

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:01 p.m., July 9, 2009, with the following members present: Dick Coose, Charles Freeman, Jason Harris, Kj Harris, Matthew Olsen, Robert Sivertsen and Marty West.

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

Staff present were Manager Amylon, Assistant Manager Martin, Finance Director Newell, City Attorney Bradford, Acting Executive Director of Gateway Center for Human Services Medford, Police Chief Talik and City Clerk Suiter.

**COMMUNICATIONS** – None

**PERSONS TO BE HEARD** – None

**NEW BUSINESS**

**State Fiscal Year 2010 Comprehensive Behavioral Health Treatment & Recovery and Alcohol Safety Action (Adult and Juvenile) Program Grant Awards – Gateway Center for Human Services**

Manager Amylon reminded the Council had directed staff to file the application for behavioral health funding predicated on the status quo. He noted two applications were submitted, one in the amount of \$1.2 million and the other for ASAP/JASAP for about \$90,000. He advised staff was notified on July 1 that the comprehensive grant had been cut about \$595,000 and the ASAP/JASAP grant was awarded in the amount requested.

He stated based on that, staff did an analysis which is included in the report of different funding scenarios relative to maintaining the status quo predicated on the grant funding that we can expect from the state in the 2010 fiscal year. He said if we retain the status quo, maintain staffing and offer the full array of programs, including in-patient and out-patient substance abuse treatment, the deficit projected for the 12-month period goes to about \$2.26 million. He continued if Council elects not to do in-patient substance abuse, the deficit would be decreased to about \$1.6 million. He commented traditionally the Council has given direction that they would like the subsidy for Gateway to be equal to approximately 1 mil of property tax revenue, which is about \$768,000.

Manager Amylon said he and Finance Director Newell discussed it at some length, and they do not feel either of those two operating alternatives are viable options the Council can consider, particularly in light of the demands that we know are on the horizon for the hospital. He stated the hospital sales tax fund cannot support that kind of expense. He related staff returned back to the position taken in April, that positions needed to be cut and they developed a couple of additional alternatives.

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Manager Amylon continued Acting Executive Director Medford and Finance Director Newell looked at the staffing at Gateway and tried to look at it in the context of what has to be done to maintain compliance with the pending grant award and how to get the biggest bang for the buck relative to the staffing that would be left. He pointed out in the report it noted about 14 positions, but it is actually about 13.1 positions, of which four are currently filled. He explained if the Council were to eliminate those positions, and contract with Tongass Substance Screening for in-patient substance abuse treatment, the deficit would be about \$1.4 million. He said if we did not do in-patient substance abuse services and made position reductions, the deficit would be about \$867,000, which is about \$100,000 more than a one mil equivalent.

Manager Amylon stated when staff was notified on July 1 of the comprehensive grant we had 15 days to appeal, so appeal would be due July 16<sup>th</sup>. He reported the state has yet to forward the scoring criteria, the ranking criteria, and they told staff it would be out sometime this week. He said in the meantime the state is refusing to talk to staff about the grant award or a basis upon which an appeal could be submitted if that is the direction the Council wanted to go. He pointed out staff has drafted a letter which is based on the information that is available to us.

Mr. Amylon pointed out officials at the state have already commented they are preparing to do another funding solicitation for what staff believes to be substance abuse grants. He found this to be an interesting revelation in light of the fact that staff hasn't even had an opportunity to file an appeal yet. He also pointed out that staff has given due consideration about how in-patient substance abuse would be performed long before the applications, and staff outlined the proposed program to Marilee Fletcher of the state and at no time did she indicate there would be insurmountable problems going in that direction. He related that Ms. Medford and Ms. Scofield attended a scoring meeting in June and learned of issues that were potentially there relative to state procurement. He said if that was going to be an issue, staff should have been advised way back when and to a certain extent staff has been led on a wild goose chase relative to what they were hoping to accomplish.

He stated he was at a loss to comprehend how the state can be looking to cut mental health and substance abuse funding for this community in light of the recent issues we've been trying to grapple with. He reminded the Council wanted some indication of staff performance, and the subject was touched on briefly in the report. He felt, under Ms. Medford's direction, she has really tried to set the right tone and some progress has been made. He said if we hope to get to the threshold of billable hours we want to, it is going to take significantly more time. He emphasized he is not saying it not doable, but he didn't know if Gateway would ever get at the 65% threshold that management believes is where we need to be.

Manager Amylon reminded another thing the Council wanted staff to look at is a timeline for transition to get it to a not-for-profit agency. He explained while staff believes at the management level ideally they would like to have about 36 months to do that, if push

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came to shove it might be able to be done in 24 months. He added to what was not in the report, that he personally believes if the Council wants to go in that direction a professional would have to be hired for the process. He concluded that it is not really that much different from what the Council was told in April. He noted given the fiscal implications, not only Gateway in and of itself but City-wide, he didn't believe the agency can continue to operate as it has in the past. He felt, at a minimum, we have to look at those staffing reductions. He said if the Council wants staff to file an appeal it can be done, but he is not overly optimistic that we will have a great deal of success. He recommended in the meantime the Council take no action until the body decided whether or not an appeal should be filed, and if so, no action should be taken on the grant agreements until we know what the outcome of the appeal will be. He reminded if the appeal isn't filed, what essentially is being done is coming to terms that Gateway will not be offering either in-patient or out-patient substance abuse treatment services. He said there is no money, the state is not funding, and he didn't believe the Council is in the position to take that funding internally.

Councilmember Kj Harris commented that he wanted out of Gateway, and if he understands right, it is a state job. He felt the state needed to step up and take their responsibility. He said he didn't want to close the doors tomorrow, but he wanted to turn it back over to the state.

Councilmember Freeman commented he felt the City ought to get out, but it ought to be done in an orderly manner. He asked if there was a plan to privatize it, to which Manager Amylon replied no. Councilmember Freeman questioned what it would take to get there.

Manager Amylon said with everything else we have on our plate, we need to go out to find someone to spearhead that effort on the City's behalf. He noted we'd be looking to incorporate the organization as a not-for-profit, and they will have to figure out what to do and how to do it. He explained there will be issues such as whether it should be turned into a not-for-profit, should they have the facilities at Gateway – which will have related implications from facility construction grants.

Councilmember Freeman commented what he got out of the state report was a lack of faith.

Councilmember Kj Harris asked if it was the City's responsibility, and he wanted to transition correctly.

Manager Amylon stated if we advise the state that we're done on whatever day the Council establishes, it is his belief that they will try to find another provider for what we've been doing. He noted the question will be how do we sync those two efforts. He said the other way the Council could go is what was tried in the past, and try to spin it off as an independent not-for-profit and get state sign-off on that. He felt that would involve the City keeping the grants until we can get the organization up and running, and then go through an assignment process.

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Councilmember Freeman opined we cannot just walk away and leave people hanging. He felt the Council needed to make a decision tonight as to whether we are going to stay in the game or not. He stated he did not want to stay in the game. He explained we need to come up with a transition program that is not going to leave clients hanging out there. He stated he supports a rational transition, and the City is going to spend a lot of money one way or another.

In response to Councilmember Jason Harris, Renee Schofield of Tongass Substance Screening said her business is working on how much they can contribute. She explained part of the plan of them working with the City was the funding from the City would fund the indigent beds, the folks who couldn't pay when they came to KAR House. She stated the advantage they have as a private operation is they can have marketing all across the nation, not just in the service area, for the grant so they'd be able to pull from the Pacific Northwest and other areas of their own state. She continued without this funding, the challenge now is how to fund the indigent folks who cannot pay because otherwise she has to turn them away at the door. She stated they are working on it, but there is no really good answer. She said they would be able to bill for both Medicare and Medicaid patients, but she pointed out that Medicare and Medicaid rarely pay for substance abuse treatment. She said the plan was all the out-patient folks would go to Gateway, and now we're in the pinch of how we work that.

In response to Councilmember West, Ms. Schofield stated the people at the grant review did not understand the funding was for indigent people. She explained she and Ms. Medford were not allowed to speak or to address the review people, nor are they allowed to ask questions. She said it wasn't clear to them, and they didn't understand what they were reading and the review panel couldn't ask questions. She also pointed out they are only a small piece of the process, after which it goes to the Department which does a further review.

Ms. Schofield answered questions from Councilmember Coose, noting the KAR House facility is free and clear to the City to use as they wish. She gave a rough estimate of \$60,000 of getting them six months down the road to start building the indigent pool. She pointed out the folks who can pay are not the issue, but most who come to treatment don't have money and are at the end of their rope. She said she would have to turn them away at the door unless something gets figured out. She explained they are working with different organizations to find out what pools of money can be drawn from to get indigent people into treatment. She felt if the doors are closed there would be more death in the community.

In response to Councilmember Sivertsen, Ms. Schofield said she was so shocked the grant came back as it did, but it certainly doesn't hurt to appeal because there is nothing to lose. Councilmember Sivertsen said he talked to Brenda Knapp about how the state plans things, and apparently there may be some lacking in detail on a plan, which may have affected the grant. Ms. Schofield said it was interesting that Ms. Knapp spoke to

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him and the newspaper, and TSS is mentioned in the newspaper as part of a Plan B, but that she has never spoken to Ms. Knapp.

Councilmember Sivertsen said Juneau had run a mental health facility and they transitioned away, and he noted they mentioned Mr. Hamilton and Ms. Pierce. He felt this would be our best bet.

Councilmember West said Mr. Hamilton is already working with Gateway, and he has been asked to consider conversion to a private non-profit. She said he is excellent and he would be in a good position to help us through this process.

Ms. Schofield said there is very little granting money out there for a private, for-profit agency.

In response to Councilmember Jason Harris, Acting Executive Director Medford said everything so far has been very focused on the in-patient substance abuse program, and what seems to be lacking here is there is another whole population beyond substance abuse people to treat. She felt providing care could be done very effectively, and the process over the past 60 days has shown Gateway is overstaffed. She pointed out it was too bad this meeting wasn't held last year at this time before eighteen positions were hired. She said they are at the point of needing to lay people off after bringing them to town. She said they will be able to effectively deliver services with the staff proposal provided. She noted they went through the grant very thoroughly to make sure all the bases are covered. She stated they have been able to identify areas where they can actually capture and achieve 65%. She noted what has been missing from Gateway is group therapy, and if providers add in group therapy with what they are providing individually there is no reason the 65% cannot be met.

Councilmember Jason Harris said he agrees with Mr. Freeman in the aspect of not seeing any clients not receiving the care they need. He didn't feel the City should be running this business and his concern is it will take 24 months to transition. He thought it needed to be done right, but how will it be funded for the next 24 months to get us to that spot. He said there are already other situations in the community that financially are putting a strain on the City, and he is torn between the aspect of turning clients away and not giving them care. He felt the City should appeal the grant, reapply and move toward getting it quickly into private hands.

Councilmember Coose agreed with moving toward the City not being the primary provider of the service because the state needs to do it, but he felt it should be done in an orderly manner. He stated we should eliminate the employees as staff has recommended, and go ahead and appeal the grant but in the meantime put \$70,000 to keep KAR House moving along. He also felt if the City moves that way to hire a transition manager to help privatize.

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Councilmember Freeman pointed out the problem we are going to have is professional staff will not be held. He said PERS is a costly number and we are going to have to start discussing retention bonuses in order to hold people until a transition comes into place. He stated it is not going to be cheap.

Councilmember West said Gateway doesn't work well as a City agency as it is too different an animal to be run. She felt an organization like Gateway needed to have a lot more autonomy and a lot more power in the management, so they have the ability to make decisions. She pointed out Mr. Hamilton asked the City to find someone like Ms. Medford to run the organization, and she has proven capable of turning the organization around. Ms. West said there were five months where there was no generation of billing and no one was there to ask why it wasn't done; there have been credentialing problems; and closer oversight could avoid these types of things. She summarized the staff reduction needed to be made.

Ms. Medford agreed with the Council that the City should be out of the business. She noted she has been working in the medical management field since 1986, and she has never seen something that should be so straightforward be so difficult. She said there have been some decisions made that never should have been made, or should have been made differently. She said the services are highly critical in the community. She did not feel the City should fund Gateway to the amount it was being funded, but it will take someone with background to make that happen. She pointed out there is already an initial plan to move Gateway toward a non-profit, and it was in the best interests of the City, staff and the patients to move in that direction.

In response to Councilmember Coose, Manager Amylon said the City owns KAR House, and if the decision is made to begin to transition to a not-for-profit organization, there are issues to deal with. He said he is hearing the Council is embracing the staff reductions, and the next question is whether or not the Council wanted to appeal the grant. He commented it will not be that much of an effort to appeal, and he didn't think we'd lose anything by it. He stated if the appeal is not successful, the question relative to in-patient substance abuse treatment services will have to be dealt with. He said the City asked for \$438,000, and they could sit down with TSS to find a number between \$0 and \$438,000 whereby they could keep at least some semblance of a program going at KAR House. He said we don't need state approval to do that. He continued the other question is how much of a deficit the City is willing to cover over the next months, and it may be more if a manager is hired to transition Gateway.

Councilmember West said it was unconscionable of the state to think they could do this, and the elected officials and the public are not going to let a situation like this stand with the incredible amount of substance abuse in our community. She felt if the state thinks they cannot give any amount of money to help allay this situation, it is horrible.

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Manager Amylon pointed out staff has not been able to see the scoring sheets. Mayor Williams said if they didn't give us the money to do the program, then we don't have to do it if we don't want to.

Councilmember Sivertsen agreed that the City needs to transition away from Gateway and it would be better served in the hands of a non-profit operation. He felt the City should speak to Mr. Hamilton to come up with a timetable on that, and figure out a cost as well. He said the three issues are transitioning out, re-apply for the grant, and make sure someone is on board to help us.

Councilmember Olsen asked about the timeline to the appeals process, to which Manager Amylon stated staff has to appeal by the 16<sup>th</sup>, but he didn't think the state is tied to a similar deadline.

Councilmember Coose suggested it be dealt with in pieces rather than one long motion.

Councilmember Jason Harris said we have a \$1.1 million deficit over the year, and questioned where we would come up with it to cover this. Manager Amylon said as of tonight, there are \$2.1 million of appropriated reserves in the Hospital Sales Tax Fund. He pointed out variations that might affect this number. Councilmember Jason Harris said he would like to make a clean break of it, buildings and everything.

Moved by Freeman, seconded by West the City Council authorize the city manager to move toward privatization of Gateway Center for Human Services.

Manager Amylon explained if the motion passes, there are two things that would take place at the meeting of the 16<sup>th</sup>. He said Mr. Hamilton will be contacted for a proposal. He stated if the Council elects not to file an appeal, he will bring forward the grant agreements as they currently stand. He explained if the Council elects to appeal, he will hold those grants in abeyance and if there is another funding round, his understanding is the Council would like to see the City go after that funding.

Motion passed with Kj Harris, Coose, Sivertsen, West, Freeman, Olsen and Jason Harris voting yea.

Moved by Freeman, seconded by Jason Harris to authorize the city manager to appeal the grant agreement.

Manager Amylon explained if the City wins, the money that the City applied for that was cut will get back, and the Council will not be under as much of a financial strain. He stated if we lose, we are no worse off than we are now.

Councilmember West agreed, and Mayor Williams said if we don't appeal, and if we don't get the money and provide the service, the state will have to come and find someone to do the service. He said this a door to walk through.

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Motion passed with West, Olsen, Freeman, Jason Harris, Kj Harris, Sivertsen and Coose voting yea.

The Council took a short break at 8:00 p.m. and reconvened at 8:06 p.m.

Councilmember Jason Harris said he is not crazy at extending this out for two years.

Moved by Jason Harris, seconded by Kj Harris to notify the state of the City's intent to discontinue all services at Gateway Center for Human Services in June of 2010.

Councilmember Jason Harris said when this issue came to the Council in April, he said it was 36 months for a transition to make it clean, and everyone at the table said they wanted out, do it in a reasonable amount of time, do it economically, and didn't want the clients to suffer. He said this gives staff a year to move those patients to other counselors or if the state comes down and says they are closing it down. He expressed his concern that it may get strung out for a very long time. He said he is extremely concerned with the amount the Council is pulling on the reserves. He reminded of the significant issues at the hospital that are going to have to be addressed soon, and the reserves are being drawn down fast. He felt this would give staff time to move patients to other organizations or give the state time to come in and get the care required in place.

Councilmember West said maybe providing a date is an appropriate thing, but no one at the table has any idea what it will take to transition. She didn't feel it was appropriate for anyone at the table to say it can be done in a year just because that's what we'd like to happen, because she didn't feel this is necessarily what is going to happen. She said when the state cuts the out-patient abuse service, there is something punitive there and who knows what it is. She said maybe they're just shoving it back.

Councilmember Sivertsen agreed with Councilmember West, and said we have Mr. Hamilton who can probably better advise on timetables. He felt a timetable could be set at a later date.

In response to Councilmember Freeman, Manager Amylon said it will be at Council's discretion as to whether a new contract will be required. He said the existing contract can be amended, since it is in the realm of professional services and generally those are exempt from competitive solicitations. He expressed until we know what we are dealing with, it is not realistic to set a timeline. He related his concern is leaving people without services.

Manager Amylon suggested letting the state know, in the appeal letter, the Council is going to have to look seriously about getting out of Gateway.

Mayor Williams questioned what are we worried about when the state didn't fund it.

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Councilmember Coose expressed concern about procrastinating, and Councilmember Sivertsen felt it would behoove the Council to wait until the expert is heard from.

After discussion, Councilmember Jason Harris withdrew his motion with the consent of the second.

Moved by Freeman, seconded by West to reduce staffing levels as recommended by the manager.

Motion passed with Sivertsen, Jason Harris, Coose, Kj Harris, Olsen, West and Freeman voting yea.

### **MAYOR AND COUNCIL COMMENTS**

Councilmember Sivertsen said this is a difficult situation for the community, and it is tough to think about.

Councilmember West felt privatization could happen, and that everyone was on the same page. She didn't feel it would be long and drawn out. She described several of the people she met at the GCHS waiting room.

Councilmember Freeman related the DOT may be doing some work along Tongass Avenue, which will cause businesses to remove their marquee or pay \$100 to have it over the sidewalk. He explained it affects roughly 32 businesses in Ketchikan, and it relates to federal funding that is involved in the projects the state is doing along Tongass. He suspected sending them \$100 was a way to get them off your back. He noted the City has spent dollars and time getting businesses to locate marquees over the sidewalk so the rain doesn't fall on your head. He felt everyone should be aware of what has to be put up with from the state of Alaska.

Councilmember Kj Harris said he took down his sign.

Councilmember Coose said nobody wants to see the services at Gateway go away, but the Council needs to move it forward in such a manner that those clients get services but the City gets out of it. He felt that was the intent tonight, and through Ms. Medford's efforts things are starting to improve. He said this still doesn't mean that City taxpayers need to pick it up because it is a program of the state.

Mayor Williams said perhaps a letter could be sent to the state and our legislators and make sure they know about what is going on with the marquees on Tongass. He expressed he was glad the City is moving toward privatization. He questioned how quickly Mr. Hamilton could get back to the City, and Ms. Medford felt perhaps within two to three weeks. Mayor Williams felt it needed to be done as quickly as possible. He stated he would have left the program in the state's hands.

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**ADJOURNMENT**

As there was no further business, the Council adjourned at 8:29 p.m.

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Lew Williams III, Mayor

ATTEST:

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Katherine M. Suiter  
City Clerk