

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:03 p.m., July 22, 2010, with the following members present: Dick Coose, Jason Harris, Kj Harris, Matthew Olsen, Jack Shay, 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, Finance Director Newell, City Attorney Bradford, Public Works Director Allen, Police Chief Talik and Deputy City Clerk Stahl.

COMMUNICATIONS - None

PERSONS TO BE HEARD

Tom Bellanich, a concerned citizen, spoke regarding the water treatment plant and the negative effects that chloramines has on humans and animals. Mr. Bellanich handed out a packet, which included a letter from KPU, chloramines facts, and some photos. Mr. Bellanich was concerned that there would not be a public meeting before the implementation of the facility. City Manager Amylon said he was not aware of these facts and would make a phone call and forward the information presented to CH2M Hill Inc. City Manager Amylon made reference to the July 15, 2010 Council meeting wherein the CH2M Hill Inc. presentation noted over 68 million people across the country were using water treated with chloramines and that it has been approved by DEC. Mayor Williams also mentioned that this was a federal mandate for Ketchikan and there would be more public output.

Lori Clark also stood up and voiced concern about the effects of chloramines if used in the water, not only for drinking but for all uses. Ms. Clark wondered why the letters from KPU went out after the meeting. City Manager Amylon stated it was just brought to his attention yesterday, and his staff is currently scheduling another public meeting with persons who could answer questions on chloramines and its effects, noting the meeting would be advertised.

NEW BUSINESS

**Authorizing Budget Transfers – Modification Proposal
No. 5 Contract No. 09-30, Tongass Avenue Utilities
Replacement Phase II, S&S General Contractors &
Equipment Rentals, Inc.**

Moved by West, seconded by Shay the City Council approve Modification Proposal No. 5 in the amount of \$187,960 to Contract No. 09-30 between the City of Ketchikan and S&S General Contractors & Equipment Rentals, Inc.; authorize a budget transfer of \$15,000 and \$172,960 respectively from the Fire Department's Station No. 2 Upgrade

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Capital Account and from Appropriated Reserves of the Public Works Sales Tax Fund to the 2010 Tongass Avenue Water and Sewer Main Replacement Phase II Capital Accounts; and direct the city manager to execute Modification Proposal No. 5 on behalf of the City Council.

Motion passed with West, Olsen, Shay, Jason Harris, Kj Harris, Coose voting yea; Sivertsen absent

2011 Budget Preparatory Work Session with City Council

City Manager Amylon stated he had two issues he would like to emphasize from a revenue forecast perspective. He stated it is very early in the year and it would be at least two or three months before we have a better handle on the effects of the cruise ship cutbacks. With that in mind, he noted his and Finance Director Newell's intent to do a conservative budget. City Manager Amylon said with more specific direction, they could avoid some of the conflicts encountered in 2010.

Councilmember Coose made a general statement that he would not support any tax increase to support the government and we need to stay lean. Councilmember Coose wanted more information on a few of the capital improvement projects for 2011. He noted the economy hasn't turned around and we don't know what the sales taxes are going to be.

Mayor Williams wanted to know what management meant by keeping the general fund reserves at \$3 million. He continued there are also the bonding propositions, two percent cost of living increases for union and non-represented employees. He stated everything is on the table, the City has expenses coming up and he didn't know if we could absorb them without a tax increase.

Councilmember Jason Harris stated his concern is that the federal government has been doing a lot of spending and we will all have pay for that. He felt it was fortunate we live in a State doesn't tax us too badly, and further a lot of people live here because of the programs Ketchikan has to offer. He expressed he struggles with increasing taxes.

Councilmember Kj Harris stated that there are things we want and things we need, and we need to stop wanting because we don't have the funds. He felt he could not support any kind of tax increase, but if the bonds pass we may have to increase taxes to make that payment.

Councilmember Shay stated the State of Alaska is in fairly good shape. Quite possibly the gloom around is not as bad as we think. He was not in favor of a tax increase

Councilmember Olsen felt that staff is doing a great job. He expressed with Bond issues, library and fire station funding, hopefully we can get additional funding from other sources that will at least reduce the cost. He wondered if things could be staggered to

make them work. He did not believe in a tax increase either. He felt if any increase it would have to be sales tax, not property tax.

Councilmember West questioned the impact of having Gateway. She wanted to know the projected amount that we have to pay to Akeela over the next three years. Finance Director Newell said this obligation would end in 2012, and there would be some savings.

Property Tax Policy

Mayor Williams stated the consensus of the City Council is to direct the city manager to program no increase in the mill rate for the 2011 budget.

Services Provided by the City

Mayor Williams stated the Council could either do across-the-board decreases for all services or just non-essential services or leave the budget as programmed for 2010.

Councilmembers had questions as to what comprise essential and non-essential services. City Manager Amylon defined public safety and public works as essential services in the context of the General Fund. He emphasized the discussion this evening was more oriented towards the General Fund.

Councilmember Jason Harris requested the city manager to outline a few of the services that would be considered non-essential services.

City Manager Amylon said generally those services would be the Museum, the Heritage Center and possibly the Civic Center. He explained ultimately the Council would decide what will be defined as essential and non-essential services.

Councilmember Kj Harris did not want to cut the fire and police or the public works force, stating support for them as essential services.

Mayor Williams asked if anyone had a problem with leaving everything on the table.

Councilmember Coose commented the City may not be able to afford to fund some of these services to the maximum level for the number of tourists that are in town. He felt there has to be a happy medium and he suspected staff was looking into that.

Councilmember Olsen thought we should be looking at the deferred maintenance items such as bridges, trestles, and water and sewer systems. He explained the City has such an aging infrastructure that he would like to see more exact replacement schedules on these items. He thought we should be coming up with a plan now, rather than three years from now.

Mayor Williams stated it was the Council consensus to direct the city manager to keep everything on the table and not decrease the level of services to be provided by the City to its citizens in 2011.

Capital Budget

Councilmember Coose felt that everything in the capital budget, unless critical, is on the table to go away. He felt the Fire Department didn't need a new rescue/management vehicle, and the Civic Center didn't need parking lights and video surveillance this year. He wanted to know more about City Hall building maintenance regarding siding and roof replacement.

City Manager Amylon explained there is a significant amount of water infiltration coming in from the siding

Councilmember Olsen asked Public Works Director Clif Allen to briefly explain why public projects are general more expensive to complete when done for the City. In response to Councilmember Olsen, Public Works Director Allen gave several reasons.

Councilmember Shay mentioned the City is required to pay Davis-Bacon wages, which contributes to the added cost of these projects.

City Manager Amylon wanted Council to keep in mind that in the fall Tetra Tech will have their report detailing storm water issues. He informed these issues will have to be addressed, and questioned how the City will finance these issues when the budget is put together. He stated any critical storm water drainage projects that have to be addressed immediately would be funded out of the Public Works Sales Tax Fund.

Councilmember Coose wanted to know when the commercial passenger head tax would be in place. Mayor Williams indicated not this year but the next. Councilmember Coose thought the Council should start looking at a list of projects to review in conjunction with the head tax money so we get the right projects that benefit the community and the cruise lines.

Councilmember Olsen reiterated the need to look ahead and plan our projects out so we are not taken by surprise.

Mayor Williams summarized based on the comments made by the Council, the city manager is directed to program the capital projects for 2011 as generally outlined in Exhibit A.

Cost of Living Adjustment

Mayor Williams expressed his opinion that the best way is to program a two percent cost of living adjustment for represented and non-represented employees across the board.

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Councilmember Olsen spoke about possibly using some of the recent savings on the City's insurance premiums towards this cost.

Mayor Williams asked if anyone had any problems with the two percent cost of living increase across the board for represented and non-represented employees, and none were heard. Direction was subsequently given to the city manager to program a two percent cost of living adjustment for the non-represented and represented employees of the City and KPU, effective January 1, 2011.

Issuance of General Obligation Debt

Mayor Williams noted with regard to the funding of the new fire station we need to be proactive and hopefully the voters approve it. He stated the debt payment for the new Fire Department is included in the current budget, and if the bond passes, the bond payment would be absorbed into the budget instead of programming a mill increase for it as per Council direction.

Councilmember Olsen wanted to know which bonds are maturing. Finance Director Newell indicated the City is not paying any debt services out of the general fund, but the hospital bonds would be maturing in five or six years and the 1994 port bond issues will be maturing in 2014.

Mayor Williams asked if there were any objections to directing the city manager to program no increase in the mill levy to provide for the payment of the annual debt service for the proposed general obligation bond for the new fire station and that payment for the bond would be absorbed into the budget. No objections were heard.

Community Agency Funding Program

Councilmember Jason Harris reminded the Council that the funding for the Ketchikan Visitors Bureau has been separated out from the community agency funding program and was being funded through the bed tax. He noted the actual cost in 2010 was \$330,000 for the community agency funding program. He didn't feel it is a fair thing to the community, as there are some who want to contribute and others who don't. He felt the process was broken and it needed to be fixed.

Councilmember Olsen stated that he had a lot of consternation about this issue. He expressed there wasn't an agency on the list he didn't support a hundred percent.

Moved by Olsen, seconded by Shay the City Council place all community agency funding requests under the KPU budget.

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

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Mayor Williams stated the Council is still discussing community agency funding possibly at the same level as 2010 for 2011, and asked if there were any other ideas.

Councilmember Jason Harris indicated perhaps this issue is worth a special meeting, because a lot of time is spent on this during budget time. He felt as a Council they should take responsibility for this, and bring it out to see what other people think.

Mayor Williams stated the bottom line is how much do we want to spend. He suggested possibly giving the agencies a set amount, and have a committee distribute the funds.

Councilmember Shay encouraged any brainstorming along these lines to save a lot of the Council's as well as the community agencies' time.

Councilmember KJ Harris stated it is not the City's job to support these agencies. He said we have supported these agencies for twenty years, and people are tired of their tax dollars being spent on these agencies they don't necessarily support.

Councilmember Olsen said the unfortunate aspect is that we don't have the community base to support these agencies so they are able to succeed. He pointed out without the City's funding some agencies would just cease to exist.

Councilmember Shay stated not only do we need to keep seniors here, we need to maintain the quality of life that all of these services cover in order to retain critical employees, including all of our professional people.

Councilmember Coose disagreed that we are taking public funds and distributing them the way we want to, and what we do for some we should do for all.

Councilmember Jason Harris pointed out if it is important for the community, then it's important for the programs to exist, but there a lot of people in the community that don't want to contribute to these organizations. He said they have a really hard time with their tax dollar going to community agencies, and in this day and age of computer systems that do amazing things, he suggested perhaps it possible that we can set up a way that if you want to contribute to the organizations that you support.

Moved by Jason Harris, seconded by KJ Harris the City Council direct the city manager to program the funding of the community agency funding program with a 10% decrease from the 2010 funding amount.

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

The Council took a short break at 8:05 p.m. and reconvened at 8:14 p.m.

Water Rates

City Manager Amylon indicated with the aging infrastructure of the water and sewer systems, the cost for the multiple combined water and sewer projects will be our biggest challenge over the next five years. He stated without an increase in water rates, the current rates will not support these upcoming projects.

Mayor Williams asked if there were any other comments. None were heard.

Mayor Williams, with the Council's consensus, directed the KPU general manager to program a fifteen percent water rate increase for 2011

Wastewater Rates

Mayor Williams directed the KPU general manager to program a five percent wastewater rate increase for 2011.

Councilmember Coose commented that he supported the Council's decision on water and wastewater rate increases, but he wanted to let the public know that the total increase was \$7.21 per month.

Councilmember Olsen asked if we have studied the impact of the water haulers and how much they're using. City Manager Amylon responded that staff will be coming forward with recommendations as part of the proposed budget.

City Manager Amylon reiterated we are very early into the fiscal year relative to having a better feel for where we are. He felt the Council has definitely given staff direction tonight, and staff will submit a budget in accordance with that direction. City Manager Amylon continued that with all due respect it is his job to tell Council if the budget presented is a responsible spending plan, and conversely, if the budget presented is not sustainable that he and Finance Director Newell will outline the measures the Council will have to take in order to get the this funding plan where it needs to be.

MAYOR AND COUNCIL MEMBER COMMENTS

Councilmember Shay stated that he was glad to have this special meeting; he thought it was a good introduction to the budget process.

Councilmember Olsen indicated after reading through this packet and reviewing last year's budget he thinks we are going to find ourselves in a much better situation than we think. He continued with the reserves and the money we receive, he thought the Council could again do a no-rate increase in terms of taxes and keep our current staffing and services for 2011.

ADJOURNMENT

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As there was no further business, the Council adjourned at 8:42 p.m.

Lew Williams III, Mayor

ATTEST:

Kim Stahl, Deputy City Clerk