

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

Mayor Dave Cobb
Council member Alan Sorum
Council member Joe Prax
Council member Karen Ables

Council member Dorothy Moore
Council member Mike Wells
Council member Steve McCann

Also Present:

John Hozey, City Manager
Sheri Pierce, City Clerk
Bill Walker, City Attorney

Also Present: Members of staff and approximately 20 people in the audience.

IV. APPROVAL OF MINUTES OF THE REGULAR MEETING OF November 22, 2010

V. The minutes of the meeting of November 22, 2010 were approved with no corrections.

VI. PUBLIC BUSINESS FROM THE FLOOR

Dean Cummings

Mr. Cummings stated that he was appearing before the council to share information regarding a project he has been working on for the past five years. Mr. Cummings gave a brief history of past difficulties with his property rezone process and the prior Robe Lake Task Force. Mr. Cummings expressed his frustration with trying to comply with the many city regulations which he felt had been barriers to the completion of his property improvements. Mr. Cummings stated that for the past five years he has been working on the construction of a road to his property to address concerns raised by the City regarding emergency access. He stated that he has worked with the Community Development department and recently the City Engineer, Mr. Alan Minish, on the road project. Mr. Cummings stated that he had waited for two months in the summer of 2009 for Mr. Minish to complete the compaction tests on his roadway. Therefore, he had been forced to abandon work on the road until the spring of 2010. In 2010, he was informed

by Ms. VonBargen, Community Development Director, that Mr. Minish was no longer employed by the City, however, the City would be sub-contracting with Mr. Minish to assist Mr. Cummings with the completion of his road. Mr. Cummings said that he expressed his concern that Mr. Minish had not followed through with the compaction test of his road the previous year. Mr. Cummings said that he was assured by Ms. VonBargen that she would do everything possible to assist him in the construction of his road, and that contracting with Mr. Minish was the only option available. Mr. Cummings said that after working with Mr. Minish throughout the entire summer, he has been asked to complete dozens of tasks on Mr. Minish's lists. Mr. Cummings stated that after each of his inspections another task list is issued, therefore he is finding Mr. Minish impossible to work with. Mr. Cummings said he would not give up, but that he needed the City Council to understand the history of his plight. He stated that he has watched as the city built roads which have no cul-de-sacs, and observed the paving of Blueberry Road in one summer. Mr. Cummings asked that he be able to work with competent and capable city employees to complete the approval of his road and asked for the help of council. Council member Sorum asked the City Manager to look into Mr. Cummings concerns and report back to the council. Council member Moore said she was sorry that Mr. Cummings felt he had endured so many stumbling blocks. Council member Ables asked Mr. Cummings what the most recent hold up was with his project. Mr. Cummings replied that Mr. Minish just keeps producing endless lists. Mr. Hozey expressed disappointment that he was not made unaware of Mr. Cummings' issues before they were brought to the City Council; however he said he would look into it. He encouraged Mr. Cummings to bring any future concerns directly to him anytime he is not receiving satisfaction from a city department. Karen Cummings stated that their goal was to build a good road and contribute to the betterment of the community. She stated that their problems with the City have been extremely frustrating.

VII. CITY MANAGER/CITY CLERK/CITY ATTORNEY/MAYOR REPORTS

CITY MANGER REPORT

John Hozey reported on ongoing City projects. He stated that the Forest Service cabin was moving along well with only a few delays. They had been shorted some material for the interior and some material from the outside of the building had been stolen. Consequently, they had to reorder those items, delaying completion for about a week. Mr. Hozey reported on the Senior Center Sprinklers stating that they are currently being hydro tested. He said that there was one issue with a leak but it had been fixed and that they will begin work on the soffits on the 14th of December. Mr. Hozey reported that due to the holidays the job will probably not be finished until mid January. Mr. Hozey announced that the 35% drawings had been received for the Corbin Creek/Robe River Water and Sewer Design and that staff had been providing feedback to the designers.

Mr. Hozey stated that upon passage of the 2011 City budget this evening, the last effort will be to get it published before the end of the year. Mr. Hozey reported that the contract for the building and fire code revisions had been negotiated and the notice to proceed was issued. He also reported that the Energy Assistance Program is ongoing and that as of 3:00 pm that day there had been 956 applications submitted.

Mr. Hozey reported that the Medical Center Master Plan Task Force is scheduled to meet on December 7th at 6:00 pm at the hospital.

Mr. Hozey reported that the preliminary plat for the entitlement lands has been submitted to the State of Alaska for processing.

Mr. Hozey thanked the IT and Community Development Departments for putting on an excellent City of Valdez employee Christmas party and thanked the Council members who attended. He then asked for Council direction on what time they would like the fireworks show to occur on New Year's Eve. It was the consensus of council that the fireworks show would begin at 9:00 pm.

CITY CLERK'S REPORT

Ms. Pierce gave a reminder to the public regarding the Senior Citizen/Disabled Veterans Tax Exemption program. She stated that the deadline to apply is January 15, 2011. She explained that if anyone has questions they may call the Clerk's office at 834-3408. She emphasized that it is necessary to apply every year to receive the exemption.

CITY ATTORNEY'S REPORT

Mr. Walker reported that on the previous Thursday the TAPS owners and Alyeska filed their appeal with the Alaska Supreme Court regarding Judge Gleason's 2006 evaluation of TAPS. He stated that it was not unexpected and that they would talk about it further in Executive Session. Council member Wells asked if it was correct that the TAPS owners had requested that any future litigation for future years be held in abeyance. Mr. Walker said that there would be a hearing on the following day to address that issue and that he would keep them informed of the outcome.

VIII. CONSENT AGENDA

1. Appointment to the Museum and Historical Archive Association Board
2. Approval to go into Executive Session Regarding TAPS Litigation

MOTION: Council member Moore moved, seconded by Council member Ables, to approve all items on the Consent Agenda.

VOTE ON THE MOTION: 7 yeas. Motion carried.

IX. NEW BUSINESS

1. Approval of Disposition of the 2009 & 2010 General Fund Contribution from the Valdez Permanent Fund

MOTION: Council member Wells moved, seconded by Council member Moore, to approve Option A for disposition of the 2009 & 2010 general fund contribution from the Valdez Permanent Fund.

Mayor Cobb explained that Option A would allow for the funds to go towards the existing permanent fund. He explained that if this option is chosen, the money would again become part of the Permanent Fund balance and would not be available for future appropriation without a vote of the people. Mr. Hozey also clarified where they are in the process. He explained that this movement of money is automatic unless Council intervenes. He stated that there was \$1.8 million that had already been removed in 2009 and that \$1.4 million will be moved out of Permanent Fund in 2010 unless Council votes to stop this transaction. He stated that there is also a third option which would allow the money for 2010 to remain in the Permanent Fund and the funds which were already withdrawn from the Permanent Fund in 2009 to be placed into the Reserve Fund to be used for other needs.

Council member Ables stated that she personally had concerns about putting money back into the Permanent Fund considering the present state of the financial market. She stated that the dollar is quickly devaluating on the global market. She pointed out that the City is invested in bonds at over 50%. She said that if the dollar continues to devalue it will impact our investments in a very significant way. She stressed to Council the importance of taking care of our Permanent Fund stating that she believed it to be in serious danger. Council member Ables suggested that a work session be held before making this decision. She explained that she felt the city was only invested in one of four asset classes, and that true diversification comes when you invest in all four asset classes. She emphasized her concerns with this and stated that she is opposed to accepting option A as stated in the motion.

Council member McCann stated that he was in support of Option B. He stated that the funds which were removed in 2009 should be used to complete pending capital projects.

Council member Prax stated that though he shares some of Council member Able's concerns about the market, he supported Option A. Council member Prax pointed out that when the initiative was presented to the voters which allowed for the use of a percentage of the earnings of the Permanent Fund it was conveyed that the council

would only utilize the funds if really needed, otherwise the money would be reinvested in the Permanent Fund. Because the TAPS valuation increased, our situation changed from the time the voters approved the initiative, and now that money is not needed. Council member Prax stated that the City owed it to the public to put the money back into the Permanent Fund.

Council member Sorum stated that he supported Option B to complete major maintenance projects. He stated that all of our buildings are the same age with similar problems. He stated that he believed it would cost the city more in construction cost escalation to put off needed repairs, then we would ever earn as revenue in an investment account. He stated that he was in full support of Option B.

Council member Moore stated that she supported Option A for the reasons previously stated by Council member Prax.

Council member Wells clarified why he was in support of Option A by stating that the City did not need the money for operations at this time. He stated that he is very concerned about making a blanket statement of putting the money in major maintenance without designated projects that the money would be earmarked for.

Council member Ables stated that she felt that we do owe it to the people to keep our money safe but that we also owe it to the people to educate them about what is going on in the financial market. She stated that because the Council is the steward of this money they owe it to the community to truly protect the funds. She explained that currently, the global market is not safe. She stated that what is safe is reinvesting in our community.

Mayor Cobb stated that he supported Option A explaining that this is money that is controlled and guarded by the City Charter; money that was promised to the people to be returned to the Permanent Fund if it was not needed. He stated that this was what was voted on and therefore the council must stick to their word. He stated that nothing has happened in the market place to make him change his mind.

Dolores Gard, Valdez resident, addressed the Council advocating for the school district on the motion. She stated that the schools all had major maintenance needs and that it is the City's responsibility to take care of those buildings. She explained that in 2003 a bond was passed that named many issues within the school district that needed repair. Of all issues listed only one of the needs had been addressed.

Tom Schantz, Controller for the City of Valdez, clarified the mechanics of moving the money. He stated that from an appropriations perspective they take the prior fiscal period and determine 1.5% to be allocated for this purpose. However, for the duration of the calendar year it does not actually come out of the Permanent Fund until very late in

that year, unless Council directs for it to remain for the end of that year. He explained that it would be very inefficient for us to do this and then put it back. He said that they create an appropriation that looks like a transfer in the budget which creates a credit in our central treasury outside the Permanent Fund. Mr. Schantz emphasized that this is not a situation where they are selling investments and parking them in a very short term situation and then putting them back in the Permanent Fund. He stated that one of the challenges with that with high market volatility is that they are rendering that 1.5% to some market exposure when they have already committed it and leave it in there. Mr. Schantz stated that it is a bit inefficient to do it this way if they are just going to put it back in the Permanent Fund. He said that he would recommend reconsidering this process for the future.

Rich Long, past Council member, addressed the Council stating that there were good points made by everyone. However, he was on Council when this idea was promoted. He stated that they did promise the people that if the money was not used that it would be put back into the Permanent Fund. He stated that how we invest the money should be discussed at a different time. He explained that the current issue is what to do with the money that was voted on by the people to take out of the permanent fund. He stated that it is not right to break the promise made to the people. He agreed that those maintenance projects need to be funded however it should not be with this money.

Ruthie Knight, teacher in Valdez, addressed the Council stating that she remembers voting on the 1.5% and hoped at that time that some change would occur however the money was never spent. She stated that the schools really need attention. She explained that in the budget hearings she was lead to believe that if the schools spend down their reserve that the City would make sure that the City's capital investments in the schools would be taken care. Ms. Knight stated that she had talked to the maintenance director of the schools and the superintendent about the issues in the high school. She stated that in her computer lab they had major leaks in the ceiling and the issue was solved by putting buckets under the leak. She said that currently there are many issues in the schools that need to be addressed and that she fully supported Option B.

Council member Ables stated that the City Council needed to use the money to invest in our community whether it is in our schools or for other infrastructure that supports the quality of life for our residents. She stated that the money would also be well used by creating winter sports facilities to offer residents options for things to do in Valdez as well as giving reasons for visitors to visit on a year around basis.

Council member Sorum stated that he supported Option B because the money would actually be going to something concrete, a definite need for this community. He stated that as far as the school budget, the City did say that they would step up and take care

of their buildings including the roof and other life safety issues. He questioned that if they do not do it now, when will they do it.

Council member Moore asked if the final draft of the unified plan for City maintenance had been completed. Mr. Hozey replied in the negative stating that it would be coming when all of the master plans for projects were put together. Mr. Hozey stated that it would be completed during 2011.

Council member Prax asked what the City's income was when this vote was taken. Mr. Hozey stated that it was significantly less than it is now. Council member Prax stated that he did not argue that we need to do maintenance but that cashing in our retirement account to do maintenance is not the right way to go about this. He stated that they went through the budget process and there are accounts with money in them that could be used for maintenance needs. He stated that we have gone up to 56 million in City income, which is almost twice what the City had when this decision was made in 2006. Council member Prax stated that we could cut back on other budgets to complete maintenance projects. He emphasized that it would be completely disingenuous to the people to use this money in a different manner than how it was promised at the time of the vote.

Council member Ables stated that she agreed with Council member Prax but that times are now different considering the state of the market. She said that considering the volatility of the market that we would do more for this community with the money by investing back into it instead of putting it back into the Permanent Fund. She said that the savings account is not safe and asked again if a work session could be held to address what is going on in the market.

Council member Moore stated that she would like to be on record disagreeing with the extreme viewpoints concerning the current situation of our investments in the Permanent Fund. She stated that for 61 years she has called Valdez home and she has paid taxes. She stated that the people voted on the Permanent Fund in the beginning when there were no oil revenues in Valdez. She said that about 5-6 years ago it was looking very bleak but things changed due to things the City Council accomplished. She said that now our income has doubled but we need to continue to save considering the current world economic situation. She also stated that whether or not our permanent fund is or is not diversified should be another conversation. Council member Moore stated that she felt that we are diversified but as we are right now, the sky is not falling and the money needs to go back into the Permanent Fund because that is what was promised to the people.

Council member Ables argued that it is very important to do prudent planning to insure the best investment for this community.

Council member Cobb stated that he disagreed with Ms. Gard because this was not the pool of money that will be used to fix the schools. He explained that it has never been designated that way. He commented on things that have been done to date for the schools and also mentioned that the issue of the roof is on their list of priorities. It was, in fact, their legislative priority last year but the legislature changed their direction. He stated that the people of the State passed a \$398 million bond to take care of Alaska's schools. Unfortunately, Valdez schools were not on the list. He said that what it did, however, was to clear room on the list for Valdez schools for future funding. He explained that it is a priority for the City to work with the legislators to get those needs met but it will not happen as quickly as everyone would like.

Dean Cummings, business owner in Valdez, stated his support of Option B. He commented that it is obvious by looking around Valdez to see what has happened over the last eight years. He stated that he sees a lot of great people leaving Valdez because they are fed up with the unwillingness of the City to work with the community to make it a better place to live. He commented on Heli-Skiing in the community and the fact that it is not even known what those companies produce in the State of Alaska. He said that there is no marketing for skiing in this community. He said that the City spends a lot of money grooming trails in Valdez but we do not even promote it as an amenity here. He stated that we have such a great opportunity to promote this community with winter sports which would not only financially benefit Valdez but would also provide a higher quality of life for residents here. He stated that it would create a reason for people to move here other than to just come here, make money, and leave. Mr. Cummings commented on the how lacking Main Street is and how it needs development to make this city attractive for residents and visitors. Mr. Cummings asked the Council to approve Option B for the benefit of Valdez.

VOTE ON THE MOTION: 4 yeas, 3 nays (Ables/McCann/Sorum). Motion carried.

2. Approval of Contract with Callan Associates Inc for Investment Consulting Services in the Amount of \$35,000

MOTION: Council member Moore moved, seconded by Council member Wells, to approve a contract with Callan Associates, Inc in the amount of \$35,000.

Council member Moore stated that Mr. John Kelsey had introduced Callan and Associates to the City. Callan has served as the investment consultant for the City over the past several years. She pointed out that Callan and Associates currently serve as investment advisor for the State of Alaska Permanent Fund. Council member Moore stated that she believed that if these services were put out to bid, the City would learn that the costs for these services by any other investment consultant group would be an amount two to three times as much as is proposed in this contract. Council member

Moore said that as a long time member of the city's investment committee, she was pleased with the services that have been provided by the company.

Council member Ables stated that she did not have any issues with Callan and Associates, however she was in favor of requesting proposals from other consulting firms who can provide the same services rather than awarding a single source contract.

Council member McCann agreed with Council member Ables. Council member Sorum stated that the reasons given for initiating this contract and raising the fee seemed arbitrary. He agreed that the contract should go out for bid. Mr. Hozey clarified that this was a professional services contract which would not go out to bid. The City would solicit requests for proposals and the award of the contract would be based on quality of services, not cost. Council member Wells pointed out that the Permanent Fund Committee had unanimously voted in favor of recommending the award of this contract to Callan and Associates. Council member Ables said this was not correct. She stated that this was originally brought forth during the budget hearings. Mr. Hozey stated that the Permanent Fund Committee had reviewed the proposed contract after the budget hearing process and had supported it unanimously.

Mayor Cobb asked what was broken that required change. He stated that all investment consultants provide similar services. He suggested that the City sign a one year contract with Callan and Associates and over the course of the year research costs for similar services offered by other investment management firms. He stated that he believed the cost to the City would far exceed what is currently proposed in the Callan and Associates contract. Council member Ables replied that she would like the opportunity to interview other investment management firms. Mayor Cobb replied that he preferred a company that has a history with Valdez and our best interests at heart.

Mr. Hozey said that he understood Council member Ables concerns, but as a practical matter the Permanent Fund Committee would be conducting interviews with prospective consultants and would provide their recommendation to the city council, unless the council directed otherwise. Council member Ables replied that all she was requesting was the opportunity to interview other consultants and had no objection to the Permanent Fund Committee conducting the interviews if that was the direction by council. Council member Ables said that she had spoken with Permanent Fund Committee member Tom Gilson who explained that there are some very important things to bring to light which most people are not aware of.

Council member Prax stated that as a member of the Permanent Fund Committee he did not remember voting in favor of recommending this contract. He stated that requesting proposals from other consulting firms was not presented to the committee as an option. Council member Prax said he did not remember this discussion between the Permanent Fund Committee members. Mr. Hozey replied that the possibility of a

request for proposals was discussed by the committee. Mr. Hozey stated that there was discussion by the committee of offering Callan and Associates a five year contract. Mr. Hozey said that he had advised the committee that based on the advice of the City Attorney, a contract with Callan and Associates for five years would require a request for proposals per the City procurement code. It was therefore the unanimous vote of the committee to recommend the contract but to reduce the term of that contract so that a request for proposals would not be needed. Mr. Prax acknowledged this discussion.

Council member Moore said she felt secure with Callan and Associates that the City would not be "taken".

Council member Ables stated that because the City is the steward of the citizen's money they owed them the task of looking at other options. Council member Sorum said that the reasons presented for determining the cost of this contract were not sound reasons. He stated that he understood the difference between a bid process and a request for proposals. He disagreed that the cost contained in a proposal was not a consideration.

Council member McCann asked how a person was selected to serve on the Permanent Fund Committee. Mayor Cobb responded that seats on the committee are for a three year term and that vacancies are advertised and applicants selected by the City Council.

Rich Long stated that he was confused as to why the City proposed an adjustment to the contract from \$25,000 to \$35,000 as it was not clear in the agenda statement. Mayor Cobb replied that during a meeting between Callan and Associates and the Permanent Fund Committee it was proposed by Callan and Associates that if the City wanted them to provide more oversight and information then a fee adjustment would be in order. Mr. Long stated that he had no problem with adjusting the amount of the contract if it was for the purpose of providing more services. Mr. Hozey responded that it was determined that an equitable rate for similar services provided by Callan and Associates to their other clients would be in the \$50,000 range. It was then agreed between Callan and Associates and the City that an incremental increase in the payment for their services should occur in order to reach this goal. Council member Wells asked if the city would have continued on with no formal contract or increase in cost of services if Callan had not initiated this change. Mr. Hozey replied that he would assume so.

Mr. Tom Schantz stated that he suspected the reason for initiating a contract was because Callan and Associates has provided their services with no agreement in place for over twelve years. Mr. Schantz said that the new regulatory requirements require investment advisors to have a very accurate scope of work to comply. Mr. Schantz expressed his opinion that there was an inherent conflict going on with investment

advisors. Callan and Associates had over three trillion dollars under advisement which is comprised of over five hundred institutional investors; therefore their average sovereign wealth fund is approximately 6 billion dollars. Mr. Schantz stated that Callan and Associates did not care how much money the city paid to them because they make way more money placing the city's investments with their very best customers, such as UBS. Mr. Schantz pointed out that the City took a direct hit to the permanent fund in excess of three million dollars in the UBS portfolio. Mr. Schantz said the permanent fund is working and that he is in full support of maintaining this savings account for the future.

Mr. Schantz stated that there is other money outside of the Permanent Fund and that at this moment the City has 200 million dollars in cash and investments and that the value of all of the City's assets is 150 million dollars. He cautioned that in using an investment advisor, the City must have a better measure of due diligence than is currently in place. Mr. Schantz said that he opposed the approval of this contract with Callan and Associates without a formal procurement process such as a formal request for proposals. He pointed out that a competitive process for this complex and essential function would give the city the benefit of comparing different levels of services available and allow for the adoption of a more formal performance guideline. He stated that any investment selected should adhere to an industry accepted performance standard and committee presentations. He pointed out that the council should have in their possession a ten to twenty year investment graph showing the rate of return of Permanent Fund investments which is produced and provided by Callan and Associates. Mr. Schantz stated that the industry standard is to use the Global Investment Performance Standards (GIPS) to measure performance. Mr. Schantz stated that it is his opinion that Callan and Associates guidance, recommendations and investment manager selection is subjecting the city to substantially more risk than they are competitive returns. He stated that he believed Callan and Associates had consistently exposed the Permanent Fund to high risks such as stocks, international stocks, private real estate, trusts and highly speculative mortgage derivatives at a far greater risk than are used in the presentation. He stated that it was essential to require our investment advisor to use standardized and uniform reporting methods. He stated that the current reports provided to the City do not accurately measure the rate of returns. Mr. Schantz pointed out his concerns as illustrated in a hand-out he provided to the council. Mr. Schantz strongly encouraged the City Council to require a request for proposals (RFP) process. Council member Ables thanked Mr. Schantz for his comments and concerns.

Mayor Cobb asked if the concerns regarding Callan and Associates were an inherent problem in the industry, how then would the city find anything different with other investment advisors. Mr. Schantz replied that if the city deals with an investment advisor who considers them a valued customer, instead of using an advisor that deals with mega-corporations, there could be less chance for the City to be preyed upon.

Council member Moore said that every ten years she has heard the statement that the City is not using the right numbers in calculating the growth of the Permanent Fund account. She asked how the City can get to the right numbers. Mr. Schantz responded that the GIPS Standard has been in place for over 20 years, but the problem is that not everyone adheres to it.

Mr. Schantz stated that the City must recognize the risk tolerance and not just look at how the fund has grown.

AMENDMENT: Council member Sorum moved, seconded by Council member Prax to award a 1 year contract to Callan and Associates in the amount of \$35,000 and further direct the City Manager to go out for requests for proposals for these services at the conclusion of this contract.

Mr. Walter Sapp, Finance Director, said there seemed to be some confusion as to what Callan and Associates does. He stated that Callan does not invest money for the city, but in fact bring forth a selection of different fund managers with track records to manage the fund. Mr. Sapp said that if the City Council is concerned with the rate of return on our investments, they should be looking at the performance of the fund managers or our internal investment policy, not Callan and Associates.

Council member Wells asked if this contract was in compliance with our procurement code. Mr. Walker, City Attorney, replied that this contract would be considered a professional services contract and did not require an RFP, however the ordinance certainly did not prohibit the city from doing so.

VOTE ON THE AMENDMENT: 6 yeas, 1 nay (Wells). Motion carried.

VOTE ON THE MAIN MOTION AS AMENDED: 6 yeas, 1 nay (Ables). Motion carried.

3. Approval of Contract with Wolverine Supply for the Installation of Theater Seating at the Valdez Civic Center in the Amount of \$53,040

MOTION: Council member Ables moved, seconded by Council member McCann to approve a contract with Wolverine Supply in the amount of \$53,040.

VOTE ON THE MOTION: 7 yeas, motion carried.

X. ORDINANCES

The ordinance was presented by title only; copies of the full text were available to the public at the meeting.

1. #10-04 – Amending Chapter 2.80 of the Valdez Municipal Code Titled Procurement Policy. First Reading, Public Hearing.

MOTION: Council member Wells moved, seconded by Council member Moore, to approve Ordinance #10-04 at first reading, public hearing.

Council member Moore stated that the basic reason for this amendment to the existing ordinance was to improve the definition of a “local bidder”.

Council member Wells asked if the business license must list Valdez as their primary location. Mr. Hozey said no, however the Valdez business license must list an established place of business within the City.

Council Prax stated that he did not approve of a local bidder preference and would not support this agenda item. He said that his preference was for the allowance to be eliminated.

VOTE ON THE MOTION: 6 yeas, 1 nay (Council member Prax) motion carried.

XI. RESOLUTIONS

1. #10-62 – Adopting the 2011 City of Valdez Budget and Appropriating Monies for that Budget

MOTION: Council member Moore moved, seconded by Council member Ables, to approve Resolution No. 10-62 by accepting the appropriations as described in the body of the resolution.

Council member Sorum said that he would like to restate for the record that the City had suggested the school district use their reserve funds as needed to cover any costs over and above the amount allocated to the district in the 2011 city budget. Council member Sorum stated that the City made a commitment to the school district during the budget hearings to support and maintain the school district buildings to ease the concern with spending down their reserves.

Council member Prax declared that the City is a major customer of his store and also has a contract with his radio station to broadcast city council meetings. Mr. Walker, City Attorney, stated that it was proper for Council member Prax to declare this, however it did not constitute a conflict of interest which would prohibit him from voting on the approval of the budget.

Council member McCann asked for an update on the audit required for the Valdez Visitors and Convention Bureau. Mr. Hozey responded that he received confirmation

today from the Director of the organization that their auditors would be working in Valdez on Tuesday, December 14 and should complete the audit process by the week of December 17th. Council member Moore asked when the results of the audit would be produced. Mr. Hozey said that he had made it clear to the VCVB that funding for their organization would not be released by the City until the audit is complete and any findings are resolved.

Ms. Dolores Gard stated that in the past four years the city has received funds from National Forestry receipts which had supplanted the funding provided by the city to the school district. Ms. Gard said that she understood that these funds must be used for schools or roads and suggested that the forestry receipts funds should be used for school building maintenance. Ms. Gard said she felt the school district was chastised at the budget hearings for using their money on building maintenance programs. Ms. Gard said she felt the district should be congratulated for doing this. Mayor Cobb stated that the City did not chastise the school district, but in fact challenged them to work together with the city for a common goal. Mayor Cobb pointed out that the dilemma was the fact that the student population has continued to decrease, yet the budget has continued to increase each year. Ms. Gard stated that the maintenance issues continue to grow. Mayor Cobb reiterated that the responsibility of maintaining the buildings belonged to the City. Council member Prax stated that the City of Valdez is second in the State of Alaska the highest contributor at \$20,000 per student. Council member Prax said he was weary of being accused year after year of not allocating enough money to the school district. He suggested the City push back with an expectation in return. Ms. Gard responded that it was correct for the city to expect that students receive a high level of education.

VOTE ON THE MOTION: 6 yeas, 1 nay (Council member Prax). Motion carried.

2. #10-63 – Authorizing the Lease of Lot 2, Block 3, Airport Industrial Subdivision (Plat #92-4)

MOTION: Council member Wells moved, seconded by Council member Moore, to approve Resolution No. 10-63.

VOTE ON THE MOTION: 7 yeas. Motion carried.

3. #10-64 – Supporting the Prince William Sound Regional Citizens' Advisory Council's Request for Cooperation from the U.S. Coast Guard Regarding Timely Sharing of Information Pertinent to the RCAC Mission

MOTION: Council member Wells moved, seconded by Council member Ables, to approve Resolution No. 10-64.

Council member Sorum declared that he was employed by the Regional Citizens' Advisory Council. Mr. Walker stated that since this was not a financial issue, it did not warrant abstention by Council member Sorum.

Council member Ables asked what action the City expected from this resolution. Council member Moore stated that the City was just declaring support for the request by RCAC. Council member Sorum stated this was a resolution of support for the City's representation on the advisory council.

Lt. Roberto Trevino, U.S. Coast Guard, stated he was the designated City liaison. He requested that the City delay deliberation and voting on this resolution to afford the Coast Guard the opportunity to review the resolution and provide comment to the city council on their position.

MOTION TO POSTPONE: Council member Wells moved, seconded by Council member Ables, to postpone this resolution until the meeting of December 20, 2010.

Council member Moore stated that she believed the Coast Guard had been informed of the letter which was referred to in the resolution. Lt. Trevino replied that his request to postpone action on the resolution would allow the Coast Guard time to provide an accurate response to the subject matter.

VOTE ON THE MOTION TO POSTPONE: 5 yeas, 2 nays (Moore/Sorum). Motion carried.

4. #10-65 – Adopting an Alternative Allocation Method for the State of Alaska Fiscal Year 2010 Shared Fisheries Business Tax Program and Certifying that this Allocation Method Fairly Represents the Distribution of Significant Effects of Fisheries Business Activity in Prince William Sound Fisheries Management Area

MOTION: Council member Moore moved, seconded by Council member Ables, to approve Resolution No. 10-65.

VOTE ON THE MOTION: 7 yeas. Motion carried.

5. #10-66 – Amending the 2010 City Budget in the General Fund By Accepting Revenues in the Amount of \$10,706.54 from the State of Alaska Department of Natural Resources Division of Forestry and Authorizing its Expenditure

MOTION: Council member Moore moved, seconded by Council member McCann, to approve Resolution No. 10-66.

VOTE ON THE MOTION: 7 yeas. Motion carried.

6. #10-67 – Amending the 2010 City Budget By Accepting Book Basket Auction Proceeds in the Amount of \$3,200 to the Valdez Consortium Library and Authorizing its Expenditure

MOTION: Council member Moore moved, seconded by Council member Ables, to approve Resolution No. 10-67.

VOTE ON THE MOTION: 7 yeas. Motion carried.

7. #10-68 – Amending the 2010 Budget in the Capital Facilities and Reserve Funds by Transferring \$15,000 from the Council Contingency Reserve Account to the School Master Planning CIP Account and Authorizing its Expenditure

MOTION: Council member Wells moved, seconded by Council member McCann, to approve Resolution No. 10-68.

Based on the outcome of the public meeting the steering committee needed to do further investigation of costs related to the middle school site.

Sorum supported needing more information, but was concerned with the public process and the exclusion of some individuals who may bring value to the planning process such as school principals. Council member Prax asked how involved the principals and school faculty have been in the process. Mr. Hozey responded that the joint steering committee was not organized for the purpose of building a new middle school, the purpose of the committee was to look at the big picture related to master planning for all buildings. Through this process, the middle school has risen to the top of the committee's priority. If the decision is that this is to become a project then a new process will begin which will involve teachers, principles, parents and students. Mr. Hozey said the committee is still at the very beginning of the middle school process. Council member Prax stated that it was necessary for the school principals and teachers to be involved in the planning of a new facility. Council member Wells pointed out that the current committee was not the "middle school" steering committee, they are the facility steering committee. Council member Wells stated that they are not far enough along in the process or at the stage where the committee needs to be reconstituted or added to at this point in time.

Todd Wegner stated that when the consultant requires education specs there will certainly be the need for educators and principles to become part of the process and the current steering committee members will no longer be the driving force.

Council member Ables stated her opinion that the middle school principal should be involved as a member of the steering committee. Council member Moore said that she

agreed with the composition of the steering committee, however no one should be told that they cannot attend a public meeting.

Ruthie Knight asked how many people were on the steering committee. Mr. Hozey replied six. She asked when the committee was formed. Mr. Hozey responded that the committee was formed over a year ago. Ms. Knight asked who was presently on the committee. Mr. Hozey replied that the committee was comprised of himself, the School Superintendent, Mike Wells, Grace Huhndorf, Jack McCay and Ben Olds.

Council member Wells stated that it was important to not lose sight of why the steering committee was originally formed. The committee was originally formed to look at both school and city facilities.

VOTE ON THE MOTION: 7 yeas. Motion carried.

8. #10-69 – Amending the 2010 Budget by Authorizing the Final Payment Regarding the SERVS Litigation of all Remaining Issues to Conoco Phillips Transportation Alaska, Inc. (“CPTAI”) in the Amount of \$150,000 and Authorizing the Expenditure from the Debt Service Fund

MOTION: Council member Wells moved, seconded by Council member Moore, to approve Resolution No. 10-69.

VOTE ON THE MOTION: 7 yeas. Motion carried.

XII. REPORTS

1. Investment Report
2. Janitorial Options Report
3. Health Fund Report
4. Health Plan Administrator Report
5. Change Order Report

- XIII. COUNCIL BUSINESS FROM THE FLOOR
- XIV. COUNCIL TRAVEL
- XV. EXECUTIVE SESSION
- XVI. RETURN FROM EXECUTIVE SESSION
- XVII. ADJOURNMENT