

**KETCHIKAN CHARTER COMMISSION**

REGULAR MEETING  
& WORKSESSION

September 16, 2005

The regular meeting of the Ketchikan Charter Commission commenced at 6:02 p.m., Friday, September 16, 2005, in the City Council Chambers.

**Roll Call**

PRESENT: OTTE, HARRINGTON, PAINTER, THOMPSON, MCCARTY, FINNEY,  
KIFFER (6:10)

ABSENT:

**A: PLEDGE OF ALLEGIANCE****B: CEREMONIAL MATTERS/INTRODUCTIONS**

NONE

**C: PUBLIC COMMENTS**

NONE

**D. INFORMATIONAL REPORTS AND/OR COMMISSION PRESENTATIONS**

OTTE presented a Resolution approving the changes to the 2004 Petition and authorizing sending the Reply Brief and the Petition changes to the LBC. She apologized for omitting this document from the agenda, but felt that if it were discussed during work session, Item I-1 on the agenda allowed for motions on items discussed during the work session.

She also remarked that the Commission needed to talk about the City's request to allow them time to comment on the new documents. Their next meeting is not scheduled until October 6<sup>th</sup>, and although she forgot to bring a copy of Mr. Amylon's email, she was certain they were requesting time for the Council to approve any comments to our document prior to their submission to the LBC.

THOMPSON indicated he didn't have a problem with that. He said Mr. Amylon wanted to get the documents to the City Council for either a vote, or to get their comments on our reply brief before we submitted it to the LBC. OTTE reiterated that Mr. Amylon wants the Commission to hold off until after the City meeting on

the 6<sup>th</sup>. THOMPSON said it was up to the Commission to decide whether to hold off or submit at this time.

OTTE asked if the Commission wanted to officially request a resolution in support of our changes or something on that order as per the request by Mr. Bockhorst? THOMPSON said we could certainly make that as part of it and we can discuss that in the work session.

PAINTER wanted to know if something needed to be put on the City Council agenda and the Borough Assembly agenda? The answer to that was yes. OTTE said that as Mr. Bockhorst requested, he wanted the Commission to get some kind of letter or something supporting our efforts, if we could. PAINTER wanted to know what the City's procedure for getting something on their agenda. OTTE said she'd check with the Clerk's office to find out the procedure.

MCCARTY said there was plenty of time to get the information to them. He suggested the Commission could look at the documents tonight. He said the Commission was in a position to adopt the changes tonight, but maybe we could hold off finalizing the changes until we see if they have some comments and bring everything back maybe the week after they've had their meetings.

THOMPSON suggested that the discussion move into a work session.

It was noted there was someone in the audience and he was asked if he had any comments. He indicated he would just listen.

#### **E. CONSENT CALENDAR**

M/S MCCARTY/PAINTER for approval of the minutes for the meeting of August 5, 2005.

The minutes were approved by a unanimous affirmative voice vote.

MCCARTY suggested that since what the Commission would be doing is approving the report, we should do it as an action item. He said he didn't see that the document was that far away from what was desired.

THOMPSON said the reason he wanted to move it into the work session is that there are other issues such as the Resolution that should have action taken, and we can do that through the vehicle of the work session, just as a matter of procedure. It's not specifically called out on the agenda, but it is called out as something we can deal with in the work session. OTTE said that there is an agenda item for things that are discussed in work session that we want to take action on.

MCCARTY said it was his assumption from what all we had was that we were going to be doing an action on the documents, or at least we were contemplating the possibility of doing that tonight and he said he thought the Resolution, by itself, is not really an action item separate from that. It's part and parcel...this is the formal way that you show your approval.

THOMPSON said we would need a motion to discuss it.

## **F. VOUCHERS**

NONE, but OTTE noted there would be some due to the purchases of paper & printer ink.

## **G-1 RECESS INTO WORK SESSION TO DISCUSS THE COMMISSION'S RESPONSE TO THE COMMENTS AND BRIEFS RECEIVED BY THE LBC, AS WELL AS ANY OTHER COMMISSION BUSINESS**

**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 move into work session to discuss the Commission's response to the comments and brief received by the LBC, as well as any other Commission business.

MCCARTY said his thought was that whether it's done in a formal action item, or whether we do our discussion in work session, we'll go through and do some mark-up work on the report and hope that we're very close and it isn't going to take a lot. He said he believed the Resolution was a formal way of saying that here we have active...the addendum to it is somewhat like the Legislature where they do...the effective date. Maybe we hold off the effective date of approval for a month and that gives a chance for the Assembly and the Council to look at what's happening and if they have something they want to pass on to us, certainly we'd consider modifying or we'd certainly like to see them with a Resolution saying, at least for discussion purposes, let's send it north.

A roll-call vote was taken on the motion to recess into work session.

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

AGAINST:

ABSENT AT THE TIME OF THE VOTE: KIFFER

THOMPSON said that he fully agreed with what MCCARTY said and that it's our intent...The City has formally requested that we give them an opportunity to respond to this latest reply brief and he said he sees no problem with allowing

them that latitude. The indication that we've gotten from the LBC is that if we can get the City and the Borough to agree that this is a do-able thing. They might not embrace it with hugs and kisses and what not, but as long as they don't object to it, which they did initially, that's going to go a long way to moving this on to a vote. That's important.

HARRINGTON said that speaking about the City's response to this. He said that as he'd read through the KCC Brief, it looks like the Commission has addressed every concern that the City had, with the exception of that super-majority vote to approve an increase in taxes. OTTE interjected that was a compromise from what we had before. HARRINGTON continued that it sounds like we pretty well have addressed everything else other than that, so anything else that the City would identify as a problem would be new material. THOMPSON said that would be his understanding.

MCCARTY said he agreed whole-heartedly with the comment that is included in the Brief about the fact that many of the numbers are moving targets and you pick it now and who would have thought that when we started that we'd be looking at the price of oil as it is currently and that has a major effect on us on the expense end of things. That's just a real recent example. He continued that the thing that came out to him in reading through the document, he said he'd suggest, as someone who may be tuned into some of sensitive antenna that people have when they're reading something, they have some suspicions of...There are some language changes. He said he hadn't made a list, but the one that jumped out at him was something about "that's not true." He said he thinks that maybe reading some of those spots, instead of using a word like "it's not true", use a word like "accurate". He said in the work that he does, that little bit of change in semantics can make a big difference. We're disagreeing with them, but we don't want it to sound like they're not telling the truth, we want it to read that we don't see it the same way. He said that was in a couple of spots that he'd seen, just that statement, "it's not true", just saying it's not believed to be accurate. He said that is more of a, it's not a substantive thing, but reading the document with that in mind, there may be a few spots where some of the language could be changed just a little. Past that, there are some parts he likes and some parts he doesn't, and he assumed everybody was in the same boat, which means it's probably a pretty good product.

HARRINGTON said it's slightly more gentle than the first draft he'd tried to draft and he said he appreciated what had been done.

THOMPSON said he appreciated MCCARTY's point on the semantics. The attempt was...he said he'd looked at it and OTTE had looked at it and that's why it was on the agenda for the rest of the Commissioners to review it. He said that if someone reading the document takes that as a barb, for lack of a better word,

it should be changed because it is not the intent to be adversarial on anything. He said he didn't have a problem with changing that as a matter of diction.

THOMPSON said that he had a couple of changes in the Brief he wanted to point out from when he read through it after it came out.

P4, under the City's economic development parking fund, there's a paragraph that he'd thought had been deleted, the *second paragraph* of that section. He said that if nothing else, it belonged in the section above, but he said that as he was reading it, it seemed that it was rather redundant. He said it could be left in, but it should *move up to the prior section*.

MCCARTY said that one of the instances of the use of the words "*not true*" was right above the section we'd been discussing. Just to insert the word "*accurate*" for "*true*" would make a difference in how the sentence was perceived. He said that's a word he's seen in documents that has a tendency to come across...THOMPSON said it has a high emotional content. MCCARTY said that he knows that wasn't what was intended, but it just jumped out at him.

THOMPSON continued that on P5, Asset Allocation. He said that in the lengthy second paragraph, in the middle there is a sentence that says "This is a short-sighted position considering the complexity and cross-subsidy nature of the City's budget and the various revenue sources (including the approximate 33% of the City locally paid sales tax revenues paid by the residents from outside the city limits)." He suggested that the phrase should be "*locally paid City sales tax revenues*". MCCARTY said that "*short-sighted*" was another of those phrases that caught his eye. He said he didn't have anything to suggest, but if someone catches it, it's like snagging your sweater as you walk away. THOMPSON asked MCCARTY to come up with a substitute word and OTTE suggested she could do a thesaurus check in the computer for a replacement word. THOMPSON said he understood MCCARTY's intent about nothing in the document with a barb.

MCCARTY said that people will miss pages of accurate material when they're fixated on one factor or one word. THOMPSON said modifying that language would be looked into.

P6, the first paragraph at the top of the page, "While not a major issue", the word delegate is inappropriately used there. The new Assembly doesn't want to "delegate", they want to "make". It's either adjudicate or *make the decision*, not to delegate it. MCCARTY said that the wording should be "*make the determination*" as to....

FINNEY wanted to know if on the same page, Cap on Fees, if the word should be "retracted" instead of "redacted"? THOMPSON said that was a correct word, but if a simpler word was desired, it could be modified to "removed". MCCARTY said

that "redacted" was essentially incorrect in that the act of redacting involves removing parts of a document in order to not reveal sensitive information.

THOMPSON said that on Attachment A, P12, *the 5<sup>th</sup> bullet down needs to be deleted in its entirety*. "For purposes of clarity"... He said that when he was working with the budget numbers and, he said we would what he was talking about in F5 which shows PERS vs Non-PERS adjustment, the first cut that was done on the budget reversed all the subsidies from the funds that had been put in to balance the budget. He wanted to have raw data. There was then a \$2.1 million deficit that PERS & TRS causes to the combined budget. As he and OTTE were going through the documents, and he said he was struggling as to what to do about that, he said he didn't know how to do it and the fund transfer subsidies made it well over \$3 million, OTTE told him to make it as transparent as it could possibly be. So that's what he did, but once he got together with OTTE to put the final document together, he realized that a budget had to be presented that didn't have a \$3 million/year deficit, so he plugged those holes and the simplest choice to plug in the 2-mil increase and to put those fund transfers back in. That was done when the final version of the budget was put together so that a deficit is not shown going forward, it's actually showing a semi-balanced budget. Once that was done, the referenced statement was incorrect and it was inadvertently left in. He said that as the final document came together, he realized that he had something to present the Commission, but there wasn't anything that could be presented to the LBC and we looked at the goal was to come up with something that could be presented to the LBC and in order to do that, the transfer subsidies were put back in and the 2-mil property tax was plugged in.

PAINTER pointed out that the word "discord" at the bottom of P12 should be changed to *conflict*.

FINNEY pointed out that he wasn't sure what P13 (d) meant. He asked THOMPSON to explain the last sentence to him. THOMPSON said that when the original budget together, the PILT was left in place that had been in the combined budgets and that had the effect of creating a PILT from the Port and KPU into the new Municipal General Fund. We kept that PILT in place that those entities would have to support general government as they do now. THOMPSON said that with this budget, in addition to that PILT to the Municipal General Fund, another PILT was assessed for the Gateway Service Area's services, fire, police, streets, etc. So, those two enterprise funds are going to pay a PILT to both the GSA and the new Municipally. They don't right now, they only pay the City property tax PILT to the City; they don't pay an areawide PILT to the Borough. So when the budget was done, the one PILT to the Municipal General Fund was left in the budget and a new PILT to the GSA was added on. The effect is, they're paying more.

HARRINGTON said he understood that this was done to be fair, but he said he wanted to be clear. He said, so we are building into this new budget a property tax PILT on KPU which must amount to \$650,000 which, of course, is paid for by the rate payers, which is you and I, which comes out to about \$60 per person. He wanted to be clear that he didn't think that was going to fly in the final analysis by the Borough Assembly when this gets together, but for the budgetary purposes, why not put it in there?

THOMPSON asked FINNEY if his question had been answered. FINNEY said he wanted to read it again since he knows where we are trying to go with it. OTTE said that it was a confusing paragraph. She said it didn't convey what it was desired that it convey. There was a discussion about possible changes to the sentence.

PAINTER talked about what would those PILT funds from KPU and the Port would go to support and brought up again the funding for the non-profits and the fact that right now, there are designated funds from KPU to a non-profit that had been established by ordinance a long time ago. The rest of the group indicated that the new Assembly would have to decide if they wanted to designate what those PILT funds could or would be used for and if the ordinance regarding the non-profit bothered anyone, they could request that it be stricken from the Code.

MCCARTY continued the discussion on rewording the last sentence in P13 (d). THOMPSON said that a sentence could be inserted that says "In the originally submitted budget, KPU and the Port were only paying a PILT to the Municipal General Fund. We further determined that the existing PILT in both the KPU and Port budgets would remain in place." There were some questions about this. THOMPSON said that what was added to the budget was a GSA property tax PILT that was calculated based on the GSA's mill rate. Practically speaking, if KPU were just a business in town, they would be paying both City property taxes and they would be paying Borough property taxes and that's what we addressed. In the originally submitted budget, we left their PILT's in there and said that's areawide property taxes. It's going to be a little shy, actually, because the City's mil rate is a little lower than the areawide. When we added the GSA PILT in the new budget, we left the old one in there and in effect, that is what they would pay if they were any other business if they were in town. They would pay both the areawide Borough property tax plus the City property tax, so their PILT now reflects both of those assessments and is more closely aligned with paying what they would pay if they were a private business.

OTTE wanted to confirm what the change would be to P13 (d). She said, "*In the originally submitted budget, KPU and the Port were only paying PILT to the new Municipal General Fund.*" The amended budget reflects a PILT from KPU and the

Port that will be collected on behalf of the Gateway Service area as well." The others suggested that OTTE's suggested second sentence be changed to, "*We further determined that the existing PILT in both the KPU budget and the Port budget would remain in place.*"

FINNEY said he believed that this issue was spoken to somewhere else that was much clearer. He asked whether a PILT could be levied as necessary for any of the service areas? That answer was yes.

FINNEY said that on P2, paragraph 2 and the bottom paragraph. He said it seemed they didn't jibe. About 2/3 of the way down in the second paragraph under the Government's Operating Costs the sentence says, "*Certainly, we could have simply shown a tax increase....*" And then down at the very bottom we say, "*The KCC determined that we would revise our budget...*" and basically did show tax increases. The phrase "*In the final analysis*" should be added to the beginning of that sentence at the bottom of the page. THOMPSON said one of those statements was written before the City's revised budget numbers were received and the other after the KCC budget had been amended.

It was decided there were no further changes requested for the Brief. THOMPSON said that with all the people who received the agenda material, he's certain there will be other comments as to content in the Brief.

FINNEY said that in looking at the budget information supplied by the City, it looked like every line item had increase 1-2% each year. That would be important to point out to the public. THOMPSON said that when the City went through their budget document, they re-calculated based on a 5% increase in PERS and an increase of 7-10% in the insurance. He said he'd struggled with that and wondered how he was going to incorporate that into the KCC budget. He said the KCC budget already had a 2% across-the-board increase included and what he did, he said, he went through and calculated what their costs went up which was 4.58%, and he also went through their Exhibit A that identified labor related and non-labor related costs for every department, which tied very closely with what was in the KCC general fund, and it turned out that 80% of the total cost of each of the departments was labor. There were a few variances, but the average was just about 80%. He said he then took 80% of the 4.58% change and replaced the KCC 2% with a 4.1% added inflation and that's how the numbers were generated to get to the \$2.1 million. He said that it was a little bit of a broad stroke, but all-in-all reflected fairly accurately the intent.

The KCC went on to discuss the red-line Petition document which showed the changes made were clearly apparent. The reflected changes are predominantly ones that were agreed to in meetings since the first of the year. They incorporate some of the things that were in the Borough's comment letter and



some of the things that were in the City's Brief and a lot of the things that were discussed at the table. He said he hoped that the Commission had a chance to review those changes and could now make any changes.

He said that Exhibit F that he'd made a lot of changes in that section, but after reviewing the red-line, he didn't see any further changes he wanted to make. It was noted that F-2 was not very readable and OTTE said she'd work on importing that section into the Word document in a more readable state.

THOMPSON asked that the Commission go to Exhibits F-1 and F-2. He said that from a summary standpoint, Exhibit F-2 was probably easier to understand. He said that the Municipal General Fund is starting with the anticipated balance of the KGB and the GSA is the anticipated balance of the City General Fund. That 20% problem was taken care and it was left up to the new Assembly to determine a fair way to slice that pie. The GF started out at \$2.4 and at the end of year one there's a \$500,000 change and that starts getting chewed up in year 2 and year 3 has a small deficit of \$35,000. The point was, that with the transfers and with the 2-mil property tax increase, that actually balances out even with the PERS/TRS included.

THOMPSON said that the next thing was on a new Exhibit 5, which a one-year comparison showing the direct expenses to the General Fund, the GSA and KPU and then on the second page, all the rest of the funds and what the difference was with and without the PERS effect. The difference is \$2.162 million estimated increase just for the PERS/TRS and insurance. That was the requested one-page document that HARRINGTON had requested. He said he had been unable to get it on one page. He said that it was very helpful, just page one, because that's where the big numbers are in the General Fund, the GSA and KPU. PAINTER said that with or without consolidation, that \$2.163 will be there.

MCCARTY said that was one of the points THOMPSON had made well in the response is that the increase has no relationship to consolidation or not. This relates to the 2-mil increase, but those funds could have come about with a reduction in programs, an increase in sales taxes, further fund transfers or use of reserves. There are lots of ways to do that, but the KCC was not in a position to make those calls. The 2-mil increase in areawide property taxes will not necessarily take place as the new Assembly chooses which method they want to employ to balance the budget. THOMPSON said that he'd heard that with the windfall profits that the State is receiving, the Legislature is looking at funding these increased PERS/TRS expenses and there is an awfully good chance that they may plug the hole which won't have us running into a brick wall. The problem with PERS/TRS is that if they need the 25% increase in contributions under the existing plan for the existing employees and even after making July 1 of 2006 mark the beginning of a defined contribution type of retirement, but the

existing plan still has the \$5 billion deficit. If that is plugged with a billion dollars this year, they can bring that \$5 billion down 25 years out to something like \$1 billion. So, it takes a very little bit on this end to take care of that. That could completely eliminate the need for this 25% increase in PERS/TRS contribution rate. It is unknown whether this will happen, but they've shown the determination not to really sock it to the municipalities with this increase, but they haven't had the fortitude to make the final leap to fund it, so he said, he didn't know.

THOMPSON said the other thing that this budget shows, and the City pointed it out in their suggested budget, that there are ways to get through this and the Assembly/Council has lots of tools to use that are not appropriate for the Commission to choose and some combination of a reduction in services, increase in taxes and maybe some State support is probably where it's going to end up.

THOMPSON said that as he'd gone through the numbers, the fringe benefits and payroll taxes, the payroll burden on wages was about 45% prior to PERS/TERS and at the very end, he thought it was up around 63%. It's a significant chunk and it's in the not-to-distant future that this is going to have to be dealt with.

THOMPSON said that was all he had on F and that if anyone had any questions or comments, he'd be happy to explain. He said that if everyone had read the Brief and Exhibit F-1, it's pretty clear what the changes to the budget were. If it's not, then the Commission needs to let him know so that it's made clear. He said that he was sure we'd hear from the City and the LBC, as well, but the watchword was to make it transparent.

MCCARTY said that with the City and Borough having a chance to consider these documents at a meeting and the Commission should try to make it there, he had wanted to add an introductory that we were looking at the numbers and they're moving and changing and some of these things were policy decisions that we didn't feel were in this Commission's place to make. He said that in the presentation or transmittal to the bodies that would be a good thing to keep emphasizing. We cannot say that this number is right or wrong. It could be said that at a point in time, there is a certain degree of accuracy, but they keep changing and the Commission had to pick a spot and work from there. There are so many things that are important issues they should be done by an elected body that has regular meetings, such as the Assembly, rather than those of us at this table. He said he wouldn't suggest any changes or any suggestions as to the language in the reply, but both in the presentation to the Assembly and the Council and further north, that's something to continually emphasize that we're doing the best we can at a point in time and the other part being there will be a better group to make these final decisions. The Commission is just pointing out things that need to be addressed and considered.

FINNEY said that he thought it was pretty well addressed throughout the documents and he said he thought it was in Bob Newell's comments that he alluded to the fact that it's kind of a moving target.

FINNEY said that in Sections 10.07/10.08 of the Charter, he felt that it read funny. He said that in the Brief, it referred to getting rid of the property tax cap, so he wanted to read what was actually in the Charter after all the amendments. He said that it was confusing to him that in the Property Tax Limit section it's speaking about increase in the rate the areawide property tax. In 10.08, increase the rate of property tax. He said he wasn't sure he could convey what was confusing to him. He indicated that we say that we won't increase the rate of sales tax levies in 10.08, that 's a different increase in the rate of the way we are increasing in 10.07. In 10.07 we say that we can increase at a rate of 2-mils a year...He asked if THOMPSON was following his concern, to which THOMPSON answered he thought so.

THOMPSON said that in 10.07 we put a limitation on the amount that the rate could be raised at 2-mils. If a sitting body wants to increase the rate of the tax levy (the mil rate), if they want to increase the mil rate more than 2-mils, they have to have a super-majority to do that and follow all the special requirements to do that. If they want to raise the tax levy AT ALL, they have to have a super-majority, so if they want to go more than 2-mils, they have to follow 10.07. If they want to go 1/2-mil, they still have to have a super-majority in 10.08.

FINNEY said that wasn't his quandary. He said he'd move on to his second point and he would try to figure out how to verbalize what his quandary is on the first point. FINNEY said that fees were taken out of 10.08. Those have been scrapped and he still struggled with that. He wanted somebody to explain again why we did that and what the concern was with fees and why we decided that...it's just been so long ago.

HARRINGTON said that one of the things was if the library doubled their fees. FINNEY said he remembered that and it wasn't a good enough argument and it just seems that as a body for the most part I've agreed with pretty much everything we've come up with and maybe he missed that meeting when the fees were removed, or whatever.

MCCARTY said that at some point a fee becomes a tax increase. You go from a nickel to a dime, most of us would say that's a fee change. If it goes from a nickel to \$10, that's a whole different thing.

THOMPSON said that one of the reasons that fees were removed was, for instance, in situations where KPU needs to raise their fees when something happens, say fuel increases or something like that. In order for that to go

through, we could bankrupt the utility if a super-majority vote couldn't be obtained. It takes it away from the day-to-day business and operating it as a business and puts it into the political arena and that makes things difficult for the Utility to operate in a competitive environment. That was one of the arguments he said he remembered that was raised.

HARRINGTON said that in reality, the reason we took it out, was because the City objected violently to having it in there. Others concurred. HARRINGTON said yeah, they could start making fees a tax, but that's a whole different thing.

THOMPSON said that fees are put in place to provide revenues that have to do with a service being provided. And so there's some causal relationship to that. He went on that's not to say that fees don't still require a majority vote, they just don't rise to the level of a super-majority. OTTE pointed out that the Animal Shelter having to pay lots more for dog food, they should be able to easily get a raise in fees to recoup some of the added expenses.

KIFFER said that was not what the City was objecting to, the price of dog food. It was all about KPU and it was one of those compromise things that has resulted in all of this red ink. FINNEY asked if he was there when that compromise was made and others said FINNEY was out to hang 'em high and get twelve votes to pass anything. Others said there may have been chickens involved.

THOMPSON said that the other problem noted was the definition of fees. It probably would have required a 30-page definition that would have been thoroughly confusing.

FINNEY wanted to know about the bonding section had ended up. He said he knew the changes were on the agenda tonight, but he wanted the short answer for clarity. THOMPSON said all bonded indebtedness of the new Municipality will have to be ratified by the voters. MCCARTY said that basically we'd let the bond counsel, David Thompson, tell us how to draft it. FINNEY then said that the public will be voting on bonds. OTTE said that at the end of H-1 is a complete Article XI with all changes in place and no red-line to confuse anyone.

HARRINGTON said that he wanted to do something about 11.05, specifically (c) because we had changed the title from Economic Development Financing to Non-Recourse Bond Financing and under (c) we are re-stating that these are to be used to finance economic development projects. He said that anything could be defined as economic development, so that really doesn't have to be in the Charter. It's any project defined by ordinance that...It allows the Borough to establish...for example, Community Connections wants to set up a home for developmentally disabled kids. They'll fund it, they'll pay for it, they want the

Borough to supply tax-exempt bonds for it on a non-recourse basis. The Borough could do that. They could define it as economic development or they could say this is a good project, let's do it. HARRINGTON said he wanted to suggest that economic development be removed from that section or delete all of (c). The section could just say, "*Non-recourse revenue bonds or other non-recourse revenue obligations may only be used to finance projects as defined by ordinance.*" He said it's seems ridiculous that we have to stretch the definition of economic development. He would rather that the Borough have the ability to do non-recourse bonding for anything they felt like doing as long as somebody has to pick up the tab.

THOMPSON said there is a reference to economic development in the main paragraph before the a, b, c's. KIFFER said that we even changed the title of 11.05 to take out the economic development. He said he agreed with HARRINGTON. The introductory paragraph in 11.05 would read, "*The Municipality may enact ordinances authorizing the issuance of non-recourse revenue bonds or other non-recourse revenue obligations and the application of the proceeds thereof for economic development purposes, subject to the following limitations:* We would then delete all of sub-section (c), "~~Non-recourse revenue bonds or other non-recourse revenue obligations may only be used to finance economic development projects, as defined by ordinance.~~"

OTTE pointed out that in agenda item H-1, there was already a reference to 11.05 in second reading. Perhaps this new change could be added to that section of the agenda as a friendly amendment. MCCARTY suggested that even though it seemed sensible to him, he would prefer that the bond counsel give his blessing on the removal of the language. OTTE said she would forward the proposed language changes to Mr. David Thompson.

FINNEY asked that under the bonding package that is now in the Charter, if in the new consolidated government and the Port expansion came up again, would the entire population vote on that?, or could that be a GSA issue only as it was before.

THOMPSON said that brings up two questions. One, is it considered infrastructure of the GSA? No. It is an enterprise fund of the Municipality, so everyone would vote on it. If the GSA was going to put in a filtration plant for water, for instance, and they needed \$30 million to do that, the entire Municipality would have to vote on that as well because the full faith and credit of the Municipality would be used to secure that bonding because the Municipality is the only entity that can get bonds. The GSA cannot. THOMPSON said that in that example, that bond issue would have to be approved by a majority of those residing inside the GSA AS WELL AS by a majority of those areawide before those bonds could be issued. PAINTER brought up a question

and HARRINGTON said that no, the Borough will be the only authority that can bond. The GSA cannot bond separately from the Borough, nor can North Tongass. Any bonding, by definition, has to be a total population vote. HARRINGTON said he and MCCARTY had voted against that at the last meeting, but that was the sense of the Commission. Anytime the full faith and credit of the Borough is involved, it is a vote of all the people.

PAINTER wanted to point out that there is a budget shortfall and we either need to have a car wash or bake sale or pass the hat to reimburse OTTE for expenses incurred in getting this last paperwork out. OTTE said she'd be bringing back receipts on a voucher agenda statement and that she'd checked with the Chamber and there is \$97.10 in the Commission's account.

THOMPSON said that most of the changes in the Transition plan were clarifications and there weren't a huge amount of changes in that section. Changes were made in the wording as to how the agenda and finance procedures would be used initially. That change was made at the suggestion of the Borough's response letter. A lot of the changes have to do with the removal of the .25% sales tax. He said that Exhibit J-2 which also addresses HARRINGTON's request for a one-page budget summary sheet. F-5 did the same, but J-2 actually shows revenues vs. expenses for the first year. He went on to say that the troubling item on the first page is the KPU \$1.3 million deficit that would have to be filled in. That's the largest one that would have to be dealt with either by using reserves or raising rates.

## **G-2 Reconvene Into Regular Session**

M/S PAINTER/OTTE to reconvene into regular session.

The motion passed by a unanimous voice vote.

The Commission took a break from 7:15 to 7:25 p.m.

## **H: OLD BUSINESS**

### **H-1 Suggested Charter changes from the Municipal Bond Counsel: Sections 8. 03 (g); 10.07; 10.08; 11.02 (b); 11.04; 11.05 (a); and adding a new section, 11.09. (Second Reading)**

M/S MCCARTY/PAINTER to accept changes to Article VIII, Section 8.03(g); Article X, Section 10.07; Article XI, Sections 11.02(b), 11.04, 11.05(a), and 11.09; as initially passed at the Commission's regular meeting of 8/5/05 and brought before the body at this meeting in second reading.

MCCARTY said that we need to make certain that the removal of the references to economic development need to be reviewed by the bond counsel, but he didn't feel that should change anything on this.

OTTE wondered if a friendly amendment to the motion needed to be made since the motion didn't deal with the beginning of Section 11.05 or with 11.05 (c). She said that she wanted to make a friendly amendment to the motion to make the changes as discussed in work session on Section 11.05 and Section 11.05 (c) reference economic development, with the understanding that should the bond counsel have problems with the changes, the changes to 11.05 and 11.05 (c) reference economic development would be brought back. HARRINGTON made the second to the amendment.

MCCARTY clarified the amendment to the main motion by saying that the two parts to the friendly amendment were to delete the words "thereof for economic development purposes" from the introductory paragraph in 11.05 and delete Section 11.05 (c).

A roll-call vote on the amended main motion was taken.

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

The amended motion passed by a vote of 7-0.

MCCARTY said he thought we were voting on the amendment and THOMPSON said that was a friendly amendment, so two separate votes were not necessary.

## **H-2 Deletion of all reference in the Charter, Budget, Budget narrative and Transition Plan of the movement of ¼% Public Works sales tax revenue from the Gateway Service Area to the consolidated Municipality of Ketchikan in the Second Reading**

M/S HARRINGTON/MCCARTY in the second reading to restore the ¼% Public Works sales tax to the Gateway Service Area in all areas of the Petition, including the Charter, the budget, the budget verbiage and the transition plan.

The sections involved are: EXHIBIT F, P7, EXHIBIT J, P19 (c), EXHIBIT J, P19 (d), EXHIBIT J, P20 (f), EXHIBIT J, P27, Article XVI, Section 16.06 (b) of the Charter

There was no discussion on this item and a roll-call vote was taken.

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

The motion passed with a 7-0 vote.

FINNEY wanted to get confirmation that the new body would have the ability to re-allocate that ¼% in taxes once they are in office. That statement is correct.

**I: NEW Business**

**I-1 (a)** – M/S MCCARTY/HARRINGTON for approval of the Ketchikan Charter Commission's reply Brief, as presented. (It was determined that those changes discussed in work session are to be included in this motion "as presented")

MCCARTY said that we could either assume that the Resolution is what we are adopting, authorizing submission of the Brief to the LBC, within this, or we could make an amendment to it, or have a separate motion. THOMPSON said that if the question of the Brief and Petition is being split into a separate vote, the Resolution should have its own vote, as well. It's cleaner that way.

A roll-call vote was taken on the motion.

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

The Brief, as presented (including the changes made in work session). was accepted by the Commission for forwarding to the LBC.

MCCARTY said he wanted to thank the Chairman and the Secretary for all of the work put forth in the efforts to crunch the numbers and write and amend the verbiage.

**I-1 (b)** – M/S KIFFER/MCCARTY to accept with changes in work session the Amended Petition, including the Charter, document.

MCCARTY said that within the Petition and Charter we can all find things that we like and other things we dislike, but at this time it's time to move it on to a higher level for review and consideration. It still has a chance to come back as cut up in various pieces for further consideration by this body, and hopefully an election. It's time to vote yes and move it on.

A roll-call vote was taken on the motion.

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

The motion passed with a vote of 7-0.



**I-1 (c)** – M/S HARRINGTON/PAINTER to adopt Resolution No. 8 in the first reading.

THOMPSON read that it has been moved and seconded to provide a Resolution of the Ketchikan Charter Commission authorizing the submittal of the Response Brief and Amended Petition documents to the Local Boundary Commission.

OTTE wanted to add to the motion the suggestion that MCCARTY had made about making the Resolution effective after the City & Borough comments are made or something like that. THOMPSON pointed out that HARRINGTON made a motion to approve it in the first reading. He said that we should just leave it at the first reading and bring it back for a second reading and that will give us an effective date since we'll be scheduling that meeting after the comments from the governmental entities are received.

A roll-call vote was taken on the motion.

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

The motion passed by a 7-0 vote.

**I-1 (d)**

HARRINGTON wanted to know if it was appropriate to put a motion on the floor to submit the Brief and Amended Petition to the City and the Borough requesting some sort of examination and resolution of agreement or an endorsement. He then so moved, and MCCARTY seconded the motion.

PAINTER said that in that respect, because of the cost of paper, etc. he wanted to know how that would be accomplished. OTTE said the Clerks, Managers, Finance Directors and Attorneys had been given disks with the meeting agenda on them. She suggested that once all the document changes were made, disks be made for each of the governmental bodies to accompany a cover letter by the Chair. It would then be up to the Managers how they would like to disseminate that information to their respective bodies.

PAINTER wanted to know what the Council and Assembly had been provided. OTTE said that they had been provided with the agenda packet and prior, they had all received binders with the entire Petition. We had money and we had paper. Mr. Bockhorst has advised that the KCC needs to serve the Clerks, the Managers, the Library and Saxman, as well as provide 5 copies of whatever is submitted sent to the LBC. That totals 11 copies each of the transmittal letter, the Brief and the Amended Petition documents. She indicated that it wasn't too

bad if they are double-sided. She said she had 3 or 4 reams of paper and they can be initially printed at her home and then copied at the little office.

MCCARTY suggested that with the transmittal for those two bodies to review that send a disk to the Clerks' offices and they can then make a determination if they want to burn more disks or if they print out the documents. THOMPSON said that there are some requirements that the LBC has placed as far as officially serving those governmental bodies and OTTE spoke to those requirements. MCCARTY said he was only talking about their next meetings and the transmittal letter from the Chair should have a disk and then for their meetings, they can decide if the information is disseminated electronically or on paper (or both).

MCCARTY said that in the transmittal letter to the City and Borough, he'd like to see a comment about the moving target on numbers and we're doing the best we can with what we have at this time and the other part would be that a number of these issues we have made a strong policy determination that the policy decisions should be made by an elected body that has to hold deliberations and we'll make suggestions to them rather than telling them how to do it or even worse, setting those things into a charter that makes it very difficult to change.

KIFFER wanted to mention a timetable and should there be something indicated in that transmittal letter that time is of the essence at this point and setting a date for their response? THOMPSON said that one of the things he is going to say is that we have delayed submission to the LBC in order to allow them the opportunity to comment and we not only seek your comments, but we seek your endorsement and that we plan on meeting subsequent to the first week in October. OTTE said that Mr. Amylon had asked that we delay and that he would get their comments to us by the 10<sup>th</sup>. THOMPSON said there's an implicit time frame in there. MCCARTY said that mid-October is the deadline for when we'd like to send the documents north. THOMPSON said that if we get an endorsement or at least a non-objection from the elected bodies, it goes a long way toward streamlining the process for the LBC. If they are still objecting to it or parts of it, that may cause the process to slow down a little bit more. OTTE pointed out that Mr. Bockhorst has the documents and she said she's sure he's already looking at them. THOMPSON said they still have a process that they'll have to go through, but it could certainly make that process a lot quicker and efficient if they know that of all the stakeholders involved, there's been a lot of involved participation and that's what's we've been allowing to happen. That's why it took from April until now to incorporate all these numbers in the budget. We had to allow the opportunity for the City to give us the information. The LBC basically gave us an open-ended time frame to allow that to happen and we're trying to encapsulate it again and get it out, so if it can be done by the middle of October, he said he thought we would be in really good shape.

A roll-call vote was taken on the motion.

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

The motion passed with a 7-0 vote.

## **J. Commission Comments**

MCCARTY said it's been a long, hard trip and he hoped that it didn't have too much longer before it leaves the dock and heads to Anchorage.

OTTE said she was looking forward to getting this done.

FINNEY said get 'er done!

HARRINGTON said that there's a 2-mil increase in taxes proposed by our budget. OTTE interjected that may or may not happen. HARRINGTON went on to say that it's there. It's a reality, but our job is to make sure that the people know that the costs are still there whether we're consolidated or not. That's the hurdle we've got to do, we've got to make sure that people know that we are not raising anything. We are holding the status quo with what we're doing in just about every conceivable way. We are increasing flexibility but maintaining where we are right now. We've got to be hitting that from day one because if we don't it's dead because there is a tax increase. He said that's the reality. We have to make sure that we're pushing that we are maintaining the status quo; we are only building in flexibility and cost efficiencies down the road. Everything else stays the same.

PAINTER said ditto on the get 'er done. That 2-mil increase is there primarily because of PERS/TRS. OTTE said that the fact the Commission didn't take the options of using reserves, raising sales taxes, or any of the more complicated methods of balancing the budget without a mil rate increase. This was the most efficient way we could show the cost increases that we had no control over. That's made very clear in the Brief and in the Amended Petition. MCCARTY said that policy-making body is going to have to make some tough decisions.

HARRINGTON said that what's in the documents isn't as important as what gets transmitted to the people. They're not going to read all of that stuff. FINNEY said that it's all about what's on the street. HARRINGTON said that we've got to get to the street and get their first with the correct information that we're maintaining the status quo and increasing flexibility.

THOMPSON said following along with that, we didn't take a scalpel to any of the costs. That wasn't our job. Our job was to show it is feasible to combine these

two governments. We can't lose sight of the fact that the only opportunity that we'll have to have a smaller, more efficient government, is by consolidating. Those taxes, those fees...you know, there are two things that everyone's sure of in life, death and taxes. This is a chance that we can consolidate and somewhere down the road make things more efficient and save some money and that means save taxes. Tell your friends. Explain it to them. It can be over-simplified and we can over-simplify our side of it, too, if we don't watch out.

The meeting was adjourned at approximately 7:48 p.m., subject to recall by the Chair.