

**MINUTES OF THE REGULAR COUNCIL MEETING
OF THE CITY OF KODIAK
HELD THURSDAY, APRIL 26, 2012
IN THE BOROUGH ASSEMBLY CHAMBERS**

I. MEETING CALLED TO ORDER/PLEDGE OF ALLEGIANCE/INVOCATION

Mayor Pat Branson called the meeting to order at 7:30 p.m. Councilmembers Randall C. Bishop, Charles E. Davidson, Terry J. Haines, Gabriel T. Saravia, Mark Anthony G. Vizcocho, and John B. Whiddon were present and constituted a quorum. City Manager Aimée Kniaziowski, City Clerk Debra L. Marlar, and Deputy Clerk Matthew Gandel were also present.

After the Pledge of Allegiance, Salvation Army Sergeant Major Dave Blackater gave the invocation.

II. PREVIOUS MINUTES

Councilmember Whiddon MOVED to approve the minutes of the April 12, 2012, regular meeting as presented.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

III. PERSONS TO BE HEARD

a. Proclamation: Municipal Clerks Week

Mayor Branson read the proclamation, which recognizes Municipal Clerks for the vital services they perform and their dedication to our community.

Mayor Branson presented the proclamation to City Clerk Marlar, who thanked the Mayor and Council for recognizing the office of municipal clerk and said it was an honor and pleasure to serve the citizens of Kodiak and the Council.

b. Public Comments

Chris Lynch spoke in opposition to Ordinance No. 1297 and said it would have an adverse affect on small business owners and renters.

Pat Tabon spoke in opposition to Ordinance No. 1297 and the effect it would have on fuel costs for commercial fisherman.

Joe Floyd spoke about Ian Fulp, Director of the Parks and Recreation Department, who had recently announced his retirement after almost 40 years working for the City. He said Fulp had made great contributions to the community and thanked him for his years of service. He encouraged the Council to support naming a recreation facility after Ian Fulp.

Latoya Lukin, via telephone, spoke in opposition to Ordinance No. 1297 and encouraged the Council to search for other options to bridge the budget gap.

Lisa Kostelecky, via telephone, spoke in opposition to Ordinance No. 1297, in particular the raising of the sales tax cap.

Janet Wente spoke in opposition to Ordinance No. 1297 and said it would be detrimental to small businesses and would encourage people to shop online rather than locally.

Rod Murdock spoke in opposition to Ordinance No. 1297 and said local citizens couldn't sustain any further taxation.

Lale Gurer, Economic Development Specialist for the Kodiak Chamber of Commerce, provided the Council with the results of a survey from retailers on the 2012 Sales Tax Free Day.

Jay Hartley, via telephone, spoke in opposition to Ordinance No. 1297.

Anne Kalcic spoke in opposition to Ordinance No. 1297 and said raising the sales tax cap would have a significant effect on commercial fisherman and local renters.

Marya Nault spoke in opposition to Ordinance No. 1297 and said that it was poor timing to raise the sales tax rate because property taxes had recently gone up and funds still needed to be raised for the new high school. She also congratulated Councilmember Vizcocho on his recent appointment and said she was happy to see young people enter the political process.

Dan Rohrer spoke in opposition to Ordinance No. 1297 and encouraged the Council to find ways to cut expenses rather than raising revenues and encourage an economically sustainable Kodiak.

Danielle Ringer, via telephone, spoke in opposition to Ordinance No. 1297 and said she was concerned with the effect it would have on young professionals in Kodiak who already have a difficult time affording rental prices.

Debora Refior spoke in opposition to Ordinance No. 1297.

Dawn Acosta spoke in opposition to Ordinance No. 1297, in particular raising the sales tax cap, and said many other communities have exceptions to a sales tax cap for rentals.

Michelle Weekly pleaded with the public to not dump trash and other debris on Pillar Mountain.

Lindsay Howell, Crab Festival Manager for the Kodiak Chamber of Commerce thanked the Council for letting them use city property for the Crab Festival. She also thanked the Council for its support of local nonprofit organizations.

Timothy Howland, via telephone, spoke in opposition to Ordinance No. 1297 and said it would encourage people to shop off-island or on the internet.

Kim Davidson spoke in opposition to Ordinance No. 1297 and said it was already difficult for small business to compete, and that raising the sales tax rate and cap would have many repercussions throughout the community.

Tony Lara spoke in opposition to Ordinance No. 1297 and asked the Council to consider who they were targeting with the proposed sales tax increase.

Patrick O'Donnell spoke in opposition to Ordinance No. 1297, particularly the increase in the sales tax cap.

Gene Mueller spoke in opposition to Ordinance No. 1297 and said Kodiak currently has one of the highest sales tax rates in the state, and shouldn't be raised any higher.

Jesse Glamann, via telephone, spoke in opposition to Ordinance No. 1297 and said raising the sales tax would make it hard for local retailers to keep a competitive edge over off-island or online business.

Jack Mann spoke in opposition to Ordinance No. 1297 and said the Council needed to rein in spending rather than raise taxes.

Keosaengsay Souriyasong, via telephone, spoke in opposition to Ordinance No. 1297.

Candace Ozols spoke in opposition to Ordinance No. 1297 and said a tax increase would make off-island and online shopping more attractive to local people.

Tina Fairbanks, Production/Operations Manager for the Kodiak Regional Aquaculture Association, thanked the Council for considering Resolution No. 2012-12.

Bob McGarry spoke in opposition to Ordinance No. 1297 and said that the City was overspending and shouldn't burden taxpayers with an increased sales tax.

Jim Emerson spoke in opposition to Ordinance No. 1297.

Laurie Murdock, via telephone, spoke in opposition to Ordinance No. 1297, particularly the increase in the sales tax cap.

William Bacus spoke in opposition to Ordinance No. 1297 and asked if the Council had considered how a sales tax increase would affect the community.

Ken Dunn spoke in opposition to Ordinance No. 1297 and said it was the job of the Council to be fiscally responsible and find a way to bridge the budget gap that didn't increase taxes.

IV. UNFINISHED BUSINESS

- a. **Second Reading and Public Hearing, Ordinance No. 1296, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2011 and Ending On the Thirtieth Day of June 2012**

Mayor Branson read Ordinance No. 1296 by title. It is customary for the City Council to approve at least one supplemental budget annually to authorize the adjustments of current revenues and expenses. This is the second supplemental for FY2012 and totals \$165,086. These adjustments are for operating funds as well as additions to project funds for grant revenues received and additional expenditures needed since the first supplemental budget amendment was passed in February 2012. This amendment also reverses the transfer of \$2.5 million in capital project funds from the fund balance of the General Fund and authorizes the capital funds to be taken from the Enhancement Fund.

Councilmember Saravia MOVED to adopt Ordinance No. 1296.

Mayor Branson closed the regular meeting, opened and closed the public hearing when no one came forward to testify, and reopened the regular meeting.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

V. NEW BUSINESS

- a. **First Reading, Ordinance No. 1297, Amending Kodiak City Code 3.08.010(b), Levy of Sales Tax, to Increase the Rate of Sales Tax From Six Percent to Seven Percent on All Sales, Rentals, and Services Made Within the City Other Than Rentals of Transient Rooms; Amending Kodiak City Code 3.08.110(b), Tax Schedule, to Reflect the Increase in the Sales Tax Rate; and Amending Kodiak City Code 3.08.120(a), Maximum Taxable Sale, to Increase the Maximum Amount of a Single Transaction Subject to Taxation From \$750.00 To \$3,500.00**

Mayor Branson read Ordinance No. 1297 by title. Council and staff have discussed how to bridge the substantial annual revenue shortfalls of \$3 to \$4 million since early 2011. The City has been using fund balance to cover the gap between revenues and increased expenses since about 2007. The fund balance continues to diminish, which will limit the City's ability to maintain its fiscal obligations. After many months of work, Council and staff held a special planning meeting in January 2012 to discuss how the City could meet current operational obligations, maintain existing services and infrastructure, manage investments and debt capacity, and cover unexpected or emergency expenses. They also discussed how to plan for and afford the replacement of aging infrastructure. Council recognized that the City could not continue to defer action and had to either increase revenues or cut services to balance the budget and meet required General Fund reserves. Council decided to increase revenues by raising the sales tax and the sales tax cap in order to fund current needs without dipping in to the fund balance each year.

Councilmember Davidson MOVED to pass Ordinance No. 1297 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting.

Councilmember Davidson said he understood that people didn't want to see an increase in sales tax and challenged the public to offer suggestions to the Council on a better alternative to bridge the current budget gap. He said the cost of operating the City had gone up and that necessitated an increase in revenues. He said the Council was trying to do what was best for the community and maintain the current level of services.

Councilmember Haines said he appreciated everyone's comments, and it was clear that raising the sales tax would affect local businesses and renters. He said the Council had taken that into account when proposing the tax increase, but that the City could not operate with the present revenue levels. He said many of the large projects that the City had undertaken in the last few years had been financed largely by the state and federal governments and had not been paid for by the City for the most part. He said in order to maintain the City's infrastructure and provide citizens with the same class of community and level of services, it was necessary to raise revenues. He said the only fair tax cap would be no tax cap, but said he was sensitive to the effects raising the sales tax cap would have on rentals.

Councilmember Haines MOVED to amend Ordinance No. 1297 by inserting the words "with the exception of rental properties, which shall be capped at the level of \$1,000" to the end of Section 3.

Councilmember Whiddon said he was not in favor of the amendment, but felt it was prudent to look at other options for the tax cap.

Councilmember Davidson said he was not in favor of the amendment, and reminded the public that this was only the first reading of Ordinance No. 1297.

The roll call vote on the amendment was Councilmember Haines in favor; Councilmembers Bishop, Davidson, Saravia, Vizcocho and Whiddon opposed. The amendment failed.

Councilmember Whiddon said he appreciated all the comments from members of the public and said they were not taken lightly. He said the Council was trying to find a way to maintain the current quality of life for Kodiak's citizens in the face of rising operating and personnel costs. He said all the members of the Council were heavily invested in Kodiak and wanted the community to be economically sound.

Councilmember Davidson commented that over fifty-percent of General Fund revenues came from the sales tax. He said the City had been delaying infrastructure repairs to save money, but that those repairs end up costing more money to fix in the long run.

Councilmember Saravia invited the public to make recommendations to the Council on the best ways to cut expenses and keep the same services. He said the Council was elected to make hard decisions and he believed they were doing what is best for the City.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

b. Resolution No. 2012-11, Authorizing the Assignment of the Lease of Tract C-1, Alaska Tideland Survey 1408, Plat No. 92-41 From Ocean Beauty Seafoods, Inc. to Ocean Beauty Seafoods LLC

Mayor Branson read Resolution No. 2012-11 by title. The Council adopted Ordinance No. 1294 on January 12, 2012, which authorized a lease between the City of Kodiak and Ocean Beauty Seafoods, Inc. for property located in Gibson Cove. When the City Clerk sent the lease to Ocean

Beauty for signature, the Chief Financial Officer and Secretary of Ocean Beauty requested the lease name be changed to Ocean Beauty Seafoods LLC. After consultation with the City's attorney, it was determined the requested name change required Council authorization in accordance with Kodiak City Code 18.20.240 Assignments: "The rights of a lessee or purchaser under a lease or under contract of sale may not be assigned unless the assignment is first approved by the council. The assignee shall be subject to all of the provisions of the lease or sales contract." The City's Attorney drafted Resolution No. 2012-11, which authorizes the requested name change.

Councilmember Haines MOVED to adopt Resolution No. 2012-11.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

c. Resolution No. 2012-12, Supporting the Implementation of Lake Fertilization of Karluk, Frazer, and Spiridon Lakes by the Kodiak Regional Aquaculture Association as a Salmon Rehabilitation and Enhancement Method

Mayor Branson read Resolution No. 2012-12 by title. The Kodiak Regional Aquaculture Association has been leading an effort to obtain support to fertilize several Kodiak Island lakes to increase sockeye salmon production. This resolution, which is similar to the one the Kodiak Island Borough Assembly recently adopted, provides a clear statement of support for the project. The City-Borough fisheries workgroup discussed the project at their April 16, 2012, meeting and requested the City consider adopting a resolution because increased salmon production benefits the community and economy.

Councilmember Whiddon MOVED to adopt Resolution No. 2012-12.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

d. Authorization of Emergency Replacement of Water Main on Rezanof Drive, Project No. 7032

On the morning of April 5, 2012, the water main on Rezanof Drive broke at the intersection of the Near Island Bridge. This main is roughly 3.5 feet deep and froze this past winter. The failure was a linear crack on the underside of the main from having been frozen and broken, caused by expanding ice. The section of frozen pipe is slightly over 800 feet long and is asbestos cement pipe that has become fragile due to age. The Alaska Department of Transportation (ADOT) is repaving this section of Rezanof Drive this summer, so it is critical that this line be replaced before the new pavement is installed. Due to the critical timing and urgency of this unplanned work, staff recommends Council authorize the emergency replacement of the water main and authorize the emergency work to Brechan/Pruhs JV (ADOT/Rezanof Drive resurfacing contractors) per Kodiak City Code section 3.12.070(b), Exceptions to Bidding Requirements.

Councilmember Haines MOVED to authorize the transfer of \$450,000 from the Pillar Creek Dam Spillway Repair project, Project No. 7033, to the newly created project, Emergency Replacement of Water Main on Rezanof, Project No. 7032/12-06; and authorize the award of a con-

tract to Brechan/Pruhs JV in the amount of \$366,100, with funds coming from Water Capital Improvement Fund new project number 7032/12-06.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

VI. STAFF REPORTS

a. City Manager

City Manager Kniazowski informed the Council that Director of Parks and Recreation Ian Fulp has submitted his resignation effective September 30, 2012. She said Fulp was the only Parks and Recreation Director in the history of the City, and everyone appreciated his years of devoted service. She said City staff were currently working on the FY2013 budget and that a work session was scheduled for May 5, 2012, for staff to review the budget with Council. She encouraged members of the public to attend the work session so they were informed throughout the budget process. She said the budget currently did not reflect the proposed sales tax increase, and was showing a \$2.5 million deficit. She acknowledged the service of Kodiak Police Department employee Debra Buckey who was retiring after 20 years of service to the City. She also acknowledged Kodiak Fire Department employees Lieutenant Dave Billings for 15 years of service and Deputy Fire Chief Jim Mullican for ten years of service. She said she had attended a memorial for the two victims of the recent shooting at the Coast Guard base and had been struck by the quality of the leadership displayed.

b. City Clerk

City Clerk Marlar informed the public of the next scheduled Council budget work session, work session, and regular meeting. She invited the public to contact the Clerk's Office if they needed assistance locating the City budget documents online.

VII. MAYOR'S COMMENTS

Mayor Branson wished Wilma Finley a happy 100th birthday. She said she attended the memorial for the two victims of the recent shooting at the Coast Guard base and said it was very moving. She thanked everyone who had come to offer comments on the proposed sales tax increase, and said that budget decisions were never taken lightly. She said it was a fine balance between maintaining infrastructure and the current quality of life. She invited the public to offer their opinions to herself and the Council.

VIII. COUNCIL COMMENTS

Councilmember Vizcocho congratulated the Clerk's Office on the proclamation of Municipal Clerks Week. He thanked all the community members for voicing their concerns with Ordinance No. 1297. He said the Kodiak community was a family and needed to work together to solve problems.

Councilmember Bishop congratulated the Clerk's Office. He said the memorial service for the two people killed in a shooting at the Coast Guard base had been very touching. He said the City

couldn't keep conducting business without increasing revenues, and that changes had to be made to ensure a viable community in the future. He said the Council was considering all available options for increasing revenues.

Councilmember Haines thanked all the members of the public who had made comments, and said the only thing the City couldn't afford to do was not do anything. He thanked Parks and Recreation Director Fulp for his years of service to the City and community.

Councilmember Saravia thanked Parks and Recreation Director Fulp for his service to the community. He expressed his condolences to the families of the two victims of the shooting at the Coast Guard base. He said that the public was always welcome to offer their opinion on the best way to get the funding required for City services. He said the Council was elected to make hard choices, and people were always welcome to run for office if they didn't like the choices that were being made.

Councilmember Davidson extended his condolences to families of the victims of the shooting at the Coast Guard base. He said nobody liked to pay increased taxes but that something had to be done, and he felt the Council would be able to come up with a solution that everyone would accept.

Councilmember Whiddon thanked Parks and Recreation Director Fulp for his service. He said he had attended the memorial at the Coast Guard base and, as a retired member of the Coast Guard, was very proud of the leadership and character that was displayed. He congratulated Fire Department Lt. Billings and Deputy Chief Mullican on reaching milestones in their years of service to the City. He said the Council was elected to make hard decisions but that it would never make any decision without considering the wishes of the people. He said it was necessary to consider outside impacts to our economy, such as state and federal fisheries regulations, as well as local impacts such as the sales tax. He thanked everyone who had offered their comments and said the public process was democracy at work.

IX. AUDIENCE COMMENTS

Jack Mann said he took exception to the comments of some Councilmembers. He said he felt that cuts could be made to City services without affecting public safety and that the Council needed to carefully consider what it was doing before making any decisions.

X. ADJOURNMENT

Councilmember Whiddon MOVED to adjourn the meeting.

The roll call vote was Councilmembers Bishop, Davidson, Haines, Saravia, Vizcocho, and Whiddon in favor. The motion passed.

The meeting adjourned at 9:56 p.m.

APRIL 26, 2012

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CITY OF KODIAK

DEPUTY MAYOR

ATTEST:

DEPUTY CITY CLERK



Minutes Approved: May 10, 2012