

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:02 p.m., December 9, 2009, with the following members present: Dick Coose, Jason Harris, Kj Harris, Matthew Olsen, Jack Shay, 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, Fire Chief Hill, Human Resources Manager Miller, Telecommunications Division Marketing Manager Cushing, Museum Director Naab, Port and Harbors Director Corporon, Police Chief Talik, Acting Public Works Director Allen, Electric Division Manager Kline, Telecommunications Division Manager Abbott, Water Division Manager Kleinegger and City Clerk Suiter.

### **COMMUNICATIONS**

Mayor Williams noted several items laid on the table, including: an update reflecting the disencumbrance of the purchase order for the Library Facilities Replacement and the Main Street Parking Garage; a revised revenue and appropriations summary; a breakdown of the 2010 CIP for the Water Street Trestle Repair and Replacement Design; information regarding the request for funding from the Small Business Development Center; an update related to the Pennock and Gravina Islands cable replacement; a revision to the proposed 2010 Electric Division staffing; an update relative to the Bethe Substation Upgrade Project; a request to increase funding in 2010 for the Whitman Lake Hydroelectric Project; and a citizen's letter expressing support for the library.

### **PERSONS TO BE HEARD**

Renee Schofield encouraged the Council to review the issue related to the Small Business Development Center. She said small businesses are needed to save jobs. She felt it made the City look foolish to not partner in this action. She also encouraged the Council to soften their words when discussing Gateway Center for Human Services, and she suggested alternative language to use.

Laurie Hodne spoke in favor of the Small Business Development Center, stating she is one of those who needs this service to start a business.

Ken Truitt said he attended the memorial service for the police officers killed in Lakewood, WA. He spoke in support of the training officer position for the Fire Department.

Greg Boles said he was glad to see people who are impassioned about their community and care. He spoke regarding lower income people who pay rent, and the possibility of raising the cap on sales taxes. He encouraged the Council to consider putting a flat rate on sales tax for rent, noting he doesn't pay sales tax on his mortgage.

**UNFINISHED BUSINESS**

**Resolution No. 09-2291 – Draft 2010 General Government  
Annual Budget – Deferred from December 8, 2009**

Moved by West, seconded by Shay the City Council amend the 2010 General Government Budget by increasing the beginning funds available in the Public Works Sales Tax Fund from \$4,689,666 to \$5,228,550.

Motion to amend passed with Kj Harris, Coose, Sivertsen, West, Shay, Olsen and Jason Harris voting yea.

Moved by Kj Harris, seconded by Shay to amend the 2010 General Government Annual Budget by reinstating \$23,000 in the Human Resources Division Account No. 60.

Motion to amend passed with Jason Harris, Kj Harris, Olsen, West and Shay voting yea; Sivertsen and Coose voting nay.

Moved by West, seconded by Olsen to amend the 2010 General Government Annual Budget by not filling the vacant position of curator of exhibits in 2010 and retaining the positions of museum attendant and program assistant.

Motion to amend passed with West, Olsen, Shay, Jason Harris, Kj Harris, Sivertsen and Coose voting yea.

Moved by Olsen, seconded by West to amend the 2010 General Government Annual Budget by reinstating the library assistant I and cataloger positions at the library and keep the library open on Sundays.

Motion to amend failed with West, Olsen and Shay voting yea; Coose, Jason Harris, Kj Harris and Sivertsen voting nay.

In response to Councilmember Olsen, Manager Amylon said the Council could transfer from the Public Works Sales Tax Fund to the General Fund, but it was not recommended.

Consideration of the draft budget was deferred to the special Council meeting of December 10, 2009.

**NEW BUSINESS**

**Resolution No. 09-2292 – Draft 2010 Ketchikan Public  
Utilities Annual Budget**

Moved by Jason Harris, seconded by West the City Council approve Resolution No. 09-2292 adopting the budget for the year 2010 appropriating from the Ketchikan Public

Utilities Enterprise Fund for the Fiscal Year 2010 and establishing an effective date.

Moved by Olsen, seconded by West the City Council modify the 2010 Ketchikan Public Utilities Electric Division staffing schedule by eliminating the relief operator/electrician position and restoring the secretary I position and decreasing the 2010 budget for the Salaries & Wages Account No. 11 by \$37,869 and the Employee Benefits Account No. 16 by \$17,000.

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

Moved by Olsen, seconded by Jason Harris the City Council modify the 2010 Ketchikan Public Utilities Electric Division Pennock and Gravina Islands Cable Replacement Project by reducing the request for funding from \$235,000 to \$135,000 and by increasing the estimate for the 2009 Pennock and Gravina Islands Cable Replacement Project by \$100,000 to cover the cost of temporary repairs.

The Council took a short break at 7:52 p.m. and reconvened at 8:00 p.m.

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

Moved by West, seconded by Sivertsen the City Council modify the Electric Division's 2010 and 2011 Bethe Substation Upgrade Project by reducing the request for funding for 2010 from \$500,000 to \$300,000 and by reducing the request for 2011 from \$9,450,000 to \$5,000,000 for a total project cost of \$5,350,000.

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

Moved by Olsen, seconded by Shay the City Council modify the Electric Division's 2010 Whitman Lake Hydroelectric Project by increasing the request for funding for 2010 from \$7,142,000 to \$7,292,000, the additional \$150,000 to be funded from Appropriated Reserves of the KPU Enterprise Fund for a total project cost of \$19,999,028.

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

Manager Amylon reported the challenges that confront the utility are numerous. He pointed out reserves at the end of 2009 are projected to be \$9.2 million. He said the reserves are anticipated to go down to \$3.8 million at the end of 2010. He stated staff is getting much better at estimating capital reserves, and there was a likelihood of reserves totaling \$3.8 million to \$5 million at the beginning of the budgeting process for 2011. He said the current spending plan, if it continues, is not sustainable. He reported we may have to incur principal and interest payment of \$7.8 million for revenue bonds

attributable to the UV Plant and the work that was done on Phase I of Tongass Avenue at the end of 2010. He stated if the budget is adopted as is we will continue to operate at a deficit, and that is why a water rate increase is recommended.

In discussing the Electric Division, Manager Amylon said if we do not want to return to operating diesels, we have to build additional capacity. He explained Congress does not view hydro as either environmentally friendly nor a renewable resource. He said it will take State action to fund Whitman. He continued a rate increase will be necessitated by the capital needs over the next ten years.

Manager Amylon discussed the Telecommunications Division, and if KPU is going to remain in the business additional capital investment is required. He said if the Council decides to get into the cellular business it will require additional significant investment. He continued that KPU cannot raise telecommunications rates and remain competitive in the market. He said it leads to one conclusion, and it will be on the agenda for December 17<sup>th</sup>. He felt there was no choice but to present voters with the sale of the Telecommunications Division because KPU doesn't have the resources available to do what needs to be done for electric and water, and undertake the investment required to keep telecommunications competitive. He pointed out the capital needs are encroaching on the operating needs.

Manager Amylon and Electric Division Manager Kline answered questions from the Council, emphasizing other areas where the utility might be able to facilitate power. Electric Division staff positions were discussed at length.

### **Mayor and Council**

Moved by Sivertsen, seconded by Coose to add to the Mayor and Council budget \$25,000 for the Small Business Development Center.

Councilmember Sivertsen clarified that the \$25,000 would be split between KPU and General Government.

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

No further action was taken.

### **Administration**

No action was taken.

### **Engineering**

No action was taken.

December 9, 2009

Mayor Williams clarified that since there had been a deferred motion on the floor relative to the Small Business Development Center, the motion that was made by Councilmember Sivertsen was actually an amendment and if there were no objections, it would be considered a substitute for the main motion. No objections were heard.

**Sales, Marketing & Customer Service**

Marketing Manager Cushing answered questions from the Council.

Mayor Williams said the budget would be deferred to tomorrow night; no objections were heard.

**ADJOURNMENT**

As there was no further business, the Council adjourned at 9:28 p.m.

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Lew Williams III, Mayor

ATTEST:

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Katherine M. Suiter  
City Clerk