

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:00 p.m., July 21, 2009, with the following members present: Dick Coose, Charles Freeman, Jason Harris, Kj Harris, Matthew Olsen, and Marty West. Councilmember Robert Sivertsen was absent.

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

Staff present were Manager Amylon, Assistant Manager Martin, Accounting Manager Johansen, City Attorney Bradford, Assistant Public Works Director Allen, Water Division Manager Kleinegger, various other City employees and City Clerk Suiter.

COMMUNICATIONS

Mayor Williams said there was memoranda from the manager laid on the table, including: an update to sales tax figures for the first two quarters of 2009, as well as an update on the number of cruise ship passengers to date in 2009.

PERSONS TO BE HEARD

Andrew Mulder said he was an employee of the Wastewater Division and spoke regarding ongoing union negotiations. He stated he was surprised that the Council was not directly involved with union negotiations, and questioned why the City has to pay someone to negotiate for them. He felt some of the money could be used for COLAs and other things, as there are a lot of capable individuals that can make this happen. He explained they were not asking for a whole lot, simply a cost of living increase – not a raise. He hoped the wages could be maintained and that they could get back to the table and get it solved.

Eddie Lucas, speaking for himself and Kathy Holcomb, said we are all in the same boat in wanting to get the negotiations resolved. He read a letter from Ms. Holcomb stating her job in the Wastewater Division, noting she was asking for the same consideration the Council gave the KPU union people, a three percent cost of living adjustment. Ms. Holcomb's letter pointed out she shops at the same stores, uses the same gas stations, hospitals and doctors that KPU does. Mr. Lucas continued they would like to get it all hashed out and taken care of.

CONSENT AGENDA

Resolution No. 09-2278 – Requesting Municipal Assistance Funding from the Alaska Department of Environmental Conservation Pursuant to the State Fiscal Year 2011 Municipal Matching Grant Program for the Ketchikan Public Utilities Baranof Water Reservoir Replacement Project

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Moved by West, seconded by Jason Harris the City Council approve Resolution No. 09-2278 requesting municipal assistance funding from the Alaska Department of Environmental Conservation pursuant to the State Fiscal Year 2011 Municipal Matching Grant Program for the Ketchikan Public Utilities Baranof Water Reservoir Replacement Project; agreeing to provide the local share of projects as required; and establishing an effective date.

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

Resolution No. 09-2279 – Requesting Municipal Assistance Funding from the Alaska Department of Environmental Conservation Pursuant to the State Fiscal Year 2011 Municipal Matching Grant Program for Ketchikan Public Utilities and City of Ketchikan Water and Wastewater Capital Improvement Programs (Jackson Street Water and Sewer Main Replacement)

Moved by West, seconded by Jason Harris the City Council approve Resolution No. 09-2279 requesting municipal assistance funding from the Alaska Department of Environmental Conservation pursuant to the State Fiscal Year 2011 Municipal Matching Grant Program for Ketchikan Public Utilities and City of Ketchikan Water and Wastewater Capital Improvement Programs; agreeing to provide the local share of projects as required; and establishing an effective date.

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

Resolution No. 09-2280 – Requesting Municipal Assistance Funding from the Alaska Department of Environmental Conservation Pursuant to the State Fiscal Year 2011 Municipal Matching Grant Program for Ketchikan Public Utilities and City of Ketchikan Water and Wastewater Capital Improvement Programs (Alaska Avenue Water and Sewer Main Replacement)

Moved by West, seconded by Jason Harris the City Council approve Resolution No. 09-2280 requesting municipal assistance funding from the Alaska Department of Environmental Conservation pursuant to the State Fiscal Year 2011 Municipal Matching Grant Program for Ketchikan Public Utilities and City of Ketchikan Water and Wastewater Capital Improvement Programs; agreeing to provide the local share of projects as required; and establishing an effective date.

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

NEW BUSINESS

2010 Budget Preparatory Work Session with the City Council

Manager Amylon said the meeting was called for the Council to give direction to staff for the 2010 budget. He stated he and the finance director were not really sure what the Council was looking for from staff in anticipation of the meeting, so what staff tried to do was take some projections for 2010, and provide insight for the Council as to where staff thought trends were going, both on a national basis as well as a local basis. He felt it wouldn't come as a surprise that on the national front we are in a severe economic recession, the full impact of which he didn't feel has touched us locally yet.

Manager Amylon continued we are seeing some signs relative to some of the early numbers in 2009. He emphasized the numbers presented were very preliminary as they are based on limited information which is subject to change. He pointed out some things that are going to be happening locally, such as losing a substantial amount of passengers next year. He explained this will affect various aspects of the General Government from the Port to all sectors in terms of the predictions for sales tax losses. He felt the community will be facing tough, challenging times for at least the next couple years, and perhaps the next three or four years.

Manager Amylon said, seeing that future, the finance director and he tried to outline some areas that the Council continuously discusses relative to the application of the budget: everything from revenue projections to staffing projections to what is and isn't an essential service, community agencies, and capital projects. He said those areas are what will materially shape the spending plan for a given municipality. He noted what Ketchikan is going through is no different than what any municipality in the lower 48 is going through as well. He related, based on what he sees on a daily basis, municipalities in a lot of states are confronted by the same issues that Ketchikan is.

Mr. Amylon recommended the Council not look at it solely in the context of the 2010 budget, but rather in terms of the next two, three and four years relative to the resources we have available to us and how we can address what we know next year will be bad and may be uncertain in the years after that. He didn't think the Council will find any one aspect of the budget that will solve the financial difficulties the City may be looking at. Manager Amylon explained the Council will not make up total shortfalls by raising property taxes, nor by cutting staff. He continued the Council will need to determine an appropriate level of funding for community agencies, and whether certain agencies deserve more consideration than others. He pointed out spending will have to be reduced if the Council didn't want to put a significant impact on taxpayers next year. He felt it could be done and not adversely impact any aspect of the budget, but there will have to be reductions. He cautioned the Council that some of the City's reserves are sufficient, but he didn't recommend keeping business as usual and draw them down to the extent needed to balance the budget. He explained if things don't turn around or get worse in

2011 or 2012, the City will want the ability to tax those resources. He concluded it is a balancing act to come up with what the Council deems is a satisfactory spending plan.

Mayor Williams said he wanted to go for a balanced budget, agreeing with the manager there will have to be cuts, possibly add something to the mill rate, make decisions on what kinds of projects to move ahead, go to bonding or not, and proceed with Gateway. He noted there are a lot of options, and he wanted to see the manager bring back a balanced budget.

Councilmember Coose questioned the table outlining wages, asking if it assumed all positions are filled. Manager Amylon replied it was developed to show the Council what it would take to maintain the existing budget and further on in the report, projected fund balances were shown given the status quo. Councilmember Coose continued he assumed contractual services paid for help during vacancies, and asked if there was something built in. Manager Amylon explained the nature of the services, noting it was not just for hiring contractors to fill in for vacant positions. He continued generally the expenses for vacant positions are reflected in the overtime or temporary salaries.

Mr. Coose also questioned the amount of revenues, and Manager Amylon explained some revenues that are minor in nature are not reflected in the figures as the table shows the major categories in terms of taxes and major services. Councilmember Coose continued by asking about the \$2 million that is transferred from the Public Works Sales Tax Fund to the General Fund, and Manager Amylon said is an operating transfer to help balance the General Fund, which has been a traditional Council policy. He further clarified the amounts shown. Councilmember Coose questioned the reserves of the Solid Waste Fund, and Manager Amylon explained some of it is dedicated to future landfill closure costs. He noted the agreements for the areawide fee with the Borough and Saxman have expired, and staff is attempting to renegotiate those.

Councilmember Coose questioned the cost of living increases, and Manager Amylon pointed out how much of a mill it would be. He also explained employee step increases.

Councilmember Kj Harris spoke to the non-profit agencies, stating if he had his way the Council would go down the list, pick some to stay, some to go and everybody takes a 20% hit. He said he would talk about a mill increase, but he is not prepared to do anything about it yet. He addressed capital projects, noting it was real tough. He said layoffs may be coming, which was the hardest part of his job.

Councilmember Freeman asked about the projected shortfall in revenue, to which Manager Amylon replied it was in the neighborhood of \$1.5 million to \$2 million, depending on what happens next year. Mr. Freeman commented regarding the items laid on the table showing the passenger count isn't as bad as anticipated and that sales tax revenues were actually down, and he felt this reflected discounted tickets. He said the cruise ships are doing all they can to fill the boats, and the people are not spending much money while in port. He related he was not willing to talk about any kind of a millage

rate increase simply to maintain a budget without taking a harder look at what the Council should be doing about it. He also felt the Council could arrive at a reasonable balanced budget without tampering with the rate, and without putting the City in danger of running out of funds. He would like to see the Council maintain as closely as possible what we've got without any layoffs or without any millage increase, and he thought we could get there. He continued he'd like to see a general role for management to come up with a budget that reflects his comments.

Manager Amylon said he has had extensive discussions with the finance director, and they felt they could get the Council a millage rate that is the same as 2009, depending on Council direction relative to future collective bargaining. He noted this is scheduled for the August 6 meeting, and he related it will be very difficult to produce a budget that is balanced that maintains the level of spending with the current workforce. He reminded that 14 positions were eliminated at Gateway, and if the projected numbers materialize in 2010 it will be tough. He explained under the best of circumstances it will take three to four years to get the industry to bring the ships back that are not scheduled to come here in 2010.

Councilmember Freeman said there is a mythology that the reason the cruise ships aren't showing up is because of the statewide head tax, which he felt was patently ridiculous. He felt the reason they are not showing up is because they aren't making money, as there is not the ridership. He explained they are here to make money, and as long as they continue to do that they will continue to come here. He said people are watching their money.

Councilmember Olsen asked when Steve Hamilton's report will be done in the terms of Gateway Center for Human Services, and Manager Amylon explained Mr. Hamilton will be meeting with staff the first part of August to discuss the concept. Mr. Olsen continued by questioning grant funding, and Manager Amylon explained staff is aggressively pursuing funding on a number of fronts. He noted generally the grants are related to capital-type procurement as opposed to operating expenses, although the Fire Department has had some success in getting some money in small amounts to help defray operating expenses.

Councilmember Olsen pointed out that the School District's enrollment was 2120 in terms of population, and the District was able to attribute that to the Coast Guard not bringing in families. He expressed agreement with Councilmember Freeman in terms of the cruise ships, and said we might have hit a peak and are coming back down to what may be the reality so we have to adjust our future spending based on that. He felt we need to look at alternative means, such as grant funding, in the short term, but he hated to put the government in a decreasing pattern. He explained he would like to see a holding pattern, but governments are slow to react in times of excess and times of decrease, and the government should be a stabilizing force. He continued for the Council to make any serious dramatic decreases at this time would hurt the local economy much greater than the decreases going on outside our community. He said we are affected by it, but if we reacted it would hurt us a lot.

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Councilmember West asked if the grant funding being provided by the state for bridges and trestles would be sufficient, and Manager Amylon said it would not do all of it. He explained it would take care of all that is programmed for 2010, and it will probably pick up the cost of design and project inspection for the replacement of Water Street Trestle No. 2, the cost of which is estimated to be in excess of \$11 million. Ms. West asked about the rate of inflation, and Manager Amylon said it is in excess of three percent. Ms. West asked if there is any idea of how much money an increase in the sales tax cap would generate, and Manager Amylon replied it was unknown. He explained it was discussed extensively by the Borough and City a few years ago, and the Borough subsequently adopted an ordinance that was contingent upon the City following suit.

Councilmember West questioned how much money each year was passed along to consumers, and Manager Amylon said last year it was in excess of \$1 million. She commented if the City eliminates the diesel charge and increases the water rate to reflect actual costs, the consumers might not see much of a change in their utility bills. Manager Amylon said it would have much to do with the amount of rainfall.

Councilmember West agreed with not having layoffs and trying to maintain the level of employment, but maintaining the level of services is another subject altogether. She noted she would rather have a mill increase than lay off people. She felt the water rates should be raised, and the Council will need to try to make some cuts in the non-profits.

Councilmember Jason Harris expressed disagreement with Councilmember Freeman in regards to the cruiseships. He related to an analysis done by the legislature of the cruise ship industry and the impacts of the \$50 head tax. He pointed out those ships that were coming here in 2010 are simply going someplace else, rather than dry dock. He said if Mr. Freeman's theory is correct and they are not coming here because they aren't making money, why aren't they making money? He explained the cruise ship agencies have pointed out they will pull ships out if the head tax is imposed, and we are just now seeing the impacts of what they said they were going to do two years ago. He felt we would continue to see that trend, and he thought the community needed to take a hard stand on this issue. He related he has watched other industries in this community dissolve because of outside sources having their hands in it, and he felt we needed to take a strong role and not let it happen again.

Councilmember Jason Harris continued by suggesting several other items that can be looked at, some short term and some long term. He brought up the idea of water meters, which could help people conserve, causing less wear and tear on the infrastructure. He said it would be a lot of money initially, but in the long run it would save. He agreed with Councilmember Freeman that we shouldn't have to increase the mill rate or taxes. He said we are paying more in this town for taxes than a lot of communities in the lower 48, but we also provide a tremendous amount of services. He said the Council needs to take a look at the services being provided, and potentially put some of them into private hands. He noted the City is spending a lot of money that the private sector could provide a whole lot more economically. Councilmember Harris continued that the City has a great

workforce that does an incredible job, and they could continue to do those jobs in the private sector.

He spoke regarding the non-profits, which he said he has always struggled with a little bit. He explained there has not been one come to the City, who didn't feel the City should not fund their costs. He noted, for the most part, he agreed with that. However, he stated he was making the decision to use City tax dollars to fund those, and there are a lot of agencies, businesses and individuals who would be more than willing to give to the organizations. He said instead the Council has chosen to use money from all the taxpayers of the community to put into community agencies. He felt a lot of the organizations can go to the community and do events, pledges and lots of different things to get the funding the City would normally just hand to them. He expressed he did not want the City to lower its workforce any more than absolutely necessary, as each one is very important to us and the community. He said he would much rather see these folks step up and go to the community.

Councilmember Jason Harris said the Council should start thinking outside the box, not just for now but the next 10 to 15 years. He discussed assigning police officers a vehicle, making them responsible for keeping the vehicle cleaned and maintained. He said this is as opposed to the City having to order three or four new cars each year and they get run ragged and retired, they will last a lot longer and the amount used for maintenance would be less. He pointed out it is not a lot. He suggested the possibility of putting the Totem Heritage Center into the hands of a non-profit organization. He expressed the City's negotiating team needs to be from those within the Chambers, and having an outside person negotiating has not been the best, and it is time to go back to the table with the City's own staff.

Mr. Harris said there are lot of people in town who have building projects, and a lot of contractors are ordering their materials from out of town so they don't have to pay tax. He related an idea of coming up with some sort of rebate process, that if materials are purchased in town the building permits are reduced, or some similar way. He pointed out if people improve their homes the assessed value is going to be higher and ultimately better for everybody. He brought forward a final idea of early retirements.

Councilmember Jason Harris requested information regarding overtime on page 3, asking how many things were emergent things that needed to be done versus how many things weren't so emergent but still kind of needed to be done.

Councilmember Coose said he knew the Council would either have to hold or reduce the budget based on projected revenues and what is going on. He stated he supported the manager in whatever he does, hold it or reduce it. He said, however, he doesn't support a mill rate increase because the City can make it without it. He continued reserves need to be kept at a maximum of 15%, and that the Council make no layoffs. He felt the non-profits needed to be reduced by a total of 25% to 50%, and he continued that water rates needed to go up maybe 10%. He pointed out COLAs are on everybody's minds, and

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reported the Feds have told social security folks no increases this year. Mr. Coose also addressed spending, and if the City really watched how the money was spent, even after putting up the budget, we can save a little bit of money. He felt the employees can help the Council by suggesting things that would help save money, and which programs they would reduce or cut. He said the Council still needs to make the decision, but their input would be valuable. Mr. Coose said he didn't feel the Council wanted to cut employees.

Councilmember Freeman expressed if a community has some financial issues, raising taxes to serve government is not a solution. He felt if the Council couldn't arrive at status quo on the millage rate any other way, he would not raise taxes. He said he knew what essential services were.

Councilmember KJ Harris pointed out that what was decided tonight may well be changed in the October elections.

Councilmember Olsen suggested looking at combining the health insurance programs with the Borough and School District, in order to come up with a better and cheaper health plan.

In response to Mayor Williams, Manager Amylon commented individually there is not consensus and he is hearing different things from different councilmembers. He said staff will try to put a spending plan together that will provide a balanced budget following the general parameters of what he heard tonight. He said staff won't prepare two budgets, and if the Council wanted to maintain the status quo relative to staffing and certain other programs, it will cost more in terms of the impact on the mill levy.

Mayor Williams said the Council is saying that essential services need to be funded, and some have said they don't want to see a mill rate increase. He related we are at 6.1 and if we went up to 6.5, he didn't have a problem. He noted there are some community agencies such as the seniors he really wanted to fund and others he wouldn't, but it is something the Council will have to deal with. He said if the Council wanted to cut 25% it would be a good idea, but everyone has their favorites. He felt there should be a gradual increase on the water rates, and he is against raising the tax cap. He reminded there is a joint tax committee meeting on Thursday, where the Borough wants to eliminate the business/personal property tax, which will cost the City about \$300,000. He stated he didn't want to see this change, especially at this time of balancing the budget. He discussed another proposal promoting incentives for business, and he hasn't yet made a decision on it. He emphasized everyone wanted a balanced budget, but he is not ready to do any bond indebtedness at this time. He reminded that on August 6 the Council will be talking about employees, and it is something that will be in executive session to give direction. He felt this needed to be addressed and hoped to come up with a solution. After further discussion, he said he would work on setting up a special meeting.

In response to Mayor Williams, Manager Amylon said the finance director has had conversations with the Borough relative to property assessments, and it doesn't look like

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there will be any radical changes in 2010. He pointed out, though, that when getting into 2011 and beyond he would not be surprised to see the market soften.

MAYOR AND COUNCIL COMMENTS

Councilmember Freeman said the City could write the handbook on recession, having experienced the fishing recession, timber recession, and the pulp mill recession – we've been through a lot more recessions than the rest of America.

Councilmember West explained comments she made on the radio about members of the IBEW, when her mind went blank. She apologized for her failing. She thanked everyone for being here, and staff for the information and amount of work that went into the document tonight.

Councilmember Jason Harris also expressed appreciation to staff for their work. He continued the Council as well as the community really appreciate what employees do, because if we didn't have them a lot of things wouldn't happen. He didn't feel this was said enough to the folks who put in each and every day. He said the Council would do their best.

Manager Amylon said we are very fortunate to have a professional and hard-working finance director.

Mayor Williams said there is an addition to the City of Ketchikan, and asked Councilmember Olsen to tell about his new baby. Councilmember Olsen said his wife gave birth to a boy last night, 8 lbs. 5 oz.

ADJOURNMENT

As there was no further business, the Council adjourned at 8:12 p.m.

Lew Williams III, Mayor

ATTEST:

Katherine M. Suiter
City Clerk