

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:01 p.m., July 25, 2013, with the following members present: Sam Bergeron, Dick Coose, Kj Harris, DeAnn Karlson, Matthew Olsen, 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, Fire Chief Share, Human Resources Manager Miller, Information Technology Manager Thomas, Library Director Gens, Museum Director Naab, Port and Harbors Director Corporon, Police Chief Bengaard, Public Works Director Allen, Electric Division Manager McConnell, Telecommunications Division Manager Cushing, Water Division Manager Kleinegger and City Clerk Suiter.

COMMUNICATIONS

Mayor Williams said there were several items laid on the table, including information relating to Appropriated Reserves, General Fund Surpluses/Deficits and General Fund Reserves; updates regarding the cost of 2014 COLAs and step increases, and additional revenues that could be derived from increasing the sales tax and the status of 2013 CIPs; the effect of debt service through existing sales tax relating to the proposed hospital bond; and the most recent sales tax report from the Finance director.

PERSONS TO BE HEARD – None

NEW BUSINESS

Presentation by OceansAlaska

Barbara Morgan, Research and Training Specialist for OceansAlaska, displayed a PowerPoint presentation about their facility. She said they are supporting the need of the mariculture industry in working with oysters and geoduck. She spoke to the lack of available spat in Puget Sound due to the recent upwelling of low pH water in the sound, something that is not an issue locally. She recounted they have had requests for seed all up and down the west coast, and she explained the process by which they produce spat. She also explained the geoduck industry, reiterating how little space they have to perform the needed tasks.

Ms. Morgan cited the amount of money the Ketchikan Gateway Borough is funding them, and requested \$48,000 each year for the next two years from the City. She said this will help them get to the point where they are producing enough seed to break even. She pointed out they are looking for up to \$3 million from state, federal and local sources to help them finish Phase II. She spoke to the impact of their facility on the economy of Ketchikan, and she felt the industry has the promise to rival that of the multi-million dollar salmon industry if it receives the support it needs.

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She summarized by saying OceansAlaska is producing some seed for a struggling industry and they want to produce more seed to support that industry. She said they also want to support with training and research in order to help that industry become the multimillion dollar industry that it promises to become. She said they need two years of operational funding to get them into a bigger building to produce more seed in order to become self-sustaining. She explained they would also like to have support in obtaining funding from the State of Alaska for their Phase II building.

Ms. Morgan answered questions from the Council. She said she could provide the Council with a copy of their business plan. In response to Councilmember Coose, she said they would have no trouble at all selling any seed they could produce. Several councilmembers expressed they were struggling as to how the City of Ketchikan fits into the equation. In response to Councilmember Karlson, Gary Freitag of OceansAlaska said the phase of operation they would produce would not be the same phase as what Ward Cove is talking about.

Mayor Williams asked the Council whether they would like to look at this in August or during budget deliberations. After discussion, four hands were shown to bring this subject back at budget time.

2014 Budget Preparatory Work Session

Manager Amylon asked the Council if it was required for department heads to remain, and after it was determined they wouldn't be required for the meeting, most of the staff left. Public Works Director Allen answered questions pertaining to the Hopkins Alley Project as well as the Front, Mill and Stedman Project.

Mayor Williams said he would like to see the same service level to see what that looks like financially, and he will be pushing for more cuts this year especially with raising the mill rate because we can't just cut one side, we need to do it at both ends.

In response to Mayor Williams, Manager Amylon said he would try to get information relative to how Juneau utilizes its CPV funds.

Councilmember West expressed concern about safety on the Third Avenue bypass, and said she would like to look again at having some fencing along it. She also mentioned she has heard from several people who would like to have the library open on Sunday. She suggested if perhaps it needed to remain closed, maybe the librarians could consider if another day would be feasible.

Councilmember Sivertsen said he would like to see us hold the operating budget at the same level as 2013, understanding that we have a COLA as well as some sort of insurance raise. He felt if the Council goes into it with the perception that it will hold that number, it will cut the budget back by 4% or so. He said he would like to see the departments have the first shot at that. He pointed out we have carryovers every year

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from each department so some of it is over-budgeted but he expressed concern about reducing the budget. He also addressed capital budgets, noting the state is drying up and they are talking more about loans, so he is concerned about how aggressive we can get with our capital budget and meet our needs. He brought up the general obligation bonds for the hospital, and stated if we can't meet that payment we will need to go elsewhere for that. He said he is overly concerned we are going to budget ourselves into a hole if we keep going at the rate we are going.

Councilmember Coose said he didn't want to see next year's budget exceed this year's budget even if we keep the raises and everything that's there. He thought we'd have to look at the capital side of the budgets, stating perhaps we won't pave as many roads as we have in the past and without trying to eliminate any people at this point in time. He felt we'd have to look at how to work more efficiently. He said he has heard from vendors on the street who are experiencing less business, and he said we need to get it under control. He said he was not in favor of increasing the mill rate or the sales tax for general operating expenses.

Councilmember Bergeron confirmed with Manager Amylon that we can cover the cost of the hospital bonds through the hospital sales tax as long as the economy holds. He said he is willing to hold the budget and it will require some hard choices, even though it is only four percent. He stated he is willing to make those hard decisions when the manager brings the budget back.

Councilmember Olsen said he wasn't going to make any statements about keeping the budget the same as 2013, because there were some capital projects that were put on hold and we don't know how they will be implemented for next year. He expressed his unhappiness at how the Council pushed things out, delayed projects and messed around with internal budgets and then increased the tax revenue. He said he liked the mayor's idea about using the CPV taxes in the General Fund, which is something he felt we need to look at. He pointed out one thing is if the Council continues to delay capital projects, we are going to have some serious health issues and serious safety issues. He stated he wanted our city to be functional and he felt there will be some tough decisions so he was looking at how we could fit it in and keep the budget under control.

Councilmember Harris said we have the new library and fire departments, with about \$1 million per year to pay the payments. He guessed as to what the payment would be on a \$43 million bond, noting we are spending an awful lot of money that we can't cover. He expressed concern that we are betting on the economy and the economy may not get here. He stated he knew we needed these facilities, but we can't keep going with the current services without paying for them, which is getting harder and harder.

Mayor Williams asked if there were at least four people who wanted to leave the operating budget the same in 2014 as it was in 2013. Manager Amylon asked if that was bottom line, or if it was on a department by department basis. This was confirmed by Councilmember Sivertsen, expressing the easiest way to do this is by cutting personnel.

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Manager Amylon said he wanted to get it on the table: police and fire to him are vital services and he would rather keep a cop on the street and if that means he has to eliminate a community grant, that is where his preference is going to be.

Councilmember Coose said he was with the manager on this, and the way he looks at it there are three budgets: the manager's (including KPU), the clerk and the attorney. He stated they have the same direction. He said he just wanted to separate those two from it. He agreed with the manager on community grants, and he didn't feel the Council could keep the grants at the same level. He asked about the possibility of getting heat from the Discovery Center and running it over to the fire station. Manager Amylon replied that due to staff turnover, the Forest Service never responded to the City but they have now. He reported they have reaffirmed their interest in the concept and have brought in a new design team to determine what amount of heat they can make available to the City.

Councilmember Coose requested that any vacant positions be brought to the Council prior to being filled so they know what is going on. He proposed that, prior to budget time, a management review be done at the Police Department and E911 services. He stated if there are changes from this that can be made, then the Council should make them. Mayor Williams asked if there were at least four hands to put this item on the agenda, and at least four were shown.

Councilmember Olsen said, in discussing community grants, the Council has had the Small Business Development grant outside of that, and he felt it should be included. He also felt OceansAlaska should be included in the community grants process in order to maintain consistency.

Manager Amylon again reiterated his understanding of what the Council is asking his office do: bottom line basis, the Council wants the level of spending for General Government and KPU in 2014 to be the same it was in 2013. He said he is not obligated to approach it on a department by department basis that way. He continued he could use his discretion on what cuts need to be made to achieve the goal of a bottom line budget similar to 2013.

Councilmember Harris said 1988 is the last time the City did anything as far as sales tax. He continued 1987 is when the one-half percent sales tax was passed for the hospital. He noted it has been 25 years since we've had any type of a sales tax increase. He threw out the number of one-half percent for the Council to start looking at.

Finance Director Newell explained that the 1997 GO bond is going to mature in 2017, so what staff was planning to do was wrap around the debt service for the new hospital bond with the old one. He continued what that means is that the debt service payment for the new hospital bond is going to be about \$1.5 million for the first five years, and after that the old debt service goes away on the old bonds and we would increase the debt service

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on the new bonds to about \$2.5 million. Councilmember Harris said then we are talking about \$3.5 million within five years.

Councilmember Bergeron said he personally is spending a lot more money on sales tax, and sales tax is his least favorite tax because it taxes those who have the ability to pay at the same rate as those who don't have the ability to pay. He felt this hit a lot of folks really, really hard, and this is a disincentive to shop locally. Speaking for himself, Councilmember Bergeron said the complete elimination of the community agency grants in order to make the budget balance probably won't fly with him.

MAYOR AND COUNCIL COMMENTS

Councilmember West said the hospital project is enormously important and plays a direct part on how our community is going to grow or *whether* it is going to grow. She felt the Council needed to do whatever it can to be sure that bond passes.

Councilmember Harris said he wanted to remind all the members of the public what a fun job the City Council has. He stated they get to make wonderful decisions that affect everybody, and no matter what they do they make someone mad. He said it will be a really tough budget even though the Council doesn't waste money.

Councilmember Bergeron said it has been discussed at the table about the real need for a drug treatment facility. He hoped the programming at the hospital will meet the greatest need for Ketchikan, and he felt a treatment/detox center is a must. He cited outlying communities, stating there is drug and alcohol abuse in all of them. He said when someone needs treatment, it is crazy Ketchikan doesn't have a facility to do that. He felt the discussion should be held at the table.

Mayor Williams said he felt the City could fund the hospital, and he thanked everyone for coming tonight.

ADJOURNMENT

As there was no further business, the Council adjourned at 8:25 p.m.

Lew Williams III, Mayor

ATTEST:

Katherine M. Suiter
City Clerk