

Special Ketchikan City Council meeting was called to order by Mayor Weinstein at 7:03 p.m., March 17, 2009, with the following members present: Sam Bergeron (by videoconference), Dick Coose (by teleconference), Charles Freeman, Kj Harris, Marty West and Lew Williams III. Councilmember Jason Harris was absent.

The Pledge of Allegiance was given by all persons in the Chambers.

Staff present were Manager Amylon, Assistant Manager Martin, Finance Director Newell, Fire Chief Hill, Police Chief Talik, Public Works Director Hansen, Acting Electric Division Manager Schofield and City Clerk Suiter.

COMMUNICATIONS

Mayor Weinstein said there was a letter from the Chamber of Commerce laid on the table raising opposition to an increase in sales tax.

PERSONS TO BE HEARD

Lee Gerber, 2415 Hemlock, urged the Council not to raise sales taxes. He said he managed Trident Seafoods Cold Storage, and his people have the least amount of hours, the least amount of work, and the least amount of money this winter than they've had in the last 15 years. He felt to raise sales taxes at a time when hours are being cut, and businesses are looking for ways to reduce payroll and expenses is a real burden on people who don't make \$60,000 - \$70,000 per year.

Andrew Spokely, President of the Chamber of Commerce, read a letter from the Chamber opposing an increase in sales tax at this time. He related the Chamber felt there needed to be a more thorough public understanding of the decision-making process on the bridge replacement projects. He went on to say the Chamber felt that all options should be considered.

Joe Johnston, Box 6711, said the sales tax increase would be very counterproductive. He compared it to a Seattle stimulus plan, as business will be taken to Seattle. He felt increased sales tax makes this option much more attractive, decreasing sales in Ketchikan and bringing in less sales tax revenue for the government. Mr. Johnston answered questions from the Council.

Mike Holman, 700 Water Street, felt there is no question a significant amount of money needs to be spent repairing and maintaining the bridge structures. He related his understanding of the meeting tonight as examining the possibility of other ways of financing those repairs and projects. He hoped a good amount of time and effort will be put into examining other ways and means of getting the job done. He stated his perspective that a number of different ways repairs could be made through a combination of measures that will come up with the amount of money needed to get the work done. He felt there may be a hybrid approach that should be considered, and the issuance and payment of the bonds is not contingent on a one-half percent sales tax increase. He said the only thing the Council needed to do was make sure the debt service was paid each

year, about \$600,000. He said if the bond passes, the Council needs to make sure that amount is paid each year. He said it could be paid over time without drawing down reserves.

Bob Sivertsen, 3817 Alaska Avenue, said he realizes there is a problem with the bridges and we need to fund that, but we have other problems with infrastructure – road systems and pipe systems – that need to be built and repaired. He didn't feel that a plan to draw down reserves to a point where maybe the sales tax won't recoup them was good, and we'll go to a mill rate increase at some point if that is done. He felt the decision to be made by the Council should be more long range, looking at other infrastructure issues. He said he is in favor of a one-half cent sales tax, and he understands that he and his children need to drive on the roads, use the bridges, and the water needs to run downhill.

David Wieler, 103 Edgecliff, said he hates sales tax. He explained he has to collect it as a businessman, and it is a real pain. He said even though he hates sales tax, the City needs to think of other issues such as infrastructure, and it looks like sales tax is the place to get the money for the repairs that are needed.

Mayor Weinstein thanked everyone for their comments, and he said if emails have not already been sent to legislators urging them to appropriate State money for these projects, feel free to do that and copy him. He hoped the Chamber could urge its members to do that, and if the legislature hears from hundreds of Ketchikan's citizens it would be very helpful.

NEW BUSINESS

Analysis of 2009 General Government Annual Budget for Funding Alternatives to Undertake Repair and/or Replacement of Municipal Bridges and Trestles

Manager Amylon explained the discussion the Council had regarding the ordinance establishing a half-percent sales tax, reminded the Council asked that staff not bring the ordinance back in second reading until the Council had opportunity to determine if there were alternative ways to address the bridge issue. He said he and Finance Director Newell prepared the report in the packet material giving an overview of the 2009 budget, and then tried to go through the capital budget to see if there were projects that potentially could be deferred in 2009, and fund the repairs/replacement of the bridges that are going to be needed this year.

He said there is a way to do that, but it is an option that staff is not recommending any more than trying to fund the cost of the repairs through reductions in staffing. He stated the bottom line from staff's perspective is we know right now there is \$11.6 million worth of work that needs to be done. He stated recognizing the concerns the public might have over a bond issue of that size, staff came back and recommended the bond issue be downsized to \$6.6 million, along with the increase in sales tax, which should provide a revenue stream sufficient to pay debt service and provide additional funds for ongoing repair and replacement of bridges. He said if the Council elects to try to fund repair and

replacement out of this year's capital budget, it can be done. He related his fear of knowing what is ahead of us. He explained by deferring and drawing down reserves the Council will start to dig itself a hole that is going to be very difficult to climb out of, depending on what decisions are made relative to capital projects in the future.

Manager Amylon pointed out staff didn't touch the General Fund reserves, and the reason is two fold. He agreed with concerns relative to the uncertain economy, and if cruise ship numbers fall in 2009 and sales tax decreases, the City will need the hedge in General Fund reserves to deal with that. He said beyond the other expenses that are outlined that have not been budgeted for, which may be on the horizon, such as the drainage issues and certain others, there are outstanding collective bargaining agreements with Fire, Police and IBEW. He noted depending on where those go; the Council will need the General Fund reserves as a hedge against that.

He added last night the Borough Assembly gave direction to its staff relative to the City's funding request for bridges and trestles, and certain port projects, to potentially make available up to \$1 million to the City. He explained although the discussion focused primarily on Creek Street, for which the City requested \$900,000, late this afternoon the borough manager contacted the Port and Harbors director. He said his understanding of the conversation is the City will be lucky to get half its request for Creek Street.

Mayor Weinstein said that was a little different than what the Assembly stated last evening, and perhaps the City can explore that. He stated there are Councilmembers and citizens who spoke to different members of the Assembly about the importance of that and working with the City in an effort to keep taxes from going up. He urged people to do that again.

Manager Amylon said there are probably combinations of the alternative and if the Council wishes, staff could look at them. He said staff's concern is taking a balanced approach, not to dig a hole that will be difficult to climb out of, and have to resort to a mill levy to fund the expenses that staff knows are coming.

Mayor Weinstein said his notion of the meeting tonight is to have an initial discussion, get questions answered, and if not answered, get some questions to the manager that can be answered at a future meeting. He said then there could be a meeting in about two weeks, about the last week of March when other councilmembers are present, go over it once again, and proceed at that point. He said, while this is not a work session per se; unless someone wants to try to get a motion passed, see what questions the Council may have that could be answered tonight or at the next meeting.

Councilmember Coose agreed, but commented the Council needs to put a stop on some capital project spending so that the City doesn't end up in a hole. He felt things are proceeding forward, and the Council needs to put a stop to it. He felt a couple that have already been started may need a stop put to them as well.

Councilmember Freeman said with a half-percent sales tax increase, the Council is talking about a \$6.6 million bond if the Council tries to cash it out, but we're actually

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talking about \$11 million. He said that is a little different and people need to realize that the Council is not considering \$6.6 million on a cash basis. He stated the City has a pretty healthy reserve, which he has griped about, but every time he has been informed there has been an impending crisis. He felt the Council needed to take a hard look at what percentage of reserves the Council is willing, or can or should, live with. He said he doesn't particularly care to get into personnel, but he wanted to end up with a reasonable estimation of what we actually can do, which he didn't feel was currently represented. He hoped the Council will come up with staff direction to bring the Council some realistic numbers of what actually can be done without killing ourselves.

Councilmember Williams said he is happy staff identified the capital projects, he doesn't want to raise the sales tax and he has the same concerns as anyone else. He didn't think a bond issue at a future time is a bad idea, and next year might be it. He said this year he would like to see the Council more concerned with looking at the capital projects and what can be funded with cash. He didn't feel it all had to be done in one year and there are things that can be done to finish these projects in two or three years. He didn't like jumping into more taxing, more bonding and more spending, and he felt we should take a look at what the season is going to bring and what the economy is going to do. He said being conservative is the right approach, and the Council can come up with \$4 million to start on these projects, and it won't hurt the reserves. He related businessmen have been worried in the Caribbean, but during their big two months they were very happy. He hoped this held true for us. He said we really need to look inward at our facilities, our roads and our bridges, and see how we can take care of them first. He said it may delay the library project and the fire station, but these things we'll always be working on.

Mayor Weinstein said the question is whether the City can afford \$600,000 without a tax increase. He felt probably it can be done for an initial period. He said it seems there can be some mix, which was what he was suggesting.

Councilmember West said we don't know what we're getting with the storm drains and there are some efficiencies and economies the Council can make, such as a hiring freeze although she is not looking at cutting present positions. She said she understood the concerns about losing business to Seattle, but we're talking about \$0.50 on \$100.00. She didn't see how the City was going to avoid doing something like this, maybe not this year but soon. She pointed out Grant Street is closed off because it is washing out, and there are some other huge problems that are not even on the table tonight like the storm drains.

Mayor Weinstein said if the City could find out if it were getting \$1 million from the Borough, there is a big chunk. He noted the City has already spent almost \$3 million and counting, and part of the bond was to pay that back. He said, alternatively, the Council could elect not to pay back the Public Works Sales Tax Fund and use the \$6.6 million perspective. He advised we're getting pretty close to the \$11 million by the time that is all done, and the question becomes whether the City can eat the \$600,000 for a period of time. He said it is something to think about, and we do need to get an answer on certain disturbing information heard tonight, and we need to have the Assembly vote on what

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they're doing. He related his understanding is that they signaled their intent to pay for the Creek Street project, essentially, with CPV tax.

Councilmember Freeman said outside of his problem with the amount of reserves we have on tap, which has been ongoing, he felt there was a method to look at some of the money that is involved in that. He said there is an area that tends to annoy him that he calls placeholders, which is line items where we have traditionally spent \$1,000 to \$2,000, and we've traditionally budgeted \$10,000 to \$12,000. He said this reflects a budget that contains false numbers, because it is unrealistic. He said when we're flush, it isn't something people want to spend a lot of time on; however, he felt there is a significant amount that is unrealistically budgeted.

Councilmember Coose echoed Mr. Freeman's comments, and he provided an example of a discussion he had with the finance director. He felt the Council needed to do a better job of controlling expenditures and people thinking they need to spend it or they aren't going to get any.

Mayor Weinstein asked Manager Amylon to submit a letter to the Borough Mayor and Assembly asking them to verify via action their intent.

Councilmember Coose said his concern is there are still projects in the works and those can be awarded before the Council meets again. Mayor Weinstein reminded the Council awarded projects, and Councilmember Coose said that is not applicable in all projects as there are some \$35,000 or \$40,000 projects that aren't required to go before the Council. He spoke to the Hansen software upgrade, noting it is not compatible with the City's system. He continued that he would like to see a letter back from the Borough and the Council should schedule the trestles so they can be programmed out over time.

Manager Amylon said Finance Director Newell verified the Hansen software upgrade will be compatible with the general accounting system. He said his understanding of the Council's action was if it was verified as compatible, staff could proceed.

Councilmember Williams said he didn't find a problem with the budgeting, and the Council needed to focus on looking at the capital side where there is real money to work with.

Mayor Weinstein said let's get information from the Borough, and if people have questions about the budget they can be answered between now and April 1st.

Manager Amylon said staff will look at sequencing the work beyond 2009.

Councilmember Freeman felt the Council should indicate they appreciate and will accept what has been proposed by the city manager as a good start, and the Council needs to go just a little bit further. He felt a good look at reserves needs to be taken, and while he appreciates a good pillow, sometimes you have to settle for a little less.

MAYOR AND COUNCIL COMMENTS

Councilmember Kj Harris said he was glad the Council is going to look at the budget again to find some other ways to save money before we tax everybody to get another half percent.

Councilmember West said at some point there was a specific number the finance director was recommending for a budget reserve, and she would like to see essential numbers for budget reserves we need to maintain on all the funds. Manager Amylon said staff would provide these numbers. She stated she was not for sales tax either, but it shouldn't be taken off the table just yet. She felt the Council needed to exhaust the other options, and as onerous as a sales tax would be, it may be the best solution.

Mayor Weinstein again urged people to contact our legislators because if we can get a few million out of the State, a million from the Borough, etc. we may be able to put together a reasonable financial package to repair bridges and trestles. He stated, one way or another, citizens will insist the City government fix those City streets no matter what they had to do to accomplish that. He said sales tax is not the first option, and it hasn't been raised for quite some time.

Councilmember Coose thanked Manager Amylon for identifying capital projects that the Council can possibly defer and the Council needs to look at them hard. He felt there were still some projects on the other list that can be delayed and the Council needs to look at them as well. He said the trestles needed to be fixed and the Council needs to look at how they are going to be paid for.

ADJOURNMENT

As there was no further business, the Council adjourned at 7:51 p.m.

Bob Weinstein, Mayor

ATTEST:

Katherine M. Suiter
City Clerk