

**KETCHIKAN CHARTER COMMISSION**

REGULAR MEETING

June 11, 2004

The regular meeting of the Ketchikan Charter Commission commenced at 6:02 p.m., Wednesday, June 11, 2004, in the City Council Chambers.

**A: Pledge of Allegiance****Roll Call**

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

**B: Ceremonial Matters/Introductions**

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

It was noted for the record that this date is a national day of mourning for former President Ronald Reagan, the 40<sup>th</sup> President.

**C: Public Comments**

NONE

**D. Informational Reports and/or Commission Presentations**

THOMPSON reported that on Tuesday he and FINNEY met with Karl Amylon and Bob Newell of the City of Ketchikan and went over the draft budget that had been presented at the last meeting. Several misunderstandings were resolved and a new draft budget presentation is in the packet.

THOMPSON pointed out the email correspondence from Dan Bockhorst, the City & Borough Attorneys, and the City Clerk. These items were all included in the packet. He said there's still a lot of work to be done on the budget. At this time, he said he is focusing on the City side of the budget and the creation of the City Service Area budget, rather than the Borough side, since the Borough's budget is still not finalized.

OTTE said she thought H-2 was going to be pulled and re-submitted. She said

that Clerk Edwards & Clerk Suiter were going to get together and work on things, given Mr. Bockhorst & Mr. Schweppe's comments. PAINTER indicated that item I-2 would be pulled from the agenda at this time, as Mr. Van Altvorst indicated, with his regrets, that he would be unable to contract for this service. Mr. Van Altvorst did recommend someone else for the review of the Commission's work, but PAINTER indicated he hadn't as yet contacted that individual.

KIFFER said that he had spoken with the South Tongass Fire Department concerning the relationship between Saxman Fire Department and South Tongass and found that Saxman's fire department has been dissolved by mutual agreement for several years. Saxman has entered into an agreement with South Tongass Service Area to accept fire protection from the South Tongass Fire Department. Saxman receives fire protection from the South Tongass Service Area. Several people had indicated to KIFFER that this relationship between the two entities is solid and they'd prefer the Commission not mess with it. KIFFER said he was not sure, with Saxman not consolidating, how that would affect their agreement and it was discussed that any agreement would carry through to the new government. Saxman receives the fire service from South Tongass and South Tongass, in turn, receives their rating without the facilities in Saxman being factored in.

PAINTER questioned if Fire/EMS went areawide, if KIFFER saw a problem with the relationship between Saxman & South Tongass. KIFFER said he didn't see a problem. He said South Tongass' only concern that a similar situation as occurred with Shoreline might occur should the services go areawide. Under one department the apparatus and personnel would have to be more concentrated to the area that receives the most call volume. The outlying areas would have more of a minimum equipment staffing. That may affect the South Tongass ratings. He said South Tongass had indicated that their savings were around \$250,000 by their last rating change.

Borough Clerk Harriett Edwards arrived at the meeting at 6:08 pm and said her agenda item could be discussed during the work session. She said she didn't really want the item she'd proposed (H-2) pulled from the agenda, and she was present to address any questions anyone might have.

MCCARTY said that he really appreciates how quickly so many of the people in different departments of the City and Borough have been to provide information and assist the Commission. He said that with Mr. Amylon and Ms. Edwards present, the Commission should take the opportunity to thank them.

OTTE said that Scott Brandt-Erichsen has composed a memorandum with his

personal views after a review of the Petition. This document was created using a voice recognition software program, so it does need to be cleaned up, but will be available at the next meeting.

#### **E. Consent Calendar**

M/S MCCARTY/HARRINGTON for approval of the minutes of the June 2, 2004 regular meeting.

The minutes of the June 2, 2004 regular meeting were approved by unanimous voice vote.

#### **F. Vouchers**

NONE

#### **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/HARRINGTON 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: MCCARTY, OTTE, HARRINGTON, THOMPSON, KIFFER, PAINTER

AGAINST:

ABSENT: FINNEY

**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:

- Harriett Edwards said that the original memorandum attached to the agenda item about changes to the Charter had not been reviewed by Katy Suiter until she returned from vacation. She has now made her comments. Ms. Edwards then handed out a sheet with her response to

some of Ms. Suiter's comments.

- Most suggested changes were from the Clerk's perspective at the overall operation of a municipal government. She said the major point was regarding amending the Charter. She indicated that she was being rather optimistic thinking the Charter would probably never need to be amended in a hurry. On the new handout, there is re-wording for that section to amend the Charter at a regular election or a special election occurring more than 70 days after the adoption of the ordinance. That change to 70 days allows pre-clearance of a special election by the Department of Justice, a process normally taking 60 days.
- Regarding Section 2.05 where she had suggested the election of the vice-mayor occur at the first meeting in November, Ms. Edwards said that she really had no strong feelings about this suggestion and since Ms. Suiter indicated that present practice of electing the vice-mayor at the meeting where the election is certified and the oaths of office were administered was fine with her.
- Ms. Edwards said she really disagreed with Ms. Suiter regarding public hearings for ordinances. Presently at the Borough, Ordinances are considered separately near the beginning of the meeting in their own section. Second readings of Ordinances, which is when an Ordinance will be adopted, normally (at the Borough) have a public hearing. In the City, if people want to address those ordinances, they do it during public comment time instead of having a specific time to just address an Ordinance. A separate time for Public Hearings on Ordinances allows comments just on those important documents, whereas if Ordinance comments were only heard during Public Comments, often with so many issues addressed, the intent of the speaker would be lost. Ms. Edwards said that Ms. Suiter's concerns about this way of handling Ordinances, was that people would have to wait through other agenda material before commenting on a specific ordinance. Ms. Edwards indicated that the way the Borough has it set up, the Public Hearing section is immediately after Public Comment, so the wait isn't too unwieldy for citizens who have a concern about an Ordinance. It's an issue that will be up to the new Assembly as to when they schedule the Ordinance review and comment as they set up their rules of procedure and order of items placed on the agenda, but by having two public hearings on Ordinances clearly delineated is preferable.
- Ms. Edwards said that for the rest of the items brought forward for review/change, if anyone had questions, she'd be happy to

answer them.

- FINNEY had brought up at the last meeting the section on Personal Financial/Nepotism and he felt it was the Mayor's job to decide these issues for the body. HARRINGTON said that in past practice for a member to alert the Chair about a potential conflict of interest and ask for a ruling. That seemed like a clean way. Ms. Edwards said that actually the way the suggested wording reads is what is currently in the Code. What happens is that the Mayor makes the ruling with no objection from the Assembly. Rather than doing a formal vote, but this allows the Assembly, if they think the Mayor's decision is wrong, to ask for a vote on the issue. KIFFER asked if that system is working. That it seemed to him that there was always a question as to whether the Mayor made the right decision. Ms. Edwards said that an Assembly member brings forth the information that a conflict of interest may exist and the Mayor makes a ruling. The silence of the Assembly is their agreement with that ruling. However, they do have the option of taking a formal vote on the ruling.
- PAINTER said he was still having trouble understanding what government would look like in some areas after consolidation. He mentioned that a service area board would represent the service areas, as they are now. He said he was making an assumption that in addition to having a new Assembly for the municipality that there would also be a City Service Area Board. OTTE mentioned that in the Charter the Assembly could either appoint a board or make arrangements to have an elected board for the service areas. Ms. Edwards said that in her personal opinion, any board for the City Service Area should be an elected board, given their much greater responsibility and oversight than the other boards. PAINTER then asked if Ms. Edwards thought it prudent during the new Assembly's agenda, to have a designated time within the meeting for reports from the service area boards. She responded that would be something up to the new Assembly. They would probably, at least in the beginning, try to have something similar to that to get everyone oriented, but again, that would be up to the new Assembly as to whether to make something of that nature a permanent part of their agenda. PAINTER said that service area concerns are important to the affected service area and sometimes at the meetings the public comment session is overwhelming to the point where there is a lot of people that are concerned about an issue and each wants to

say their piece. There have been times when they've had to limit those remarks due to time constraints. Ms. Edwards said that all of those items are very easy to control. The Assembly can choose to have their order of business put into Ordinance form or have it as a separate item contained in their rules of procedure. That is pretty flexible as the need arises and the Assembly sees how the meetings are going, they can make adjustments to their agenda schedule. In the beginning, there will probably be a need for some sort of a limit on the speakers, just given the immense tasks the new Assembly will have and the time constraints placed on those tasks. She indicated that this time limitation is not an unusual occurrence in larger municipality's meetings. It does not curtail anyone from having their say; the speaker is just requested to make their remarks briefer. Those are things that are under the control of the Assembly and would probably be changing frequently in the beginning. The new Assembly's tasks are going to be tremendous because of the amount of work that will need to be accomplished.

- THOMPSON said that the only thing left in his mind in terms of Ms. Edwards' suggested changes to the Charter is the section on Article III, Section 3.02. He said he'd like to get a consensus from the Clerks because he said he believes that the method currently used by the Borough with public hearings at the beginning of the meeting and they are specifically to talk about an Ordinance. Certainly, anyone can get up at any time under Public Comments, but when there are a lot of different topics being spoken to under Public Comments, sometimes those things specific to an Ordinance are not highlighted and he said he felt that those specific comments under Public Hearings are important. He said he's leaning toward Ms. Edwards' changes on that item, and certainly, the Assembly will be looking toward making certain the meetings are as brief as possible for all concerned, if there is an Ordinance that does not garner public comment, the Assembly would move on.
- MCCARTY said that in case there are people who want to speak to the Ordinance, they should be given the opportunity to speak. Ordinances have the potential of having major effects on the community. If no one shows up to speak, the opportunity was there for public comment on that particular change in the law. By putting that comment period on Ordinances at the start of the meeting, people have the opportunity to devote the time necessary to speak and then they can move on if they so desire. He felt the suggested changes were the way to go. Everything that can be

done to encourage and promote public participation to give their viewpoints should be done. It's such an important policy direction that he said he feels it's worthwhile to emphasize.

- Ms. Edwards said that was her primary goal in bringing this item into the Charter specifically and she said she'd rather err on giving too much opportunity for public input than not enough.

THOMPSON suggested that this agenda item be brought back at the next meeting and have each of the suggested changes incorporated into a separate agenda item. OTTE asked that the sections distributed at the meeting having to do with reference material be brought back by the Commissioners, and that would save some typing time on the separate agenda items.

- Ms. Edwards spoke to Mr. Schweppe's memo regarding Initiative and Referendum. She indicated that both she and Ms. Suiter had seen the memo and on looking up the State statute found that in their zeal to make the Charter as brief and to the point as possible, they had cut items that were actually required by law. She said they'd like to bring back an initiative and referendum procedure, written to be user friendly, rather than in legal-speak. She said they'd looked at the other community's charters and would like the opportunity to make Ketchikan's a reflection of the best of all of them. This procedure is used quite often and in order to make it as streamlined, but remain within the law, they'd just like to bring something forward to the Commission. THOMPSON said that the original wording was complex, used 25-cent words, and wasn't readable to the layperson. If something a little more understandable to the public could be drafted, that would be a good thing. She said she'd checked the Recall section against the State Statute and the way the Charter reads currently is within the law. THOMPSON asked that when the Clerk's draft is complete, they ask Mr. Schweppe for his input prior to submitting the changes to the Commission. Ms. Edwards said they would do that.
- MCCARTY said it was a complex issue. How much responsibility does the Clerk have to tell people how to go about the process in the correct way? That combination of the people who are actually working with the process (the Clerks) along with the Attorney giving the legal expertise from a governmental background would be a good thing for inclusion in the Charter.
- Clerk Edwards said it probably wouldn't be submitted for a couple of weeks, as both Clerks are without their Deputy Clerks at this time.

OTTE pointed out that remarks about the property tax cap were included in Mr. Schweppe's correspondence. She wanted to know if that section of the Charter

should be brought back on the next agenda for review. THOMPSON said that maybe someone on this Commission or even Mr. Schweppe would like to bring some changes forward. THOMPSON indicated that Mr. Schweppe brought up some valid points that need to be addressed in the Charter. HARRINGTON agreed he would handle this item, however, he didn't think he'd have it for the next meeting.

THOMPSON said Schweppe's remarks were valid since they address what specifically does the limit apply to. He said that his understanding was that the limit was to apply to general government levies and not service area levies and the 30 mills was the cap above that limit to allow for the bonded indebtedness. He asked HARRINGTON if that was his intent when the cap was introduced. HARRINGTON said no, that it was straight out of the Sitka Charter and he thought the 30 mills came out of State law somehow. THOMPSON said that one of the concerns that comes up about this cap is that the Commission doesn't want to tie the new Assembly's hands, and there has to be flexibility for the Assembly. If the bond indebtedness from the mill cap, then the bond rating can be affected. That would be a bad thing. HARRINGTON said that currently the Borough has a self-imposed cap. He said that so long as there is a reasonable mill cap that can be established that does not adversely affect the bond ratings and he said he believes that establishing the cap in the Charter rather than a revocable ordinance would be preferable to the community.

PAINTER asked Mr. Amylon about Mr. Schweppe's comment that they had run the bonding and finance sections past bond counsel prior to submitting their petition to the LBC. Mr. Schweppe also suggested that this Commission do the same. PAINTER wanted to know how the Commission would go about that? Mr. Amylon said that the inquiry would need to be made either to his office or the office of the Borough Manager. One or the other could refer the document to bond counsel. He said he'd be glad to do that.

Mr. Amylon stated that HARRINGTON had said something very interesting relative to the sales tax election and having faith in the community to decide what's right. Mr. Amylon said that the Commission needs to remember that whoever is elected to the new Assembly, assuming consolidation is going to go forward, is going to be no different from the Commission, people from the community. He said he'd like to think that whoever does get elected is going to have the degree of sense to try to do what is best for the whole of Ketchikan.

He said that the Commission is again talking about arbitrary caps and the Commission doesn't know what's coming down the road. External influences are unknown that may be brought to bear on the community. He said the Commission doesn't know how the community may respond under an adverse



set of circumstances if something were to have to go to the voters. He said that he's afraid that similar to what was seen this week, 18% voter turnout, those with vested interests could turn out their small constituency. He said the Commission would have to ask how representative is that kind of result. From his perspective, given the difficulties the community is up against, he said he thought the Commission would want to give the greatest flexibility to the Assembly.

MCCARTY said he thought the question about the bond counsel was very important. He said that if there are bonds in place at the time of the consolidation, this might be deemed a sufficient enough change that it would be a type of default in the bond obligation. He said he appreciated the fact that Karl had offered the means to get to the counsel for advice. Just the generic issue, not the specific monies involved, but it should be determined if this consolidation is something the bond counsels would get nervous about or not.

MCCARTY said he'd also mentioned his concerns about tax caps. He said the biggest concern he has is that if it's in Ordinance format, an Ordinance can be changed much more readily and in a quicker time line than a change in the Charter. It may be the long process is important enough that people will say they need to go through it, if problems are seen far enough ahead of time. He said that the Commission should be considering these things when reviewing the section on a tax cap. He said the Commission needs to be wary of the process it takes to change the Charter on any of the subjects set out in the Charter and be wary of putting too restrictive language in the Charter, given the uncertainty in the near future of the economics and overall health of the community.

KIFFER wanted to verify that 70 days was the least amount of time it would take in order to get a special election to change the Charter. He said that didn't seem like long-term to him. He also said he wasn't sure in the Transition Plan how the indebtedness would be affected by the consolidation. Once the transition has taken place, he doesn't feel that 70 days is too long to wait for a bond indebtedness issue to be settled. He said the people should have a say in anything needing to be bonded. These are decisions that the community has a right to participate in.

MCCARTY said that where the problem arises is where the Commission is right now. By State law, with respect to the Borough, there must be a budget in place by the end of June and there is a specific deadline when the funding for the schools must be approved. He said that sometime around January, the Assembly would need to figure out enough about the Borough and School budgets, to make a decision whether to raise the tax cap. That's a difficult

process since any action by the Legislature is unknown. That's part of the problem with the caps where there are specific time limits on actions. There may be a forced decision.

Mr. Amylon said he'd had a couple of conversations with the Borough Manager over the last couple of weeks and the Borough was fortunate in one regard in that they had the insight a couple of months ago to get the sales tax election on the ballot. He said that he could say with some certainty that if the sales tax had been defeated and the Borough was looking at a tax cap that was not self-imposed, but subject to voter approval, and the 70-day clock had to be used, given the calendar as it stands now, July 1 there would not have been a bus system or a pool because the calendar didn't line up with the process. He said that's what MCCARTY is trying to represent that caps, limits and ceilings all sound great. Proposition 13 in California sounded great at first. He said that some of the folks in California have had difficult times with it. There will probably be other people who are very happy with it. He said he thought that the Commission would have enough faith in the people who will be elected to the new Assembly to talk to the community on any critical issue and they would use rational judgment. He said he'd certainly not want to see a situation develop that just because of an arbitrary ceiling, position would be cut and cuts of valuable programs and facilities. The next step would be the schools. Everyone always talks about economic development. Imagine the statement, "Gee, we don't have great schools, we don't have a great Parks & Recreation department and we don't have a great mass transit."

THOMPSON said that it all has to do with timing. He said he'd take the example of the Borough. If three or four months ago, they knew they had a budget problem. If there had been a Charter-mandated vote required to raise that cap, you can bet that would have been on the special election along with the sales tax hike. As it stands right now, they knew all they had to do to repeal the cap was two meetings and two votes and so it wasn't really a problem. A lot of people in the community believe they were extorted into voting for the sales tax. "If you don't vote for the sales tax, we're going to raise your property tax 3 mills. If you vote for it, we'll only raise it a little." So that sales tax was voted in because people didn't want their property taxes to up and they knew they had no control over the mill rate. If the Borough would have had to go to the voters to raise the mill rate cap and it was defeated, yes, the community would have lost the pool, lost the transit, but the people would have spoken, saying they couldn't afford any more.

HARRINGTON said that if under Borough regulations they were forced to go out for a vote of the people for underwriting a \$25 million debt, then the community may not be in the position it is in right now, or there wouldn't be a small group

of people to blame for the action that was taken. It's the people out there that need to help make these financial decisions and he said he feels it needs to be in the Charter and the Commission needs to make sure that the people do vote on all of these things, including service area mill levies and the rest.

KIFFER said the Commission was not giving the people of Ketchikan enough credit. It's just like a person's home budget; the money's there or it's not. He wanted to know how long the community had lived within the 8-mill cap. He said the discussion wasn't about imposing a 5-mill cap. He said he represents a non-profit group that elected not to go to the Borough for funding this year based on the fact that they didn't have any. There are people in Ketchikan that do understand that the community must leave within its means. He said he's not suggesting to utilize a cap to limit government spending. What he suggests is that the cap be utilized to make the government go to the people, with the realization, not in an extorted way, but in a way to say, this is the situation; what do you, the community, want. The cap is not to limit the spending, but rather to give the people of the community a choice when things get tight.

MCCARTY said that George Tipton mentioned that several years ago there had been an election on bonds, three different things, and some people liked one or two, but didn't like the third and the measure was voted down. He said he'd often heard people say that they didn't have enough information and they couldn't decide how to vote. He said that's where he has a problem with the cap. If the election to amend the Charter could be coordinated with the election to make the change in the cap, then maybe problems could be avoided. He said that if they are contingent on one another, the problem is that some people don't approve any change in the cap; and some would say, yes, change the cap, but I don't like where they're heading with it. The situation has been made too complex and people will then say they don't have enough information to figure out how to vote. This is a major problem.

PAINTER said there are proponents and opponents to the tax cap on the Commission. He said he could see both sides of the issue. The proponents of the cap are using it as a tool for voter approval for passage of the consolidation effort. The opponents are trying not to hinder the government operations because of uncertain circumstances in the future. He gave a brief history of the 8-mill tax cap. He said he thinks that government is spending too much beyond their means and they are using reserves. That cannot continue to be the way of doing business. He said he's been on the fence on this issue, but he said he likes the idea of voter approval tool and to possibly curtail some of the current spending that in the economic climate should not be occurring. There are a lot of people who feel the same way. It's a tool to keep government

from doing \$25 million or \$35 million projects without having to vote on it.

HARRINGTON said that throughout the Commission's process, the attempt has been made to do as little harm as possible in the Charter. Current status has been institutionalized whenever there's been a question. Status quo has been kept whenever possible. He said if it comes down to the tax cap, the Commission clearly couldn't set an 8-mill tax cap. There is no way that the future government cannot be constrained under that kind of cap. So it has to be a reasonable cap that is set. Allowance must be made for future growth or need. He said since on other issues the Commission has taken a conservative approach, and he said he assumes the Commission will take that approach when establishing a cap. He said he still feels that a cap is needed.

A break was held at 7:07 pm. The Commission reconvened into work session at 7:17 pm.

It was discovered that the budget summary handout prepared for the meeting was incorrect.

THOMPSON briefly discussed the correct worksheet, the one-year budget. At the meeting with Mr. Amylon & Mr. Newell, the methodology was discussed in creating the Ketchikan Service Area. They pulled out of the revenues the 6.7 mill property tax, as well as the senior exemption, the 1% Public Safety Sales Tax, delinquent taxes, building permits, ambulance & 911 service and a \$10,000 fee for service for Public Works and parking tickets/police revenues and moved those to the Ketchikan Service Area. The departmental expenses for fire, police, public works engineering, streets, garage and buildings and a portion of the capital projects related to Public Works. Also moved were capital expenditures for fire, police, engineering and the associated Public Works sales tax from the Public Works Sales Tax Fund to the Ketchikan Service Area. Essentially, with a few modifications, it was the same as was presented at the last meeting in the one-year budget. There were a few changes made due to assumptions had been made that were not accurate.

THOMPSON said he'd sent the file to Mr. Newell that afternoon and more comments were made and showed him some things that were not apparent in some of the numbers, so there are a few minor adjustments needed. What Mr. Newell basically said was personal property taxes are based on properties located within the City as part of the 6.4 mills and that portion of the taxes needed to be moved to the Ketchikan Service Area. Other taxes are based and distributed on the basis of population, so those needed to be moved. There were also some one-time items both in grants and in capital expenditures that were simply pulled out of the budget numbers due to the fact that they were

one-time items. One of them was \$550,000, of which \$486,000 was a grant, for the 911 system that was installed by the City. That number is being pulled out because it was a one-time thing and won't happen again. \$58,000,000 of bond revenue and the same expenses in Ports and Harbors were pulled.

THOMPSON said there were some comments regarding the EMS services and he said he'd pointed out to Mr. Newell where that was taken out. He said he thinks he's got a document, at least from the City side of things, that shows what revenues from the current budget would be allocated to the Ketchikan Service Area and what expenses would be allocated, just for the City side. When the revised Borough numbers are available, they can be plugged in and a good current adjusted budget that will be adjusted for the new funds that includes the Ketchikan Service Area. He said the Commissioners would get copies of the document.

OTTE went to the Charter office to make copies of the correct document.

THOMPSON said that in going through Exhibit F, it's just a description of what goes into the budget, a description of the funds. He said a couple of things had come to mind as he was reading through Exhibit F today. One was that some of the numbers need to be updated as to how many funds exist and what they're being used for and then there are staffing numbers and the projected balance of funds. Those are numbers that once the budget is completed, will be able to be put into the document. Looking at F-1 under Assumptions, it talks about some of the things that will have to be looked at as the change is made from the combined, current budget to what the projected first year budget is in 2006. Some of those things have to do with inflation, some with personnel and staffing, and one of the things that becomes apparent when looking at the one-year budget is that the Borough has been running with a fairly sizable operating deficit and the City was at that point in time, too. But, the City's was predominately related to capital expenditures. The new budget shows the City Service Area with a fairly decent surplus, but it's still showing a sizable deficit on the combined municipality's general fund. What will have to be looked at is what is happening to the revenue side of the equation in the Borough's 04/05 budget to see how much of a deficit is still showing and then we'll have to see how to bring that deficit down.

THOMPSON said that the first thing that comes to mind is that there are duplicated positions. Those positions have to be looked at and one of the previous effort's assumptions was that some of those duplicate positions would be deleted. The first that comes to mind is the mayor & assembly. It's not a lot of money, but it will definitely be backed out of the budget. Right now there are two managers, two assistant managers, two finance directors, two

attorneys, two clerks, two deputy clerks, two human resource managers, two public works directors. That's not to say that a manager and two assistants wouldn't be needed, but are two managers and two assistants needed? When some of those numbers start coming out, the deficit is going to come down considerably.

HARRINGTON wanted to know if deleting the duplication of positions was realistic for the first year. He said his expectation was that additional personnel would be needed during the first year just to get the new government going.

THOMPSON said he'd gone back and forth on that issue, but he said he'd had several conversations with folks in government and with the right management people, this should be able to happen without adding people and the staffing should be able to be reduced in a short time. The operations of the City and the Borough and the things that are done on the street, the garbage collection, the street maintenance, the police protection and the fire protection, those operational things don't really change. The same people will be doing those. It's in the area of finance, law and the clerks that most of the changes will have to be made. In the Clerk's department, the Ordinances will have to be completely re-adopted. From the standpoint of the law department, there is going to be a lot of legal opinions to be done on those Ordinance changes. The finance department is probably the area that will require the most work in combining them because there are two disparate systems that are going to need to be combined. It will have to be determined what computer systems will be used and what set of books and how those books will be set up. In the finance end of things, there might be a need to keep on a Finance Director, or at least an assistant Finance Director for a longer period of time, but once all that is merged, there should be some economies of scale kicking in.

THOMPSON said the City and the Borough have a lot of commonality right now. For instance, all of the taxes are collected by the Borough and remitted to the City, so there's already a certain amount of inter-play between the two finance departments, and that's where the bulk of the work will be. When staffing levels are perused, that's going to be the biggest area.

MCCARTY said that he sees the assumption would be that a Manager would be lost and two assistants; instead of having two full Clerks and two assistants, there will be two assistants. There will be a savings of some of the higher-level positions. In the law department, he said he thinks that two attorneys are going to be needed. But instead of two that are head of the office and getting the prime salary, \$20,000 or \$30,000 could be dropped off one of those salaries. To some extent, that's kind of arbitrary and it may take a little while to work into. The Finance office is the same way. He said that he doubts

whether it would be sufficient to have less people, at least initially, but there will be a point when there won't be a need for two directors and a number one assistant, but rather one director and a one, two and three assistant, changes in the hierarchy with some savings seen.

THOMPSON said that staffing plans would be created and try to lay those side by side and see where the duplications are. There have been some positions added. One thing not in the previous petition was the Public Works Director. There was not a Public Works Director for the Borough or a Human Resources Manager, but there are now. The intent in the previous effort's budget was to try to get away from the deficit operating budgets and get to a balanced budget and the way that's done is to cut costs, or you increase taxes. The last thing we want to have to do is increase taxes and take a petition to the people that says that consolidation is a great thing, but it's going to cost you another two mills. That won't go over very well. If taxes can be kept the same but show through a reasonable budget that there savings can be made by the efficiencies that we see, then hopefully it will make it.

MCCARTY said that one other area to look at is the contracting out in the legal department. When there is only one person, it's hard to have the flexibility to cover. If there are two people, there is actually coverage for more than two person's jobs because of cross training, etc. There won't be the need to contract out to other attorneys as much as has been done in the past. You can look just at the legal department to see how much they've been paying for professional services and it may be that, or some other departments instead of having to contract out. That's a savings as well.

THOMPSON said there were a couple of other areas of some concern. The Recreation Sales Tax fund has been running at a fairly sizable deficit, almost half a million dollars a year. There are a couple of other funds that are just not making it. Either there needs to be something addressed in those. If it comes down to having a \_-million dollar deficit and the Recreational Sales Tax fund can be pinpointed, the Commission may have to stop and say, this is as far as we can go without raising taxes or fees and this is an area that needs to be immediately addressed by the new Assembly. He said he didn't know that there is a mandate to have a balanced budget, or a non-deficit budget, but that certainly would be the most reasonable thing from the LBC's viewpoint.

THOMPSON indicated that some of the things that the City did when they did their budget is that they made some assumptions on inflation and he said after reading through Exhibit F, he really didn't find anything that has changed a lot concerning the assumptions that were made on what was going to happen to revenues and expenses. Really, what's happening is a re-shuffling of the debt and once that occurs, specific duplicated departments will be apparent and the

likelihood will be that document, taken to both the City and the Borough, will generate the questions as to what needs to be cut in order to get rid of the deficit. Their input as to what should be cut and yet still provide the same level of service will be needed. The people working at those entities are on the front lines and it's easy for the Commissioners to say what is apparent to cut, however, the folks at the two bodies know best how to cut and yet still preserve the level of service.

THOMPSON said there is still a lot of work to be done. He said one of the other things he noticed in reading through Exhibit F was that there are some bonds and indebtedness that need to be addressed. Since the previous petition, the debt structure and services have changed and those items will need to be corrected. One of the problems with the whole exercise is projecting not to a budget one year in the future, but actually 3 years into the future and a lot can change between now and then. He said that as he and Mr. Newell were going through some of the inter-governmental revenues it was noted that in the late 90's, that was a rather sizable revenue item for both governments and it's now just filtered away to virtually nothing. How do you anticipate what the State's going to do in terms of revenue sharing 3 years down the road?

MCCARTY said that looking at the finance department, he remembers when the City was doing the computer operations for the finance department of the Borough. There may be some institutional memory as to how much work was required to change the Borough onto its own system and the fact that their systems were not compatible. There had also been some exploration to include the School District in the same accounting systems as well. There accounting may have been more of a problem just because they are mandated to do their records in a certain manner for the Department of Education. By asking those who were around during that transition, it would be possible to get a handle on how much effort and cost the transition to separate accounting systems took.

Ruth Hill said that when she first came to work for the City, the City did all the Borough's finances and computers for \$100,000 per year. Just before she arrived, the City had also done the School District's work. The School District bought software that wasn't compatible and there wasn't enough time for the City to do the work, so that separated out. When the Borough actually got their computer system, they went through around 5 before they felt they had one that worked. Their (KGB's) reason for separating was that the vouchers were not done in a timely manner.

PAINTER said that Ms. Hill had remarked about the current software that the Borough and City are using. She said she didn't know much about the current



Borough software, but she said she knew they'd gone through several different types of software and hardware around 10 or 15 years ago. Ms. Hill indicated she works in the City's Data Processing department under the Finance office. PAINTER asked about the inter-action (if any) that occurs since the Borough collects the taxes. PAINTER said he assumed there must be some inter-facing between the two systems. Ms. Hill indicated (with Mr. Amylon's concurrence) that there is just a transfer of funds. She said she didn't think they are electronically connected. PAINTER then asked if Ms. Hill likes the system the City uses. She said, "We don't want to go there." She said that the financial package currently used has been written and re-written several times. It does a lot of things that come in a canned package.

PAINTER said that would be something the future staff(s) would iron out when the melding of the departments transpires. Ms. Hill said that there are a couple of things that would have to be done with the six months difference in the budgeting process.

THOMPSON asked that, just say the City's system was determined to be a superior processing system, does the City have enough capacity and ability in its data processing to handle the expanded tasks? Ms. Hill responded that the computer has enough space. She said that doesn't mean that they're going to go that way. They are currently looking at accounting packages, and they have been for several years and she said she didn't know where that was going.

THOMPSON said the same questions need to be asked of Mr. Hall. He said that's really getting into operations. That is going to be one of the areas of concern. MCCARTY pointed out that the difference in fiscal years by itself is going to cause some adjustment problems and making certain the budgets match. Ms. Hill said she thought she'd heard Mr. Newell say that the City would either do a 6-month set of books or an 18-month set of books and that it wouldn't be too bad.

THOMPSON said that some of the other types of savings that will be found in Finance would be that there would only be a need for one audit instead of two. PAINTER wanted to know if the School District's accounting was different, as well. Ms. Hill said that every software is different. They have a School District package. PAINTER asked if Ms. Hill thought that some efficiency would be gained by going with one accounting system? He wanted to know in looking at a perfect situation under consolidation; didn't she think that it would be more efficient if the School District and the municipality all operated on the same system? Ms. Hill said that there are places where the interface would be easier and there are places where they don't interface appreciably. She said she thought the revenue from the taxes is transferred manually, not

electronically.

MCCARTY said that one of the problems with the School District changing into the Borough's accounting system was the question as to whose jobs would be done first. The other aspect is the Department of Education requires specifics in how the budget is assembled, how numbers are reported and special codes used for things. Ms. Hill pointed out that KPU also has that situation, with the regulatory issues. The Telephone billing system is totally different than any of the other systems. MCCARTY said that some of the problems might be because a system might work better for utilities than it does for personnel, but there are outside constraints. There is the regulatory stuff with the utilities that require certain types of billing and the School District is also under those types of constraints.

MCCARTY said that some of these areas have been explored in the past a number of different times. He said the time might have come to figure out how to fix all the issues and meld these departments into one system. He suggested maybe two sets of books for the School District, one that's in compliance with the Department of Education and the other compatible with the municipality's.

PAINTER said that this is an area in particular with potential costs to the new municipality. Software is expensive. Ms. Hill said that it's going to be separate and it's still going to be expensive because every time you buy a new piece of software, then you have to work to make the interfaces work.

THOMPSON said he didn't think the Utility billing and the Utility financial packages to be anything other than stand-alone. It's an enterprise fund. They have different reporting requirements and they get interfaced on a summary level rather than trying to run everything under one accounting package. General government and service areas can probably all be put into the same package. Whether the School District would fit under that umbrella down the road – maybe. For the first year there probably won't be a lot of major savings in finance, but certainly some, and down the road as things start to shake out and the thing runs a little more smoothly, there's going to be room for some significant savings. Ms. Hill said some of it could be networked for some savings. She said she thought the School District was on a compatible machine to the AS400 that the City operates under. The fancy, extra software is all unique anyway.

MCCARTY said some of this stuff goes in with the financial stuff of where the Commission is heading and what is being explored or trying to do. He said for the short term, using the finance department as an example, obviously there's

a goal there and it stands to reason that there are a lot of things that could be done better. Some of the stuff is going to be stand-alone and some needs to be able to communicate. If there is one person, one manager in charge and one elected body making the decisions as to what the priorities are instead of each turf protecting its own. He said the discussion might have gotten further into this subject than is needed at this time. There is a lot of information out there and these things have been explored previously.

THOMPSON said he thinks the details will have to be looked into once the overlapping departments are identified and the cost elements will have to be checked out. If there are obvious duplications and if they are, make some adjustments for it, if they're not, or we can't tell, then we shouldn't mess with it in our process. For instance, there are two audits in there. Certainly when you take two audits and pare it down to one, there won't be a savings of exactly half, but there will be some savings. He then pointed out some details of the corrected budget worksheets recently handed out. He indicated that Mr. Newell had pointed out some other corrections that needed to be made and they will show on the next iteration of the document. He said the allocations to the general obligation bond funds should be looked at more closely. THOMPSON said that once he gets initially finished with the current adjusted one-year budget and plugging in the Borough numbers, then the duplications can be readily seen and start pulling those out. The departments will be consulted regarding the duplication of positions.

PAINTER questioned why the City Service area had the US Marshall's fund and the Borough didn't. It was explained that the City has police powers and the Borough does not. The fund is set up to accept property seized by the police.

Other funds were questioned as to why and what they entail. The Cemetery has three different funds. One is for operating costs; one is an endowment fund where reserves have been put in anticipation of future development. There are restrictions on how that money can be spent.

THOMPSON explained that the adjusted surplus or deficits in these funds is there are reserves that aren't seen. A prior budget explanation sheet had that reserve information, but the sheets being currently reviewed are only a reflection of start and end balance for a one-year period. He indicated that one of the things that will be done soon is a document that shows the difference between what is spent for operations and what is spent on capital improvements and replacements.

THOMPSON indicated that there was little in the narrative he really wanted to change other than the numbers. Funds that have been added or removed

should be looked into and corrected and updated.

OTTE brought up that there is no narrative on page 16 of Exhibit F for the North Tongass Fire & EMS Service Area. Something similar to the other service areas needs to be written that gives the overall financial picture. A consensus of the Commissioners present decided that FINNEY should be the one to do this narrative.

## **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**

There were no changes for the Petition or Charter approved during the work session. The item will appear on the next agenda.

### **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)**

While these items were discussed during work session, it was decided to bring each change forward as a separate agenda item at the next meeting. A voice vote was taken to bring these items back to the next meeting.

### **H-3 Amend Article XII – Areawide, Nonareawide and Service Area Powers, Sections 12.03 (2), 12.07 and 12.02 (c)**

M/S HARRINGTON/KIFFER to make the suggested changes to Article XII, Areawide, Nonareawide and Service Area Powers as shown in the agenda statement.

THOMPSON read the suggested changes.

HARRINGTON indicated that this motion had come out of the meeting with the three fire chiefs, that they would like to see the fire & EMS powers spoken of together because the efficiencies of running combined fire & EMS delivery systems. Once those services are separated, or they are delivered some other way and put a division in them, the costs of delivery for both sets of services increase.

Karl Amylon indicated that he didn't have a copy of the draft charter and requested it be emailed to him. He said he was unclear on the changes being suggested and requested that the Commission defer this item to the next meeting. He said he thinks there may be an issue that needs to be discussed with the City Attorney.

There was no objection from the Commissioners moving or seconding the item.

KIFFER indicated that it wasn't so much a combining of the services areawide as that it speaks toward the operational provision of those services. Fire & EMS are so closely linked as far as manpower utilization and operationally that this change seemed warranted in the Charter to keep them linked. He said the EMS/firefighters need this to be combined.

Mr. Amylon said he was hoping that this wouldn't be a big issue and he appreciated the Commission's indulgence.

The Chair ruled that this item was postponed until the next meeting.

**H-4        Amend all Petition documents to reflect the name of the new government as the Municipality of Ketchikan and the name of the newly formed service area as the City Service Area**

OTTE moved to change the name of the newly created service area (former City of Ketchikan) to the City Service Area. MCCARTY seconded the motion.

OTTE said the reason she was taking out the change in the name of the combined government, was that the issues raised by Mr. Bockhorst were really addressed in the Charter in that Municipality of Ketchikan could be used on contracts or other documents. She said the reason she'd like to change the name of the service area is that if the municipality is named Ketchikan, the service area shouldn't also have that name. It would be too confusing for the public, for the vendors, as well as any legal documents.

HARRINGTON said he'd read Mr. Bockhorst's memo and then the subsequent email from Tom Miller. He wanted to know if Mr. Bockhorst has made any response to Mr. Miller's document. OTTE indicated no.

Karl Amylon said that in the City's original petition to the LBC, the service area of the former City of Ketchikan was referred to as the "City Service Area" and the LBC strongly advised them not to refer to it as the City service area because the City and Borough are being dissolved in the consolidation process. When questioned whether the LBC had any suggestions or what was the alternative, Mr. Amylon indicated that the Ketchikan Service Area was put in their final petition. He said he understood what OTTE was talking about, that if the municipality is Ketchikan, then the service area should be called something else.

Other names were bandied about the table. KIFFER said he was going to vote in favor of the change because he agrees with the problem presented with two Ketchikan's. OTTE suggested that the change be voted down and she would present another suggestion at the next meeting.

A roll-call vote was taken on whether to change the name of the service area formed by the City of Ketchikan should be renamed the City Service Area.

FOR:

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

ABSENT: FINNEY

The motion failed 6-0.

THOMPSON said he'd like to re-address the issue of the name of the municipality with Mr. Schweppe, based on the email of Mr. Miller and the email from Mr. Bockhorst and what has been changed in Article I, Section 1.01 and get an opinion from him (Mr. Schweppe) as to whether the Commission has met his and Mr. Bockhorst's concerns. THOMPSON said that the legal name is the City and Borough of Ketchikan, known as Ketchikan. He indicated he would email Mr. Schweppe and ask him for a further opinion on Section 1.01.

## **I: New Business**

### **I-1 Schedule of Meetings**

It was suggested that a motion be avoided and a discussion be held on the Ketchikan Charter Commission Minutes

meeting schedule. OTTE said, "Motion" with PAINTER seconding.

THOMPSON said there weren't a lot of meeting dates between now and the end of August and the document needs to be completed by the end of August so it can be submitted to the Assembly on their first meeting in September. HARRINGTON suggested that the Commission go back to the meetings on Friday nights. There was concurrence among the Commissioners. If there isn't much to do on that night, it's an early night.

PAINTER said that if it's the desire to contract with someone for opinions and suggestions on the draft petition before it is submitted to the Borough. It was pointed out that the document needs to be done by the end of July in order to distribute it and have public hearings during the month of August. PAINTER indicated that was one of the problems Mr. Van Altvorst had was the time frame allotted for the review and comments.

The schedule was amended to include the following dates: 6/18, 6/25, 7/7, 7/16, 7/23 & 7/30. THOMPSON said he wasn't scheduled to be back from Juneau until late on June 25<sup>th</sup>, but he would attempt to change his ticket. He said he would be out of town on 7/16, but it was suggested that the speakerphone could be utilized if THOMPSON chose to use it.

MCCARTY suggested that the Commission aim for the 7/21 Saxman Council meeting to present the Draft petition document for their review. MCCARTY also suggested that a letter be sent to the Cape Fox and KIC Boards requesting their meeting dates in the latter part of July and when it would be convenient for the Commission to attend their meetings. The entire Commission is not necessary to meet with the Boards. It was suggested that the Commission go to the City and Borough as a group.

A roll-call vote was taken "to do what we said" as far as meeting dates and letters.

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

The motion passed 6-0.

OTTE was reminded to send an email to FINNEY advising him of the schedule changes and his assigned task.

## **I-2 Contracting for Professional Services for Review and Comments on the 2004 DRAFT Charter & Petition**

This item was pulled due to the inability of the prospective consultant to perform the task for the Commission. PAINTER was given another name to contact reference this item. Should the other party be interested, the contract will be brought back to the table.

### **J: Commission Comments**

KIFFER apologized for being unable to attend the last few meetings. He said his schedule should be clear from here on.

PAINTER said he thought the Commission got some great ammunition Tuesday in the sales tax vote and with the property taxes increasing with the Borough's budget.

THOMPSON said that the minority representative, Mr. Boyd, had not responded to the letter requesting him to assume that role with this Commission. PAINTER said he would give him a call and ask him if he would continue his role as the minority representative to satisfy the Federal election guidelines. THOMPSON said he would continue to plug away at the budget and he said he'd take a look at the bonded indebtedness and perhaps get together with OTTE and go over the staffing. The Borough has promised a copy of the new Borough budget and as soon as that is received.

THOMPSON thanked Mr. Amylon and Marvin & Ruth Hill for attending and assisting the Commission. He also recognized that the City has been very forthcoming in assistance with the budget effort. The process is quite difficult and it's a complex budget.

The meeting was adjourned at 8:30 p.m.