

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:02 p.m., December 17, 2012, 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, Civic Center Manager Bolling, Fire Chief Share, Information Technology Manager Thomas, Library Director Gens, Marketing Manager Simpson, Museum Director Naab, Port and Harbors Director Corporon, Deputy Police Chief Dossett, Public Works Director Allen, Electric Division Manager McConnell, Telecommunications Division Manager Cushing, Water Division Manager Kleinegger and City Clerk Suiter.

COMMUNICATIONS

Laid on the table were several budget updates, including: General Government Budget Update No. 30 – Solid Waste Division Interdepartmental Charges; General Government Budget Update No. 31 – Extension of Water and Sewer Services to the Former Shoreline Service Area; General Government Update No. 32 – Allocation of Commercial Passenger Vessel Funds; General Government Budget Update No. 33 – Solid Waste Recycling and Handling Facility Expansion; General Government Budget Update No. 34 – Councilmember Sivertsen's Proposal to Lower the Proposed Mill Rate from 7.2 to 6.7; General Government Budget Update No. 35 – Proposed Spending Reductions to Limit the 2013 Mill Levy Increase from 6.2 Mills to 6.7 Mills; General Government Budget Update No. 36 – Payment in Lieu of Taxes; General Government Budget Update No. 37 – Proposed Decrease in the PILOT for the Port and Wastewater Funds; General Government Budget Update No. 38 – Justification for the Design of Storm Water Improvement Projects; General Government Budget Update No. 39 – Additional Interim Repairs to Water Street Trestle No. 2; General Government Budget Update No. 40 – Hopkins Alley Trestle Repair and Replacement Project; General Government Budget Update No. 41 – Interim Repairs to the Ted Ferry Civic Center; KPU Budget Update No. 3 – Customer Service Incentive Program; KPU Budget Update No. 4 – Proposed Revision to the Electric Division's 2013 Budget, Addition of Bailey Emissions Control Capital Project; KPU Budget Update No. 5 – Proposed Decrease to the PILOT; KPU Budget Update No. 6 – Proposed Revision to the Electric Division's 2013 Vehicle and Moving Equipment Capital Account; KPU Budget Update No. 7 – Addition to the Electric Division's 2013 Capital Budget, Energy Conservation and Efficiency Program; and KPU Budget Update No. 8 – Profit and Loss Statement.

PERSONS TO BE HEARD

Joan Flora, representing Big Brothers Big Sisters, discussed National Mentoring Month in January. She mentioned it is the month when volunteers are recognized who come forth and give their time, money and efforts in support of children all over the country.

She asked the month be recognized by a proclamation and noted events that will be taking place at the Plaza.

Linda Koons-Auger spoke regarding the Small Business Development Center. She noted she just got back from training in Anchorage, and learned of a great assessment tool she will be using for small businesses. She also thanked the Council for its continued support and provided a handout containing information for 2012.

UNFINISHED BUSINESS

Resolution No. 12-2480 – Draft 2013 General Government Annual Budget – Deferred from December 10, 2012

Moved by Sivertsen, seconded by West the City Council amend the 2013 Ketchikan General Government Annual Budget by adding to the Civic Center's 2013 Capital Improvement Program a \$10,000 project to address concrete floor and wall deviations.

Public Works Director Allen answered questions from the Council.

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

Moved by West, seconded by Bergeron the City Council amend the 2013 Ketchikan General Government Budget by increasing the Streets Division's 2013 Bridge Maintenance and Repair Capital Account by \$281,150 for additional interim repairs to Water Street Trestle No. 2 and reprogramming the Streets Division's 2013 Water Street Trestle No. Replacement Capital Account from 2013-2014 to 2014-2015.

Assistant Public Works Director Brakke answered questions from the Council. In response to Councilmember Sivertsen, Manager Amylon said he suspected some of the DCCED grant already targeted for this project may be able to be used for this work. He reminded some earlier grants were used for the interim repairs on Berth II.

Moved by Coose, seconded by Bergeron to amend the amount to \$156,550 in order to accomplish Option No. 1.

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

Mayor Williams ruled the amendment carried the main motion.

Resolution No. 12-2481 – Draft 2013 Ketchikan Public Utilities Annual Budget – Deferred from December 10, 2012

Moved by Sivertsen, seconded by Coose the City Council amend the 2013 Ketchikan Public Utilities Budget by reducing the Electric Division's 2013 Management and Consulting Services Account No. 640-04 by \$150,000 and establishing the Electric Division's 2013 Energy Conservation and Efficiency Program Capital Account in the amount of \$150,000.

Assistant Manager Martin said staff and Councilmember Bergeron met to get the proposal pared down, identifying some of the work that can be accomplished in house and what the consultant would do. He noted they managed to get the consultant's point down to somewhere between \$60,000 and \$90,000 on that part. He continued the rest of it would be whatever the Council wants to spend in terms of energy conservation materials and marketing. He said the proposal would come back to the Council in January. He noted there is one question relative to how serious the Council is to have the feasibility study done to convert the old fire station into a mini-district heat plant at a cost of about \$23,000. He also mentioned the cost of auditing the 13 city buildings as far as benchmarking them relative to their energy use and coming back with recommendations for what they need, and the wastewater treatment process, which they are told is an energy hog. He continued all those audits combined are roughly \$68,000 to \$70,000, and another \$17,000 is added in for a comprehensive rate design for large-load customers.

Mayor Williams asked if there were four hands to have the feasibility study for the biomass facility, and at least four were shown.

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

Moved by Sivertsen, seconded by Olsen the City Council amend the 2013 Ketchikan Public Utilities Budget by reducing the Electric Division's 2013 Bucket Truck Capital Account by \$20,000 and establishing the Electric Division's 2013 Flat-Bed Truck Capital Account in the amount of \$20,000.

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

Moved by West, seconded by Sivertsen the City Council amend the 2013 KPU Budget by adding the Bailey Emissions Control Capital Project in the amount of \$500,000 to the Electric Division's 2013 Budget.

Manager Amylon emphasized that while Whitman will be of help, the City will probably need to have increased reliance on diesel generation which, depending on how the ruling comes out, even if the City has a favorable ruling the City might have to put on the scrubbers if it is running the diesels more.

Motion failed with West and Sivertsen voting yea; Karlson, Harris, Olsen, Bergeron and Coose voting nay.

Ketchikan Public Utilities Capital Projects

Electric Division Manager McConnell answered questions from the Council.

Manager Amylon provided an update from the Borough meeting, saying the Assembly unanimously approved the grant for \$2.5 million for Whitman Lake. He said staff will be required to look for additional funding. He spoke to the Achilles dam, noting there is no money at the moment for that. He stated the engineering for that would have to start now at a cost of \$250,000 to \$300,000, and the estimate for construction was somewhere between \$1.5 and \$2 million.

Electric Division Manager McConnell pointed out that \$250,000 could be used from the Beaver Falls Powerhouse Exterior Coating Capital Project because, realistically, only the engineering piece of that would get done in 2013. Mayor Williams asked Manager Amylon to provide a motion to that effect.

Councilmember Olsen felt that perhaps staff should continue to pursue funding from SSRAA. Manager Amylon said SSRAA had backed off once the Borough brought forth their intention to provide funding. He continued to say he has had initial discussions with Senator Stedman and, since things have changed in Juneau and it may not be as easy as it once was, we are \$1 million+ underspent on Bethe which he felt could be reprogrammed to Whitman. He emphasized that will take the session to get that accomplished, but that would be his game plan. Councilmember Olsen went on to say he felt it would be beneficial to make the overture to SSRAA, because they still get their pipeline built for half the cost and it helps the City and the community. He said it would be foolish to abandon that avenue of funding at this time.

Telecommunications Division Manager Cushing answered questions about the fiber optic buildout and Gravina fiber facilities.

Water Division Manager Kleinegger answered questions from the Council.

The Council returned to consideration of the 2013 General Government proposed budget.

In response to Councilmember Sivertsen, Manager Amylon expressed his concern that the Council is going to take roughly \$400,000 of additional Public Works Sales Tax above and beyond the \$2 million that staff has traditionally brought over to support General Fund activities. He expressed while the intent may be a one-year bailout, it will be real hard next year when staff budgets and takes the \$400,000 in Public Works sales tax and moves it back, and the tax rate goes up by a commensurate amount. He pointed out the Council talked about Water Street Trestle No. 2 tonight and staff hasn't given a lot of discussion about how the City will handle some of the stormwater needs that are on the horizon. He cautioned the Council that they are in a position where they can do that this year, but the hole they are digging for next year is just getting deeper. He pointed out

the General Fund is not in balance – that is the bottom line. He said if the Council isn't going to do mill levy increases over the next two to three years, he didn't know how to get the Council where they need to be.

Moved by Sivertsen, seconded by Bergeron the City Council decrease the Fire Department's 2013 Capital Budget by substituting the replacement of Engine No. 2 at a cost of \$350,000 with the replacement of Medic 11 at a cost of \$150,000 and Command 2 at a cost of \$25,000.

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

Moved by Sivertsen, seconded by Coose the City Council decrease the Street Department's 2013 Capital Budget by reducing funding for the Staircase Reconstruction Capital Project from \$50,000 to \$25,000.

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

Moved by Sivertsen, seconded by Bergeron the City Council decrease the Street Department's 2013 Capital Budget by reducing funding for the Rock and Tree Maintenance Capital Project from \$25,000 to \$10,000.

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

Moved by Sivertsen, seconded by Bergeron the City Council decrease the Street Department's 2013 Capital Budget by reducing funding for the Hopkins Alley Capital Project from \$400,000 to \$200,000 and deferring \$200,000 to 2014.

Public Works Director Allen answered questions from the Council.

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

Moved by Sivertsen, seconded by Bergeron the City Council increase the transfer from the Public Works Sales Tax Fund to the General Fund from \$2,000,000 to \$2,408,300.

Motion failed with Coose, Bergeron and Sivertsen voting yea; West, Harris, Olsen and Karlson voting nay.

The Council took a short break at 8:25 p.m. and reconvened at 8:31 p.m.

Moved by Karlson, seconded by Sivertsen to reconsider the item concerning the increase in the amount of transfer from the Public Works Sales Tax Fund to the General Fund from \$2,000,000 to \$2,408,300.

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

The motion on the table was:

Moved by Sivertsen, seconded by Bergeron the City Council increase the transfer from the Public Works Sales Tax Fund to the General Fund from \$2,000,000 to \$2,408,300.

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

Moved by Sivertsen, seconded by Coose the City Council decrease the mill rate programmed in the 2013 Budget from 7.2 to 6.7.

Moved by Olsen, seconded by Bergeron to amend by decreasing the mill rate to 6.2.

Councilmember Olsen felt the Borough should help pay some of the capital costs of the new library, and the Council could transfer all the costs of community agency funding to KPU. Lengthy discussion was held about the mill rate.

Manager Amylon pointed out Section 8-1 of the charter regarding Public Utilities, relative to use of utility funds.

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

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

Moved by Coose, seconded by Bergeron to decrease the mill rate programmed for 2013 from 6.7 to 6.2, and reduce the General Fund Reserves to 12.5%.

Motion failed with Olsen, Bergeron and Coose voting yea; West, Karlson, Harris and Sivertsen voting nay.

Moved by Sivertsen, seconded by Coose the City Council amend the 2013 Ketchikan Public Utilities Budget by reducing the PILOT from \$845,000 to \$786,000.

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

Moved by Sivertsen, seconded by Bergeron the City Council amend the 2013 Budget for the Port Department by reducing the PILOT from \$343,000 to \$319,000 and the 2013 Budget for the Wastewater Department by reducing the PILOT from \$86,000 to \$80,000.

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

Councilmember Sivertsen said he would like the Council to give employees a half day off on Christmas Eve and New Year's Eve as has been done in the past.

Mayor Williams asked if there were any objections, and none were heard.

Councilmember Olsen spoke relative to the Borough contributing to payment of the library bond, and Mayor Williams said it would go to the Cooperative Relations Committee. Councilmember Olsen asked for a related number.

Councilmember Coose questioned the use of diesels and policy regarding such use, and Finance Director Newell said we have diesel in inventory and as it is used, it is charged against the operating budget. He said the fuel is charged against the operating account, then the diesel surcharge is billed as usual. Councilmember Coose felt if the diesel is programmed it should not be charged back. Mayor Williams requested a report.

Councilmember Coose also addressed the CPV funds, stating he felt staff should get together with the industry to develop long range plans for projects. He said we need a five-year plan for CPV funds especially once we get the dock done. Mayor Williams asked for a report in January addressing this.

Moved by Coose, seconded by Harris to defer consideration of both draft 2013 budgets to December 20, 2012

Motion passed by unanimous consent.

MAYOR AND COUNCIL COMMENTS – None

ADJOURNMENT

As there was no further business, the Council adjourned at 9:12 p.m.

Lew Williams III, Mayor

ATTEST:

Katherine M. Suiter
City Clerk