VALDEZ CITY COUNCIL Regular Meeting Minutes September 4, 2012 Page 1

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 Cobb
Council member Mike Wells
Council member Steve McCann
Council member Sorum

Council member Karen Ables Council member Joe Prax Council member Moore

Also Present:

John Hozey, City Manger Bill Walker, City Attorney

Members of staff and approximately 5 people in the audience

IV. APPROVAL OF MINUTES OF THE REGULAR MEETING OF August 20, 2012.

The minutes were approved as presented with one minor correction.

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

CITY MANAGER

Completed Projects

Mr. Hozey reported that the high school roof project is complete. Council member Sorum stated that he had a chance to walk around the high school gym roof and he did not see any issues. He did feel that for a project that size it would have benefitted the City to have one of the City Project Managers on site full time while the work was being done. He reported that he did talk to Capital Facilities about nails that should have been picked up in the surrounding area from the project. Council member Wells stated that he inspected the roof as well and felt the job was nicely done. He did indicate that there are plastic down spout covers that he felt should be replaced with metal covers so that it will stand up to shoveling efforts. He reported that Scott Benda, Project Manager, was looking

into that issue.

Corbin Creek water and sewer design was also completed, Mr. Hozey reported. He explained that should there be political will and funding that project is ready to go. Council member Prax asked what the price on that project would be and Mr. Hozey reported that a new estimate is needed, but the existing estimate is about 15 million dollars. Council member Wells asked when the water sewer plan would be coming back to Council for final review. Mr. Hozey asked Larry Weaver, Public Works Director, to comment. Mr. Weaver stated that they are reprioritizing the water sewer master plan and when that is done it will be presented to Council.

Finally, Mr. Hozey reported that the Elementary flooring project and the Civic Center Fire Alarm project are both complete.

The Beautification Task Force

Mr. Hozey stated that the task force hosted a Town Hall Meeting on August 29th to which 35 people attended. He explained that additional input was provided by attendees. The task force will meet again on Monday September 10th to figure out where they are with the project and what they need to finalize before bringing back a plan to Council. Council member Prax asked Mr. Hozey if in the future it could be reported to him who is in attendance at the task force and Strategic Planning meetings he would appreciate it. Mr. Hozey asked for further clarification. Council member Prax wanted to know who has input in the plan. Mr. Hozey stated that they are not requiring names to be provided with input from the public. Council member Prax stated that he weighed input by who was giving it. He suggested that names be provided with input in the future. He also asked that a signup sheet be added to future meetings so that those who participated are recorded. Mr. Hozey agreed to include signup sheets for future meetings.

The LNG Summit

Mr. Hozey stated that the summit is only a week away and that there is an enormous amount of detail that the City is still working out. He stated that it is coming together with speakers and attendees committing to the summit and that they will continue working on the event up until it starts.

The Civic Center Roof

Mr. Hozey explained that the Civic Center Roof project is ongoing and that the work is being scheduled around scheduled events. On top of that, he stated, a plumbing sub-contractor hooked up the drains incorrectly and therefore they experienced flooding over the weekend. They have that handled now, he explained, but there is a conference currently taking place and the LNG Summit will be the following week which could hinder progress as well.

Robe River Water Tank

Mr. Hozey stated that this project is complete and that the City had a mural painted on the tank which turned out very nice. He encouraged those who were able to go out and take a look at the finished project.

Senior Center Carport

Mr. Hozey asked the Council to recall that this project was created with a different procurement process. He explained that they are running into some difficulties with that but that he did not have all the specifics on it at that time. He stated that in short, the site work is turning out to be much more expensive than planned. He stated that they have to excavate and remove soil up to 6 feet in some places. Part of the problem, he explained, in this iteration of the contractor and designer working together, lies in arriving at a design that stays within budget. When they started the project it was decided to go with a prefabricated metal building to save money. The only problem with that, he stated, was that when they commit to that building there was nothing more that can be tweaked with the building part of the project. Changes can only be made now to the other periphery parts of the project, he said. He explained that they are working through this but the contractor is starting to get nervous about the budget. Mr. Hozey stated that by the next meeting he would have all of the details for Council.

2013 Budget Development

Mr. Hozey stated that departmental budgets are due to Finance in early September and then meetings with the City Manager will follow.

Strategic Planning

Mr. Hozey stated that he presented to Council what would be covered at the upcoming Planning Core meeting scheduled for Thursday September 6th.

Gasline Development

Mr. Hozey explained that he and Mr. Walker wanted to discuss work going on with the on-going effort to evaluate Valdez as the best option for the gasline route. He explained that one study was completed by the pilot that works both Cook Inlet and Prince William Sound and it was determined that Valdez was thought to be the best location for the gasline. Mr. Hozey stated that he would now like to expand on that study and get the opinions of other pilots so that it is not just one person's opinion. They felt this expansion would strengthen the argument in Valdez's favor. Mr. Walker added that as a result of this study, it might be possible to get at least a verbal presentation at the upcoming LNG Summit. This he explained would broaden the number of pilots from 1 to about a dozen. He felt that it would be a great benefit to have that issue completely

answered from a navigational risk assessment stand point. It would significantly improve what has already been done. Mr. Hozey stated that funding was needed to complete this study and it would cost approximately \$25,000. He indicated that the Gasline Port Authority does not have the budget to cover this expense and therefore he asked Council if it was something they would consider funding.

Mayor Cobb expressed his support for this idea. Council member Ables asked if we would bring in several of the pilots to speak on behalf of this at the summit. Mayor Cobb replied in the negative. He stated that they would just be expanding the study by involving more pilots to participate. There would only be two pilots who would speak at the LNG Summit, Mayor Cobb explained.

Council member Sorum stated that it seemed like a good idea, but he thought this was a lot of money for the effort. Mr. Walker stated that the proposal was originally \$50,000 and they were able to talk them down to \$25,000.

Council member Wells asked if this would just include comments from pilots in Cook Inlet and Prince William Sound. Mr. Walker replied in the affirmative.

Council member Moore stated that it is very important to get information from pilots traveling through the waters at this time. She asked if there is an effort to look at the geological predictions of what will happen to the silt that is filling up Cook Inlet. She explained that 100 years ago you could take a deep draft ship into Hope and you cannot do that today. Mr. Walker stated that the initial report did speak to that issue. Council member Moore stated that she is in favor of expanding the study but felt that the geological expectations of the next 100 years will preclude that Anchorage will not be a major port.

Council member McCann asked if we were confident that the additional pilots would agree that Valdez is the port of choice. Mr. Walker replied in the affirmative.

Council member Prax asked if this study is just focusing on shipping and is not addressing other hurdles of the route going to Cook Inlet. He wondered if those hurdles are being addressed as well. Mr. Walker stated that those issues have been addressed a long time ago. But a study from the water side has not been done. This is what this study would do.

Council consensus was to give Mr. Hozey the authority to approve the expenditure for \$25,000 to complete the study.

Council member Prax asked about the status of the 10 mile dike project. Mr. Hozey stated that Council approved the change order for the design of the realignment. Now, he explained, they are executing that change order and getting the design work and permitting done. He stated that he has also asked the engineer about what it would take to increase the height of the structure. Council member Prax asked if next fall would be the window to install it and Mr.

Hozey replied in the affirmative.

Council member Prax asked about the Salmonberry Ski Hill and if they are trying to get that work done this fall. Mr. Hozey replied in the affirmative and stated that he would have that contract for them at the next meeting. He asked if they would be able to do the dirt-work before winter. Mr. Hozey stated that the bid is out now and that they hope to be able to complete it before the snow falls.

CITY CLERK

There was no City Clerk report as she was attending a conference and was not present at the meeting.

CITY ATTORNEY

The City Attorney did not have a report that evening.

MAYOR COBB

Mayor Cobb reported on the Beautification Town Hall Meeting stating that it was a successful event that generated positive discussions. He said that the task force will now sit down and go through all of the comments and decide what direction they will want to bring forward to the City Council. He stated that it has been a longer process than expected but that hopefully in taking more time concerns will be addressed and the end result will be a design that a majority of citizens will be pleased with.

VI. CONSENT AGENDA

- 1. Proclamation National Preparedness Month
- 2. Approval to go into Executive Session Regarding TAPS Value/Litigation

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

VOTE ON THE MOTION: VOTE: 7 yeas. Motion carried.

VII. NEW BUSINESS

1. Discussion Item: Economic Diversification Presentation

Lisa Von Bargen, Community and Economic Development Director, presented the findings from her Master's thesis on economic diversification in Valdez.

She explained what could happen to Valdez should an economic diversification plan not be implemented. She stated that a non-renewable resource such as oil as part of Valdez's economic base yields a temporary

economy that will have an end. She gave a history of the pipeline from its conception to where it is today and showed proof of a significant decline in oil production. Ms. Von Bargen then reported that in October of 2011, the Alaska Oil and Gas Association released a report on the impacts of oil on the State of Alaska, and Valdez was one of their areas of focus. For the overall economy, they reported that the oil industry makes up 35% of all jobs and 55% of overall payroll. She also stated that oil accounts for total municipal revenue make up of 80% in Valdez and property tax revenue at 91%.

Ms. Von Bargen then shifted to community opinions on the economy of Valdez collected via survey reporting that in 2006 61% of respondents agreed that the economy was in distress and 89% felt that it was the responsibility of the City of Valdez to take an active role in improving the economy. In 2007 the City of Valdez had the McDowell Group conduct a gap analysis that included a household survey which asked what residents felt would happen to the overall economy over the next few years. 53% of responders expected the economy to decline. The same survey asked residents about the permanent fund and how the money should be spent. 65% felt that some of the principal of the permanent fund should be used to jump start the economy now.

Ms. Von Bargen did her own study in 2010 of the City Council and Commissions. It was determined that the oil industry is the mainstay of the Valdez economy and that it is declining. So, she postulated, if they know that oil is the mainstay of the economy and that it is declining, why is the city not taking a comprehensive approach to economic diversification.

Ms. Von Bargen stated that she felt that we have created a false sense of security with the TAPS valuation that appears to show that we are flushed with cash after recent litigation ended in our favor. However, that extra money is not something that we can rely on. She then pointed out the history of the boom or bust mentality of Valdez. Residents have historically relied on the events that have made the city money very quickly and that attitude can be a significant hindrance to economic development.

Ms. Von Bargen stated that the other issue is the population turn around problem. She reported that every five years the population turns over creating a very transient nature which proves difficult to get people involved in future planning. Finally, she concluded, that the last issue is an immunity to change attitude that prevents economic development.

Ms. Von Bargen presented data from Pueblo Colorado whose economy suffered during the steel decline. She learned from that community that slow decline is not enough to initiate action. Valdez, she stated, has a slowly declining economy. In Pueblo Colorado they experienced the same situation until the steel industry took a sudden turn for the worst. At that

time, they decided to take aggressive action and successfully pulled their community out of economic turmoil. Ms. Von Bargen stated that it has been proven that catastrophic occurrences are what have historically forced change in communities. Valdez, she said, knows that the occurrence is coming and still has done very little to prepare for it.

She explained that the closer we get to the end of TAPS the more likely it will be that we will be forced to take whatever comes along even if it is not ideal for this community. She emphasized that a sense of urgency must be developed to make something happen. Ms Von Bargen also emphasized the great importance of strategic planning and asked that everyone get behind the idea.

Ms. Von Bargen then asked that the City Council also fund an Economic Development Commission which would include an Economic Development Specialist position by contract to serve as a liaison to the commission. This group could focus on the economic future of Valdez. She also felt that the City needs to fund baseline data tracking and scenario planning which will show what is exactly going on in our community and in our economy. Finally, she stated, that she recommended that we implement an industry relationship improvement program. We need to have a voice in decisions being made in industry, she suggested.

Council member Wells appreciated Ms. Von Bargen's report. He stated that Valdez has been tremendously successful in building infrastructure but has not been as successful in getting people to use it. He asked what we need to be doing in the short term. Ms. Von Bargen stated that she was submitting a supplemental budget for 2013 to fund many of her ideas which will be up for Council's review during budget season. She felt that one of our biggest underutilized assets is our port. She felt that we should go to Juneau and present the facts of what Valdez has to offer since there are clearly issues with the Port of Anchorage. She felt that by funding the economic development commission they could take on many of these things.

Council member Wells then discussed the idea of TAPS eventually end ing. He felt that it might be better to pick a range of decline over the next 30 years or so, and to start now to build into that. Ms. Von Bargen agreed stating that her purpose is to get people to look to the future. Council member Wells concluded stating that there are two issues, the economy and then there is government spending. He stated that they are two separate issues. Ms Von Bargen stated that there is certainly the government spending issue. However, she explained, there is also the fact that the only way we are going to be able to maintain the current level of service and certain level of infrastructure in government is to be able to fund it. The only way we can fund that, she said, is by increasing the non-

oil and gas related tax base or reasonable fees in some other way.

Council member Moore stated that she felt production would last at least another 30 years. She referenced Joe Hughes who stated that the oil industry just picked a number. She stated that he said that he knows of fields that have been producing for 100 years but only predicted 30. So, she concluded, the industry is very involved in picking that number. Council member Moore also pointed out that she was very concerned with the number of people employed and what they are paid. She felt that there are more people out there that are in the lower end of the scale than the higher end. She felt that those numbers are reflected in the number of students using the free and reduced lunch program and those in the community using the food bank. Ms. Von Bargen echoed her concerns stating that even if the City could increase tourism significantly it would not solve the problem of low wages for a large part of the population. Council member Moore stated that tourism is wonderful but it does not create jobs with benefits.

Council member Moore then asked for clarification on the population change that was mentioned to be changing every five years. Ms. Von Bargen explained that they have done population counts over the last several years and they have asked people how long they have lived in Valdez. She felt that they could use that data to give better statistics on who is actually turning over. Mr. Hozey indicated that they had talked about that prior to the meeting but had not had the time to pull the data together. Council member Moore asked that the hard data be compiled and presented to give a true indication of population change.

Council member Moore suggested that if Valdez does get a gas line that maybe a percentage of that money could be put away to fund economic development. Mr. Hozey agreed that development of a parallel diversification project at the same time of the gas line would be a good way to go.

Council member Sorum stated that he appreciated the report and felt that it has been proven time and time again that there is nothing out there that would generate jobs and stimulate the economy more than a new harbor would. He felt that it should be the major focus and it does not need strategic planning to do so. He also expressed his frustration with marketing of the port. He did not understand why that ever stopped and felt that as long as we are unprepared we will miss funding opportunities to communities that are ready.

Council member Prax stated that his worry is that we create a self fulfilling prophecy by creating the image that things are worse than they are. He stated that tax-wise there are only two communities in Alaska who would not change places with Valdez for dollars per citizen, Barrow and Dutch

Harbor. He said that things are not necessarily bad they just are not as good as they once were. He felt that well run businesses can survive here if those running them are competent business people. He also felt that we should not send out the message that the oil is going away since it may deter potential investors in our community. Ms. Von Bargen stated that she and Mr. Hozey had discussed that and did not want to scare people away.

Council member Prax stated that there is definitely a housing shortage and that issue needs to be addressed but he did not want to put unnecessary fear in residents and potential residents. He stated that he is skeptical of coming up with a plan. Part of the reason planning is difficult is because those making the decisions are not the ones who pay the price if they fail. He felt that Council has made decisions in that fashion during his time on the Council which resulted in money lost. That loss could have funded a lot of projects that might have stimulated the economy and though it is all hindsight now it cannot be ignored when considering planning the future. He emphasized the importance of coming up with a good plan because if the plan fails you are worse off than when you started. Council member Prax asked about benchmarks in the plan and Ms. Von Bargen concurred that they are absolutely necessary to monitor progress.

Council member McCann stated that indicators around town are showing that we should already have a sense of urgency. He said we need to have someone from the outside looking in to help us see what we are missing and where we need to go and suggested that it has to be a government private partnership.

Council member Ables applauded Ms. Von Bargen's efforts. She felt that the report would have been beneficial in the strategic planning process and that it should be presented to those involved in that effort now.

Mayor Cobb stated that he appreciated Ms. Von Bargen's report and indicated that the vision we create has to have concrete parts to it if is to succeed. Mayor Cobb felt that we need to move ahead but needed to do so cautiously with a strong sense of where we want to end up and how to get there.

VIII. RESOLUTIONS

 #12-55 - Authorizing the Negotiated Sale of an 8,970 Square Foot Portion of Tract F ASLS 79-116 that is directly adjacent with Lot 1 Block 11 of Corbin Creek Subdivision to Cameron Hursh.

MOTION: Council member Wells moved, seconded by Council member Moore, to approve Resolution No.12-55.

VOTE ON THE MOTION: VOTE: 7 yeas, motion carried.

IX. REPORTS

1. Civic Center Mid-Year Reports

Council member Moore asked when the upgrades were finished to the movie theater and if it was over a year ago. Mr. Hozey replied that it was indeed well over a year ago. She asked if they were looking at a year to year report and he replied in the affirmative.

X. COUNCIL BUSINESS FROM THE FLOOR

COUNCIL MEMBER WELLS

Council member Wells asked Diane Kinney, Port and Harbor Director, about the issues of crowding this summer in the harbor. She stated that it was still very crowded but did not seem to have the extreme issues they had in previous years. Patrolling the harbor, she said, did seem to go very well this year.

COUNCIL MEMBER PRAX

Council member Prax stated that the current meeting would be his last as he would be out of town for the next meeting. He asked Council that in the future when looking at projects to please look at real cost for them in their entirety and also look at real economic demand. He then thanked everyone on Council who shared their tenure with him and who have shown respect as fellow Council members for his opinion while in office. Mayor Cobb and the rest of the Council thanked Council member Prax for his service and his dedication to the Council and the community.

COUNCIL MEMBER MOORE

Council member Moore asked if we have talked to the Aleut Corporation on the trailer park issue. Ms. Von Bargen stated that she would get back to Council member Moore but felt that a meeting had been scheduled. Council member Moore wanted the Council to meet with them as well so they can work together to come to a solution.

Council member Moore stated that she attended the Steadman's farewell event in Mayor Cobb's absence. She stated that she enjoyed being there very much and that Valdez was losing very important people in the transportation business. She felt that Valdez's history is wrapped in transportation issues and losing

people who worked in this regard is quite significant. She felt that Mr. Steadman made a painful yet wise decision about leaving the business. She asked if there is something we could present to people who leave our community that have had such a significant influence on Valdez such as the Steadman's. Mayor Cobb stated that he had a list of people that he wanted to honor at the Civic Center in a Valdez Hall of Fame. He indicated that he would be bringing that idea forward in the near future.

- XI. EXECUTIVE SESSION
- XII. RETURN FROM EXECUTIVE SESSION
- XIII. COUNCIL TRAVEL
- XIV. ADJOURNMENT

There being no further business, Mayor Cobb adjourned the meeting at 9:00 pm.