

KETCHIKAN CHARTER COMMISSION

REGULAR MEETING

August 27, 2004

The regular meeting of the Ketchikan Charter Commission commenced at 6:02 p.m., Friday, August 27, 2004, in the City Council Chambers.

Roll Call

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

ABSENT:

A: Pledge of Allegiance**B: Ceremonial Matters/Introductions**

The Chair recognized that City Attorney, Steve Schweppe, Borough Assembly Member George Tipton, and Marvin & Ruth Hill were in the audience.

C: Public Comments

Dave Coates, PO Box 9452, said he hadn't been in town the last several months but he'd been watching on the Internet and in the newspapers and said he was impressed and very pleased with what the Commission has been coming up with. He said that he's very thankful that maybe this community has got the people with the foresight to try to bring us together as one community. He said the Commission hasn't lost sight of the end goal in the job that's been done. Thank you.

THOMPSON said he'd like to point out for the record that Mr. Coates was the co-petitioner in the effort to get this Commission established.

Mr. Coates responded to the Commission's thanks by saying the Commission has put in a lot of time and effort and there is a very broad mix of the community that represents a lot of people.

MCCARTY remarked that this Commission had patterned itself after the prior effort and looked at what had been done in Haines, Juneau and Sitka. He indicated to

Mr. Coates that he knew Mr. Coates had been involved and that he'd lived here a long time and he's also involved in the economic community, as well, of looking toward the future as to what needs to be done to make sure there aren't too many road blocks for things that are needed or desired for the community. MCCARTY went on to say that hopefully, all those issues had been addressed, but there has been a lot of staff help from the City and Borough, but there hasn't been a lot of response from the economic community. He said that would be of benefit to the Commission to make the document better. There are things that Mr. Coates has worked with a long time and there may be powers that are needed, or some of the things might be too much of a mess.

Mr. Coates responded that he agreed. He said that some of the things might need to be changed over time. The community has 100 years and if this effort gets passed, over the next 5 to 10 years there will probably need to be some fine-tuning, but if it can be done as a single community and do it together, instead of having the divisiveness that has been in the past with two separate governments. He went on to say that he lives in the Borough, but he does business in the City and he said that he doesn't really like the implications...he said he was told one time by a City official who had been making some comment, and then he looked at Mr. Coates and said, "Whoops. Never mind. You're not a taxpayer." Mr. Coates said that the official meant that he wasn't a City voter, but they said taxpayer, so he said he kind of resented that remark and he said he really didn't want to be segregated because he lives on one end of the island or in the City. He said he pays taxes in both the City and the Borough and he's proud of that, having no problem paying his taxes, but he'd like to see, for his money, that the entire community is working together as a whole instead of working against each other. There has been an awful lot of that in the past few years and the Commission is bringing the community closer than anyone has ever come to bring us to one community. He again thanked the Commission.

City Attorney, Steve Schweppe, spoke to the Commission regarding the road powers issue. He said he'd sent a memo [included at the end of these minutes] and he apologized that it hadn't gotten to the Commission earlier, but he said, frankly, he'd decided that he wasn't going to comment any further on the topic and then this morning he thought that maybe there was something in between what he'd been thinking and what had been expressed by the Commission, so he thought he'd give it a shot.

Mr. Schweppe went on to say this memo had not been seen by anyone else at the City, so the Commission should consider it as a personal opinion.

Mr. Schweppe said that what continues to bother him about this road issue is that roads are going to be built over the next 20, 30 or even 40 years. The only question in his mind, he said, is are the roads going to be built under language in the Charter that is straightforward, or is someone down the road going to have to twist economic development, transportation powers, school powers, etc. into a way to build the road? He said he'd just as soon try to find a way to do it straightforward.

Mr. Schweppe said he thought he'd said it before, but when he'd come to Ketchikan, the Borough didn't have the power to enforce it's own ordinances and he said he thought that was silly at the time. He said that over the 13 years without really any change, endorsed by the electorate, the powers have grown, and he said, frankly, he didn't know where they stop. One of the things that was worked on during the work on the 2000 draft, was to try as much as possible to draw the line in a way that it would be permanent. That's hard to do. Under the powers section in Section 12 of the Charter, there's still some weasel language about auxiliary functions and the first draft didn't have it. Dan Bockhorst of the LBC pointed out, what about parks? Who is going to pick up the garbage in the parks? You say that has to be by a service area and you have to have the ability to be able to clean up in the parks in order to function and provide that for recreational power. So, Mr. Schweppe went on, that's how that language got entered back in there, but it's a real touchy, difficult topic and as the memo says, they had tried in the 2000 draft to restrict areawide powers so that they didn't start to infringe into Police, Fire/EMS and Solid Waste Collection, but there has to be something to cover the airport and the trash clean-up in the municipal buildings. He said what concerned him was that the road powers were only going to be by service area, it's not going to happen in some cases. There are going to be roads built within those service areas. He said he encouraged the Commission to find a way to address what is going to happen so that the distinctions between service area powers and areawide powers begin to break down, because over time, they do break down and to the extent that the Charter can be drafted that postpones that or stops that, he said something has been accomplished to the extent that a Charter is drafted that doesn't meet what is reality, he said he thought the breakdown of that distinction between service area and areawide powers at an earlier time.

HARRINGTON asked Mr. Schweppe if the proposed change to the Charter would leave the street construction and maintenance as a service area power, but with the provision that for public lands, the Municipality is free to build roads. Mr. Schweppe responded yes. HARRINGTON then asked if that also allowed the Municipality the power to...he said he guessed that a lot of things aren't as cleanly private versus public. He wanted to know if that allows enough flexibility to have a

hand in the construction of a road that is accessing borough and private land, or is this a very cleanly, very specific thing?

Mr. Schweppe responded that obviously there are going to be situations where to get to the borough land, the road would be adjacent to private land. He said he tried to use the words "primarily served" and yeah, is that black and white? Well, not quite. But, what else can be done because it can't say that the road couldn't serve private land because then, if there's a parcel of private land between the public land and the private land, there is a problem. He said he'd tried to give some examples of what primarily might mean, to look at it in terms of expected use, it might be looked at in terms of area served, it might be looked at how important a public function is trying to be provided. He said that was the best he could come up with. He said he'd thought about it that morning, so it hasn't had a great deal of thought, nor had he talked about it with anyone, so there are probably ways it could be improved, but it's a concept.

PAINTER said he had a comment regarding Mr. Schweppe's suggestion. The chair suggested that it should be a question. PAINTER went on to say he concurred with Mr. Schweppe's assertion that somehow, some way the founding fathers of Ketchikan built roads and streets and developed the area, otherwise the area known as Salmon Landing, the Federal Building, Seavic Center would be a low-tide baseball field still. PAINTER pointed out that Schweppe's idea didn't mention the increased costs and the impact on the proposed budget. He went on to say that it would be on a grant...it would be a budgeted item.

OTTE interjected that it would be a budgeted item, when needed, for the next year's budget. There are no current road-building plans to include in the draft 3-year budget, so it wouldn't affect that document. This is for the Charter for anything proposed after consolidation.

PAINTER went on to say the Municipality could save up, just like the City does now, and have revenue surpluses set aside for certain projects. He said like KPU the other night agreeing to purchase a certain lot of property for a future filtration plant.

Mr. Schweppe said he didn't think the language, if early Ketchikan and building roads like Stedman Street, would allow that to be done without a service area. He said but that goes back to the 2000 Charter which, at that point, said that roads inside the City were going to be service area and then just left it; for areawide or service area, whatever the borough wanted to do in the outlying areas, thinking that the future assembly could decide how development in outlying areas should be paid for. But this Commission has indicated that idea isn't appropriate. He said

he could understand that, so this was another idea. He went on to say that because we are basically surrounded by public lands, the odds are that if there is going to be any major expansion or development, public lands are going to be dealt with so it may be a time that some of us are on the same point, except that the point is being emphasized that it is not desired for public monies to be spent for roads primarily servicing the private sector.

MCCARTY said that for the benefit of the people at home, who haven't seen the memorandum, there are Mental Health, Forest Service, State and Borough lands and there wouldn't be a tax base to support some of the road building, but it may well be desired to have a joint effort in road building. This language would get that option and make it available.

Harriett Edwards, Borough Clerk, delivered a loaner transcriber to OTTE, as well as certified copies of the Initiative Election Resolution and the Charter Commission election Resolution from the Borough for inclusion in the Draft Petition.

Ms. Edwards went on to address Mr. Schweppe's memorandum of 8/20/04 regarding the change to the Charter, Section 6.02(a) and 6.03(6). She also passed out the Supreme Court decision syllabus regarding the requirement to have to be a registered voter in order to circulate a petition. As the section reads currently, it would be residents at least 18 years of age, and she said, she would like to keep it as residents, rather than persons, as Mr. Schweppe has suggested. She said that on page 3 of the Supreme Court syllabus, in the second paragraph it states that the respondents (the people who had brought the suit) in this Supreme Court case, did not challenge Colorado's right to require that all circulators be residents, so the Supreme Court did not make a ruling on that issue. She said she would just as soon wait until they made some kind of ruling specific to residents and in the meantime, keep the requirement that they at least be residents, rather than persons, in the Charter.

D. Informational Reports and/or Commission Presentations

OTTE said she wasn't real full of information. Monday, the 23rd, PAINTER, MCCARTY and she had gone to the City Council special meeting. She said it wasn't nearly as bad as the Christians and the lions, but it was very informative and there were some good questions asked. Tuesday, the 24th, she and MCCARTY attended the Planning Commission meeting which was held in the jam-packed conference room and very warm. MCCARTY said that unfortunately the Commission remarks were third on the agenda and it was at least 2 hours into the meeting before we could speak. OTTE continued saying the Planning Commission

had no comments or questions but they were invited to the "big room" on the 28th for the Public Hearing. She then said that she, HARRINGTON and PAINTER had attended the Chamber luncheon on Wednesday. There were some good questions, but she said, she didn't see any of the faces there that night who had been invited to come and see the Commission.

OTTE continued that the School Board had cancelled their meeting and the next one is the 8th of September. Saxman postponed their meeting to that night, 8/27, at the same time as the Commission was scheduled to meet and she said, she didn't know if the Commission would be able to get to one of their meetings prior to the time the Petition needs to be sent out. She said she would check to see when their next scheduled meeting was to be held.

PAINTER said that he and HARRINGTON had done the KTKN First City Forum on Thursday; however, there had been no phone calls or questions from the public. He said that must indicate that everything is perfect. He said he wanted to comment on the City Council special meeting of 8/23 in that it was mentioned by the City Mayor that letters should be sent to, and responses included in the Petition, the current Southeast Regional Manager of DOT/PF requesting a clarification of their level of service to the Ketchikan area and how consolidation would or would not affect that level, as well as to the A Detachment commander of the Alaska State Troopers, with a request to clarify that if the area is consolidated, the Trooper presence would or would not be affected. They were willing to give letters with those commitments to the last consolidation effort. It doesn't hurt to ask. PAINTER said that those are both rumors circulating as to the dire consequences should consolidation pass, and letters from these two entities would help dispel those rumors.

THOMPSON said he'd spent the last week going over the City's memo regarding the budget and re-working some of the budget numbers. He said he'd bring up specifics during the work session. He said the numbers are still workable. The only issue that he said he couldn't resolve was the issue of the pending insurance and PERS rate hikes. He said there had already been over 100% increase in insurance costs over the last 4 or 5 years and it should be questioned as to where do those raises stop? If those costs are going to continue rising ad infinitum, then no budget is ever going to be able to be balanced. He said he didn't address that as part of the assumptions, but when the meeting goes into work session, he said he'd walk through all the points in the memo and explain where the Commission's budget is right now and then he said he had some proposals to make some transfers in the budget that would bring everything back to where it was before, essentially in balance.

MCCARTY said it struck him as what was appropriate in that mode of insurance and employment benefits that are out of the control of the Commission, since those are imposed from elsewhere, all the Commission can do is best guess. This is what we have and it's an estimate and if a disclaimer is put into the document that this is a best-guess scenario, because nobody really knows.

Interestingly enough, both the City and Borough in the current budgets have a 20% in them. They are anticipating a 10% increase. Is it 10 or is it going to be 20? It's gone up 100% in the last four years. Neither body actually has a plan to deal with this. PERS is going up. Health insurance is going up and general liability. Either of the following can happen: contracts could be re-negotiated; increase the taxes; or lower the costs. There are really no other options. THOMPSON continued that regardless of whether consolidation occurs or not, these issues will still need to be addressed by both those bodies, so if the Commission assumes there will be an interim year and then the 3-year budget plan kicks in, and there is \$1/2 million that would have to be dealt with, the City & Borough will probably have to do something in between this proposed 3-year budget and the time it would be in effect, so the Commission may be projecting the tax rates, when consolidation occurs, are maybe higher, or the cost structure may be lower, or something would have to have changed, because these increased costs are going to start chewing into the City & Borough reserves, of which there aren't that many. That can be discussed a little further in work session.

E. Consent Calendar

NOTE: Due to mechanical problems, the transcription of the minutes from the August 20, 2004 meeting was unavailable at this meeting. They were expected to be ready for Commission review at the meeting following the Public Hearing on August 28, 2004.

It was decided by the body to postpone this item until 8/28/04.

F. Vouchers

NONE

G-1 Recess the meeting into worksession to consider the 2004 Draft Consolidation Petition, as well as the 2004 DRAFT Charter, as well as correspondence received addressing issues within the Petition and Exhibits.

Note: Work sessions are informal discussion sessions held for the purpose of exchanging and gathering information. No action may be taken, formal rules of order are relaxed, and there is no requirement that minutes be kept.

M/S PAINTER/HARRINGTON to recess in work session to consider the 2004 Draft Consolidation Petition including the Budget and other items of business before the Commission.

A unanimous voice vote approved the recess into work session.

PAINTER said that for the benefit for those who have not been here for a couple of regular meetings and the City Council, etc., time is short. The four people that have been here kind of know our marching orders. He said he'd like to stress that time is short. The Commission needs to be decisive and in order to make the services match the numbers; it's got to happen. Some of us may not like it, but in order to make the new budget work, things will be seen when the discussion starts.

OTTE brought up the September calendar. She said that she had hoped that the Commission could kind of slack off, but with the latest wrenches thrown in, she wanted to know what the Commission's pleasure as far as meetings. Fridays in September are the 3rd, the 10th, the 17th and the 24th. There will be an advertised Public Hearing on the 17th, a final one. The Borough Assembly meeting is the 27th. She said that the Petition and accompanying documents should formally be presented to the Assembly at that meeting, so that it is on record as being presented, along with the postage and handling, because they are required to forward it on to the LBC in Juneau.

HARRINGTON said that yes, the time is getting very short and he said that even if everything is miraculously done in the next couple of weeks, he said the next four Fridays should be set for meetings. He said he suspected we would be working on this up to and including the last day. It was nice to hear from the Borough Clerk that essentially all the Borough needs to do is put a stamp on the envelope and mail it so that there is the full month of September to complete the document. HARRINGTON went on to say as much as he likes his Friday's, it looks like the Commission needs to have every one of them available in September.

MCCARTY said let's take every Friday and if it turns out there's a gap, we could always cancel it.

PAINTER said that the next weekend is the Labor Day weekend. THOMPSON then

asked if anyone had a major conflict with next Friday, September 3rd. No one indicated a conflict. OTTE asked what would happen if she wasn't here on the 10th. MCCARTY said that was not worthy of consideration. PAINTER said they didn't know what buttons do what. OTTE said that they could be trained. FINNEY said not in that short of time. OTTE said she'd probably be there.

OTTE continued there would be a Public Hearing on the 17th, starting at 7, with the abbreviated regular meeting starting at 6. Then the last meeting on the 24th. THOMPSON said that if it wasn't needed, it could be cancelled. FINNEY indicated he wouldn't be there on the 10th.

FINNEY wanted to know about getting the document to Juneau. He said that if there's a stamp put on it, then it's good, right? He said it doesn't have to be there by October 1st? OTTE read from the initiative and it says that the Petition needs to be to the LBC by September 30th for filing. It could be Gold-streaked or Fed-Ex'd. THOMPSON said that if it's mailed out before the 30th, he didn't think the LBC was going to deny 8 months of work by an elected Commission. If the weather is bad, someone suggested that it could be faxed or emailed. FINNEY suggested that a week ahead of the deadline, maybe the most up-to-date document could be sent up there in place, and if there are some changes, those could be faxed or emailed. He said he'd done a lot of bid documents and he'd missed bids because the planes weren't flying because of fog. OTTE said there was also the option of emailing the Petition. All that would be missing would be the maps, and maybe those could be scanned at the Borough and be available electronically as well.

MCCARTY said that the LBC could be contacted to see which ways would be acceptable. There are things like the maps and the cartoons. PAINTER said that he had a question about what the preferred format would be? The thought would be to send the document, but accompany the document(s) with everything on CD to the LBC. OTTE said she'd check with Mr. Bockhorst.

HARRINGTON said that he wanted to thank Mr. Schweppe for his memorandum on the road powers and it looked to him to be a good compromise. It solves part of the problem. He said he didn't know what doors that it would open and he wanted to think about that, but he'd like to see it in the document. That item will be an agenda statement for the September 3rd meeting.

MCCARTY said that the big area that he (Mr. Schweppe) pointed out is a problem for big developments, at least initially, are all going to be public entities, and there is

a way needed to put them together. While some things can be done just because the government is the landowner, there could be thought that things would be being stretched too far. This is recognizing the fact that big portions of the land around Ketchikan are public.

PAINTER said that one perfect example is the North Tongass Fire/EMS is pursuing property to put the fire station on. It may require some road. Would that fall under the current road powers of that service area? It was pointed out that North Tongass has not adopted road powers. Is it an auxiliary power that could be somehow tweaked to being legal? MCCARTY said that this body wants the powers delineated and described so that things are more clear-cut.

KIFFER wanted to know why the Borough couldn't do an LID for their own property. HARRINGTON said it could, but the question becomes is that the sort of roundabout way of trying to do something. The Borough could build a very nice road that would have the ability to access 1000 acres and only build it for the first 20, but they have a vision of 1000 acres being opened up. A minimal road is not desired, a large road is desired. To put those potential next 20 property owners in the LID to pay for that is a bit much. It would be a public service road accessing a much larger area. This wording is a much cleaner way to allow road building than having the Borough establish its own LID. It still leaves the road powers within the service areas that want them.

KIFFER said that in the proposed language change it also includes maintenance of those roads. Does the maintenance of those roads include snow removal? HARRINGTON said that it does not say that. MCCARTY said it says you can construct roads. HARRINGTON – It says street construction and maintenance is under (a) under the service area, and then it goes on and says that 'provided that the municipality may, as an areawide power construct new streets to primarily serve publicly owned properties and may maintain those streets.' Just those streets. Newly constructed streets. So it doesn't maintain the rest of the roads.

FINNEY said to get the Municipality to develop the six miles of road out to tie us into Shelter Cove Road system because nobody else will do it that would be a pretty good deal. KIFFER said then they (the Municipality would be maintaining that road) and he said he could see a real disjointed thing developing here when they go out and they maintain _ mile road at Forest Park and 12 miles of road to Shelter Cove and you get a real disjointed...anyway, you're running a plow truck all the way from the Gateway Service Area all the way to Shelter Cove. FINNEY interjected there would be no maintenance on the Shelter Cover Road after a certain date in the winter.

PAINTER said that if you look at the final sentence, it says and may maintain those streets. KIFFER said that's kind of his basis is that for instance the Municipality punches a road into some borough property and the road is _-mile long to get into the property and that property's developed for a subdivision, what is very likely going to happen is they are not going to run all the way to the south or north ends of town to plow that _-mile of road, so the subdivision is left basically with an un-maintained road. He said he's not saying they wouldn't go out and plow it, but it probably wouldn't be at the top of the list for plowing.

PAINTER said KIFFER was missing the point. He said what KIFFER was talking about was a residential, private-funded, LID road. KIFFER said that was correct if it started out as a subdivision. PAINTER said that Mr. Schweppe was talking about public lands, public parks, an electric substation, not a private residential deal. If SSRAA wanted to build a road and extend their hatchery facilities further up the road there at Herring Cove, that's a private thing. That's not what he's talking about. He's talking about a public situation. MCCARTY suggested to connect into the Forest Service network that supposedly may eventually be there. This would give the Municipality the power, if they wanted to do it, to make some of those connector roads which might actually go over Forest Service or Mental Health or Borough or State lands. Some of those connectors could be made and then you...

PAINTER said say the community convinced the future Assembly that they wanted to have a public boat launch ramp on Municipal property in the Pond Reef area. This would cover putting a small road off Pond Reef and have access to the public boat launch, if it were public lands and a public facility.

HARRINGTON said he brought this up with the idea that he'd like to see it as an action item at the September 3rd meeting, but clearly, it's going to take some thought processes and thinking through the ramifications. He said that a lot of these same arguments will be discussed at the next meeting when it comes before us, but he said he'd like to see the Commission move on to the next item.

MCCARTY said it's a good discussion item, but it should be thought over. There can't be any action on it tonight, anyway. PAINTER said everyone should read it thoroughly.

MCCARTY said that for the three members who weren't present at the last meeting, and after putting so much energy into the cap, they were probably wondering what happened. That was one of the things. THOMPSON had met with City Manager Amylon and City Finance Director Newell on Friday. The City Mayor was also there. They talked about some of the numbers. At least part of the problem with working with a cap with some of the budgetary concerns was

this problem that came out of nowhere. It's next to impossible to budget for if you get a sudden increase, especially in PERS, because that one isn't quite as steady as insurance, but the insurance is a big one. Both of those were \$400,000, the numbers that were given to us for this next year or so and those are real eye-openers. He said that he guessed the idea of the 4 that were here was there is something needed more than 4 votes to start moving that cap, that they should have one by ordinance and it should be a reasonable amount, but the numbers we received and corrected and it was less than -mill away from the cap. That can change the gap. Plus or minus, whichever way is desired, the voter imposed and modified cap for the Assembly, there has to be factored in the question as to whether the things that come out of the blue that are not anticipated or planned could be addressed. These things have nothing to do with bad management as opposed to the reason a cap is desired. There's that balance.

PAINTER said that the other thing that he'd like to point out, because the tax cap issue was really debated, but the compromise the four members present at the last meeting agreed upon is to, by ordinance have the Assembly change the mill rate with a super majority. Typically and historically, the Assembly is elected by approximately 40% of the voters. A special election tax vote typically is going to be 20-25%, so is it the desire of the Commission to have 25% of the population making the decision on the taxes, or a super majority of 5 members of the Assembly that were elected by roughly 40% of the populace.

MCCARTY said that Ms. Edwards could probably give the Commission the numbers, but he had been thinking more in the 15-20% range. That means 8% of the voters...

PAINTER said that in the last sales tax election, there was 18% voter turnout.

HARRINGTON said that to talk about the number of voters participating in an election is not an important point. He said he would encourage anybody not to vote if they didn't understand the issues. He said all he wanted to vote were people who have researched and understand what is on the ballot. So, he said he wasn't worried small numbers of people voting, but the issue of the tax cap is, in his mind, not the problem that he thinks is being perceived. He said what he sees it as a way of making sure that the elected officials deal with the public and provide the information to the public. Now the sales tax that was done recently came off as blackmail. You either raise the sales tax, or your property taxes are going up. That's the way it came off. On those bond issues that are traditionally dealt with at election, schools, they have been passed pretty regularly because the voters understood what was involved, they understood the trade-offs, and they willingly went into taxing themselves because of that need. He said he'd just as soon trust

the voters to understand those issues and vote appropriately. If the people aren't trusted to provide the direction, then leave it to the 4 or 5 people. He said that for him, it's important to involve the voter and the entire community in making those decisions. He said he'd still like to see a tax cap. HARRINGTON went on to say he understood that .3 of a mill is too little, but he still would like to see one.

PAINTER said that the issue of the future Assembly micro-managing the manager and staff had been discussed. On a larger level, flip of the coin, this is the voters micro-managing the Assembly. If what the Assembly is doing is not liked, vote the bums out.

KIFFER said he understood that theory, however, the Commission wouldn't be sitting at this table if the voters were happy with what's been going on with the government in the last two or three years. He said he thinks the current Assembly, and he admitted to not paying a lot of attention to the City government since he's a rural resident, has got, by and large, a very good representation of the people. The perceptions, however, are that we're here because the community doesn't like that. And again, he said he does agree with what the cap would be, how far above the Commission's are going to be, he said for re-looking at that, but he said he would stick with voting for the cap. He said it was an important thing and that it's not that big of an issue to go back to the people. Granted, he said, there are going to be some things coming up that are going to be unforeseeable, maybe reserves, maybe whatever, but he thinks the cap is a good idea. He said he thinks the people are going to want to vote for it.

PAINTER asked KIFFER if he'd read Mr. Amylon's memorandum and KIFFER said he had.

MCCARTY said he was befuddled. He said the community is either going to have direct democracy where everyone shows up at a town meeting and count the hands, or there's going to be representative government. He said that whatever way a person wants to look at it, you either trust the people enough who were fooled enough by them to elect either two or three each election cycle to go on the body and certainly it might be desired to have certain safeguards. One of those is the initiative, referendum and recall process. It is not workable even in a town this size, to do it at a town meeting and it's discussed and a hand count is taken. He said he had great difficulty, maybe because he had served and maybe some of the other people knew what they were doing even if he wasn't as good as he could have been, but how does it work? Suddenly a switch is flipped and a person is elected and they lose all their common sense or their trustworthiness and the people wonder who elected them. He said he has difficulty with that theory that somehow those rascals can't be trusted, they're going to take advantage of us, they've either got bad attitudes or they are too easily duped by somebody.

HARRINGTON said that since this Commission has been in session (January), there have been three government accidents that were done in the past that have been a part of the discussion that's been at this table practically at every meeting. That is: the annexation of Shoreline; the sludge fee by the Borough; and the Gateway Forest Products bailout and purchase process. Those three things have been major functions, major actions of the government that have been on this table in various slight ways since this Commission started. This Commission cannot do anything about those actions, but the people out there want to see some kind of restriction, some kind of forcing the elected officials to come to them on major issues like this. If those three actions had gone to a vote of the people, we wouldn't be sitting here with these kinds of questions. They didn't. He said he'd spent the week talking to people about this tax cap issue and every politician he'd spoken with was against it and every citizen who is not actively a politician is in favor of it. He went on to say that says something very dramatic.

KIFFER said there essentially is a tax cap now. When was the last time that there has been a problem with that tax cap? PAINTER said, we, meaning the Borough? KIFFER said yes. PAINTER said the City doesn't.

OTTE said that this issue had been discussed and everyone knows how everyone else feels about it. She said she didn't think she'd be able to change HARRINGTON's or KIFFER's minds about this. She said she wasn't sure where FINNEY stood on it. She said he'd been remarkably stoic that evening. She suggested that the Commission discuss the budget. It's something that has to be dealt with and when it comes time to vote on the cap issue, there will be time for discussion.

FINNEY said that he'd like to yield his chair to George Tipton, Assembly Member, to give his views on that issue. FINNEY said that doesn't mean he has to agree with what Mr. Tipton has to say, but he said he'd be interested in what his opinion on the tax cap would be.

Mr. Tipton said that he agreed with what HARRINGTON said relative to the politician and the citizen. The problem is the citizen never sees all the back-up material that the politician does in order to make those decisions. That's what MCCARTY was alluding to in the reason at the table. He said he'd been in these situations going back to 1990 starting with the Parks & Rec committee where they were dealing with budgets. He said he had a little bit more experience and maybe knowledge and understanding of the issue than some people do. Everyone has different perceptions of looking at it. What, and I never would classify that people out there do not know what's going on, however, their knowledge is limited

because it's surface. It's typically what they hear in the media or a friend and how it goes to that third-hand, fourth-hand, fifth-hand sometimes and by then, it's very skewed. He said he knows that when that person comes up to the podium when he's sitting on the Assembly. And you can ask them maybe one, two or three questions sometimes while throwing in a little information, and they are totally switched because they then have a little more understanding of the dynamics of what the Assembly has to deal with.

Mr. Tipton continued that because of that situation, they would always be for capping and you'll always have decisions that are unpopular with some, a bigger magnitude percentage than others. Some were mentioned and he said he could mention others that were even bigger than those. He said he'd been on both sides of the coin depending on what is being talked about. On mandatory garbage many years ago, he said he was the only one that voted against it and six months later, it went away. He said Mr. Thompson could really fill everyone in on that one and THOMPSON replied that we didn't really want to go there.

Mr. Tipton stated that you bind hands of trying to sit here and be responsible and he said he realized that not everybody has the same levels of expertise sitting at the table, so therefore, do you trust enough by what is there. Well, you'd better be trusting because the employees that have been hired are the ones feeding the information to the body. And they have to have that expertise in doing their job. There are a tremendous amount of them in both the City and the Borough and KPU to provide that expertise. Sure, you might question because you look at it from a little different angle. Maybe there was something they didn't think about. But in the final analysis, the Assemblyperson is looking at a stack this high of a budget and the backup material and the sound reason why it's there. The reason at this time when the insurance and PERS increases are being discussed, these can't be forecast, but they have to be dealt with. If there is a cap and a voter requirement, the Assembly is not being allowed to do their job.

That also mixes in with the sales tax and property tax. Mr. Schweppe cited why it should be. There is a split venue. Look what the Borough just had to go through. You called it blackmail, but it would never have been that way had the Assembly not had to take the sales tax to a vote. The Assembly has to look at what's in the best interest of the community, not only tomorrow, but 5, 10, or 20 years from now, in the best mix of those two taxes. So when looking at it in combination, that's why he says there can't be a tax cap. It's not saying that he doesn't trust the voters in any which way, at this table, you could still elect to send that to the voters if that is deemed necessary from what the Assembly is hearing. That document doesn't prevent the Assembly from doing that at any time, even though it's written the other way. He said he thinks that's what the Commission is trying

to allude to. If one hand's tied, you can only go here and they say no on the sales tax, there is no other choice but to go to the property tax, but now it can't be raised it enough because they denied the sales tax, and the property tax is up against the cap. He asked if that's what the Commission really wanted. That's where it is, as close as the budget is to the proposed cap. That's a scary side that a lot of people won't understand. They understand better having the cap because now it's more positive to vote upon. How do you get that information out there to help them?

Mr. Tipton continued that it's a tough dynamic, isn't it? It's the same dynamic we (the Assembly) just went through in trying to sell the public in passing the sales tax to go onto the schools to help with the budget to lessen the mill rate increase. Not a fun situation to be in, but, that's what the Commission is facing here with trying to put together a document to send on that ultimately, when it comes back, the Boundary Commission would accept and the voters would accept to go towards a positive.

FINNEY stated that what Mr. Tipton is saying not only should there be no tax cap, but he would be concerned with having a vote of the people to raise the sales tax. Mr. Tipton said he would leave it out of the document because the Assembly can still send it to the people on any vote. There are some things, he said, he wouldn't hesitate. Should the public still have the chance to give their impetus on the thing that comes up, because any time you have things like that, there are two readings that have a public forum and most of them are at this table a lot more than that.

OTTE said she wanted to point out that she agrees. She said HARRINGTON said that it was up to the elected body to go to the people and make the people aware. She said that she feels that it's up to the citizens of the community to be aware and if there's something ruffling your feathers or you don't like, get yourself up in front of the microphone. Get the facts. Find out. Contact...there are resources, but she said, she doesn't see that Mr. Tipton, as an Assembly Member, it's up to him to be going out and promoting whatever is on the next Assembly agenda, but she said, she thinks it's up to the citizens of the community to become involved. There are going to be X amount of citizens who are involved and know what they're talking about.

Mr. Tipton said that that's true to a point. On large issues, you always want to try to get out and that's what you can use the staff and the media for, to that the full circle is encompassed. OTTE agreed. Mr. Tipton went on to say a prime example is what the Assembly just did with the new Fawn Mountain School. They had a value engineering process. There was a big public hearing. They had the architect

that was working on it, plus members of the value engineering team helping to explain why they were doing this and what they were looking to try to do in the best benefit in the end product at the less cost. It's not any different than the decision that the Commission is trying to make with the document. It's the same way. It has the same dynamics, doesn't it? And it can work either way and it can work either way as a positive. There's no doubt about that, but the whole key is the communication. Some things have been communicated but they've been misunderstood. Sometimes that can't always be controlled. Does it mean that because you have a cap or don't have a cap, one's better than the other? No, he said, he's not saying that at all. He said he was just saying that the Commission is limiting the two resources with that and the sales/property tax issue by forcing it one way to be on a ballot. He said the Commission was limiting the options because the other way, if it's at the table, they can still elect to put it to the people. That's the difference. And certain issues, why in your right mind would you vote upon it if you're hearing that much out there at this podium. Send it to them and let them make the decision. Because they were the ones that put you there and that's what they're telling you.

Harriett Edwards came forward and said that personally, it's not so much the tax cap as the feeling that, for lack of a better term, that certain members are acting like that if these safeguards aren't provided within the Charter that there is going to be a future Assembly run amok with the new Municipality. She said she really hated to see that sort of attitude being exhibited because as Mr. McCarty so eloquently stated, we have a representative form of government. The people determine who is sitting up here representing them when they go to the polls, and certainly, if you ask people out on the street, you just go up to somebody and say, hey, would you want a tax cap? They're going to say yes. Ms. Edwards said she planned to retire in this community and live here and she said she didn't know what's going to happen, but she doesn't want to restrict a future Assembly by putting on a cap when you don't know what's going to happen in the future. In order to put it to a vote of the people, it's going to be at least a minimum of 60 days, if not longer, in order to even put it before the people to raise that cap. Why do that? Why go through the expense? She said she sits through many Assembly meetings, along with Assembly Member Tipton, where people come up and they voice their opinions. And she said, she feels that most of them are paid attention to. She said she'd just like to see an attitude of 'we're trying to make this the best document that's in the State; we're going to make a model charter that everybody can be proud of.' She continued, and yet not at the same time treat our future Assembly like they're going to be coming in with the idea that they're going to really shove it to the people. She said she just had to say that because it's not a good attitude to have.

PAINTER said that with the calendar of the fiscal year of the future Assembly being June 30th, having to wait to see what kind of State revenue sharing is coming, an election taking 60 days in order to raise the tax cap.

FINNEY said he thought we were going to get off of that and move on with the agenda, because he was supposed to get his two cents in.

THOMPSON asked if FINNEY really wanted to give his two cents; that he'd like to hear what he had to say. THOMPSON said FINNEY had been over there just quietly taking all this in and he wanted to hear what he had to say.

FINNEY said he didn't know what he had to say. He said the quandary for him is you have faith in the system and you either trust the bums that are put into office or you trust the bums that put the bums in office. He said he wasn't sure which one he was. He said he could be both, he thought.

MCCARTY pointed out that Mr. Schweppe was indicating he'd like to speak. THOMPSON said we'd stay on this until we've hashed it out a bit.

Mr. Schweppe said that one thing that seems to happen when there is a tax cap, is there is a shifting to the fees. A program that can be paid for by fees, the fees go up dramatically. And that could be things like Planning and Zoning. If you want to build a house, you're going to be hit that way. And that's what's happened in California. If you want to have your child out for sports, you're going to have to pay fees for that because you've got certain governmental functions that you can't charge a fee for, that you have to pay for, so the functions that can have fees, if you have a tax cap, then you've got to move in that direction. He said he thinks revenues get skewed and programs to hit people are in a position that they have to pay for something, or want to pay for something in recreation and school activities and in construction.

PAINTER said that if a fee looks like a tax, smells like a tax, then it must be a tax. THOMPSON said that you couldn't recall a fee by referendum; so, it's really not a tax.

Mr. Schweppe said it isn't. A tax is something that you pay when you're not necessarily getting a service, so if you want a child to participate in a sport, that's not a tax, that's a fee. It's optional. He said things get skewed in that way.

Marvin Hill, 808 Forest Park Drive, said the Commission knew they'd wind him up if they kept at it long enough. He said he was in favor of a tax cap. Nowhere tonight has he heard anything about a smaller government. You're all worried

about where the money comes from to pay for this upside down pyramid that keeps expanding. He said he didn't like the way it's run now and if they let him run it for two weeks, he said he'd guarantee they wouldn't like the way he did it. Somewhere down the line, the basic question is, what service level do you want, and that's what you pay for. And there's always going to be this hand over here saying gimme, gimme, gimme, and there's always going to be a bunch of independents over here saying, damnit, if you want it, build it yourself. There's a prime example over on the island right now. Those boys are building a road without any Borough money in it, because the Borough has argued for how many years? Mr. Seley and Mr. Smart are building that road out of their own pockets. If you want a road bad enough, build the damn thing! (Mrs. Hill said, but you're going to have to get the government out of the way first.) Mr. Hill said, yeah; just get out of the way. Look at all the paperwork you have to go through. Mr. Schweppe said Planning and Zoning, well, that's one of the biggest stumbling blocks you've got. He said he realized that you've got to conform to the law that's written, but every time you turn around, you've got to go back and ask them because they don't tell you the whole truth and nothing but the truth. You get this piece of paper and down at the bottom it says but.... And here we go with another page and another whole thing. The State government's the same way. So if a large chunk of that government could be gotten rid of, it wouldn't cost nearly so much to do these things.

Mr. Thompson declared a 5-minute break. The meeting re-convened into work session at 7:24 pm.

THOMPSON started discussing the budget changes by going through the memorandum that Mr. Amylon and Mr. Newell had prepared and let the Commission know what he did regarding some of their remarks. There had been a mis-email between THOMPSON and OTTE and some of the spreadsheets were not available for the Commission at the meeting.

- Memo, P2, #1 – The mill rates were corrected and property taxes were recalculated in the budget on that basis. The Borough's went to 8.7 (7.5 + 1.2) and the City's went from 6.4 to 5.2. They were also recalculated them based upon the assessed values because we had the numbers from the Borough. KIFFER wanted to know where the discrepancies were and THOMPSON indicated that we just didn't have the right numbers. The Library, for example, was not .93 as we thought, but had gone up to 1.2. THOMPSON went on to say that the City didn't believe there should be any escalation in the property assessed values, they used a flat 0% across the board. THOMPSON said that he'd used 2% and they compromised on a 1% projected rise in property valuation. He said that the Assessment

Department is regularly going out and re-assessing people's properties. He said his had gone up 15-20% and people make improvements, so some increase should be there. There are 30 more jobs coming in from the Marine Highway System, the NOAA vessel is here, Steve Seley is going to get some lumber and things are not all pessimistic, so there was a compromise to 1%, so that was factored in.

- Memo, P2, #2 - On the Transient Tax, we already had the City's at 7%, but there was \$37,000 of the Borough's that needed to be put into the Transient Fund. That was done.
- The next item (P3) – All Other Taxes. THOMPSON said he was going to skip this one and come back to it because the sales taxes and the treatment of those were handled all in one deal.
- The Transition Plan – 911 Emergency was somehow left in the Gateway Service Area and that was supposed to be areawide. There was \$100,000 worth of revenue and \$560,000 worth of expenses. He said he'd seen the comment by Mr. Tipton that \$560,000 sounded way out of line, but he said he'd confirmed with the City that's what their estimate is to man that operation 24/7, so that one probably belongs on somebody's laundry list to look at it, because he said, to him, a _ million dollars to man a phone line 24/7 and somebody should look into the costs, but those items were moved appropriately. The revenue generated for that service is from the \$.75 per month on the phone bill.
- THOMPSON said the next two bullet items were, first, the \$83,000 grant was pulled out. It was a one-time expense and was just missed in the initial set-up of the budget. The second, the one-time transfer of \$100,000 in to the Borough's General Fund was also been carried over and was eliminated from the inter-departmental revenues of the Municipality's General Fund. He said they didn't know where the offset was on this transfer. He said he assumed it was out of the Land Trust Fund, but it was pulled because it was a one-time transfer.
- The \$650,000 transfer from the Land Trust Fund to the Municipality's General Fund for school debt and the \$732,000 from the General Fund to the GO Debt Service Fund were eliminated. THOMPSON said that the City and the Borough account for these fund transfers in different manners than each other. The City takes the sales taxes and puts them into the funds that they go into, the Public Works Sales Tax and the Public Safety Sales Tax, and then they move the funds from there. The Borough puts them into the General Fund and then moves them the other way. The net effect of this was, they took the _% sales tax that's generated for the school bonds was put into the General Obligation Bond Fund. 80% of the Recreation Sales Tax was put into that fund and left 20% in the General Fund as the ordinance allows. That was straightened out. There was really no overall

effect with the exception that when they did all that, there was money put back into the Land Trust Fund and it had about \$650,000 additional funds in there that weren't there the first time around. He said they just cleaned all that up a little bit.

- The next one was revenues for the Library and what happened was, again, this has to do with special funds and special fund transfers. We had moved the revenue, but the expenses hadn't been moved. That was corrected.
- The following item was an Excel error on the Public Works Sales Tax revenue. When the Commission did the .25% sales tax adjustment and there was a hurry-up situation to get the adjustment in there, he said he got the first year done, but the formula didn't get copied across to the second two years.
- The next is much like the same thing that happened on the Library, there was a \$421,000 service grant. The grant money had been pulled out, but the expense hadn't been pulled, or vice versa. The last item was similar and was corrected.

THOMPSON went on to say that these were all mechanical, arithmetic errors and they were all corrected. It came up with a \$742,000 shortfall in the General Fund. The Gateway Service Area still had a slight surplus, but not much. He said there was a \$175,000 surplus in the Hospital Sales Tax Fund, \$50,000 in the Transient Occupancy Fund, and most of the others stayed the same with the exception of the Land Trust Fund had \$1m in it. He said what they did, as the Borough habitually does and that was confirmed with Scott Brandt-Erichsen, in the budget for the General Fund for the new Municipality, they've got \$1.2m for building maintenance, so funds can be taken from the Land Trust Fund and use those to pay for building maintenance. He said he'd moved \$800,000 out of the Land Trust Fund, \$50,000 out of the Transient Occupancy Fund and \$150,000 out of the Hospital Sales Tax Fund into the General Fund to balance it out. He said that was the one that said GT revised plan on it (handed out at the meeting).

THOMPSON said that the budget sheets he'd handed out show in the first year a General Fund surplus of \$245,000, a Gateway Service Area surplus of \$131,000, Hospital Sales Tax has a \$20,000 surplus. Everyone is back to surpluses with the exception of the Solid Waste Services, which has higher expenses than their revenues that are fee based, and Wastewater Services, again, the same thing. A couple of the other smaller funds and service areas do not have surpluses, but it's basically back to where it was. The thing that he did not deal with, he said, were some of the issues that the City had with their material assumptions and exclusions.

HARRINGTON said that this is a deficit spending budget. Monies are being pulled from reserves. THOMPSON said no, earnings from the Land Trust Fund are being

pulled. That fund balance is not reduced. THOMPSON said the Land Trust Fund is not just maintained, it goes up by \$250,000 per year.

Under the City's Material Assumptions/exclusions, the property taxes have been discussed and that was compromised at 1%. That has been included in the new budget.

THOMPSON went on to say that the comment regarding Payment in Lieu of Taxes was that the Borough was using the same PILT, \$600,000, it has fluctuated over the years, but a lot of them are static and there shouldn't have been an increase in that, but he said he didn't really do anything with this because he thought the Commission should decide if it's material, number one, and number two, does it make sense that PILT should fluctuate. That gets back to the same argument that we've had with may and shall.

The next bullet item was the plans to issue new debt. Those plans were incorporated in the revised budget because the sales tax passed, the assumption was made that the funds would be taken from that sales tax and using that to pay the bond debt and any excess left over would go back to the General Fund to pay the insurance. If that doesn't happen, there are still some funds in the Land Trust Fund, but if it doesn't happen, the schools won't be built. So the payback of the bonds was actually built into the General Obligation Fund in the new budget. OTTE pointed out that there was also going to be a \$15 million revenue bond issue from the City. She said she had the paperwork and some of it was from Telephone and some for Wastewater, but that's a \$15 million bond issue that will be on the next election. The school bond debt went up from the original amount \$6.5 million to \$7.9 million. THOMPSON said that increase in the school bonding was incorporated into the budget. The revenue bonds were not included because they are paid out of fees.

PAINTER asked if the recent Ports & Harbors deal with the State that the City accepted, is that going to change anything as far as maintenance. THOMPSON said he didn't have it included in the Draft Budget since there have been no figures budgeted so far for that.

THOMPSON said that there would be a discussion in F-1 talking about the new School Bonds and the Revenue Bonds and the service area debt. He said that's not a tough thing to do.

THOMPSON said then the memorandum comes to the meat of the matter that he did not do anything with and he didn't do anything with the labor. He said it's the insurance issue. He said there was an attempt to address the debt service, as

mentioned in the bullet point. An estimated annual debt service was used. But on the general insurance, and he said he'd gotten an email from Mr. Newell today with an estimate of what the City's insurance was going to be. For health insurance premiums, they're looking at \$200,000 in 2006, up to \$367,000 in 2008 and that's assuming a 10% increase with the employees paying half. KPU is about the same and standard insurance costs combined are \$400,000, going up to \$800,000. THOMPSON went on to say that he kind of wondered if that 10% is reasonable, because that cost has already gone up about 125% in four years, and he said it seemed to him that should flatten out at some point. OTTE wondered if consulting someone locally that handles those kinds of programs and see what projections they are getting from some national organization?

PAINTER said that as a business owner and having various different insurance policies, a lot of that came about after 9/11. In fact, there were certain underwriters that ceased to do business in the State. He said one of his general liability underwriters pulled out of the State of Alaska, not as a fault of loss in the State, but simply insurance companies were recouping and regrouping and suffering the losses. THOMPSON said that it goes even further than that. In talking to his insurance companies, what happened was all throughout the 90's when there was the big run-up in the stock market, the insurance companies was making their profits based on their investments in the stock market. When the market tanked, they turned around and said, oh, I guess we should have been charging the right amount of premiums all this time, let's jack them up and get them where they should be. He said they'd indicated to him that a 100% increase was what was being forecast a few years ago and at this point, he said he was just wondering if a 10%, or 26% increase in PERS. These are the types of things, though, that unless the two municipalities we have in existence right now plan to draw down on their reserves, which are rather limited, they're going to have to address the, during the interim period between now and when this projected budget takes into account. He said a lot of different things could be done to project what these costs are going to be. They should definitely be addressed in some manner, but he said he was somewhat at a loss. He said to him, if these are valid numbers that they're using, then unless we assume that during the interim period that these two entities are going to raise the taxes to pay for this, or renegotiate contracts, there's going to have to be some blood-letting and they're either going to lower costs or raise revenues. And the trend has been that they raise taxes to pay for it.

THOMPSON continued that if the assumption is made that this is the type of thing we're going to be looking at and it's going to throw our budget into a tailspin, we might want to take a look at assuming that they're going to raise taxes as well.

MCCARTY said there are two problems with that area: To some extent it's a

crapshoot on those numbers. We just don't know. We've gone through this cycle for 20 years that he's aware of with insurance companies and with market crashes, the premiums go way up. A person has no way of knowing which way the market is going to go, their loss records or whatever. The best he thought the Commission could do is put in a reasonable guess on what the numbers are going to be and there's a big asterisk to the side saying, who the hell knows what it's really going to be? MCCARTY said that's about as close as the Commission can come. The other part that he sees with that is pretty much the same thing. It's just that we don't know what's going to happen and he said he didn't think the Commission could spend a whole lot of time figuring out what these numbers are going to be. But the flip of that is to some extent the price is going to have to be paid, on insurance, whether it's higher employee contributions, less benefits, or higher taxes. There are only a certain number of ways this can be addressed. Until you know what the numbers are, it's not known how to address them. The budget has to be balanced and if the cost of government goes up on something like this, it's going to provide the insurance coverage, that's going to happen whether or not consolidation occurs. Again it becomes somewhat of a chimera, a kind of image made out of smoke. Consolidation is not going to, by itself, stop these sorts of costs. He said from his personal perspective, he said he thought that with a little bit bigger entity, there might be more bargaining power with insurance companies. The little guy just doesn't get rates as good as a group does. The bigger the group there is, the numbers even out. They don't have to be worried about that one big crash that hits them.

THOMPSON said that it's even more complicated than that because these entities are working with self-insurance programs that are based upon claims. There are other issues in there. He said he thought that the one thing that hasn't been done in the budget, and he said he wasn't willing to just do it without some Commission direction, is that there hasn't been anything done with the efficiencies on the labor side of things. Personnel has been left pretty much there except for those 5 positions that were obviously duplicated, but these departments now have a manager and two assistants and after the first year of consolidation (probably in the first year all those people would be needed and used) but once things are settled in, is that extra person needed? There may be some savings that could be made there that would tend to help pay for some of these expenses that are out there. He said if it's necessary to address these expenses, which he thinks at some point, the Commission needs to, and it's almost a million dollars sitting on the table right now and the Commission is going to need to take a look at the budget down the road because there is about \$400,000 surplus that could be tweaked, but he said, he didn't believe that would come anywhere near covering this type of magnitude of raises. He said the Commission hasn't done anything with some of the efficiencies that appear to exist. Again, it's how the Commission wants to mix

and match the numbers in the budget. There isn't a good...this is crystal ball stuff. There is probably some good validity that a lot of this is going to happen, but it's not known for sure. Going down the road, the Commission could say that it isn't necessary for two assistants. THOMPSON continued that four years from now, it won't be known until on the playing field what positions are going to be needed. The thought originally was, first, do no harm and then take it from there.

THOMPSON said that the question, then, is will this insurance and PERS create a tax/revenue situation for the two entities, regardless of whether the community is consolidated.

FINNEY said then the budget deals with things at status quo and THOMPSON said yes. THOMPSON said that in the status quo, there's like 20% increase in insurance this year and the Commission is taking two percent of that every year. FINNEY pointed out a strong point in this is every job that's duplicated that's not kept, the Municipality is saving 35% because the insurance is going up 20% and the PERS is going up, so there's actually a bigger magnitude that he could see by consolidation and that might be some point to bring out in the Petition.

PAINTER said, in his opinion that should be addressed in strong or suggestive verbiage in the Transition Plan. It's something that is impossible to put accurate figures to as far as projected savings. FINNEY said that if it's going up this magnitude, it could only further help the community by consolidating and cutting back on some positions.

PAINTER said that it's been discussed with the staff of both governments that in the first year, it's going to require two full-time attorneys, it's going to require two clerks to meld things together because of the different types of operations. THOMPSON said the Finance department is going to have about 24 people in it. PAINTER went on to say because of the different systems of operation, the different computer systems, all of the differences, it's going to take a year for that to meld together and go down to one straight path. In the second year, yes, certain jobs could be cut down to one person and an assistant, or one person, period. THOMPSON said that depending on the accounting systems that are in place and what tasks are necessary, he said he'd run \$1/2 billion companies with 2000 employees with a staff of about 10 people. He said it's not rocket science.

MCCARTY said that one of the things when playing with the numbers is how flexible some of them are. When there is a small department, attorneys, clerks, one or two people sort of thing, one person goes and it might be necessary to hire somebody to take over. The attorney's offices farm out substantial litigation that they don't have time to try and function and really fight through a big lawsuit and

some of those take some really specialized skills. There are any number of different areas in these departments that we start to put together, that even if the numbers of people aren't changed, arguably work wouldn't have to be farmed out, or the department could keep functioning and not have a big slow-down. If there are four people and one goes on vacation, the department could probably function pretty well. If there is only one person in the department, or even two, goodbye until they get back or someone is hired to do the job. There is no way to measure those things. We know that some of those things are going to be there and he said, it's just that we make our best guess. It's a moving target and then maybe some of the stuff is in the suggestive language, these are things to look at.

KIFFER said that when the two governments come together, there are exempt employees, non-exempt employees and unions and not, so there are a lot of non-union jobs within the Borough, there's going to be some wage fluctuations and all that, too.

THOMPSON said a hiring freeze in the second year had been discussed and allow the attrition of people leaving and transferring or retiring to bring the work force down. Hiring freezes cause their own set of problems because what if an attorney goes and there's only one and another can't be hired. That's not a good situation to be in. Managers hate hiring freezes because then it's just a body/head counts and it's not how many people there are on the bus, it's making sure they're in the right spot.

HARRINGTON said he thought the Commission's discussion was getting off the track because essentially Mr. Amylon made it very clear that what the Commission is to do is to establish the fact that this area has the human and financial resources to provide the municipal services. That's all this budget is to do is to make sure that the Commission is transmitting to the LBC that, yes, we can consolidate and meet the bills. There are going to be errors. There's no way we could possibly not have errors, so he said, we don't need to worry about a lot of...but we have to have the right general set of projections to make sure they get there. We don't have to worry...

THOMPSON interjected that what he's saying is that these projections won't muster with a million dollars with a potential expense out there that we don't have revenues to cover. So the Commission needs to project that wages/staff is going to be reduced, or that taxes are going to be raised. THOMPSON said that we're not even going to talk about raising taxes. OTTE said that services could be cut as an alternative.

PAINTER said the other thing that hasn't been discussed much in this melding of

the two governments and services is virtually the difference in the wage scale of similar jobs between the two government entities. It's been discussed a little, but it's not really discussed in the document. THOMPSON said there would be some discussion in the document about that. PAINTER said he didn't know how to address that. It might be something to pawn off on the future Assembly, he guessed. What it comes down to is there are going to be represented labor and non-represented labor with similar jobs and similar job qualifications and sometimes there's going to be a \$2-3 per hour difference in pay. With the represented labor, the new Assembly will have to deal with the Unions. The City of Ketchikan has several different labor contracts with any one particular union.

HARRINGTON said the Commission needs to address what the issue that's we're trying to attack here and does the Commission have to spell out, we either have to build in an increase in taxes or a reduction in services and/or staff? And if we have to deal with that, let's deal with that. He said he didn't see the rest of where we're going.

THOMPSON said yes, we do. Assuming that these numbers are anywhere close to being accurate, we're looking at about a million dollars that we do not have revenues in the budget to cover. We can cover probably half of it and that means the staffing plan has to be revisited and take a look at where staff can be reduced. OTTE said she'd get back to the FTE's.

MCCARTY said he both agreed and disagreed with HARRINGTON's comments, but he said he concurred that one of the problems with this whole thing is insurance and PERS stand alone whether or not there is consolidation, some of these things are going to happen. In what we're doing, we have to be careful that we don't mix the apples and oranges too much. It's not as if consolidation is suddenly generating a budget that's \$1/2-1 million out of whack. It's there anyway. This may be a way of getting closer to it, so that part has to be kept in mind. The other part is, again, it's a best-guess policy and he said we had to be careful, because it sounds like we're trying to get too close to something that's almost to the penny saying this is what it's going to be. Even in a business, there are hopes that your revenues are going to be so much in the next year and you build a budget based on that, but it ain't necessarily so.

THOMPSON said he agreed with what MCCARTY was saying and he was kind of alluding to what PAINTER was saying, you know, the differences in the hourly wages. They're not really material when you're dealing in million-dollar budgets, but a million dollars is material and he said he thinks that if it's that much money, we need to address it because it will put us into a deficit situation and we won't show that the financial resources are sufficient for the consolidation.

PAINTER said that currently there are services provided by the governments that are operating at heavy deficits and he said he would be in favor of looking at other options of those deficit operations rather than, number one, raising taxes, and number two, reduction of personnel.

THOMPSON said he'd had some discussions with City management regarding the staffing plan, because they'd mentioned it in their memo and he asked them what they were talking about and they said that in a well-run organization, you don't necessarily need two assistants. During a transition period, yes, but once the thing is up and running, the staffing should be able to be reduced significantly. The City said that in their original petition, they'd eliminated \$1 million worth of labor, and this Commission has only eliminated \$1/2 million. They said they thought what they did was extremely conservative and there were lots of areas that we could reduce the staffing and costs even more than we did, but we wanted to be conservative. The City said that the Commission had been way more conservative than that, because there are these costs out there that haven't been considered, we should really go back and sharpen our pencils.

PAINTER said he'd said it before, and he would say it again. Here we are in the 11th hour of our situation, as the Borough was at budget time, faced with a very similar situation and he said he feels that there needs to be some tweaking done with the sales tax ordinance in this community. He said he's a business owner and he takes advantage of a lot of these loopholes a lot of the time, as do a lot of these merchants downtown. He said he didn't know if it was appropriate for the Commission to write in the budget any suggestive changes to that, but it would sure increase revenues. He said he didn't know if we could do that.

HARRINGTON said we can do that, but we're not going to do it, as far as he's concerned.

Marvin Hill spoke to the Commission and said one other thing he hadn't heard mentioned was that both the City and the Borough have assets that are not in use. The Borough has quite a bit of land that's for future development. The future's here. Let's helicopter log it so roads don't have to be built. The upper side of Bear Valley is there where they couldn't put a school because of the wetlands, so if it's helicopter logged, you're selectively logging it and not building any roads in it, it's still a wetland. It's still worth something and you've already taken some money off of it. Helicopter logging is expensive, so you don't make a tremendous amount of money, but you're doing something with it. There are other assets that both governments have that could be a source of revenue. It's something to be looked at.

KIFFER said that we've been talking about staffing levels and all that, and he said he had a hard time with the Commission, or at least himself with the knowledge he has, even considering staffing levels. He said it had been brought up that it was \$500,000 to run a 911 dispatch center and sounded excessive, but it's not. As part of his research for the areawide fire/EMS of what it costs to man a station 24/7, it's about \$1/2 million. Just to provide that level of service and this stuff costs money and for him to arbitrarily say well, public works, we combine these two and we don't need these mechanics or that person; he said that's a tough one for him. He wanted to know if it could even be done by the Commission in the last hour of this thing.

Mr. Tipton spoke again to the Commission, saying he meant no disrespect with the comment, but he thought the Commission was making a mountain out of a molehill. He said take the document as it is, put a footnote and say, 'you can't project what the insurance increases and PERS increases are going to be. You estimate they're going to be this. That would be the effect. The same way with the staffing: In year one, everyone is going to be needed through the transition, in years two and three, we think through attrition and reduction once the efficiencies kick in of consolidation, there will be a reduction and they should be enough to offset these increases and don't put a number to it.

OTTE said that's what we'd been trying to do, but had been given the advice that Dan Bockhorst is going to go through our budget with a fine tooth comb and if it doesn't pass muster, we're going get the whole thing back in our faces. Mr. Tipton wanted to know who had told the Commission that and he was told that Mr. Amylon had told that to the Commission.

THOMPSON said that he's willing to do whatever the Commission chooses. FINNEY said that his thoughts are the same conclusion Mr. Tipton had come to. So, write in there, with all these increases it looks like there will be a deficit. The deficit will be met either by raising taxes, reducing personnel, or cutting services. Those are the options and if there is consolidation, that would allow the community to reduce personnel. That's the only way that personnel is going to be reduced without cutting services. Put that as a footnote and say, the other things are going to have to happen. This is the one positive thing that could happen by consolidation.

THOMPSON said the other thing that could go in there is we're projecting two years or three years, and the Borough and the City are going to have to deal with those things before consolidation even happens anyway. He said he'd mentioned that to the City Finance Director. He said he told him that if the Commission is going to have to put this kind of costs in, and this is real, you're going to have to

deal with it and raise taxes or something in the meantime anyway, so in that interim year which isn't even seen in this projection, there could be revenues put in to offset some of the costs. He told THOMPSON that he would. THOMPSON went on to say that's the crystal ball stuff we're getting into.

FINNEY said it would have to be dealt with before the Charter goes into effect in two years.

KIFFER said that if it does go in, we get it back because we get more time.

THOMPSON said he'd just spotted an error on his report, so he said he'd update it and send it out electronically because when deficit spending was being discussed, it's showing a \$million increase on the Land Trust repair & maintenance and it didn't pick up that transfer, so it's probably just an Excel error there. That should be about \$250,000.

OTTE said she'd start working on the FTE's again, but she said she and THOMPSON had an argument about the FTE's when we were still going to use them and the chart shows the positions and salaries. The salaries are great, but those benefits are the real killer and if those aren't factored in when showing the FTE's, the total effect of the staffing isn't shown. The current rate is 45.4%.

MCCARTY said we could get reasonably close, point out the gap and say these are going to be the choices and things might change dramatically in the meantime. This is as close as we can come. If it comes back to us, we sharpen the pencils and pick names and bodies, but realistically, we just can't squeeze this thing too far. As KIFFER said, are we really in position to say, I'm sorry, Finance only needs 6 people, not 10. No, he didn't think so.

PAINTER said that in any situation where there's a crisis, even if it's nationwide, the effects trickle down and affect the local economy. With the State, if the oil prices drop, or the stock market goes down, the future Assembly is going to have to deal with that, just as the two current bodies of government have to deal with as it comes down the pike. You can't look down the road that far.

THOMPSON questioned Mr. Tipton if the Borough Assembly had any plans for dealing with this? Mr. Tipton said there is 5% a year with PERS and the Borough employees, 4% with the teachers. The City is living on the 5% per year and where they came up with the 26% he said that's the State's projection over the next 5 years is where it's all going to. It's just like he just said in the footnotes. There are three options, basically. Cutting services, reducing employees, or raising taxes. There are no other alternatives to the situation. You deal with the hand

you're dealt with. If your sales tax increases, you get a little extra reserve, maybe you buffet for the reserves. That's what the reserves are all about, to give you that movement side. But, he said, he didn't disagree with trying to get close to exact, but the footnotes take care of that. You don't have a crystal ball sitting here. It's too many years out and you don't know what that's going to do, other than that right there. Just by citing that, that tells Bockhorst all he needs to know, because that's everywhere. And that's at a minimum, right? You alluded to the 10%, and Mr. Tipton said he could guarantee it's a lot more than that from the insurance presentation they'd had.

THOMPSON said, and you (the Assembly) are going to do what? Raise taxes, lower expenses, renegotiate?

Mr. Tipton said they'd been renegotiating. He said he'd give one example because in the IBEW contract that they just did, the Borough is paying the insurance, but the Borough isn't carrying it through the Borough's carrier. It's happening through the IBEW carrier because it was at a reduced rate because their plan's that much bigger. Those are things that you have to do to be innovative and still pay for it.

THOMPSON said he'd like to move on to this equity section just briefly because that was something that...the 45% versus the 55%. He said what he'd tried to do with this, and he'd had discussions with both Mr. Newell and Mr. Amylon and Mayor Weinstien about this, that we're not trying to raid the treasury. They're looking at it from the wrong direction. We're consolidating these two communities and then we're pulling out into the Gateway Service Area Police, Fire & Public Works. The assets that are pulled out that go with that. The ones we're leaving behind, the Library, this building, the Civic Center, etc., they have ongoing expenses and therefore there's a certain amount of liability that attaches and those reserves that are in the City's budget that's being combined, some portion of that really attaches to those assets that are going to become part of the combined community. Furthermore, everybody pays the sales tax, and he said he was told, well, that's all from property taxes, well, it's how you play the shell game. Taxes come in, taxes go out. There's money left over. A lot of people pay, you know, everybody in the community pays sales taxes, so, basically we all agreed that some amount, or some percentage should be applied to the Gateway Service Area and to the new General Fund, but they felt the 45/55 split was a little bit excessive.

THOMPSON said that he looked at the revised budget and the amount of revenues the City was showing versus the amount the Gateway Service Area was, and the Gateway Service Area was 82% of the revenue that the original City was showing, so he said he changed the 45/55 to 82/18 and that left with a little bit different... he said he hadn't been able to get back with Mr. Newell and see if that was.

HARRINGTON said he'd rather we did a little rounder numbers like 80/20. THOMPSON said that was what he was thinking. 80 to Gateway Service Area and 20 to the Municipality of Ketchikan. He said he thought that was a reasonable way to do it.

OTTE wanted to know where he got his idea about the original split. She wanted to know if the prior effort's budget had been used to see how much was split out from taking their numbers after they had split out? THOMPSON said yes. OTTE asked then weren't they showing a split between the service area and the municipality? THOMPSON said no, they were just showing the service area. He then asked if she was talking about the previous consolidation. When she said yes, he said no, they left it all in the service area. They didn't split anything out.

PAINTER said at first it was a 45/55 split and now it's an 80/20 split. He said that was quite a leap from 55/45 in consideration of the services that are going areawide. He said he'd like to see somewhere in between, like 60/40. THOMPSON said that you have to remember that a lot of the assets that go with... and we didn't do it on looking and splitting assets, and that may be how it's eventually done. These assets are going to the Gateway Service Area and these stay with the Municipality. He said that would be the way he'd do it if we were looking at hard assets, but if you think about it, there are a lot of sewers, streets and sidewalks in the City, not to mention the piers and what have you that are a lot more in dollar amount, in costs spent, than it is to have a little bit of building maintenance. Some of the buildings are new. They're not going to require the level of cost expenditures that the City's infrastructure have.

HARRINGTON said he didn't think we could deal with that division of those reserves in isolation. He said they should be tied in with the next issue having to do with Public Works sales tax. If we err in taking too much of the sales tax out of the Gateway Service Area, it behooves us to leave a substantial amount of a buffer in there so they have it to resolve that issue. He said he'd much rather let them keep the reserves in the Gateway Service Area and still maintain that .25% sales tax to the Municipality.

THOMPSON said that when the numbers were redone, the .25% was not causing the kind of heartburn that it had at the time the memo was generated. He said he hadn't changed any of that and they're still generating \$131,000 per year in surplus.

PAINTER wanted to know if verbiage could be put in the Transition Plan as far as this asset allocation is in error at our last attempt, the future Assembly can re-evaluate? For example, a certain service goes areawide and a portion of the funds

which basically came from the City, goes with it and after six months of operation it's realized that it's not going to work. Can something be put in the Transition Plan to allow the future Assembly to re-evaluate that after a period of time, as far as the allocation?

THOMPSON said he imagined we could.

KIFFER said the split, is that split actual operational concerns or are they taking into account the projects that are on the books? THOMPSON said it was operational. KIFFER asked, it's strictly operational? It doesn't have anything like the new fire station. Are they projecting what they're going to need in revenue? Or is this strictly operational, because if it's strictly operational, then he said he thought there were three different answers. There's a surplus on one hand and then a deficit on the other.

THOMPSON said he wasn't sure he understood KIFFER's question. KIFFER said that with the split that THOMPSON had originally come up with, you ended up with \$130,000 surplus.

THOMPSON said that's strictly operational. He said that this is not something that we really need to stumble over. We can just say in the Budget narrative that we used an 80/20 split to allow 20% of the City's reserves to attach to the assets that will remain in the Municipality. That can be adjusted based on an actual percentage of what assets are transferred on the balance sheet later on and go with that because both of the entities had a surplus going in. We're showing operational surpluses. There will be money in the bank. It's not going to be a great big issue, he didn't think.

THOMPSON said that if the Commission is amenable to that and the City doesn't have any great heartburn with it, we'll write it that way and see where it goes. PAINTER said he'd like to see a statement in the Transition Plan because he said, he believes the future Assembly is going to be required to help meld the two operations together, help guide consolidation (to be successful). Try as we might, this is not going to be a perfect document. People can shoot holes in this 'til the cows come home. We'll get it to the point where it meets the Alaska Statutes, the Boundary Commission, and hopefully approved by voters, but when it comes to actually putting everything into motion, it's going to require a little bit of pushing and shoving and moving things around to make it work. So, when it comes to the allocation of assets of the services provided areawide, the future Assembly should have the option to revisit that during the transition years to have the option to move some funds around, because there may be inequities. THOMPSON said he'd try to incorporate that into the document.

THOMPSON said the next one after the Public Works Sales Tax was the Parking & Economic Development Fund, the Community Facilities Development Fund and the Wastewater Services Fund. The first two were raids on the treasury. There's one that's out there that's a large capital improvement fund that's \$1 million, or something like that and then there's a little one that's a sinking fund. He said he just left those in the Gateway Service Area because those funds are earmarked for parking development for the Spruce Mill. It doesn't matter. If that's what it's for, leave it there and don't even mess with it. The thought is if we say, okay, we're going to take these funds and make them areawide and maybe spend them out in Ward Cove, they'll spend it. Those funds won't be there when consolidation happens. Rather than forcing someone into frivolous spending, just leave them where they're at. Let's not make an issue out of it. It's \$265,000. The same thing was with the Community Development Fund. He said he left those alone.

THOMPSON continued that the Wastewater Services Fund was one they were concerned with that they have monies in that fund that are designed to help pay for some of this maintenance on the sewer system. Harvey Hansen said a year ago that he could spend \$100 million on the sewers and not do the whole job. He said he'd told the City that the intent was not to raid that. The sewer powers will be areawide. They requested that a statement be included saying the funds that are in the City will be used for the Gateway Service Area sewer issues. THOMPSON said he didn't have a problem with that and we weren't trying to rob anyone.

THOMPSON continued the review of the memo from the City and the next item was the staffing plan. They didn't give any direction on where they would go with that, and the only comment they made was about the data processing technician, but THOMPSON continued, they had so many people in that department that they didn't think they needed that position. Unless we need to, he didn't think we wanted to look at the staffing levels beyond the initial review of the duplicated positions. That's really up to the new Assembly and the Manager.

THOMPSON said the City asked for an exhibit showing the current mill rates and the proposed millage rates. OTTE said she didn't know how we were supposed to come up with future millage rates with or without consolidation and THOMPSON said the rates we're proposing. OTTE said at the Council meeting they'd requested that the rates without consolidation were also requested. HARRINGTON said all that had to be done was look at the cost savings and pretend they weren't there to figure out how much the millage would be without consolidation. OTTE said fine, he could do it then.

MCCARTY said that one of the things that Mr. Tipton pointed out on insurance.

It's hard to quantify, but you know the bigger the group, the better the rates. There are some things that come with that, but he didn't know how that could be put on a table. The savings we'd looked at with personnel and the like that their charter had looked at \$1 million in savings and this one with just personnel alone was \$1/2 million. That's a $\frac{1}{2}$ -mill or a mill by itself. He said he didn't know how some of the others could be quantified. You could pick a number out of thin air or it could be pointed out that these are cost savings that are available. HARRINGTON said that could be done for the second and third year, but not so much for the first year because we've sort of said that we're not going to have much savings the first year.

THOMPSON said the point they were trying to get to would be to have one sheet of paper that says this is what's going to happen to your taxes. There were a lot of folks that were confused when we combined the areawide and nonareawide property taxes into one rate. It confused the people and then we used the wrong rate on top of that!!

THOMPSON said he'd update and correct the budget sheets and email it out. He said he'd put together some language discussing the insurance and PERS and that will be emailed, also. Hopefully this can be put to bed by the next meeting.

FINNEY said he wanted to confirm that that the 80/20 split that's going to be written in the document, that's going to be subject to a reality check? THOMPSON said yes.

MCCARTY said he couldn't resist the little bit of commentary from the Monday meeting. He said he thought it was Council Member Coyne brought up the point that what are we doing talking jobs when we fought so hard to get the 32 from the State ferry and some of the other new things in town. There's a philosophy at work, he said, is there a difference when it's jobs in the economy that aren't generated by taxes, but rather than revenues? He said that the Commission needs to be a little aware of the fact that has some effect on the local economy, but a major effect on the tax structure, which also has an effect on the economy. It's not a total vacuum. If those jobs are lost, they are people who are going to go out and spend money and generate other jobs.

PAINTER asked OTTE whether at the Council Member Lew Williams had a question about Ports and Harbors. He didn't see it listed on some of the lists regarding powers. OTTE said she really needed help making sure that all the lists throughout the document jibe. She said she and THOMPSON thought they had done them all, but there are so many different references to the areawide and nonareawide/service area powers, that probably some of them got missed.

PAINTER said that they were getting questions from the Council and it was tough, since you just cannot remember everything in the document. Ports and Harbors is an enterprise fund that is also an areawide power. It's being exercised currently in the City as an enterprise fund and will be transferred to the Municipality.

The discussion went on regarding the airport. They are showing an operating deficit of \$90,000 per year; however, there are funds in that overall enterprise fund. He said he'd found the \$40,000 they were missing in researching that.

THOMPSON said that the Commission keeps talking about the laundry list and it's time. He asked the Commissioners to read through the Charter and Petition and all of those things bother each of them, like sales tax and some of the other things, please fire off an email to OTTE and they can be collected and that part of the document can be assembled as the last part of the job.

OTTE interjected that the Commissioners don't have to send their suggestions or list to everyone, just to her. That way there aren't a pile of emails going around confusing everyone. She will compile the suggestions into one document for Commission review.

THOMPSON continued that one of the things that he'd looked at that was kind of a pet peeve was some of the departments that are supposedly paying for themselves are not, in fact, in the enterprise fund of the airport, they're \$90,000 in the hole. He said that it was really hard to pull some of this information out. If you look at the Parks & Rec department within the budget, they don't do real well. Their revenues as opposed to their expenses are way out of line so that needs to be recognized. The General Fund support for these things and was that the original intent and he continued, for instance the Civic Center. It was supposed to be built and it was going to stand on its own and it was going to bring all kinds of money into the community. How much revenue and how much expense has that brought in? Is it run at a deficit?, and if it is, that should be on the laundry list for the new people to look at. Assuming the land trade goes through, we're going to give \$1 million to the Arts Council and he'd read a letter to the editor the other day that he hadn't thought about that they asked why isn't the Civic Center being used for that? It might not be good for all of the different venues, but there's one that's running at a loss and now there's going to be another \$7 million facility that's going to run at what kind of loss. Where does the bleeding stop? That's something that both governments, regardless of consolidation, should start looking at some of this stuff.

OTTE said that she moved that we recess from work session and go home for the night, reconvening tomorrow after the Public Hearing, reconvene into work session

and then finish up the rest of the agenda. HARRINGTON wanted to recess until next week and postpone these things to next Friday's agenda. OTTE pointed out there was a meeting scheduled following the Public Hearing and HARRINGTON responded that he wasn't going to be around for very long tomorrow and he thought there'd be a very short meeting after the Public Hearing. MCCARTY said that it quite likely would be. OTTE said that the minutes have to be voted on and four agenda items. The I agenda item is long, but mostly cut and dried.

THOMPSON said that he thought where HARRINGTON was going was about H-2 and that could engender another discussion. OTTE wanted to know if the body wanted to reconvene into regular session and keep going? MCCARTY said he was starting to fade. It's 8:30.

THOMPSON said that if no one shows up for the Public Hearing at noon, we could just go into the regular meeting and if someone shows up, we'd listen to them. HARRINGTON said he'd be leaving at 1 the next day.

MCCARTY said that we should come out of work session into regular session and then vote it up or down. We're done with the work session.

G-2 Reconvene Into Regular Session

M/S MCCARTY/PAINTER to reconvene the meeting into regular session.
A unanimous voice vote passed the motion to reconvene into regular session.

THOMPSON called a short break from 8:31-8:38 pm.

H: Unfinished/Old Business

H-1 Approval of any changes to the 2004 Draft Petition discussed in work session

THOMPSON indicated there was nothing under H-1. This item will be moved to the next day's meeting should there be any items that would fall under this approval process

H-2 Article X: Finance, Section 10.07 (First Reading)

M/S PAINTER/OTTE to replace Article X: Finance, Section 10.07 with the following:

The Assembly, by ordinance, shall establish a property tax levy limit for each and every areawide, nonareawide and service area property tax. Any property tax limits so established may only be increased by at least a 2/3-majority vote of the Assembly.

A roll-call vote was taken on the motion.

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

The motion passed by a vote of 4-3.

H-3 Amend Exhibit L, Affidavit of Petitioner's Representative Concerning Source and Accuracy of Information in the Petition

M/S MCCARTY/PAINTER to amend Exhibit L of the Draft Consolidation Petition to list Glen Thompson, Chair of the Ketchikan Charter Commission, as the Petitioner's Representative of the 2004 Draft Petition for Consolidation.

A roll-call vote was taken on the motion.

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

The motion passed to second reading with a vote of 7-0.

THOMPSON said he would entertain a motion to recess agenda item I-1 until tomorrow (Saturday, 8/28) after the Public Hearing. It was moved by MCCARTY and seconded by PAINTER.

A roll call vote was taken on the motion.

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

The motion to recess agenda item I-1 until the following day passed with a vote of 7-0.

It was moved and seconded to adjourn until 8/28/04 after the Public Hearing scheduled for noon.

The meeting was adjourned at approximately 8:53 p.m.