

SCOMM

118:9

Personal Property Tax

Cobb

Porter

Smalley

Harris X X X

* Dyson

Brice

Phillips

Wempen

Green X X

* Legality

Permitted under ~~the~~ Fed: State

— when go into effect

* Anchorage
* Airport

* Impact?

Adversarial Industry? Projected Revenue

Income

↓ Reserves
Income

Valuation --- why not allowed
to sit at Table ---
who was at Table ---

Cost Control within Valdez

Decrease in valuation Identified
reserves --- how are those
reserves identified and verified ---

State revenue sharing as an
off-set to a decline in valuation

↓ Decrease St. Revenue sharing

CITY OF VALDEZ, ALASKA

ORDINANCE NO. 99-17

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, AMENDING CHAPTER 3.12 OF THE VALDEZ CITY CODE TO ENACT A PERSONAL PROPERTY TAX ON VESSELS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that:

Section I: Section 3.12.020 of the Valdez City Code is hereby repealed and reenacted to read as follows:

3.12.020 Taxation of Personal Property

A. Property subject to taxation. Except as otherwise provided in this chapter, the following personal property which has a tax situs within the city is subject to taxation:

1. Boats and vessels of at least 95 feet in length for which certificates of documentation have been issued under the laws of the United States are subject to taxation at their full and true value unless the vessel is used primarily in some aspect of commercial fishing or docks exclusively at the Valdez Container Terminal where it is subject to municipal dockage charges.

B. Pro ration of personal property taxes. Personal property shall be assessed once a year as of January 1 of the assessment year. Assessments on personal property shall not be pro rated for the assessment year except as follows:

1. Vessels operated in intrastate, interstate or foreign commerce that have acquired a taxable situs elsewhere, shall be assessed on an apportionment basis. The assessor shall allocate to the City the portion of the total market value of the property that fairly reflects its use in the City. The assessor shall establish formulas for calculating the proportion of the

CITY OF VALDEZ, ALASKA

Ordinance 99-17

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total market value allocated to the City. The assessment formula shall be approved by the city council.

C. Tax situs of personal property.

1. All personal property which has a tax situs within the city on January 1 of the tax year is subject to taxation. Tax situs means the principal place where an item of personal property is located or used, having due regard to the residence and domicile of its owner, the place where it is registered or licensed, whether it is taxed by other jurisdictions, and any other factors which may indicate the principal location of the property.

2. Tax situs shall be conclusively presumed to be within the city when the property, although not within the city on January 1 of the assessment year, either;

a. Has been or is usually, kept or used within the city, whether regularly or irregularly; or

b. Travels to or within the City along fixed and regular routes; or

c. Has been or is kept or used within the city for any ninety (90) days or more, whether consecutive or otherwise, in the twelve (12) months preceding the January 1 assessment;

d. Has been or is regularly kept or used within the city for any length of time preceding January 1 of the assessment year if such presence or use is intended to be permanent. The term "permanent", as used in this subsection means for ninety (90) days or more, whether consecutive or otherwise, within the assessment year.

e. Is necessary for business transactions or takes on cargo within the City of Valdez if such transactions or cargo have a cumulative value in excess of One Million Dollars (\$1,000,000) during the tax year.

Section 2: Section 3.12.022 of the Valdez City Code is hereby enacted to read as follows:

3.12.022 Taxation of Real Property.

A. Property subject to taxation. For the purposes of this chapter, real property subject to taxation includes, among other things, trailers and mobile homes, and lean-to and similar structures attached or contiguous thereto.

B. Trailers and mobile homes. The words "trailers and mobile homes" include all forms of housing adaptable to being moved by a power connected thereto, and which are or can be used for residential, business, commercial or office purpose; provided, however, that those trailers which are:

1. Used for camping or recreational purposes only; or
2. Not affixed to the site and not connected with utilities, shall be considered to be personal property and exempt from taxation.

C. Conclusive presumption. A trailer or mobile home is conclusively presumed to be affixed to the land and real property for the purposes of taxation when it has remained at a fixed site for more than ninety (90) days.

D. Ownership. When the ownership of a trailer or mobile home and attachments and appurtenances is different from the land upon which it rests, the city may, in its discretion assess and tax the ownership separately.

Section 3: Section 3.12.030 of the Valdez City Code is hereby repealed and reenacted to read as follows:

3.12.030 Property Exempt from Taxation.

A. The following property is exempt from general taxation:

1. Property exempted by state or federal law including all properties listed in A.S. 29.45.030;
2. All other personal property not subject to taxation under Section 3.12.020(A)(1);
3. The real property owned and occupied as the primary residence and permanent place of abode by a resident sixty-five(65) years of age or older is wholly exempt from taxation. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under A.S. 44.62.560-44.62.570.

a. An exemption may not be granted under subsection (A)(3) of the this section except upon written application for the exemption on a form approved by the state assessor for use by local assessors. The claimant must file the application no later than January 15 of the assessment year for which the exemption is sought. The city council for good cause shown may waive during a year the claimant's failure to make timely application for exemption for that year and authorize the assessor to accept the application as if timely filed. The

claimant must file a separate application for each assessment year in which the exemption is sought. If an application is filed within the required time and is approved by the assessor, the assessor shall allow an exemption in accordance with the provisions of this section. If a failure to file by January 15 of the assessment year has been waived as provided in this subsection and the application for exemption is approved, the amount of tax that the claimant has already paid for the assessment year for the property exempted shall be refunded to the claimant. The assessor shall require proof in the form the assessor considers necessary of the right and amount of an exemption claimed under subsection(A)(3) of this section. The assessor may require proof under this section at any time.

Section 4: Section 3.12.070(E) of the Valdez City Code is hereby repealed and reenacted to read as follows:

The assessor may require each person having ownership or control of or an interest in property to submit a return in the form prescribed by the assessor, based on property values existing on January 1, except as otherwise provided in this chapter. By written notice, the assessor may require a person to provide additional information within 30 days.

Section 5: Section 3.12.070(F) of the Valdez City Code is hereby enacted to read as follows:

The assessor is not bound to accept a return as correct. The assessor may make an independent investigation of property returns or of taxable property on which no return has been filed. In either case, the assessor may make the assessor's own valuation of the taxable property and this valuation is prima facie evidence of the value of the property.

1. For investigation, the assessor or the assessor's agent may enter a premise during reasonable hours and may

examine property on the premise. The assessor or the assessor's agent may examine all property records involved. A person shall, on request, furnish to the assessor or the assessor's agent every facility and assistance for the investigation. The assessor may seek a court order to compel entry and production of records needed for assessment purposes.

2. An assessor may examine a person on oath. On request, the person shall submit to examination at a reasonable time and place selected by the assessor.

Section 6: Section 3.12.072 of the Valdez City Code is hereby enacted to read as follows:

Violations; Penalties.

For knowingly failing to file a tax statement required by the assessor, or knowingly making a false statement required by this chapter relative to the amount, location, kind, or value of property subject to taxation with intent to evade the taxation, a person having ownership or control of or an interest in the property subject to taxation shall be subject to a fine up to \$1,000 or imprisonment for 90 days.

Section 7: This ordinance takes effect January 1, 2000.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this _____, day of _____, 1999.

CITY OF VALDEZ, ALASKA

By: _____
David C. Cobb, Mayor

CITY OF VALDEZ, ALASKA
Ordinance 99-17
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ATTEST:

Sheri L. Pierce, CMC/AAE, City Clerk

APPROVED AS TO FORM:

WALKER WALKER
WENDLANDT & OSOWSKI, LLC
Attorneys for the City of Valdez

By: _____
William M. Walker

1st Reading:
2nd Reading:
Adoption:
Ayes:
Noes:
Not Voting:
Absent:

Alaska Oil and Gas Association



January 25, 2000

121 West Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114

The Honorable Jim Whitaker, Chair
House Special Committee on Oil & Gas
Alaska State Legislature
State Capitol, Room 13
Juneau, AK 99801-1182

Re: Valdez Tanker Tax

Dear Representative Whitaker:

The Alaska Oil and Gas Association (AOGA) is an industry trade association whose 17 member companies account for the great majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska. We are writing to you because we are very concerned about the municipal property tax which the City of Valdez has recently imposed on oil tankers that carry North Slope crude oil from Valdez to market destinations outside the state.

The petroleum resources of the North Slope represent assets of the people of Alaska as a whole, and not just of any particular municipality. By raising the costs of moving the North Slope resource to market as a result of this tanker tax, Valdez has unilaterally raised the bar which ongoing and new investments for North Slope development will have to clear in order to be economically competitive. This additional cost will affect present as well as new development, including proposed development of NPR-A and, hopefully someday, ANWR. We believe it is in the long-term interest of no one in Alaska - including Valdez - to impair or prevent the full economic development of the North Slope's potential.

In addition, the tax raises a serious public policy question about who sets the terms and policy for oil and gas development in Alaska - the Legislature and the State of Alaska, or the various municipalities acting on their own.

Moreover, the tanker tax sends a threatening signal about the stability of Alaska's tax climate to potential new players in Alaska's petroleum industry precisely at the time when they are facing key decisions whether or not to become major investors in Alaska. This signal is just as ominous for potential investors in gas development as it is for possible purchasers of oil-related assets,

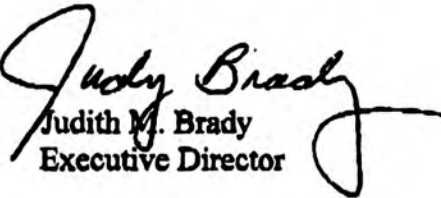
The Honorable Jim Whitaker, Chair
House Special Committee on Oil & Gas
January 25, 2000
Page 2

since it raises doubt about what Valdez might try to do regarding an LNG project after construction if such a project is built and located within the City's boundaries.

We note that your committee is holding a hearing on the Valdez tanker tax, but only the City of Valdez has been invited to testify at it. We hope and respectfully request that your committee will hold at least one more hearing in order to hear our side on this matter, as well as the views of the Administration. We believe we can provide you and the committee with important insights and information about the tax which you would find useful in your deliberations.

Thank you for your attention and consideration.

Sincerely,


Judith M. Brady
Executive Director

cc:

Members of the House Special Committee on Oil & Gas
Governor Tony Knowles
Speaker Brian Porter
Valdez Mayor, David Cobb
Commissioner Wilson Condon
Mayor Dale Bagley

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Judith Brady, Executive Director

November 15, 1999

Via Facsimile

The Honorable David C. Cobb
Mayor, City of Valdez
P.O. Box 307
Valdez, Alaska 99686

Ordinance 99-17, Valdez Tanker Tax

Dear Mayor Cobb:

The Alaska Oil and Gas Association is an industry trade association whose 18 member companies account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska. We would like to share with you the profound concerns we have about the proposed tanker tax, which is scheduled for second (and final) passage during tonight's City Council meeting.

First, is our concern with the impact of such stand-alone municipal tax proposals on statewide public policy. The North Slope oil and gas resources represent assets of the people of Alaska as a whole, and not of any particular municipality. By raising the costs of moving the North Slope resource to market as a result of this tanker tax, Valdez will unilaterally raise the bar which ongoing and new investments for North Slope development will have to clear to be economically competitive. This additional cost will affect present as well as new development, including proposed development of NPR-A and, hopefully someday, ANWR. We believe it is in the long-term interest of no one in Alaska — including Valdez — to impair or prevent the full economic development of the North Slope's potential.

Second, the tanker tax sends a threatening signal about the stability of Alaska's tax climate to potential new purchasers of Alaskan assets precisely at the time when they will be deciding whether or not to become major investors in Alaska.

Third, Valdez will be acting inconsistently between its action in enacting this tanker tax and its activities in forming the Alaska Gasline Port Authority to facilitate development of the North Slope gas reserve. Enacting a tanker tax will inevitably create some questions and doubt in the minds of those investors/participants about what the City might seek to do regarding the LNG project after it is built.

Thank you, Mayor Cobb, for this opportunity to share these concerns with you as you face this important decision tonight.

Very truly yours,

A handwritten signature in cursive script that reads "Judith Brady".
JUDITH BRADY
Executive Director

cc: Valdez City Council (via fax)
Governor Tony Knowles (via fax)

**Alaska Support Industry
ALLIANCE**
4220 'B' Street, Suite 200
Anchorage, AK 99503
Phone 907.563.2226
Fax 907.561.8870
www.akalliance.org

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Karen Cowart



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

November 15, 1999

via fax to (907) 835-2992

The Honorable David C. Cobb
Mayor, City of Valdez
P.O. Box 307
Valdez, AK 99686

RE: Ordinance 99-17, Valdez Tanker Tax

Dear Mayor Cobb:

The Alaska Support Industry Alliance (The Alliance) represents over 350 businesses that provide products and services to the oil and gas industry. We are oilfield service companies, transportation enterprises, wholesale and retail businesses, professional firms and private citizens. Collectively, we employ over 29,000 people in Alaska, 26,000 of which are permanent Alaska residents. As a statewide, non-profit trade organization, The Alliance strongly advocates legislation and government policies that encourage responsible oil and gas exploration, development and production.

We understand that the City Council will give final consideration on a proposed ordinance to impose additional taxes on oil tankers. The Alliance expresses deep concern over this measure for several reasons.

- **It Makes Alaska Less Competitive** as a location for oil and gas industry activity. The truth is that Alaska holds less than 1% of the world's oil reserves. We compete with places where it costs \$5 to produce a barrel of oil and ship it to market. In Alaska costs are significantly higher - \$9 to \$10. To stay competitive, encourage investments and survive downswings in oil prices, we must be more efficient - NOT more expensive. Additional tanker taxes obviously increase the cost of producing oil and gas and moving these commodities to market.
- **It Deters Future Investors.** In light of the pending BP Amoco acquisition of ARCO, it is even more imperative today for Alaska to attract new major producers and operators to the state. The proposed ordinance is a potential impediment in the State's efforts to attract new investors in the exploration, development and production of North Slope properties, the Trans-Alaska Pipeline System, and Alaska's vast natural gas development potential. Adding new taxes sends an extremely onerous message to potential investors. It says "unstable and uncertain." We can't afford that.

Please rescind this proposed ordinance. It is destructive to all parties concerned.

Respectfully,

Karen Cowart
Karen Cowart, General Manager

Regular Meeting
Valdez City Council
November 1, 1999
Minutes

I. CALL TO ORDER

Mayor Cobb called the regular meeting of the City Council to order at 7:00 p.m. in the Valdez City Council Chambers.

II. PLEDGE OF ALLEGIANCE

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

III. ROLL CALL

Present:

Mayor Dave Cobb
Bert Cottle
Connie Stephens
Jim Shirrell

Mike Williams
Dorothy M. Moore
Rich Nielsen

Also present:

Dave Dengel, City Manager
Sheri L. Pierce, City Clerk
Bill Walker, City Attorney

and approximately 30 people in the audience.

IV. APPROVAL OF MINUTES OF THE MEETING OF THE SPECIAL MEETING OF OCTOBER 12, 1999, REGULAR MEETING OF OCTOBER 19, 1999, AND SPECIAL MEETING OF OCTOBER 25, 1999.

The minutes of the meetings of October 12, October 19 and October 25 were approved as presented.

V. ELECTION OF MAYOR PRO TEMPORE

By ballot, the City Council elected Council member Rich Nielsen to serve as Mayor Pro Tempore.

VI. PUBLIC APPEARANCES

There were no public appearances.

VII. PUBLIC BUSINESS FROM THE FLOOR

There was no public business from the floor.

VIII. REPORTS/REFERRALS FROM COMMISSIONS

1. Future Phases of Corbin Creek Subdivision

Planning and Zoning Commission Chairperson, Gay Dunham, addressed Council concerning future phases of Corbin Creek Subdivision. Mr. Dunham gave a brief overview of the sale of Phase I. He pointed out that in any multi-phased development, the revenues of each phase aren't consistent. In this case, Phase III will cost significantly more to develop than Phases I & II, thus the cost per lot will increase. The Planning and Zoning Commission requested \$250,000 from Council, in addition to the revenues generated from the sale of Phase I, for a total of \$500,000 to complete Phases II & III.

Council member Stephens inquired if the next Phase would allow for mobile homes. Mr. Dunham replied that originally was planned for Phase III. Council member Williams recalled the need that was brought before the Commission during the planning stages, was the need for Rural Residential zoning. He had concerns about the Commission's current direction. Mr. Dunham said that the majority of Corbin Creek was zoned Rural Residential and the problem was getting to those lots. Council member Williams suggested a worksession with the Commission to review this issue as well as others.

Council member Shirrell suggested incorporating this request into the CIP budget for 2000. Council member Moore asked if the City would see returns on the amount invested. Mr. Dunham replied the City would receive the amount invested, as well as new revenues from taxes.

IX. CITY MANAGER/CITY CLERK/CITY ATTORNEY REPORTS

City Manager, Dave Dengel, reminded Council of the Ports & Harbor Conference begins November 2nd and encouraged Council to attend.

X. CONSENT AGENDA

1. Appointments to the Parks and Recreation Commission

ACTION: Appoint Robin Chaffin, Gail Colby and Marilyn Leahy to the Parks and Recreation Commission.

2. Approval of Contract Award: Maintenance of Parks and Public Areas

ACTION: Award a three-year contract for the maintenance of parks and public areas to S&G Contracting, in an amount not to exceed \$353,115.00.

3. Resolution #99-52 - Accepting a State Grant in the Amount of \$6,650 for Coastal Management Planning and Implementation
4. Resolution #99-53 - Establishing the Terms of Members Appointed by the City of Valdez to the Alaska Gasline Port Authority Board of Directors.

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

VOTE ON THE MOTION: 7 yeas. Motion carried.

XI. UNFINISHED BUSINESS

There was no unfinished business.

XII. NEW BUSINESS

There was no new business.

XIII. ORDINANCES

All ordinances were presented by title only; copies of the full text ordinance were available to the public.

1. #99-16 -Amending Section 9.24.010 of the Valdez Municipal Code Relating to a General Curfew For Minors. First Reading.

MOTION: Council member Williams moved, seconded by Council member Stephens, to approve Ordinance #99-16. First reading.

Council member Nielsen questioned the intent of the changes to the ordinance. He noted the changes appeared to give more discretion to the officers. Mr. Walker, City Attorney, replied there were two changes, those being a better definition or clarification on the hours of the curfew, and to provide the officers with more discretion in interpreting the ordinance. Council member Cottle pointed out a typographical error.

VOTE ON THE MOTION: 7 yeas. Motion carried.

2. #99-17 - Amending Chapter 3.12 of the Valdez City Code to Enact a Personal Property Tax on Vessels. First Reading.

Council member Shirrell and Council member Nielsen declared a conflict of interest. Mr. Walker pointed out there was a thorough review of the conflict of interest provisions in the City Code and State Law. It is his opinion those council members whose spouses are employed by Alyeska, do not have a conflict of interest and, although it is appropriate to acknowledge their relationship with Alyeska, they do not have a conflict.

Council member Shirrell pointed out that a couple of years prior, it was determined that he did, in fact, have a conflict of interest and was based on the contract relationship with Alyeska and the vessels affected. Council member Nielsen felt Council member Shirrell was placed in a unique position at this point, and has been eliminated from any discussions that have taken place in the past, and yet has been asked to make his vote. He didn't feel this was a fair situation to place Council member Shirrell in.

Council consensus was to grant their request to abstain from this agenda item.

MOTION: Council member Cottle moved, seconded by Council member Moore, to approve Ordinance #99-17. First Reading.

Mr. Hisey, Senior Vice President, Business Unit, APSC, addressed the Council regarding the proposed ordinance. He voiced opposition to this proposed ordinance. He said that through his work experience, to be a successful

business leader, you need to plan for the long term. A success business plan must take into account both short and long term objectives, and consider the multitude of ramifications of its actions over time. Additionally, it must address both sides of the cost and revenue equation. He urged the Council to take the same approach in running the City of Valdez. This City's fiscal problems are long term. Any new tax is only one piece of a much larger puzzle. He felt that instituting a new tax now is unnecessary and a local tax on tankers and larger vessels is bad public policy for four basic reasons. The tax proposed is progressive. The tanker tax will lower the wellhead value of every barrel of North Slope crude produced, adding to the already high transportation costs. The tax will make Alaska less competitive compared to other countries and projects. Thirdly, this type of change in tax structure causes companies to question whether or not there is a stable and predictable fiscal plan. Fourthly, if local government can change oil and gas taxes whenever its needs change, this will add to substantial risks and uncertainty of business. Mr. Hisey again urged Council to consider the long term and to work to develop a plan that takes into account all of your options and all of your long-term impacts and not just your short-term gains.

Mr. Kurt Hallier, speaking on behalf of ARCO Alaska, expressed their opposition to the proposed ordinance. It is the opinion of ARCO that the issues have not changed and neither have their concerns about the tanker tax. This tax remains a radical departure from the long held State policy of determining oil and taxation at State level. Stable or even increased North Slope oil production is key to the continued prosperity for all Alaskans. He felt local and State governments and the oil industry should work together to find ways to bring more oil through the pipeline, not adding new costs to an already expensive transportation system.

Ms. Jean Stewart, Valdez Chamber of Commerce, read into the record a resolution approved by their board to the Council stating their opposition to this ordinance.

Mr. Chuck Colson, Manager of APSC-BP/AMOCO's Transportation Business Unit, stated they understood the City's desire to stabilize its tax base and revenue stream. He pointed out that over the past several years, they've had to make hard decisions and taken difficult steps to reduce the cost and scope of their operation. He felt the City and owner companies worked together to reduce the rate of decline and the rate of decline would have been much greater if the agreement hadn't been made. He encouraged increased dialogue regarding this

or any other issue of mutual concern. He felt Alaska must have a unified tax policy to ensure that all Alaskans benefit from the production of North Slope oil and gas. Mr. Colson said this ordinance was bad public policy.

Mr. Joe Prax, Valdez business owner, said this was a puzzling way to get business for Valdez and he opposed this ordinance. He agreed with Mr. Colson in that Alaska may not be an area in which companies will want to invest. Mr. Prax felt there were communities in Alaska, such as Nikiski, who would offer tax breaks, rather than create a tax burden, to entice industry. Businesses look at the economics of the business. He reminded Council there are many towns who would be happy to have Alyeska, without receiving additional taxes. He felt this gives a negative message to the companies.

Council member Williams pointed out that TSM was bad public policy and it took some of the taxing rights that Nikiski has, which Valdez does not. TSM was a back room deal with the Legislatures and the oil companies, with Valdez excluded in negotiations. Part of the ramifications of this agreement is why Valdez has a 20 mil rate. Oil and gas should be taxed at the State level, however, the City should tax the facilities in Valdez. This ordinance will help level things out and should help to reopen the negotiations between the oil companies and the City.

Council member Moore said this was not a very easy situation and she felt obligated to consider all of the citizens of Valdez. She recalled the earlier negotiations and had hoped for a common ground, but issues and playing fields changed. She said she didn't want to see the declining value that the City has. Residential taxes will not carry the burden when oil property values are decreased as projected. Ms. Moore would be willing to stop this process, as long as those people come to the table in a manner that is equal-equal.

Council member Stephens agreed for the most part with Council member Moore. She pointed out Valdez has changed as a community, with a growth in population and infrastructure. She felt that as the tax base decreases, something has to make up the difference. She compared the recent renovations at Alyeska and with any local small business and how those improvements were assessed and taxed. The City is trying to maintain a standard of living. With significant tax losses, the needs of the community will lose as well.

Council member Cottle said the only comments he received regarding this was

from an industry employee stating their opposition to this.

Mayor Dave Cobb pointed out Mr. Prax was the only person who spoke to the affect this would have on Valdez as a community. In 1990 there was a 134% increase in personal, non-oil related, property taxes. There has been an oil property devaluation of 45% and a reduction in the General Fund Budget for the City of 25%. There was also a 17.5% reduction in the number of employees for the City. He felt the City had done its share. He recalled the discussions of 1997 in which the industry said the City needed self-help. The reductions are the examples of the City's self-help. He wrote a letter to the companies inviting their participation in a negotiation/discussion meeting, to which he has not received a response.

VOTE ON THE MOTION: 5 yeas, 2 abstain (Shirrell and Nielsen). Motion carried.

XIV. RESOLUTIONS

Resolutions were presented by title only; copies were made available to the public.

1. #99-54 – Requesting that the Alaska Municipal League Support Increasing the Optional Exemption of Residential Property from Taxation

MOTION: Council member Nielsen moved, seconded by Council member Moore, to approve Resolution #99-54.

Council member Williams asked what the cost to the City would be. Mr. Dengel replied that based on a \$10,000 exemption, it costs the City approximately \$100,000. Council member Williams asked what this resolution would cost the City. Mr. Dengel estimated \$300,000 in lost revenue.

Council member Shirrell asked if the Council was empowered to enact this resolution. Mr. Dengel replied that State Law grants municipalities an option to exempt up to \$10,000, which the City currently does. Council member Shirrell asked if the Legislature would have to increase the option to implement this resolution. Mr. Dengel replied in the affirmative.

Council member Cottle asked for this resolution's approval to present to Alaska

Municipal League to garner support so that it could be presented to the Legislature.

Council member Williams pointed out the exemption was regressive in that the larger the home, the larger the reduction. To make up for the \$200,000 tax revenue loss from this exemption, user fees would have to be enacted. Council member Cottle disagreed.

VOTE ON THE MOTION: 7 yeas. Motion carried.

XV. REPORTS

1. VFDA Land Use Permit #99-3
2. VFDA Land Use Permit #99-4
3. Valdez Regional Health Authority Financial Summary

XVI. COUNCIL BUSINESS FROM THE FLOOR

Council member Cottle

Council member Cottle asked that residents be reminded not to place snow that has been removed from their residence or business into the street.

Council member Williams

Council member Williams informed Administration of the number of complaints regarding the lack of snow removal from the streets over the weekend and the level of service wasn't what citizens expected. Mr. Dengel replied he had looked into those concerns.

Council member Stephens

Council member Stephens asked the City Manager to contact the Department of Transportation to find out if reductions in the Department of Transportation budget will impact snow removal in Valdez.

Council member Shirrell

Council member Shirrell pointed out a letter of recognition for Jim Kirkpatrick, Street Foreman, from the Elementary School Principal. Mr. Tim MacDonald thanked Mr. Kirkpatrick and his crew for the heavy equipment safety presentation to the students of the school.

XVII. COUNCIL TRAVEL

There was no travel reported.

XVIII. ADJOURNMENT

There being no further business, Mayor Cobb adjourned the meeting at 8:15 p.m.

**Valdez City Council
Regular Meeting Minutes
November 15, 1999**

I. CALL TO ORDER

Mayor Cobb called the regular meeting of the Valdez City Council to order at 7:00 p.m.

II. PLEDGE OF ALLEGIANCE

City Council led in the Pledge of Allegiance to the American Flag.

III. ROLL CALL

Those present were:

Mayor Cobb	Council member Shirrell
Council member Cottle	Council member Nielsen
Council member Moore	Council member Williams

Council member Stephens was absent and excused.

Also present:

Dave Dengel, City Manager
Sheri Pierce, City Clerk
Bill Walker, City Attorney

IV. APPROVAL OF MINUTES OF THE MEETING OF NOVEMBER 1, 1999

The minutes were approved as presented.

V. PUBLIC APPEARANCES

There were no public appearances.

VI. PUBLIC BUSINESS FROM THE FLOOR

There was no public business from the floor.

VII. REPORTS/REFERRALS FROM COMMISSIONS

1. FY 2000 CIP Requests – Parks & Recreation Commission

VIII. CITY MANAGER/CITY CLERK/CITY ATTORNEY REPORTS

City Manager

Mr. Dengel reported there were worksessions scheduled this week for the budget review process. The worksessions for the Community Service Organizations will be held on November 29th and 30th. There is a Strategic Planning session scheduled for Council this weekend.

Mr. Dengel reported the Alaska Association of Harbormasters and Port Administrators conference in Valdez was a success and thanked Diana Crisp, Diane Kinney, Marci Jacobs, and Nancy Robb and Civic Center staff for an outstanding job. There were numerous positive comments on the convention from the attendees.

Last week, the Port Authority held its formation meeting and Mayor Cobb was elected its Vice-Chairman and Mr. Dengel was elected its Treasurer/Managing Director. Mr. Walker was elected its General Counsel.

IX. CONSENT AGENDA

1. Approval of Plat: Subdivision of Lot 23 & 24, Block 35 Mineral Creek Subdivision - Lot Line Removal
2. Approval of Contract Award: Generator Replacement at Lift Station #4
3. Proclamation: Annual Tree Lighting Ceremony – Patricia Haltness

Council member Cottle asked for the plat approval of Lots 23 & 24, Block 35 Mineral Creek Subdivision be placed under New Business, Item #2.

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

VOTE ON THE MOTION: 6 yeas, 1 absent (Stephens). Motion carried.

Mayor Cobb read the Proclamation.

X. UNFINISHED BUSINESS

There was no unfinished business.

XI. NEW BUSINESS

1. Approval of Plat: Subdivision of Tract A, ASLS 79-117 - City of Valdez/State of Alaska (EVOS)

MOTION: Council member Nielsen moved, seconded by Council member Williams, to approve the subdivision of Tract A, ASLS 79-117 City of Valdez Alaska (EVOS).

Council member Shirrell pointed out the Planning Commission expressed its desire that this parcel of land not be restricted from public recreational access. He asked the purpose of this desire and if it had been achieved. Mr. Bob Bright replied the Planning Commission felt strongly that public access to the parcel be preserved, and the resolution approved by Council that supported the acquisition of the property, specified a management team be created to provide guidance of the overall management of this property. Council member Shirrell inquired if the management team had been created, to which Mr. Bright replied to his knowledge, this stipulation had not been completed.

Mr. Dengel pointed out there were a couple of items that needed to be taken care of. Approval of the plat does not transfer the property, and the warranty deed could include appropriate portions of the resolution or attaching an agreement regarding the management team. Mr. Dengel said Council could approve the plat and Administration could hold off signing the plat until the management issues are resolved.

Council member Cottle pointed out the access for this parcel, according to the resolution, would not be through an established residential subdivision. He asked where the proposed access would be. Mr. Dengel replied the parking area and main trailhead would not be at the end of Homestead Road, but rather near the water by taking a side road along the river.

Ms. Sheri Pierce, resident and adjacent property owner, expressed her concerns with the term "public recreational access" as recommended by the Planning Commission. She asked for the term "public recreational access" be defined and those who are responsible for this definition, allow for public input. She felt that since the term could be interpreted in various ways, it should be defined. She

pointed out there are wetlands and fish streams in the area and they should be protected. Ms. Pierce said she opposed motor homes, 4-wheelers, boat ramps, off-road vehicles, and construction of man-made viewing areas. She encouraged the decision making bodies to take a walk of the area next summer to get an idea of what this area is like.

VOTE ON THE MOTION: 6 yeas, 1 absent (Stephens). Motion carried.

2. Approval of Plat: Subdivision of Lot 23 & 24, Block 35 Mineral Creek Subdivision – Lot Line Removal

MOTION: Council member Williams moved, seconded by Council member Nielsen, to approve the subdivision of Lot 23 & 24, Block 35 Mineral Creek Subdivision – Lot Line Removal.

Council member Cottle questioned if this property was subject to a time line for completion of construction. Mr. Dengel replied the lease for the American Legion had been modified regarding the construction requirement. He would provide a report regarding the terms of the American Legion lease.

Council member Williams pointed out these lots were sized according to the old design for buildings (side-by-side) and that a 50 foot wide lot is too small to build a commercial building.

Mr. Bob Bright informed the Council the present lease agreement between the City and the American Legion expires December 31, 2000, and they must have a building built by that date.

VOTE ON THE MOTION: 6 yeas, 1 absent (Stephens). Motion carried.

XII. ORDINANCES

1. Ordinance No. 99-16, Amending Section 9.24.010 of the Valdez Municipal Code Relating to a General Curfew for Minors. Second Reading. Adoption.

MOTION: Council member Williams moved, seconded by Council member Cottle, to approve Ordinance #99-16. Second Reading and Adoption.

VOTE ON THE MOTION: 6 yeas, 1 absent (Stephens). Motion carried.

2. Ordinance No. 99-17, Amending Chapter 3.12 of the Valdez Municipal Code to Enact a Personal Property Tax on Vessels. Second Reading. Adoption.

MOTION: Council member Williams moved, seconded by Council member Cottle, to approve Ordinance #99-17. Second Reading and Adoption.

Council member Nielsen declared a conflict of interest, as did Council member Shirrell. Council concurred that Council member Nielsen did have a conflict of interest and would abstain from voting. After research and discussion, it was determined Council member Shirrell would not be excused from voting on this item.

Wayne Lewoczki, Exxon representative, addressed the Council and expressed his opposition to the ordinance. He gave a brief overview of the past history of agreements with the State, oil industry, and local government. He pointed out there was additional property provided to the City's taxable base. He urged Council to work with the oil industry to develop alternatives, rather than pass this ordinance. He asked Council to look at the long-term effect on the City.

Mayor Cobb informed Mr. Lewoczki the previous agreement was a short-term agreement and there haven't been any attempts to move ahead with any long-term solutions. This community is faced with substantial tax revenue losses over the next year, and additional losses of State revenue. He agreed there was a need for more discussions between the oil industry and the City. The City has strived to cut costs and employees over the past three years. Mr. Lewoczki pointed out there is a window over the next year to work together to resolve the TAPS valuation issues and concerns.

Council member Shirrell expressed his displeasure at having to vote on this issue due to his employment with the oil industry and his roll as a City Council member. He agreed the City couldn't continue to suffer the losses of tax revenue without significantly impacting the quality of this community's life. He didn't believe the proposed tax was the answer, but through the passage of this ordinance, the parties would come together to work on alternatives.

Council member Moore acknowledged the public's input through their letters to

Council. She said when she makes improvements to her personal property, her assessment increases. All properties should be treated the same, when there have been improvements made, thus increasing the property value. She felt government should be responsible to all of the citizens of Valdez.

Mr. Joe Prax, local business owner, felt this was a business tactic and was the wrong approach. With the increase in taxes, Alyeska will be forced to layoff employees to find the additional funds or an earlier shut down of the system. He pointed out the inequities in services received for the portion of taxes they pay. Mr. Prax said the terminal has depreciated in value over the past twenty years. He felt the City should reevaluate its needs and spend funds wisely. Mr. Prax said that in time, the City would want a sales tax, and then a personal property tax.

VOTE ON THE MOTION: 5 yeas, 1 abstain (Nielsen), 1 absent (Stephens). Motion carried.

3. Ordinance No. 99-18, Amending Section 2.80.050 of the Valdez Municipal Code Relating to Approval of Change Orders. First Reading.

MOTION: Council member Williams moved, seconded by Council member Cottle, to approve Ordinance #99-18 at first reading.

Council member Williams asked how Administration felt about reporting modifications of change orders in excess of five percent. The proposed ordinance would allow reporting of change orders in excess of \$5,000. He would like to see a report, not necessarily needing Council approval, for the five percent differential.

AMENDMENT TO THE MOTION: Council member Williams moved, seconded by Council member Nielsen, to amend the ordinance to read as: "B. The Council shall be advised at its next regular meeting of all modifications or change orders in excess of five thousand dollars or twenty-five percent of the price specified in the contract which do not require Council approval and which were made by the city."

VOTE ON THE AMENDMENT: 6 yeas, 1 absent (Stephens). Motion carried.

Sheri Pierce, City Clerk, said this ordinance would return at the next meeting as

its first reading due to the substantial change.

VOTE ON THE MOTION: 6 yeas, 1 absent (Stephens). Motion carried.

XIII. RESOLUTIONS

There were no resolutions.

XIV. REPORTS

1. Residential Property Tax Exemption
2. DOT/PF Service Levels
3. Blain Eliot Activity Report, October, 1999
4. Treasurer's Report, October, 1999
5. Police Department Report, October, 1999

There were no comments regarding the reports.

XV. COUNCIL BUSINESS FROM THE FLOOR

Council member Cottle

Council member Cottle requested a list of all the budgets that will be reviewed this week and a list of all Boards and Commission members.

Council member Moore

Council member Moore expressed her appreciation of Mr. Eliot's report in pointing out the amount of freight crossing the dock.

Council member Williams

Council member Williams asked for a clarification on the residential property tax exemption, and pointed out that if the exemption was raised, the City would have to find an additional \$330,000 either through user fees or budget cuts.

Council member Shirrell

Council member Shirrell asked if working spreadsheets would be provided for

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the budget worksessions, similar to last year. He also asked for a prioritization of the proposed CIP projects and asked Administration to do the first cut in that.

XVI. COUNCIL TRAVEL

XVII. ADJOURNMENT

There being no further business, Mayor Cobb adjourned the meeting at 8:30 p.m.