### I. CALL TO ORDER

Mayor Cobb called the meeting to order at 7:00 pm in the City Council chambers.

### II. PLEDGE OF ALLEGIANCE

The City Council led in the Pledge of Allegiance to the American flag.

### III. ROLL CALL

Mayor Dave Cobb
Council member Karen Ables
Council member Mike Wells
Council member Joe Prax
Council member Sorum

Council member McCann was absent and approved.

Also Present:

John Hozey, City Manger Sheri Pierce, City Clerk Bill Walker, City Attorney Craig Richards, City Attorney

Members of staff and approximately 20 people in the audience.

### IV. APPROVAL OF MINUTES OF THE REGULAR MEETING OF May 7, 2012.

The minutes of the meetings of May 7, 2012 were approved as presented.

- V. PUBLIC APPEARANCES
- VI. PUBLIC BUSINESS FROM THE FLOOR
- VII. CITY MANAGER/CITY CLERK/CITY ATTORNEY/MAYOR REPORTS

CITY MANAGER

New Middle School Project

Mr. Hozey reported that they are working on finishing up the schematic design for the project. A meeting was held with the building committee on May 21<sup>st</sup> and they will be meeting one more time after the cost estimates are configured. He indicated that they are on target to have the schematic design completed and ready to present to Council for final approval during the first meeting of July.

The Library Project

Mr. Hozey reported that all abatement is complete and all electrical work is roughed in. They are now waiting, he explained, for the store front aluminum and the new book drop portion to arrive. Mr. Hozey said that after those items are received they will coordinate with the library to install them and complete the project.

## The Senior Center Carport

Mr. Hozey reported he will be ready for Council to award the bid for the project at the first meeting in June.

## **Elementary School Flooring**

Mr. Hozey explained that the school district approached him with this new project since they are currently considering combining maintenance functions between the school and the city. He reported that the school began this project last year but did not get to finish it and presently they do not have anyone to run the job. Incidentally, he explained, the school is asking that the city take over running that project until it is complete. Mr. Hozey stated that he hoped that from here on out the City would be running all such projects through their system.

Council member Prax asked if this is an effort for the schools to get more money from the City. Mr. Hozey replied that Council member Prax might need to direct that question to the school district. Council member Prax responded that since the City gives the school district money he wondered if we would eliminate another service we provide in order fulfill this new request. Mr. Hozey stated that the school district presents a budget based on an educational program and the Council evaluates what that is and whether or not they choose to fund it. He said it was the school's decision on what to ask for. He explained that when they discussed consolidating maintenance it was from the point of view that the buildings are City facilities and ultimately it is the City's responsibility to maintain them. He stated that with staff departures going on with both organizations and the fact that the middle school project is forcing them to relocate the maintenance shop it made sense to begin the discussion of combining their functions. He said that it was in preliminary discussions only and would definitely be brought back to Council for approval. To the extent that the City fully takes over maintenance, Mr. Hozey explained, and in turn the City would not have to fund maintenance for the school, a budget reduction for that difference would definitely be something to consider during budget season. Council member Prax stated that the school district does not present the Council with that level of detail. Mr. Hozey stated that this past year they did give a line item budget which did provide more detail than what was given in the past. Again, he explained, it is not City Administration's position to evaluate the school district's budget. It is, he explained, the Council's job to evaluate it. Council member Prax stated that if the City is signing on for more responsibility there should be a monetary adjustment for their budget and it should be discussed at the Administration level when these conversations are happening.

Council member Moore stated that it is her understanding that by state law or policy, if the City takes on the responsibility of all maintenance that a portion of that would be reported to the State and the City would receive some money for taking on those duties.

Council member Sorum stated that he is very tired of the notion that this is an "us versus them" argument. He stated that those buildings are City facilities and the City should take care of them. He said that we are so behind on deferred maintenance yet have millions in unallocated reserves. Council member Sorum stated that we keep bringing in property taxes and do not do anything with the money. At least with the schools, he explained, the money would be used for something very worthwhile. He said that he would expect some savings for the City if the schools are no longer responsible for maintenance but that it is the City's responsibility.

Mayor Cobb stated that he would like the City Council to ask the school district pertinent questions during budget that will reflect changes in expenses for both parties based on the new agreement regarding maintenance and snow removal. Council member Prax stated that it should be known that the school should expect that discussion.

Council member Sorum then stated that he was very disappointed that the meeting that evening was re-scheduled to accommodate the scheduling of the mil rate but as it turned out the mil rate was not included on the agenda. He felt that it should have been communicated to the Council and the public that the discussion was postponed to the next meeting. He stated his dissatisfaction in the way that the agenda was changed with no input from Council. He explained that he could not be present at the next meeting do to a prior commitment and was upset that he would not be included on that conversation.

Mr. Hozey explained that the meeting date was changed for a couple of different reasons, one being that they originally believed that they had a June 1<sup>st</sup> deadline to set the mill rate. They found out later that it was not the requirement that they actually had until the 15<sup>th</sup> of June. However, even with that extension, Mr. Hozey explained, they still needed more time for legal and finance to see what their options are and needed to maximize the number of Council members present. Since most Council member were available that evening, the meeting was switched to that date. Mr. Hozey then explained that the mill rate would in fact be discussed that evening under the budget resolution. At that time, he hoped that Council would make a decision of what the mill rate would be and then he would bring that decision back in a resolution to the next meeting to be voted on. Council member Sorum stated that it would have been courteous to point the true intentions of the meeting change to Council.

**Population Count** 

Mr. Hozey explained that the State was being very stringent with the population count. They were told that week that a significant number of the population count submitted would be denied. The State indicated that they would approve only 3700 people which is less than the number the City appealed (n = 3,992). Mr. Hozey said that the state has to certify the numbers by June 1<sup>st</sup> so there is not time to keep fighting the issue. He stated that the possibility of getting a favorable response to the appeals was very unlikely so he made the decision to pull the appeal and at least Valdez will get the original number which eliminates the chance of receiving the low number proposed by the state. He said that if they continued to fight and won they would gain about 50 people however if they fought and lost they risked the possibility of losing over 200 people. He concluded that they would go on record stating that they do not agree with their decisions and work towards creating a process for next year that will eliminate these issues.

Lisa Von Bargen, Community and Economic Development Director, explained how the population count was determined by the state. Council member Ables asked what department controls the population count. Ms. Von Bargen stated that the Department of Labor is the one that establishes the population count. She explained that they use census data as a baseline, they take numbers from the permanent fund dividend applications and then they pool that together with labor statistics to provide the population determinations. However, she continued, it is the Department of Commerce Community and Economic Development (DCCED) that issues the population number that they get from the Department of Labor and it is through DCCED that the City appeals the population count.

Council member Ables stated that it seems obvious to her that there is something else in play here. Ms. Von Bargen stated that they asked for much more complicated data than they have ever asked for before. The data was provided as requested, however, due to the complicated nature of the issue it was decided that for this year it was not worth the fight to try and get the number originally requested. Ms. Von Bargen stated that they would be getting with the Department of Community and Regional affairs to confirm methodology for next year.

Council member Moore stated that she was not pleased that we spend so much energy and time on this and asked if we could check with other communities to see if they are experiencing the same issues as we are.

### Beautification Task Force

Mr. Hozey explained that the Beautification Task Force met on the 21<sup>st</sup> of May and indicated that the plan is beginning to solidify and it would be provided to Council at the last meeting in June or the first meeting in July. Council member Moore stated that she has been hearing that what was coming out of the planning process was that there would be restrictions on what colors people and businesses could chose to paint their buildings and homes. Mayor Cobb stated

that that was completely erroneous information. Mr. Hozey stated that the Beautification Task Force is addressing a recommended palette of colors. They would come up with several colors that work well together and those colors would be presented to the public as a suggestion but the decision to use that recommendation or not is completely up to the individual. City buildings would follow the color palette, Mr. Hozey explained. Council member Moore asked if we are halting painting on city projects because of this outstanding decision. Mr. Hozey stated he delayed painting the museum for a couple of weeks until the decision is finalized.

Council member Sorum stated that it should be communicated to the public what is going on. Council member Prax stated that the most he read about this process was in the Planning and Zoning meeting minutes. He said that he would like more information on what is happening during this process. He stated that if they are not made aware until the end they have no say in the decision.

Mayor Cobb wished to point out to the Council that the task force and the consultants had 3-4 public hearings regarding the design of the plan and some council members attended and some people present that evening in the audience attended. However, painting issues were not brought up during those hearings. He also explained that they have regular work sessions that are open to the public. He cautioned everyone to not jump to conclusions because nothing had been decided at this point.

Council member Prax asked why Planning and Zoning was briefed on the status of the task force and not the Council. Ms. Von Bargen explained that she mentioned at a Planning and Zoning Commission meeting that the public hearings were going on and if the commissioners could not attend that they should get on the City website and peruse what is being recommended. That is how the details ended up in the minutes, she said. Mr. Hozey apologized for not communicating more information about this issue to Council and stated that he would try to do a better job on informing the Council on the progress of all task forces.

Council member Ables stated that if they are waiting on the color palette now but also had hopes of remodeling the museum annex, that remodel would not happen for 2-3 years. She felt that cleaning it up now to make it look better for a few years would be worth it. Mr. Hozey agreed with this notion. He stated that they do have a proposal to paint both the museum and the annex building. The painting is only being delayed by a few weeks until the color palette can be decided upon. Council member Sorum stated that he felt that it should be painted now unless the City can guarantee that the building will be replaced within the next few years. He stated that he had heard that the City was concerned about painting it and making it too nice because if it were fixed up they would not want to replace it. He felt that the City does not move that fast and that fixing it up now to make it look better would be a good idea.

### **VCVB Task Force**

Mr. Hozey reported that currently they are working to put a survey together that will go out to the business community. He indicated that he was relying heavily on the Assistant City Manager for this project and since that position is now empty he has not had time to complete it. He indicated that he would work to finalize that survey and get it out to businesses as soon as possible.

# Capital Facilities Director Recruitment

Mr. Hozey announced that Dean Day has accepted an offer for the position and will be here in late July to begin work.

## 4th of July and Pink Salmon Festivals

Mr. Hozey reported that both festivals are in progress and have taken up quite a bit of staff time, especially the time of Ms. Von Bargen. He concluded though that both events are shaping up nicely.

# Fuel Savings for the Museum and Library

Mr. Hozey responded to a request from Council member Prax regarding gallons of fuel saved from installing the new boiler at the museum and library. He reported that only 12 gallons of fuel were saved as a result of that project. He stated that there were other reasons for installing the new boiler but unfortunately the fuel savings did not materialize.

### CITY CLERK

Ms. Pierce reported that the International Clerk's Conference that she attended in Portland was very informative. She indicated that she attended a session regarding City Council orientation that she hoped to adapt into a presentation to be given to Council after the election in October.

Ms. Pierce also stated that on the next agenda they will receive a written report on the status of the Coast Guard Cities Program.

#### CITY ATTORNEY

Mr. Walker did not have a report for the meeting other than a brief statement about the status of the redistricting process. He indicated that it is still on going but the only dispute is in the South East area. Anything that would affect Valdez has been resolved. Mr. Walker explained that here will be one new senate seat for Valdez. Council member Ables asked if Representative Feige remains in our district and Mr. Walker replied in the affirmative.

- 1. Proclamation Clean Up Day
- 2. Approval to go into Executive Session Regarding TAPS Value/Litigation

MOTION: Council member Moore moved, seconded by Council member Ables, to approve the consent agenda.

Mayor Cobb asked to extend the Clean up Day from one day to one week. Mr. Hozey asked for clarification on what he wanted exactly because the resolution waving fees is for 10 days. The proclamation, he explained, is more of a symbolic thing but the fees are in fact waved for 10 days. Mayor Cobb wished for the language to be changed in the proclamation from 1 day to 10 days. Ms. Pierce explained that the proclamation would have to be changed and brought back to Council at the next meeting. Mayor Cobb requested that she bring it back at that time.

### \*\*\*VOTE ON THE MOTION:\*\*\*

### IX. NEW BUSINESS

1. Approval of Lowe River Levee Alignment and Scope of Work

MOTION: Council member Moore moved, seconded by Council memberWells, to approve Lowe River Levee Alignment #3, to include a project scope that includes three aspects of the full renovation described as items #1, 2 and 3 in the agenda statement, in the amount of \$1,592,735.

Council member Wells stated that in looking at the new dike proposal are they looking at the 2006 flood level plus three feet for the height of the dike which is what they have been working on all along. Ms. Von Bargen clarified that regarding the extension of groin three it will be to the 2006 flood level based on what URS modeled of the 2006 flood. What they left out of the model was the breach of the 12 mile dike which was a huge part of the 2006 flood. So, she explained they had discussions with John Daly about this issue. He recommended working with the state to come up with a joint agreement to work together to maintain the 12 mile dike instead of beefing up groin 3 to be at the 2006 level with the 12 mile levee breach.

Council member Wells stated that certainly that would be the best scenario but they built groin 3 at 2006 level plus 3 feet. Mr. Hozey replied in the negative stating that they did not do that. The design intent initially was to look at flood stages coming from the south, not to meet the flow of water coming from the other direction. The extension of that, he explained, will take it at that elevation to where the residents chose for it to go. Council member Wells understood that point but asked about the connection of groin 3 to groin 1 and if it would be at the same height; flood level in 2006 plus 3 feet. Ms. Von Bargen did not have the answer to that question. Council member Wells just wanted to make sure that they are building this high enough to do the job right the first time. Mr. Hozey

stated that it is not designed to protect against another 12 mile dike breach. Other than, he said, it is designed to protect to the 500 year level.

Council member Wells then asked about John Daly's letter where he states, "...that URS's assumption is that the enlargement of groin 1 and 2 will include a self launching scour toe as opposed to a buried scour toe which might require diversion of the existing river...". Council member Wells stated that the self launching scour toe is what they had before and his concern is that when they get to groin 1 and groin 3 are they going to be back in the same position as they are now; where they have a set of engineer designed plans and the residents are dissatisfied. He stated that if they are not going to do that at groin 1 and 2 then they ought to make sure they understand what the cost will be. Mr. Hozey agreed that the cost could be more in the future though that was not up for consideration that evening.

Council member Sorum asked if the elevation proposed in this design depended on the State of Alaska completing their end of the project and if so he believed that this was not the right approach. He felt that it would always be uncertain what the State would accomplish in this plan and we should not rely on them. Mr. Hozey explained that the dike, as originally installed, has always been designed to protect from the Lowe River to the south. If it was desired, he continued, to build the dike higher to provide protection should the 12 mile dike break then they need to redesign the project as that is not what it was ever intended to do.

Council member Wells stated that his concern is that they were originally looking at flood level from 2006 plus 3 feet and if they have a dike that is designed to do the job and if the residents are happy with it then he could support it. But, he wanted to make sure that we know we are bidding on what is desired by the residents.

Rick Wade, 10 mile resident, addressed the Council stating that he had discussed the self launching toe and had explained the difference to the City Council. He said that having one placed in place in something that is not arbitrarily falling down when the water is not flowing by would be much more effective. If they had the river right where they are building the dike and they had no choice then a self launching toe would probably work, he explained. But, since the river is not there right now they would be working in dry ground and a buried scour toe could be used. Mr. Wade said that introducing it at the very beginning would allow for very little difference in pricing. Mr. Wade continued stating that it was always supposed to be built 3 feet above the 2006 flood level. He stated that every sheet of the plan had that stamped right on the page. When the hydrologist examined the plan they agreed that all of the factors are not included into the computer program that was used. Mr. Wade stated that he explained to the engineers who visited the dike that they had flood waters from the river coming up into the stream. It was not just the 12 mile dike that broke; it was also water from the river that was getting into the stream. That is why they felt it so important to build the dike there in that location. Mr. Wade stated that all of those

things were discussed and so he was very surprised to see them considering the self launching scour toe as it had definitely been ruled out before.

Council member Wells stated that what they are voting on tonight is a buried toe. But, the future plans for groin 1 and 2, they will use a self launching toe. Mr. Wade recognized that there may be reason to install a self launching toe for different locations where the river is present.

Mr. Wade commented that the other issue is the level of 3 feet above the 2006 flood was a FEMA requirement. He stated that they will require it to be at that level to certify it.

Council member Wells stated that every plan he has seen has been stamped with 3 feet above the 2006 flood and he wanted to make sure that they were not building below that. Mr. Wade stated that the re-built dike is much better than what it was before but it was built right to the same exact level to what it was before. He stated that the gravel pit there can drag the river towards the stream and since 2006 they have done a lot of extraction of that gravel pit.

Council member Sorum stated that he was always under the impression that it was agreed the level should be at the 2006 flood plus three feet. He wanted to know if that was what they were voting on that evening. Council member Prax stated that he agreed with Council member Sorum on the level it was to be built to. Mr. Hozey directed the question to the engineer of the project, John Daly. Mr. Daly confirmed that the design was modeled with the 2006 event with the DOT dike in place, not in the damaged condition that it was in 2006. He explained that if you took that volume of water in 2006 and assumed that the DOT dike was holding, it would give you an approximate 500 year flood level. What the codes and standards require is 100 year flood, Mr. Daly explained. There are two different ways to do it, he said. The old way is to take 100 year flood and add 3 feet to it. The new way, he explained, is a much more complicated way that came about after Hurricane Katrina. The old way, he assured everyone, is still safe. He stated that what they would do from now on is to refer to it as the "design flood" and that would give three feet above the design event. The design event, he explained, is the model of the 2006 flood event with the condition that the DOT dike is in fact in place. This has caused some concern with the residents because the DOT dike failed in 2006. Mr. Daly stated that there is question on how FEMA will treat these dependant structures and that has not yet been determined.

Council member Sorum stated that at all of the meetings he attended they agreed to flood level of 2006 plus 3 feet. Mr. Daly stated that they have always said that it is modeled as if the DOT dike stays in place. Council member Sorum argued that what he is hearing is that the design does not meeting the wishes of the residents. Mr. Daly stated that Council member Sorum's position is only one interpretation of the issue. Council member Sorum stated that it is either 2006 flood level plus 3 feet or it is not. Mr. Daly replied that if they want a dike system

that will protect the subdivision if the DOT dike fails then answer is no, they have not designed for that event and they have never said they would design for that event. Mr. Daly stated that he has gone to great pains to communicate that. If that is what is desired, they will need to start over with the design and will need to model the whole river coming down the way it did when the DOT dike failed. They will need a secondary dike that will be 3-4 feet higher than the existing dike.

Mr. Hozey stated that Mr. Daly's comments are consistent with everything he has ever brought to Council. Mr. Hozey stated that Council at the time directed administration to not build a redundant system and that the effort would be to build to the 2006 flood level plus three feet as if the DOT dike did not fail.

Council member Sorum stated that this is a classic example of how the City shows up to a meeting and tells the group what is good for them and they do not listen to what the residents want. He stated that they know what happened and they know what the City did to help them out there and what they experienced should be reflected in the design. Mr. Daly stated that it is reflected in the design if the DOT dike stays in place and that he has tried to clarify that on several occasions. Mr. Daly stated that the way to protect themselves from another 2006 event is to rebuild the DOT dike or build a secondary dike that will hold in the event that the DOT dike does not. Mr. Daly stated that the route of the problem was the failure of the DOT dike and that should be part of the solution to prevent another flood.

Council member Sorum stated that it is not URS as they just do what City Administration tells them to do. He indicated that the residents have consistently met with the administration and told them what they want and Administration has consistently gone and told Mr. Daly to go and do something different. Council member Sorum stated that he did not want to depend on the state of Alaska to take care of the dike at 12 mile. Mr. Hozey stated that he respectively disagreed with Mr. Sorum.

# \*\*\*SHERI TO FINISH THIS SECTION (1:28 of the meeting tape)\*\*\*

VOTE ON THE MOTION: 5 yeas, 1 nay (Sorum), 1 absent (McCann), motion carried.

2. Approval of Contract with Michael L. Foster & Associates for Project Management Consulting Services in an amount of \$53,710

MOTION: Council member Moore moved, seconded by Council memberWells, to approve a contract with Michael L. Foster & Associates for project management consulting services in the amount of \$53,710.00.

Mr. Hozey explained that the funding source was incorrect on the agenda statement and he corrected that number for Council indicating that the expense would be taken from the Capital Facilities Contractual Services line item. Council

member Moore asked if this change would be communicated to the Finance department so that we will not be fixing this at the end of the year. Mr. Hozey replied in the affirmative.

Council member Prax stated that it seemed like they were reinventing the wheel with this project. He asked if there were other communities that have gone through this and if we could look at how they are doing it or is it totally different from the way we do business. Mr. Hozey stated that many cities struggle with the same issues that we have. He said that there are other project manuals that we could request from other cities but to work through some of the unique situations of our finance system and how we interface with that, this level of specific detail is preferred. He said that this document would define how the City processes work, it would provide in-town training, and it would help us with the implementation of the new system.

Council member Prax stated that he sees what they are spending the money on but what is expected to be the result. Mr. Hozey stated that the result is to improve the efficiency of the project management process. He stated that different project managers handle things in different ways. The interface with Finance, he said, is less than ideal as sometimes things get dropped. He stated that he does not feel that we are as efficient as we could be in the number of projects we schedule and complete. This document, he concluded, will standardize everything. Mr. Hozey stated that everyone will work from the same check list which will eliminate things from being overlooked or dropped. It is also desired to use this process to be able to deal with the financial side of it in real time which will make management of the budget for projects much more accurate.

Council member Sorum stated that when considering the built up deferred maintenance and the budget reserves we have, we could have hired a full time employee for the City and kept them busy for a very long time. He voiced his frustration over the contract manager position that is hired every year. He stated that he cannot support this motion because the answer is to hire a full time person to take on some of the work load that is the cause of things running ineffic iently.

Mayor Cobb commented that this program will hopefully eliminate the many things that are falling through the cracks or being over looked which is causing the need for multiple change orders on many projects. It will, he explained, create a better system so that projects are finished on time and within the original scope of work.

Council member Moore asked if there has ever been a definitive answer if we were to increase full time employees now and then had to reduce that number and its effect on PERS. Mr. Hozey stated that he did not think it would be an issue unless we eliminated an entire class of employee. If an entire class were removed then a termination study would need to be done which would be a very

large issue.

Council member Moore stated that she lived through the relocation of Valdez after the earthquake. As the town was relocated, everything constructed was new and pristine and now so much of the town is falling apart. She has very serious concerns about us fixing everything now, for this time frame only, and to have to start all over again thirty years from now. She felt that a more steady approach to fixing up the City is the best answer.

# VOTE ON THE MOTION: 4 yeas, 2 nays (Ables and Sorum), 1 absent (McCann), motion carried.

3. Approval of Agreement with Alyeska Pipeline Service Company for Emergency Use of the Civic Center

MOTION: Council member Wells moved, seconded by Council memberMoore, to approve the renewal of a Civic Center Exceptional Use Agreement with Alyeska Pipeline Service Company.

**VOTE ON THE MOTION:** 6 yeas, 1 absent (McCann), motion carried.

4. Approval of Negotiated write off for TAPS Tax Payment in the amount of \$55,129.91

MOTION: Council member Wells moved, seconded by Council memberMoore, to approve TAPS tax payment interest write-off in the amount of \$55,129.91.

Council member Wells asked how they arrived at the amount presented. Mr. Walker explained that this is a result of the payment of the decision of Judge Gleason for 2007 - 2009. When it came time to make the payment, there were a fair amount of negotiations regarding whether they would pay it to the City, the Court, or the State. It made a difference in our system when it was paid, he explained. It was back and forth, he stated, as far as there was a request for an adjustment of when the bill was due which fell out of the normal payment process. Mr. Walker explained, the action item is to right off \$55,129.91. Had the payment fallen in a different time frame the City would have owed that money back.

Tom Schantz, action Finance Director, stated that it is important to note that there was a payment that was made to the City for supplement taxes for 2007 - 2009. Because those are prior years, there was a significant amount of interest that accumulated. The payment that was made to the City of Valdez was roughly \$46 million and eight million of that was in interest negotiations. There was a lot of negotiation and a lot of discussion about due dates because the settlement did not define them. The interest, he explained, was to accrue at eight percent.

There became a big concern on what due date to use. The Finance Department was instructed by State of Alaska Department of Revenue to use the due date of May 4<sup>th</sup>. Outside of this collective agreement, all other parties decided the due date of April 25<sup>th</sup> should be used. This amount of money represents the interest that would have accumulated from between April 25<sup>th</sup> and May 4<sup>th</sup>. Mr. Schantz explained that what is important is that in this big negotiation the owners saw this as \$55,130 worth of interest on an \$8 million interest bill. However, he said, the way the Finance department applies payments is that they will take the payments and apply administrative costs first, penalties next, and any interest and taxes last. So, he continued, it is important to understand that when it is said that they are adjusting taxes it is only because of the way they apply the payment.

Council member Moore asked if this was started because Judge Gleason determined that the amount owed was greater than what had been paid. Mr. Walker replied in the affirmative.

## VOTE ON THE MOTION: 6 yeas, 1 absent (McCann), motion carried.

5. Approve Partial Funding in the Amount of \$50,000 to Support a Strategy to Ensure an In-State Gasline Terminates in Valdez.

MOTION: Council member Wells moved, seconded by Council memberAbles, to approve partial funding in the amount of \$50,000 to support a strategy to ensure an In-State gas line terminus in Valdez.

Council member Sorum stated that if you look back at lost time, effort and focus it would have been nice to have put that much energy towards a new harbor, or a middle school or an MRI at the hospital. It is not just the money but it has just been the main focus of the City and as a consequence other important things have been dropped. Council member Wells replied he supports this motion and that they have in fact put as much effort into a new small boat harbor, a hospital expansion, and an MRI. All things being equal, he did not feel that those other items were ignored.

Mayor Cobb asked that Mr. Hozey explain what the money would be allocated for. Mr. Hozey replied that there are two proposals included in the agenda statement that would help with the event coordination of a gas line conference to be held in Valdez along with a website that would be created to promote the conference and the gas line idea. Mr. Hozey stated that if the motion was passed that he would bring back a budget resolution to move the expenditure from the Council contingency line item to the gas line development line item in the Council's budget so that it is easier to track.

Council member Ables stated that she would support this but requested updates from the City Manager as it progresses. He agreed to that request.

Mr. Walker stated that a similar event was held in 2003 during the Valdez

Theater Conference. People from Asia as well as the lower 48 attended. Mr. Walker stated that it was a very successful event. The purpose of this event, he explained, is that the effort now at the state administration level is to evaluate different routes for the gas line, one of which is a line to Valdez. The thought is, he stated, is to showcase what Valdez has to offer and what the state of Alaska has to offer. Mr. Walker postulated that for a conference like this, there will likely be other sponsors who come forward and help fund the conference. He explained that presenters will talk about the port and the navigability of the port compared to other options. He concluded that it is a good way to showcase the reasons that the oil pipeline came to Valdez are good reasons for the gas line to come here as well.

Ms. Pierce explained that a small task force has been put together to help bring this conference together which includes Ms. Pierce, Mr. Hozey, Bill Walker, Mayor Cobb, Council member Prax, Council member Wells, and Laurie Prax. They have met a couple of times and at their last meeting they met with Melanie Gonda who will help facilitate the conference. She has facilitated various oil and gas conferences in the past and is working with the task force to make this happen for Valdez.

Tim Porritt, Valdez resident, addressed the Council and stated that he had recently attended the state Republican convention. He said that in respect to the proposed project amendment for AGIA that was approved by the state, they have until December 31<sup>st</sup> to give public comment to let the state know what they want. At the state convention his father, Stan Porritt, proposed a resolution in the resources committee that at first had no support. However, he explained, that by the end of the committee they had gained unanimous consent from the committee to support the Valdez route. He stated that the resolution has not yet been passed but it is scheduled to be taken up at the reconvening of the state convention on June 9<sup>th</sup>. He offered his support to anyone who would like to show support for this idea.

Stan Porritt, Valdez, Valdez resident, added to his son's comment stating that when they were at the state convention in the first reading the district 6 had proposed a plank to the Republican platform that would state specifically that the pipe line would go to Valdez. In the resource committee, that was voted down at the first vote. He was asked though to bring it back up as a resolution which he did. He indicated that when he brought it up the arguments against it were quite appalling due to the misinformation that is out there. After having about 10 minutes to talk about the truth of the pipe line he was able to convince those present to side with the idea of having the pipe line come to Valdez. That is, he concluded, the only way this line will benefit the entire state. What it told him is that we need to do something like this to get the information out to the state. The people that really were excited about it were those along the Richardson corridor. He encouraged more action such as this to get this out to the rest of the state.

Council member Moore stated that she hoped when the conference program is

created that they will chose to have one speaker at one time so people do not have to choose what they would like to hear. If they do not want to hear a speaker they can chose not to attend that session but they should not have to choose between speakers, she requested.

Council member Ables thanked the Porritts for their efforts and stated that it takes many efforts to make this happen. Mr. Walker thanked the Poritts as well.

# **VOTE ON THE MOTION:** 6 yeas, 1 absent (McCann), motion carried.

6. Approval of Personal Property Tax Write-offs over \$500

MOTION: Council member Moore moved, seconded by Council memberAbles, to approve personal property tax write-offs over \$500.00.

Council member Prax asked how far behind do these debts get before the Council is made aware of them. Mr. Schantz stated that they have a 30, 60, and 90 days aging on dates so the Council would not see them until after 90 days. He asked if that is true of all accounts receivable and taxes. Mr. Hozey replied in the affirmative. Council member Prax wondered how this would go with business with the City. For example, he explained that he would not do business with someone that owes him money. He hoped that the City would refuse to do business with individuals who owe the City money. Mr. Hozey stated that they do withhold money from people if they owe money to the city through the Energy Assistant Program. If a person owes money to the City, he explained, and applies for the program the City deducts what they owe before they are given assistance. The same is true, he said, for someone who has a contract with the city. Mr. Hozey said that deductions are made before payments are rendered to the individual who owes the money.

Council member Moore stated that she thought Finance agreed to present these in a regular manner to prevent long lists of outstanding debts like they experienced in years past. Mr. Hozey stated that they have been bringing the lists to Council on a quarterly basis since they made that agreement.

Mayor Cobb clarified that just because they agree to the write off does not mean that the City does not try and collect they debt. The City continues to try to collect the debt through a collection agency but is able to remove the debt from their books.

# **VOTE ON THE MOTION:** 6 yeas, 1 absent (McCann), motion carried.

7. Approval of Accounts Receivable Write-offs over \$500

MOTION: Council member Wells moved, seconded by Council memberMoore, to approve accounts receivable write-offs over \$500.00.

# **VOTE ON THE MOTION: 6 yeas, 1 absent (McCann), motion carried.**

### X. RESOLUTIONS

1. #12-25 - Waiving the Solid Waste Fees for Certain Items During the Annual Community Clean Up

MOTION: Council member Moore moved, seconded by Council memberWells, to approve Resolution No. 12-25.

Council member Moore asked if this has always been held for only a week and not a month. Larry Weaver, Public Works Director, stated that he does not remember it every lasting for a month. He said that it might have been as long as two weeks. He said that they try and accommodate those people working week on week off schedules the opportunity to take advantage of the waived fees.

Council member Prax asked about the current status of the junk car program. Mr. Weaver replied that they are trying to get it ramped up again. They are trying, he stated, to secure commitments from certain people they have worked with in the past. They ran into snags last year that they are trying to avoid this year.

# VOTE ON THE MOTION: 6 yeas, 1 absent (McCann), motion carried.

2. #12-26 - Amending the 2012 Budget in the Capital Facilities Fund by Transferring \$21,724 between two CIP Projects and Authorizing the Expenditures

MOTION: Council member Ables moved, seconded by Council memberMoore, to approve Resolution No. 12-26.

VOTE ON THE MOTION: 6 yeas, 1 absent (McCann), motion carried.

3. #12-27 - Amending the 2012 City Budget in the Debt Service Fund by Authorizing the Transfer from the Debt Service Fund Balance to the Debt Service Fund in the Amount of \$3,670,738.24 and Authorizing its Expenditure

MOTION: Council member Wells moved, seconded by Council memberMoore, to approve Resolution No. 12-27.

Mr. Hozey explained that if the City Council wishes to set the 2012 tax levy at 20 mils then they would pass this resolution at hand. City Administration is working from that presumption because that is what City Council approved with their 2012 budget policy statement. So, they have been working, he explained, towards providing the option to follow that statement. This year, he said, they are presented with a unique situation in that, if they collect more taxes than the statutory tax cap for operations they have to apply the excess to bonded

indebtedness. They have been using the money until now to pay back the bond for the hospital. That bond is now paid in full, he stated. So, they do not have additional debt of that nature for 2012. The only other debt they have is the reimbursable debt for the schools and the harbor, Mr. Hozey reported. This debt, he said, is largely reimbursed by the state but it is still our debt and is on our books.

Mr. Hozey explained that at any given time the legislature could chose not to appropriate the money and we would still be responsible for that debt. Mr. Hozey asked the Finance and legal department to work together with the state to accomplish the ability to absorb money collected at 20 mils and apply it correctly according to the state statutory cap. Mr. Hozey emphasized that this is the discussion on what the tax levy will be for 2012. Based on the decision made that evening, a resolution will be brought back to Council for the following meeting setting the tax levy at either 20 mills or 18.33 mills.

Council member Sorum stated that unless the state chooses to not reimburse us for the bonds then at that time they should discuss changing the mill rate. He said that he was not ever aware of the state not funding reimbursements. He could not get behind the idea to take property tax money from people in Valdez to pay off debt just in case the state decides not to do what they have always done. He said that he would rather keep money in the pockets of Valdez citizens until there is a real reason to need the extra money.

Council member Ables stated that she tended to agree with Council member Sorum unless this might affect the possibility of having the money for a new school. She asked if voters agreed to build a new middle school if the mill rate would then have to be raised to pay for that bond. Mr. Hozey replied in the negative and explained that if a school is being built and taxes bring in revenue above the cap you can apply that new revenue towards the new debt. So, the debt could be paid down much faster using over the cap revenue, he stated. If the mill rate is set at just the operational amount, that extra money is not available and the City would have to budget to pay that debt back, he explained.

Council member Moore asked for the legal and financial explanation for the issue. Craig Richards, City Attorney, explained that they were trying to ensure compliance with the tax cap while at the same time honoring the 20 mill levy put in place in 2011 and also giving the Council the option of choosing a 20 mill levy for 2012. He explained that the budget amendment before them is necessary if the Council wishes to go to 20 mills for 2012. The advantage of going to 20 mils is that oil and gas property is a large percentage of the tax base so if you do not have this debt on the books you would lose that 80 cents on the dollar of oil and gas tax money that would go to the state instead of the City. That difference he explained is about 5 million dollars that would go to the State.

Council member Sorum stated that most cities set their budget and based on that budget they set their mill rate. The City of Valdez operates with the opposite

approach of setting the mill rate first. He said that they are too concerned with the State getting money. He stated that he would rather see people in town pay less in property taxes if the City does not need the money. He explained that if they decide to build a middle school then it is justified and the mil rate could be raised at that time. But, why would we charge Valdez residents more money in taxes when the state is already committed to reimburse those bonds.

Mayor Cobb interjected that the state has in fact not committed to paying any bonds. Council member Sorum replied that though that maybe true, they always have paid them in the past and as long as they keep up current practice we do not have any reason to tax people in Valdez. Mayor Cobb stated that they are looking at a projected school revenue bond next year and if we change it now it will be difficult to get it back to 20 mills. He felt it should be left at 20 mils until the election and if citizens vote for a new school then the money will be there to pay for it. He stated that Council member Sorum is betting on the State reimbursing the City for the cost of the school and there is no guarantee that the legislature will in fact do that. Mayor Cobb explained that we are making a huge assumption by counting on the State for that money.

Council member Ables asked if the State can be selective in reimbursements from city to city and Mr. Walker replied in the negative stating that it is a blanket program. They state would have to stop funding for the entire program, he said. Council member Ables stated that is concerning that if they do drop the rate down and then have to take it to a vote to bring it back up that the school may be voted down by the public.

Council member Prax stated his disappointment in how the decision to set this mill rate was being discussed. He felt that it was not clear to the public that this was what was happening that evening. He stated that on one hand they are worried that the state may cut off a payment that they have always made but a bigger assumption is that the state is going to reimburse 60% - 70% of the middle school. He stated that if there is a doubt that the state may not reimburse the City for that amount then using that logic, the middle school should not ever be built. Council member Prax expressed that this is over charging our citizens just in case the money is needed in the future. He stated that there are two significant factors of why more businesses do not come to Valdez which are overpriced electricity and the high mill rate. Why, he asked, do we need to over-charge for services? According to his calculations it would save tax payers about \$167 per \$100,000 of value of property. That is, he argued, meaningful to many people in this city. He emphasized that if we are able to charge less we should do that.

Mr. Hozey explained that should Council decide to go to 20 mills that debt for the school is on our books. He did not feel that the State would choose not reimburse the City nor did he want or intend for that to be the argument for setting the rate at 20 mills. What it does affect, he explained, is the City's credit rating. If we go to get another bond, he stated, and the school bond is on our books then it might

affect our ability to borrow money in the future. The 20 mills allows us, he said, to clear off the debt of the school from our books and the City in turn has clean credit for needs in the future.

Council member Ables asked Mr. Schantz if the City bonds a new school and they are at the 18.33 mills as opposed to 20 mills is there a difference in the amount of bonding the City could be granted. Mr. Schantz stated that it could possibly make a difference. He said that underwriting municipal obligations is very complex and many factors come into play such as volatility in the market, outstanding litigation, amongst other things. He said that the City has very good credit, just below triple A status, and he did not feel that bonds on their books would keep them from borrowing in the future. He stated that the City of Valdez has a lot of value, a significant balance sheet, which makes for a strong ability to obtain future bonds. The biggest obstacle in his mind was the unknown outstanding litigation. Mr. Hozey stated that he agreed with what Mr. Schantz said but that the ability to erase the additional debt is the biggest benefit of a 20 mill tax levy for 2012. Mr. Richards explained that the 3.5 million dollars is money that will have to be paid off. If it is paid off this year, he stated, then it will have to be paid in the future plus interest.

Council member Sorum struggled with the arguments being made. He questioned why the State would not reimburse the City for the school bond debt but if they didn't why would they ask the homeowners to pick up that debt. He also questioned Mr. Richards' statement that implied that if they did pay off their debt that they state would keep giving the City reimbursements on bonds that do not exist anymore. He really doubted the possibility that the State would not pay the City for school debt because they would have to deny it to all municipalities and the political outfall from a decision like that would be enormous. He emphasized that our focus should be to save home owners money and that is the bottom line.

Council member Prax stated that it is a little disingenuous to say that they would have to, as Mr. Richards indicated, spend the 3.5 million dollars later. He argued that the City would get that money back from the state and it in fact would not have to be paid. He said, however, that he is willing to bear that risk in order to save the citizens of Valdez money in the meantime. Council member Prax compared this issue to the impetus of the Energy Assistance Program stating that the main reason for implementing that program was to get money back into the pockets of Valdez citizens. This, he argued, is another way to do just that.

Council member Ables asked Mr. Schantz if a pre-payment is a good use of the City's money. Mr. Schantz replied that what would be very helpful is to explain the State's reimbursement program. Every May, he reported, the State Department of Education asks how much money the City is scheduling to pay on its amortization scale for the school and harbor bonds. The Finance Department provides them that number and the State then collates that information with data from all other municipalities in the state and then funds the program based on all

of those requests. In rough numbers, he explained, the City of Valdez gets reimbursed about 67% from the State annually. Though there is no guarantee it is an annual process that they go through, he stated. Whether or not it is a good idea to pre pay the loan is a very complicated issue but for the most part it is good to have it paid off to allow for borrowing for future projects, he concluded.

Council member Moore stated that she is one who likes to save ahead of time for big purchases so she does not have to pay unnecessary interest. She felt that this was an opportunity to begin saving for future big expenses that we know are on the horizon. She understood the argument of creating a way for savings for homeowners but also pointed out that Anchorage has a mill rate of 15 plus and the Valdez citizens enjoy many more free services than what Anchorage does. She felt that the many benefits the citizens enjoy here are worth the 20 mill tax rate. She also stated that the amount of money saved from lowering the mill rate would not come close to covering the amount of money that has to paid for energy in Valdez and that is private industry.

Council member Sorum stated that the mill rate should be based on the actual cost of business and should not go into savings accounts. He pointed out the different savings accounts the City currently has which is more than enough money to cover what would be needed should the State for the first time ever chose not to reimburse the City.

Council member Wells stated that as a matter of principal there are two issues; the first is on the floor and depending how that vote goes, a resolution will be brought back at the next meeting. Mr. Hozey replied in the affirmative. Council member Wells asked if they tax at 20 mills and the City does not have additional indebtedness, that extra money goes back to the State. Mr. Walker replied in the affirmative and explained that this is a decision for Council and the discussion is intended to allow all options to be explored before a decision is made. Council member Wells stated that this is probably the first time since the revenue from TAPS began coming in that they have found themselves in this situation. Mr. Walker pointed out that normally the City would be dealing with SARB at this time but since that is not an issue this year they have the luxury of deciding what they really want to do.

Council member Prax stated that businesses, oil companies, and energy companies are notoriously greedy but the citizen has a choice to use those services or not. However, the citizens of Valdez, he indicated have no choice when it comes to taxes. All of the great services the City provides can be provided with a mill rate of 18.33 so why do we need the extra money. That is pure greed, Council member Prax concluded. He did not understand why they are arguing this.

Mayor Cobb asked Mr. Schantz what the revenue lost would be if the City went from 20 mils to 18.33. Mr. Schantz calculated the difference to be less than \$800,000.

Council member Prax stated that he had voted for every expenditure to fight for what we think is a more fair valuation of the Pipeline terminal. If they had not fought that, the City would be trying to get by today on much less than what we have. We fought for what we felt was fair. Now, the value is such, that it has pushed us up against the cap with the mill rate and the value of property. We fought for that to be fair, he explained. Now, the scales tip a little bit and the 3.6 million that we think we are going to lose its really just matter of timing, of when it will be paid. We have, he emphasized, a chance to be the most fair to the citizens and we are questioning whether or not to do it.

Council member Wells stated that they predicated a lot of forecasting on their revenues and expenditures based on the tax rate of 20 mills. If it goes down and does not come back up that could shift the City's revenue versus operations as the TAPS value declines. Mr. Walker replied the Council has the opportunity to have this discussion every year and the mill rate can be increased by Council if needed. Mr. Richards commented that if the value of TAPS declines, when the City goes to make to make the debt service payments in the future they will be paying them out of their operations budget. Council member Wells stated that he could support the 20 mills until he realized that they are basically paying the State money that they are going to give the City anyway. He did not buy the argument that they are not going to pay off their portion of indebtedness. He felt that as a Council they are afraid of having the argument next year when they may need to raise it back to 20 mils.

Mr. Hozey stated that Council member Wells' concern is valid but maybe they have an opportunity to do something that most other communities do which is to put together a bond package for the voters. He explained that they could bring to the attention of the voters what voting on the middle school means, which could be that the mill rate is increased back to 20 mills. Maybe then, they would be less likely to vote for it if they know the long term consequences of the decision. Then, he explained, there is a cost associated with it and maybe they will look into project a little more and what it means for this community.

# **VOTE ON THE MOTION:** 6 nays, 1 absent (McCann), motion failed.

4. #12-28 - Rescinding Resolution No. 05-14 and Appointing KeyBanc Capital Markets, Inc., As the City of Valdez Bond Underwriter and/or Financial Advisor in Bond Issuance/Refunding Transactions

MOTION: Council member Moore moved, seconded by Council memberSorum, to approve Resolution No. 12-28.

Council member Prax asked if there are other areas where the City handles business like this. Mr. Hozey stated that it is consistent with past practice with the City though there is nothing comparable to it at the moment.

# VOTE ON THE MOTION: 4yeas, 2 nays (Prax and Cobb) absent (McCann), motion carried.

5. #12-29 - Providing for the Redemption of Hospital Revenue Bonds Pursuant to an Escrow Agreement with the Bank of New York Mellon Trust Company, N.A. Authorizing the Execution of such Escrow Agreement; and Authorizing Ratifying and Confirming Actions Taken on Behalf of the City in Connection Therewith

MOTION: Council member Moore moved, seconded by Council memberWells, to approve Resolution No. 12-29.

Council member Moore asked if this is paying off the hospital bond. Mr. Hozey replied in the affirmative.

VOTE ON THE MOTION: 6 yeas, 1 absent (McCann), motion carried.

### XI. REPORTS

1. Tax Payment Procedure Change

Council member Ables liked that the Finance department is going in this direction.

Council member Prax liked the direction but he did not understand the 10 day limitation. Mr. Hozey stated that it takes additional staff to monitor the mail and keep track of it. A 10 day window was chosen as something that seemed reasonable. Council member Prax stated that if something arrives on day 14 instead of day 10 what would it cost the City. Mr. Hozey stated that we would not know if it came in at day 14 because we would not be saving the envelopes at that point. Council member Prax questioned what the citizen would do at that point and Mr. Hozey stated that it would be easier for the citizen to bring it to Council in the event that it does happen. At that time the Council can decide what to do but it was his opinion that this would be a very infrequent occurrence.

Council member Sorum was pleased that they are willing to try this and he appreciated that the City was giving the idea a chance.

Mr. Schantz stated that it is something they are happy to do but the reason they did not do it in the past are reasons they are discussing now. He explained that the City gets a lot of mail for several different departments and it all comes to the same location. There is a lot more maintenance involved than it may appear to incorporate the 10 day window. Council member Prax asked if they could try 20 days and Mr.

Hozey asked for consensus from Council. It was decided to try 10 business days and see the outcome. Mr. Hozey agreed that it could be revisited and changed if needed at a later date.

# 2. Summer Display Lot Report

Council member Ables asked if they had heard back about Tesoro's lot. Ms. Von Bargen replied that she had not heard back from them yet. The alternative would be to go to the snow lot across from City Hall after it melts. They do not have the money in their budget to pay for the increase in what the Days are requesting. Council member Ables asked if it was an unrealistic increase. Ms. Von Bargen replied in the affirmative since it was not at all what they budgeted for.

Council member Prax stated that he is trying to purchase that lot and wanted it to be know that he has an interest in that property.

- 3. Write-off's under \$500 Report
- 4. Gravel Sales Report
- 5. Report on Snow Event Work Session

Council member Prax stated that unless he missed it, he asked for the accounting for what was turned in for reimbursement from the state. Mr. Hozey replied that everything that the state approved is included in the report.

Council member Prax stated he is hesitant to take on responsibility of shoveling the schools. If we take that on, he wondered, where does the City's responsibility stop; would they be taking on things such as cleaning facilities. Mr. Hozey explained that janitorial is different than maintenance and the City would not be taking that on. He also pointed out that this is just an idea at this point, that nothing had been agreed upon or adopted but that the idea of the City taking over maintenance is definitely gaining traction. Council member Wells stated that they have had the discussion of taking over snow removal but they had not discussed taking over all maintenance for the schools. Mr. Hozey replied in the affirmative.

Council member Prax stated that it seems that they treated the situation like an emergency when they needed money and then didn't treat it like that for other reasons. Basically, it took two days before snow was really shoveled. There were people who could have been shoveling and weren't. If there was a need everyone should have been shoveling if they were able. Council member Prax stated that this situation happened because people knew it was snowing and they refused to do something. He worried that when there are plans in place, you begin to rely on them instead of common sense. Some departments of the City, he explained, were shoveling as they saw the need. Other departments did not. Ultimately,

there were not consequences for those who could have reacted and did not.

The plan, he argued, would not work every year. There are too many variables. He stated that we will be following a plan and lose common sense.

He also did not understand why the Fire Department was getting involved in measuring snow loads. That is not their job and it is in fact the job of Building Maintenance and should remain as their job.

Another suggestion for the plan would be to offer City resources for anything but City buildings. It was very nice, he said, that the City went out and was shoveling out propane tanks. However, no one's building was going to collapse because they could not get to their propane tanks. That should not be a service offered by the City and it should not be in the plan, he explained. Civic groups should be the one to take that on, he suggested. Mr. Hozey stated that assisting citizens was in fact not in the plan. Council member Prax stated that he understood that but it was something that they did this year and it should not be something the City does in the future.

Council member Prax did not agree with going for the money for reimbursement from the state. He stated that part of the Governor's declaration was that the communities did not have the money to pay for it but Valdez does have the money.

### XII. COUNCIL BUSINESS FROM THE FLOOR

### COUNCIL MEMBER SORUM

Council member Sorum asked about collapsed mobile homes and RVs after the extraordinary winter we had and he wondered if the City was surveying that issue.

He also asked for the status on the investigation of the Fire Department accusations against the Alpine Wood residents. Council member Wells has completed his part and Council member Prax had his notes that evening to complete his part of the investigation.

### MAYOR COBB

Mayor Cobb stated that crews are beginning to work at the Three Bears site. Full demolition efforts will be in full swing over the next few weeks.

- XIII. EXECUTIVE SESSION
- XIV. RETURN FROM EXECUTIVE SESSION

XV. COUNCIL TRAVEL XVI. ADJOURNMENT