

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING

June 2, 2004

The regular meeting of the Ketchikan Charter Commission commenced at 6:02 p.m., Wednesday, June 2, 2004, in the City Council Chambers.

A: Pledge of Allegiance**Roll Call**

PRESENT: OTTE, THOMPSON, FINNEY, HARRINGTON, MCCARTY

ABSENT: KIFFER, PAINTER

B: Ceremonial Matters/Introductions

City/KPU Manager, Karl Amylon, was recognized as being in the audience.

C: Public Comments

Karl Amylon, 3847 Denali Avenue, spoke to the Commission on a number of topics, which included:

- He said he felt that a number of significant things were going to happen in the next couple of weeks that are going to have a direct impact on the Commission's efforts.
- He said it's still his belief that the division of powers and the methodology of funding them are the key concerns that the Commission needs to address. He said that while he thinks the Commission is starting to get into those issues with the 3-year budget and transition plan, he said he felt some significant work has yet to be accomplished and certain fundamental decisions need to be made.
- He said he was bringing these things up at the meeting because this needs to be done more quickly than not. He said the Commission basically has 4 months to complete the work and to try to put that in context, the City submitted its consolidation petition in May of 2000 to the LBC. Prior to that there had been 5 town meetings, starting in January and ending in March. One meeting was held directly with the Borough Assembly. The purpose of those meetings was to present a complete

draft petition, seek input from the public, and then revisions were made accordingly. Mr. Amylon said he felt that if the Commission is going to provide the opportunity for adequate public review and debate prior to turning over the petition to the Borough Assembly to file with the LBC, it's incumbent upon the Commission to follow a similar process.

- As the Commission gets closer to the end of the process, a simplified outline needs to be put out to the public of what the key points of the Charter and Petition are going to be. He suggested the following list:

- What powers are going to be areawide and nonareawide.
- What is the projected 3-year budget.
- What are the impacts on the mill rates/sales tax rates for the Borough, the City service area and all the other service areas.

This would be easily condensed and the public can understand. He said it is difficult for the City or himself to offer comments until the end product is seen. Mr. Amylon urged the Commission to get to this point sooner rather than later in the process. He said he didn't feel two or three weeks in August would be sufficient for public review and comment before going to the LBC.

- Mr. Amylon indicated that it was very unclear from reading the minutes as the 3-year budget and financials are developed whether the projections are based on the current Borough budget or if the Commission intends to work off their 04/05 budget that will take effect July 1. He said he was bringing that up because things will be significantly changing. The KGB manager has proposed a budget with a mill rate of 7.5, up from 7 mills; there is a ballot proposition on June 8 to increase the sales tax by .5%, although it's not clear whether that will pass or not, it appears to be somehow committed money. It's not money that will provide the Commission with a lot of flexibility in the budget beyond what the current situation is. If the current KGB budget is utilized for the Petition, Mr. Amylon felt that the reality of the circumstances would be distorted and the projections could be questioned. He said he felt that the outcome of the current deliberations (KGB budget) are needed and where that puts the proposed Petition and that status of the KGB budget needs to be tied to the decisions regarding what powers are going to be areawide and service area and how those will be funded.

THOMPSON indicated that at this time, in the task of putting the new budget together, he is using the current KGB budget because that is the most current information available, but recognizing that certainly the new budget is going to

change quite a few things. He said the Commission was aware of the time lines and he felt that the Commission needed to go with the best published and approved numbers, because the Commission is trying to get this done as quickly as possible in order to get public comment. THOMPSON said the Commission also recognizes that the Transition Plan and Budget are non-binding on the new Assembly (after Consolidation). Both documents are to show feasibility and a guideline, and certainly, if things change considerably between now and the end of July, modifications to those documents will certainly be made.

Mr. Amylon said it was unclear to him in the development of the budget as to where the Commission stands right now with certain powers and whether or not they are going to be areawide vs. nonareawide or service area powers. Until those decisions are made, he said he felt it was next to impossible to put together a realistic budget. He gave the following example: He said as he understood it, no final decision has been made on whether fire and/or EMS is going to be an areawide vs. nonareawide function. If it is areawide, in the context of the City resident, right now they are accustomed to 24/7 coverage. If the service is made areawide, he said he assumed there would be the same level of service throughout the Municipality, if each resident is going to be expected to contribute to an areawide levy that will support this areawide power. Mr. Amylon said he respectfully disagreed with Mr. Mertz in that there won't be money saved. He said he didn't know how there could be two different levels of service if Municipality residents to pay an areawide millage rate to support that service.

THOMPSON said that the Commission has left Fire at a service area level basis with the three service areas, North, South & City. There have been several discussions in light of the TAT report that there may be some synergies, and somewhere down the road, the Municipality may determine that an areawide Fire service would be a good thing. Nothing has been changed in the Draft document, but it's been discussed to allow for that to happen in the future with a vote of the people and providing for those powers at some point in time, but nothing has changed as far as the fire service areas and right now the budget and the Charter reflect it as a service area power.

Mr. Amylon said he had no problem with that. He referenced his prior statement that it behooves the Commission to get out the "final" draft and go to the public and say, here are the highlights and this is what we intend to do; this is how it's going to be financed and here are the impacts.

OTTE said that the Commission was trying to figure out how to put in the Charter, without first having the amend the Charter by a vote, to allow for future

changes to make the Fire to areawide instead of service area. Mr. Amylon said he couldn't answer that, but the Commission needs to assess what the current mindset of the public is and would they accept a document that vests the authority with the Assembly to take a nonareawide power and make it areawide. OTTE said the Commission was just trying to figure out how to put it in the Charter so there are options. Mr. Amylon said he thought that had been done in the prior consolidation effort with the sewage section, the authority was vested in the Assembly given the health and safety considerations and thought it appropriate. He said that his experience in the Ketchikan community for something that is non-life threatening or safety oriented, that the voters want to have their say.

THOMPSON indicated to Mr. Amylon that any time he had any concerns with what the Commission is contemplating for the new government, to please let him know and the Commission will certainly respond to his concerns. He said if Mr. Amylon has a list of concerns, to please bring them forward.

D. Informational Reports and/or Commission Presentations

THOMPSON said he sent a couple of emails. He said he'd asked the Borough Attorney for help in reviewing the sewage article in the Charter and Transition Plan and see if it met with the current practices. The Charter allows for the Assembly to have some fairly broad powers in terms of exercising sewage services. He said the way it's funded is somewhat on a nonareawide basis, rather than a direct service area basis, and he said he thought the reasoning behind it was because it was a fee charged rather than a tax. There hasn't been a response to that as yet.

THOMPSON also indicated Sections 12.02 & 12.03 of the Charter go hand-in-hand with what Mr. Amylon was discussing in terms of where is the Charter going? There haven't been a lot of changes to that and the document as it stands is okay, but what has been discussed, for instance about fire & EMS and some of the other services, is that in the future allowing a new Assembly to put a referendum before the voters to adopt and fund powers and not restrict that, but make sure that there are limitations on that, that they have to bring it back to the voters for approval. The way it's currently written, it doesn't say that.

THOMPSON said he'd also emailed both attorneys regarding the status of lawsuits or settlements that could surface in the transitory years. He said he hadn't heard anything back from them on that. He said he felt that most of the potential substantial liabilities have been pretty much settled. Mr. Amylon was asked if there were any major litigations before the City, or potential litigations. Mr. Amylon responded that there were probably _ to 1 dozen cases that are

currently in some sort of litigation; some are minor, some not so. THOMPSON said he felt the Transition Plan was looking for things that might be large dollars that the new Assembly may have to deal with, say in the terms of 1 million dollars would be significant. Mr. Amylon responded there were none, as far as he knew. (He later remembered one lawsuit that would fall within that range).

HARRINGTON summarized his email notification regarding the meeting between the three Fire departments. They did not reach consensus on a lot of things, but what became clear throughout the discussions was the desire that Fire and EMS powers not be separated, as in making one areawide and one nonareawide. He said they wished for those services to be joined because there are major cost savings to have the Fire & EMS together. They respond, they have overlapping duties and to try to break them out, there would be two different staffs, which would increase costs. In the original Charter that wasn't the case, but in the current Draft, but HARRINGTON said he was going to review those provisions in a little more detail. He said that distinction may need to be made a little clearer and cleaner in the document.

HARRINGTON went on to say that there are definite advantages to having the three (or four) fire departments work cooperatively together for hiring, training, purchasing and having standing operating orders. The departments are already moving that way. There are joint fire fighting exercises and there is a lot of that. Since the Municipality will be the overseeing body on all of them, and that kind of cooperation be done, but still maintain those powers in a service area or nonareawide basis. There still is a push to say that the departments should be consolidated into one Fire & EMS department. The overwhelming concern is that if that's done, the citizens in the two service areas to define the level of service they are willing to pay for. The City has a service that is far more costly and has a much more rapid response. The said he thought the service area people would object to paying for that level of service. The expectation is that since those powers are probably going to be kept in a service area basis, those economies of scale can still take place. The three fire chiefs have agreed to meet regularly and they are discussing what the post-consolidation Fire & EMS services may look like, but nothing has been formally generated.

OTTE indicated that calendars had been distributed. Time is short and the Commission needs to figure out when the public hearings will occur, when does the Commission think there will be a document ready for public hearings, and make certain that the Commission is meeting sufficiently.

HARRINGTON and MCCARTY indicated they had each done an introductory paragraph for parts of the Transition Plan. Placement and the merits of each

new section were discussed. Those items will be added to the DRAFT document.

THOMPSON said he'd made some initial adjustments to the budget documents he had previously passed out and those efforts were on the table for discussion. He said he'd moved the revenues and expenses for the City Service Area to their own section. He explained some of the other items included this handout. MCCARTY suggested that footnotes be added to indicate any financial (legal) liabilities over 1 million and anything under that amount is too transitory to fully list. There also should be a footnote or a "see page **" saying these numbers are affected by a one-time windfall, major project.

THOMPSON said he was planning on pulling out the one-time expenditures and revenues for those expenditures from the current budgets so as not to skew the perception of the total budget. He said he was trying to list the Borough budget, the City budget, the combination of the two, the movement of the items into the new service area (both revenues and expenses) and then the result should be a fairly accurate portrayal of an operating budget going forward.

OTTE pointed out another item on the table consisting of a short survey done on Sitnews regarding naming the new municipality and the new service area that will be created from the former City of Ketchikan. There were some good suggestions and some frivolous suggestions. There were only 31 responses, but it does give some good ideas. She indicated that the reason for running this survey was if the municipality is going to be named Ketchikan, then there needs to be another name for the service area created by the former City of Ketchikan to clearly delineate the two entities.

E. Consent Calendar

M/S MCCARTY/FINNEY for approval of the minutes of the May 19 & 21, 2004 regular meetings.

The minutes of the May 19 & 21, 2004 regular meetings were approved by unanimous voice vote.

F. Vouchers

M/S MCCARTY/FINNEY to approve vouchers in the amount of \$ 814.80.

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

The vote was 4-0, with 1 abstention and 2 absent, for approval. OTTE had vouchers 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 F; discussion of the 2004 DRAFT Charter; and other items of business before the Commission.

M/S MCCARTY/FINNEY to recess the meeting into work session to discuss the 2004 Draft Consolidation Petition, including changes to Exhibit 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, THOMPSON
AGAINST:
ABSENT: KIFFER, PAINTER

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:

- Wording suggested by MCCARTY & HARRINGTON were approved for placement on pages 1 and 18 of Exhibit J respectively.
- Exhibit F – Budget was discussed, including:
 - MCCARTY pointed out that any changes to the proposed budget will hinge on the sales tax vote and the KGB budget funding (mill levy). These things will be decided by the end of the month and he suggested that language of Exhibit F may not be changed to much, however, the numbers certainly will.
 - OTTE said she couldn't see a major purpose in going over all the verbage and numbers, since the

numbers won't be final until later in the month. Mr. Amylon was asked if there were any specific areas of the budget he'd like to comment on.

Karl Amylon indicated that what he had alluded to earlier, the division of powers and how they are going to be funded are the important issues in this consolidation effort. Certain sales taxes will be areawide, or not, along with property taxes, fees for service areas, etc. He said the Commission needs to agree among themselves what the benchmark is going to be in order to sell the consolidation to the voters. After the 2001 consolidation effort and vote, there was a lot of feedback. Some people said consolidation had failed because there were ill feelings regarding the Shoreline annexation. They perceived it as a power grab by the City. Mr. Amylon said he didn't think that was the case. He said he thinks the overall underlying reason for the failure of the consolidation effort is because 70-75% of the people outside the City voted against the effort and that was because of the tax structure. He wanted to point out that the Commission has alluded to that fact in the deliberations.

Mr. Amylon said that regardless of what happens with the Borough in the next couple of weeks, the Commission is going to be confronted with a real problem. The Commission has lesser flexibility in terms of the overall assets available to the City and Borough today than the prior effort had. The economic realities of the community dictate this.

If the Commission concurs with the conclusion that it was the tax structure that led to the defeat of consolidation, then a new tax structure that is more palatable to the voters will have to be arrived at. He said there were two ways to do that: 1) There can be a long discussion about Public Works sales tax and Public Safety sales tax. Hospital sales tax was areawide in the prior petition. It went to fund the hospital debt, mental health and substance abuse, and then approximately \$1 million was used to balance the new government's operating budget. Depending on circumstances that he didn't want to get into, that may or may not be still available due to certain reasons. If the Commission tries to make Public Works sales tax and Public Safety sales tax areawide to fund areawide purposes, he said the City would have a real problem with that. Those monies were dedicated to the City service area to fund services and public improvements that are enjoyed by both City and non-City residents. Whether we want to acknowledge it or not, the action takes place in the City. People work here, people come here to relax. If it is attempted to balance the municipal budget through that mechanism and force City residents to fund those services on the property tax rate, there is a return to the paradox that City residents having to fund areawide services, which he didn't think would fly.

If this Commission follows the premise that the City did in their prior petition that areawide services have to be paid for on an areawide basis, if the Commission concurs with that, and the allocation of sales tax is not going to be substantially tampered with, given today's reality, it won't be possible to come up with a municipal tax structure that is less onerous than the one proposed three years ago. He asked where that left the Commission. The prior petition is not going to be able to be tweaked, the Commission will have to go a helluva lot further than that. He said he thought the Commission would end up, if the tax structure is the over-riding concern, going beyond the organizational structure of the consolidated municipality. There will have to be a major discussion of what services is the consolidated government going to offer. He said this was his opinion only. He was not speaking for the Council. The status quo cannot be maintained and come up with a tax structure that's going to be less burdensome on both City and non-City residents than the structure arrived at for the last petition. The resources are not there and that's why you see the Borough going through their difficulties. He said he wasn't pointing fingers at the Borough. Assessed values are going down on property. The real property tax base has declined. The City, and the Borough probably has had similar experience, has lost over \$1 million in State revenues in the last year and a half. Add to that what us a 10% increase in PERS over two years, the City is looking at a negative situation of about \$2 million. This consolidation effort is being done in a not-so-great time from a funding and financing point of view.

Mr. Amylon said he couldn't tell the Commission what their benchmarks are going to be. He said he heard after the 2001 election that non-City residents didn't like the idea of having to pay more in taxes, and that's what the prior petition indicated. Unless this Commission can come up with a way to bring that burden down, the only way it can be done is to the Charter and Petition will be re-visited and stipulate what the new municipality will and won't do and list the financial impacts.

- MCCARTY suggested that education and damage control are the keys to a successful consolidation effort. You cannot hide the unpleasant from the public in hopes they won't notice it, but come out and tell them the reality. He said he didn't see any way for the Commission to, in any palatable manner, to put together a document that can say the taxes are going down because of all the savings. Given the realities of the situation, the lessened funding from outside sources, etc., the Commission should tell the people they are attempting to hold off increases and will suggest ways to find savings in efficiency. This could be a bullet point in the campaign. There can be efficiencies that are not quantifiable, for example, department/location to go to for services, rather than several in two separate governments. What Mr.

Amylon has been speaking to, the Commission needs to face. He said he's not sure the Commission has the vehicle, nor the skills, nor the time to try to face all these issues in this document. But, we must try.

- OTTE said that given the base-work that has been accomplished in the prior and in this Commission's efforts, even though it's a daunting task, it may be that the direction that this Commission should take in the "sale" of consolidation should be that it makes sense, it's more efficient, rather than how much less it will cost (which may, or may not, be fact).
- FINNEY said that maybe the reality should be the pitch and without the consolidation, the taxes are going to go up even further. If the status quo is followed in the document, they are going to go up "X" much less. He said he was a firm believer that this Commission was going to come out with a government that was going to cost less money, but listening to Mr. Amylon and having discussions with the Borough Manager, the handwriting on the wall is showing some tough times ahead.
- THOMPSON said that the Commission has the prior consolidation plan and if it can be massaged and go along with the same type of logistics that were used before, we can only do the best we can based on what is known now. The City took the City of Ketchikan, turned it into a service area, pulled out the things that are areawide, and put them in general government. The property taxes in the City stayed there, as did the Public Works and Public Safety sales taxes stayed with the City. This Commission can take what is right now and keep those revenues and costs matched up, so if you leave a cost and a service in a service area, here comes the revenue. There are taxing authorities right now, but between now and when this consolidation might pass, that can raise or lower those taxes to cover the expenditures. The voters at the polls over the next few months are going to tell the government whether or not they are going to approve any additional revenue increases, or they're going to demand a cost savings, and that's something beyond our control. What is going to be found, for the most part, is that the sitting Assembly and the sitting Council's jobs is to do that balancing act, between revenues and expenses and services and powers. They do a fairly decent job of it. If the Borough comes out and says we're going to have a .5% sales tax increase and we're going to have an areawide .5 mill property tax increase. Those are a couple of line items that are very summary line items on the proposed budget and they can be factored in. It is what Mr. Amylon said, it's how those services are funded and what level of service there will be. And because the Commission hasn't initially changed a lot of what was in the original document, a lot of the logic behind the way the budget was put together still makes sense.

The taxes didn't change a lot for the last consolidation effort.

Mr. Amylon interjected that the hospital sales tax went areawide and the status quo borough taxes went up and that's not unexpected because areawide services start by being funded on an areawide basis. He said that his feedback, for what it's worth, was a lot of people who may have been on the edge to vote for the consolidation took a look at their pocketbook and said no, they wouldn't vote for consolidation if it's going to cost more money. He said he was trying to convey to the Commission that conditions have gotten progressively worse. Not necessarily as a result of the fault of the Borough or the City, but a lot of external factors. He said the Commission needs to decide to accept conditions as they are, and accept the basic premise of 3 years ago. He said the contention was that if these things are not done long-term, things are going to get progressively worse. In the near term people are probably experience a little pain, or if the benchmark is to get this thing through the voters, it has to be done in such a way that the voters cannot have thrust on them an onerous tax burden, then it turns into a whole new ball game. The Commission needs to start asking how the new municipality will be configured and what services is that municipality going to offer. It's no different from what the Council or the Assembly would have to do in any given year based on the economic conditions in which it operates. As a body, a decision needs to be made as to what is the benchmark. Is it to get a tax structure out there to sell consolidation or is it to put together a consolidation plan based on a reasonable premise and the taxes are going to fall where they are? If that's the case, then it's damage control. It will have to be sold on the long-term merits of consolidation.

THOMPSON said that when the prior effort was made, there would be a little pain in the short-term, but in the long-term the community will be better off. If there isn't consolidation, taxes are going to go up and here we are in June, 2004 facing some significant tax increases to maintain the level of services that we have that are nonareawide and areawide.

MCCARTY said he'd heard some people in the Borough saying, "I'm already getting the service, why would I want to change and take a risk of having to pay more money?" Some people are going to vote against change, just because it is change. There is a chance for anybody that taxes may go up. He said he didn't think they'd go down. It's either going to sink or swim on that basis. He said he has trouble getting into it and he has trouble with the Commission making those big-time decisions about levels of service.

Mr. Amylon said that it would be more difficult to sell the City's prior petition today than they had three years ago just because what is going on in the North end relative to the North Tongass Fire & EMS service area. Those people are already experiencing the impact of creating that service area. Three years ago they weren't, so they are already seeing one financial impact and then this Commission is going to come and present a consolidation proposal that can adversely impact them even further.

MCCARTY said that things that have happened in the past, for example the former mill property now being government owned, rather than being on the tax rolls, must be let go and this Commission needs to put together a document based on the realities of now. He said the Commission could take the "hold the line" stance and hope for change, kind of like an ostrich with its head in the sand. He said maybe things would change, but he didn't see any big windfalls on the horizon.

OTTE said she agreed with Mr. Amylon regarding which Borough budget to use for the Commission's petition. She said she understood that THOMPSON was setting up the budget document using the most current, approved numbers, but prior to submitting the petition to the LBC, the 04/05 numbers and detail need to be plugged into the budget document so that the most current information is being utilized. THOMPSON said he agreed. The pain is not going to be from this Commission, the pain is going to be set by the Assembly and the City because they're the ones actually levying the tax. If they are going to propose a budget that has an increase in tax revenues, that tax is there and can be reflected in the consolidation budget. It may skew the numbers in the model, but it's going to be what it's going to be. He said he didn't see the Commission going through and taking a line item and saying, "We're going to close the Museum or the Library" just to save money. That's not really for this Commission to say. He said the Commission is more likely to say that there is a library and there is a revenue source. It is high, it's going to be applied on an areawide basis and that's how it's funded.

THOMPSON explained what he did in the budget worksheet that was handed out at the meeting. He explained the revenues, service area adjustments and other items on the sheet. He said he hasn't gone back to the explanatory verbage to insure that things matched. He said he had quickly pulled those items that needed to go out of the general fund and into the new service area. He also said that there were still one-

time numbers in the document that didn't need to be in an operating budget that still needed to be pulled out, for example the \$58 million Ports & Harbor improvement monies.

FINNEY said he agreed with THOMPSON that this Commission is not the body to be making decisions about current services being carried over to the new municipality. He said the approach should be status quo at the least expense possible.

THOMPSON also indicated that he hadn't made any adjustments to the expenses side as far as removing duplicated positions and their costs from this first combination budget. He also said he hadn't pulled the fund transfers for interdepartmental charges. He said there was a fund with \$265,000 called the Community Facilities Development Fund. He said this was a City fund. Mr. Amylon explained that this fund was created because some debt was retired on the general government side and rather than have that just be lost going into the annual budget process, the budget was structured on the assumption that if the payments had continued to pay that debt down, that was the level that was required and rather than lowering the millage rate, it was decided to dedicate the equivalent amount to a facilities development fund because it was known that the new library will need bonding or bonding will be necessary for something else and it wasn't desired to lower taxes and then up taxes. They wanted to try to keep things as level as possible. THOMPSON wanted to know if that was a one-time thing, or would it be continuing. Mr. Amylon said he thought it would probably be on-going for two or three years until a point is reached where it is known what is going to happen with the library and the museum. Those are probably the first two major projects that would be funded from that source.

THOMPSON said that leads to another questions in that normally, since these funds are generated through the City of Ketchikan, these funds should probably be funneled back into the City service area as part of their capital expenditures, but if the library and museum are being pulled out to areawide, the funds should probably go areawide. That's the type of decision this Commission can probably make, that from a budgetary point, those funds are for a new library and museum and if those are going to be areawide functions, those funds should go with the services. MCCARTY said that essentially the City was front-loading; that a project is known to be coming up, so funds are set aside early for this project. THOMPSON said that's one of those funds that would be questioned whether it should go to the City service area or to the new municipality.

An explanation should be given as to why that fund was being put in the

new municipality rather than the service area. The source of the funds needs to be examined, as well. Were they sales or property taxes? If they were City of Ketchikan property taxes, they should stay with the service area. Mr. Amylon said that if those funds were approached as to consolidation, that fund would probably just go away if library and museum are going to be areawide, unless the City can come back and say there is a nonareawide facility that those funds should be dedicated to.

THOMPSON said since there is a full meeting on June 11th, he'd like to finish up the summary and pull out some of the one-time expenses/revenues and maybe identify the areas he has concerns with and also tie the numbers back to the text and then that Exhibit can be discussed at that point. He said he hoped to have some idea by then where the taxation questions were going.

MCCARTY said he had to leave due to another commitment. HARRINGTON said that since MCCARTY was leaving, it would be hard with only four Commissioners to make any decisions. OTTE pointed out that the only item left on the agenda requiring a vote was the item with changes suggested by Harriett Edwards, Borough Clerk.

HARRINGTON said his concern is where is the Commission going next and he felt that was a full Commission decision. He wanted to know if the Commission was going to continue to review the document or was the Commission going to sit down and make some sort of decision on taxes, budgets, on what direction is desired. He said he felt that what is needed is a document showing the cost of the powers that are specified in the documents. It is hard to say to the Borough residents that their taxes are going to be raised based on this document without saying to what extent the services are increasing or without identifying the source of monies and the powers and how it all is inter-related. The documents as they are thrown all together are clear from a business standpoint, but they are murky from a citizen's point of view as to what is being paid for and where is it being paid. He said the Commission needs to get to that point relatively soon.

MCCARTY said that with respect to Clerk Edwards' comments, he didn't feel there would be anything too controversial. He said he didn't remember if there had to be four votes for something or just a majority of a quorum.

A break was taken from 7:27 to 7:37 pm. MCCARTY left the meeting at this point.

THOMPSON said to HARRINGTON that he was confused because the expenditures are summarized on the form he had handed out. The revenues are at the top of the report. He wanted to know what specifically HARRINGTON wanted as far as further explanatory breakdowns.

HARRINGTON asked what an areawide mill generated in taxes and Mr. Amylon indicated it was about \$900,000. The in-City mill generates approximately \$500,000. A 1% sales tax generates a little over \$1 million. Education runs about 8 mills. HARRINGTON said the whole budget was a daunting, overwhelming thing to try and quantify both sides of the ledger in his mind. THOMPSON said it's very complicated. There are a lot of different funds from many different sources. THOMPSON said the numbers are the joint figures from both budgets. There have been no duplicated positions removed.

OTTE questioned Mr. Amylon what exactly needed to be submitted to the LBC as far as budget pages. She indicated that there was a nice summary, but wanted to know if more detail was required to be submitted. Mr. Amylon showed the Commission the prior effort's Exhibit F-2. He then questioned THOMPSON about the numbers in the draft summary sheet. He said that if this summary is a cumulative total of both the City & Borough budgets, then the numbers showing are understated. He said he didn't think THOMPSON had included the Community Agency funding out of the City Mayor & Council section of the budget. He said he was having a hard time tracking the numbers to what he knows about the City budget. He said it might be worth the effort for THOMPSON to spend a couple of hours with he and Mr. Newell and perhaps the issue of the transfers can be covered and some of the areas of the proposed budget that seem to be wrong to him. THOMPSON explained how he had set up his spreadsheet. Mr. Amylon indicated that a meeting would be in the best interest of the Commission before THOMPSON goes any further with his document.

THOMPSON said he would send HARRINGTON the Excel spreadsheet. He hadn't sent it out because others on the Commission indicated they didn't want that level of detail.

HARRINGTON said that the service area budgets and the school budget, as well as the overall Borough budget have changed dramatically. It was indicated that while the documents may be available at this point, it would be better to wait to get their new budget when it is approved, as there are likely more changes going to occur during the next two weeks. THOMPSON said the

discussion on the budget section of this Petition could be better addressed at the meeting on the 11th. He said he planned on putting in a 1.5% inflation rate on everything. There are some things that the City and Borough may know regarding some of the specific funds that are planned that would help to put those types of increases or decreases, for instance, state funding. If there is a downward trend in State funding, it shouldn't show that 1.5% increase, but rather a downward factor.

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

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

H: Unfinished/Old Business

H-1: 2004 Draft Consolidation Petition, including Exhibit F

M/S FINNEY/OTTE 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, including Exhibit F (Budget)

The addition of the wording in two sections of Exhibit J was the only change decided on in work session.

FOR: FINNEY, HARRINGTON, OTTE, THOMPSON

AGAINST:

ABSENT: KIFFER, PAINTER, MCCARTY

The motion passed 4-0.

H-2: Review and/or Amend 2004 DRAFT Charter, Article II, Sections 2.04 (c), 2.05 (b), 2.09 (a) & (b); Article III, Section 3.02 (b) & (c), Section 3.03, 3.05; Article IV, Section 4.01; Article VIII, Section 8.03 (f); Article X, Section 10.03 (b); Article XI, Section 11.02 (a); Article XV, Section 15.02; and Article XVI, Section 16.01 (a)

M/S HARRINGTON/FINNEY to make the corrections/changes suggested by Clerk Edwards in the attached memorandum.

FINNEY commented that in Ms. Edwards' list of changes in the Election section, it was indicated that there could be no changes to the Charter except at

the regular annual election. He said he didn't think that was appropriate since the charter could not be changed in an emergency. Some of the Commission's discussions have been about a tax cap and if that were written into the Charter, with this amendment, it could only be changed at the regular fall election. He said Ms. Edwards' comments were well written in that it is a big thing to change the Charter and it shouldn't be done in haste, but if haste is necessary, then it should be able to be changed any time the proper steps are taken.

THOMPSON said he concurred with those thoughts.

HARRINGTON said that looking through the ramifications of that one, he said he liked what she did. He said he'd rather have everything done at the regular election. Obviously, that isn't possible. All weighty issues should be voted on at the time when it is expected to get the largest voter turn out.

OTTE suggested postponing this agenda item until more members were present. THOMPSON seconded that idea and he said he'd like to deliberate more on the suggested changes.

HARRINGTON said the other one he had concerns about was the Nepotism/Conflict of Interest. It's pretty much past practice that the mayor or the president of the board and define the potential conflict of interest and ask to be excused from the vote. But to say it has got to be voted on by the body would be a bit much, too. THOMPSON concurred and said the mayor is elected for that reason, to decide whether there is a conflict of interest, to make that decision.

A roll-call vote was taken on whether to postpone action until the next meeting on the agenda item.

FOR: HARRINGTON, THOMPSON, FINNEY, OTTE

AGAINST:

ABSENT: KIFFER, PAINTER, MCCARTY

The motion to postpone passed 4-0. There will be a motion on the floor at the next meeting. It will be open to amendment at that time. HARRINGTON suggested that the issue be separated by doing a voice vote of approval or disapproval on each suggested change. Any with objections would then be voted on separately.

I: New Business

NONE

J: Commission Comments

HARRINGTON said he was distressed at the declining attendance at the table as the Commission gets into some of the weightier issues. He said he was hoping this is just a temporary thing, but all Commissioners are needed at the table.

OTTE said she would make an effort to get the packets ready by Sunday evening. Whenever the packets are ready, she said she'd advise the Commissioners so they could pick them up either at her residence or at the Charter office. She said that it is important that the packets be picked up prior to the meeting so things can be put in order to help the meeting move along smoother.

HARRINGTON wanted to know if any of the Commissioners chose to step down, would the Commission operate with six people or would someone be chosen to fill the vacancy. THOMPSON said he didn't know and the State or the Borough Attorney would need to be asked about that since this is an elected body.

Absences or early departures were discussed, and it was felt that no one had said they were going to step down. THOMPSON said that some in the TV audience had jokingly said that if these Commission meetings are a reality show, someone should have been voted off by now.

THOMPSON said he was strongly encouraged by the continuing support of the City of Ketchikan and Karl Amylon. By the fact that they are assisting the Commission in the deliberations it sends a strong message that the City is behind the consolidation effort this time around and he thanked Mr. Amylon for his time and efforts. He said that once the budget process is finished, it will be very close to the publication of the first public draft and solicit comments from the public. He suggested that the Commissioners start thinking about things they'd like to talk about regarding the Petition and accompanying documents. He said perhaps for the meeting of the 16th, it would be good to go back and review the Charter and see if any of the highlighted points can be settled. He said that he hopes by early in July, the Commission will be able to present a draft copy of this document to all of the local elected officials and get their reactions and comments. THOMPSON said he considers each of the Commission meetings a public hearing. Anyone that wants to come down can

talk to the Commission, but he said there are people who have a vested interest in the work product, namely the City and the Borough. He said if those bodies are not in support of the Petition and Exhibits, the whole thing is going to fall apart.

THOMPSON also pointed out that June 30th appeared to be an open date and the Commissioners should keep that date in mind for an extra meeting.

The meeting was adjourned at 8:11 p.m.