

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:00 p.m., December 10, 2012, with the following members present: Sam Bergeron, Dick Coose, Kj Harris, DeAnn Carlson, 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, Sales, Marketing & Customer Service and Sales Manager Simpson, 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: General Government Budget Update No. 27 - proposal for federal lobbyist services; General Government Budget Update No. 28 – proposed spending reductions to limit the 2013 mill levy increase from 6.2 mills to 6.7 mills; General Government Budget Update No. 29 – substitute 2013 Fire Department vehicle replacement program; Ketchikan Public Utilities budget Update No. 1 – revised estimate of funds available Revision No. 1; and Ketchikan Public Utilities Budget Update No. 2 – request for executive session regarding business and competitive aspects of KPU constructing a 4G wireless network in Ketchikan and a microwave link between Ketchikan and Prince Rupert, British Columbia.

PERSONS TO BE HEARD – None

UNFINISHED BUSINESS

Resolution No. 12-2480 – Draft 2013 General Government Annual Budget – Deferred from December 6, 2012

Councilmember Sivertsen made several suggestions, which included substituting the replacement of Fire Engine No. 2 with the replace of Medic 11 and Command 2, a savings of \$175,000. He asked Finance Director Newell if those funds could be moved from sales tax reserves into the General Fund to reduce the mill rate, and Mr. Newell confirmed that could be done. Finance Director Newell reminded the Public Works Sales Tax is intended to be used for public works purposes, and if there are no public works purposes that it needs to be used for then it may be used to cover other General Government operations at the discretion of the Council.

Councilmember Sivertsen continued by discussing the Hopkins Alley Project, which is scheduled for repairs. He asked Public Works Director Allen if the project could be phased over two years. Mr. Allen said the street is now posted for a three-ton rating, which isn't much. He discussed aspects of the project, and said while it could be phased over two years, by doing the basic components you never catch up. Councilmember

Sivertsen felt if we could free up \$200,000 from that projects we could put it back into the General Fund. Mr. Allen said staff could come back with a way to phase the work over two years. He expressed fear that the only thing that would be accomplished is the delay the obvious: we still have to work our way into full completion and are simply deferring maintenance.

Councilmember Sivertsen also discussed stairway construction, stating there is \$50,000 in that account. He reminded there is quite a stockpile of material at the landfill and proposed reducing that by \$25,000 so if that there were any issues and we still needed a contractor to come in we have some funds available for that. He continued to talk about Rock and Tree Maintenance, and suggested reducing that by \$15,000, which would bring a total of \$415,000 that could be transferred to the General Fund. He concluded this would cover the \$408,000 without having to dip into reserves.

Mayor Williams confirmed with Councilmember Sivertsen that his idea was to transfer sales tax funds over. He went on to say he had no problem with this, but felt the Council still needed to look at the General Fund. He mentioned eliminating one position in the Police Department, and still felt the Council needed to reduce what comes out of the General Fund because we would be faced with it again next year. He said he was all for making reductions in sales tax, but he would like to see the Council do something on the General Fund side to keep it at a half mill increase.

Councilmember Coose expressed a concern about the stormwater system, and putting a little over \$100,000 into design for future years. He suggested perhaps a little could be cut out of this design work. Manager Amylon commented those funds will allow staff to respond to earlier questions about different alternatives out there. He said if the designs aren't funded to 100% completion, staff will not be able to bring back any alternatives.

Manager Amylon commented the Finance director is absolutely right: the Council has at its discretion the ability to use Public Works Sales Tax to balance the budget. He said when staff originally put the budget together, reminding the Council was told this for the past two years, the goal for Public Works sales tax was to have reserves of \$2.5 million. He noted he made the conscious decision this year to raise the reserve level to \$3 million because he doesn't see the Council doing anything with a separate stormwater utility. He cited the three critical projects just referred to by Councilmember Coose, and said in order to find funding for the Fire chief's Engine No. 2 replacement he had to work with the Public Works director and paving was cut back considerably as was a bridge project. He went on to say throwing Hopkins Alley into the mix makes another bridge project that will be deferred. He felt when the governor's capital budget is released this Friday, the Council will not see either the hospital nor Water Street Trestle No. 2 in the capital budget. He said there is a whole lot of need for Public Works sales tax funds. He stated the Council can do it this year, but they would be just digging a hole for future years if they start to rely on Public Works sales tax to balance the General Fund budget. He said it is Council's discretion, but he would be reluctant to go down that road, knowing the need that is out there. He stated one catastrophic failure like we had on Sales-Gorge, and the

Public Works sales tax reserves could be wiped out. He commented it seems we are not working ourselves toward implementing a separate stormwater utility to start dealing with those issues. He said it will have to come from Public Works sales tax – there is no other funding source.

Mayor Williams encouraged the Council to consider the suggestions provided from management, the suggestions made by Councilmember Sivertsen and provide others they feel appropriate.

NEW BUSINESS

Resolution No. 12-2481 – Draft 2013 Ketchikan Public Utilities Annual Budget

Moved by Sivertsen, seconded by West the City Council approve Resolution No. 12-2481 appropriating from the Ketchikan Public Utilities Enterprise Fund for the Fiscal Year 2013.

Manager Amylon explained the budget was pretty much status quo. He noted it was the intent to move Whitman Lake forward and hopefully staff will have a Borough grant agreement and contracts at the meeting of December 20, 2012. He reminded the challenge with the budget is that water is operating at a loss and there are little or no funds available for capital projects, so the capital projects are either being funded by grants or from reserves. He went on to remind that Telecommunications is in a competitive field, and a number of initiatives have been previously discussed with Council, and staff is prepared to provide updates on before the Council makes any decisions relative to those initiatives.

In response to Council Coose, Finance Director Newell said staff could provide a page with the proposed budget with the revenues for each division. In response to Mayor Williams, he said staff anticipated that the Whitman Lake project with related expenditures would be let in 2012. He answered additional questions from the Council.

General Manager

Manager Amylon answered questions from the Council. No action was taken.

Sales, Marketing & Customer Service

Moved by Sivertsen, seconded by West that based on the general manager's memorandum dated December 5, 2012 that the City Council find it is in the City's best interest to consider those matters in executive session and that the Council go into executive session under KMC 2.04.025(a)(1) to review and discuss the business and competitive aspects of KPU constructing a 4G wireless network in Ketchikan and a microwave link between Ketchikan and Prince Rupert, British Columbia, subjects the

December 10, 2012

knowledge of which would clearly have an adverse impact upon the finances of the City of Ketchikan.

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

The Council took a short break before recessing into executive session at 7:36 p.m. and reconvening at 8:14 p.m.

Mayor Williams said the Council has completed an executive session to review and discuss the business and competitive aspects of KPU constructing a 4G wireless network in Ketchikan and a microwave link between Ketchikan and Prince Rupert, British Columbia, and no action would be taken tonight.

Councilmember Sivertsen spoke to the percentages shown in the budget document, noting he would like to see numbers attached to those percentages in the future.

In response to Councilmember Sivertsen, Telecommunications Division Manager Cushing and Sales, Marketing & Customer Service Division Manager Simpson explained the incentive program.

Councilmember Coose discussed percentages of increases, and requested a confidential memorandum that includes the numbers relative to those increases.

No action was taken.

Electric

Finance Director Newell, Electric Division Manager McConnell and Manager Amylon answered questions from the Council.

No action was taken.

Telecommunications

No action was taken.

Water

Manager Amylon and Water Division Manager Kleinegger answered questions from the Council.

No action was taken.

Moved by West, seconded by Sivertsen to defer until Monday, December 17, 2012.

December 10, 2012

Motion passed by unanimous consent.

Mayor Williams summarized there are motions to make and those can be done on Monday for the General Government, and then the Council can finish up the capital projects for KPU. He reminded motions can also be made at the meeting of December 20, 2012.

MAYOR AND COUNCIL COMMENTS – None

ADJOURNMENT

As there was no further business, the Council adjourned at 8:35 p.m.

Lew Williams III, Mayor

ATTEST:

Katherine M. Suiter
City Clerk