

**Committee of the Whole – 6:30 P.M.
Regular City Council Meeting – 7:00 P.M.**

A regular meeting of the North Pole City Council was held on Tuesday, September 4, 2012 in the Council Chambers of City Hall, 125 Snowman Lane, North Pole, Alaska.

CALL TO ORDER/ROLL CALL

Mayor Isaacson called the regular City Council meeting of Tuesday, September 4, 2012 to order at 7:00 p.m.

There were present:

**Mr. Holm
Ms. Hunter
Mr. Jones
Mr. McGhee
Mr. Nelson
Mr. Ward
Mayor Isaacson**

Absent/Excused

PLEDGE OF ALLEGIANCE TO THE U.S. FLAG

Led by Mayor Isaacson

INVOCATION

Invocation was given by Thomas McGhee

APPROVAL OF AGENDA

Mr. McGhee moved to Approve the Agenda of September 4, 2012

Seconded by Mr. Jones

Discussion

None

Mr. McGhee moved to consent the following items on the agenda under New Business:

- a. Approval of North Pole City Council for 10 Year Lease Extension with Santa's Senior Center Association, Inc.
- b. Approval of Grant Amendment #1 for Community Development Block Grant for Santa's Senior Kitchen Modification Project
- c. Approval of Contractor to Construct Kitchen Modifications at the Santa's Senior Center as Part of the Community Development Block Grant Funded Kitchen Modification Project
- d. Authorization of the North Pole City Council to Donate to North Pole High School, a 2010 Business Partner, Damaged Lengths of Chain Link Fence Salvaged from along

NPHS Blvd

- e. Authorization of the North Pole City Council to Approve Change Order #2 for the Lift Station Rehabilitation Project, Phase 2, to Upgrade Phase 1, Electronic Control Panels to Phase 2 Standards

Seconded by Mr. Jones

Discussion

None

On the amendment

PASSED

YES –7- Ward, Holm, Hunter, Jones, Nelson, McGhee, Isaacson

NO – 0

Absent- 0

On the main motion as amended

PASSED

YES –7- Ward, Holm, Hunter, Jones, Nelson, McGhee, Isaacson

NO – 0

Absent- 0

APPROVAL OF MINUTES

Mr. Jones moved to Approve the minutes of August 20, 2012

Seconded by Mr. Ward

Discussion

None

PASSED

YES –7- Ward, Holm, Hunter, Jones, Nelson, McGhee, Isaacson

NO – 0

Absent- 0

COMMUNICATIONS FROM THE MAYOR

GENERAL:

- Spoke with EPA and BLM regarding the fire across the Tanana River and asked for an air quality waiver. He asked why they weren't putting the fire out and the reply was that all their assets were deployed to lower 48 and it was a limited engagement area.

- The EAFB EA team, SAIC, met with the 3 mayors and discussed an environmental analysis for moving the F16's to Elmendorf.
- Mayor Isaacson gave kudo's to Lydian Nelson for all her hard work on the Mayor's Picnic, September 3rd. He also thanked all of those that came out and worked that day with the picnic.

COUNCIL MEMBER QUESTIONS OF THE MAYOR

None

COMMUNICATIONS FROM DEPARTMENT HEADS, BOROUGH REPRESENTATIVE AND THE CITY CLERK

Police Department, Chief Dutra

- None

Fire Department, Buddy Lane

- None

Accountant, Lisa Vaughn

- Submitted to council the summary of citations from 2009 through 2012 with the percentage of received amounts by PFD's that have been garnished. She said that last week was the deadline for 2012 for garnishments.

FNSB Representative:

- Ms. Hunter stated that no business that affected the City of North Pole was discussed.

Director of City Services, Bill Butler

Building Department

- No new building permits issued since August 16 Council meeting

Public Works

- Economic Stimulus energy efficiency project completed
 - City Hall heating control system
 - Installed weather stripping in City Hall, Police Department and Fire Station
 - Installed new thermostats in Public Works and Fire Annex
 - Cleaned Public Works and Fire Department boilers
 - Installed new hot water heater in Police Department

- Community Development Block Grant for Santa's Senior Center Kitchen Upgrade Project
 - Received a single bid for the project higher than estimated construction cost
 - Department of Commerce, Community Affairs and Economic Development approved a grant increase for \$29,752 to finance construction based upon construction bid

Utility Department

- Utility Garage Project
 - Contractor did not achieve substantial completion as of August 31 and is in period of accruing liquidated damages
- Flint Hills Resources is proceeding with construction of industrial sewer force main
 - Project completion estimated to be early October 2012
- Received a call from a Flint Hills attorney that I can expect to be deposed as part of a possible lawsuit between Williams Petroleum and Flint Hills related to sulfolane contamination
- Submitted a grant application to use a prior award to start rehabilitation work on the waste water treatment plant in 2013
 - Appealing a pre-grant application score for additional funding for waste water treatment plant for work to occur in 2014

City Clerk

- The Municipal Election for the City of North Pole will be held October 2, 2012. Attached is a sample ballot for that election.
- The minutes of the last meeting are very short. There was a nasty virus on the computer and our IT person was able to come out on Friday and fix it. If you have any questions or concerns I can give you a CD of the meeting to review.
- Absentee ballots should be here around September 14th.
- Bids are due on the City Surplus Sale on Wednesday, September 12th.

- Reminder:

Registration forms for the 2012 Annual Local Government Conference which will be held in Anchorage November 12-16, 2012 are here. Registration forms must be returned by October 12 to receive the best rates. After October 12th a \$50 late fee will be added per person. Please let me know if you are interested in attending and for those newly elected officials I will tentatively register them. I have also left an application form for the 17th annual "Awards of Excellence" on the dais. There are several categories of awards; People awards to recognize local government officials who have demonstrated a commitment to excellence in local government both within their own communities and on a statewide level; and Community Awards to showcase your area and let others know how you have solved a problem or improved local government. If you have any questions regarding the upcoming conference, please call me at 488-8583 or come in to City Hall.

ONGOING PROJECTS

- None

CITIZENS COMMENTS – 5 Minutes

- None

OLD BUSINESS

ORDINANCE 12-18, AN ORDINANCE APPROVING THE TRANSFER OF NATURAL GAS UTILITY POWER TO THE FAIRBANKS NORTH STAR BOROUGH

Mayor Isaacson stated that the City of North Pole Ordinance is drafted after the FNSB Ordinance. Ms. Winters spoke on the lack of affordable energy in Fairbanks and that this ordinance is an attempt to be a part of the solution to that. She has heard others comment that this is a bureaucracy and that this entity will provide a service for a fee. There has also been concerns with competing with the private sector and the response to that is that it is a 3 legged stool and GVEA is looking out for rate their payers, FHR is looking to have a cheaper product and FNG to get gas to their customers. She stated that there is a whole lot of other area of the borough that isn't represented in this. It is their hope that this entity can do that. She spoke on the public need and the financial advantages of a public utility verses as private ownership.

Public Ownership:

1. No shareholders
2. No profit return
3. No state corporate income tax
4. No federal income tax
5. No property tax
6. Lower borrowing costs
7. Local control

Private Ownership

1. Shareholder dividends
2. Return on equity
3. Pay state corporate tax
4. Pay federal income tax
5. Pay property tax
6. Higher borrowing costs
7. Outside or foreign ownership

Ms. Winters said those are some of the financial advantages between public and private ownership. She said that it was important to note that if this entity is formed it needs to go through a certification process with the RCA. That entity would have a choice to file outside of the FNG area in which case the benefits that accrue to a municipal utility would stay with that. If it overlaps with FNG then the RCA would step in a decide if it would be reasonable competition or whether it benefits the rate payers. She spoke on the changes made in the Ordinance on line

131 and on the Open Meetings Act line 84 – 86.

Public Comment

Don Callahan, 606 Bennington, Fairbanks, AK 7:40 p.m.

Mr. Callahan said that his group (The Lowell Group) has been working diligently to bring affordable energy to the Interior. He said the cheapest way to get LNG here is trucking it from the North Slope. They each of the council members a copy of their draft of the North Slope LNG Facility. He spoke against the City of North Pole Ordinance and FNSB Ordinance.

Ron Therriault, PO Box 70604, Fairbanks, AK 7:42 p.m.

Mr. Therriault said that his business is probably the biggest user of energy in the City of North Pole, going through approximately 80,000 gallons of fuel a year. He is also a member of the Lowell Group. Mr. Therriault said that GVEA is the largest entity with service and service area. He didn't see how the borough could offer something better that GVEA could. He felt that GVEA would be a better entity to do this project and spoke against the City of North Pole and FNSB Ordinances.

Dick Brickley, 1480 Huskey Way, 99709 7:53 p.m.

Mr. Brickley said that Mr. Callahan was exactly right. He went through the booklet on the Interior Alaska's Plan for North Slope LNG Facility. Mr. Brickley spoke in favor of LNG and against the Ordinance.

Hank Bartos, 3514 Lumina Lane, North Pole, AK 8:09 p.m.

Mr. Bartos said they started the Lowell Group in 2003. They were instrumental in putting together the Port Authority and FNG for the first original trucking program and if it had gone through we would have has gas trucked into Fairbanks last year. He said that the legislature has told them that there are too many ideas' out there and no one has a concise complete plan to make it happen. GVEA was asked to buy FNG and they said they had too much of a debt load to be able to do that. He encouraged everyone to take a look at the plan from the Lowell Group and make their own decision.

Vivian Stiver, 523 2nd Ave, Fairbanks, AK 8:20 p.m.

Ms. Stiver said she has been trying to figure out what the benefit is to the City of Fairbanks. She is hearing about getting funding through AIDA. She is confused about the whole idea of the FNSB starting a utility. FNG said they hadn't heard from FNSB. She is still confused on why the FNSB needs it and would like to see it go to a ballot and is concerned about when people are wanting to hurry things up to get it in the governor's budget.

Paul Brown, 1807 Christine Drive, North Pole, AK 8:29 p.m.

Mr. Brown said a major concern of his is that this entity would be competing with the private sector. He said that it is a government entity being created that will essentially knee cap a private entity in FNG. FNG is seeking funding for storage and other projects that they are working and this could be a possible potential that could cripple FNG. It has a big potential to kill a private company. He agreed with Mr. Therriault that GVEA has a greater coverage of area than the FNSB would have. He spoke in favor of the Lowell Group and against the Ordinance.

Chris Storhok 1925 Koonz Drive 8:34 p.m.

He spoke in favor of Ordinance 12-18 and said he was tired of all the talking and nothing happening. He said that he we can not make this mistake again and that we need to get affordable energy to the Interior. He encouraged the council to approve the Ordinance and let the FNSB move ahead. He stated that we pay the highest prices in the nation for our energy and by transferring power to the FNSB it can be done in an open process. We have been failed by elected officials and plan after plan to move this forward that is open to the public.

Dan Britton, FNG 8:41 p.m. 1006 Chena Pump Rd

Mr. Britton stated that he has been in the gas business for 23 years and bringing gas to communities that haven't been served by pipelines. They have been bringing natural gas to Fairbanks through the Point MacKinzie for 14 years. Today they are 23% cheaper than fuel oil. They have put private dollars at risk. Mr. Britton said he is 100% behind idea of bringing a broader supply of natural gas to the most people in Fairbanks and is 100% against the formation of a borough utility. He felt it is not necessary and is an added bureaucracy. He wondered how o you have a 7 member board, 4 elected and 3 appointed that does not become a bureaucracy. How are you going to protect North Pole you have a 1 member voice? FHR has said it is to save them money and they are a private business. Mr. Britton said that the City of North Pole, City of Fairbanks, and FNSB should be concentrating on funding for a plant on the North Slope and continued to outline their plan. He spoke against the Ordinance.

Luke Hopkins, FNSB Mayor 3360 Murphy Dome Rd, 9:19 p.m.

Mr. Hopkins gave an overview of a municipal utility. Its to have a service and areawide service, to be able to be a conduit for lower cost funding, able to get tax exempt financing, or US loans like GVEA. They are able to get federal funding, tax exempt private funding through the financial markets and is somewhat in the same vein as the Port Authority. He stated that the FNSB can't provide it in a areawide basis to all residents with having the authority to have a service. He said that when the 3 mayors met with Gene Therriault, he was given the ordinance and in the month of September he would need to report to the governor the status on the possibility of Natural Gas and an energy solution for this community. Mayor Hopkins said that Mr. Therriault believed that this ordinance is what the governor will want to see. The ordinance is asking for transferring power for lower cost energy when gas arrives in this town.

Merrick Pierce, 720 Whitney, Fairbanks, AK 99710 9:34 p.m.

Mr. Pierce stated that he serves on the board of the Alaska Gasline Port Authority. He said that this community works very well when united. He felt this ordinance gave leverage to the lowest cost of energy for businesses and individuals. The goal is to get gas to your home and business at the lowest cost. AGPA has been in talks with the Asian markets and they are hoping to have a large diameter pipeline. He explained the process of the open season. He has spoken with GVEA and he doesn't see the interest from them and they are not leading the fight. FNG went to AEDA and AEDA turned them down. He spoke in favor of Ordinance 12-18.

Mayor Isaacson suspended the rules for 5 minutes at 9:49 p.m.

Mayor Isaacson called the meeting back to order at 9:57 a.m.

Mr. McGhee moved to suspend the rules to extend the meeting until 11:00 p.m.

Seconded by Mr. Jones

PASSED

YES: 7 – Ward, Holms, Jones, Hunter, Nelson, McGhee, Isaacson

NO: 0

Absent:-0

Rep. Tammie Wilson, District 11 9:57 p.m.

Rep. Wilson said there had been some interesting testimony. The Interior Delegation tried to get GVEA, FHR, and FNG to come together with a plan and a plant. Discussion started with AIDA and they would be a 3rd party. She said unfortunately they ran out of time in the session but the 3.75 million dollars for GVEA to continue with their design engineering did right after they hear that FHR was going to shut down another tower and the legislature felt they needed to move along the trucking for LNG. When she learned that the governor wanted the entity put together she became concerned and called his office. She was under the impression that he wanted the 3 entities (FHR, GVEA, and FNG) together. She wanted to know why there is such a rush right now. She told the council to slow down and figure out what's best for the city. This is not a simple decision. Rep. Wilson said she will call Mr. Therriault find out if he's backing this decision. She had concerns about the board composition and that the Governor is aware of the energy crisis in the Interior. She felt there was too much information out there and that the City needed to take more time to look into it.

Senator Joe Thomas, 879 Vio Way, Fairbanks, Ak

Senaotor Thomas stated that the council was not wasting time here tonight and a lot of people around town who have very little knowledge of what has been going on here over the last several years and a lot of confusion over pipeline projects and when they would be built and how long they're going to take just since ANGA was created. HB 369 said a 5 year pipeline. He said the urgency is here and energy is the big issue. We have been talking in Juneau about it for 3-4 yrs. They need to partner with someone and there will not be a problem getting funding from the government. GVEA and FNG have worked together for at least 3 years and there was some difficulty with the exactness of the plant and ability to disperse some of that with AIDA. GVEA has a problem with AEDA over the Healy clean coal tool project. AEA would be fine but they are not the one to do it because they do not have all the scope that AEDA has. An entity such as FNSB could get best financing. FNG has the most experience with gas. He didn't want to see the council throw out anything and felt the Lowell Group had a good plan.

Jomo Stewart, 1129 23rd Ave, Fairbanks, AK 10:37 p.m.

Mr. Stewart stated that he is the energy project manager for FEDC. He has been able to watch this issue over a long period of time. He said that watching the Lowell Group, FNSB, GVEA, FNG, and the GFCC, he has seen a lot of red faces and heated talk but is encouraged. He has watch them come to some fundamental agreement and fundamental points, thatd gas trucking is the way to go. He said the fastest way to get volume gas to our community to act as a bridge so we can begin to develop our gas infrastructure so when larger pipelines come through we can use the gas. He said that they have an agreement for State participation is the way to go and a beneficial thing that would assure volume and stabilize the economy. Mr. Stewart said he had a number of presentations regarding our economy and this issue. Mr. Stewart gave staticstics on the shift of our economy between 2006 and 2009. He spoke in favor of Ordinance 12-18.

Mr. McGhee moved to Adopt Ordinance 12-18, An Ordinance Approving The Transfer Of Natural Gas Utility Power To The Fairbanks North Star Borough

Seconded by Mr. Jones

Discussion

None

Mr. Jones moved to Postpone Ordinance 12-18, An Ordinance Approving The Transfer Of Natural Gas Utility Power To The Fairbanks North Star Borough to the Meeting of October 1, 2012

Seconded by Mr. Nelson

Discussion

Mr. Jones said he would like to have a work session and have these entities come to the Finance Committee meeting on September 10th and have a more concerted effort to come up with a right decision.

Mr. Holm said that he agrees with the work session and wouldn't just say that it should be decided by the 1st meeting in October.

Mr. Ward agreed that it was a good idea to postpone until October 1st and thinks it's important to dig into this and see if there is another alternative. The question is not do we have an energy issue but is this the best way to go about it. He said that they need to do their job as elected officials for the public, to do the research and take the time to make educated decisions because the ramifications of what we do today has lasting effects.

Ms. Hunter is opposed to postponing it and had a sense that a lot of the information, the process belongs with the new utility and nothing she heard that doesn't preclude using the Lowell plan and including FNG and using them as a partner in the process. She said it was a tremendous amount of information and process of investigation belongs with the new utility because they will have all the information on an economic basis to say yes, this is good to parcel this out to FNG, because they can do it much more economically as a private entity. She felt that it was important to focus on the fact that this Resolution says that we are giving up our utility powers to have a gas utility. We are not going to set up a gas utility. The proposal being offered is going to have enough people and borough people represent us as well. She said focusing on that and giving tasks is important. The other players are not interested in a FNSB utility.

Mr. McGhee agreed with Ms. Hunter and doesn't see a reason to postpone. He said the council is here to decide whether we want to be a utility. He does believe that the FNSB has more vested interested in North Pole than Fairbanks and we are not in their tax base. He feels there is less of a bias with bringing gas from the FNSB. He thinks the State will stand up and support the borough rather than the 3 entities that have been fighting for years. He spoke in support of the ordinance.

Mr. Nelson said there have been good arguments. He supported postponing the ordinance and agreed that council needed to get more educated on the subject and that it was a good idea to have a workshop on this issue.

Mr. Jones agreed with Ms. Hunter and Mr. McGhee that the FNSB is an excellent proposal. He feels the council is rushing into this. He said that North Pole is never going to build a gas utility here but is asking the council not to jump or leap into anything.

Mayor Isaacson said he fundamentally agrees with Ms. Hunter and Mr. McGhee and sees the City of North Pole's role as supplying the citizens needs. However, because he has learned something in the 6 years of being Mayor, that in this community you move quickly by going slow. He said the need for more information is apparent and have a draft from the City of Fairbanks and a draft from the FNSB and new information from the Lowell Group. He didn't want the council in a position where they made a decision that might preclude others. He felt the governor is pushing this and he has had conversation with the governor along with Mayor Hopkins and closed door conversation with him and with highly place people in his administration. The governor is not going to come to the aid until it's exactly how he wants it to be and that will delay us from getting energy relief here. Mayor Isaacson does want the council to move quickly as a positive relief, as cost effective as possible and that he will help to bring the players to the workshop.

On postponing the Ordinance until October 1, 2012

PASSED

YES –5- Ward, , Nelson, Holm, Jones, Isaacson

NO – 2 – McGhee, Hunter

Absent – 0

NEW BUSINESS

All items approved by consent agenda

- a. Approval of North Pole City Council for 10 Year Lease Extension with Santa's Senior Center Association, Inc.
- b. Approval of Grant Amendment #1 for Community Development Block Grant for Santa's Senior Kitchen Modification Project
- c. Approval of Contractor to Construct Kitchen Modifications at the Santa's Senior Center as Part of the Community Development Block Grant Funded Kitchen Modification Project
- d. Authorization of the North Pole City Council to Donate to North Pole High School, a 2010 Business Partner, Damaged Lengths of Chain Link Fence Salvaged from along NPHS Blvd

- e. Authorization of the North Pole City Council to Approve Change Order #2 for the Lift Station Rehabilitation Project, Phase 2, to Upgrade Phase 1, Electronic Control Panels to Phase 2 Standards

PASSED

YES –7- Ward, , Nelson, McGhee, Holm, Hunter, Jones, Isaacson

NO – 0 -

Absent – 0

COUNCIL COMMENTS

None

ADJOURNMENT

Mr. McGhee adjourned the meeting at 11:00 p.m.

Seconded by Mr. Jones

The regular meeting of September 4, 2012 adjourned at 11:00 p.m.

These minutes passed and approved by a duly constituted quorum of the North Pole City Council on Monday, September 17, 2012.

Douglas W. Isaacson, Mayor

ATTEST:

Kathryn M. Weber, MMC
North Pole City Clerk