

Regular Ketchikan City Council meeting was called to order by Mayor Williams at 7:02 p.m., January 16, 2014, with the following members present: Kj Harris, DeAnn Karlson, Matthew Olsen, Robert Sivertsen, Marty West, Dick Coose and Judy Zenge.

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

Staff present were Assistant Manager Martin, City Attorney Seaver, Finance Director Newell, Museum Director Simpson, Port and Harbors Director Corporon, Police Chief Bengaard, Public Works Director Allen and City Clerk Suiter.

COMMUNICATIONS

Mayor Williams said there was a request to withdraw the item regarding Amendment No. 1 relative to the design of Bar Harbor South Floats 1N & 9 Reconstruction. No objections were heard.

PERSONS TO BE HEARD

Marnie Rickelmann, Program Director at Ketchikan Area Arts and Humanities Council, updated the Council on events that took place during December. She also informed of upcoming activities, including the Wearable Arts Show and arts education for children.

Susan Fisher – along with several other people, representing Friends of the Library, spoke regarding the completion of the library project, and the group presented the Council with a copy of a check for \$220,124.19 that was raised for the project. She related the history of the Friends' involvement with construction of the new library, and she outlined the donations of several people that helped make the new library a reality. She noted they were holding back a small amount for their final project, which is to finish donor recognition.

Susan Fisher went on to discuss sales tax and rate increases. She felt the Council only hears from the people who oppose increases, but questioned who is speaking for the consumer. She reminded when the Council takes the burden of utility rates off the big users, the shift goes to the consumers. She said businesses are struggling, but they get very real tax deductions for their expenses, although consumers do not. Relative to the sales tax issue, she said there is some accounting but available tools help with that. She felt there were other issues that affect the visitor industry, and she urged the Council to think of the families in the community and what is really fair.

Mike Elerding thanked the Council for their service to the community, and went on to speak in opposition to the seasonal sales tax. He addressed issues related to rentals, and felt if the Council was going to do it make it a year round sales tax.

CONSENT AGENDA

Mayor Williams proposed adding several items to the Consent Agenda, including: the professional services agreement with Victor-Four Labor Relations; the one percent cost

of living adjustment for non-represented General Government and KPU employees; and the award of furniture, fixtures and equipment for the City Hall project. No objections were heard.

Councilmember Sivertsen reminded his wife is employed by the City and will be affected by the cost of living adjustment. Councilmember Olsen echoed the comment, and Mayor Williams said the roll call for that item would be taken separately.

Third Agreement Extending Lease Term Between the Improved Order of Red Men, Thlinket Tribe No. 4 and the City of Ketchikan – City Hall Exterior and Interior Renovations Project

Moved by West, seconded by Sivertsen the City Council approve the two month extension of the lease agreement between the City and the Improved Order of Red Men, Thlinket Tribe No. 4 in the amount of \$6,800 for the Red Men Hall; authorize funding from the City Hall Exterior and Interior Renovations Project Capital Account; and direct the city manager to execute the lease extension on behalf of the City Council.

Motion passed with Harris, Zenge, Sivertsen, West, Karlson, Olsen and Coose voting yea.

Loan Questionnaire in the Amount of \$2,666,635 for the Schoenbar Road Water Main Replacement Project Under ADEC's Alaska Drinking Water Fund Loan Program, in Order for the Project to Qualify for Funding Under the 2015 Intended Use Plan

Moved by West, seconded by Sivertsen the City Council authorize a loan questionnaire in the amount of \$2,666,535 for the Schoenbar Road Water Main Replacement Project under ADEC's Alaska Drinking Water Fund Loan Program, in order for the project to qualify for funding under the 2015 Intended Use Plan.

Motion passed with Harris, Zenge, Sivertsen, West, Karlson, Olsen and Coose voting yea.

Loan Questionnaires in the Amounts of \$1,057,153 and \$864,829 Respectively for the Chatham Avenue Sewer and Water Main Replacement Project Under ADEC's Alaska Clean Water Fund and Alaska Drinking Water Fund Loan Programs, in Order for the Project to Qualify for Funding Under the 2015 Intended Use Plan

Moved by West, seconded by Sivertsen the City Council authorize loan questionnaires in the amounts of \$1,057,153 and \$864,829 respectively for the Chatham Avenue Sewer

and Water Main Replacement Project under ADEC's Alaska Clean Water Fund and Alaska Drinking Water Fund Loan Program, in order for the project to qualify for funding under the 2015 Intended Use Plan.

Motion passed with Harris, Zenge, Sivertsen, West, Karlson, Olsen and Coose voting yea.

Professional Services Agreement Between the City of Ketchikan and Victor-Four Labor Relations

Moved by West, seconded by Sivertsen the City Council approve the professional services agreement between the City of Ketchikan and Victor-Four Labor Relations for 2014-15 labor negotiation services at a cost of \$23,000 plus travel expenses; authorize funding from the Human Resources Division's 2014 Management and Consulting Services Account No. 640.04; and direct the city manager to execute the agreement on behalf of the City Council.

Motion passed with Harris, Zenge, Sivertsen, West, Karlson, Olsen and Coose voting yea.

One Percent Cost of Living Adjustment for Non-Represented General Government and Ketchikan Public Utilities Employees Effective January 1, 2014

Moved by West, seconded by Sivertsen the City Council authorize a one percent cost of living adjustment for General Government and Ketchikan Public Utilities non-represented employees effective January 1, 2014.

Motion passed with West, Coose, Harris and Zenge voting yea; Karlson voting nay; Sivertsen and Olsen abstaining.

Award of Contract No. 13-33 – City Hall Furniture, Fixtures & Equipment, Think Office, LLC

Moved by West, seconded by Sivertsen the City Council accept the bid of Think Office, LLC of Anchorage, Alaska in the amount of \$44,869.46 for Contract No. 13-33, City Hall Furniture, Fixtures & Equipment; authorize funding from the City Hall Siding and Roof Replacement Capital Account; and direct the city manager to execute the contract documents on behalf of the City Council.

Motion passed with Harris, Zenge, Sivertsen, West, Karlson, Olsen and Coose voting yea.

UNFINISHED BUSINESS – None

NEW BUSINESS

Negotiation of an Agreement to Provide for Continued Operation of the Deer Mountain Fish Hatchery by the Southern Southeast Regional Aquaculture Association (SSRAA)

Moved by Sivertsen, seconded by Olsen the City Council authorize staff to negotiate a definitive agreement with the Southern Southeast Regional Aquaculture Association to provide for continued operation of the Deer Mountain Fish Hatchery as detailed in the city manager's report dated January 7, 2014, said agreement to be submitted to the City Council for formal consideration and approval.

Councilmember Sivertsen said he talked to management about the possibility of City crews demolishing the eagle sanctuary. Mayor Williams asked if there were any objections and none were heard.

Motion passed with Sivertsen, Coose, Zenge, Harris, Olsen, West and Karlson voting yea.

Professional Services Agreement for Centennial Building Roof Replacement Design – Welsh Whiteley Architects

Moved by West, seconded by Olsen the City Council authorize the city manager to enter into a professional services agreement with Welsh Whiteley Architects in an amount not to exceed \$26,935 for design of the Centennial Building roof replacement and approve funding from the Museum Department's 2014 Centennial Building Roof Replacement Capital Account.

Public Works Director Allen answered questions from the Council. Councilmember Olsen reminded the Council that a decision relative to whether or not to keep the building should be made sooner rather than later, maybe sometime during the next several months.

Motion passed with Zenge, Coose, West, Harris, Sivertsen, Olsen and Karlson voting yea.

Preparation of Bid Specifications for the Replacement of Original Wiring and Receptacles Within Each Circuit of the Centennial Building

Moved by West, seconded by Olsen the City Council authorize staff to proceed with the preparation of biddable specifications for the replacement of the original wiring and receptacles within each circuit of the Centennial Building, said bids to be submitted to the City Council for formal consideration and approval.

Motion passed with Karlson, Harris, Olsen, West, Coose, Sivertsen and Zenge voting yea.

Negotiation of Contract No. 13-38 – Pre-Construction Services for the Ketchikan Medical Center Expansion Project, Joint Venture of Layton Construction Co., Inc. and Dawson Construction, Inc.

Moved by Sivertsen, seconded by Coose the City Council authorize the city manager to enter into negotiations with the joint venture of Layton Construction Co., Inc. of Salt Lake City, Utah and Dawson Construction, Inc. of Bellingham, Washington for Contract No. 13-38, Pre-Construction Services for the Ketchikan Medical Center Expansion Project, said agreement to be submitted to the City Council for formal consideration and approval.

Motion passed with Coose, Sivertsen, Olsen, Karlson, Zenge, Harris and West voting yea.

Reconsideration of Ordinance No. 13-1743 – Seasonal Sales Tax Levy to Four and One-Half Percent from April 1 Through September 30 – Councilmember Sivertsen

Moved by Sivertsen, seconded by Coose the City Council reconsider action regarding second reading of Ordinance No. 13-1743 increasing the sales tax levy to four and one-half percent for the period April 1 through September 30 and decreasing the same to three and one-half percent for the period October 1 through March 31.

Motion to reconsider passed with Zenge, Sivertsen, West, Karlson and Coose voting yea; Harris and Olsen voting nay.

The motion before the Council was:

Moved by West, seconded by Olsen the City Council approve in second reading Ordinance No. 13-1743 increasing the sales tax levy to four and one-half percent for the period April 1 through September 30 and decreasing the same to three and one-half percent for the period October 1 through March 31 by making amendments to Ketchikan Municipal Code §3.04.020 entitled “Levy of Tax”, Subsection (b) of Ketchikan Municipal Code §3.04.040 entitled “Tax Added to Sales Price” and Subsection (d) of §3.04.130 of the Ketchikan Municipal Code entitled “Use of Proceeds of Sales Tax”; repealing Subsections (e) through (g) of §3.04.130; and establishing an effective date.

Moved by Coose, seconded by Sivertsen to reconsider action regarding an amendment to second reading of Ordinance No. 13-1743 to change the sales tax increase to four percent year round.

Motion to reconsider the amendment passed with West, Karlson, Coose, Sivertsen and Zenge voting yea; Olsen and Harris voting nay.

The amendment before the Council was:

Moved by West, seconded by Sivertsen to amend the percentage amount to an increase of four percent year round.

Councilmember Sivertsen felt staff should be actively pursuing the possibility of using CPV funds for in lieu of tax payments and for public works projects. He felt the Council needed to do some cost cutting during the budgeting cycle.

Councilmember Olsen reprimanded the Council by saying continual reconsideration is no way to govern. He felt it is incredibly frustrating and confusing for the Council, staff and the public. He went on to say the Council needs to start making decisions they are going to stick by that are good to begin with, and not use procedural things to go around the back door and get our way. He continued, in terms of taxes, we are going to short ourselves if we go to one-half percent annual this year by \$500,000. He said this will already dig into our already reportedly low reserves. He reminded the fire hall bond payment has not yet been added to the budget. He felt the Council had a very good budget discussion this year, talked about it, and it was the first time he has been on the Council that the Council didn't nickel and dime by going through and pulling little items. He felt instead the Council talked long term plans by investing time and making decisions, and taking a stand to not cut services.

Councilmember Olsen said the Council took the action to put \$2 million in the coffers to make the payments and continue doing the things we need to do in terms of public safety and roads. He agreed with Councilmember Sivertsen about utilizing port landing fees as much as we can, but they are probably not going to save us. He reminded we have a museum project we need to figure out and we have a storm system project that needs to be paid for. He said if we do a year round tax, we put a lot more onus on the locals. He noted on tax-free day, for business and consumers alike, only three weeks were needed to prepare. He said we are giving three months to change their systems out. He continued that he understood it adds a little bit of headache, noting it will require a little of work. But, he expressed, the economic benefits for the city and the residents of this community in terms of making sure our streets are taken care of, making sure we have adequate water supply systems, making sure we have sewer and storm systems – all of those, are going to far outweigh the difficulty people have with this increase. He reminded Seattle does this – they are not paying for their football stadium. He said he doesn't get phone calls that request him not to support the increase.

Motion to amend passed with Sivertsen, Coose, Zenge and West voting yea; Harris, Olsen and Karlson voting nay.

Mayor Williams ruled the amendment passed as the main motion. In response to further readings of the ordinance, Clerk Suiter said Attorney Seaver had determined that the change was significant enough that the changed ordinance should come back in two

additional readings. Councilmember Olsen asked Finance Director Newell for the projected income based on Council action tonight.

VOUCHERS – None

CITY MANAGER’S REPORT

Police Department Canine Activity Reports – November and December 2013

Manager Amylon included for Council review copies of the November and December 2013 reports of Police Department canine activities.

Public Works Department Project Status Report – December 2013

Manager Amylon provided for Council review the project status reports of the Public Works Department for the month of December 2013.

Contract No. 13-09, Bar Harbor Drive Down Float Facility – Construction Meeting Minutes of January 3, 2014

Manager Amylon included copies of the January 3, 2014 construction meeting minutes for Contract No. 13-09, Bar Harbor Drive Down Float Facility.

K.P.U. MANAGER’S REPORT

Project Status Reports of the KPU Operating Divisions – December 2013

Manager Amylon copied the Council with the project status reports of the KPU operating divisions for the month of December 2013.

Whitman Lake Hydroelectric Project – Turbines and Generators Installation Meeting Minutes of January 7, 2014

Manager Amylon transmitted a copy of the January 7, 2014 minutes of the Whitman Lake Hydroelectric Project – Turbines and Generators Installation meeting minutes.

Whitman Lake Hydroelectric Project – Construction Report No. 11

Manager Amylon copied the Council with the FERC-required Construction Report No. 11 for the period December 1-31, 2013.

CITY CLERK’S FILE – None

CITY ATTORNEY'S FILE – None

FUTURE AGENDA ITEMS

Councilmember Coose asked for discussion for the next meeting relative to attrition. He asked that staff bring forward a list of positions that are vacant and a projection of retirees. After discussion, it was determined this could be added to the agenda for the second meeting in February.

MAYOR AND COUNCIL COMMENTS

Councilmember Coose thanked the Friends of the Library for the money they gave to the City.

Councilmember Zenge reminded she was part of the Community Grant Committee, and she has some heart burn – part of which is the fact that 14.3% of the hospital sales tax goes into the pot of money used to fund the community grant program, approximately \$51,000. She said when the hospital bond passed, the hospital sales tax fund was being collected so the bonds could be paid. She went on to say the total amount allocated to the community grant program over the last three years is over \$1 million. She felt the Council needed to step up its game and take a look at how the program is funded. She thought the Council needed to consider capping the amount, and didn't think that every grant application could continue to be funded. She continued, after reading the Borough minutes she hoped the Council could adopt a policy session. She hoped to understand how the Council put itself in the position of losing a good, qualified employee to the Borough. She said she didn't know how much that young man was offered, but the Council kept a dog that was worth \$25,000. She summarized these are things she doesn't understand because to her, we have qualified people, we say we want to hire local, and then we get upset when they should be paid what they should be paid. She thought the Council really needed to sit down, step up its game and take a look at how things are done.

Mayor Williams reminded the Council could set the community agency funding level at budget time, and that the revised compensation study would be coming up. He noted some of the other communities aren't as tight as the City.

Councilmember Karlson said she is not opposed to paying employees what they are worth, which is the only way you keep long-term, qualified employees. She said she understood having not increased property or sales tax for a long time, but somewhere the Council has veered off the ability to build up enough of a reserve where they can be comfortable about some of the long-term projects. She felt not addressing things wasn't the way to go. She felt she could benefit from some type of budget workshop, because at the time the budget is presented it is year end and everyone has so many other things going that it sometimes isn't real easy to give it 100% in that type of atmosphere.

Councilmember Olsen reminded the Council has had budget workshops for the past two or three years, noting the Council shows up and everyone peters out after about an hour

because they are all looking outside. He said we then forget it until November. He felt the budget needed to begin several months earlier and that would set up the City up for year end a month earlier. He said if the Council wants to change it, they have the option to change it.

Councilmember West agreed with Councilmember Olsen's comments, saying one of the other things that makes it hard to have the budget process this late in the season is when new councilmembers come on board. She reminded they are sworn in and immediately tossed to the lions with trying to figure out what the budget is and trying to figure out what is the appropriate way to handle it. She thought it would be nice to start it sooner. She went on to discuss the seasonal sales tax, saying it was a difficult decision versus a year-round sales tax. She expressed appreciation for Mr. Olsen's comments about the budget process this year, and the fact that the Council didn't micromanage.

Regarding the budget, Councilmember Sivertsen said the Council needs to start watching the budget today to see what we're going to do next year. He pointed out the Council gets into the end rush and goes through things so fast. He felt the Council needed a better understanding of the operation and capital budgeting. He noted they took action about filling out questionnaires for Public Works projects and if they are granted, the Council would need to go out for a \$4 million bond. He said he would have a hard time supporting that bond at this point, because every time we have bond indebtedness it takes money from our operations and we have to look at raising taxes – the cycle that has been discussed. He questioned at what point do you start to pay off these bonds and capitalize to think about forward funding. He said we are going to be repairing some of our infrastructure instead of replacing it in order to do that. He thanked the line crews, noting when there was a power outage they spent some hours moving trees and getting service back on. He said there were parts of the community out of power for some time, and they were balancing ideas on how to re-energize and get everyone back on, and they did a good job responding. He commented we fared better than some communities who lost six power poles and a section of road on Prince of Wales, and they are trying to get that service back on. He stated we have good employees who do a lot of good things. He said it takes employees to keep the operation running and keep services to the public. He explained we are going to have to decide whether we are going to reduce services and manpower in order to continue to keep the budget in check. He said he had a hard time with it because if we don't have people then we are either contracting out or paying overtime. He also thanked the Friends of the Library for their check back to the community and their efforts throughout the entire project. He credited Councilmember Olsen for working with the Friends of the Library and getting that back on track.

Councilmember Harris commented about the port docks, saying they weren't built for the locals but mostly for the tourists. He went on to say he has no problem asking the tourists to help pay back by raising taxes. He also said that everyone on the Council is trying their hardest to run the City. He said this is a business and not just a fun thing councilmembers do every two weeks. He felt the Council generally does a good job, and may have to work harder on some things. He offered kudos to everyone on the Council for all the times they try.

Mayor Williams thanked the Friends of the Library for being here tonight and for the check for the City. He thanked the Electric Division crew for getting out there and getting the power back on so quickly. He mentioned the budget, saying he has been here for so long that the budget to him is real easy. He said all the Council needs to do is give direction. He said the Council came up with direction last year, keeping the budget at the same dollar amount which is what the manager did, and the Council needs to decide if it wants to meet that. He said tough decisions came from that and the Council decided not to make all those decisions. He commented before we always asked about the service level, and the Council looked at things that could be done. He explained some of the things he did when he first came on the Council that helped him understand the budget, noting it is a crazy mix and the more one learns it the more you catch on. He apologized if it seems he doesn't understand or seem to be sincere, it is just that he has been here longer. He encouraged the Council to ask questions and if the Council wants a planning meeting, he is all for it.

Councilmember Sivertsen reported there was a meeting with fish processors today, and they discussed a lot of different options and ideas. He felt through the discussion there was somewhat of a counter offer which will be put into a memo. He said they plan to have another meeting going forward, and the information will be forwarded to the Council.

OTHER NEW BUSINESS – None

EXECUTIVE SESSIONS – None

ADJOURNMENT

As there was no further business, the Council adjourned at 8:15 p.m.

Lew Williams III, Mayor

ATTEST:

Katherine M. Suiter
City Clerk

FYI ITEMS INCLUDED

Lake Levels and System Generation Report for the Month of December 2013
Water Utilization Study Reports – December 2013