

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:00 p.m., December 6, 2011, with the following members present: Sam Bergeron, Dick Coose, DeAnn Karlson, Matthew Olsen and Robert Sivertsen. Councilmembers Kj Harris and Marty West were absent.

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

Staff present were Manager Amylon, Finance Director Newell, Marketing Manager Cushing, Police Chief Bengaard, Electric Division Manager McConnel, Acting Telecommunications Division Manager Lindgren, Water Division Manager Kleinegger and City Clerk Suiter.

**COMMUNICATIONS** – None

**PERSONS TO BE HEARD** – None

**UNFINISHED BUSINESS**

**Resolution No. 11-2420 – Draft 2012 General Government  
Annual Budget – Postponed from December 5, 2011**

**CIP Projects**

Port and Harbors Director Corporon and Manager Amylon answered questions from the Council.

Moved by Coose, seconded by Olsen to earmark the past two years of Raw Fish Tax Funds to the proposed drive-down ramp.

Motion passed with Sivertsen, Bergeron, Coose, Olsen and Karlson voting yea; Harris and West absent.

Mayor Williams suggested that staff discuss the replacement of South Floats 9 and 1N with the Borough to determine their level of interest.

Moved by Coose, seconded by Sivertsen to amend by increasing the 2012 City Clerk's Budget as proposed in Budget Update No. 17 in order to provide for a special election in 2012.

Motion passed with Coose, Bergeron, Sivertsen, Olsen and Karlson voting yea; Harris and West absent.

Councilmember Coose requested information related to costs for port security people and crossing guards. Councilmember Olsen requested the amount of time for various Port and Harbors employees that is allocated between the two divisions be reviewed.

The Council took a short break at 7:45 p.m. and reconvened at 7:55 p.m.

**NEW BUSINESS**

**Resolution No. 11-2421 – Draft 2012 Ketchikan Public  
Utilities Annual Budget**

Moved by Sivertsen, seconded by Olsen the City Council approve Resolution No. 11-2421 adopting the budget for the year 2012 appropriating from the Ketchikan Public Utilities Enterprise Fund for the Fiscal Year 2012; and establishing an effective date.

Manager Amylon said the operations budget that is proposed for 2012 is pretty much a status quo budget with a couple exceptions. He explained staff has proposed adding a couple of apprentice positions to the Telecommunications Division in anticipation of retirements. He pointed out the Telecommunications Division revenues are starting to contract as a result of federal regulatory reform of universal service charges. He said this will be a challenge as we move forward. He stated staff is projecting just in this year alone it may be as much as half a million dollars, and the order that came out will be run through KPU's cost consultants as soon as some of the preportory work is done. He urged the Council to keep in mind that the costs of revenues overall from KPU are not keeping up with capital needs. As a result, he continued, we are drawing down reserves by about \$5.46 million with not one operational dollar going to capital projects. He said they are being funded by grants, bonds, loans or reserves – not a good place to be.

Manager Amylon said in January when the consultants who are doing water, storm water and sewer issues address the Council, you will hear a similar message. He reminded Mr. Heberling provided the same message earlier this year that just on a basis of inflation, KPU's electric rates have not been adjusted sufficiently to keep up with that cost. He continued when large capital projects are added, such as a \$1.5 million scrubber project, this is where you start getting challenged. He felt as the Council moved into the Telecommunications Budget and talks to Mr. Lindgren and his staff, the Council will find they are equally challenged going forward relative to keeping pace with technology. He stated some of the things we may have to consider doing in light of the fact that a sale has not moved forward, that is going to be equally challenging relative to any attempt to keep revenues at a status quo basis.

Manager Amylon explained his full recognition that we do not use everything that we budget, but the trend we are seeing last year and this year in terms of fulfilling capital needs, we are drawing down reserves. He stated sooner or later the piper is going to have to be paid.

**Transmittal Letter**

Manager Amylon answered questions from the Council. In response to Councilmember Olsen, Manager Amylon said he would confer with the city attorney relative to discussion of Telecommunications Division revenue in executive session.

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**City Council/General Government, Administration**

Manager Amylon and Finance Director Newell answered questions from the Council.

**Sales, Marketing and Customer Service**

Sales, Marketing and Customer Service Manager Cushing answered questions from the Council.

**Electric Division**

Manager Amylon and Electric Division Manager McConnell answered questions from the Council. While discussing a rebate from SEAPA, Mayor Williams expressed concern about the amount of reserves SEAPA is amassing. He said he was a big believer in bonding because otherwise people now are paying for the power supply of the future, and we may not be around to use it. He felt it was money that comes right out of our community.

**MAYOR AND COUNCIL COMMENTS** – None

Moved by Harris, seconded by Sivertsen to postpone consideration of Resolution Nos. 11-2420 and 11-2421 to December 12, 2011.

Motion passed by unanimous consent.

**ADJOURNMENT**

As there was no further business, the Council adjourned at 9:00 p.m.

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Lew Williams III, Mayor

ATTEST:

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Katherine M. Suiter  
City Clerk