borough treats the School Board in that instead of being type-specific for the 1% sales tax, annually you fund to the cap, or not. THOMPSON said he agreed with PAINTER, but that again was moving away from the status quo. He said there are taxes: there are property taxes borough-wide and those funds are used for all the things the Borough pays for (the schools, Public Works, Parks & Recreation, Animal Control, etc); for service areas there is either additional property tax or a sales tax to pay for those things; currently the City runs the hospital, so there is a City sales tax that has been bumped up to cover the costs of the hospital and that is put in their overall budget plan. Things are being paid for under the current tax structure. There are some inequities in that structure and as this Commission moves away from those, the new Assembly should be given the power to say they aren't going to dedicate taxes and after the bonded indebtedness is paid, the rest goes into the pot for areawide services to be paid for. The City service area has an additional property tax to pay for police and fire. Those funds need to stay within that service area to pay for those things. If services are pulled out of the City service area, for example, the hospital, and put it on an areawide basis, then the revenue source needs to go with the service (the current 1%). If it were something paid for by the City property tax, that would go out of the City area and into areawide.

The current Transition Plan has minimized the amount of things that are going borough-wide because of an attempt to keep status quo on the services. What this Commission needs to do is create a situation where a new sitting Assembly can legislate the changes that need to happen to make things more equitable. Right now, the Charter does not reflect that because it specifies the percentages that will stay the same. If the bonds are paid off and things change as to where the allocations need to go in the community, the municipality may be over or under-funded by using strictly dedicated funding.

- PAINTER brought up the subject of service area boards. The boards are advisory to the municipality. With consolidation there will also be a City service area board. Other Commissioners said possibly and PAINTER indicated he hadn't seen anything about that in his reading, so far. He said he is wondering as status quo with current rural service areas and their advisory boards, what will happen with the City service area board? He said the City service area board would be heavily tasked and

powerful. He said he'd not seen any mention on the LBC website or in any of the documents the Commission has reviewed.

The Charter allows for the Assembly to appoint a board if they chose to, to assist in the management of the service area, but the Assembly will be the sitting management and policy-making entity for all of the service areas. If the new Assembly deems it in their best interest to create an advisory board for the service area, they have the power to do that. (The section of the Charter concerning these boards was read). PAINTER said that the way he understood what was read, the Assembly could abolish the existing service area boards and not even have one for the new City service area and tackle the task entirely by themselves, or create an elected or appointed board. He said his comment would be that should the new Assembly opt to have boards, he questions whether less government would be happening, or just adding another layer of government. He said he couldn't imagine an advisory only service area board for the City service area. That would be an overwhelming task. They would be doing the bulk of the work for the Assembly, if that's the way the Assembly chose to go.

- FINNEY said that since everything in the Transition Plan basically stayed with the status quo, the phrase that comes to mind is, "If you always do what you always did, you always get what you always got." He said he'd like to see the overall document have some teeth in it that says this Commission is going to do it a little different. He wanted to know if there was going to be anything in the Charter itself that says it's going to be a little different, or is it going to be recommended in the Transition Plan that things be a little different. THOMPSON said he thought it should be right at the beginning of the Transition Plan. In the Charter, the Commission needs to be careful as to what is written in there in terms of how things are done or hard numbers. The Charter needs to allow the new Assembly to exercise the powers and make the changes recommended in the Transition Plan. There needs to be tougher constraints on the new Assembly so the will of the people is exercised, for example, if major changes are desired, it should have to go for a vote of the people. If they (the new Assembly) are going to change the sales tax Code and rates and how they're applied, or take the 5_% and make it areawide, those things need to be voted on.

HARRINGTON said he disagreed. If there is a dedicated sales tax that is not areawide, there is no percentage for the group that's receiving the benefit of that nonareawide sales tax to vote to make it areawide. They are going to vote the opposite. He said he would love to see the flexibility

within the new Assembly to choose to make the existing 5 1/2% (or 6) sales tax areawide. Not raise it beyond that without a vote, but to be able to choose to make it areawide so they can allocate those funds in some areawide function.

THOMPSON said what he means is that before taxes are raised, there needs to be a stipulation that the people affected by the raise in taxes have a voice in that. Sometimes there is a political situation around the table where things take a life of their own and the wishes of the people are not always respected. When limits are set and requirements for the new Assembly to get the vote of the people to raise taxes and the people say no, that says they need to find a way to reduce expenses. That doesn't exist right now in property taxes. The sitting Assembly could say they want to make the whole sales tax areawide, but food and rent would be excluded from the sales tax and the \$1000 cap would be raised. There are lots of ways for the new Assembly to make things equitable, but this Commission doesn't need to do that in this process.

FINNEY suggested taking 6% areawide and then taking out 1 1/2% for the City service area Public Works, 1 % for the municipality Public Works, 1% for the hospital and the other 2% could be used for the general fund. The 1 % increase borough-wide probably wouldn't create a lot of revenue, but it would certainly help fund the municipality Public Works. HARRINGTON said that idea moves it in the direction he's thinking, but this Commission shouldn't be legislating these things, they should be allowed if the legislative body chooses to. The permissive language is preferred rather than the declarative language.

A 10-minute break was held from 7:09 to 7:18 pm.

The remainder left for review is Exhibit K and Exhibit F, the budget. Lance Mertz is going to review the FTE's that are in conjunction with the budget.

In reviewing Exhibit K, the City of Ketchikan was not on the list and even though the Borough is submitting the Petition & Exhibits to the LBC for this Commission, the City should also be included in the parties with interest section.

In Exhibit L, change all that say Glen Thompson to the Ketchikan Charter Commission.

Chair THOMPSON requested that there be just a brief discussion on Exhibit F, the budget, at this meeting and plan to review it in depth at the June 2nd

meeting. He said the document that he'd previously distributed on the budget is comprised of a combination of the budgets (brief shuffling and searching for papers), a cover sheet with a summary of all funds and then there was a one-year budget for the borough and the city and combined. He said what he wants to do by the next meeting is get the things that belong in the City service area section to that section; he said he'd like to move anything that belongs in the general fund to there; (strictly expenses) and also some things need to be moved. He said he'd do the moves and then explain it next meeting. He said the next thing that is needed is to look at the areas where there is both a borough and a city amount and take a look at it from the standpoint of 1) staffing and compare with the prior submitted document; and operational overheads to come up with a combined budget. In terms of revenues, there isn't that much to do with them other than to make sure everything flows to the correct sections and then take those figures to the projected inflation rates were and the proforma adjustments mentioned in the text. He said he'd get a new combined totals sheet, then duplications can be found and see what those numbers are and pull them out.

At the next meeting, the verbage in the budget section can be discussed and see if it still makes sense. THOMPSON said he'd come up with another detailed spreadsheet that shows in detail the movement of the information. The North Tongass Service Area needs to have verbage produced for all the pertinent sections of the Petition and documents.

THOMPSON said there are some one-time budget items in the numbers. North Tongass Fire & EMS may be a good example because of capital expenditures taking that fund into a deficit situation. There are probably other one-time items that will need to be adjusted.

HARRINGTON complained that public documents are so hard for the normal person to read and if he gets information, he often tries to put it in a format that can be more easily understood by the lay-person. He said he feels that it should be suggested by this body that the future municipality create budget documents that the average citizen can comprehend. One of the problems with fund accounting is the inter-fund (governmental) transfers that make it hard to see the real numbers.

THOMPSON said that while not the easiest task, if the budget is kept more at the top level and not gone into in too much detail, it shouldn't be too onerous. This is a feasibility document only because the actual happening is two years in the future. Two years in the future there could be lots of different changes. When queried as to what kind of crystal ball will be used to see an actual three-year budget cycle, THOMPSON explained that the trend for property and sales

taxes can be factored in, labor agreement changes, etc. It won't be perfect, but the text of the budget states that it is assumptions that were made that make up the numbers. Historically, inflation has been 1 %, so each year that figure is added. The same will be done for revenue, but that may be increasing at a larger rate since tourism is projected to be up and the budget will be increased because of that. Those assumptions will be built in and explained. It will be the best attempt at an estimate based on the numbers that are available.

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

There was a move to reconvene into regular session. The motion passed with no objection.

H: Unfinished/Old Business

H-1: 2004 Draft Consolidation Petition, including Exhibits A, D & E-3, as well as Exhibits G, H & J (through page 18)

M/S PAINTER/MCCARTY to accept the changes made to the Petition and Exhibits A, A5, D, E-3, G, H, & J (through page 18) and to consider these documents as part of the 2004 Draft Consolidation Petition and Exhibits to be distributed for public comment via the Internet and various public locations in the community.

As a friendly amendment, THOMPSON suggested that Exhibit J be accepted in total, instead of just through page 18.

A roll-call vote was taken on the motion.

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

The motion, as amended, passed 6-0.

H-2a: Amend Article VIII, Municipal Utilities, Section 8.03 (a)

M/S HARRINGTON/PAINTER to amend Article VIII, Section 8.03 (a) by adding the wording, 'Each utility division (electric, telephone and water) shall be financially described as a separate business entity prior to preparation of a consolidated statement. Any accounting transfers to other utility divisions, or special economic development subsidies shall be specifically noted,' after the fourth sentence in the section.

HARRINGTON said he'd recommended this motion several months ago and when the financial documents were obtained from the City, it was indicated the information was in those documents. HARRINGTON said he went through the budget document and couldn't find what he was looking for. He also took the document into the Borough Finance Director, Al Hall, who also could not find the information. Thus, the amendment is back for consideration.

MCCARTY said he had the same issue as with the previous submittal. It's a great policy and it should be done in order to get clarity in the budget process, however, it doesn't belong in the Charter, which is supposed to be the skeleton of the government. He said he doesn't think this wording does any harm, it's opposition more as a general principal to put something like this in the Charter.

OTTE suggested the wording might better be put in a preface for the budget Exhibit to the Petition, rather than the Charter, similar to the preface for the Transition Plan, to let the new Assembly know that this Commission is suggesting that the budget be made understandable to the regular citizen and not just accountants and CPA's.

PAINTER said he would support the motion because there were some things that were not that easy to find as to past practices. Some of the questions that have been necessary to ask the attorneys and the finance directors because it was not obvious make simplification of the documents a necessity. The fact that KPU funds a non-profit, rather than the Council or Assembly, would fall under the "special economic development subsidies". He said he didn't feel that KPU running as an enterprise should be doing that.

FINNEY said he was supportive of the change, as well, because there is a lot of misunderstanding in the community and some suspicion about how KPU is run. Making the numbers more clear would help allay some of those misunderstandings and suspicions.

PAINTER said that the rural Telephone customer is helping subsidize the City water system and FINNEY said that's what is heard, but if the numbers are made clearer, maybe that won't be the fact. FINNEY said he didn't know how real some of these rumors are.

THOMPSON asked about the "special economic development subsidies" and what was the reason for adding that phrase to the amendment. He said he thought the wording should be "or subsidies" and just drop the other words. HARRINGTON said there is a special economic development subsidy to the Shipyard in the KPU budget that is a substantial amount of money and he said it should be made clear in the document, but he said THOMPSON's wording of "any subsidies" would be sufficient. THOMPSON requested to make an amendment to delete the words "special economic development" from the proposed wording. This was taken as a friendly amendment. THOMPSON said he feels this is already being done, but he didn't see any harm in clarifying the desires for a clearer budget document.

HARRINGTON said he'd looked at the verbage in Exhibit F (the Budget), but couldn't find a place to insert the wording into that document.

MCCARTY said that there were several different purposes of accounting. The School District must have a budget that's acceptable to the Department of Education so that drives the format for their budget. There are certain audits that other agencies have to go to, so it becomes "agency speak to agency speak" rather than informational to the populace.

A roll-call vote was taken on the amendment to Article VIII, including the friendly amendment.

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

The amendment to Article VIII passed 5-1.

H-2b: Amend 2004 DRAFT Ketchikan Charter, Article VIII, Municipal Utilities, Section 8.03 (e)

HARRINGTON said he had decided not to bring this amendment forward and is retracting it until further notice, potentially at the next meeting.

H-2c: Amend 2004 DRAFT Ketchikan Charter, Article X, Finance, Section 10.05 (b)

M/S HARRINGTON/PAINTER to amend Article X, Section 10.05 (b) by adding the word 'even' to the beginning of the second sentence, deleting the phrase 'vote is limited to those qualified to vote in the area' and adding the wording 'ratification vote must still be areawide' to the second sentence so that the section reads, " No increase in the rate of levy of a sales or use tax generally applied on an areawide, nonareawide, or service area basis shall become effective except by an ordinance adopted by the Assembly and ratified by a majority of the qualified voters who vote on the ordinance at a general or special election. Even if the increase in the rate of the levy of the general sales or use tax is limited to a service area or is nonareawide, the ratification vote must still be areawide."

HARRINGTON said that sales tax is an issue the entire citizens deal with here and an increase in a sales tax should be ratified by all the citizenry, not a service area vote.

THOMPSON said that his problem with the way this is written is that if there is a sales tax that is within a service area, let's say South Tongass decides they want to have a sales tax to fund some function in their service area, and what this amendment is saying is they cannot do that unless the entire community says they can. He said he didn't know if that was legal and he didn't think it was right. He said he understood what HARRINGTON was trying to say. THOMPSON said he is very much in favor of voters ratifying sales taxes, but he said he's not sure this is the way to do it. If the citizens inside the City service area need to fund their fire department and they need to increase their sales tax to pay for that fire department, they should have the right to vote on that, but not necessarily the rest of the community should.

HARRINGTON said he disagreed since 80% of the services are delivered within one service area, 80% of the sales taxes are collected within that one service area, it is an areawide process to raise any of the sales taxes. He said it would be nice if the realities were more spread out and even and that each one could do their own thing, but he said he really feels it's important for everyone to vote on any sales tax increase.

THOMPSON said to take it to the most ridiculous, you could take it to the cruise ship passengers who are paying a vast amount of sales taxes

and do they have a right to vote on the sales tax levy? FINNEY said to take it to the extreme other end of it, it goes back to what if Shoreline reinstated themselves and took over the sales taxes generated by WalMart and was just a relatively small group of people out there to jack the taxes up to whatever percentage they want, they could have golden streets, water service, street lights in the Shoreline district.

FINNEY said that hypothetically, if the City service area raised their taxes, some businesses may choose to move out into a service area, and then the service areas could vote to expand and raise their taxes as the community expands. He said HARRINGTON's concerns were not unwarranted, as everyone spends their money within the City service area for the most part. Just because they are sitting on the big pool of revenues, the entire community pays for it.

MCCARTY said what he sees this as saying, Why should we have service areas; why do we not have one entity for the whole municipality and then you get past this issue. Otherwise, there is going to be someone telling others how they can spend their money or what services they can have, or there will be others saying that everyone must pay, even though not everyone feels they are getting their fair share out of it. It is going to happen unless there is one district for the whole community. The reason there are boroughs in this state is to try to avoid some of the problems faced down south with getting school levies passed. Somebody is going to feel they are hurt and somebody, in perception, is going to benefit. If there is going to be a tiered-type governmental style, there is going to be some that have and some that don't. He said he perceives less harm by saying to an area that they can tax themselves for services they desire, that is a more equitable system than what HARRINGTON proposed.

A roll-call vote was taken on the amendment to Article X, Finance.

FOR: HARRINGTON

AGAINST: PAINTER, THOMPSON, MCCARTY, OTTE, FINNEY

ABSENT: KIFFER

The amendment failed by a 5-1 vote.

FINNEY said that if the inequities in the taxation could be dealt with it would be good. MCCARTY said it needs to be re-visited. He said that the 1% hospital tax doesn't all go to the hospital so that tax shouldn't be named that.

I: New Business

I-1:2004 Draft Consolidation Petition for Discussion purposes, including Exhibit J (Transition Plan from page 19), Exhibit K and Exhibit F (Budget)

It was moved, by no objection, to postpone this item until the next meeting. It was noted that Exhibit J had already been included in a previous agenda item, so the changes to K would need to be addressed at the next meeting, as well as the changes made in work session on June 2 to Exhibit F, the Budget.

J: Commission Comments

OTTE said that the Commission needs to get out to the community organizations and start selling our efforts, even though the efforts are still incomplete. There needs to be radio and other media coverage. On June 2 the Commission should be ready to sit down with a calendar and figure out who is going where and when.

PAINTER said he'd like to see someone hired to assist the Commission in the finalization of the Petition and Exhibits for presentation to the public, the governing bodies and the LBC. He also would like to discuss hiring someone in the accounting area to assist the Chair in his number-crunching efforts.

THOMPSON suggested that PAINTER bring those suggestions back on the next agenda for consideration and maybe suggest some candidates.

MCCARTY said it's probably pretty hard to delegate the numbers effort. He said it was an awfully big load. OTTE suggested that whether the Commission pays someone or grabs a volunteer by the ear (Lance), some evening sessions might be in order at the office to line-by-line go through the budget and also to match the numbers to the verbage.

THOMPSON said that June is coming quickly. The 2nd and the 16th are regular meetings. He said he'd like to do a meeting on the 11th and others concurred that once a week was preferable to twice a week. The end is getting close, but the review is getting into areas that are harder to do as a large group. There are a couple of more changes to the Charter that need to be made. OTTE pointed out that there were still decisions to be made regarding whether KPU should be split off; does this Commission want to make the fire department areawide; and there were other things in the Charter that were

marked specifically to come back and review.

THOMPSON said that it would be really nice if by the end of July the Commission could be going back and reviewing those items that had caused consternation during the first review. The book needs to be given to the Borough by the end of August. If the decision is made to go with a consultant, it would be good to have that ready by the end of July to give the consultant time to review the document. We can point out the items that are still being discussed at that point.

MCCARTY said that when going back over the Charter, it should be decided if it's actually a Charter issue or should be a Transition Plan issue. Maybe in the Transition Plan a highlighted box could be used to show the areas that the municipal government should be exploring, for example, combining departments or reviewing tax rates as to allocation between service areas and areawide. That may be another way to look at it. The Commission wants to cover these kind of things, but where should they be put? Something that is transitory would go into the Transition Plan whereas something that is final should go into the Charter. That's one way to look at it and there may not be a lot of issues that have to be raised and are very important, it's how to go about trying to make something happen.

The meeting was adjourned at 8:12 p.m.