

**MINUTES
NOME CITY COUNCIL
REGULAR MEETING
August 11, 2008**

The Regular Meeting of the Nome City Council was called to order at 7:30 P.M. by Presiding Councilman Stan Andersen in the City Council Chambers of Nome City Hall located at 102 Division St.

ROLL CALL

Members Present: Stan Andersen, Jerald Brown, Mary David, Mary Knodel, Jon Larson, Randy Pomeranz

Members Absent:

Also Present: City Manager, Pete Hallgren; City Clerk, Sandy Babcock; Chief of Police, Paul Burke;

In the audience: Rick Luthi, Jimmy Adams, Jim Stimpfle, Laura Samuelson, GCI camera operator; Melissa Ford, Derrick Leedy, Laurie McNicholas, Paul Korchin, KNOM, John Handeland

INVOCATION

The invocation was given by Paul Korchin.

APPROVAL OF MINUTES

- A. July 28, 2008 Regular Meeting Minutes
- B. August 1, 2008 Special Meeting Minutes

A motion was made by C. Knodel and seconded by C. David to approve the minutes as corrected.

Discussion

C. Knodel reported that a correction probably a typo was needed on page 8 in the August 1st minutes.

At the roll call:

Ayes: Brown, David, Knodel, Larson, Pomeranz, Andersen

Nays:

Abstain: Brown 7/28/08, Larson 8/1/08

The motion CARRIED.

COMMUNICATIONS

Presiding Councilman Andersen stated that there are a couple of communications in their packets and asked for comments.

C. Larson commented that he would like a letter of thanks sent to Ray Lang for his years of service on the Port Commission.

C. Knodel stated she would like to see someone connected with NSEDC maybe fill the open Port Commission seat because they use the Port a great deal and they do not have representation at this time. Presiding Councilman Andersen suggested that they send NSEDC a letter.

CITIZENS REQUESTS AND GRIEVANCES

Chief Burke addressed the Council and reported that three things happened this week that makes him very proud for being their Police Chief. First, a citizen found \$2,880 in an abandoned vehicle and turned it in to the police department and within an hour the owner had come and claimed it. He stated he was extremely pleased with the person that did this. Second, there was a .44 magnum stolen or lost off of a vehicle last week and after it was advertised on KNOM and KICY two young men came in and returned the weapon. He explained that they were able to recover a dangerous weapon and that he is proud of the boys and Officer Ian Koenig who took the time to talk with the boys and give them encouragement. Chief Burke stated that the last thing he wanted to report is that Sergeant William "Bill" Droke is retiring August 12th after 14 years with the Police Department. He stated there will be a retirement celebration for Bill and Bobby Droke, August 15th at 7:00 P.M. at the Bering Sea Saloon. He reported that Bill Droke has lived in Nome the past 35 years and they will be moving away from Nome soon. He asked everyone to stop by and say good-bye to them.

Rick Luthi, Superintendent of Schools, stated that he was asked at the last meeting to provide some information about the schools negotiations timelines and he brought this with him tonight. He stated he also brought some copied of their negotiated agreements.

PLANNING AND ZONING

SPECIAL ORDERS

UNFINISHED BUSINESS

- A. O-08-07-04 An Ordinance Amending Chapter 17.30 of the Nome Code of Ordinances to Increase the Hotel/Motel Room Tax from Four Percent (4%) to Six Percent (6%)
~Second Reading, Public Hearing and Final Passage

Hearing no objection Presiding Councilman Andersen asked the Clerk for the second reading of O-08-07-04.

For the purpose of holding a public hearing the Council recessed at 7:37 P.M. Hearing no public comment the Council reconvened at 7:37 P.M.

A motion was made by C. Larson and seconded by C. Brown to approve O-08-07-04.

Discussion

C. Knodel stated she wanted to make a motion to amend the resolution so there is a set start date for the change in bed tax collection and she suggested January 1st 2009 making a clean start date.

A motion was made C. Knodel and seconded by C. Andersen to amend O-08-07-04 by changing the effective date of the Bed Tax increase to January 1, 2009 provided it is has been approved by a majority of the voters in the October 2008 municipal election.

At the roll call on the amendment:

Ayes: Knodel, Larson, Pomeranz, Andersen, Brown, David
Nays:

The motion CARRIED.

At the roll call on the main motion:

Ayes: David, Knodel, Larson, Pomeranz, Andersen, Brown

Nays:

The motion CARRIED.

- B. O-08-08-01 An Ordinance Authorizing the City of Nome, Alaska to Issue General Obligation School Bonds in the Principal Amount of Not to Exceed \$644,195 to Provide Funds for School and Related Capital Improvements in the City and to Submit the Question of the Issuance of Such Bonds to the Qualified Voters of the City at the October 7, 2008 Regular City Election
~Second Reading, Public Hearing and Final Passage

Hearing no objection Presiding Councilman Andersen asked the Clerk for the second reading of O-08-08-01.

For the purpose of holding a public hearing the Council recessed at 7:39 P.M.

Discussion

Rick Luthi, Superintendent of Schools, stated he was here on behalf of the Nome City School Board to urge the Council to pass this ordinance and allow it to go on to the voters. He stated that of all the options that they have looked at the most sensible and practical option seems to be that they replace the roof on the building. He stated that if they don't then there will be a point in the future when the building will become un-useable and the roof will need more work than probably they could ever do. He explained that the State has granted \$1.5M to help with the roof replacement and that the City's portion of the project would be \$644,195. He feels that the roof replacement would extend the life of the building far into the future. He stated that if the voters do approve the bond then they can go ahead and plan for the use of the building making sure it is something that will meet the needs of our students and education into the future. He stated that they hope to incorporate into this plan some of the ideas that folks have shared with them about the possibility of using part of the building for additional housing or office space. He stated that these are the things they would like to bring forth in a business plan as they begin to talk with the voters about the passage of this. He concluded that on behalf of the School Board they ask for the Council's support in allowing this to move on to the voters.

C. Andersen asked if Mr. Luthi if they wanted to get into competition with housing and office space. Mr. Luthi responded that they want to provide for the educational needs of their teachers and he doesn't really want to be in competition with other businesses but in the short time he has been in Nome he has found out that there is a shortage of housing with more needs than there is housing available.

C. Andersen asked Mr. Luthi what happens to the money if the people vote no. Mr. Luthi stated that the \$1.5M is re-appropriated by the State and Nome would lose it. Mr. Andersen asked if it could go on the ballot next year. Mr. Luthi responded that yes it could and they would have four more years to do that.

C. Andersen asked for an explanation between the difference on the budget on page 27 under Appendix A and on page 38 of the application for funding. Mr. Luthi explained that on page 38 these are the numbers that were originally provided in FY2007 on the CIP application and under Appendix A these are the numbers that were approved by the State and that the school board would be following. C. Andersen asked what the date was on these estimated costs. Mr. Luthi responded that these numbers are the estimates that were prepared when the grant process was submitted last year.

C. Andersen asked if there was a back-up plan if the bid comes in way over the grant funds. Mr. Luthi responded no, not at this point.

C. Andersen stated he would like to request the status of all of the bonding, not necessarily from Mr. Luthi, and he wondered if there is enough left over to pay for this. He continued that he thought the City's Controller; Cussy Kauer mentioned they might be short this year.

Mr. Luthi related to the Council that he has wrestled with the idea that maybe they are moving too fast but he feels that the longer they put this off the less the money will buy and accomplish as the Council is aware. He continued that he realizes it is not something as exciting like a new gym but he pointed out that this project includes two buildings, one of which is the building that houses the school generators and supplies, and if this were not to pass then at some point this could come to greater concern because of all that would be at risk in that building.

C. Brown asked if this bond is subject to State reimbursement. City Manager Hallgren responded that it would not. C. Brown asked if the school district would be taking the role of advocate and advertising in favor of this bond should the Council pass the ordinance. Mr. Luthi responded that at the school boards direction he hopes they would work very hard to educate the community on the need of this. He continued that he would like to do this together with the Council's support so the community knows both sides of this issue.

C. Brown asked if Mr. Luthi knew what it would cost to construct a new facility that would house the administrative offices and generators. Mr. Luthi stated that he does not know the answer to this specific question but he did talk with Mr. Romenesko and asked what if they used the \$644,000 towards new construction. He related that \$644,000 would not go very far at \$300+ sq. ft for new construction. C. Brown added that it would be about a 2,000 sq. ft. building.

C. Knodel asked if all of Building D and all of building E roofs would be replaced. Mr. Luthi responded that this is correct.

C. Andersen asked about the condition of the rest of the dormitory building. Mr. Luthi stated that he has been told that the foundation and the structure of the building are very sound.

The Council reconvened at 7:51 P.M.

A motion was made by C. Pomeranz and seconded by C. Andersen to approve O-08-08-01.

Discussion

C. Knodel feels there are too many unanswered questions right now for things like the use of the building, a plan and if the building is structurally sound.

C. Andersen explained that he talked with lobbyist Wendy Chamberlin and she stated they could go back and have this money re-appropriated into something else like the heating system.

C. Knodel asked if they could approve part of it. C. Andersen stated he did not know but maybe the Council could get together again after they get some answers.

C. Larson stated that under the project agreement on page 24, paragraph 8 states that the project scope may not be expanded beyond the intent language in the authorizing legislation. He stated it would take new legislation to be able to keep these funds in his interpretation. C. Andersen felt it wasn't described that way by Representative Foster's office and Ms. Chamberlin. C. Larson also mentioned there was a priority list by the schools and this was pretty high on the list. C. Larson continued that from the information he has gathered, people think it is a sound building except for the roof and even though the school district doesn't at this point in time have a business plan in terms of what they are actually going to do with it, he stated that he would hate to lose the funds. He stated that he feels the building has significant value and if nothing else perhaps the City could sell the building and use the fund to construct a new administration building and mechanical building if need be or use the funds to construct a facility that would be more adaptive to educational use. He stated

that like Councilman Andersen he doesn't like to see the City involved in competition with private enterprise as far as trying to lease office or living spaces for people, but this project is just going to get more expensive as time goes on and he doesn't feel we should just tear down the building.

C. Pomeranz stated that the Council asked the school board to come up with a plan for an income generating use and they basically have two options which are renting it out as office space or housing.

C. Andersen stated that one of his thoughts, after listening to the special session where they talked about dumping a lot of money into training such as trucking simulators and a use could be to house more NACTEC kids.

C. Pomeranz stated he feels the building has a lot of potential yet and it is structurally sound as far as he knows. He continued that he does know that the roof leaks too and maybe it has caused some damage over the years but he also would hate to lose the money. He reported that to try and replace the mechanical complex the \$1.5M might get the design done for it and he feels that this is a part of the complex that is going to have to stay there unless somebody comes upon a windfall to update the mechanical stuff. He stated that there is a lot of money sitting in there because they just put new boilers in there a few years ago. He disclosed that he would like to see it go to the voters.

C. Larson asked about the projection on the new state office building and commented it would be five years anyway so there would probably be occupancy by AKDOT for at least that length of time.

At the roll call:

Ayes: Larson, Pomeranz, Brown, David

Nays: Andersen, Knodel

The motion CARRIED.

- C. O-08-08-02 An Ordinance Approving an Amendment to NJUS Electric Tariff E-2, Amending Section 6.13 Relating to Interconnection of Consumer Owned Renewable and Fossil Fuel Standby Generation Equipment (Under 100 KW Installed Capacity) and Establishing Schedule E Relating to Purchase and Sale Rates, Terms and Conditions for Qualified Cogeneration and Small Power Production Facilities
~Second Reading, Public Hearing and Final Passage

Hearing no objection Presiding Councilman Andersen asked the Clerk for the second reading of O-08-08-02.

For the purpose of holding a public hearing the Council recessed at 8:00 P.M.

Discussion

Jim Stimpfle stated that the Nome Chamber of Commerce, several years ago, embarked on the idea that Nome could begin the process of installing renewable energy systems to offset the rising cost of diesel. He reported that there were a series of work shops and conferences which lead to the idea that we could start installing wind turbines and solar to make electricity and mitigate the cost of diesel to our home heating systems. He stated that they learned it is not an easy process. He reported that they also learned that net metering or net billing makes a big difference in whether or not your community gets pushed forward where people invest in wind and solar to co-generate a distributed energy to the grid. He remarked that tonight the Council is in a rare position because it is uncommon for a local governing body to set State policy but believe it or not the State of Alaska has no net metering law. He informed that of the fifty states there are about thirty-four states that have net metering laws and six of these states have really good metering laws that encourage consumers to invest in renewable system tied to the grid with one meter, retail power going in and their power going

out at the same rate which requires the utility company to do something with that power such as banking it month after month for the consumer on their account in the effort that the consumer wants to diminish his ongoing cost by buying a renewable energy system that effectively could zero out his utilities bill. He remarked that the downside for the utility could be a lost of revenue from those customers.

Mr. Stimpfle summarized that he would encourage the Council to not pass this net billing law which is two meter with power going in to the customer system at approximately \$.30 and power going out, schedule E rate, at a lesser amount approximately \$.15. He stated it kills any desire for a consumer to spend \$20,000 - \$50,000 on a renewable system and it limits Nome's future in the next ten years to build a very robust system that relies on diesel generation and renewable. He continued that what is needed is a net metering system and before them tonight is a net billing ordinance. He requested that the Council go back and task Utility Manager Handeland to go back and do a net metering solution so the Council can compare "net metering" and "net billing" for the overall community and have a discussion on where we want to go in the next ten years with renewable energy systems. He feels that net metering will get us there faster.

C. Larson asked Mr. Stimpfle if he presented his comments to the Utility Board. Mr. Stimpfle responded that he was not aware they were discussing it and missed this meeting.

Melissa Ford stated that she also is a big fan of alternative energy sources. She stated that as a NJUS customer, one thing that she will do if she is not going to be able to tie into the grid, will be to just shut her system off for most of the time that she is home. She stated that what happened before when she was using her system that way, her utility bill was about \$19.00 a month and there was nothing coming back to the utilities and she wasn't participating in a community solution. She feels that if we could go with a net metering type of system we are going to be affecting less of a selfish personal solution and more of a community oriented solution. She encouraged the Council to take a progressive attitude as so many of our residence and businesses are currently doing.

Jim Adams stated that he is getting hooked up soon with his alternative energy windmill and he is looking at cutting his power bill which is about \$500 a month. He stated he is not planning on moving from here and he encouraged the Council to come up with whatever system is right for Nome and whether that takes more time to study it that is fine too.

Utility Manager Handeland related that the difference between net metering and net billing is whether or not you have one meter or two as Mr. Stimpfle pointed out. He stated that the Utility Board did consider if net metering or net billing should occur and at this point it is the Boards recommendation that it be done on net billing. He continued that the Utility must maintain a plant to provide service to the residence if their windmill breaks down. He stated that the Utility does want to encourage folks to look at alternatives and the utility itself is looking at alternatives with the goal that eventually they will be able to get off of some of the diesel. He stated they encourage folks to look at ways to reduce their own electricity bills but that doesn't change the fact that if their power is not there, they want power to be provided to them and that the utility must still maintain a certain amount of fixed infrastructure to keep it in ready state. He stated that at some point in time there may be some consideration to changing it to another method of billing. He stated that the regulatory commission of Alaska has chosen not to adopt net metering standards for the State as a whole but they do have an open docket where they will be continuing to collect information and potentially will take some action in the future. He stated that he believes it is in the interest of the utility to be able to collect some of that data and this is one of the reasons they want to have multiple meters. Mr. Handeland gave an example that the utility sells the kilowatt for \$.32 and they are willing to buy back for \$.16 the kilowatt that the customer is generating and sending back to the utility and this \$.16 difference pays for maintenance, bond issues, operations and personnel. He stated that at this point the Utility Board recommends that the Council adopts these changes to the tariff which gets them started down the road to renewables, something that can be looked at again in the future, but as it sits presently they do not pay anything for it.

C. David asked if in net metering then the Utility does not get anything in return. Mr. Handeland stated for example if you normally burn 500 kw and you are generating 500 kw you would still pay for the cost of maintaining part of the system. He stated it is like the mandatory subscription to the water and

sewer system where people have to pay for the pleasure of the sewer line running into their house and the line continuing in the other direction whether they use it or not because there is a cost of maintaining that infrastructure in the street. C. David asked if under net metering the customer is storing the kilowatts. Mr. Handeland stated that if they are sending anything back into the system they get a credit on their bill.

C. Larson asked what the argument was from the people providing more electricity than they use and why they think they shouldn't have to pay to maintain the fixed costs of the utility. Mr. Handeland responded that they are investing a hefty capital layout to put this infrastructure into place so they are looking to have net metering so it is paying for their infrastructure.

There was continued discussion by Mr. Stimpfle and Mr. Handeland about this being a state wide issue, setting fixed maintenance cost and community involvement and growth with alternative energy sources.

City Manager Hallgren stated that his experience with this comes from Delta Junction. He mentioned that there are two major expenses for an electric company; costs of generating and the cost of the distribution system. He reported that a single meter often only gets back the actual out of pocket generation costs and with a single meter it is extremely difficult to get back your distribution system costs such as the pole, lines and lineman. He stated that he doesn't know whether this plan meets the correct financial difference between single meter and double meter but as Mr. Handeland stated this is something that can be revisited if it turns out to be a disincentive.

The Council reconvened at 8:27 P.M.

A motion was made by C. Larson and seconded by C. Knodel to approve O-08-08-02.

At the roll call:

Ayes: Pomeranz, Andersen, David, Knodel, Larson

Nays:

Abstain: Brown

The motion CARRIED.

C. Brown filed a conflict of interest on August 1st at the first reading of this ordinance stating that his employer has the solar panels as well as other projects like this around town though he's not saying whether it will be a positive or negative impact.

NEW BUSINESS

- A. R-08-08-02 A Resolution Requesting FY09 Payment in Lieu of Taxes Funding from the Department of Commerce, Community and Economic Development

A motion was made by C. Pomeranz and seconded by C. Knodel to approve R-08-08-02.

At the roll call:

Ayes: Andersen, Brown, David, Knodel, Larson, Pomeranz

Nays:

Abstain:

The motion CARRIED.

CITY ATTORNEY REPORT

UTILITY MANAGER REPORT

Utility Manager John Handeland stated he did not have anything else to report but would answer questions.

CITY MANAGER REPORT

City Manager Hallgren stated he provided a written report and he mentioned the following:

- The landfill annual inspection dropped 10 percentage points from last year. He has the report if anyone wants to look at it. A majority of the downgrading has to do with records, not financial records, but the monitoring of the methane. Some of the records were not found on site at the time of the inspection. Also, we were down graded because some of these same records were not easily found last year. As far as actual operation of the landfill there were some deficiencies there but were not considered major. The deficiencies were the lack of number of records, such as the asbestos records, that don't show exactly the amount of asbestos that has been put in the asbestos cell. These are serious things but they are remediable.

C. Andersen suggested they require, on a monthly basic, that they bring these records in. City Manager Hallgren stated that he spoke to the City Engineer on this and part of it is just communication. He does not put all of the onus on the landfill operator because some of these records are things that we probably should have gotten together and made sure were immediately available for the inspection and that the City Engineer was there at the time. C. Andersen asked if we were going to remedy that for the future. City Manager Hallgren stated that they need to be remedied and many of them have already.

C. Knodel stated that she would like to see a report when the deficiencies are all corrected and she stated she understood that the city's engineering firm was suppose to be working with the operator on the landfill and she requested that the engineer review the records once a quarter to make sure everything is in correct order.

- There's a project update from Randy Romenesko, dated August 2nd in the packet.
- Looks like we have agreement on wording from the attorney and NOAA and if the bond bank signs off on it they should start making the first payment sometime this fall.
- Working on the visitor's center agreement.
- Working on the public works/port director position.
- It is negotiating time again so notice has been given to APEA and we are ready to go on that.
- Sergeant Droke retires this year so he has given permission for the Police Chief to advertise for two police officer positions.
- Two preliminary draft ordinances are included; Moonlight Wells Permit Fees and reduced sales tax on bulk marine fuel sales. These are drafts from the attorney and he is not sure if this is along the lines of what they are considering so he would be interested in additional input and information.
- He will be in Fairbanks next Monday – Wednesday. He recommended Councilman Andersen as acting City Manager during this time.

C. Knodel asked where they were with the recruiting of a City Manager. City Manager Hallgren stated they have updated the job description with the municipal league and haven't received any bites on that

one. He has a person in mind that is currently in the state and he is going to contact him. He stated that at this point he has no application. C. Andersen asked if he gets the impression that the wage is too low. City Manager Hallgren stated he feels at this point it is not.

C. Knodel requested a work session on the two draft ordinances that were presented. She also would like to know where we are at with the last abatement procedure and a new abatement list. City Manager Hallgren stated he talked with Mr. Hahn and requested him to follow the formal procedures and move forward on all of them.

C. Brown stated that in Randy Romenesko's memo he mentioned that he would be meeting with FEMA on August 9th and he asked if they had an update. City Manager Hallgren stated that the meeting would take place tomorrow.

COUNCILMEN COMMENTS

Councilman Brown had no comments.

Councilman David had no comments.

Councilman Knodel requested that the Council send a letter to Sergeant Droke for all his years of service. She stated that the Council received a letter from Dr. Leedy and she would like to ask that the City Manager look into this and report back to them, regarding the Nova Gold Drive.

Councilman Larson had no comments.

Councilman Pomeranz had no comments.

Councilman Andersen asked the Council for a date for the work session. It was set for August 14th at noon. C. Knodel stated that regarding the work session she would like to know if Nome had any ships in this year that received any large amounts of fuel.

MAYOR'S COMMENTS AND REPORT

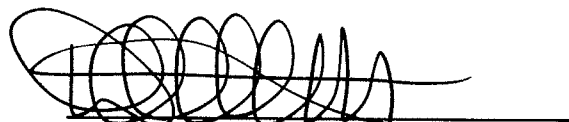
Mayor Michels was out of town.

ADJOURNMENT

A motion was made by C. Knodel and seconded by C. Andersen that the meeting be adjourned.

Hearing no objections the Nome City Council adjourned at 8:44 PM.

SIGNED AND DATED the 25th day of August 2008.



DENISE MICHELS, Mayor

ATTEST:



SANDY STURGIS-BABCOCK, City Clerk/Treasurer