



City of Valdez

212 Chenega Ave.
Valdez, AK 99686

Meeting Agenda

City Council

Tuesday, September 18, 2018

7:00 PM

Council Chambers

Regular Meeting

REGULAR AGENDA - 7:00 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

IV. PUBLIC BUSINESS FROM THE FLOOR

V. CONSENT AGENDA

1. [Acceptance of Resignation by Member of Valdez Museum & Historical Archive Board of Directors](#)

Attachments: [Georgieann Resignation VHMA - 2018](#)

2. [Approval of License Renewal: #11234 DKW Farms, Standard Marijuana Cultivation Facility](#)

Attachments: [LG Renewal Notice - Standard Marijuana Cultivation Facility - DKW Farms LLC](#)
[11234 Online Renewal Application Redacted](#)
[Chief Hinkle Report DKW Farms](#)
[11234-DKW Farms LLC NOV AB18-0509](#)
[11234 POPPP](#)

3. [Approval To Go Into Executive Session Regarding Pending Litigation](#)

VI. NEW BUSINESS

1. [Approval to Purchase 2018 Riprap Supply from Harris Sand and Gravel, Inc. in the Amount of \\$224,000](#)

Attachments: [Harris Sand and Gravel Inc - Bid Documents](#)
[RFQ - 2018 Riprap Supply - Bid Summary](#)

2. [Approval of the 2017 Financial Audit](#)

Sponsors: City Council

Attachments: [City of Valdez Wrap Up 17](#)
[City of Valdez Final 17](#)
[City of Valdez Single Audit 17](#)

3. [Approval to Purchase Stencil Logging Recorder System \(911\) Upgrade from Wes Tek Marketing in the Amount of \\$125,266.50](#)

Attachments: [ValdezPDUpgrade MotoIntegration 8-2-18](#)
[Stencil Recorder Description](#)

4. [Appointment of Members to Comprehensive Plan Advisory Committee](#)

Attachments: [Comprehensive Plan Advisory Committee](#)
[Mike Wells CPAC Application](#)
[D Schantz letter of interest CPAC](#)
[Alfaro CPAC Application](#)
[CPAC Letter of Interest Dahlia Oneil](#)
[Engles Letter of Interest for CPAC](#)
[Jesse Passin Lettter of Interest CPAC](#)
[James Dunn Letter of Interest CPAC](#)
[Jeremy Robida CPAC Letter](#)
[Morrison CPAC Letter Valdez City](#)
[Jessica McCay CPAC Letter of Interest](#)
[Mary Jo Evans Letter of Interest CPAC](#)
[Kathy Nielson Letter of Interest CPAC](#)

5. [Discussion Item: West Klutina Project Update](#)

VII. RESOLUTIONS

1. [#18-29 - Assignment of Leasehold Interest from the Estate of Betty J. Wells to Crowley Fuels, LLC for an 8,400 Square Foot Portion of USS 495 Tidelands](#)

Attachments: [#18-29 - Assignment of Leasehold Interest Betty J. Wells to Crowley Fuels LLC](#)
[Assignment and Assumption of Lease Agreement - City of Valdez \(Wells\)](#)
[City of Valdez - Original Max and Betty Wells - Tidelands Lease 12.11.01](#)
[City of Valdez Application for Lease - Exhibit A](#)
[City of Valdez Application for Lease - Exhibit B.1 and B.2](#)
[City of Valdez Application for Lease of City Owned Land 08.16.18 signed](#)
[SOA Business License - Crowley Fuels LLC 10.01.17 to 12.31.18](#)
[SOA DOTPF Statewide Aviation Leasing Delegation of Authority 4.9.18](#)
[Valdez South Dock Drawing 1 - Exhibit C.1](#)
[Valdez South Dock Drawing 2 - Exhibit C.2](#)

2. [#18-30 - Authorizing Lease Amendment No. 2 for a Lease with Crowley Fuels, LLC for an 8,400 Square Foot Portion of USS 495 Tidelands](#)

Attachments: [#18-30 - Authorizing Lease Amendment #1 Crowley Fuels, LLC](#)
[Crowley Fuels Lease Amendment No. 2](#)
[City of Valdez - Original Max and Betty Wells - Tidelands Lease 12.11.01](#)
[Letter of Request for Lease extension \(Wells\)](#)

VIII. REPORTS

1. [Commercial Marijuana Inspection Report - DKW Farms LLC](#)

Attachments: [DKW Farms LLC Marijuana Cultivation Inspection 9.11.18](#)
[11234-DKW Farms LLC NOV AB18-0509](#)

2. [August 2018 New Boat Harbor Report](#)

Attachments: [August 2018 New Boat Harbor Report](#)

3. [Professional Services Agreement Report: DOWL, LLC for Lowe River Gravel Extraction - Permitting, in the Amount of \\$49,995](#)

Attachments: [Executed - Lowe River Gravel Extraction - Permitting PSA](#)

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

1. City Manager Report
2. City Clerk Report
3. City Attorney Report

4. City Mayor Report

X. COUNCIL BUSINESS FROM THE FLOOR

XI. EXECUTIVE SESSION

XII. RETURN FROM EXECUTIVE SESSION

XIII. ADJOURNMENT

XIV. APPENDIX

1. [Council Calendars - September & October 2018](#)

Sponsors: City Council and Ferko

Attachments: [Council Calendar - September 2018](#)
[Council Calendar - October 2018](#)



Legislation Text

File #: 18-0306, **Version:** 1

ITEM TITLE:

Acceptance of Resignation by Member of Valdez Museum & Historical Archive Board of Directors

SUBMITTED BY: Allie Ferko, CMC, Deputy City Clerk

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Accept resignation

SUMMARY STATEMENT:

Ms. Georgie Ann Christoffersen tendered her resignation from the VHMA board of directors in writing on September 4, 2018. This resignation letter was then forwarded to the City Clerk's Office for processing and is now being provided to City Council for formal acceptance.

The City Clerk's Office also began advertising the vacancy on September 14th. Since the appointee will be filling a vacancy, they will serve a one-year, three-month term, expiring in January 2020.

Citizens interested in serving on the VMHA board of directors may submit applications online through the City boards & commissions portal: www.ci.valdez.ak.us/boardsandcommissions <<http://www.ci.valdez.ak.us/boardsandcommissions>>. Paper applications are also available at City Hall. Deadline to apply is October 10th @ 5:00 p.m.

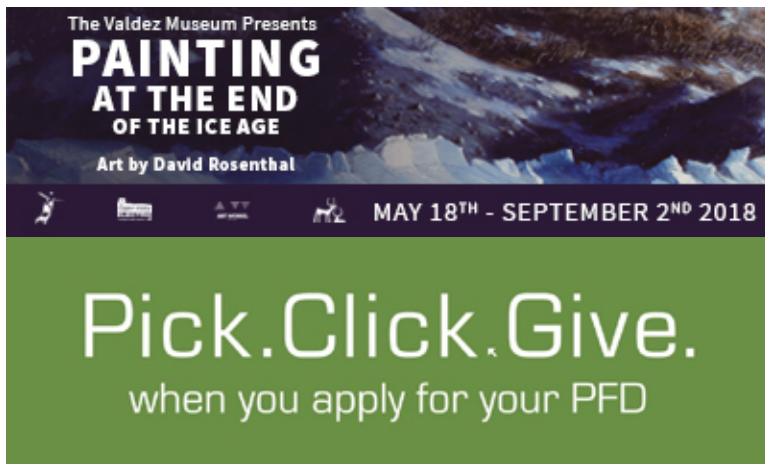
Allie Ferko

From: Patricia Relay <prelay@valdezmuseum.org>
Sent: Tuesday, September 4, 2018 3:40 PM
To: Allie Ferko; Sheri Pierce
Subject: [External Attachment *Caution*]-FW: Georgie Ann--Resignation

[EXTERNAL EMAIL - CAUTION: Do not open unexpected attachments or links.]
FYI.

Sincerely yours,

Patricia Relay
Executive Director
Valdez Museum & Historical Archive
217 Egan Drive - PO Box 8
Valdez, Alaska 99686
Phone: 907-835-2764 Fax: 907-835-5800
www.valdezmuseum.org



Shop at <http://smile.amazon.com/ch/92-0159463> and Amazon donates to Valdez Museum & Historical Archive.
#YouShopAmazonDonates

From: georgieann_burke@yahoo.com [mailto:georgieann_burke@yahoo.com]
Sent: Tuesday, September 04, 2018 3:30 PM
To: Patricia Relay <prelay@valdezmuseum.org>
Subject: Georgie Ann--Resignation

Hi Patty,

This email is to inform you of my official resignation from the Valdez Museum board.

This past month I had a health scare and was admitted for over a week. I am currently in Florida with my family where I have all my appointments scheduled to complete treatment. Sadly, I am not sure when I will be back in Valdez.

At this time I cannot effectively serve on the board. I really appreciated learning so many fun facts about the Museum and meeting some great people. I will continue to support the museum any way I can and wish you all the best.

Sincerely Yours,

Georgie Ann Christoffersen



Legislation Text

File #: 18-0307, **Version:** 1

ITEM TITLE:

Approval of License Renewal: #11234 DKW Farms, Standard Marijuana Cultivation Facility

SUBMITTED BY: Sheri Pierce, MMC, City Clerk

FISCAL NOTES:

Expenditure Required: [Click here to enter text.](#)

Unencumbered Balance: [Click here to enter text.](#)

Funding Source: [Click here to enter text.](#)

RECOMMENDATION:

Administration expresses no objection to renewal of license for DKW Farms, LLC. Please refer to inspection report provided by Chief Hinkle.

SUMMARY STATEMENT:

AMCO is required to notify the governing body of the intent by AMCO to renew existing licenses for establishments which reside within the city limits.

To protest the approval of an application pursuant to 3 AAC 306.060, the governing body must furnish the director and the applicant with a clear and concise written statement of reasons for the protest within 60 days of the date of this notice, and provide AMCO proof of service of the protest upon the applicant.

3 AAC 306.060 states that the board will uphold a local government protest and deny an application for a marijuana establishment license unless the board finds that a protest by a local government is arbitrary, capricious, and unreasonable.

Chief Hinkle has conducted an inspection of the premises and provided the city council with a report of his findings. Following inspection, Chief Hinkle expressed no objection to the renewal of license for DKW Farms, LLC.

At the May 15, 2017, Marijuana Control Board meeting, the board delegated to the Director the authority to approve renewal applications with no protests, objections, or notices of violation. However, if a timely protest or objection is filed for this application, or if any notices of violation have been issued for this license, the board will consider the application. In those situations, a temporary license may be issued pending board consideration.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

ALCOHOL & MARIJUANA CONTROL OFFICE
550 West 7th Avenue, Suite 1600
Anchorage, AK 99501
Main: 907.269.0350

July 30, 2018

City of Valdez

Attn: Sheri Pierce, City Clerk

VIA Email: spierce@ci.valdez.ak.us

License Number:	11234
License Type:	Standard Marijuana Cultivation Facility
Licensee:	DKW Farms LLC
Doing Business As:	DKW FARMS LLC
Physical Address:	4269 Richardson Hwy Valdez, AK 99686
Designated Licensee:	Dwain Dunning
Phone Number:	907-255-1463
Email Address:	cd_dunning@cvinternet.net

AMCO has received a complete renewal application for the above listed license (see attached application documents) within your jurisdiction. This is the notice required under 3 AAC 306.035(c)(2).

To protest the approval of this application pursuant to 3 AAC 306.060, you must furnish the director **and** the applicant with a clear and concise written statement of reasons for the protest within 60 days of the date of this notice, and provide AMCO proof of service of the protest upon the applicant.

3 AAC 306.060 states that the board will uphold a local government protest and deny an application for a marijuana establishment license unless the board finds that a protest by a local government is arbitrary, capricious, and unreasonable.

At the May 15, 2017, Marijuana Control Board meeting, the board delegated to me the authority to approve renewal applications with no protests, objections, or notices of violation. However, if a timely protest or objection is filed for this application, or if any notices of violation have been issued for this license, the board will consider the application. In those situations, a temporary license may be issued pending board consideration.

If you have any questions, please email amco.localgovernmentonly@alaska.gov.

Sincerely,

Erika McConnell
Director

Alcohol & Marijuana Control Office

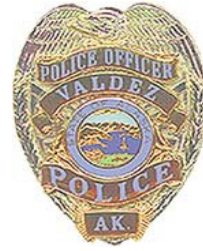
Initiating License Application

6/10/2018 11:40:20 AM

License Number: 11234**License Status:** Active-Operating**License Type:** Standard Marijuana Cultivation Facility**Doing Business As:** DKW FARMS LLC**Business License Number:** 1042644**Designated Licensee:** Dwain Dunning**Email Address:** cd_dunning@cvinternet.net**Local Government:** Valdez**Community Council:****Latitude, Longitude:** 61.079370, -146.174367**Physical Address:** 4269 Richardson Hwy
Valdez, AK 99686
UNITED STATES**Licensee #1****Type:** Entity**Alaska Entity Number:** 10041595**Alaska Entity Name:** DKW Farms LLC**Phone Number:** 907-835-2277**Email Address:** cd_dunning@cvinternet.net**Mailing Address:** P.O.Box 2078
Valdez, AK 99686
UNITED STATES**Entity Official #1****Type:** Individual**Name:** William Watson
[REDACTED]
[REDACTED]**Phone Number:** 907-831-6028**Email Address:** watswi69@gmail.com**Mailing Address:** P.O.Box 512
Valdez, AK 99686
UNITED STATES**Entity Official #2****Type:** Individual**Name:** Kenneth Watson
[REDACTED]
[REDACTED]**Phone Number:** 907-835-3002**Email Address:** kcwvaldezak@hotmail.com**Mailing Address:** P.O.Box 102
Valdez, AK 99686
UNITED STATES**Entity Official #3****Type:** Individual**Name:** Dwain Dunning
[REDACTED]
[REDACTED]**Phone Number:** 907-255-1463**Email Address:** cd_dunning@cvinternet.net**Mailing Address:** P.O.Box 1876
Valdez, AK 99686
UNITED STATES**Note:** No affiliates entered for this license.



VALDEZ POLICE DEPARTMENT
P.O. BOX 307
VALDEZ, ALASKA 99686
907-835-4560 (PHONE)
907-834-3412 (FAX)



TO: Elke Doom, City Manager; Sheri Pierce, City Clerk; Valdez City Council

FROM: Bart Hinkle, Chief of Police

RE: DKW Farms LLC Commercial Marijuana Inspection

DATE: September 11, 2018

At approximately 1630 hours on September 6th, 2018, Officer Mitchell and I conducted an inspection of DKW Farms LLC. I have conducted previous inspections of DKW Farms LLC, both during the construction and application period as well as since the facility has been operating. Additionally, the Alcohol and Marijuana Control Office has also conducted inspections during that timeframe – including on 5/2/18.

During the inspection on May 2nd, the AMCO Officer observed enough discrepancies to prompt him to issue a Notice of Violation on 5/8/18 [AMCO Case #: AB18-0509].

During our inspection on 9/6/18, I did not observe any notable violations. Mr. Dunning (one of the owners of DKW Farms LLC) followed proper procedures for visitors to his facility (identification, sign in, and issuing a visitor pass). I observed the facility to be properly secured with an active alarm system as well as a robust video surveillance system. The process outlined by Dunning, et al. appeared to be within the confines of their existing license and well within the administrative codes as defined by the State.

At the conclusion of our inspection, I spoke with Dunning regarding the Notice of Violation that he received on 5/8/18. Mr. Dunning essentially confirmed what I had been informed of by the State – that the violation was pertained to discrepancies between inventory tracking in METRC and in the Veg Room. Mr. Dunning stated DKW Farms LLC took immediate action to rectify the issues, and that they were not required to appear before the Marijuana Control Board. Mr. Dunning indicated he could provide me with the documentation of the corrective actions they took, and that it satisfied the State.

I provided Mr. Dunning with my valid email address and asked him to please forward his correspondence so that I may include it in this report to Council. As of 9/11/18, I have yet to receive the correspondence Mr. Dunning sent the State.

VPD has not received any complaints regarding odor, illegal operations, or any other criminal issues regarding DKW Farms LLC's cultivation facility. At this point, there is – in my opinion – no reasonable grounds to contest their renewal application.

Notice of Violation

(3AAC 306.805)

This form, all information provided and responses are public documents per Alaska Public Records ACT AS 40.25

Date: 5-8-18

License #/Type: #11234

Licensee: Dwain Dunning

Address: 4269 Richardson Hwy, Valdez, AK

DBA: DKW Farms, LLC

AMCO Case #: AB18-0509

This is a notice to you as licensee that an alleged violation has occurred. If the Marijuana Control Board decides to act against your license, under the provisions of AS 44.62.330 - AS 44.62.630 (Administrative Procedures Act) you will receive an Accusation and Notice of your right to an Administrative Hearing.

Note: This is not an accusation or a criminal complaint.

On 5-2-18 an inspection was conducted at your establishment. The following discrepancies were noted in the Veg Room.

	ON HAND	METRC
Say Uncle	51	0
Sky Walker	1	0
Mango	17	0

Clone strains: Tut, 42 clones, and an unmarked strain, 32 clones, for a total of 74 clones. METRC shows 76 total clones.

One plant did not have a tag.

Your attention is referred to 3 AAC 306.435: Marijuana inventory tracking system

3 AAC 306.805 provides that upon receipt of a Notice of Violation, a licensee may request to appear before the board and be heard regarding the Notice of Violation. The request must be made within ten days after receipt of the Notice. A licensee may respond, either orally or in writing, to the Notice. 3 AAC 306.810(3)(A)(B)(C) failed, within a reasonable time after receiving a notice of violation from the director, to correct any defect that is the subject of the notice of violation of AS 17.38 or this chapter, a condition or restriction imposed by the board or other applicable law.

IT IS RECOMMENDED THAT YOU RESPOND IN WRITING TO DOCUMENT YOUR RESPONSE FOR THE MARIJUANA CONTROL BOARD.

*Please send your response to the address below and include your Marijuana Establishment License Number in your response.

Alcohol & Marijuana Control Office
ATTN: Enforcement
550 W. 7th Ave, Suite 1600
Anchorage, Alaska 99501
amco.enforcement@alaska.gov

Issuing Investigator: J. Hamilton

Received by:

SIGNATURE: 

SIGNATURE:

Delivered VIA: Mail

Date:

Article # 7016 2710 0000 8600 3999

Commercial Lease Agreement

Location: 4269 Richardson Hwy

Valdez, Alaska 99686

Move in Date: April 27, 2017

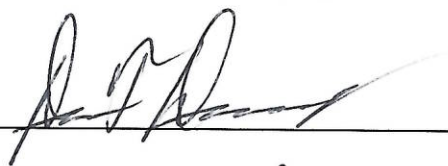
Lease duration: current until notice

The renter (DKW Farms LLC) will continue to lease said property as agreed in original documents to said landlord

(Dwain Dunning and Cynthia Dunning)

This agreement is for the time period April 27,2018 thru June 30,2019 which extends the lease
from April 27th to June 30th for better record keeping otherwise there is no change in the agreement

Dwain T. Dunning



Cynthia M Dunning



COMMERCIAL LEASE AGREEMENT

THIS LEASE (this "Lease") dated this 27th day of April, 2017

BETWEEN:

Dwain T. Dunning of P.O.Box 1876, Valdez, Alaska, 99686 and Cynthia M
Dunning of P.O.Box 1876, Valdez, Alaska, 99686
Telephone: (907) 831-1463 Fax: _____
(collectively and individually the "Landlord")

OF THE FIRST PART

- AND -

DKW Farms LLC of 4269 Richardson Hwy, Valdez, Alaska, 99686
Telephone: (907) 835-4277
(the "Tenant")

OF THE SECOND PART

IN CONSIDERATION OF the Landlord leasing certain premises to the Tenant, the Tenant leasing those premises from the Landlord and the mutual benefits and obligations set forth in this Lease, the receipt and sufficiency of which consideration is hereby acknowledged, the Parties to this Lease (the "Parties") agree as follows:

Definitions

1. When used in this Lease, the following expressions will have the meanings indicated:
 - a. "Additional Rent" means all amounts payable by the Tenant under this Lease except Base Rent, whether or not specifically designated as Additional Rent elsewhere in this Lease;
 - b. "Building" means the Lands together with all buildings, improvements, equipment, fixtures, property and facilities from time to time thereon, as from time to time altered, expanded or reduced by the Landlord in its sole discretion;
 - c. "Common Areas and Facilities" mean:
 - i. those portions of the Building areas, buildings, improvements, facilities, utilities,

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equipment and installations in or forming part of the Building which from time to time are not designated or intended by the Landlord to be leased to tenants of the Building including, without limitation, exterior weather walls, roofs, entrances and exits, parking areas, driveways, loading docks and area, storage, mechanical and electrical rooms, areas above and below leasable premises and not included within leasable premises, security and alarm equipment, grassed and landscaped areas, retaining walls and maintenance, cleaning and operating equipment serving the Building; and

- ii. those lands, areas, buildings, improvements, facilities, utilities, equipment and installations which serve or are for the useful benefit of the Building, the tenants of the Building or the Landlord and those having business with them, whether or not located within, adjacent to or near the Building and which are designated from time to time by the Landlord as part of the Common Areas and Facilities;
- d. "Lands" means the land legally described as:
- i. Tract 2, Dunning Subdivision;
- e. "Leasable Area" means with respect to any rentable premises, the area expressed in square feet of all floor space including floor space of mezzanines, if any, determined, calculated and certified by the Landlord and measured from the exterior face of all exterior walls, doors and windows, including walls, doors and windows separating the rentable premises from enclosed Common Areas and Facilities, if any, and from the center line of all interior walls separating the rentable premises from adjoining rentable premises. There will be no deduction or exclusion for any space occupied by or used for columns, ducts or other structural elements;
- f. "Premises" means the building at _____, 4269 Richardson Hwy, Valdez, AK, 99686 and comprises a Leasable Area of 5440 square feet;
- g. "Proportionate Share" means a fraction, the numerator of which is the Leasable Area of the Premises and the denominator of which is the aggregate of the Leasable Area of all rentable premises in the Building.



- h. "Rent" means the total of Base Rent and Additional Rent.

Leased Premises

2. The Landlord agrees to rent to the Tenant the building municipally described as _____, 4269 Richardson Hwy, Valdez, AK, 99686, (the "Premises") and comprises a Leasable Area of 5440 square feet. The Premises are more particularly described as follows:
To include only the building (24'x40') along with set area around it. The Premises will be used for only the following permitted use (the "Permitted Use"):
For the intended purpose to operate a marijuana cultivation facility.
Neither the Premises nor any part of the Premises will be used at any time during the Term by Tenant for any purpose other than the Permitted Use.
3. Subject to the provisions of this Lease, the Tenant is entitled to the use of parking (the "Parking") on or about the Premises. Only properly insured motor vehicles may be parked in the Tenant's space.

Term

4. The term of the Lease is a periodic tenancy commencing at 12:00 noon on April 24, 2017 and continuing on a year-to-year basis until the Landlord or the Tenant terminates the tenancy (the "Term").
5. Notwithstanding that the Term commences on April 24, 2017, the Tenant is entitled to possession of the Premises at 12:00 noon on April 1, 2017.

Rent

6. Subject to the provisions of this Lease, the Tenant will pay a base rent of \$100.00, payable per month, for the Premises (the "Base Rent").
7. For the first 6 month(s) of the term (the "Abatement Period"), the Tenant will not be obligated to pay the monthly installment of Base Rent due but will be liable to pay all other amounts payable under this Lease. The entire Base Rent otherwise due and payable for the Abatement Period will become immediately due and payable upon the occurrence of an event of default under this Lease.
8. The Tenant will pay the Base Rent on or before the First of each and every month of the Term to the Landlord.



Operating Costs

9. In addition to the Base Rent, the Tenant will pay as Additional Rent, without setoff, abatement or deduction, its Proportionate Share of all of the Landlord's costs, charges and expenses of operating, maintaining, repairing, replacing and insuring the Building including the Common Areas and Facilities from time to time and the carrying out of all obligations of the Landlord under this Lease and similar leases with respect to the Building ("Operating Costs").
10. Except as otherwise provided in this Lease, Operating Costs will not include debt service, depreciation, costs determined by the Landlord from time to time to be fairly allocable to the correction of construction faults or initial maladjustments in operating equipment, all management costs not allocable to the actual maintenance, repair or operation of the Building (such as in connection with leasing and rental advertising), work performed in connection with the initial construction of the Building and the Premises and improvements and modernization to the Building subsequent to the date of original construction which are not in the nature of a repair or replacement of an existing component, system or part of the Building.
11. Operating Costs will also not include the following:
 - a. any increase in insurance premiums to the center as a result of business activities of other Tenants;
 - b. the costs of any capital replacements;
 - c. the costs incurred or accrued due to the willful act or negligence of the Landlord or anyone acting on behalf of the Landlord;
 - d. structural repairs;
 - e. costs for which the Landlord is reimbursed by insurers or covered by warranties;
 - f. costs incurred for repairs or maintenance for the direct account of a specific Tenant or vacant space;
 - g. costs recovered directly from any Tenant for separate charges such as heating, ventilating, and air conditioning relating to that Tenant's leased premises, and in respect of any act, omission, neglect or default of any Tenant of its obligations under its Lease; or



- h. any expenses incurred as a result of the Landlord generating revenues from common area facilities will be paid from those revenues generated.
12. The Tenant will pay:
- a. To the Landlord, the Tenant's Proportionate Share of all real property taxes, rates, duties, levies and assessments which are levied, rated, charged, imposed or assessed by any lawful taxing authority (whether federal, state, district, municipal, school or otherwise) against the Building and the land or any part of the Building and land from time to time or any taxes payable by the Landlord which are charged in lieu of such taxes or in addition to such taxes, but excluding income tax upon the income of the Landlord to the extent that such taxes are not levied in lieu of real property taxes against the Building or upon the Landlord in respect of the Building.
 - b. To the lawful taxing authorities, or to the Landlord, as it may direct, as and when the same become due and payable, all taxes, rates, use fees, duties, assessments and other charges that are levied, rated, charged or assessed against or in respect of all improvements, equipment and facilities of the Tenant on or in default by the Tenant and in respect of any business carried on in the Premises or in respect of the use or occupancy of the Premises by the Tenant and every subtenant, licensee, concessionaire or other person doing business on or from the Premises or occupying any portion of the Premises.
13. For any rent review negotiation, the basic rent will be calculated as being the higher of the Base Rent payable immediately before the date of review and the Open Market Rent on the date of review.

Landlord's Estimate

14. The Landlord may, in respect of all taxes and Operating Costs and any other items of Additional Rent referred to in this Lease compute bona fide estimates of the amounts which are anticipated to accrue in the next following lease year, calendar year or fiscal year, or portion of such year, as the Landlord may determine is most appropriate for each and of all items of Additional Rent, and the Landlord may provide the Tenant with written notice and a reasonable breakdown of the amount of any such estimate, and the Tenant, following receipt of such written notice of the estimated amount and breakdown will pay to the Landlord such amount, in equal consecutive monthly installment throughout the applicable period with the monthly installment of Base Rent. With respect to any item of Additional rent which the Landlord has not elected to estimate from



time to time, the Tenant will pay to the Landlord the amount of such item of Additional Rent, determined under the applicable provisions of this Lease, immediately upon receipt of an invoice setting out such items of Additional Rent. Within one hundred and twenty (120) days of the conclusion of each year of the term or a portion of a year, as the case may be, calendar year or fiscal year, or portion of such year, as the case may be, for which the Landlord has estimated any item of Additional Rent, the Landlord will compute the actual amount of such item of Additional Rent, and make available to the Tenant for examination a statement providing the amount of such item of Additional Rent and the calculation of the Tenant's share of that Additional Rent for such year or portion of such year. If the actual amount of such items of Additional Rent, as set out in the any such statement, exceeds the aggregate amount of the installment paid by the Tenant in respect of such item, the Tenant will pay to the Landlord the amount of excess within fifteen (15) days of receipt of any such statement. If the contrary is the case, any such statement will be accompanied by a refund to the Tenant of any such overpayment without interest, provided that the Landlord may first deduct from such refund any rent which is then in arrears.

Use and Occupation

15. The Tenant will use and occupy the Premises only for the Permitted Use and for no other purpose whatsoever. The Tenant will carry on business under the name of DKW Farms LLC and will not change such name without the prior written consent of the Landlord, such consent not to be unreasonably withheld. The Tenant will open the whole of the Premises for business ~~to the public~~ fully fixtured, stocked and staffed on the date of commencement of the term and throughout the term, will continuously occupy and utilize the entire Premises in the active conduct of its business in a reputable manner on such days and during such hours of business as may be determined from time to time by the Landlord.
16. The Tenant covenants that the Tenant will carry on and conduct its business from time to time carried on upon the Premises in such manner as to comply with all statutes, bylaws, rules and regulations of any ~~federal~~ provincial, municipal or other competent authority and will not do anything on or in the Premises in contravention of any of them.

Quiet Enjoyment

17. The Landlord covenants that on paying the Rent and performing the covenants contained in this Lease, the Tenant will peacefully and quietly have, hold, and enjoy the Premises for the agreed term.



Distress

18. ~~Notwithstanding the Tenant's obligation to pay rent or any money, whether expressly reserved or deemed as rent, or any part of the rent, the Landlord may, without notice or any form of legal process, enter upon the Premises and seize, remove and sell the Tenant's goods, chattels and equipment from the Premises or seize, remove and sell any goods, chattels and equipment at any place to which the Tenant or any other person may have removed them, in the same manner as if they had remained and been distrained upon the Premises, all notwithstanding any rule of law or equity to the contrary, and the Tenant hereby waives and renounces the benefit of any present or future statute or law limiting or eliminating the Landlord's right of distress.~~

19. If the Tenant continues to occupy the Premises without the written consent of the Landlord at the expiration or other termination of the term, then the Tenant will be a tenant at will and will pay to the Landlord, as liquidated damages and not as rent, an amount equal to twice the Base Rent plus any Additional Rent during the period of such occupancy, accruing from day to day and adjusted pro rata accordingly, and subject always to all the other provisions of this Lease insofar as they are applicable to a tenancy at will and a tenancy from month to month or from year to year will not be created by implication of law; provided that nothing in this clause contained will preclude the Landlord from taking action for recovery of possession of the Premises.

Utilities and Other Costs

20. The Tenant is responsible for the direct payment of the following utilities and other charges in relation to the Premises: electricity, natural gas, water, sewer, telephone, Internet and cable.

Insurance

21. The Tenant is hereby advised and understands that the personal property of the Tenant is not insured by the Landlord for either damage or loss, and the Landlord assumes no liability for any such loss. The Tenant is advised that, if insurance coverage is desired by the Tenant, the Tenant should inquire of Tenant's insurance agent regarding a Tenant's Policy of Insurance.

Abandonment

22. If at any time during the Term, the Tenant abandons the Premises or any part of the Premises, the Landlord may, at its option, enter the Premises by any means without being liable for any prosecution for such entering, and without becoming liable to the Tenant for damages or for any payment of any kind whatever, and may, at the Landlord's discretion, as agent for the Tenant, relet the Premises, or any part of the Premises, for the whole or any part of the then unexpired term, and may receive and collect all rent payable by virtue of such reletting, and, at the



Landlord's option, hold the Tenant liable for any difference between the Rent that would have been payable under this Lease during the balance of the unexpired term, if this Lease had continued in force, and the net rent for such period realized by the Landlord by means of the reletting. If the Landlord's right of reentry is exercised following abandonment of the premises by the Tenant, then the Landlord may consider any personal property belonging to the Tenant and left on the Premises to also have been abandoned, in which case the Landlord may dispose of all such personal property in any manner the Landlord will deem proper and is relieved of all liability for doing so.

Attorney Fees

23. All costs, expenses and expenditures including and without limitation, complete legal costs incurred by the Landlord on a solicitor/client basis as a result of unlawful detainer of the Premises, the recovery of any rent due under the Lease, or any breach by the Tenant of any other condition contained in the Lease, will forthwith upon demand be paid by the Tenant as Additional Rent. All rents including the Base Rent and Additional Rent will bear interest at the rate of Twelve (12%) per cent per annum from the due date until paid.

Governing Law

24. It is the intention of the Parties to this Lease that the tenancy created by this Lease and the performance under this Lease, and all suits and special proceedings under this Lease, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws of the State of Alaska, without regard to the jurisdiction in which any action or special proceeding may be instituted.

Severability

25. If there is a conflict between any provision of this Lease and the applicable legislation of the State of Alaska (the 'Act'), the Act will prevail and such provisions of the Lease will be amended or deleted as necessary in order to comply with the Act. Further, any provisions that are required by the Act are incorporated into this Lease.

Assignment and Subletting

26. The Tenant will not assign this Lease, or sublet or grant any concession or license to use the Premises or any part of the Premises. An assignment, subletting, concession, or license, whether by operation of law or otherwise, will be void and will, at Landlord's option, terminate this Lease.



Bulk Sale

27. No bulk sale of goods and assets of the Tenant may take place without first obtaining the written consent of the Landlord, which consent will not be unreasonably withheld so long as the Tenant and the Purchaser are able to provide the Landlord with assurances, in a form satisfactory to the Landlord, that the Tenant's obligations in this Lease will continue to be performed and respected, in the manner satisfactory to the Landlord, after completion of the said bulk sale.

Additional Provisions

28. It is acknowledged between the landlord/lessor that the premises will be used as a marijuana establishment and that the landlord will not remove or take possession of any marijuana and contact AMCO enforcement if lease is broken or terminated. The landlord agrees to abide by the rules that the lessor needs to follow with AMCO.

Care and Use of Premises

29. The Tenant will promptly notify the Landlord of any damage, or of any situation that may significantly interfere with the normal use of the Premises.
30. Vehicles which the Landlord reasonably considers unsightly, noisy, dangerous, improperly insured, inoperable or unlicensed are not permitted in the Tenant's parking stall(s), and such vehicles may be towed away at the Tenant's expense. Parking facilities are provided at the Tenant's own risk. The Tenant is required to park in only the space allotted to them.
31. The Tenant will not make (or allow to be made) any noise or nuisance which, in the reasonable opinion of the Landlord, disturbs the comfort or convenience of other tenants.
32. The Tenant will not engage in any illegal trade or activity on or about the Premises.
33. The Landlord and Tenant will comply with standards of health, sanitation, fire, housing and safety as required by law.

Surrender of Premises

34. At the expiration of the lease term, the Tenant will quit and surrender the Premises in as good a state and condition as they were at the commencement of this Lease, reasonable use and wear and damages by the elements excepted.



Hazardous Materials

35. The Tenant will not keep or have on the Premises any article or thing of a dangerous, flammable, or explosive character that might unreasonably increase the danger of fire on the Premises or that might be considered hazardous by any responsible insurance company.

Rules and Regulations

36. The Tenant will obey all rules and regulations posted by the Landlord regarding the use and care of the Building, parking lot and other common facilities that are provided for the use of the Tenant in and around the Building on the Premises.

General Provisions

37. Any waiver by the Landlord of any failure by the Tenant to perform or observe the provisions of this Lease will not operate as a waiver of the Landlord's rights under this Lease in respect of any subsequent defaults, breaches or nonperformance and will not defeat or affect in any way the Landlord's rights in respect of any subsequent default or breach.
38. This Lease will extend to and be binding upon and inure to the benefit of the respective heirs, executors, administrators, successors and assigns, as the case may be, of each party to this Lease. All covenants are to be construed as conditions of this Lease.
39. All sums payable by the Tenant to the Landlord pursuant to any provision of this Lease will be deemed to be Additional Rent and will be recoverable by the Landlord as rental arrears.
40. Where there is more than one Tenant executing this Lease, all Tenants are jointly and severally liable for each other's acts, omissions and liabilities pursuant to this Lease.
41. Time is of the essence in this Lease.
42. This Lease will constitute the entire agreement between the Landlord and the Tenant. Any prior understanding or representation of any kind preceding the date of this Lease will not be binding on either party to this Lease except to the extent incorporated in this Lease. In particular, no warranties of the Landlord not expressed in this Lease are to be implied.

IN WITNESS WHEREOF the Parties to this Lease have duly affixed their signatures under hand and seal, or by a duly authorized officer under seal, on this 27th day of April, 2017.



(Witness)

CARRIE L. REHDER

Dwain T. Dunning (Landlord)

(Witness)

Lon Reeder

Cynthia M Dunning (Landlord)

(Witness)

DKW Farms LLC (Tenant)

Per:

(SEAL)



Legislation Text

File #: 18-0308, **Version:** 1

ITEM TITLE:

Approval To Go Into Executive Session Regarding Pending Litigation

SUBMITTED BY: Sheri Pierce, City Clerk

FISCAL NOTES:

Expenditure Required: [Click here to enter text.](#)

Unencumbered Balance: [Click here to enter text.](#)

Funding Source: [Click here to enter text.](#)

RECOMMENDATION:

[Click here to enter text.](#)

SUMMARY STATEMENT:

The City Attorney has requested an executive session to discuss pending litigation matters which meet the attorney client privilege requirements and comply with the Alaska Open Meetings Act rules for a topic of discussion which is in compliance with executive session.



Legislation Text

File #: 18-0309, **Version:** 1

ITEM TITLE:

Approval to Purchase 2018 Riprap Supply from Harris Sand and Gravel, Inc. in the Amount of \$224,000

SUBMITTED BY: Nathan Duval, Capital Facilities Director

FISCAL NOTES:

Expenditure Required: \$224,000

Unencumbered Balance: \$626,673.90

Funding Source: 350-0700-55000 Dike Repairs

RECOMMENDATION:

Approve the purchase of 2018 Riprap Supply in the amount of \$224,000.

SUMMARY STATEMENT:

Annual riprap purchase to be used for maintenance, repairs, and flood mitigation along Glacier Stream and Lowe Rivers.

While there was only one bidder, the price is within the appropriate price range. The average price paid for class II riprap between 2014 and 2018 is \$80.40/yard, median price of \$72.00/yard. The average bid price is \$91.19/yard, median bid price of \$76.50/yard.



Quote Schedule
Project: 2018 Riprap Supply
PO Number: 75436

<u>Item No.</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Total Item Price</u>
1	Class III Riprap	2800	CY	\$ 75.00 CY Glacier \$ 85.00 CY Alpine	\$ 105,000 \$ 59,500

Total Quote Amount:

One hundred sixty four thousand five hundred dollars zero cents

(\$ 164,500)

I, William P. Harris, hereinafter called Quoter, an individual doing business as Harris Sand & Gravel Inc., (strike out inapplicable words) a partnership, a corporation incorporated in the State of Alaska, a joint venture, hereby submits this quote and agrees: to hold this quote open for forty five (45) days, to accept the provisions of the Request for Quotes, to accomplish the work in accordance with the plans and/or specifications, for the lump sum and unit price amounts as set forth in the quote schedule.

Respectfully submitted this 10th day of September, 2018.

QUOTER:

Harris Sand & Gravel, Inc.
Company Name

P.O. Box 6 260 Airport Rd.
Address

Valdez, AK 99686
City, State, Zip Code

(907) 835-4756
Telephone Number

920056819
Federal I.D. or S.S.N.

William P. Harris
Authorizing Name

President
Title

[Signature]
Signature

b.harris@harrissandg.com
Email Address

CORPORATE SEAL:

ATTEST:
[Signature]
Signature of Corporate Secretary

Carol Linnell
Print Name



City of Valdez

**Project: 2018 Riprap Supply
PO Number: 75436**

The bidder acknowledges receipt of the following addenda and certifies that their contents have been considered in the preparation of this Bid. If there are no addenda please state NONE above your name.

Addendum Number _____	Dated _____	Initials _____
Addendum Number _____	Dated _____	Initials _____
Addendum Number _____	Dated _____	Initials _____
Addendum Number _____	Dated _____	Initials _____
Addendum Number _____	Dated _____	Initials _____
Addendum Number _____	Dated _____	Initials _____

Harris Sand & Gravel, Inc.
Company Name

William P. Harris
Authorizing Name

9/10/18
Date

President
Title

[Signature]
Signature

Alaska Department of Commerce, Community, and Economic Development

Division of Corporations, Business and Professional Licensing
P.O. Box 110806, Juneau, Alaska 99811-0806

This is to certify that

HARRIS SAND & GRAVEL INC

P O BOX 6 VALDEZ AK 99686

owned by

HARRIS SAND & GRAVEL INC

is licensed by the department to conduct business for the period

November 10, 2016 through December 31, 2018
for the following line of business:

23 - Construction

This license shall not be taken as permission to do business in the state without having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location. It is not transferable or assignable.

Chris Hladick



License #: CONE5976
Effective: 01/06/2017
Expires: 12/31/2018

STATE OF ALASKA

Department of Commerce, Community, and Economic Development

Division of Corporations, Business, and Professional Licensing

Regulation of Construction Contractors and Home Inspectors

Licensee: **HARRIS SAND & GRAVEL INC**

License Type: **General Contractor Without Residential Contractor Endorsement**

Status: **Active**

Doing Business As: **HARRIS SAND & GRAVEL INC**

Commissioner: Chris Hladick

Summary of Proposals Received				Project: 2018 Riprap Supply													
Bid Opening				Purchase Order No. 75436													
Date:	September 10, 2018 at 2:00pm																
Place:	Capital Facilities Conference Room			Harris Sand and Gravel, Inc.													
Bid Item	Description	Quantity	Unit	Unit Price	Total	Unit Price	Total	Unit Price	Total	Unit Price	Total	Unit Price	Total	Unit Price	Total	Unit Price	Total
1	Class III Riprap	1400	CY	75.00	\$105,000.00												
2		1400		85.00	\$119,000.00												
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
12																	
	(0) Addendum(s) Acknowledged			N/A													
	Bid Bond			N/A													

Summary of Proposals Received			Project: 2018 Riprap Supply			
	Bid Opening		Purchase Order No. 75436			
Date:	September 10, 2018 at 2:00pm					
Place:	Capital Facilities Conference Room		Harris Sand and Gravel, Inc.			
	Alaska Business License		✓			
	Alaska Contractor License		✓			
	Total Base Bid		\$224,000.00			
	Local bidder preference 10%					
	Total Adjusted Bid					
	The bid totals are subject to correction after the bids have been completely reviewed.					
	Totals have been reviewed	✓	I hereby certify that the above is a true and correct summary of proposals received.			
	Totals have been corrected	✓	____Nathan Duval____ Project Manager			



Legislation Text

File #: 18-0310, **Version:** 1

ITEM TITLE:

Approval of the 2017 Financial Audit

SUBMITTED BY: Brian Carlson, Finance Director

FISCAL NOTES:

Expenditure Required: n/a

Unencumbered Balance: n/a

Funding Source: n/a

RECOMMENDATION:

Approve the 2017 Financial Audit

SUMMARY STATEMENT:

The attached *Basic Financial Statements*, *Federal and State Single Audit*, and *Audit Wrap-up* comprise final deliverables for the 2016 third-party financial audit. Following Council approval, staff will make numerous filings, due 9/30/2018, to satisfy state statutes and bond covenants. **Representatives from BDO will join the 9/18 Council meeting by phone.**

For the October 2nd Council agenda, Finance staff will include both the June 30 financial summary reflecting audited year-end fund balances, and a fund balance review and analysis that will provide context for the upcoming Council budget work sessions.

BACKGROUND:

In 2017 the City engaged BDO for a new two-year contract at a set rate of \$82K per year. The City will publish an RFQ for audit services in late 2019. This year's audit included two weeks of on-site work in Valdez, and regular status meetings with the Audit Committee.

ANALYSIS:

The 2017 Audit contains three findings:

1. **Significant Deficiency**, defined as a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The City over-paid its 12/31 debt-service payment by \$309K. The invoice itself was incorrect, as it included the full debt-service payment, when a portion of that payment was defeased and paid from the escrow agent.

2. **Significant Deficiency** - Staff incorrectly classified non-capital expenses as *construction in progress*, thereby over-stating the latter by \$2.6MM.
3. **Material Weakness**, defined as a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented,

detected, nor corrected on a timely basis.

This item pertains to incorrect bookkeeping for health-plan charges incurred in one year but paid in a subsequent year. This resulted in a \$500K over-statement of the plans net position.

The findings are addressed in the ***Corrective Action Plan*** found in the *Single Audit* document. The plan is drafted by staff, and proposes improvements to the staff education and related bookkeeping procedures. Staff does not anticipate that there will be recurring findings, and feels that departmental and citywide operations will be improved upon implementation of the plan.

CONCLUSION:

The relatively late presentation of documents to Council does not reflect the timeliness of Contractor deliverables. Staff is satisfied with the performance of this contract, which continues through calendar-2019 for the 2018 audit.

ATTACHMENTS (3):

2017 Audit Wrap-Up

2017 Basic Financial Statements

2017 Federal and State Single Audit Report

AUDIT WRAP UP

December 31, 2017



The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., City Council and Audit Committee) and, if appropriate, management of the Government and is not intended and should not be used by anyone other than these specified parties.

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

September 18, 2018

Honorable Mayor and City Council
City of Valdez, Alaska

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On April 4, 2018 we presented an overview of our plan for the audit of the financial statements of City of Valdez, Alaska (the Government) as of and for the year ended December 31, 2017, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Government's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Government and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

Discussion Outline

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Results of Our Audit.....	4
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Significant Accounting and Reporting Matters	10

Status of Our Audit

We have completed our audit of the financial statements, federal awards, and state financial assistance, as of and for the year ended December 31, 2017. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements whether due to error or fraud.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We have issued an unmodified opinion on the financial statements, and an unmodified opinion on compliance requirements that could have a direct and material effect on each major federal and state program, and released our reports on September 13, 2018.
- ▶ Our responsibility for other information in documents containing the Government's audited financial statements (e.g. management's discussion and analysis, budgetary comparisons, schedules of pension amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Government and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Government personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the Government's accounting practices, policies, and estimates:

The Government's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 21 to the Government's financial statements.
- ▶ The Government adopted the provisions of GASB Statement No. 80, *Blending Requirements for Certain Components - an amendment of GASB Statement No. 14*. As a result, the Government was required to restate opening balances. A description of the implementation of GASB Statement No. 80 is included in Note 19 to the Government's financial statements.
- ▶ There were no other changes in significant accounting policies and practices during 2017.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Government's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements.

Results of Our Audit

Significant accounting estimates include:

Incurred But Not Reported Insurance Claims

Allowance for Uncollectible Accounts

PERS Net Pension Liability

Landfill Closure and Post Closure Obligations

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2017.

CORRECTED AND UNCORRECTED MISSTATEMENTS

We identified 10 corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. Please refer to the Schedule of Corrected Misstatements.

We identified 1 uncorrected misstatement, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. Please refer to the Schedule of Uncorrected Misstatements. We concur with management's assessment that the effects of not recording this adjustment is, both individually and in the aggregate, immaterial to the consolidated financial statements taken as a whole, considering both qualitative and quantitative factors. None of the proposed adjustments could potentially cause future-period financial statement to be materially misstated.

Results of Our Audit

QUALITY OF THE GOVERNMENT'S FINANCIAL REPORTING

A discussion was held regarding the quality of the Government's financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our conclusions regarding significant accounting estimates
- ▶ Significant unusual transactions
- ▶ Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments

Internal Control Over Financial Reporting

We are required to communicate, in writing and in a timely manner, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Government's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit, we noted the following:

- ▶ The following material weaknesses were identified:

Material Weakness	Comments
2017-001	Debt Service Fund Transactions - Internal Control over Financial Reporting
2017-002	Construction in Progress - Internal Control over Financial Reporting

- ▶ The following significant deficiencies were identified:

Significant Deficiency	Comments
2017-003	Accuracy of Health Insurance Internal Service Fund Balances - Internal Control over Financial Reporting

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Government:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Government's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about significant accounting or auditing matters between management and other accountants where we have identified a concern regarding such matters.
Our evaluation of the Government's relationships and transactions with related parties and their impact on the financial statements	We have evaluated the Government's process to identify, authorize and approve, account for, and disclose its relationships and transactions with related parties and noted no significant issues.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Government's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Other matters significant to the oversight of the Government's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Government's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you dated October 27, 2017 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Government with respect to independence as agreed to by the Government. Please refer to that letter for further information.

Significant Accounting and Reporting Matters

GASB Standards Effective in 2018

GASB STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

- ▶ Establishes measurement criteria for the Other Postemployment Benefits (OPEB) liability of state and local governments and mirrors the requirements of GASB 68.
- ▶ For plans administered through a trust, governments must recognize the net OPEB liability.
- ▶ For plans not administered through a trust, the government must recognize the total OPEB liability.
- ▶ The pronouncement will be effective starting with years ending June 30, 2018.

GASB STATEMENT NO. 85, OMNIBUS 2017

- ▶ Addresses several practice issues that have been identified during implementation of certain GASB Statements:
 1. Blending a component unit when the primary government is a business-type activity that reports in a single column.
 2. Reporting amounts previously reported as goodwill and negative goodwill.
 3. Classifying real estate held by insurance entities.
 4. Measuring certain money market instruments at amortized cost.
 5. Timing of the measurement of pension or OPEB liabilities and expenditures in governmental fund financial statements.
 6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
 7. Presenting payroll-related measures in Required Supplementary Information for OPEB plans and employers that provide OPEB.
 8. Classifying employer-paid member contributions for OPEB.
 9. Simplifying certain aspects of the alternative measurement method for OPEB.
 10. Accounting and reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
- ▶ The pronouncement will be effective starting with years ending June 30, 2018.

GASB STATEMENT NO. 86, CERTAIN DEBT EXTINGUISHMENT ISSUES

- ▶ Resolves issue of how to record in-substance defeasance of debt when only existing resources are used.
- ▶ Current standards only address reporting requirements when debt is extinguished using bond proceeds.
- ▶ When cash or other existing resources are placed in an irrevocable trust to extinguish debt, it is considered to be in-substance defeasance, assuming all criteria are met.
- ▶ The difference between the reacquisition price and the net carrying amount of the debt will be recognized as a separately identified gain or loss in the period of defeasance. This differs from current practice when debt is extinguished using bond proceeds, whereby the difference is deferred.
- ▶ Payments to the escrow agent from existing resources should be reported as debt service expenditures in governmental fund types.
- ▶ The pronouncement will be effective starting with years ending June 30, 2018.

GASB Standards Effective in 2019

GASB STATEMENT NO. 83, *CERTAIN ASSET RETIREMENT OBLIGATIONS*

- ▶ Establishes measurement criteria for recording a liability for the retirement or removal of certain assets such as:
 - ✓ Nuclear power plants
 - ✓ Sewage treatment facilities
 - ✓ Coal-fired power plant
 - ✓ Wind turbines
 - ✓ X-ray machines
- ▶ Governments with legal obligations to perform future asset retirement activities related to its tangible capital assets would be required to recognize a liability.
- ▶ A liability and corresponding deferred outflow is recorded when the liability is both incurred and reasonable estimable.
- ▶ The liability is based on the best estimate of the current value of outlays expected to be incurred.
- ▶ Must be both an external obligating event, such as a court judgment or federal, state or local law; and an internal obligating event, such as contamination or retirement.
- ▶ The pronouncement will be effective starting with years ending June 30, 2019.

GASB STATEMENT NO. 84, *FIDUCIARY ACTIVITIES*

- ▶ Establishes criteria for reporting fiduciary activities that focuses on whether the government controls the assets and the fiduciary relationship with the beneficiaries.
- ▶ The statement describes four fiduciary funds:
 1. Pension and OPEB funds
 2. Investment trust funds
 3. Private-purpose trust funds
 4. Custodial funds
- ▶ Custodial funds replace agency funds for activities that are not held in trust.
- ▶ For activities for which a trust agreement exists, an investment trust fund or private purpose trust fund will be used.
- ▶ Pension funds not held in trust would be classified as custodial funds.
- ▶ GASB is working on an Implementation Guide for which an Exposure Draft likely will be issued in December 2018.
- ▶ The pronouncement will be effective starting with years ending December 31, 2019.

GASB Standards Effective in 2019

GASB STATEMENT 88, CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS

- ▶ Defines debt for purposes of disclosure as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed as of the date the obligation is established.
- ▶ Would exclude pension and OPEB liabilities, leases and accounts payable as those should be disclosed in separate notes.
- ▶ Includes capital appreciation bonds and variable rate debt.
- ▶ Additional note disclosures required for unused lines of credit, assets pledged as collateral, specific debt agreement terms.
- ▶ The pronouncement will be effective starting with years ending June 30, 2019.

GASB STATEMENT 90, MAJORITY EQUITY INTERESTS - AN AMENDMENT OF GASB STATEMENTS 14 AND 61

- ▶ Will report majority equity interest as an investment if it meets the definition.
- ▶ Measured using the equity method, unless held by a special-purpose government engaged only in fiduciary activities, fiduciary fund or endowment/permanent fund. These funds would utilize fair value.
- ▶ For all other majority equity interests, report as component unit and fund that holds the equity interest reports an asset using the equity method.
- ▶ Acquisition of a component unit in which government holds 100% interest would be measured using acquisition value.
- ▶ Expected effective date: Years ending December 31, 2019.

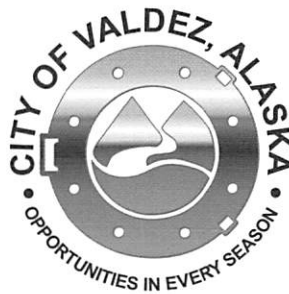
GASB Standards Effective in 2020

GASB STATEMENT NO. 87, *LEASES*

- ▶ This standard will require recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- ▶ Eliminates the distinction between operating and capital leases - all leases will be recorded on the statement of net position/balance sheet.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction.
- ▶ Excludes leases that transfer ownership under a bargain purchase option or service concession arrangements that are covered by GASB Statement No. 60.
- ▶ Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset. Short-term leases are excluded.
- ▶ Lessors would recognize lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.
- ▶ The pronouncement will be effective starting with years ending December 31, 2020.

GASB STATEMENT NO. 89, *ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD*

- ▶ In financial statements using the economic resources measurement focus, interest incurred during construction should be recognized as an expense of the period.
- ▶ In financial statements using the current financial resources measurement focus, interest incurred during construction should be recognized as an expenditure.
- ▶ Interest cost should not be capitalized.
- ▶ Interest does not meet the definition of an asset or a deferred outflow.
- ▶ The pronouncement will be effective starting with years ending, December 31, 2020



September 13, 2018

BDO USA, LLP
3601 C Street Suite 600
Anchorage, Alaska 99503

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of City of Valdez, Alaska (the Government), which comprise the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 27, 2017, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- (3) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.
- (4) We have made available to you:
 - (a) All financial records, and related data and federal and state awards (including amendments, if any, and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related

activities), as agreed upon in the terms of the aforementioned audit engagement letter.

- (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of the Valdez City Council that were held from January 1, 2017 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements, schedule of expenditures of federal awards (SEFA) or schedule of state financial assistance (SSFA). All financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit (see the attached "Schedule of Corrected Misstatements") have been corrected, except for those listed in the attached "Schedule of Uncorrected Misstatements." In our opinion, the effects of not correcting such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements of the Government, taken as a whole. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.
- (7) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
- (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
 - (c) Allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.

- (8) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- (9) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
- (a) The identity of related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - (c) Guarantees, whether written or oral, under which the Government is contingently liable.
 - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances.
 - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
 - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
 - Written or oral guarantees, endorsements, or unused letters of credit;
 - Unusual guarantees; or
 - Labor claims or negotiations.

Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

- (f) Commitments, such as:
- Major capital asset purchase agreements;

- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
 - Deferred compensation, bonuses, pensions plans, or severance pay; or
 - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.
- (10) There are no:
- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
 - (c) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.
- (11) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
- (12) The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (13) We have appropriately disclosed the Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
- (14) We have complied with all aspects of contractual agreements, including debt covenants that would have a material effect on the financial statements in the event of noncompliance. We have also complied with the SEC disclosure rules for reporting annual financial information and material events to repositories in accordance with SEC Rule N.240, 15c2-12.
- (15) No discussions have taken place with your firm's personnel regarding employment with the Government.

- (16) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- (17) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- (18) Revenues are appropriately classified in the statement of activities within program revenues, contributions, and general revenues. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- (19) In regards to the assistance provided in preparing the financial statements and related footnote disclosures, and assistance provided in preparing and submitting the required Form SF-SAC Data Collection Form, services performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.
- (20) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United State of America and we believe it is fairly presented. The methods of measurement and presentation of the supplementary information have not changed from the prior period and we have disclosed to you any significant assumptions underlying the measurement and presentation of the supplementary information.
- (21) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (22) We believe that the actuarial assumptions and methods used to measure pension and/or other postretirement liabilities and costs for financial accounting and disclosure purposes are appropriate in the circumstances.
- (23) We agree with the findings of specialists in evaluating the incurred but not reported health insurance liability, landfill closure and post-closure liability, and net pension liability as of December 31, 2017, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- (24) We believe that the adoption of Governmental Accounting Standards Board (GASB) Statement Number 80, *Blending Requirements for Certain Component Units - an amendment to GASB Statement No. 14*, is correct given the change in generally accepted accounting principles brought forth by the issuance of GASB Statement No. 80.

(25) With respect to federal and state award programs:

- (a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits (State Audit Guide), including requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA) and schedule of state financial assistance (SSFA).
- (b) We have, in accordance with the Uniform Guidance and State Audit Guide, identified and disclosed to you in the SEFA and SSFA, expenditures made during the audit period for all government programs and related activities provided by federal and state agencies in the form of federal and state awards, grants, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- (c) We acknowledge our responsibility for the preparation of the SEFA and SSFA and related notes in accordance with the requirements of the Uniform Guidance and State Audit Guide, and we believe the SEFA and SSFA, including its form and content, is fairly presented in accordance with the Uniform Guidance and State Audit Guide. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA and SSFA.
- (d) We have notified you of federal awards and funding increments that were received for awards received before December 26, 2014, and differentiated those awards from awards received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- (e) We will include the auditor's report on the SEFA and SSFA in any document that contains the SEFA and SSFA and that indicates you have reported on such information.
- (f) If the SEFA or SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA or SSFA no later than the date we issue the SEFA or SSFA and the auditor's report thereon.
- (g) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal and state program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and

conditions that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, subsequent to the date of the auditor's report as of which compliance was audited, no changes have occurred in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and material weaknesses in internal control over compliance as reported in the schedule of findings and questioned costs.

- (i) We have made available to you all federal and state award contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program and related activities that have taken place with federal and state agencies or pass-through entities.
- (j) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- (k) We have complied, in all material respects, with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement* and State Audit Guide, relating to federal and state awards and have confirmed that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal and state awards. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- (l) We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- (m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, and State Audit Guide.
- (n) We have disclosed to you our interpretations of compliance requirements that are subject to varying interpretations, if any.
- (o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- (p) We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- (q) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic

financial statements have been prepared, and are prepared on a basis consistent with the SEFA and SSFA.

- (r) The copies of federal and state program financial reports provided to you are true copies of the reports submitted or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
 - (s) We have charged costs to federal and state awards in accordance with applicable cost principles.
 - (t) We are responsible for, and have accurately completed, the appropriate sections of the Data Collection Form as required by the Uniform Guidance. The final version of the applicable audit reporting package, which includes your signed auditor's reports, that we will submit to the Federal Audit Clearinghouse (FAC) will be identical to the final version of such documents that you provided to us.
 - (u) We have identified and disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, internal or external monitoring, and other studies directly related to the audit objectives of the compliance audit, including findings received and corrective actions taken from the end of the audit period covered by the compliance audit report to the date of the auditor's report.
 - (v) We have provided views on your reported findings, conclusions, and recommendations. We are responsible for taking corrective action on audit findings and we are responsible for preparing and implementing a corrective action plan for each audit finding that meets the requirements of the Uniform Guidance and State Audit Guide.
 - (w) We are responsible for, and have accurately prepared, the summary schedule of prior audit findings required to be included by the Uniform Guidance and State Audit Guide, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - (x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
 - (y) We have documented, and provided this documentation to you, that we have deferred implementation of the Uniform Guidance procurement policies and procedures as permitted under the Uniform Guidance grace period for procurement. We are in compliance with the pre-Uniform Guidance procurement standards.
- (26) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.

- If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
- We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
- We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
- If the electronic financial statements are generally made available to the public on our web site, we will include a notification to the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Very truly yours,



Elke Doom, City Manager



Brian Carlson, Finance Director

City of Valdez, Alaska
Schedule of Corrected Misstatements
As of and for the Year Ending December 31, 2017

Number	Name	Account No	Debit	Credit
AJE 1	Claims Payable	210-0000-20400		(507,215.00)
	Claim Costs	210-2100-42100	507,215.00	
	Adjust self insurance IBNR liability to reflect known claims incurred in FY 17 and paid subsequent to year-end and record estimate of additional incurred but not reported claims			
AJE 2	Other Services & Sales	210-0000-34160		(741,714.00)
	Claim Costs	210-2100-42100	741,714.00	
	True up Self Insurance Fund revenues and expense to equal actual contributions received and claims payments made			
AJE 3	AR Reimbursable Pmts made	205-0000-11500	309,252.00	
	Interest	205-2050-47120		(309,252.00)
	Adjust interest expense for erroneous interest payment made on partially-defeased GO 2012 bonds and record receivable for refund due City from paying agent BNY Mellon			
AJE 4	AR Reimbursable Pmts made	205-0000-11500		(177,525.00)
	Harbor Debt Repayment	205-0000-33582	177,525.00	
	Reduce Harbor Bond debt reimbursement revenue to equal actual debt service expenditures incurred and eligible for reimbursement (as a result, reduce amount reported on State Schedule of Financial Assistance for Harbor Debt Retirement Program)			
AJE 5	AR Reimbursable Pmts made	205-0000-11500	9,030.00	
	School Debt Repayment	205-0000-33580		(107.00)
	Mid-School Bond Repayment	205-0000-33581		(8,923.00)
	Adjust School debt reimbursement revenue and accounts receivable for amounts earned but not received, pending 1% close out at YE			
AJE 6	General Fund - Due from CT	001-0000-10100	19,323.06	
	Interest Income	001-0000-36110		(19,323.06)
	Due to Other Funds	999-0000-10100		(19,323.06)
	Investment Pool	999-0000-10120	19,323.06	
	True up investments to agree to broker statement			

City of Valdez, Alaska
Schedule of Corrected Misstatements
As of and for the Year Ending December 31, 2017

Number	Name	Account No	Debit	Credit
AJE 7	Unavailable Community Assistance Funds	001-0000-22761		(174,372.00)
	State Revenue Sharing Program	001-0000-33550	174,372.00	
	To reduce revenue in the General Fund associated with Community Assistance Program funds that were not received soon enough after year-end to be considered "available" and recognized as revenue under the modified accrual basis of accounting			
AJE 8	Deferred Revenue	310-0000-22210		(2,896.61)
AJE 8	Homestead Road Special Assmnts	310-1042-34138	2,896.61	
	To adjust deferred inflows of resources related to special assessments to equal assessment AR at 12/31/17; reduce assessment revenue for amounts not considered available			
AJE 9	Deferred Revenue Taxes	001-0000-22208	32,015.05	
	Real Property Taxes - Current	001-0000-31100		(32,015.05)
	To adjust deferred inflows of resources and property tax revenue at the fund level for tax AR not considered available			
AJE 10	Deferred Outflows of Resources			(2,405,658.00)
	Deferred Inflows of Resources			(985,689.00)
	Net Pension Liability		3,262,244.00	
	On-behalf Revenue			(53,275.00)
	Pension Expense		182,378.00	
	To record FY 17 GASB 68 adjustments given most recent PERS Schedule of Employer and Nonemployer Allocations and Schedule of Pension Amounts by Employer and Nonemployer Reports			
RJE 1	Accounts Receivable	402-0000-11500	89,122.88	
	Deferred Revenue	402-0000-22210		(89,122.88)
	Reclassify prepaid moorage balances that were incorrectly recorded as credits against accounts receivable. This entry properly states AR and unearned revenue at the gross level			

City of Valdez, Alaska
Schedule of Uncorrected Misstatements
As of and for the Year Ending December 31, 2017

Number	Name	Debit	Credit
PAJE 1	Governmental Activities Expense - Prior Year	2,663,272.00	
	Governmental Activities Expense - Current Year		(2,663,272.00)

To properly record construction costs,
erroneously recorded as construction in progress
in prior fiscal years and as expense in the 2017
governmental statement of activities, as prior
period expenses



City of Valdez, Alaska

Basic Financial Statements, Required
Supplementary Information, and
Supplementary Information
Year Ended December 31, 2017

City of Valdez, Alaska

Basic Financial Statements, Required Supplementary Information,
and Supplementary Information
Year Ended December 31, 2017

City of Valdez, Alaska

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City of Valdez, Alaska

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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Valdez, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez, Alaska, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Valdez's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Valdez City Schools, a discretely presented component unit. We did not audit the financial statements of Providence Valdez Medical Center Special Revenue Fund, which is a major fund and represents 2.00 percent, 1.57 percent, and 15.49 percent, respectively, of the assets, net position/fund balance, and revenues of the Governmental Activities. We did not audit the financial statements of Providence Valdez Counseling Center Special Revenue Fund, which is a nonmajor fund and represents 2.97 percent, 2.37 percent, and 5.76 percent, respectively, of the assets, net position/fund balance, and revenues of the Aggregate Remaining Fund Information; and 0.10 percent, 0.08 percent, and 0.69 percent, respectively, of the assets, net position/fund balance, and revenues of the Governmental Activities. We did not audit the financial statements of Valdez Museum & Historical Archive Association, Inc., a nonmajor fund, which represents 1.04 percent, 0.87 percent, and 1.86 percent, respectively, of the assets, net position/fund balance, and revenues of the Aggregate Remaining Fund Information; and 0.04 percent, 0.03 percent, and 0.22 percent, respectively, of the assets, net position/fund balance, and revenues of the Governmental Activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for City of Valdez, Alaska, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Providence Valdez Medical Center, Providence Valdez Counseling Center, and Valdez Museum & Historical Archive Association, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez, Alaska, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 19 to the financial statements, in 2017 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-14, the budgetary comparison information on pages 62-63, and the Schedules of Net Pension Liability and Pension Contributions on pages 64-65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Valdez's basic financial statements. The accompanying combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining financial statements listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the accompanying combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, on our consideration of City of Valdez's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Valdez's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
September 13, 2018

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Management's Discussion and Analysis

City of Valdez, Alaska

Management's Discussion and Analysis

The management of the City of Valdez offers readers of the City's financial statements this discussion and analysis of the financial activities of the City of Valdez for the fiscal year ending December 31, 2017.

Financial Highlights

- The assets and deferred outflow of resources of the City of Valdez exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$590,885,591. Of this amount, \$157,670,653 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$25,669,497 for the current fiscal year, after considering the change in net position due to the implementation of GASB 80.
- The City's governmental funds reported combined ending fund balances of \$381,005,352, a net increase of \$21,813,570.
- The unassigned fund balance for the General Fund was \$66,545,319, or 168 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three main components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements and additional supplemental information. The discussion section is designed to be a narrative overview of these three main components and following is an analysis of both the government-wide and fund financial statements.

Government-wide Financial Statements Discussion

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the City, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Valdez is improving or declining.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Valdez that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Valdez include general government, public safety, public works, public services, economic development, port, harbor, utility, airport, museum, education, hospital and health care. The City of Valdez currently has no business-type activities.

City of Valdez, Alaska

Management's Discussion and Analysis

The government-wide financial statements include the City of Valdez itself (known as the primary government), as well as one legally separate component unit of the City (Valdez Public Schools). Financial information for this component unit is reported separately from the financial information presented for the primary government itself. In addition, the City owns a museum, hospital and counseling center. These entities are reported as blended component units. All four entities prepare separately issued financial statements which are available by contacting the respective organizations. (See Note 1 to the financial statements.)

Fund Financial Statements Discussion

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Valdez, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Valdez can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions as reported in the government-wide financial statements as governmental activities. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of unreserved resources as well as the balances of unreserved resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term liquidity and financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Valdez maintains thirteen individual governmental funds. Four of these funds are considered major funds in 2017 and include the General Fund, the Permanent Fund, the Providence Valdez Medical Center (PVMC) Special Revenue Fund and the General City Capital Project Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these four major funds. Data from the other non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is available upon request.

The City of Valdez adopts an annual appropriated budget for its General Fund and its other governmental funds. Budgetary comparison statements have been provided as required supplementary information for the General Fund and the PVMC Special Revenue Fund to demonstrate compliance with this budget.

City of Valdez, Alaska

Management's Discussion and Analysis

Proprietary funds - There are two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Valdez currently has no enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund for its employee benefit self-insured health plan. Because this service benefits governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements. The City does not adopt an annual appropriated budget for the employee benefit self-insured health plan internal service fund due to the utilization and claim volatility. The City limits its exposure to excessive claims expense through the use of stop loss reinsurance. The Valdez City School District also participates in the health plan.

Fiduciary funds - This category of fund is to account for those assets that are held in trust and so do not support the government's other activities. The City does not currently report any fiduciary funds.

Notes and Other Information Discussion

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Statements Analysis

Statement of Net Position

As noted earlier, the trend of net position changes may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$590,885,591 at the close of 2017. Historically, the largest portion of the net position of the City have been from capital assets, yet in recent years the total restricted and unreserved balances have become a larger percentage of the net position of the City. This is primarily a result of growth of the Valdez Permanent Fund.

The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. The net investment in capital assets of the City reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that remains outstanding, adjusted for debt issued but not yet spent (e.g. unspent bond proceeds). Although the City's investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The following reflects the condensed statement of net position for 2017 and 2016.

City of Valdez, Alaska

Management's Discussion and Analysis

	Governmental Activities	
	2017	2016
Current and other assets	\$ 392,584,606	\$ 370,353,153
Long-term	245,004,037	243,071,502
Total assets	637,588,643	613,424,655
Deferred outflows of resources	1,067,845	3,473,503
Total Assets And Deferred Outflows Of Resources	\$ 638,656,488	\$ 616,898,158
Current liabilities	\$ 9,094,725	\$ 10,248,662
Long-term	37,469,193	41,444,199
Total liabilities	46,563,918	51,692,861
Deferred inflows of resources	1,206,979	222,194
Total liabilities and deferred inflows of resources	47,770,897	51,915,055
Net position:		
Net investment in capital assets	225,609,057	221,805,299
Restricted	207,605,881	185,377,873
Unrestricted	157,670,653	157,799,931
Total net position	590,885,591	564,983,103
Total Liabilities, Deferred Inflows of Resources And Net Position	\$ 638,656,488	\$ 616,898,158

Of the \$590,885,591 total net position; \$225,609,057 (38 percent) is invested in capital assets; \$207,605,881 (35 percent) is restricted and mostly comprised of investments in the Permanent Fund; the remaining balance of 157,670,653 (27 percent) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

City of Valdez, Alaska

Management's Discussion and Analysis

Statement of Activities

The following condensed table of changes in net position displays the revenues and expenses for 2017 and 2016.

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 22,662,778	\$ 21,622,378
Operating grants and contributions	3,092,469	3,198,499
Capital grants and contributions	1,531,049	963,249
General revenues:		
Property and hotel taxes	44,296,424	44,125,898
Payment in lieu of taxes	741,041	732,147
Grants and entitlements not restricted to a specific purpose	243,909	1,733,382
Investment income	26,787,570	14,008,277
TAPS litigation settlement, net	-	7,281,209
Other	132,072	603,333
Total revenues	99,487,312	94,268,372
Expenses:		
General government	7,735,336	17,606,201
Public safety	5,565,509	6,661,312
Public works	12,386,063	4,675,892
Public service	5,539,009	5,946,019
Economic development	1,023,331	1,202,592
Port	3,092,471	2,356,709
Harbor	2,026,792	1,911,548
Utility	2,221,900	1,881,457
Airport	472,246	332,413
Museum	668,314	455,000
Education	16,352,814	15,868,253
Hospital and health care	15,000,334	15,009,695
Interest on long-term debt	1,733,696	2,184,646
Total expenses	73,817,815	76,091,737
Change in net position	25,669,497	18,176,635
Net Position, beginning of year, as restated	565,216,094	546,806,468
Net Position, end of year	\$ 590,885,591	\$ 564,983,103

City of Valdez, Alaska

Management's Discussion and Analysis

Governmental activities increased the net position of the City of Valdez by \$25,669,497 in fiscal year 2017. This year's increase is higher than the prior year increase of \$18,176,635. Key elements of this decrease are:

- \$12.8 million increase in investment income, which is concentrated primarily in the Permanent Fund, and reflects capital market trends.
- \$0.6 million increase in other capital grants and contributions.
- \$0.2 million increase in property taxes.

Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the governmental funds of the City of Valdez is to provide information on near term inflows, outflows, and remaining balances at year end. Unassigned resources are those resources available for spending at the end of the fiscal year. Such information is useful in assessing the financing requirements of the City of Valdez. In particular, unassigned fund balance may serve as a useful measure of a government's ability to meet the expenditures of the current period.

As of the end of the 2017 fiscal year, the governmental funds of the City reported combined ending fund balances of \$381,005,352 a combined net increase of \$21,813,570 in comparison to the beginning of the year. \$66,545,319 or 17 percent of this total amount constitutes unassigned fund balance. The unassigned fund balance constitutes monies that can be designated by the City Council for further expenditures. The remainder of fund balance is restricted, nonspendable, committed, or assigned to indicate that it is not available for new spending because it has already been dedicated to some other purpose: liquidate contracts of the prior period; pay debt service; generate income for the growth of the Permanent Fund; provide working capital; or for a variety of other purposes.

A summary of governmental funds and fund balances follows:

	Total Fund Balance
General	\$ 97,687,580
Permanent	205,372,079
PVMC	9,255,851
General City Capital Project Fund	51,176,220
Other funds	17,513,622
	<hr/>
	\$ 381,005,352

The General Fund is the main operating fund of the City of Valdez. At the end of the 2017 fiscal year, unassigned fund balance of the General Fund was \$66,545,319 while total fund balance was \$97,687,580. As a measure of the General Fund's liquidity, it may be useful to compare the sum of unassigned fund balance to total expenditures. This sum represents 168 percent of total General Fund expenditures, and 115 percent of the General Fund expenditures plus operating transfers out.

City of Valdez, Alaska

Management's Discussion and Analysis

The City's General Fund's fund balance decreased by \$4,911,677 during the 2017 fiscal year. The General Fund transferred \$18,120,881 out to fund capital projects, operating subsidies and debt service in other funds.

The Providence Valdez Medical Center Special Revenue Fund had a total fund balance of \$9,255,851. This was a decrease of \$832,303 as a result of increased other financing uses from the previous year.

The Permanent Fund had a total fund balance of \$205,372,079, all of which is reported as restricted investments in accordance with the City Charter. The fund balance increased by \$22,633,446. Pursuant to City Code, the City appropriated 1.5% of the beginning fund balance, or \$2,600,000, for general government operations. Investment income for the year was \$25,459,262. The increase in earnings mirrors the year-over-year performance of broader capital market indices.

The General City Capital Project Fund's fund balance increased by \$6,966,323, due to transfers in from other funds exceeding total expenditures.

General Fund Budgetary Highlights

The net change from the original budget and final amended budget represented a \$459,479 increase in revenues and an increase of \$35,111,662 in expenditures, including funds carried forward from the prior year. Net other financing sources and uses increased by \$48,208,152. Budget changes were done throughout the year by council resolution and can be briefly summarized as follows:

- \$35,111,662 increase in total expenditures due to budgeted capital expenditures
- \$3,138,360 increase in general government expenditures.
- \$12,399,664 increase to public works.
- \$17,987,973 increase in capital outlay.

City of Valdez, Alaska

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital assets - The investment in capital assets for the City of Valdez governmental activities as of December 31, 2017 amounts to \$244,941,191 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, equipment, construction work-in-progress, sewer and water treatment facilities and roads. The total net increase in the City's investments in capital assets for the current fiscal year was \$1,798,188.

Major capital asset events for the 2017 fiscal year included the following:

- Ongoing port and harbor improvement
- High School HVAC replacement
- Sewer improvements
- Flood mitigation
- Road construction and beautification

The following table displays the capital assets (net of depreciation) for the current year.

	Governmental Activities	
	2017	2016
Land	\$ 16,083,570	\$ 15,923,570
Buildings	97,261,915	99,413,339
Improvements other than buildings	74,314,072	66,741,157
Equipment	12,354,938	11,404,313
Construction in progress	44,926,696	49,660,624
	\$ 244,941,191	\$ 243,143,003

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-term debt - At the end of the 2017 fiscal year, the City of Valdez had ending bonded debt principal outstanding of \$18,670,000, plus unamortized bond premiums of \$2,013,466. At the end of the 2017 fiscal year the City had ending Alaska Clean Water loan payable principal outstanding of \$572,464. In addition in 2017 the city recognizes a liability of \$1,309,979 for accrued leave and \$13,803,406 for its share of the statewide PERS net pension liability.

Additional information on the City's long-term debt can be found in Note 6 to the financial statements.

City of Valdez, Alaska

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

- According to the Alaska Department of Labor and Workforce Development, the Unemployment rate for the Valdez-Cordova census region is 8.0 percent, which is a 0.2 percent decrease from 2017, and higher than the statewide rate of 7.0 percent.
- In March of 2016, the State of Alaska, the TAPS owners, and the impacted taxing jurisdictions along the TAPS route agreed to a five-year fixed TAPS value, through 2020, of \$8 billion. The parties also agreed to a revised allocation of value among the taxing jurisdictions resulting in Valdez tax revenues reflecting an equivalent \$8.5 billion valuation.

These factors were considered in preparing and revising the City's budget for the 2018 year.

Requests for Information

This financial report is designed to provide a general overview of the finances of the City of Valdez for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Valdez Finance Director, PO Box 307, Valdez, Alaska, 99686.

Basic Financial Statements

City of Valdez, Alaska
Statement of Net Position (Deficit)

	Primary Government	Component Unit
	Governmental Activities	Valdez City Schools
<i>December 31, 2017</i>		
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 382,956,641	\$ 3,874,672
Receivables, net of allowance for uncollectible accounts:		
Property taxes	582,782	-
Grants and shared revenues	1,475,510	168,268
Accounts	3,791,167	-
Assessments	4,869	-
Accrued interest	725,248	-
Inventory	23,736	27,777
Prepaid items	302,226	-
Other current assets	599,000	-
Restricted cash and investments:		
Unspent bond proceeds	1,923,796	-
Debt reserve accounts	199,631	-
Total Current Assets	392,584,606	4,070,717
Noncurrent Assets		
Assessments	62,846	-
Capital assets not being depreciated	61,010,266	-
Depreciable capital assets, net of accumulated depreciation	183,930,925	242,210
Total Noncurrent Assets	245,004,037	242,210
Total Assets	637,588,643	4,312,927
Deferred Outflows of Resources - pension related	1,067,845	2,835,365
Total Assets and Deferred Outflows of Resources	\$ 638,656,488	\$ 7,148,292

City of Valdez, Alaska
Statement of Net Position (Deficit), continued

	Primary Government	Component Unit
	Governmental Activities	Valdez City Schools
<i>December 31, 2017</i>		
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,853,688	\$ -
Accrued payroll liabilities	1,397,468	852,212
Health claims payable	839,531	-
Customer deposits	26,702	-
Other	17,000	-
Unearned revenue	229,133	7,079
Due to student groups	-	327,460
Accrued interest payable	39,939	-
Due within one year:		
Accrued leave	750,000	-
Bonds payable	915,000	-
Loans payable	26,264	-
Total Current Liabilities	9,094,725	1,186,751
Long-term Liabilities		
Accrued leave	559,979	-
Bonds payable, including unamortized premium (\$2,013,466)	19,768,466	-
Loans payable	546,200	-
Landfill closure and post-closure monitoring costs	2,791,142	-
Net pension liability	13,803,406	11,519,213
Total Long-term Liabilities	37,469,193	11,519,213
Total Liabilities	46,563,918	12,705,964
Deferred Inflows of Resources		
Pension related	1,175,915	139,171
Prepaid taxes	31,064	-
Total Deferred Inflows of Resources	1,206,979	139,171
Total Liabilities and Deferred Inflows of Resources	47,770,897	12,845,135
Net Position		
Net investment in capital assets	225,609,057	242,210
Restricted:		
Permanent fund	205,372,079	-
Capital projects	1,923,796	-
Debt service	199,631	-
Capital acquisitions	77,000	-
Projects and displays	33,375	-
Unrestricted (deficit)	157,670,653	(5,939,053)
Total Net Position (Deficit)	590,885,591	(5,696,843)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	\$ 638,656,488	\$ 7,148,292

See accompanying notes to the financial statements.

City of Valdez, Alaska
Statement of Activities

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)	
					Primary Government	Component Unit
		Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Govern- mental Activities	Valdez City Schools
<i>Year Ended December 31, 2017</i>	Expenses					
Primary Government						
General government	\$ 7,735,336	\$ 335,445	\$ 123,633	\$ -	\$ (7,276,258)	\$ -
Public safety	5,565,509	53,437	510,884	-	(5,001,188)	-
Public works	12,386,063	212,001	74,978	1,060,796	(11,038,288)	-
Public services	5,539,009	308,545	71,951	26,804	(5,131,709)	-
Economic development	1,023,331	-	-	-	(1,023,331)	-
Port	3,092,471	813,360	8,716	-	(2,270,395)	-
Harbor	2,026,792	743,418	468,714	443,449	(371,211)	-
Utility	2,221,900	1,085,167	14,794	-	(1,121,939)	-
Airport	472,246	126,053	-	-	(346,193)	-
Museum	668,314	215,004	-	-	(453,310)	-
Education	16,352,814	3,046,568	1,437,799	-	(11,868,447)	-
Hospital and healthcare	15,000,334	15,723,780	381,000	-	1,104,446	-
Unallocated interest	1,733,696	-	-	-	(1,733,696)	-
Total Primary Government	\$ 73,817,815	\$ 22,662,778	\$ 3,092,469	\$ 1,531,049	(46,531,519)	-
Component Unit - School District	\$ 19,696,503	\$ 105,260	\$ 3,677,782	\$ 125,000	-	(15,788,461)
General Revenues						
Taxes					44,296,424	-
Payments in lieu of taxes					741,041	-
Contributions from primary government					-	8,646,776
Grants and entitlements not restricted to a specific purpose					243,909	4,676,780
Investment income					26,787,570	11,092
Other					132,072	156,729
Total General Revenues					72,201,016	13,491,377
Change in Net Position (Deficit)					25,669,497	(2,297,084)
Net Position (Deficit) beginning of year, as restated					565,216,094	(3,399,759)
Net Position (Deficit) end of year					\$ 590,885,591	\$ (5,696,843)

See accompanying notes to the financial statements.

City of Valdez, Alaska
Balance Sheet - Governmental Funds

	Major Funds						Total Governmental Funds
	General Fund	Permanent Fund	Providence Valdez Medical Center Special Revenue Fund	General City Capital Project Fund	Nonmajor Funds		
<i>December 31, 2017</i>							
Assets							
Cash and investments	\$ 98,826,929	\$ 205,252,503	\$ 9,104,000	\$ 49,689,286	\$ 16,481,922	\$	379,354,640
Receivables, net:							
Property taxes	582,782	-	-	-	-		582,782
Assessments	3,989	-	-	63,726	-		67,715
Grants and shared revenues	178,305	-	-	422,652	874,553		1,475,510
Accounts	381,209	2	3,158,000	-	251,956		3,791,167
Accrued interest	234,118	191,505	-	214,195	73,415		713,233
Prepaid items	216,279	-	-	-	85,947		302,226
Inventory	-	-	-	-	23,736		23,736
Other	-	-	462,000	-	137,000		599,000
Restricted cash and investments:							
Unspent bond proceeds	-	-	-	1,923,796	-		1,923,796
Debt reserve accounts	-	-	-	-	199,631		199,631
Total Assets	\$ 100,423,611	\$ 205,444,010	\$ 12,724,000	\$ 52,313,655	\$ 18,128,160	\$	389,033,436
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 1,239,827	\$ 71,931	\$ 696,000	\$ 1,073,709	\$ 238,221	\$	3,319,688
Accrued payroll liabilities	710,674	-	647,000	-	39,794		1,397,468
Payable to Providence Health & Services	-	-	1,441,000	-	93,000		1,534,000
Customer deposits	10,752	-	-	-	15,950		26,702
Unearned revenue	31,031	-	-	-	198,102		229,133
Other	1,000	-	16,000	-	-		17,000
Total Liabilities	1,993,284	71,931	2,800,000	1,073,709	585,067		6,523,991
Deferred Inflows of Resources							
Prepaid taxes	31,064	-	-	-	-		31,064
Unavailable revenues:							
Patient service revenue	-	-	668,149	-	29,471		697,620
Intergovernmental revenue	174,372	-	-	-	-		174,372
Deferred taxes and assessments	537,311	-	-	63,726	-		601,037
Total Deferred Inflows of Resources	742,747	-	668,149	63,726	29,471		1,504,093
Fund Balances							
Nonspendable	216,279	-	-	-	109,683		325,962
Restricted	-	205,372,079	77,000	1,923,796	233,006		207,605,881
Committed	1,640,030	-	-	22,540,341	-		24,180,371
Assigned	29,285,952	-	9,178,851	26,712,083	17,170,933		82,347,819
Unassigned	66,545,319	-	-	-	-		66,545,319
Total Fund Balances	97,687,580	205,372,079	9,255,851	51,176,220	17,513,622		381,005,352
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 100,423,611	\$ 205,444,010	\$ 12,724,000	\$ 52,313,655	\$ 18,128,160	\$	389,033,436

See accompanying notes to the financial statements.

City of Valdez, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2017

Total fund balances for governmental funds		\$ 381,005,352
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and land improvements	\$ 16,083,570	
Buildings	126,322,110	
Improvements other than buildings	153,188,221	
Equipment	29,417,654	
Construction in progress	44,926,696	
Accumulated depreciation	<u>(124,997,060)</u>	
Total capital assets		244,941,191
Other noncurrent assets are not available to pay for current period expenditures and therefore are shown as deferred inflows of resources in the fund financial statements. These assets consist of:		
Intergovernmental revenue	174,372	
Patient accounts receivable	697,620	
Delinquent property tax receivables	533,322	
Special assessments not yet due	<u>67,715</u>	
Total noncurrent assets		1,473,029
An internal service fund is used by the City to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		2,774,485
Long-term liabilities, including bonds payable, related accrued interest, and accrued leave are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Bonds payable, including unamortized premium	(20,683,466)	
Accrued interest	(39,939)	
Loan payable	(572,464)	
Landfill closure costs	(2,791,142)	
Accrued leave	(1,309,979)	
Net pension liability	<u>(13,803,406)</u>	
Total long-term liabilities		(39,200,396)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	1,067,845	
Deferred inflows of resources related to pensions	<u>(1,175,915)</u>	
Total deferred pension items		<u>(108,070)</u>
Total Net Position of Governmental Activities		<u>\$ 590,885,591</u>

See accompanying notes to the financial statements.

City of Valdez, Alaska
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

	Major Funds						
			Providence Valdez Medical Center Special Revenue Fund	General City Capital Project Fund	Nonmajor Funds	Total Governmental Funds	
Year Ended December 31, 2017	General Fund	Permanent Fund					
Revenues							
Taxes and assessments	\$ 44,303,751	\$ -	\$ -	\$ 4,950	\$ -	\$ 44,308,701	
Licenses and permits	4,300	-	-	-	-	4,300	
Fines and forfeitures	13,630	-	-	6,788	8,979	29,397	
Charges for services	219,690	-	15,265,697	-	2,566,291	18,051,678	
Sales and leases	501,234	-	-	-	842,436	1,343,670	
Contributions and donations	96,812	-	-	-	-	96,812	
Investment income	803,467	25,459,262	-	236,149	260,686	26,759,564	
Other	84,569	22,431	143,000	-	124,503	374,503	
Intergovernmental:							
State of Alaska	913,054	-	-	470,253	2,235,518	3,618,825	
Federal sources	778,760	-	-	971,564	-	1,750,324	
Total Revenues	47,719,267	25,481,693	15,408,697	1,689,704	6,038,413	96,337,774	
Expenditures							
Current:							
General government	7,209,067	248,247	-	-	-	7,457,314	
Public safety	4,958,499	-	-	-	-	4,958,499	
Public works	6,450,500	-	-	-	-	6,450,500	
Public services	4,583,678	-	-	-	-	4,583,678	
Economic development	1,087,703	-	-	-	-	1,087,703	
Port	-	-	-	-	798,891	798,891	
Harbor	-	-	-	-	1,055,931	1,055,931	
Utility	-	-	-	-	1,289,665	1,289,665	
Airport	-	-	-	-	245,949	245,949	
Education	11,356,974	-	-	-	-	11,356,974	
Hospital and healthcare	20,000	-	13,906,000	-	861,522	14,787,522	
Museum	-	-	-	-	633,082	633,082	
Debt service:							
Principal	-	-	-	-	2,220,876	2,220,876	
Interest	-	-	-	-	1,888,354	1,888,354	
Capital outlay	3,907,346	-	-	11,891,152	-	15,798,498	
Total Expenditures	39,573,767	248,247	13,906,000	11,891,152	8,994,270	74,613,436	
Excess of Revenues Over (Under) Expenditures	8,145,500	25,233,446	1,502,697	(10,201,448)	(2,955,857)	21,724,338	
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	89,232	-	-	-	-	89,232	
Transfers in	4,974,472	-	-	17,884,193	1,786,688	24,645,353	
Transfers out	(18,120,881)	(2,600,000)	(2,335,000)	(716,422)	(873,050)	(24,645,353)	
Net Other Financing Sources (Uses)	(13,057,177)	(2,600,000)	(2,335,000)	17,167,771	913,638	89,232	
Net Change in Fund Balances	(4,911,677)	22,633,446	(832,303)	6,966,323	(2,042,219)	21,813,570	
Fund Balances, beginning of year, as restated	102,599,257	182,738,633	10,088,154	44,209,897	19,555,841	359,191,782	
Fund Balances, end of year	\$ 97,687,580	\$ 205,372,079	\$ 9,255,851	\$ 51,176,220	\$ 17,513,622	\$ 381,005,352	

See accompanying notes to the financial statements.

City of Valdez, Alaska
Reconciliation of Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 21,813,570

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 9,924,331	
Depreciation	(8,126,143)	
		1,798,188

Governmental funds only report the revenues for sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. This is the net effect of transactions involving capital assets.

Cost of assets sold	(796,448)	
Accumulated depreciation of assets sold	796,448	

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of change in unavailable revenues.

(45,112)

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds do not report the accrual of interest expense on debt when it is not payable from currently available resources.

Principal payments	2,220,876	
Decrease in accrued interest	42,799	
Decrease in unamortized bond premium	111,859	
		2,375,534

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in landfill closure and post-closure costs payable	(433,943)	
Decrease in long-term accrued leave payable	110,848	
Increase in net pension liability and related deferred inflows and outflows	(129,103)	
		(452,198)

An internal service fund is used by management to charge the cost of health insurance to individual funds and component units. The change in net position of these activities is reported within the governmental activities.

179,515

Change in Net Position of Governmental Activities

\$ 25,669,497

See accompanying notes to the financial statements.

City of Valdez, Alaska
Health Insurance Internal Service Fund
Statement of Net Position

December 31, 2017

Assets

Cash and investments	\$ 3,602,001
Accounts receivable - accrued interest	12,015

Total Assets	\$ 3,614,016
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Liabilities and Net Position

Current Liabilities

Claims payable	\$ 839,531
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Net Position

Unrestricted	2,774,485
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Total Liabilities and Net Position	\$ 3,614,016
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See accompanying notes to the financial statements.

City of Valdez, Alaska

Health Insurance Internal Service Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2017

Operating Revenues

Charges for services	\$ 5,834,812
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Operating Expenses

Contractual services	1,500
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Insurance claims and administration	5,659,372
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Total Operating Expenses

5,660,872

Income from Operations

173,940

Nonoperating Revenues

Investment income	5,575
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Change in Net Position

179,515

Net Position, beginning of year

2,594,970

Net Position, end of year

\$ 2,774,485

See accompanying notes to the financial statements.

City of Valdez, Alaska
Health Insurance Internal Service Fund
Statement of Cash Flows

Year Ended December 31, 2017

Cash Flows from Operating Activities

Receipts from other funds and component unit	\$ 5,834,812
Payment to suppliers	(1,500)
Payment for insurance claims and administration	(5,152,157)

Net Cash Flows from Operating Activities	681,155
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Cash Flows from Investing Activities

Investment income received	1,649
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Net Increase in Cash and Cash Equivalents	682,804
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Cash and Cash Equivalents, beginning of year	2,919,197
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Cash and Cash Equivalents, end of year	\$ 3,602,001
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Reconciliation of Income from Operations to Net Cash

Flows from Operating Activities

Income from operations	\$ 173,940
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Increase in claims payable	507,215

Net Cash Flows from Operating Activities	\$ 681,155
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See accompanying notes to the financial statements.

City of Valdez, Alaska

Notes to Basic Financial Statements December 31, 2017

1. Summary of Significant Accounting Policies

The financial statements of the City of Valdez (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City of Valdez was incorporated on December 11, 1901. The City operates under a Council-Manager form of government and provides a full range of services including public safety, highways and streets, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City of Valdez (the primary government) and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Valdez City Schools is reported as discretely presented component unit and the Providence Valdez Medical Center, Providence Valdez Counseling Center, and Valdez Museum and Historical Archive Association, Inc., have been blended into the financial statements of the City as Special Revenue Funds.

Providence Valdez Medical Center and Counseling Center

The Medical Center and the Counseling Center are owned by the City, and as such, all risks and rewards from the operations remain with the City. The City Council acts as the government body but has contracted the Centers' operations to Providence Health and Services (Washington non-profit corporation). The Medical and Counseling Centers pay a management fee to Providence Health and Services. Complete special purpose financial statements can be obtained by contacting the Providence Valdez Hospital, P.O. Box 550, Valdez, AK 99686.

Valdez City Schools

Valdez City Schools is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters. However, the School District is fiscally dependent upon the City because the City Council approves the total annual budget of the School District, issues bonds to finance School District construction, levies the necessary taxes, and provides significant operating subsidies to the School District.

Valdez Museum and Historical Archive Association, Inc.

Pursuant to an agreement with the City, as of January 1, 1997, all accounting, operations and management of the Museum has been delegated to the Museum's Board of Directors. However, City Council appoints the Museum Board of Directors. In addition, the Museum is fiscally dependent upon the City because the City Council approves the annual budget, owns the Museum property and equipment and provides significant operating subsidies to the Museum.

City of Valdez, Alaska

Notes to Basic Financial Statements

Complete financial statements of the individual component units can be obtained from their respective administrative offices at the addresses below:

Valdez City Schools
PO Box 8
Valdez, Alaska 99686

Valdez Museum and Historical Archive Association, Inc.
PO Box 398
Valdez, Alaska 99686

The accounting policies of the City of Valdez conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant accounting policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties. The City currently operates only governmental type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements. The only proprietary fund reported by the City is an internal service fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Charges for services are recognized as revenues when earned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end, except for reimbursement-type grants, in which revenue is considered available if collected within 180 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

City of Valdez, Alaska

Notes to Basic Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Permanent Fund* is used to report investments that are held for the benefit of current and future Valdez citizens. 1.5% of the fund's market value (as calculated on the last day of the year), may be used to provide resources for capital improvements and operating expenses of the City as designated by the City Council. The remainder is restricted in perpetuity.

The *Providence Valdez Medical Center Special Revenue Fund* accounts for the operations of the Medical Center.

The *General City Capital Project Fund* accounts for the construction projects for the City.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to City departments and component units for services provided. Operating expenses for the Internal Service Fund include the costs of services, insurance claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary Fund

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments. The City's Internal Service Fund accounts are for the City and Valdez Public School's self-insured health insurance program.

City of Valdez, Alaska

Notes to Basic Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to November 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 20, the budget is legally enacted through passage of a resolution. If no Council action is taken, the City Manager's budget becomes the actual budget. Annual budgets are legally adopted for the General, most Special Revenue, Debt Service, and Capital Project Funds. A budget was not adopted for the Self Insurance Internal Service Fund.
4. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council. Expenditures may not legally exceed appropriations on the department level (Administration, Finance; etc.).
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Appropriations lapse at the end of the year except for capital expenditures, certain contractual appropriations and reserves.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all investments to be cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Investments

Investments are stated at fair value. Investments of all funds outside of the Permanent Fund are managed within the City's central treasury. These investments are managed under the General Investments, Investment Policy. A focus on minimizing credit and market risks, mitigating negative effects of inflation and simply identifying and matching the cash flow needs of the City's general and many special revenue funds is the goal.

City of Valdez, Alaska

Notes to Basic Financial Statements

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectible accounts. Receivables in excess of 180 days comprise the Providence Valdez Medical Center Special Revenue Fund and the Other Governmental Funds' accounts receivable allowance for uncollectible accounts.

Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflows of resources are the acquisition of Fund Balance/Net Position by the City that is applicable to a future reporting period. Deferred outflows of resources are the consumption of Fund Balance/Net Position by the City that is applicable to a future reporting period.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Property Taxes

The financial statements reflect the accrual of the 2017 tax levy; the property tax revenues include adjustments for collections of prior year levies as well as for amounts for the 2017 levy not considered to be available. The property tax receivable reported represents the uncollected amount of all prior levies.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments in August and October. The City bills and collects its own property taxes.

The City is permitted by its Code to levy taxes up to \$2.00 per \$100 of assessed valuation. However, the amount of taxes the City may levy is further limited by the Alaska Statutes which set forth a formula for determining the maximum tax levy against oil and gas production property. The tax rate for the current year ended on December 31, 2017 was \$2.00 per \$100 of assessed value.

Grants and Intergovernmental Revenues

In applying the measurable and available concept to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The classification of amounts recorded as subsidies, or advances is determined by the City Council.

City of Valdez, Alaska

Notes to Basic Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	10-100
Improvements other than buildings	3-100
Machinery and equipment	3-50

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave time benefits. All unused personal leave time benefits are paid upon severance. All personal leave time is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unearned Revenues

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met are recorded as unearned revenue.

Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed as incurred.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Valdez, Alaska

Notes to Basic Financial Statements

Fund Balance

In the fund financial statements, fund balance includes five classifications as follows:

Nonspendable Fund Balance - amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid items, supplies, and long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed Fund Balance - amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance - amounts intended to be used by the City for specific purposes. Intent can be expressed by the City Council or by the City Manager, Finance Director or designee. Such constraint is binding unless modified or eliminated by the City Council or City Manager/Finance Director. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.

Unassigned Fund Balance - amounts not contained in the other classifications and available for any purpose. Positive unassigned amounts will be reported only in the General Fund. If another governmental fund, other than the General Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The City Manager/Finance Director reports to the City Council as close to the end of the year as possible the anticipated year-end fund balance or deficit. The City Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

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City of Valdez, Alaska

Notes to Basic Financial Statements

Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

2. Cash and Investments

The City of Valdez utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet in each fund as "Cash and Investments." The City also maintains reserve accounts as required by bond covenants.

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2017.

	Book Balance	Bank Balance
Bank deposits and petty cash	\$ 14,202,461	\$ 14,420,728
Investments - restricted cash and investments	2,123,427	2,123,427
Total	\$ 16,325,888	\$ 16,544,155
Cash and investments	\$ 382,956,641	
Restricted cash and investments:		
Unspent bond proceeds	1,923,796	
Debt reserve accounts	199,631	
Total	\$ 385,080,068	

In the normal course of business, the City may issue general obligation bonds to fund various capital projects. At December 31, 2017, a total of \$199,631 is being held in an irrevocable trust account pledged for future bond payments and required reserves. This item is reported as restricted cash and investments.

City of Valdez, Alaska

Notes to Basic Financial Statements

Cash and investments are further categorized as follows:

	Bank Deposits and Petty Cash	Investments	Total
Unrestricted cash and investments	\$ 12,774,981	\$ 164,929,157	\$ 177,704,138
Restricted cash and investments	-	2,123,427	2,123,427
General cash and investments	12,774,981	167,052,584	179,827,565
Permanent fund	1,427,480	203,825,023	205,252,503
Total Cash and Investments	\$ 14,202,461	\$ 370,877,607	\$ 385,080,068

General Investments

Investment Policy

The investment policy for funds other than the Permanent Fund authorizes the City to invest in obligations of the United States or an agency or instrumentality of the United States; certificates of deposit issued by United States domestic banks which are members of the FDIC; corporate debt securities with a minimum of "MA"; highest rated commercial paper; bankers acceptances drawn on and accepted by banks with a combined capital and surplus aggregating at least \$200,000,000; fully secured shares of federally chartered savings and loan associations in Alaska; fully secured savings and loan associations in Alaska; fully secured deposits with mutual savings banks in Alaska; fully secured fixed-term certificates of indebtedness of federally insured credit unions in Alaska; repurchase agreements; and the Alaska Municipal League Investment Pool (AMLIP).

Interest Rate Risk

General investment balances and maturities at December 31, 2017 are as follows:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	1-5
Money market funds	\$ 603,667	\$ 603,667	\$ -
U.S. treasuries	103,815,989	7,215,280	96,600,709
U.S. agencies	43,283,753	3,983,040	39,300,713
Treasury inflation-protected notes	15,987	15,987	-
Corporate bonds	1,750,455	-	1,750,455
Local government investment pool (AMLIP)	17,582,733	17,582,733	-
Total General Investments	\$ 167,052,584	\$ 29,400,707	\$ 137,651,877

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Valdez, Alaska

Notes to Basic Financial Statements

The City has the following recurring fair value measurements as of December 31, 2017:

U.S. treasury securities of \$103,815,989 and U.S. treasury inflation-protected notes of \$15,987 are valued using quoted prices (Level 1 inputs).

U.S. agency securities of \$43,283,753 and corporate bonds of \$1,750,455 are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales (Level 2 inputs).

The City has investments in money market funds totaling \$603,667 that are not held at fair value, but instead recorded at amortized cost, as of December 31, 2017. The City's investment in AMLIP of \$17,582,733 is measured at net asset value, as of December 31, 2017. Management believes these values approximate fair value.

Credit Risk

Money market funds are subject to credit risk because of the repurchase and sale agreement features within the money market demand deposit cash accounts. Generally, U.S. agencies are considered free of credit risk because they are issued through, and backed by the full faith and taxing authority of the federal government.

The City's investments in U.S. treasury bonds, U.S. agency bonds, and U.S. treasury inflation-protected notes are rated AA+ by Standard and Poor's. Investments in corporate bonds were not rated by Standard & Poor's. The AMLIP local government pooled investments in the amount of \$17,582,733 represent 10.5% of the total general investments. The AMLIP is an external investment pool and is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value. Separately issued financial statements for AMLIP may be obtained by contacting the sponsor at 212 Second Street, Suite 200, Juneau, AK 99801. A portion of the general cash pool represents bond proceeds and is subject to arbitrage yield restrictions.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. As of December 31, 2017 the City did not have any investments in international debt obligations or equity mutual funds and was therefore not subject to Foreign Currency Risk.

Permanent Fund Investments

The Permanent Fund is reporting \$205,252,503 in cash and investments at December 31, 2017. Of this amount, \$1,427,480 is equity in the central treasury (cash and demand amounts). The remaining amount, \$203,825,023 is held in investment accounts as noted below.

Investment Policy

The investment policy for the Permanent Fund authorizes the City to invest in domestic fixed income, domestic equities, and international equities. In an attempt to inflation proof the Permanent Fund, the investment policy is revised in the first quarter of every fiscal year. For 2017, the target allocation was 40% fixed income, 29% domestic equity, 21% international equities, 0% treasury inflation protected securities, 10% real estate, and 0% cash and equivalents. A range of plus or minus 6% for the fixed income class, a range of plus or minus 4% for the domestic equity class, and a range of plus or minus 3% for the international equity and real estate classes are allowed to accommodate normal market fluctuations and prevent frequent rebalancing.

City of Valdez, Alaska

Notes to Basic Financial Statements

Interest Rate Risk

Because the City of Valdez Permanent Fund is designed to hold principal investments perpetually in trust for the future earnings to benefit the present and future generations of City residents, there are no maturity limitations in the policy. The policy focuses more on limiting interest rate risk by diversification in many investment types. A segmented time distribution of all investment types is presented below in an effort to disclose those investment types and amounts that are subject to interest rate risk.

Permanent Fund investment balances and maturities at December 31, 2017 are as follows:

Investment type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Money market funds	\$ 133,452	\$ -	\$ -	\$ -	\$ -
U.S. treasuries	10,991,291	1,898,627	5,034,959	2,961,875	1,095,830
U.S. agencies	3,981,974	1,012	154,915	106,028	3,720,019
Treasury inflation-protected notes	1,487,130	-	583,944	903,186	-
Municipal bonds	497,705	-	497,705	-	-
Corporate bonds	8,857,229	1,151,724	2,671,061	1,560,501	3,473,943
International bond funds	21,732,612	-	-	21,732,612	-
Private debt obligations	192,661	-	-	-	192,661
Mortgage/Asset-backed securities					
Domestic bond funds	26,231,911	-	-	26,231,911	-
Domestic equity funds	64,067,342				
International equity funds	46,778,296				
Real estate investment trusts	18,873,420				
Total Permanent Fund	\$ 203,825,023	\$ 3,051,363	\$ 8,942,584	\$ 53,496,113	\$ 8,482,453

As of December 31, 2017, an actual asset allocation to target allocation is presented below. All categories fell within the allowable range at December 31, 2017.

Investment Class	Actual \$	Actual vs. Target Allocation			
		% Actual	% Target	Difference	% out of Policy Range
Domestic equity funds	\$ 64,067,342	31.43%	29%	2.43%	na
International equity funds	46,778,296	22.95%	21%	1.95%	na
Fixed income	72,485,383	35.56%	40%	-4.44%	na
Treasury inflation-protected notes	1,487,130	0.73%	0%	0.73%	na
Real estate investment trusts	18,873,420	9.26%	10%	-0.74%	na
Money market funds	133,452	0.07%	0%	0.07%	na
Total	\$ 203,825,023	100.00%	100%	0.00%	na

City of Valdez, Alaska

Notes to Basic Financial Statements

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2017:

Investments are classified in the fair value hierarchy as follows:

<i>Investments by Fair Value Level</i>	Fair Value	Level 1	Level 2
U.S. treasuries	\$ 10,991,291	\$ 10,991,291	-
U.S. agencies	3,981,974	-	3,981,974
Treasury inflation-protected notes	1,487,130	1,487,130	-
Municipal bonds	497,705	-	497,705
Corporate bonds	8,857,229	-	8,857,229
International bond funds	21,732,612	21,732,612	-
Private debt obligations	192,661	-	192,661
Domestic bond funds	26,231,911	26,231,911	-
Domestic equity funds	64,067,342	64,067,342	-
International equity funds	46,778,296	46,778,296	-
Total Investments by Fair Value Level	\$ 184,818,151	\$ 171,288,582	\$ 13,529,569
<i>Investments Measured at the Net Asset Value Level (NAV) -</i>			
Real estate investment trusts	18,873,420		
<i>Investments Measured at Amortized Cost -</i>			
Money market funds	133,452		
Total Investments	\$ 203,825,023		

The Permanent Fund's investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified as Level 2 of the fair value hierarchy are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales.

The City has investments in money market funds totaling \$133,452 that are not held at fair value, but are instead recorded at amortized cost as of December 31, 2017.

The City has investments in real estate investment trusts totaling \$18,873,420 that are held at the net asset value. The net asset value is used as a practical expedient to estimate fair value. The net asset value is based on the fair value of the underlying investments held by the fund less its liability.

City of Valdez, Alaska

Notes to Basic Financial Statements

The following table summarizes investments in real estate funds measured at fair value based on NAV per share as of December 31, 2017:

2017	Fair Value	Unfunded Commitment	Redemption Frequency (if currently eligible)	Redemption Notice Period
Prime Property Fund	\$ 9,679,897	\$ -	Quarterly	60 days
Trumbull Property Fund	9,193,523	-	Quarterly	60 days
Total	\$ 18,873,420	\$ -		

Credit Risk

Investment Type	Fair Value	Credit Quality Ratings		
		Standard and Poor's		
		AAA to A-	BBB+ to BBB-	Not Rated
U.S. treasuries	\$ 10,991,291	\$ 10,991,291	\$ -	\$ -
U.S. agencies	3,981,974	3,981,974	-	-
Treasury inflation-protected notes	1,487,130	1,487,130	-	-
Municipal bonds	497,705	-	-	497,705
Corporate bonds	8,857,229	6,151,634	2,135,175	570,420
International bond funds	21,732,612	-	21,732,612	-
Private debt obligations	192,661	-	192,661	-
Domestic bond funds	26,231,911	26,231,911	-	-
Investments not subject to credit risk	129,852,510	-	-	-
Total Investments	\$ 203,825,023	\$ 48,843,940	\$ 24,060,448	\$ 1,068,125

The Permanent Fund policies specifically limit the types of investments that can be purchased in an effort to limit credit risk. The policies limit corporate and agency bonds to those investments rated by a nationally recognized statistical rating organization (NRSRO) and those rated Investment Grade or higher. Investment Grade is defined by Standard and Poor's (a NRSRO) as any investment rated BBB- or higher. Policy requires the City to be notified in writing within 30 days if any non-rated or below investment grade investment is in the fund. These investments must be sold within 6 months of the rating being downgraded below Investment Grade.

Cash and investments are subject to credit risk because of the repurchase and sale agreement features within the money market demand deposit cash accounts. Many U.S. agencies are considered free of credit risk because they are issued through, and backed by the full faith and taxing authority of the federal government. Of the total Permanent Fund, \$73,972,513 or 36% is considered subject to credit risk.

City of Valdez, Alaska

Notes to Basic Financial Statements

Concentration of Credit Risk

The Permanent Fund investment policy states the “no fixed income security shall exceed 5% of the market value of the portfolio, with the exception of U.S. government and agency securities”. As of December 31, 2017, no single issuer or security, with the exception of the U.S. Treasury Department and various U.S. governmental agencies, exceeded 5% of the Permanent Fund’s holdings. While not rated for credit default risk, the specific nature of the real estate investments in the amount of \$18,873,420 (9%) could be considered a concentration investment risk because it is comprised of 2 limited partnership unit-investments in private real estate investment trusts.

Foreign Currency Risk

As of December 31, 2017, a total of \$68,510,908 (34%) of the total fund value is invested in international debt obligations and equity mutual funds that are considered subject to Foreign Currency Risk. The mutual funds are highly diversified globally and in many different sectors.

3. Receivables, Deferred Inflows of Resources and Unearned Revenue

Receivables as of December 31, 2017 for the City’s individual major funds, nonmajor funds in the aggregate, and internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Permanent Fund	Providence Valdez Medical Center Special Revenue Fund	General City Capital Project Fund	Other Governmental and Internal Service Funds	Totals
Property taxes	\$ 582,782	\$ -	\$ -	\$ -	\$ -	\$ 582,782
Grants and shared revenues	178,305	-	-	422,652	874,553	1,475,510
Accounts and assessments	385,198	2	3,588,000	63,726	273,956	4,310,882
Accrued interest	234,118	191,505	-	214,195	85,430	725,248
Total receivables	1,380,403	191,507	3,588,000	700,573	1,233,939	7,094,422
Less allowance for uncollectible accounts	-	-	(430,000)	-	(22,000)	(452,000)
Net Receivables	\$ 1,380,403	\$ 191,507	\$ 3,158,000	\$ 700,573	\$ 1,211,939	\$ 6,642,422

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City of Valdez, Alaska

Notes to Basic Financial Statements

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenues in connection with resources that have been received, but not yet earned.

At December 31, 2017, the various components of *deferred inflows of resources and unearned revenues* reported in the governmental funds were as follows:

	Deferred Inflows of Resources	Unearned Revenue
Delinquent property taxes receivable (General Fund)	\$ 535,293	\$ -
Special assessments not yet due (General Fund)	2,018	-
Special assessments not yet due (General City Capital Project Fund)	63,726	-
Prepaid property taxes (General Fund)	31,064	-
Delinquent accounts receivable (Medical Center)	668,149	-
Delinquent accounts receivable (Counseling Center)	29,471	-
Delinquent intergovernmental receivable (General Fund)	174,372	-
Services paid in advance (General Fund and Harbor Fund)	-	193,806
Grant drawdowns prior to meeting all eligibility requirements (General Fund and Museum Fund)	-	35,327
Total Deferred Inflows of Resources and Unearned Revenues for Governmental Funds	\$ 1,504,093	\$ 229,133

4. Inter-Fund Transfers

Transfers between funds for the year ended December 31, 2017, consisted of the following:

Transfers

From General Fund to:	
General City Capital Project Fund for capital projects	\$ 16,334,193
Nonmajor governmental funds for operations	1,744,855
Nonmajor governmental funds for debt service	41,833
From Permanent Fund to General Fund for required contribution	2,600,000
From Providence Valdez Medical Center Special Revenue Fund to:	
General City Capital Project Fund for capital projects	1,550,000
General Fund for operations	785,000
From General City Capital Project Fund to General Fund for operations	716,422
From nonmajor governmental funds to General Fund for operations	873,050
Total Transfers to Other Funds	\$ 24,645,353

City of Valdez, Alaska

Notes to Basic Financial Statements

5. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

<i>Governmental Activities</i>	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,923,570	\$ 160,000	\$ -	\$ 16,083,570
Construction in progress	49,660,624	14,178,680	(18,912,608)	44,926,696
Total assets not being depreciated	65,584,194	14,338,680	(18,912,608)	61,010,266
<i>Capital assets being depreciated:</i>				
Buildings	126,039,165	282,945	-	126,322,110
Improvements other than buildings	141,591,518	11,596,703	-	153,188,221
Equipment	27,595,491	2,699,810	(877,647)	29,417,654
Total assets being depreciated	295,226,174	14,579,458	(877,647)	308,927,985
Less accumulated depreciation for:				
Buildings	26,625,826	2,434,369	-	29,060,195
Improvements other than buildings	74,850,361	4,023,788	-	78,874,149
Equipment	16,191,178	1,667,986	(796,448)	17,062,716
Total accumulated depreciation	117,667,365	8,126,143	(796,448)	124,997,060
Total capital assets being depreciated, net	177,558,809	6,453,315	(81,199)	183,930,925
Governmental Activities Capital Assets, net	\$ 243,143,003	\$ 20,791,995	\$ (18,993,807)	\$ 244,941,191

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City of Valdez, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions of the City as follows for the year ended December 31, 2017:

Governmental Activities

General government	\$ 42,038
Public safety	381,276
Public works	1,648,289
Public service	763,407
Economic development	6,061
Port	1,681,428
Harbor	779,012
Utility	626,308
Airport	172,764
Museum	52,498
Education	1,343,225
Hospital and health care	629,837

Total Depreciation Expense - Governmental Activities	\$ 8,126,143
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6. Long-term Debt

Debt Defeasance

In 2012, the City issued general obligation school bonds in the amount of \$33,865,000 for the construction of a new Middle School. In 2013, the City began a structured series of “economic defeasances” on a portion of these bonds. In 2013, the City deposited \$18,400,079 into an irrevocable trust for the purpose of making the required debt service payments in the later years. In 2014, the City paid in an additional \$7,651,808 to defease an additional amount. In 2015, the City made yet another payment into escrow in the amount of \$5,501,215.

In aggregate, the City paid in \$31,553,102 to defease a total of \$28,200,000 in outstanding principal plus the associated interest payments. The terms of the arrangement meet the recognition criteria as an in-substance defeasance; therefore both the bonds payable and the associated cash held in escrow have been removed from the City’s books, but will continue to be paid by the escrow agent. At December 31, 2017 the defeased bonds outstanding with the escrow agent was \$28,200,000.

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City of Valdez, Alaska

Notes to Basic Financial Statements

A summary of changes in long-term debt for the year ended December 31, 2017 follows:

<i>Governmental Activities</i>	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
General obligation bonds:					
\$1,645,000 2012 Series Two Harbor Bonds, due in annual installments of \$155,000 to \$195,000, plus semi-annual interest at 4.0% to 5.0% through September 2024	\$ 1,365,000	\$ -	\$ 145,000	\$ 1,220,000	\$ 155,000
\$1,095,000 2012 Series Two School Bonds, due in annual installments of \$105,000 to \$125,000, plus semi-annual interest at 2.0% to 5.0% through September 2024	905,000	-	100,000	805,000	105,000
\$33,865,000 Series 2012 School Bonds, plus interest of 4.0% retired June 2017	1,305,000	-	1,305,000	-	-
\$17,920,000 Series 2016 Harbor Bonds, due in annual installments of \$655,000 to \$1,340,000, plus semi- annual interest at 2.0% to 5.0% through June 2035	17,290,000	-	645,000	16,645,000	655,000
Unamortized premium on bonds	2,125,325	-	111,859	2,013,466	-
Clean Water Loan:					
\$598,340 Water Loan Payable, due in annual installments of \$34,851, including interest of 1.5%, through March 2036	598,340	-	25,876	572,464	26,264
Landfill closure and post-closure monitoring costs	2,357,199	433,943	-	2,791,142	-
Accrued leave	1,403,561	791,841	885,423	1,309,979	750,000
Net pension liability	17,065,650	-	3,262,244	13,803,406	-
Totals	\$ 44,415,075	\$ 1,225,784	\$ 6,480,402	\$ 39,160,457	\$ 1,691,264

City of Valdez, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity for the bonds follow:

<i>Year Ending December 31,</i>	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 915,000	\$ 841,800	\$ 1,756,800
2019	935,000	815,550	1,750,550
2020	955,000	785,400	1,740,400
2021	995,000	750,875	1,745,875
2022	1,030,000	714,200	1,744,200
2023-2027	4,755,000	2,848,850	7,603,850
2028-2032	5,255,000	1,639,875	6,894,875
2033-2035	3,830,000	293,500	4,123,500
	\$ 18,670,000	\$ 8,690,050	\$ 27,360,050

Debt service payments on the general obligation bonds are made by the Debt Service Fund. The accrued leave is primarily liquidated by the General Fund.

Annual debt service requirements to maturity for the Clean Water Loan follow:

<i>Year Ending December 31,</i>	Clean Water Loan		
	Principal	Interest	Total
2018	\$ 26,264	\$ 8,587	\$ 34,851
2019	26,658	8,193	34,851
2020	27,058	7,793	34,851
2021	27,464	7,387	34,851
2022	27,875	6,976	34,851
2023-2027	145,776	28,478	174,254
2028-2032	157,042	17,212	174,254
2033-2036	134,327	5,075	139,402
	\$ 572,464	\$ 89,701	\$ 662,165

Debt service payments on the Clean Water Loan are made by the Utility Fund or Debt Service Fund.

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City of Valdez, Alaska

Notes to Basic Financial Statements

7. Landfill Closure and Post-Closure Liability

The City operates two landfills. One is a regular landfill and the other is a construction waste pit. State and federal laws and regulations require the City to place final covers on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfills stop accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date. In 2016, the City revised the estimated closure and post-closure costs of the landfill and construction waste pit. The revised estimates for total closure and post closure monitoring costs were \$4,098,176 and \$1,221,476, respectively, for the regular landfill and construction waste pit. To date, the City estimates that the landfill and construction waste pit are 52% and 50% full, respectively, representing a currently reported long-term liability of \$2,169,411 and \$621,731, respectively.

The City will recognize the remaining estimated cost of closure and post closure care of \$2,528,510 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the landfill is estimated to be approximately 15 years. The remaining life of the construction pit is estimated to be approximately 52 years.

At December 31, 2017, the City has assigned fund balance of \$2,478,591 to fund the cost of closure and post-closure monitoring. No assets have been restricted for this purpose.

8. Related Party Transactions

The City of Valdez made payments to the following related parties during the year ended December 31, 2017:

Valdez City Schools	\$	10,486,453
Valdez Museum and Historical Archive Association, Inc.	\$	455,000

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City of Valdez, Alaska

Notes to Basic Financial Statements

9. Fund Balances

Fund balances, reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Permanent Fund	Providence Valdez Medical Center Special Revenue Fund	General City Capital Project Fund	Nonmajor Funds	Totals
Nonspendable - Prepaid items and inventory	\$ 216,279	\$ -	\$ -	\$ -	\$ 109,683	\$ 325,962
Restricted:						
Permanent Fund	-	205,372,079	-	-	-	205,372,079
Bond reserve	-	-	-	-	199,631	199,631
Capital acquisitions	-	-	77,000	1,923,796	33,375	2,034,171
Total restricted	-	205,372,079	77,000	1,923,796	233,006	207,605,881
Committed -						
Consulting and contracts	1,640,030	-	-	-	-	1,640,030
Construction	-	-	-	22,540,341	-	22,540,341
Total committed	1,640,030	-	-	22,540,341	-	24,180,371
Assigned:						
Capital and capital reserves	26,389,710	-	-	26,712,083	-	53,101,793
Landfill closure costs	2,478,591					2,478,591
Consulting and contracts	417,651	-	-	-	-	417,651
Hospital and healthcare	-	-	9,178,851	-	896,251	10,075,102
Debt service	-	-	-	-	7,395,932	7,395,932
Port	-	-	-	-	1,370,360	1,370,360
Harbor	-	-	-	-	2,022,405	2,022,405
Utility	-	-	-	-	1,898,297	1,898,297
Airport	-	-	-	-	818,583	818,583
Museum	-	-	-	-	119,269	119,269
Valdez Housing Improvement Authority	-	-	-	-	2,649,836	2,649,836
Total assigned	29,285,952	-	9,178,851	26,712,083	17,170,933	82,347,819
Unassigned	66,545,319	-	-	-	-	66,545,319
Total Fund Balances	\$ 97,687,580	\$ 205,372,079	\$ 9,255,851	\$ 51,176,220	\$ 17,513,622	\$ 381,005,352

City of Valdez, Alaska

Notes to Basic Financial Statements

10. Operating Leases

The City has a management and operating agreement with Providence Health and Services-Washington for \$200,000 per year effective January 1, 2015 through December 31, 2019, with an option to extend another five years.

11. Medical and Counseling Centers

Net Patient Service Revenues

The Medical Center has agreements with governmental and other third-party payers that provide for payments to the Medical Center at amounts different from its established charges. Payment arrangements for major third-party payers may be based on prospectively determined rates, reimbursed cost, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments from finalization of prior year's cost reports and other third-party settlement estimates resulted in an increase in net patient services revenues of \$176,000 for the year ended December 31, 2017.

The following are the components of net patient service revenues for the Medical Center for the year ended December 31, 2017:

	Medical Center
Patient service charges	\$ 15,469,000
Less adjustments to patient service charges - Provision for uncollectible accounts	(395,000)
Net patient service revenues - full accrual	15,074,000
Adjustment to modified accrual	191,697
Net Patient Service Revenues - modified accrual	\$ 15,265,697

The mix of net patient charges for the year ended December 31, 2017 from significant third-party payers were as follows:

	Counseling Center	Medical Center
Medicare	6%	26%
Medicaid	25	28
Commercial and other insurance	69	46
Total	100%	100%

City of Valdez, Alaska

Notes to Basic Financial Statements

Operating Leases

The Counseling Center and the Medical Center lease various medical and office equipment under operating leases that expire in the next five years, generally with no renewal or purchase options. Rental expense for all operating leases was approximately \$69,000 (Counseling Center) and \$46,000 (Medical Center) for the year ended December 31, 2017.

The following is a schedule by year of future minimum lease payments under noncancelable operating leases, as of December 31, 2017, that have initial or remaining lease terms in excess of one year:

<i>Year Ending December 31,</i>		Medical Center
2018	\$	47,000
2019		24,000
	\$	71,000

Litigation and Contingencies

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as repayment of patient services previously billed.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's or the Counseling Center's future financial position, results of operations, or cash flows.

Related Party Transactions

(a) Payable to the Corporation

The accounting, management, and human resource functions of the Counseling Center and the Medical Center are provided by Providence Health and Services (the Corporation). All receipts and payments on behalf of the Counseling Center and the Medical Center are received or made by the Corporation and are recorded in the accompanying balance sheets. The amount payable to the Corporation at December 31, 2017 was approximately \$1,441,000 (Medical Center) and \$93,000 (Counseling Center).

As discussed above, the Counseling Center and Medical Center also pay management fees to the Corporation. The amount paid to the Corporation for management fees for the year ended December 31, 2017 was approximately \$573,000 (Medical Center).

City of Valdez, Alaska

Notes to Basic Financial Statements

(b) Insurance Coverage

The Counseling Center and Medical Center are covered for professional and general liability insurance on an occurrence basis through the Corporation's self-insurance programs. The charge by the Corporation for annual insurance expense was approximately \$1,000 (Counseling Center) and \$31,000 (Medical Center) for the year ended December 31, 2017.

(c) Employee Benefits

All employees are employed by the Corporation. The Counseling Center and the Medical Center are not liable for employee benefits including retirement plans and vacation and sick leave, except for the contribution allocation by the Corporation. The Counseling Center and the Medical Center's contribution to these pension plans for the year ended December 31, 2017 was \$29,000 (Counseling Center) and \$486,000 (Medical Center).

12. Defined Benefit (DB) Pension Plan

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

City of Valdez, Alaska

Notes to Basic Financial Statements

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

The City records these on-behalf contributions as revenue and expense/expenditures as dictated by the governing GAAP for each basis of accounting depending on fund type.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.5% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 4.3% healthcare discount rate.

City of Valdez, Alaska

Notes to Basic Financial Statements

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the years ended June 30, 2016 and June 30, 2017 were determined in the June 30, 2013 and June 30, 2014 actuarial valuations, respectively. City contribution rates for the 2017 calendar year were as follows:

<i>January 1, 2017 to June 30, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Postemployment healthcare (see Note 14)	7.04%	5.80%	-%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	81.13%

<i>July 1, 2017 to December 31, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Postemployment healthcare (see Note 14)	4.88%	3.11%	-%	66.85%
Total Contribution Rates	22.00%	25.01%	3.01%	95.92%

In 2017, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2016 to June 30, 2017	City Fiscal Year January 1, 2017 to December 31, 2017
Employer contributions (including DBUL)	\$ 953,829	\$ 1,073,998
Nonemployer contributions (on-behalf)	385,006	354,871
Total Contributions	\$ 1,338,835	\$ 1,428,969

In addition, employee contributions to the Plan totaled \$242,400 during the City's fiscal year.

City of Valdez, Alaska

Notes to Basic Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2017, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2017
City proportionate share of NPL	\$ 13,803,406
State's proportionate share of NPL associated with the City	5,142,220
Total Net Pension Liability	\$ 18,945,626

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2017 measurement date, the City's proportion was 0.26702 percent, which was a decrease of 0.03829 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$1,588,106. Of this amount, \$385,006 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (248,171)
Net difference between projected and actual earnings on pension plan investments	370,256	-
Changes in proportion and differences between City contributions and proportionate share of contributions	108,182	(924,744)
City contributions subsequent to the measurement date	589,407	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 1,067,845	\$ (1,175,915)

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City of Valdez, Alaska

Notes to Basic Financial Statements

The \$589,407 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,

2018	\$ (1,041,904)
2019	385,549
2020	173,078
2021	(214,200)
2022	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial cost method	Entry age normal; level dollar normal cost basis
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

City of Valdez, Alaska

Notes to Basic Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	<i>Proportional Share</i>	<i>1% Decrease (7.00%)</i>	<i>Current Discount Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
City's proportionate share of the net pension liability	0.26702%	\$ 18,132,048	\$ 13,803,406	\$ 10,148,035

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

City of Valdez, Alaska

Notes to Basic Financial Statements

13. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended December 31, 2017, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2017 were \$279,829 and \$447,726, respectively. The City contribution amount was recognized as pension expense/expenditures.

14. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB Plan

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

For the year ended December 31, 2017, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

City of Valdez, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. There were no on-behalf contributions to the OPEB plan in 2017. On-behalf contributions to the OPEB Plan in 2016 and 2015, were \$78,422 and \$60,564, respectively.

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2017	\$ 396,049	\$ 396,049	100 %
2016	491,927	491,927	100 %
2015	550,158	550,158	100 %

Defined Contribution OPEB Plan

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	1.19%	1.46%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2017, the City contributed \$234,740 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

City of Valdez, Alaska

Notes to Basic Financial Statements

15. Health Insurance Internal Service Fund

The Health Insurance Internal Service Fund was organized in 1991. The City of Valdez and Valdez City School District have entered into a joint arrangement for self-insuring for health insurance. The program's general objectives are to formulate, develop and administer a program of health insurance and to obtain lower costs for that coverage. The City and School also purchase commercial insurance to provide coverage for claims in excess of \$125,000 per employee per year. The various funds of the City and School make payments to the Internal Service Fund based on estimates of the amounts needed to pay claims. The City accrues a liability for claims incurred but not reported at year end. The liability is based on actual incurred costs paid through March 31st of the subsequent year, plus an estimate of additional costs incurred but not reported based on prior year experience. Changes in the claims payable for 2016 and 2017 are as follows:

Claims Payable, December 31, 2015	\$ 422,120
2016 claims and changes in estimates	4,771,189
2016 claims paid	(4,860,993)
Claims Payable, December 31, 2016	332,316
2017 claims and changes in estimates	5,659,372
2017 claims paid	(5,152,157)
Claims Payable, December 31, 2017	\$ 839,531

16. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) general liability i.e. personal injuries. Commercial policies, transferring these risks of loss, except for relatively small deductible amounts, are purchased for certain property, port, and boiler and machinery. The City has no coverage for potential losses from environmental damages. Coverage limits and deductibles on the commercial policies have stayed relatively constant for the last several years. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

The City is a member of the Alaska Public Entity Insurance (APEI), a joint insurance association. The mission of the Alaska Public Entity Insurance is to provide its members with stable, affordable insurance, broad insurance coverage, and effective risk management services to ensure that maximum funds are available for local government and education programs. APEI is recognized by the Association of Government Risk Pools (AGRIP). The APEI provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, public officials and employee liability, law enforcement professional liability, auto liability; commercial blanket bond; and workers' compensation.

The APEI is a public entity risk pool organized to share risks among its members. Funds in excess of expenses and costs of risk management activities and reasonable reserves, including reserves for contingencies, reserves required by excess insurers or reinsurers, reserves as part of a surplus goal or as required by law, may be used to reduce the cost of insurance or increase risk protection for the members; excess funds may be distributed to the members as provided in APEI's bylaws. The City received excess funds in the form of dividends during the year ended December 31, 2017. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

City of Valdez, Alaska

Notes to Basic Financial Statements

17. Alaska Gasline Port Authority

On July 19, 1999, the City passed an ordinance to provide for the creation of the Alaska Gasline Port Authority. The Port Authority, comprised of the City of Valdez, Fairbanks North Star Borough and the North Slope Borough, was formed to promote the development of the natural gas pipeline between the North Slope and the City of Valdez. Originally, the Port Authority board consisted of nine members; three from each of the participating agencies. If constructed, the Port Authority will provide for the operation and maintenance of the gasline. In 2010, North Slope Borough withdrew from participation. The City of Valdez and the Fairbanks North Star Borough remain members. There has been limited activity in the last few years.

18. Contingencies

From time to time, and in the normal course of business, the City is involved in numerous legal and administrative actions. Final resolutions of these actions cannot be determined at this time. Management does not believe any of these items represents a material risk of loss to the City.

19. Change in Accounting Principle

As discussed in Note 1, the financial statements present the City of Valdez (the primary government) and its component units, entities for which the City is considered to be financially accountable. In 2017, the City adopted the provisions of GASB Statement No. 80 *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. This statement requires the City to recognize the Valdez Museum and Historical Archive Association, Inc. as a blended component unit as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening net position and fund balance as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Governmental Activities	\$ 564,983,103	\$ 232,991	\$ 565,216,094

	Opening Fund Balance as Originally Presented	Change in Accounting Principle Adjustment	Opening Fund Balance, as Restated
Governmental Funds	\$ 359,058,173	\$ 133,609	\$ 359,191,782

20. Subsequent Events

The City has evaluated subsequent events through September 13, 2018, the date on which the financial statements were available to be issued.

City of Valdez, Alaska

Notes to Basic Financial Statements

21. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end December 31, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 - Fiduciary Activities - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 85 - Omnibus - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - Certain Debt Extinguishment Issues - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

GASB 87 - Leases - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end December 31, 2020, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

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Required Supplementary Information

City of Valdez, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

	Budgeted Amounts			
Year Ended December 31, 2017	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 43,400,100	\$ 43,400,100	\$ 44,303,751	\$ 903,651
Licenses and permits	12,500	2,500	4,300	1,800
Fines and forfeitures	14,000	15,000	13,630	(1,370)
Charges for services	231,750	201,100	219,690	18,590
Sales and leases	345,250	395,250	501,234	105,984
Contributions and donations	6,000	95,549	96,812	1,263
Investment income	100,000	200,000	803,467	603,467
Other	24,000	12,203	84,569	72,366
Intergovernmental:				
State of Alaska	572,149	836,026	913,054	77,028
Federal sources	700,000	707,500	778,760	71,260
Total Revenues	45,405,749	45,865,228	47,719,267	1,854,039
Expenditures				
Current:				
General government	7,653,962	10,792,322	7,209,067	3,583,255
Public safety	5,336,459	5,362,743	4,958,499	404,244
Public works	6,715,378	19,115,042	6,450,500	12,664,542
Public services	6,405,289	5,546,590	4,583,678	962,912
Economic development	445,663	1,411,482	1,087,703	323,779
Education	10,328,503	11,710,764	11,356,974	353,790
Hospital	-	70,000	20,000	50,000
Capital outlay	-	17,987,973	3,907,346	14,080,627
Total Expenditures	36,885,254	71,996,916	39,573,767	32,423,149
Excess of Revenues Over Expenditures	8,520,495	(26,131,688)	8,145,500	34,277,188
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	89,232	89,232
Transfers in	2,600,000	18,969,664	4,974,472	(13,995,192)
Transfers out	(32,423,488)	(585,000)	(18,120,881)	(17,535,881)
Net Other Financing Sources (Uses)	(29,823,488)	18,384,664	(13,057,177)	(31,441,841)
Net Change in Fund Balance	\$ (21,302,993)	\$ (7,747,024)	(4,911,677)	\$ 2,835,347
Fund Balance, beginning of year			102,599,257	
Fund Balance, end of year			\$ 97,687,580	

See accompanying notes to Required Supplementary Information.

City of Valdez, Alaska

Providence Valdez Medical Center Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2017</i>	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Charges for services	\$ 16,115,757	\$ 15,265,697	\$ (850,060)
Other	209,796	143,000	(66,796)
Total Revenues	16,325,553	15,408,697	(916,856)
Expenditures			
Current - hospital and healthcare	14,926,789	13,906,000	1,020,789
Excess of Revenues Over Expenditures	1,398,764	1,502,697	103,933
Other Financing Uses - transfers out	-	(2,335,000)	(2,335,000)
Net Change in Fund Balance	\$ 1,398,764	(832,303)	\$ (2,231,067)
Fund Balance, beginning of year		10,088,154	
Fund Balance, end of year		\$ 9,255,851	

See accompanying notes to Required Supplementary Information.

City of Valdez, Alaska
Public Employees Retirement System
Schedule of the City's Information on the Net Pension Liability

Year Ended <i>December 31,</i>	Measurement Period Ended <i>June 30,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	2017	0.26702% \$	13,803,406 \$	5,142,220 \$	18,945,626 \$	9,224,190 \$	149.64%	63.37%
2016	2016	0.30531% \$	17,065,650 \$	2,151,591 \$	19,217,241 \$	8,209,617 \$	207.87%	59.55%
2015	2015	0.25234% \$	12,238,375 \$	3,277,702 \$	15,516,077 \$	7,114,242 \$	172.03%	63.96%
2014	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City of Valdez, Alaska
Public Employees Retirement System
Schedule of City Contributions

<i>Year Ended December 31,</i>	Contractually Required Contribution		Contributions Relative to the Contractually Required Contribution		Contribution Deficiency (Excess)		City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$	1,073,998	\$	1,073,998	\$	-	\$ 9,493,185	11.313%
2016	\$	879,783	\$	879,783	\$	-	\$ 8,955,195	9.824%
2015	\$	777,732	\$	777,732	\$	-	\$ 7,464,038	10.420%
2014		*		*		*	*	*
2013		*		*		*	*	*
2012		*		*		*	*	*
2011		*		*		*	*	*
2010		*		*		*	*	*
2009		*		*		*	*	*
2008		*		*		*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City of Valdez, Alaska

Notes to Required Supplementary Information

1. Budgetary Comparison Schedules

An operating budget is adopted each fiscal year for the General Fund and most other funds of the City on a modified accrual basis used to reflect actual revenues and expenditures.

The City follows these procedures in establishing the budgetary data reflected in the required budgetary comparison schedules:

- a. Prior to November 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to December 20, the budget is legally enacted through passage of a resolution. If no Council action is taken, the City Manager's budget becomes the actual budget. Annual budgets are legally adopted for the General, most Special Revenue, Debt Service, and Capital Project Funds. A budget was not adopted for the Self Insurance Internal Service Fund.
- d. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council. Expenditures may not legally exceed appropriations on the department level (Administration, Finance; etc.).
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Appropriations lapse at the end of the year except for capital expenditure and certain contractual appropriations.

The City publishes its annual budget document and it is available on the City's website at: www.ci.valdez.ak.us.

2. Schedule of the City's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For December 31, 2017, the Plan measurement date is June 30, 2017.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There were no changes in the allocation methodology.

3. Schedule of the City's Contributions - Public Employees Retirement System

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

Supplementary Information

City of Valdez, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>December 31, 2017</i>	Special Revenue Funds				
	Port	Utility	Airport	Harbor	Gilson Medical Clinic
Assets					
Cash and investments	\$ 1,316,600	\$ 1,995,900	\$ 803,540	\$ 2,201,665	\$ 414,061
Receivables, net:					
Grants and shared revenues	-	-	-	-	-
Accounts	85,615	245	28,302	34,560	16,984
Accrued interest	5,434	8,534	3,418	8,880	1,664
Prepaid items	52,848	8,216	2,390	22,493	-
Inventory	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments:					
Debt reserve accounts	-	-	-	-	-
Total Assets	\$ 1,460,497	\$ 2,012,895	\$ 837,650	\$ 2,267,598	\$ 432,709
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 37,289	\$ 90,432	\$ 16,677	\$ 48,712	\$ 17,987
Accrued payroll liabilities	-	-	-	-	-
Payable to Providence Health & Services - Washington	-	-	-	-	-
Customer deposits	-	15,950	-	-	-
Unearned revenue	-	-	-	173,988	-
Total Liabilities	37,289	106,382	16,677	222,700	17,987
Deferred Inflows of Resources					
Unavailable revenues - patient service revenues	-	-	-	-	-
Fund Balances					
Nonspendable	52,848	8,216	2,390	22,493	-
Restricted	-	-	-	-	-
Assigned	1,370,360	1,898,297	818,583	2,022,405	414,722
Total Fund Balances	1,423,208	1,906,513	820,973	2,044,898	414,722
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,460,497	\$ 2,012,895	\$ 837,650	\$ 2,267,598	\$ 432,709

City of Valdez, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet, continued

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Providence Valdez Counseling Center	Valdez Housing Improvement Authority	Valdez Museum and Historical Archive Association	Debt Service Fund	
<i>December 31, 2017</i>					
Assets					
Cash and investments	\$ 422,000	\$ 2,649,836	\$ 202,426	\$ 6,475,894	\$ 16,481,922
Receivables, net:					
Grants and shared revenues	-	-	-	874,553	874,553
Accounts	86,000	-	250	-	251,956
Accrued interest	-	-	-	45,485	73,415
Prepaid items	-	-	-	-	85,947
Inventory	-	-	23,736	-	23,736
Other	137,000	-	-	-	137,000
Restricted cash and investments:					
Debt reserve accounts	-	-	-	199,631	199,631
Total Assets	\$ 645,000	\$ 2,649,836	\$ 226,412	\$ 7,595,563	\$ 18,128,160
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 12,000	\$ -	\$ 15,124	\$ -	\$ 238,221
Accrued payroll liabilities	29,000	-	10,794	-	39,794
Payable to Providence Health & Services - Washington	93,000	-	-	-	93,000
Customer deposits	-	-	-	-	15,950
Unearned revenue	-	-	24,114	-	198,102
Total Liabilities	134,000	-	50,032	-	585,067
Deferred Inflows of Resources					
Unavailable revenues - patient service revenues	29,471	-	-	-	29,471
Fund Balances					
Nonspendable	-	-	23,736	-	109,683
Restricted	-	-	33,375	199,631	233,006
Assigned	481,529	2,649,836	119,269	7,395,932	17,170,933
Total Fund Balances	481,529	2,649,836	176,380	7,595,563	17,513,622
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 645,000	\$ 2,649,836	\$ 226,412	\$ 7,595,563	\$ 18,128,160

City of Valdez, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

<i>Year Ended December 31, 2017</i>	Special Revenue Funds				
	Port	Utility	Airport	Harbor	Gilson Medical Clinic
Revenues					
Fines and forfeitures	\$ 551	\$ 1,577	\$ 2,448	\$ 4,056	\$ 347
Charges for services	776,229	542,898	687	735,804	-
Sales and leases	36,340	-	122,918	540,692	142,486
Investment income	6,939	12,498	4,622	18,670	2,914
Other	41,697	345	-	410	-
Intergovernmental:					
State of Alaska	7,578	12,864	-	256,227	-
Total Revenues	869,334	570,182	130,675	1,555,859	145,747
Expenditures					
Current:					
Port	798,891	-	-	-	-
Harbor	-	-	-	1,055,931	-
Utility	-	1,289,665	-	-	-
Airport	-	-	245,949	-	-
Hospital and healthcare	-	-	-	-	90,522
Museum	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	798,891	1,289,665	245,949	1,055,931	90,522
Excess of Revenues Over (Under) Expenditures	70,443	(719,483)	(115,274)	499,928	55,225
Other Financing Sources (Uses)					
Transfers in	179,051	782,811	197,993	-	-
Transfers out	-	-	-	(373,050)	-
Net Other Financing Sources (Uses)	179,051	782,811	197,993	(373,050)	-
Net Change in Fund Balances	249,494	63,328	82,719	126,878	55,225
Fund Balances, beginning of year, as restated	1,173,714	1,843,185	738,254	1,918,020	359,497
Fund Balances, end of year	\$ 1,423,208	\$ 1,906,513	\$ 820,973	\$ 2,044,898	\$ 414,722

City of Valdez, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Providence Valdez Counseling Center	Valdez Housing Improvement Authority	Valdez Museum and Historical Archive Association	Debt Service Fund	
<i>Year Ended December 31, 2017</i>					
Revenues					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	8,979
Charges for services	295,669	-	215,004	-	2,566,291
Sales and leases	-	-	-	-	842,436
Investment income	-	23,099	798	191,146	260,686
Other	77,000	-	5,051	-	124,503
Intergovernmental: State of Alaska	311,000	-	-	1,647,849	2,235,518
Total Revenues	683,669	23,099	220,853	1,838,995	6,038,413
Expenditures					
Current:					
Port	-	-	-	-	798,891
Harbor	-	-	-	-	1,055,931
Utility	-	-	-	-	1,289,665
Airport	-	-	-	-	245,949
Hospital and healthcare	771,000	-	-	-	861,522
Museum	-	-	633,082	-	633,082
Debt service:					
Principal	-	-	-	2,220,876	2,220,876
Interest	-	-	-	1,888,354	1,888,354
Total Expenditures	771,000	-	633,082	4,109,230	8,994,270
Excess of Revenues Over (Under) Expenditures	(87,331)	23,099	(412,229)	(2,270,235)	(2,955,857)
Other Financing Sources (Uses)					
Transfers in	130,000	-	455,000	41,833	1,786,688
Transfers out	-	(500,000)	-	-	(873,050)
Net Other Financing Sources (Uses)	130,000	(500,000)	455,000	41,833	913,638
Net Change in Fund Balances	42,669	(476,901)	42,771	(2,228,402)	(2,042,219)
Fund Balances, beginning of year, as restated	438,860	3,126,737	133,609	9,823,965	19,555,841
Fund Balances, end of year	\$ 481,529	\$ 2,649,836	\$ 176,380	\$ 7,595,563	\$ 17,513,622



City of Valdez, Alaska

Federal and State Single Audit Reports
Year Ended December 31, 2017

City of Valdez, Alaska

Federal and State Single Audit Reports
Year Ended December 31, 2017

City of Valdez, Alaska

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and City Council
City of Valdez, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez, Alaska as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Valdez's basic financial statements, and have issued our report thereon dated September 13, 2018. Our report includes a reference to other auditors who audited the financial statements of Valdez City Schools, Valdez Museum & Historical Archive Association, Providence Valdez Medical Center, and Providence Valdez Counseling Center as described in our report on City of Valdez's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Providence Valdez Medical Center, Providence Valdez Counseling Center, and the Valdez Museum & Historical Archive Association were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Valdez's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Valdez's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Valdez's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A *deficiency in internal control* exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2017-001 and 2017-002).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (2017-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Valdez's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Valdez's Response to Findings

City of Valdez's response to the findings identified in our audit are described in the accompanying corrective action plan. City of Valdez's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
September 13, 2018



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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable Mayor and City Council
City of Valdez, Alaska

Report on Compliance for Each Major Federal Program

We have audited City of Valdez's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Valdez's major federal programs for the year ended December 31, 2017. City of Valdez's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Valdez's basic financial statements include the operations of Valdez City Schools, Valdez Museum and Historical Archive Association, Inc., Providence Valdez Medical Center and Providence Valdez Counseling Center. Our audit, described below, did not include the operations of Valdez City Schools, Valdez Museum and Historical Archive Association, Inc., Providence Valdez Medical Center and Providence Valdez Counseling Center because they each were subject to separate audits; however, none met the threshold for an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Valdez's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Valdez's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Valdez's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Valdez complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of City of Valdez is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Valdez's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Valdez's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Valdez's basic financial statements. We issued our report thereon dated September 13, 2018, which contained unmodified opinions on those financial statements. Our audit included a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
September 13, 2018

City of Valdez, Alaska
Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Agriculture				
Passed through State of Alaska Department of Commerce, Community, and Economic Development - Forest Service Schools and Roads Cluster - Schools and Roads - Grants to States	10.665	N/A	\$ -	\$ 28,270
Passed through State of Alaska Department of Natural Resources, Division of Forestry - Cooperative Forestry Assistance	10.664	N/A	-	7,500
Emergency Watershed Protection Program	10.923		-	971,564
Department of the Interior				
Passed through State of Alaska Department of Commerce, Community, and Economic Development - Payments in Lieu of Taxes	15.226	N/A	-	741,041
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,748,375</u>

See accompanying notes to the schedule of expenditures of federal awards.

N/A - not available

City of Valdez, Alaska

Notes to Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Valdez, Alaska (the City) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Valdez, Alaska

Report on Compliance for Each Major State Program

We have audited City of Valdez's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Valdez's major state programs for the year ended December 31, 2017. City of Valdez's major state programs are identified in the accompanying schedule of state financial assistance.

City of Valdez's basic financial statements include the operations of Valdez City Schools which received \$6,019,548 in state awards which is not included in City of Valdez's schedule of state financial assistance during the year ended December 31, 2017. Our audit, described below, did not include the operations of Valdez City Schools because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. City of Valdez's basic financial statements also include the operations of Valdez Museum and Historical Archive Association, Inc., Providence Valdez Medical Center and Providence Valdez Counseling Center. Our audit, described below, did not include the operations of Valdez Museum and Historical Archive Association, Inc., Providence Valdez Medical Center and Providence Valdez Counseling Center because they were subjected to separate audits; however, none met the threshold for an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Valdez's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Valdez's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Valdez's compliance.

Opinion on Each Major State Program

In our opinion, City of Valdez complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of City of Valdez is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Valdez's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Valdez's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Valdez's basic financial statements. We issued our report thereon dated September 13, 2018 which contained unmodified opinions on those financial statements. Our audit included a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
September 13, 2018

City of Valdez, Alaska
Schedule of State Financial Assistance
for the Year Ended December 31, 2017

State Agency and Award Name	Award Number	Total State Expenditures
Department of Commerce, Community and Economic Development		
* Dock Improvements	15-RR-008	\$ 102,450
* City Dock Information and Interpretive Center	15-RR-007	85,590
Senior Center Canopies for Emergency Egress	15-DC-152	6,000
Senior Center Facility and Grounds Upgrade	14-DC-140	19,004
* Small Boat Harbor Expansion and Upland Development	14-DC-141	255,409
Shared Fisheries Tax	2017	39,559
Total Department of Commerce, Community and Economic Development		508,012
Department of Military and Veteran Affairs		
2018 Local Emergency Planning Committee Grant	18LEPC - GR35602	3,933
2017 Local Emergency Planning Committee Grant	17LEPC - GR35602	6,984
Total Department of Military and Veteran Affairs		10,917
Department of Revenue		
* Electric & Telephone Cooperative Tax	2017	202,890
* Shared Fisheries Business Tax	2017	200,438
Liquor Licenses	2017	10,800
Total Department of Revenue		414,128
Department of Administration		
* PERS Relief	2017	354,871
Department of Education and Early Development		
* School Debt Retirement Program	2017	1,437,799
Continuing Education	-	1,250
Public Library Assistance Grant	PLA 1878401	7,000
Total Department of Education and Early Development		1,446,049
Department of Transportation and Public Facilities		
* Harbor Debt Retirement Program	2017	210,050
Total State Financial Assistance		\$ 2,944,027

* Major programs

See accompanying notes to the schedule of state financial assistance.

City of Valdez, Alaska

Notes to Schedule of State Financial Assistance for the Year Ended December 31, 2017

1. Basis of Presentation

The accompanying schedule of state financial assistance (the “Schedule”) includes the state grant activity of City of Valdez, Alaska (the City) under programs of the state government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

2. PERS On-Behalf

The City has recorded \$354,871 in PERS on-behalf payments in the schedule of state financial assistance. This represents the PERS relief payments appropriated and transferred into the plan during calendar year 2017 and related to both pension and OPEB contributions.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in their proportional share of payroll within the calendar year under audit.

However, in the full accrual financial statements (the government-wide financial statements), GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions. For the City, the PERS plan measurement period is July 1, 2016 through June 30, 2017, creating a six-month timing difference between the cash contribution and revenue and expense recognition for the pension on-behalf by the City in those statements.

As a result of these perspective and timing differences, amounts reported on the government-wide financial statements do not agree to the amount reported on the schedule of state financial assistance.

3. Community Assistance Program

The City was awarded \$174,372 in 2017 through the State of Alaska Department of Commerce, Community and Economic Development Community Assistance Program. The City met all eligibility requirements of the program; however the funds were not distributed to the City until after year end. Since the funds were not collected during the fiscal year or soon enough after year-end to be used to pay liabilities of the current period, the funds were not considered “available” under the modified accrual basis of accounting. As such, the amount is not considered state financial assistance in 2017.

City of Valdez, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> (none reported)

Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster	Agency
10.923	Emergency Watershed Protection	Department of Agriculture

Dollar threshold used to distinguish between Type A and Type B programs:	\$	750,000
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major state programs: Unmodified

Dollar threshold used to distinguish a state major program:	\$	75,000
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City of Valdez, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2017-001 **Debt Service Fund Transactions - Internal Control over Financial Reporting
- Material Weakness**

Criteria *Government Accounting Standards* state management is responsible for ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent, or detect and correct misstatements on a timely basis.

Condition Debt service expenditures, and intergovernmental revenues and receivables based on reimbursements related to eligible debt service expenditures, were misstated due to an incorrect interest payment made in the current year and incorrect calculations of amounts eligible for reimbursement.

Context During testwork over debt service payments, it was determined that the City was invoiced and later disbursed an incorrect interest payment related to partially defeased bonds. The City overpaid and overstated interest expense by \$309,252. The City further overstated intergovernmental revenue and accounts receivable based on a miscalculation of amounts eligible for reimbursement related to harbor bonds by \$177,525.

Cause Internal controls related to debt service expenditures and calculation of amounts eligible for reimbursement from the State of Alaska were not functioning properly.

Effect Overstatement of expenditures, intergovernmental revenue and accounts receivable in the Debt Service Fund.

Recommendation All requests for debt service payments should be carefully reviewed for accuracy prior to approval for disbursement. Debt service payments should be agreed to current debt service schedules prior to payment and posting to the general ledger. Intergovernmental revenue and accounts receivable based on eligible debt service reimbursements should be agreed to current debt service schedules.

*View of
Responsible
Officials and
Planned
Corrective
Actions* Refer to the corrective action plan.

City of Valdez, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2017-002	Construction in Progress - Internal Control over Financial Reporting - Material Weakness
<i>Criteria</i>	<i>Government Accounting Standards</i> state management is responsible for ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent, or detect and correct misstatements on a timely basis.
<i>Condition</i>	Construction in progress was misstated due to noncapital items having been incorrectly classified.
<i>Context</i>	During testwork over construction in progress, it was determined that the City had incorrectly classified prior period noncapital expenses as construction in process. As a result, construction in process was over stated by \$2,663,272 at the beginning of the fiscal year.
<i>Cause</i>	Internal controls related to classification of expenditures as capital versus noncapital were not functioning properly.
<i>Effect</i>	Overstatement of construction in process and net position on the Governmental Activities Statement of Net Position.
<i>Recommendation</i>	All construction related projects should be reviewed in a timely manner to determine whether the underlying activity is capital in nature. The Finance department should communicate in a timely manner with other departments to gain a firm understanding of ongoing projects and classify expenditures properly in the fiscal year incurred.
<i>View of Responsible Officials and Planned Corrective Actions</i>	Refer to the corrective action plan.

City of Valdez, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2017-003 Accuracy of Health Insurance Internal Service Fund Balances - Internal Control over Financial Reporting - Significant Deficiency

Criteria *Government Accounting Standards* state management is responsible for ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent, or detect and correct misstatements on a timely basis.

Condition Revenue, expense and liability balances in the City's Health Insurance Internal Service Fund were misstated due to year-end adjustments not having been posted.

Context During testwork over charges for services revenue and insurance claims expense, it was noted that the City did not adjust for all incurred transactions during the current fiscal year. As a result, both revenue and expense were understated by \$741,714. Furthermore, during testwork over the claims payable liability at year-end, it was noted that the City had not adjusted its estimate of claims incurred during 2017 but not paid as of year-end. As a result, ending net position was overstated and claims payable understated by \$507,215.

Cause Internal controls related to proper year-end close and adjustments of accounting estimates were not functioning properly.

Effect Understatement of charges for services revenue, insurance claims expense and claims payable liability on the Health Insurance Internal Service Fund Statement of Net Position.

Recommendation Management should adjust revenue and expense monthly in the Health Insurance Internal Service Fund. Management should track claims paid but incurred in a prior fiscal year and update the estimated claims payable liability at year-end in a timely manner.

**View of
Responsible
Officials and
Planned
Corrective
Actions**

Refer to the corrective action plan.

City of Valdez, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

Section III - Federal Award Findings and Questioned Costs

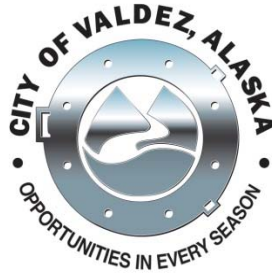
There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

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City of Valdez Single Audit Responses (Unaudited)



Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

Government Auditing Standards Findings
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Finding 2016-001	Capital Outlay and Prepaid Expense – Internal Control over Financial Reporting – Material Weakness
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<i>Finding</i>	Capital outlay and prepaid expense balances were misstated due to a prior year adjusting entry that was mistakenly double booked in 2016.
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<i>Status</i>	Finding resolved in 2017.
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Finding 2016-002	Accounts Payable – Internal Control over Financial Reporting – Significant Deficiency
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<i>Finding</i>	Accounts payable was misstated as expenditures were incorrectly recorded in subsequent fiscal year.
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<i>Status</i>	Finding resolved in 2017.
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Corrective Action Plan Year Ended December 31, 2017

Name of Contact Person: Brian Carlson, Finance Director

Finding: 2017-001 – Debt Service Transactions; Internal Control over Financial Reporting – Material Weakness

Background:

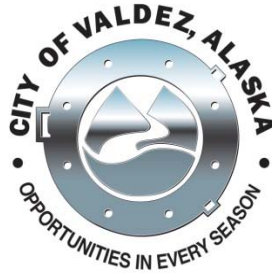
- The City has funded an irrevocable escrow account with Bank of New York Mellon for its GO2012 Middle School Debt Service.
- The December debt service payment was the first to be partially paid by the defeasance escrow.
- All remaining debt service payments will be fully paid from escrow.
- The City fully paid the December debt service payment without deducting the escrow payment.
- The escrow agent failed to remit the scheduled partial-payment
- Finance Staff had misstated the correct State reimbursement for its GO2012 Harbor/Refund issue by mistakenly double-posting a journal entry.

Corrective Action:

- Staff maintains a single schedule of all debt service payments for all outstanding issues to maturity, and distinguishes which payments are made from escrow. Staff will reference this schedule upon receipt of all debt-service invoices from the payment agent, and will correspond with escrow agent to confirm dates and amounts of defeasance-escrow payments. Staff will also obtain payment confirmation of such payments immediately following settlement, and will reconcile to monthly statements provided by the escrow agent.
- Staff will add an explicit “checklist” item to reconcile debt-service reimbursement receivables to calculated/written requests to the State of Alaska when preparing quarterly internal financial statements.

Expected Completion Date:

- December 31, 2018



Corrective Action Plan
Year Ended December 31, 2017

Finding: 2017-002 – Construction in Progress; Internal Control over Financial Reporting – Material Weakness

Background:

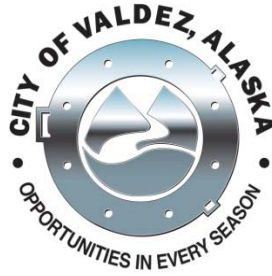
- Staff has followed previously established City conventions in its treatment of capital projects bookkeeping.
- During field-work interviews with auditors, it was revealed that numerous projects were incorrectly categorized as capital projects, thereby inflating the “work in progress” value. Though the bookkeeping method has not changed in recent history, the 2017 audit identifies this finding that prior-years’ audits did not identify.
- City bookkeeping of capital projects may be driven by internal considerations that are inconsistent with generally accepted accounting principles.

Corrective Action:

- Finance Director and Comptroller will attend an educational seminar in late July as a starting point in understanding correct treatment of capital projects.
- Concurrent with research into best practices and standards, staff will draft revised accounting policies and procedures for capital projects.
- Following drafting of policies and procedures, staff will undertake a review of all existing projects to determine their correct categorization and accounting treatment.
- Staff will also develop procedures at or before project inception to determine from project managers and owners the nature of the projects with respect to correct accounting treatment.

Expected Completion Date:

- December 31, 2018



Corrective Action Plan
Year Ended December 31, 2017

Finding: 2017-03 – Accuracy of Health Insurance Internal Service Fund Balance; Internal Control over Financial Reporting – Significant Deficiency

Background:

- Year-end procedures entail bookkeeping entries for insurance claims incurred but not paid, plus estimates of claims not yet incurred, but ultimately attributable to the year being closed.
- These figures are made available from the City's health insurance administrator, and/or can be deduced therefrom.
- Auditors determine that health insurance claims expense is understated based on staff's treatment these costs, and that reserve funds are therefore overstated.

Corrective Action:

- Staff will review and research standards and formulae for this category of expense with auditors and health insurance administrators to determine correct treatment.
- Staff will draft additional procedures for inclusion in monthly, quarterly, and year-end accounting for all categories of health insurance claims costs.

Expected Completion Date:

- December 31, 2018



Legislation Text

File #: 18-0311, **Version:** 1

ITEM TITLE:

Approval to Purchase Stancil Logging Recorder System (911) Upgrade from Wes Tek Marketing in the Amount of \$125,266.50

SUBMITTED BY: Matthew Osburn, Information Technology Director

FISCAL NOTES:

Expenditure Required: \$125,266.50

Unencumbered Balance: \$983,355

Funding Source: 350-5050-55000 Information Technology Reserve

RECOMMENDATION:

Approve purchase of Stancil Upgrade (911 Recording) Submitted by Wes Tek Marketing in the Amount of \$125,266.50.

SUMMARY STATEMENT:

This upgrade is necessary to allow integration of our current 911 recording system to utilize digital recording which is industry standard.

This proposal includes all travel, labor, miscellaneous materials and expenses.

WesTek Marketing - Stancil Upgrade Proposal

Valdez Police Department

Stancil Logging Recorder System Upgrade

Customer:

Valdez Police Department
Valdez, AK

Effective Date: 2-Aug-18
Representative: Jesse Enfield
Proposal #: J080218-1



Stancil

Stancil System Upgrade with Motorola Digital Trunk Radio Integration

Part Number / Description

Stancil Digital Recording System upgrade-replacement configured with hardware for 8 analog recording channel inputs. And licensing for 4 analog channels. Includes single 500GB SSD, DVD-RW optical drive, network archive utility and license, Intel Core I5 or better processor, Microsoft Windows 10 Professional operating system, all hardware and software necessary for a complete operational system. Recorder server housed in rack-mountable 1U micro ATX computer chassis which can be expanded up to 24 channels plus IP in existing chassis. Includes one year warranty.

Public Safety \$

Upgrade Discount

Proposal \$

\$8,240.00

20%

\$6,592.00

Base system includes the following suite of clients:

- One concurrent user Administrative client.
- One concurrent user Status client.
- One concurrent user Reports client.
- One concurrent user Player client.
- One concurrent user Instant Recall client.
- One concurrent user ROAR (Record-On-Request) client.

As part of system upgrade, all system and client licenses will directly transfer from existing system to new upgraded system.

Notes on clients:

Clients can be used locally, on LAN connected PC workstations and/or on internet connected PC workstations.

Concurrent User licenses can be loaded on as many PC's as desired and used on any of those PC's. The limitation is that the number of users who can log on to that type of client at the same time will be limited to the number of that type of

license installed on the Recorder Server. Any Concurrent User client logged on at the Recorder server counts as one of the licensed Concurrent Users. No clients must necessarily be running on Recorder Server nor must the Recorder Server be logged on to Windows for the core system functions and remote clients to be fully operational and functional.

Universal audio studio plugin interface.	No Charge	N/A	No Charge
Playlists, direct email & direct CD/DVD burning.	No Charge	N/A	No Charge
Add VoIP recording interface with 14 VoIP recording channels.	\$8,940.00	20%	\$7,152.00
Add 2 Player concurrent user client licenses.	\$910.00	100%	\$0.00
Add Instant Recall concurrent user client licenses.	\$910.00	100%	\$0.00
Supply recorder server in 4U 19" high reliability chassis. Includes 2TB hot-swap RAID1 array with dual hot-swap 1TB enterprise class hard drives, Adaptec SAS hardware RAID controller, dual redundant hot-swap power supplies, Intel Xeon processor, 16GB RAM, triple mid-chassis hot-swap cooling fans. Running Windows Server 2012R2. System housed in 19" 4U x 26" deep rack-mount chassis.	\$5,500.00	20%	\$4,400.00
Network Archive storage utility and license.	No Charge	N/A	No Charge
Note, network storage is required for system archive. Network storage hardware may be supplied by customer or may be purchased as an option listed below.			

Stancil AIS Recorder Server in mid-tier server chassis. Includes hot-swap RAID1 redundant hard drive array with dual Western Digital 2TB enterprise class hard drives and server class SAS hardware RAID controller, Intel Xeon processor, 16GB RAM, 3 G-LAN network adapters, dual hot-swap power supplies, triple hot-swap mid-chassis cooling fans, running Windows 2016 operating system, housed in 19" rack-mount chassis. Includes one year warranty.	\$6,800.00	20%	\$5,100.00
Motorola MCC7500 SDK Motorola License for integration to one Motorola AIS server. <i>Note: This is pass-through pricing from Motorola and is non-discountable.</i>	\$57,500.00	N/A	\$57,500.00
Stancil AIS integration license & software. Includes 8 talk paths. <i>Note: This item is non-discountable.</i>	\$36,800.00	N/A	\$36,800.00
Stancil AIS recording, 8 additional talk paths. <i>Note: This item is non-discountable.</i>	\$2,242.50	N/A	\$2,242.50
P25 transcoder.	\$1,000.00	20%	\$800.00
Installation. Includes all labor, travel, miscellaneous materials and expenses. Does not cover materials and services to be provided by other vendors. Pricing assumes correct connectivity with Motorola AIS server with necessary data feed will be in place prior to Installation. Includes all labor, travel, miscellaneous materials and expenses. Does not	\$3,600.00	20%	\$2,880.00
Shipping costs. (heavy insured freight)	\$1,800.00	N/A	\$1,800.00
Proposal Total			\$125,266.50

Options for Archive NAS Server

Option 1

Supply 4TB desktop network storage server with four hot-swap 2TB hard drives configured in redundant RAID10 array. Includes dual G-LAN network interfaces. Installed and configured for archive storage.	\$2,190.00	20%	\$1,752.00
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Option 2

10TB NAS server. Includes eight 2TB hot-swap enterprise class hard drives configured in RAID6 array with two parity drives and hot spare, 3GB RAM, Intel dual core processor dual G-LAN network adapters and dual hot-swap power supplies. Housed in 19" rack-mount chassis.	\$5,800.00	20%	\$4,640.00
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Special Stancil Upgrade Notes:

1. All system and client licenses on existing system will directly transfer to new system at no additional cost.
2. The upgrade will include a network archive storage license and automated network archive utility which will eliminate the need to archive to DVD.
3. The upgrade will include all new current technology hardware and software.
4. The upgraded system will come with a new 1 year warranty.
5. Any amount remaining on existing system service agreement will be carried forward to the service agreement on the upgraded system following the warranty expiration.
6. In upgrade process WesTek will migrate data from existing system to new system in a manner that will provide a seamless upgrade without any data loss.

General Proposal Notes:

1. As part of the system upgrade all hardware/software components not used in the new system will become the property of the vendor.
2. Total system cost will be dependent on items selected.
3. Proposal is all inclusive with no hidden charges.
4. Proposal total does not include State, local or sales tax which will be added if applicable.
5. After 90 days from proposal date prices will be subject to change without notice. Contact Factory Representative listed below to verify pricing prior to order placement.
6. All pricing stated in US funds.
7. Payment terms: Net 30 days.

Please direct enquiries or make orders to:

WesTek Marketing
44401 SE 142nd Street
North Bend, WA 98045

Phone: 425 888-1988
Fax: 425 888-4802
Contact: Jesse Enfield
Email: je@westekmarketing.com



Technology
Provider
Gold 2018



JessePhone: 425.888.1988 x2Cell: 425.417.4888Fax: 425.888.4802Email: je@westekmarketing.com

(mailto:je@westekmarketing.com)

DavidPhone: 425.888.1988 x3Email: dm@westekmarketing.com

(mailto:dm@westekmarketing.com)



Stancil Recorders are installed worldwide in some of the largest companies. Our customers continually meet their regulatory compliance and quality management requirements. Our products meet the highest levels of demands in terms of integration and service where accurate mission critical recording is imperative.

We have provided solutions with the high levels of interoperability with the major suppliers of **Voice over IP (VOIP), Radio over IP (ROIP), Motorola validated P25 Trunked Radio Solutions as well as the traditional circuitry (analog, digital handsets, E1**

and T1) systems. Working closely with the other manufacturers at ICE events, we have been able to ensure the Stancil Logger meets the current NG9-1-1 standards. This process is continually evolving and Stancil Corporation is committed to ensure the Stancil Logging Recorder meets future regulations.

Our unique and intuitive User Interface not only enables you to quickly recreate and redistribute scenarios to authorized parties but you can also view your recordings in a geo-location centric manner. This provides a very powerful view of your call distribution in a chronologically. Naturally, recordings can be seen in a multi-track view as well as dispatchers having instant access to their last recordings.

For compliance, the Stancil Logging Recorder can record the dispatcher/agent computer screen. This can be synchronized with the recorded audio to provide an accurate representation of how the call was handled. This coupled with our quality monitor package will ensure you will meet your QA requirements.

News

-Stancil Logging Recorders Completes Motorola P25 Validation Testing (May 2013)

(/uploads/2/4/7/7/24770549/p25_testing.pdf)

-Stancil launches their latest release of logging recorder

(/uploads/2/4/7/7/24770549/stancil_logger.pdf)

-NG911 (<http://stancilcorp.com/NG911.html>)

Products

-Client Options (<http://stancilcorp.com/Options.html>)

Service & Support

-Service & Support Information

(<http://stancilcorp.com/ServiceAndSupport.html>)





Legislation Text

File #: 18-0312, **Version:** 1

ITEM TITLE:

Appointment of Members to Comprehensive Plan Advisory Committee

SUBMITTED BY: Sheri L. Pierce, MMC, City Clerk

FISCAL NOTES:

Expenditure Required: [Click here to enter text.](#)

Unencumbered Balance: [Click here to enter text.](#)

Funding Source: [Click here to enter text.](#)

RECOMMENDATION:

[Click here to enter text.](#)

SUMMARY STATEMENT:

The City has solicited applications from citizens interested in serving on the Comprehensive Plan Advisory Committee. Committee members will serve in an ad-hoc capacity to function as a working group in the process of developing the City Comprehensive Plan. The members will meet as a group monthly during the Comp Plan preparation process for approximately 9 to 12 months. Meetings will be facilitated by Kimley Horn and will be conducted both in person when Kimley Horn is in Valdez and by conference call in the intervening months. Members will serve on the CPAC through the completion of the Comprehensive Plan.

Members will be tasked with:

- Participating in workshop style meetings to review and discuss the proposed goals, objectives, and policies proposed in the plan.
- Provide feedback to in-progress work documents
- Serve as ambassadors for the process in the community
- Provide recommendations to the Planning and Zoning Commission and City Council

We have received 12 applications from citizens interested in serving on the CPAC Committee. Current members of the Economic Development Commission will automatically become members of the CPAC, bringing the total number of members to 18 should the city council wish to appoint all citizens who have expressed an interest to serve. Kimley-Horn has suggested the committee be composed of 9-13 members, however after speaking with Mr. Chen today he expressed no objection to expansion of the committee to 18 should council wish to accept all applications. Representatives of Kimley-Horn will be attending the council meeting via teleconference to answer any questions council

may have regarding the formation of this committee.

The following have submitted letters of interest which are submitted as attachments:

Mike Wells
Donna Schantz
Angela Alfaro
Dahlia O'Neil
John Engles
Jesse Passin
James Dunn
Jeremy Robida
Rod Morrison
Jessica McCay
Mary Jo Evans
Kathy Nielson

Current Economic Development Members:

Susan Love
Rhonda Wade
Colleen Stephens
Lee Hart
Keith Thomas
Grant Uren



CITY OF VALDEZ
REQUEST FOR APPLICATIONS
COMPREHENSIVE PLAN ADVISORY COMMITTEE

The Valdez City Council is soliciting applications from citizens interested in serving on the Comprehensive Plan Advisory Committee. Committee members will serve in an ad-hoc capacity to function as a working group in the process of developing the City of Valdez Comprehensive Plan.

Interested applicants are encouraged to learn more by attending the upcoming Comprehensive Plan Community Workshop on Tuesday, September 11th, at the Valdez Civic Center, from 6:30 – 8pm.

CPAC Responsibilities:

- Meet as a group with the consultant team Kimley-Horn on an ongoing basis – generally monthly during the Comp Plan preparation process for approximately 9-12 months. These meetings would be face-to-face while Kimley-Horn is in Valdez, and by conference call in the intervening months.
- Participate in workshop style meetings that would include appropriate city staff depending on the element of the comprehensive plan being discussed, to review and discuss the proposed goals, objectives, and policies proposed in the plan.
- Provide feedback to in-progress work documents.
- Serve as ambassadors for the process in the community.
- Provide recommendations to the City Planning and Zoning Commission and the City Council.
- Serve on the CPAC through the completion of the Comprehensive Plan which is currently projected to be Summer 2019.

Citizens interested in volunteering to serve as a member of the CPAC Committee should submit a letter of interest and brief biography to the City Clerk's Office **no later than Thursday, September 13th, at 5pm**. Applicants may submit by email to spierce@valdezak.gov, deliver in person to the front office at City Hall, or send by mail to the City of Valdez, Attention City Clerk, PO Box 307, Valdez, AK 99686.

The Mayor and City Council will appoint members to the advisory committee at their regular meeting on September 18, 2018.

September 12th, 2018

Mayor Jeremy O'Neil
City Council Members;

Dear Mayor O'Neil,

As a lifelong member of the Valdez community, I have had the pleasure of seeing the community change and grow over the past decades. Valdez is my home and will be for the foreseeable future. So, it is very important to me how we as a community plan for our needs and allocate our financial resources to meet coming challenges and provide the brightest future for our citizens.

My community experience includes three terms on the Valdez city council, twelve years as a Ports & Harbor Commissioner and a member of the Valdez Permanent Fund Committee. During my terms on council, I was involved in both strategic and financial planning for the city. I was also actively involved in the construction of the new middle school, as a building committee member, and the planning and approval of the new small boat harbor. I am very proud of those two accomplishments which have improved the education experience of our students and positioned the community for the growth of our marine industries.

My career in Valdez has been primarily focused in fisheries, both as a commercial fisherman and a long term employee of the Valdez Fisheries Development Association. This work experience has given me a unique perspective of our second largest industry behind oil. There are many opportunities to expand this area of our economy which strongly contributes to our tourism industry, sport fisheries and tax base. This economic diversity will become increasingly important as the value of TAPS declines.

Thank you for the opportunity to share my experience and qualifications. Please consider my interest to serve on the Comprehensive Plan Advisory Committee.

Respectfully



Mike H. Wells

Donna L. Schantz
P.O. Box 1224
Valdez, AK 99686
(907) 255-5116

September 12, 2018

Ms. Sheri Pierce
City Clerk
City of Valdez
P.O. 307
Valdez, AK 99686

SUBJECT: Expression of interest to serve on the City of Valdez Comprehensive Plan Advisory Committee

Dear Ms. Pierce:

I am writing to express interest in volunteering as a member of the City of Valdez Comprehensive Plan Advisory Committee. I have lived in Valdez since 1997, and hope to stay for the foreseeable future. I have a vested interest in helping the City plan for future industrial, commercial, residential and public land uses that will protect our unique natural environment while also enhancing our economic productivity and diversification.

From 2012 to 2014 I served as an elected member of the Valdez City Council. During that time I participated in the tail end of a multi-year strategic planning effort involving over 70 community volunteers that served on eight different issue-specific planning groups. A considerable amount of time and energy was dedicated to this effort. In 2014 I participated in a city-sponsored community training session hosted by the University of Alaska Center for Economic Development (UACED) to help facilitate a process called "Strategic Doing," designed to kick off an effort to develop a comprehensive economic development strategy. Unfortunately, neither of these efforts were overly successful in achieving their ultimate goal of creating a useful roadmap for City leaders, staff, and the community (but at least I was not involved with the development of the grain silos). I am hopeful this current effort will have better results.

Attached is my biographical sketch. Please forward this submittal to the City Council for their review and consideration. If I am appointed to this committee I will do what I can to provide sound recommendations, and to represent the interests of all sectors of the community. I hope that my application is favorably received.

Sincerely,



Donna Schantz

**Biographical Sketch
Donna L. Schantz
September 2018**

Donna Schantz moved to Valdez in 1997 after her late husband won 20 acres of land in Jack Bay through the Alaska State Homestead Land Lottery. Schantz is currently the executive director of the Prince William Sound Regional Citizens' Advisory Council (PWSRCAC). Prior to this appointment she served as the organization's director of programs. In her role at the PWSRCAC she works with citizens and community leaders throughout the Exxon Valdez oil spill region to protect the environment and socio-economic well-being of Prince William Sound and its downstream communities. Notable accomplishments include her work towards the passage of legislation for dual escorts in Prince William Sound in 2010, and recognition by the U.S. Coast Guard in 2015 for her professionalism, positive demeanor, open communications, and contributions in support of the Prince William Sound Subarea Committee. She has worked for the Citizens' Council in Valdez since 1999.

Prior to working for the PWSRCAC, Schantz worked in various positions in Valdez including the Valdez Convention and Visitors Bureau, City of Valdez Small Boat Harbor, and Stan Stephens Cruises and Tours.

Schantz served as an elected member of the Valdez City Council from 2012 to 2014. She is a current standing member of City of Valdez Mayor's Flood Mitigation Task Force, and also volunteers as Secretary of the local Boy Scout Troop 311 Committee.

Schantz was born and raised on Long Island in New York. She received a B.A. in fine arts from Providence College in Rhode Island. In 1989 she was production assistant for an advertising agency in New York City. In 1991 Schantz moved to Juneau, Alaska and was hired by gold mining company where she assisted with the preparation of environmental permit applications for Alaskan projects and other national and international sites. In this role she worked as a liaison between state, federal and city agencies as well as native corporations and local interest groups regarding environmental matters. In 1995 she was the recipient of the 1995 president's award for North American operations from the company.

Schantz lives in Valdez with her two children Timothy "Eider" and Ellie, ages 14 and 13 respectively.



ANGELA ALFARO MD, MS, MSHS, FAAFP

P.O. BOX 2507, VALDEZ AK 99686 | PHONE: 407-928-2983
LIVINGWELL@ANGELAALFAROMD.COM | WWW.THEALFADOC.COM

September 13, 2018

Dear Mayor and City Council Members,

Thank you for inviting the community to be a part of the Comprehensive Plan Advisory Committee (CPAC) to shape and create a legacy for generations to come. As a family physician I understand the importance of details, structure, balance and connection. City planning, like medicine, deals with complex systems that must work seamlessly with other complex systems to accomplish its goal and objectives. My career in medicine has taught me the value of teamwork, goal setting, patience and perseverance.

I worked at the Valdez Medical Clinic from August 2008 until June 2011 but then moved back to my home state of Florida. Valdez is such a special place and almost every summer from 2011 until we moved back in August 2015, my family and I came to either work or vacation here. The community is so unique and when we moved back we knew it would be a long-term commitment. The community drew us back so it makes perfect sense that I volunteer to strengthen that community and leave it an even better place than I found it. My particular area of interest is individual and community well being. This does not exist in a silo, but should be incorporated into every aspect of community planning and core topic categories, rather than being one topic all by itself. Along with representing the Sound Wellness Alliance Network (SWAN) as the board chair, I also am a board member for Connections to Care, work with the Valdez City Schools as the school physician, provide forensic examinations and recommendations for the Copper River Basin Child Advocacy Center, operate a small functional medicine micro-practice and work a full time healthcare related telecommuting job. Of all of these positions, I am most proud of my work for representing and speaking up for those that can't represent themselves. I envision a city that puts the people first in all endeavors and works diligently to assure that everyone has a voice and is represented.

There are obviously some absolutely wonderful aspects of our little snow town, but it could be even more glorious. I have shared my vision of Valdez with my SWAN board and would like to close by sharing that with you. I am not a specialist of the systems within the city and would never propose to be, but I am an expert in people and can help to navigate what is in the best interests of those we serve.

This was something I wrote in January of this year trying to put on paper how I feel the direction of this city should go, particularly centered around well being with the next 5 years (hence Valdez 2023). Please enjoy.

VALDEZ 2023 is a vibrant city that fosters community engagement to improve the wellbeing of its residents. A group of students attended a SEED MEDIA camp in 2018 and produced a series of wellbeing public service announcements. This effort, backed by the United Way, started a sensation of awareness in Valdez that focused on the small things we can do daily to improve the lives of our community and ourselves. Those PSAs continue today and have been recognized nationally for their efforts in leading the wellness movement in Valdez. We have access to fresh fruit and vegetables without being too expensive because we have created networks of local greenhouses, community gardens and school-based gardens. We have an indoor facility that can be used in bad weather that has a walking track and doubles as a location for indoor soccer/bowling and mini-golf. Valdez 2023 encourages its youth to partner with its elders to share history and create the social connection that is absolutely essential for optimal health. This partnership is seen several nights per month where you will find young and old going against each other in games of bingo, chess, board games or Ping-Pong. Once a month Valdez 2023 has some type of fitness challenge that ranges from snow shoeing the Valdez campgrounds to the Furry 4K. Businesses compete for the GOLD SWAN that is displayed in the business that has the most percentage of participation in the wellness challenges and local faith groups have incorporated physical and mental wellbeing into their weekly meetings. The Bountiful Harvest Feast occurs once a year after harvesting the vegetables from the community garden. This really has grown to quite the event; folks come from all over to witness the goodness grown from the Valdez soil. Finally the Annual Wellness Symposium is a sight to see. This gathering started as a couple of groups chatting about the change they would like to see in the community to a week long event that brings in people from all over the world. The Symposium provides a mechanism for collaboration for local businesses and community members as well as an amazing educational experience for new research into community and social wellbeing. While we haven't achieved it yet, Valdez 2023 has its sights on being designated a Blue Zone, there is still work to do but we are inspired to live well.

Thank you for your time and consideration. It would be an honor to work on such a noble effort as the Comprehensive Plan Advisory Committee.

Sincerely,



Angela Alfaro MD

September 12, 2018

Re: CPAC letter of interest and biography

To Whom It May Concern:

I am very interested in serving on the Comprehensive Plan Advisory Committee. I was able to attend the Comprehensive Plan Community Workshop on Tuesday night and am excited to volunteer! Initially, I signed up to be a “brand ambassador” when the Visioning Project was in effect last year. Since that portion of the Project has gone away, I would still like to continue on the path of helping Valdez via the CPAC.

I am originally from North Pole and have lived in Valdez since 2011. I have a Bachelor’s Degree in International Business Management from BYU-Hawaii. I was an IT Project Manager at Fairbanks Memorial Hospital, working largely across the Banner Health system in Alaska, Colorado, and Arizona. Currently, I’m a stay-at-home mother, raising 6 beautiful children - the future of Valdez. In 2013, I was on the Steering Committee for the Valdez Homeschool Program and helped craft the model that is currently in use. I was President of the local chapter of Relief Society, a worldwide women’s organization, for 2 years. I am serving on the Board of Directors for the Valdez Torpedoes Swim Team, holding the position of Communications.

I believe I have a point of view that will add value as I collaborate with other community members, friends, and the Kimley-Horn team. I enjoy the process of creating goals, planning for the future of my community, and being an ambassador to something I am passionate about - my beautiful town. I am excited to serve as a committee member with positive energy and enthusiasm!

Thank you for allowing me the opportunity to share my interest and brief biography.

Kind Regards,

Dahlia O’Neil
PO Box 3006
Valdez, AK 99686
(907) 461-2321
dahliab79@hotmail.com

JOHN W. ENGLER

PO Box 2905, 3042 Fairweather St. | 907.835.4133 land, 907.831.9113 cell |
Flattops@cvinternet.net

September 11, 2018

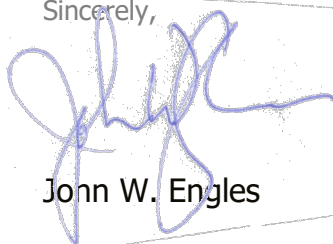
Sherry Pierce
City Clerk
City of Valdez
PO Box 307
Valdez, AK 99686

Subject: Letter of Interest for Comprehensive Plan Advisory Committee

Dear Sherry Pierce:

I am interested in participating on the Comprehensive Plan Advisory Committee. I have lived in Valdez for 20 years and recently (2016) retired from the State of Alaska, Department of Environmental Conservation, besides being the sole local emergency responder, I served as Scientific Support statewide for the Emergency Response Program. My educational background consists of degrees in Physics, Math and master's work in Geophysics and Geology. I currently do some consulting but my primary activities these days are my farm, Corbin Creek Farm. The philosophy for my farm is to develop and demonstrate sustainable small-scale market farming in a traditionally difficult environment. Supporting and promoting local Alaskan grown farm to table produce and products.

Sincerely,



John W. Engler

September 13, 2018

Mayor and City Council:

I am writing you to express my interest in being a member of the CPAC. I have been a Valdez resident for thirty five years, attended school here, and I am now raising my children here . Starting my first business at fifteen years old, and being a business owner in Valdez since then, has given me a good pragmatic prospective on the issues Valdez faces, and the potential for further development. I would like to share my ideas, and be a part of the planning process for the future of our great little town. Currently I own and manage Mega Trucking, LLC, a local gravel production and delivery business. We have five employees and are eager to grow!

Jesse Passin
MEGA Trucking, LLC
PO Box 1808
Valdez, AK 99686
(907) 255-9169
megatrucking@me.com

September 13, 2018

Mayor and City Council:

Please accept this e-mail as my application for the City of Valdez Comprehensive Plan Advisory Committee.

I am the CEO of Copper Valley Telecom, which operates fiber optic and wireless LTE Internet infrastructure throughout the region.

I am a licensed attorney with an MBA degree from Georgetown University in Washington, D.C.

I have urban planning training from my undergraduate coursework as a geography major.

I have been an Alaska resident since 1973.

Thank you,

James Dunn
CEO/GM
Copper Valley Telecom
329 Fairbanks St.
Valdez, Alaska 99686
(907)255-7701 cell



Sheri-

I'm interested in joining the comprehensive plan CPAC group.

I've been in Valdez for 12 years now. I've worked a variety of jobs including the seasonal kayaking guiding and heli-ski work which first brought me here, to commercial fishing, to my current position with PWSRCAC. I've been involved with the community in a number of ways including volunteering with the fire department, getting involved with the local avalanche center, and helping to organize a local music festival. Valdez is ultimately my home because of the many recreational opportunities to be had locally. I feel I bring a wide variety of experiences in that sense on both professional and personnel level and will be able to contribute my thoughts on the comprehensive plan.

Please let me know if this email will suffice for my application to the CPAC efforts.

Thanks,
Jeremy

Rod Morrison
 Post Office Box 626
 Valdez, Alaska 99686

(907) 835-9220

Mobile (907) 831-1570

September 12, 2018

To: Valdez City Mayor and City Council

I am submitting this letter of interest to serve as a volunteer member of the CPAC Committee.

I moved my family to Valdez in July of 2002, to accept a job as the principal of George H. Gilson Junior High School. My daughter, attended the schools for her entire K-12 education. My son was born in Valdez, and he is currently a freshman at Valdez High School. I am currently in my 17th year as an administrator in the Valdez City Schools, and I plan to finish my career in Valdez. Additionally, I am currently a partner in one small business, Panorama North, and I own and operate another small business with my wife, Alaska Balsamics, in which we started last fall.

I attended the Comprehensive Community Workshop on Tuesday, September 11, 2018. I noticed a couple of missing pieces in the presentation. I believe I can add a positive voice in moving the process forward. One area, that wasn't addressed was education. Not only Pre-12, but also post secondary education. I have been in Valdez long enough to notice that prospective business owners and families generally want to ensure that the location they move to, can offer a solid education for their families, as well as appropriate training and certification programs. The other area that I did not see addressed, was a strand for wellness and appropriate medical care. These are two areas that need to be addressed.

As a small business, owner it is important to me that Valdez is "business and development friendly." Working at the school I often hear concerns from parents and the "hurdles" they have to overcome to make anything happen in Valdez.

Here is a brief biography about myself.

I graduated from high school in 1985. I completed my undergraduate program at Central Washington University, and I have a Masters Degree in Educational Technology from City University. I completed my certification for Education Administration from Heritage College, and I have 26 years of experience as a professional educator; teacher, coach, and administrator.

In my 17 years living in Valdez, I have worked closely with the City of Valdez in the planning, educational specifications, bonding process, budgeting, planning and construction of the new Gilson Middle School.

Additional Information

- Six years as the Region III Representative for the Alaska Secondary Principal Association
- Two years as President of Alaska Secondary Principals Association
- Two years as Past-President of President of Alaska Secondary Principals Association
- Two years as President of the Alaska Council of School Administrators
- 2008 Named Middle Level Principal of the Year for the State of Alaska

I have seen many changes in Valdez and the state of Alaska as well. Valdez is my family's home, and I have a vested interest in the development and planning of the city of Valdez.

If you have any questions, I would encourage you to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Rod Morrison", with a long horizontal flourish extending to the right.

Rod Morrison

Sheri,

I would like to express my interest in being a part of the Comprehensive Plan Advisory Committee for the City of Valdez. My family has lived in Valdez since 2003. After starting my own little family, I recognized the importance of community in raising children. So, in the summer of 2017 I moved back to Valdez in order to provide the best opportunities for my children.

The familiarity that is gained from the responsibility free nature of growing up in a place, is one asset I can bring to this committee. Additionally, I have a background in construction and engineering that can provide a technical perspective to developing this plan. Lastly, I worked in Capital Facilities for nearly a year and now work for the Valdez Fisheries. This is beneficial in that I have an understanding of the policies and plans that are currently being implemented.

I would like to call Valdez home for the rest of my life and care deeply about the future here in our little coastal town. Please contact me if you have further questions. I look forward to hearing from you.

Respectfully,

Jessie McKay

Mayor and City Council:

I just picked up this week's Valdez Star and noticed the ad for applications for the comprehensive plan advisory committee. I also noticed that the deadline for applying was yesterday, the 13th. I'm hoping you can make an exception for me. I would really like to serve on this committee. During my many years as a member of the Planning and Zoning Commission, I spent two of them working on a comprehensive plan with the rest of the commission. So I do have experience with this. With a bit of searching, I could probably come up with the plan we developed which, I don't believe, the Council adopted.

Also while I was on the Commission, we revised the zoning and subdivision ordinance, had input into the Valdez Coastal Management Program, the West Mineral Creek Development Master Plan, Copper River Basin Area Plan for State Lands, Valdez Municipal Entitlement Lands, and the Prince William Sound Area Plan. In addition we looked at the possibility of forming a borough.

As you can see, I have had a great amount of experience with the municipal planning function. I hope you will look favorably upon my application for this position. Mary Jo Evans

P O Box 277, Valdez, AK 907-835-4757

September 13, 2018

Dear Mayor and City Council,

I would be interested in serving on the Comprehensive Plan Advisory Committee.

As a business person, parent, and active community member, I believe I would bring a positive perspective to this process.

My background includes service on elected and volunteer boards and committees. Working in a group with common goals can be painstaking, but usually yields the most productive outcomes.

I've lived in Valdez for 37 years, raised my children here, and operated a business for the past 28 years. I'd like to see a future mapped for our community that will take us into the next 37 years that is productive and sustainable.

Thank you for your consideration,

Sincerely,

Kathy Nielsen



Legislation Text

File #: 18-0313, **Version:** 1

ITEM TITLE:

Discussion Item: West Klutina Project Update

SUBMITTED BY: Nathan Duval, Capital Facilities Director

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: \$177,300.40

Funding Source: 350-0310-55000.1714

RECOMMENDATION:

Receive & File

SUMMARY STATEMENT:

West Klutina is fully paved and striped. The Capital Facilities Department would like to discuss with the council the outstanding items relative to financial close-out and street lighting.



Legislation Text

File #: RES 18-0029, **Version:** 1

ITEM TITLE:

#18-29 - Assignment of Leasehold Interest from the Estate of Betty J. Wells to Crowley Fuels, LLC for an 8,400 Square Foot Portion of USS 495 Tidelands

SUBMITTED BY: Nicole LeRoy, Planning Technician

FISCAL NOTES:

Expenditure Required: N/A
Unencumbered Balance: N/A
Funding Source: N/A

RECOMMENDATION:

Approve Resolution #18-29 consenting to assignment of leasehold interest from the estate of Betty J. Wells to Crowley Fuels LLC for an 8,400 square foot portion of USS 495 Tidelands.

SUMMARY STATEMENT:

In 1997 the City of Valdez, under its management agreement with the Corps of Engineers for the Small Boat Harbor, entered into a tideland lease with Max and Betty Wells for an 8,400 square foot portion of USS 495 Tidelands. The use of the lease property was for a fueling dock within the harbor. The term of the lease was for 21 years with six, five-year extension options.

In 2001, the City became the owner of the Small Boat Harbor Tidelands. Leases previously held with the City for those tidelands while under agreement with the Corps of Engineers were re-established with Lessees. One of those leases was with Max and Betty Wells. A new lease between the City of Valdez and Max and Betty Wells was established in 2001 for the term still remaining on the original lease, 17 years. The current lease is scheduled to expire on November 30th, 2018 and contains six, five-year options to renew. Following the passing of Mr. Max Wells, Mrs. Betty J. Wells was appointed as representative of the estate. Mrs. Betty J. Wells passed away in 2007, and Mr. Jason C. Wells was named personal representative to her estate. Jason C. Wells and Crowley Fuels LLC approached Community Development staff with an application to assign the lease from the Estate of Betty Wells to Crowley Fuels LLC.

It is notable that Crowley Fuels has been subleasing from the Estate of Betty Wells since 1999. Assignment of this lease would effectively maintain the status quo of use of this site. All other terms and conditions of the lease will remain in full force and effect.

Section 7.01 of the lease document requires the consent of the Lessor (the City) for any assignment of leasehold interest. In conformance with this requirement, the attorney for the Estate of Betty J. Wells

has provided the City with an assignment document. Before this assignment document is executed, it will need to be approved by the City Attorney as to form.

On August 20th, 2018 the Ports and Harbor Commission approved a recommendation to City Council to approve the assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC.

On August 29th, 2018 the Planning and Zoning Commission approved a recommendation to City Council to approve the assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC.

Pending Council approval of this assignment, Crowley Fuels seeks to amend the lease to utilize the first of the six, five-year extension options as the lease is scheduled to expire on November 30th, 2018.

CITY OF VALDEZ, ALASKA

RESOLUTION # 18-29

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, CONSENTING TO THE ASSIGNMENT OF LEASEHOLD INTEREST FROM THE ESTATE OF BETTY J. WELLS TO CROWLEY FUELS LLC FOR AN 8,400 SQUARE FOOT PORTION OF USS 495 TIDELANDS

WHEREAS, the City of Valdez entered into a tideland lease for an 8,400 square foot portion of USS 495 Tidelands with Max & Betty Wells in December 2001; and

WHEREAS, Mr. Max Wells passed away in 2007; and

WHEREAS, Mrs. Betty Wells was the personal representative of the Estate of Mr. Max Wells, and Mrs. Betty Wells was the sole trustee to the revocable trust created by Mr. and Mrs. Wells; and

WHEREAS, Mrs. Betty J. Wells passed away in 2013; and

WHEREAS, Jason C. Wells has been appointed as the personal representative of the Estate of Betty J. Wells; and

WHEREAS, Jason C. Wells requests the assignment leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC; and

WHEREAS, Ports and Harbor Commission approved recommendation to approve assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC on August 20, 2018; and

WHEREAS, Planning and Zoning Commission approved recommendation to approve assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC on August 29th, 2018; and

WHEREAS, Section 7.01 of Lease Document requires Council approval of any assignment of leasehold interest.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that:

Section 1. The Valdez City Council consents to the assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC.

Section 2. All other terms and conditions of the lease remain in full force and effect.

Section 3. This resolution goes into effect immediately upon passage and approval by the city council.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 18th day of September, 2018.

CITY OF VALDEZ, ALASKA

Jeremy O'Neil, Mayor

ATTEST:

Sheri L. Pierce, MMC, City Clerk

**After Recording in the Valdez
Recording District, Return to:**

City of Valdez
P.O. Box 307
Valdez, AK 99686
Attn: Planning Department

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

The Estate of Betty Wells (hereinafter “Assignor”) is the successor lessee to Max and Betty Wells (hereinafter “Original Lessees”) and leases the premises (hereinafter “Premises”) known as 8,400 square feet of a Portion of USS 495 Tidelands, as described in that certain Tidelands Lease dated December 11, 2001 (the “Lease”), by and between the City of Valdez (“Lessor”) and Original Lessees, made of record by (i) a Memorandum of Lease (the “Memorandum”) recorded on December 28, 2001 at Book 147, Page 742, records of the Valdez Recording District, Third Judicial District, State of Alaska, (ii) an Assignment of Leasehold Interest by Personal Representative recorded on January 29, 2010 as Document No. 2010-000074-0, records of the Valdez Recording District, Third Judicial District, State of Alaska, and (iii) Lease Amendment No. 1 City of Valdez and Betty J. Wells, recorded on September 4, 2012 as Document No. 2012-000685-0, records of the Valdez Recording District, Third Judicial District, State of Alaska (collectively, the Lease and the documents described in (i), (ii) and (iii), above are referred to herein as the “Lease”). Betty Wells died on February 23, 2013, and Jason C. Wells has been appointed as the personal representative of her estate in Case No. 3AN-13-00647PR.

The Assignor, acting by and through its personal representative, Jason C. Wells, effective as of the date of recordation of this Assignment and Assumption of Lease Agreement (“Assignment”), hereby assigns all of Assignor’s rights, title, and interest in the Lease to Crowley Fuels LLC (“Assignee”), a Delaware limited liability company whose address is 201 Arctic Slope Ave., Anchorage, AK 99518, subject to all the conditions and terms contained in the Lease. Assignee hereby assumes and agrees to perform all duties and obligations required of a Lessee under the Lease and to pay all liabilities and obligations that become due and

owing from and after the effective date of this Assignment. Pursuant to paragraph 7.01 of the Lease, this Assignment does not release the Assignor (or any prior lessees named in the Lease) from liability under the Lease.

This Assignment is dated as of _____, 2018, is effective upon recordation, and shall be governed by and construed in accordance with the laws of the State of Alaska.

ASSIGNOR:
THE ESTATE OF BETTY J. WELLS:

By: _____
Name: Jason C. Wells
Title: Personal Representative

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this _____ day of _____ 2018, before me, a Notary Public in and for the State of Alaska, personally appeared Jason C. Wells, to me known to be the Personal Representative of The Estate of Betty J. Wells, the estate that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said estate for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for _____
My commission expires: _____

By: _____
Name: _____
Title: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this _____ day of _____ 2018, before me, a Notary Public in and for the State of Alaska, personally appeared _____, to me known to be the _____ of CROWLEY FUELS LLC, the limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned and on oath stated that s/he was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for _____
My commission expires: _____

CONSENT TO ASSIGNMENT AND ESTOPPEL CERTIFICATE

The City of Valdez hereby consents to the assignment of the above-referenced Lease from The Estate of Betty Wells to Crowley Fuels LLC. This Consent to Assignment ("Consent") shall not be deemed to be a consent to any further or subsequent sublease or assignment. This Consent is given without waiving any right or action, or releasing the Assignor from any liability or responsibility under the above-referenced Lease.

In addition, pursuant to paragraph 15.01 of the Lease, the City of Valdez hereby certifies that:

1. The documents that constitute the Lease consist of only the following: (i) the Tidelands Lease dated December 11, 2001, by and between the City of Valdez ("Lessor") and Max and Betty Wells ("Original Lessees"), (ii) the Memorandum of Lease recorded on December 28, 2001 at Book 147, Page 742, records of the Valdez Recording District, Third Judicial District, State of Alaska, (iii) the Assignment of Leasehold Interest by Personal Representative recorded on January 29, 2010 as Document No. 2010-000074-0, records of the Valdez Recording District, Third Judicial District, State of Alaska, and (iv) the Lease Amendment No. 1 City of Valdez and Betty J. Wells, recorded on September 4, 2012 as Document No. 2012-000685-0, records of the Valdez Recording District, Third Judicial District, State of Alaska.
2. The Lease is in full force and effect.
3. The City of Valdez is not aware of any existing defaults under the Lease.
4. Annual rent due under the Lease has been paid through November, 2017.

CITY OF VALDEZ

APPROVED:

Jeremy O'Neil, Mayor
ATTEST:

Sheri L. Pierce, MMC, City Clerk

By: _____
Name: Elke Doom
Title: City Manager
Date: _____

APPROVED AS TO FORM:

BRENA, BELL AND CLARKSON

Attorneys for City of Valdez

Jake W. Staser

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

On this ____ day of _____, 2018, before me, a Notary Public in and for the State of Alaska, personally appeared Elke Doom, to me known to be the City Manager of the City of Valdez, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned and on oath stated that s/he was authorized to execute said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for the State of Alaska
My commission expires: _____

TIDELANDS LEASE

THIS LEASE is made this 11th day of December, 2001, between the **CITY OF VALDEZ**, a municipal corporation organized under the laws of the State of Alaska, whose address is P.O. Box 307, Valdez, Alaska 99686 hereinafter referred to as "LESSOR", and **Max and Betty Wells** (a corporation) whose address is P. O. Box 890, Valdez, Alaska 99686, hereinafter referred to as "LESSEE".

LESSOR and LESSEE agree as follows:

I - PROPERTY

1.01. Property. LESSOR leases to LESSEE and LESSEE leases from LESSOR the property outlined in red in Exhibit "A" attached hereto, it being described as:

8,400 sq. ft, a Portion of USS 495 Tidelands
(See Exhibit A)

(hereinafter referred to as the "Property"), for the term, the rent, and subject to the covenants and conditions hereinafter provided.

1.02. Quiet Enjoyment, Restrictions, Easements, Etc. LESSOR covenants and agrees that LESSEE, upon paying the rent and other charges herein provided for and observing and keeping the covenants, conditions and terms of this Lease on LESSEE's part to be kept or performed, shall lawfully and quietly hold, occupy and enjoy the Property during the term of this Lease without hindrance or molestation, subject, however, to the rights and reservations expressed in the U. S. Patent to the Property, the State of Alaska Patent to the Property, existing easements for roads, gas, electric, water, sewer and other utility lines, restrictions of record and to encroachments ascertained by physical inspection of the Property.

1.03. Property Accepted "As Is". LESSEE acknowledges that it has inspected the Property and accepts the same "as is" and without reliance on any representations or warranties of LESSOR, its agents, servants, or employees, as to the physical condition of the Property, including, but not limited to, subsurface and soil conditions, or as to its fitness or habitability or for any particular purpose, or otherwise.

1.04. No Subsurface Rights. This Lease confers no mineral rights or rights with regard to the subsurface of the land below the level necessary for the use of the Property as stated in this Lease. LESSOR makes no warranty or representation, as whether the Property is open or closed to mineral claims or leases under state or federal law.

1.05 Appraisal. There is no appraisal fee.

1.06 Survey. Not required.

II - TERM

2.01. Lease Term. The term of this Lease shall be seventeen (17) years, commencing on December 1, 2001, and ending on the last day of November 2018, with 6 five-year options to renew.

2.02. Preference Rights to Re-Lease. LESSEE shall upon expiration of this lease be allowed a preference right to re-lease the Property if all of the other factors are substantially equivalent and; provided the LESSEE is not in breach or default of any of the terms or conditions of the Lease, unless it shall be determined by LESSOR that the renewal of such lease is not in the best interests of LESSOR.

2.03. Application to Re-lease. If, at the expiration of this Lease, the LESSEE desires to re-lease the Property, LESSEE shall, not sooner than ninety calendar days and not later than sixty calendar days prior to the expiration, make application to re-lease the Property. The re-lease application shall certify the character and value of all improvements placed by LESSEE on the Property, the purpose and lengths for which the re-lease is desired, and any other information that LESSOR may require. Applications to re-lease shall be submitted to the same application review as new applications for lease, pursuant to Sec. 14.04 of the Valdez City Code as may be amended from time to time.

2.04. Hold-Over. If LESSEE shall holdover after the expiration of the term of this Lease such tenancy shall be from month to month, subject to all the terms, covenants and conditions of this Lease.

2.05. Surrender of Possession. Upon expiration of the term of this Lease, whether by lapse of time or otherwise, LESSEE shall promptly and peaceably surrender the Property, and all buildings and improvements thereon, except as provided in Article XVII of this Lease, and LESSEE agrees to execute, acknowledge and deliver to LESSOR a proper instrument in writing, releasing and quitclaiming to LESSOR all right, title and interest of LESSEE in and to the Property and all such improvements thereon.

III - RENT, TAXES, ASSESSMENTS AND UTILITIES

3.01. Rent. The LESSEE agrees to pay to LESSOR an annual rent of ten percent (10%) of the appraised value of the Property, with equal monthly installment payments to be made not later than the first day of each month. Rent for any partial year shall be prorated at the rate of 1/12th of the annual rent per month or portion thereof. For the first five (5) years, the appraised value is agreed to be **Five Thousand Forty Dollars (\$5,040.00)** resulting in an annual rent of **Five Hundred Four Dollars (\$504.00)** per year. Rent shall be payable at the office of the City Manager, P. O. Box 307, Valdez, Alaska, 99686, or at such other place as LESSOR may designate in writing. Delinquent rent shall bear interest at the maximum rate of interest allowed per annum.

3.02 Adjustment of Rent. The Property will be reappraised and the annual rent accordingly adjusted every five (5) years during the term of this Lease. Such appraisal will be based on the value of the Property and shall not include the value of buildings or improvements placed on the Property by LESSEE. The appraised value of the Property for the purposes of determining the annual rental shall be the most recent tax assessment valuation according to the tax rolls of the City of Valdez. In no event, however, shall the annual rent be less than the original annual rent set forth in paragraph 3.01. Nothing in this paragraph shall prevent the annual reassessment of the leased premises for tax purposes to determine its true value as provided by law.

3.03. LESSEE to Pay Taxes. LESSEE agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all real property taxes levied or assessed upon or against the Property and improvements thereon during the term of this Lease. LESSEE further agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all personal property taxes on personal property situated on the Property and placed thereon by LESSEE, its agents, authorized representatives, or employees. LESSEE further agrees to pay prior to delinquency any other taxes for which it may be liable. LESSEE shall, within thirty (30) days after any such tax, assessment or other charge, whether or not constituting a lien on the Property, shall become due and payable, produce and exhibit to LESSOR satisfactory evidence or payment thereof.

3.04. LESSEE to Pay Assessments. LESSEE during the term of this Lease agrees to pay directly to the public authorities charged with collection thereof any and all assessments levied on the Property for any part or all of the costs of any public work or improvement assessed according to benefit found by the levying authority to accrue therefrom to the Property, provided, however, that if an option is given to pay such assessment(s) in installments, LESSEE may elect to pay the same in installments, and in such case LESSEE shall be liable only for such installments as shall accrue during the term of this Lease. LESSOR warrants and represents that there are currently no outstanding assessments levied on the Property for any part or all of the cost of any public work or improvement constructed by LESSOR.

3.05. Proration of Taxes and Assessments. If LESSEE's obligation to pay taxes or assessments commences or ends during a tax year, such obligation shall be prorated between LESSOR and LESSEE.

3.06. Contest. LESSEE shall have the right to contest any taxes or assessments, which LESSEE is obligated to pay under paragraphs 3.03 or 3.04 of this Lease. Such proceedings shall, if instituted, be conducted promptly at LESSEE's own expense and free from all expense to LESSOR. Before instituting any such proceedings, LESSEE shall pay under protest any such taxes or assessments, or shall furnish to LESSOR a surety bond written by a company acceptable to LESSOR or other security acceptable to LESSOR, sufficient to cover the amount of such taxes or assessments, with interest for the period which such proceedings may reasonably be expected to take, and costs, securing the payment of such taxes or assessments, interest and costs in connection therewith when finally determined. Notwithstanding the furnishing of any such bond or security, LESSEE shall pay any such taxes or assessments at least thirty (30) days before the time when the Property or any part

thereof, might be forfeited. The proceedings referred to in this paragraph 3.06 shall include appropriate appeals from any order or judgments therein, but all such proceedings shall be begun as soon as reasonably possible after the imposition or assessment of any such taxes or assessments and shall be prosecuted to final adjudication promptly. In the event of any reduction, cancellation or discharge, LESSEE shall pay the amount that shall be finally levied or assessed against the Property or adjudicated to be due and payable, and, if there shall be any refund payable by the governmental authority with respect thereto, LESSEE shall be entitled to receive and retain the same, subject, however, to apportionment as provided in paragraph 3.05 of this Lease. LESSOR, at LESSOR's option, may, but shall not be obligated to, at LESSOR's own expense contest any such taxes or assessments, which shall not be contested as set forth above, and, unless LESSEE shall promptly join with LESSOR in such contest and pay all costs and attorneys fees of LESSOR therein, LESSOR shall be entitled to receive and retain any refund payable by any governmental authority with respect thereof.

3.07. LESSEE to Pay Utility Charges. LESSEE shall pay or cause to be paid all charges for gas, oil, electricity, water, sewer, heat, snow removal, refuse removal and any and all other utilities or services used upon the Property throughout the term of this Lease, including any connection fees.

3.08. Additional Rent and LESSOR's Right to Cure LESSEE's Default. All costs and expenses which LESSEE assumes or agrees to pay pursuant to this Lease shall, at LESSOR's election, be treated as additional rent, and, in the event of nonpayment, LESSOR shall have all rights and remedies provided in this Lease in the case of nonpayment of rent or of a breach of condition, at LESSOR's election. If LESSEE shall default in making any payment required to be made by LESSEE or shall default in performance of any term, covenant or condition of this Lease on the part of LESSEE to be kept, performed or observed which shall involve the expenditure of money by LESSEE, LESSOR at LESSOR's option may, but shall not be obligated to, make such payment, or, on behalf of LESSEE, expend such sum as may be necessary to keep, perform or observe such term, covenant or condition, and any and all sums so expended by LESSOR, with interest thereon at the maximum allowable rate of interest per year from the date of such expenditure until repaid, shall be, and shall be deemed to be, additional rent and shall be repaid by LESSEE to LESSOR, on demand, provided, however, that no such payment or expenditure by LESSOR shall be deemed a waiver of LESSEE's default, nor shall it affect any remedy of LESSOR by reason of such default.

IV - USE

4.01. Use. LESSEE acknowledges that the Property is being leased for a dock to be used for vessel fueling related business and that the property be used only for those purposes. Vessel traffic at the dock is allowed only in conjunction with active loading and unloading of fuel. Should a vessel be moored at LESSEE's dock that extends beyond said lease area, and LESSOR deems the location of the vessel is an impediment to other vessel navigation in the Small Boat Harbor, LESSOR may require LESSEE to remove the vessel. LESSEE shall not conduct any illegal activities on the Property or maintain any nuisances on the Property.

V – IMPROVEMENTS

5.01. Notice of Construction. No improvements may be made to the property without first obtaining a permit from the Alaska Corps of Engineers and any other permits required by other city, state and/or federal agencies. After obtaining the appropriate permits, LESSEE shall give LESSOR no less than five (5) days written notice prior to the commencement of any construction, alteration or repair of any improvements constructed or made by LESSEE on the Property so that LESSOR may, if it so elects, give notice of nonresponsibility pursuant to AS 34.35, as enacted or hereafter amended.

5.02. Development Requirements. At a minimum, LESSEE must operate a fuel dock in conjunction with the leased premises. Any development, intent to develop or use of the Property by LESSEE that is not in concert with the use of the Property as outlined in Section 4.01 must be approved by the LESSOR and may constitute grounds for termination of this Lease, or cause a new lease to be negotiated between LESSEE and LESSOR.

5.03. LESSEE'S Ownership of Buildings and Improvements. It is expressly understood and agreed that any and all buildings and improvements of any nature whatsoever constructed or maintained on the Property by LESSEE shall be and remain the property of LESSEE and may be removed or replaced by LESSEE at any time during the term of this Lease, subject, however, to paragraph 17.01 of this lease.

5.04 Construction Prerequisites. No construction shall be commenced unless the following events have occurred:

- (a) LESSEE shall furnish to LESSOR certificates of insurance in the amounts and for the purposes specified in Article X.
- (b) LESSEE shall from time to time deliver to LESSOR satisfactory proof that worker's compensation insurance has been procured to cover all persons employed in connection with the construction. Notice of any deficiency in this area to LESSEE will be cured immediately and no work will be performed on the project until the LESSOR has satisfactory proof that proper worker's compensation insurance is in place.
- (c) LESSEE shall obtain all necessary city, state, federal or other required building permits.

VI - TRADE FIXTURES

6.01. LESSEE's Ownership of Trade Fixtures, Machinery and Equipment. It is expressly understood and agreed that any and all trade fixtures (including electrical fixtures), machinery, equipment of any nature whatsoever and other personal property of LESSEE at any time placed or maintained upon the Property by LESSEE shall be and remain property of the LESSEE and may be removed or replaced at any time during the term of this Lease.

VII - ASSIGNMENT AND SUBLETTING

7.01. Assignment Without Consent Generally Prohibited. LESSEE shall not voluntarily assign or encumber its interest in this Lease or in the Property, or sublet all or any part of the Property, or allow any other person or entity (except LESSEE's authorized representatives) to occupy or use all or any part of the Property without first obtaining LESSOR's consent. Any assignment, encumbrance or sublease without LESSOR's consent shall be voidable and, at LESSOR's election, shall constitute default. No consent to any assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this paragraph. If LESSEE is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, of any partner or partners owning fifty percent (50%) or more of the partnership, or the dissolution of the partnership, shall be deemed a voluntary assignment. If LESSEE is a corporation, any dissolution, merger, consolidation or other reorganization of LESSEE, or the sale or other transfer of a controlling percentage of the capital stock of LESSEE, or the sale of fifty-one percent (51%) of the value of the assets of LESSEE, shall be deemed a voluntary assignment. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty-one percent (51%) of the total combined voting power of all classes of LESSEE's capital stock issued, outstanding and entitled to vote for the election of directors. As to a corporation the stock of which is traded through an exchange or over the counter, a sale or other transfer of a controlling percentage of the capital stock of such a LESSEE corporation will not be deemed to be a voluntary assignment. Any assignment affected pursuant to this paragraph 7.01 shall require the assignee to assume the Lessee's obligations hereunder. LESSEE shall promptly deliver to LESSOR a copy of any assignment instrument. Any assignment shall not release the Lessee from liability hereunder.

7.02. Assignment of Rents to LESSOR. LESSEE immediately and irrevocably assigns to LESSOR, as security for LESSEE's obligations under this Lease, all rent from any subletting of all or a part of the Property as permitted by this Lease, and LESSOR, as assignee and attorney-in-fact for LESSEE or a receiver for LESSEE appointed on LESSOR's application, may collect such rent and apply it toward LESSEE's obligations under this Lease, except that, until the occurrence of an act of default by LESSEE, LESSEE shall have the right to collect such rent.

7.03. Costs of LESSOR's Consent to Be Borne by LESSEE. LESSEE agrees to pay to LESSOR, on demand, reasonable costs, including attorney's fees, incurred by LESSOR in connection with any request by LESSEE for LESSOR to consent to any assignment or subletting by LESSEE.

VIII - LIENS

8.01. Prohibition of Liens. LESSEE shall not suffer or permit any liens, including without limitation, mechanic's or materialman's liens, to be recorded against the Property. If any such liens shall be recorded against the Property, LESSEE shall cause the same to be removed, or, in the alternative, if LESSEE in good faith desires to contest the same, LESSEE shall be privileged to do

so, but in such case LESSEE hereby agrees to indemnify and save LESSOR harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure of such liens, cause the same to be discharged and removed prior to any attempt at execution of such judgment. Nothing contained in this Lease shall be construed to be a waiver of the provisions of A.S 09.38.015(c), as may be amended from time to time.

IX - INDEMNITY

9.01. Indemnity. Except for claims arising solely out of acts or omissions of LESSOR, its agents, authorized representatives, employees or contractors, LESSEE agrees to protect, defend, indemnify and hold LESSOR harmless from and against any and all liability arising from acts or omissions of any person and of any nature whatsoever occurring on or relating to the Property, causing injury to, or death of persons, or loss of, or damage to, property, and from any expense, including attorneys fees, incident to the defense of and by LESSOR therefrom. If any action or proceeding is brought against LESSOR by reason of any such occurrences, LESSOR shall promptly notify LESSEE in writing of such action or proceeding.

X - INSURANCE

10.01. Liability Insurance. LESSEE, during the term of this Lease, shall carry at its expense comprehensive general liability insurance covering the Property in an amount of not less than ONE MILLION DOLLARS (\$1,000,000.00) combined single limit to protect against liability for personal injury, death or property damage which might arise from the construction occupancy or use of the Property and the operations conducted on it. Said insurance shall insure performance by LESSEE of the indemnity provisions of paragraph 9.01. LESSOR may increase the amount of insurance required at five (5) year intervals. LESSOR agrees that any such increase shall be reasonable.

10.02. Named Insured, Notice to LESSOR, and Waiver of Subrogation. All insurance policies required to be maintained by LESSEE under paragraph 10.01 shall name LESSOR, and its officers, employees and agents, as additional insured. All policies issued under paragraph 10.01 shall contain an agreement by the insurers that such policies shall not be canceled without at least twenty (20) days' prior written notice to LESSOR, and certificates or copies of all such insurance policies shall be furnished to LESSOR promptly after the issuance thereof. All policies issued under paragraph 10.01 shall contain a waiver of any subrogation rights any insurer might have against LESSOR.

10.03. Fire and Extended Coverage Insurance. LESSEE may at its own expense and in its own name obtain insurance against loss or damage by fire and such other risks as it determines to cover equipment, inventory, fixtures, personal property and by LESSEE subsequent to LESSEE's taking possession of the Property under this Lease.

XI - CARE OF PROPERTY

11.01. Care of the Property. LESSEE at its own cost and expense shall keep the Property and all buildings and improvements, which at any time may be situated, thereon in good condition and repair during the term of this Lease, ordinary wear and tear excepted. The Property shall always be kept by LESSEE neat, clean and free of litter. Vehicles, equipment, supplies, materials or other items of personal property shall be stored on the property in a neat, orderly, and safe manner. LESSOR reserves the right to cause LESSEE to change the manner of storage if potential for hazard or public nuisance is found. Nothing in this subsection shall prevent the temporary placement of building materials and equipment necessary for the construction of the structures identified in the Lease in the areas where the structures are to be constructed, nor shall this section be applicable to general parking for guests and employees.

11.02 Restoration or Removal of Damaged Buildings and Improvements. In the event any buildings or improvements situated on the Property by LESSEE are damaged or destroyed by fire or other casualty, LESSEE shall at LESSEE'S expense restore the same to good and tenantable conditions or shall remove the same as soon as is reasonably possible, but in no event shall the period of restoration exceed eighteen (18) months nor shall the period of removal exceed forth-five (45) days.

11.03. Access Rights of LESSOR. LESSOR, its agents, authorized representatives or employees, shall have the right to enter into and upon the Property and all buildings or improvements situated thereon upon 24 hour notice to LESSEE and during normal business hours (defined as 9:00 a.m. to 5:00 p.m. Monday through Friday except for holidays as defined in paragraph 15.05 of this Lease) for the purpose of inspecting the Property and all buildings or improvements situated thereon for compliance with the terms of this Lease.

11.04. Nuisances Prohibited. LESSEE shall immediately remove from the Property any abandoned or junk vehicles, improvements, equipment, machinery or fixtures. LESSEE shall not permit any nuisance or public nuisance to exist or to be created or maintained on the Property. LESSEE agrees that any nuisance or public nuisance as defined by the Valdez City Code, or any other code or regulations incorporated therein or otherwise adopted by ordinance or resolution of the City of Valdez, may, after five (5) days written notice to LESSEE, be removed by LESSOR without LESSEE's further permission, with use of force if necessary, and without incurring any civil or criminal liability therefor, all the costs of such removal to be paid by LESSEE to LESSOR as additional rent under the terms of this Lease. This paragraph shall not be construed as any limitation on any other legal rights or remedies available to the City of Valdez to abate any nuisance or to prosecute any violation of the Valdez City Code.

XII - LAWS

12.01. Compliance with Laws. LESSEE shall comply with all applicable laws, ordinances and regulations of duly constituted public authorities now or hereafter in any manner affecting

LESSEE's activities on the Property or any buildings or other improvements which may be situated thereon, whether or not any such laws, ordinances or regulations which may be hereafter enacted involve a change of policy on the part of the governmental body enacting the same.

XIII - CONDEMNATION

13.01. Condemnation. In the event the Property, or any part thereof or interest therein, shall be taken for public purposes by condemnation as a result of any action or proceeding in eminent domain, or shall be transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, the interests of LESSOR and LESSEE in the award or consideration for such transfer and the effect of the taking or transfer upon this Lease shall be as provided in this Paragraph 13.

13.02. Total Taking. If all of the Property is taken or so transferred, this Lease and all the right, title and interest thereunder of LESSEE shall cease on the date title to the Property vests in the condemning authority. Subject to the removal provisions in Article XVII if applicable.

13.03. Partial Taking - Termination of Lease. In the event the taking or transfer of part of the Property leaves the remainder of the Property in such location, or in such form, shape or reduced size, or so inaccessible as to be not effectively and practicably usable in the opinion of LESSEE for the purpose of operation thereon of LESSEE's business, then this Lease and all of the right, title and interest thereunder of LESSEE shall cease on the date title to the Property vests in the condemning authority, and the condemning authority enters into possession. Subject to the removal provisions of Article XVII if applicable.

13.04. Partial Taking - Continuation of Lease. In the event the taking or transfer of a part of the Property leaves the remainder of the Property in such location and in such form, shape or size, or so accessible as to be effectively and practicably unusable in the opinion of LESSEE for the purpose of operation thereon of LESSEE's business, this Lease shall terminate and end as to the portion of the Property so taken or transferred as of the date title to such portion vests in the condemning authority and the condemning authority enters into possession, but shall continue in full force and effect as to the portion of the Property not so taken or transferred. If there is a partial taking and this Lease is not terminated, then the annual rent payable under this Lease shall abate for the portion of the Property taken in the proportion that such portion bears to all of the Property.

13.05. Compensation. Compensation received or payable as a result of eminent domain proceedings or a transfer in lieu thereof shall belong to LESSOR, if such compensation be awarded or paid as compensation for diminution in value of the leasehold or of the fee, and LESSEE shall make no claim against LESSOR for damages for termination of the leasehold or interference with LESSEE's business unless LESSOR is the condemning authority or responsible for the condemnation. Compensation received or payable as a result of eminent domain proceedings or a transfer in lieu thereof shall belong to LESSEE, if such compensation be awarded or paid as compensation for LESSEE'S moving expenses, for interference with LESSEE'S business, and for damages relating to any trade fixtures, machinery or equipment owned the LESSEE. Upon award each party shall be

responsible for a pro-rata share of the attorney's fees incurred in direct proportion to the total amount recovered for their respective losses.

XIV - DEFAULT

14.01. Default. Each of the following events shall be deemed an event of default by the LESSEE under this Lease and a breach of the terms, covenants and conditions of this Lease:

- (a) Failure to perform as required and when required any of the development requirements contained in paragraph 5.02 of this Lease.
- (b) A default in the payment of the rent and additional sums due under this Lease, or any part thereof, for a period of fifteen (15) days from the due date for the payment of such rent or additional sums.
- (c) A default in the performance of any other term, covenant or condition on the part of the LESSEE to be kept, performed or observed for a period of thirty (30) days after LESSOR gives to LESSEE a written notice specifying the particular default or defaults; provided, however, that any default on the part of LESSEE in the performance of work or acts required by him to be done, or conditions to be modified, shall be deemed to be cured if steps shall have been taken promptly by LESSEE to rectify the same and shall be prosecuted to completion with diligence and continuity.
- (d) The making by LESSEE of an assignment for the benefit of creditors, unless given written consent by LESSOR.
- (e) The appointment of a receiver by a court of competent jurisdiction for LESSEE's business.
- (f) The levy upon under execution or attachment by process of law of the leasehold interest of LESSEE in the Property if not cured within thirty (30) days.
- (g) The use of the Property or buildings and improvements thereon for purposes other than those enumerated herein, to which LESSOR has not given its written consent.
- (h) The abandonment of the Property by LESSEE.

14.02. LESSOR's Remedies. In the event of any default by LESSEE as recited in paragraph 14.01 of this Lease, LESSOR shall have all of the below enumerated rights and remedies, all in addition to any rights and remedies that LESSOR may be given by statute, common law or otherwise. All rights of LESSOR shall be cumulative, and none shall exclude any other right or remedy. LESSOR's rights and remedies include the following:

- (a) LESSOR may declare the term of this Lease ended by written notice to LESSEE.

Upon termination of this Lease, LESSEE shall surrender possession and vacate the Property immediately, and deliver possession thereof to LESSOR, and LESSEE hereby grants to LESSOR full and free license to enter into and upon the Property in such event with or without process of law and to repossess LESSOR of the Property and to expel or remove LESSEE and any others who may be occupying or within the Property and to remove any and all property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without relinquishing LESSOR's right to rent or any other right given to LESSOR hereunder or by operation of law. Subject to LESSEE'S rights under article XVII.

(b) LESSOR may by written notice declare LESSEE's right to possession of the Property terminated without terminating this Lease. Upon such termination of LESSEE's right to possession, LESSOR shall have all the rights to repossess the Property and remove LESSEE and LESSEE's property that are enumerated in paragraph 14.02(a), subject to LESSEE'S rights under Article XVII. Should LESSOR elect to terminate LESSEE'S right to possession without terminating this Lease, LESSEE shall have the right to re-possession upon cure of the default or upon written waive by the LESSOR of the default claimed.

(c) LESSOR may relet the Property in whole or in part for any period equal to or greater or less than the remainder of the term of this Lease, for any sum which LESSOR may deem reasonable, except as provided in (e) of this paragraph, subject to the applicable sections of Chapter 4.08 of The Valdez Municipal Code and LESSEE'S rights under Article XVII. Any sums collected shall be credited to any indebtedness of LESSEE pursuant to the conditions described in 14.02 (e) (ii).

(d) LESSOR may collect any and all rents due or to become due from subtenants or other occupants of the Property. Any sums collected shall be credited to any indebtedness of LESSEE pursuant to the conditions described in 14.02 (e) (ii) with any excess amounts being paid to LESSEE.

(e) LESSOR may recover, whether this Lease be terminated or not, from LESSEE, damages provided for below consisting of items (i), and (ii), or, in lieu of (ii), item (iii);

(i) actual attorney's fees and other expenses incurred by LESSOR by reason of the breach or default by LESSEE; and

(ii) an amount equal to the amount of all rent and additional sums reserved under this Lease, less the net rent, if any, collected by LESSOR on reletting the Property and less any amounts recovered from the sale of attached personal property or improvements on the Property, which shall be due and payable by LESSEE to LESSOR on the several days on which the rent and additional sums reserved in this Lease would have become due and payable; that is to say, upon each of such days LESSEE shall pay to LESSOR the amount of deficiency then existing. Such net rent

collected on reletting by LESSOR shall be computed by deducting from the gross rent collected all expenses incurred by LESSOR in connection with the reletting of the Property, or any part thereof, including broker's commission and the cost of removing any improvements made by LESSEE in order to return the property to its pre-rent condition, however, LESSOR must take diligent effort in reletting the Property to obtain a rental rate as close to or above that required of LESSEE under this Lease or else LESSOR will not have access to the remedy set out in this subparagraph 14.01(e)(ii); or

(iii) an amount to be due immediately on breach, equal to the difference between the rent and the fair and reasonable rental value of the Property for the same period. In the computation of such damages the difference between any installment of rent thereafter becoming due and the fair and reasonable value of the Property for the period for which such installment was payable shall be discounted to the date of such breach at the rate of eight percent (8%) per year.

(f) Reentry or reletting of the Property, or any part thereof, shall not be deemed a termination of this Lease, unless expressly declared to be so by LESSOR.

(g) If this Lease shall be deemed terminated, LESSEE's liabilities shall survive and LESSEE shall be liable for damages as provided in this paragraph 14.02.

XV - GENERAL PROVISIONS

15.01. Estoppel Certificates. Either party shall at any time and from time to time upon not less than thirty (30) days' prior written request by the other party, execute, acknowledge and deliver to such party, or to its designee, a statement in writing certifying that this Lease is unamended and in full force and effect (or, if there has been any amendment thereof, that the same is in full force and effect as amended and stating the amendment or amendments), that there are no defaults existing, (or, if there is any claimed default, stating the nature and extent thereof); and stating the dates to which the rent and other charges have been paid in advance.

15.02. Conditions and Covenants. All the provisions of this Lease shall be deemed as running with the land, and shall be construed to be "conditions" as well as "covenants", as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

15.03. No Waiver of Breach. No failure by either LESSOR or LESSEE to insist upon the strict performance by the other of any term, covenant or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such terms, covenants or conditions. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

- 15.04. Time of Essence. Time is of the essence of this Lease and of each provision.
- 15.05. Computation of Time. The time in which any act provided by this Lease is to be done is computed by excluding the first (1st) day and including the last, unless the last day is a Saturday, Sunday or a holiday, and then it is also excluded. The term "holiday" shall mean all holidays as defined by the statutes of Alaska.
- 15.06. Successors in Interest. Each and all of the terms, covenants and conditions in this Lease shall inure to the benefit of and shall be binding upon the successors in interest of LESSOR and LESSEE.
- 15.07. Entire Agreement. This Lease contains the entire agreement of the parties with respect to the matters covered by this Lease, and no other agreement, statement or promise made by any party which is not contained in this Lease shall be binding or valid.
- 15.08. Governing Law. This Lease shall be governed by, construed and enforced in accordance with the laws of the State of Alaska.
- 15.09. Partial Invalidity. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated, unless such provisions are considered by LESSEE to be integral to LESSEE's use of the Property for the purposes stated herein in which case LESSEE will have the authority to terminate this Lease upon thirty (30) days' written notice to LESSOR.
- 15.10. Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between LESSOR and LESSEE; and neither the method of computation of rent, nor any other provision contained in this Lease nor any acts of the parties, shall be deemed to create any relationship between LESSOR and LESSEE other than the relationship of LESSOR and LESSEE.
- 15.11. Interpretation. The language in all parts of this Lease shall in all cases be simply construed according to its fair meaning and not for or against LESSOR or LESSEE as both LESSOR and LESSEE have had opportunity for the assistance of attorneys in drafting and reviewing this Lease.
- 15.12. Number and Gender. In this Lease, the neuter gender includes the masculine and the feminine, and the singular number includes the plural; the word "person" includes corporation, partnership, firm or association wherever the context so requires.
- 15.13. Mandatory and Permissive. "Shall", "will" and "agrees" are mandatory; "may" is permissive.

15.14. Captions. Captions of the paragraphs of this Lease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

15.15. Amendment. This Lease is not subject to amendment except in writing executed by all parties hereto.

15.16. Delivery of Notices - Method and Time. All notices, demands or requests from one party to another shall be delivered in person or be sent by mail, certified or registered, postage prepaid, to the addresses stated in paragraph 15.17 and shall be deemed to have been given at the time of delivery or, if mailed, three (3) days after the date of mailing.

15.17. Notices. All notices, demands and requests from LESSEE to LESSOR shall be given to LESSOR at the following address:

City Manager
City of Valdez
P. O. Box 307
Valdez, Alaska 99686

All notices, demands or requests from LESSOR to LESSEE shall be given to LESSEE at the following address:

Max and Betty Wells
P. O. Box 890
Valdez, Alaska 99686

15.18. Change of Address or Agent. Each party shall have the right, from time to time, to designate a different address or different agent for service of process by notice given in conformity with paragraph 15.16.

15.19. Furnishing of Information. LESSEE shall provide LESSOR with copies of articles of incorporation and bylaws, partnership agreements, joint venture agreements or other documents which shall define the manner of organization and the ownership of any business or activities to be conducted upon the Property, together with all future amendments thereto. LESSEE and LESSEE'S assignee or sublessee shall also provide the same information regarding any assignee or sublessee of LESSEE.

15.20. Recordation. This Lease or a memorandum thereof may be recorded by LESSEE at LESSEE's expense with the Valdez Recorder's Office.

XVI - LESSOR'S LIEN

16.01. LESSOR's Lien and Security Interest. LESSOR shall have a lien on, and LESSEE hereby grants LESSOR a security interest on, improvements, equipment and fixtures, which are or

may be put on the premises by LESSEE, to secure the payment of the rent and additional sums reserved under this Lease. If LESSEE shall default in the payment of such rent, LESSOR may, at its option, without notice or demand, take possession of and sell such property in accordance with the Uniform Commercial Code of Alaska. LESSOR shall apply the proceeds of sale as follows:

- (a) To the expense of sale, including all costs, fees and expenses of LESSOR and LESSOR's reasonable attorney's fees in connection with such sale;
- (b) To the payment of such rent; and
- (c) The surplus, if any, to LESSEE.

XVII - OWNERSHIP OF IMPROVEMENTS AND FIXTURES ON TERMINATION

17.01. LESSEE May Remove Improvements, Fixtures, Machinery and Equipment. Improvements, fixtures, machinery and equipment owned by LESSEE may be removed by LESSEE from the Property within sixty (60) days after the expiration or termination of this Lease; provided that such removal will not cause injury or damage to the Property, or if it does, LESSEE shall indemnify LESSOR for the full amount of such damage; and further provided that any improvements, fixtures, machinery or equipment left on the Property by LESSEE shall be in good, safe and tenantable or operable condition; and further provided that LESSEE shall not commit, create, leave or allow to exist on the Property any nuisance or public nuisance. The LESSOR may extend the time for such removal in case hardship is shown to LESSOR's satisfaction, provided application for extension has been made in writing and received by LESSOR within said sixty (60) day period.

17.02. Property Not Removed. Any buildings, improvements, fixtures, machinery, equipment or other items of real or personal property, which are not removed from the Property within the time allowed in paragraph 17.01 of this Lease, shall immediately become the property of LESSOR and title thereto shall vest in LESSOR without further action on the part of LESSEE or LESSOR. LESSOR may use, sell, destroy, or otherwise dispose of any such property in any matter that it sees fit, without further obligation to LESSEE.

XVIII - NONDISCRIMINATION

18.01. LESSEE Will Not Discriminate. LESSEE agrees that in its use and occupancy of the Property it will not, on the grounds of race, color, religion, national origin, ancestry, marital status, age, disability or sex, discriminate or permit discrimination against any prospective occupant, patron, customer, employee, applicant for employment or other person or group of persons in any manner prohibited by federal, state or local law or regulations promulgated thereunder.

XIX - HAZARDOUS MATERIALS

19.01 Condition of Property. LESSEE has had full opportunity to visually examine the Property for the presence of any Hazardous Material. LESSOR states that it is unaware of any

current or past problems with the Property. LESSEE acknowledges that LESSOR, its agents, authorized representatives or employees have made no representations as to the physical conditions of the Property, including but not limited to the subsurface and soil conditions. LESSEE accepts the Property in an "as is" condition. LESSEE does not accept or assume responsibility or liability for pre-existing subsurface and/or soil conditions, including, but not limited to Hazardous Materials and/or Environmental contamination that is unknown and/or undisclosed to LESSEE at the time of execution of this Lease.

19.02 Release of LESSOR. Any other provision of this Lease to the contrary notwithstanding, LESSEE releases LESSOR from any and all claims, demands, penalties, fines, judgments, liabilities, settlements, damages, costs or expenses (including, without limitation, a decrease in the value of the Property, damages due to loss or restriction of usable space, and attorneys' fees, court costs, litigation expenses, and consultant and expert fees) arising, during or after the term of this Lease, and resulting from LESSEE'S use, keeping, storage or disposal of Hazardous Material on the Property. This release includes, without limitation, any and all costs incurred due to any investigation of the site or any cleanup, removal or restoration mandated by a federal, state or local agency or political subdivision or by law, relating to LESSEE'S use, keeping, storage or disposal of Hazardous Materials on the Property.

19.03. Use of Hazardous Materials on the Property.

- (a) LESSEE shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Property by LESSEE or its authorized representatives or invitees, except for such Hazardous Material as is necessary or useful to LESSEE's use of the Property.
- (b) Any Hazardous Material permitted on the Property as provided in this paragraph, and all containers therefor, shall be used, kept, stored and disposed of in a manner that complies with all laws or regulations applicable to any such Hazardous Material.
- (c) LESSEE shall not discharge, leak or emit, or permit to be discharged, leaked or emitted, any material into the atmosphere, ground, sewer system or any body of water, if such material (as reasonably determined by the LESSOR, or any governmental authority) does or may, pollute or contaminate the same, or may adversely affect (a) the health, welfare or safety of persons, whether located on the Property or elsewhere, or (b) the condition, use or enjoyment of the Property or any other real or personal property.
- (d) LESSEE hereby agrees that it shall be fully liable for all costs and expenses related to the use, storage and disposal of Hazardous Material kept on the Property by the LESSEE, its authorized representatives and invitees, and the LESSEE shall give immediate notice to the LESSOR of any violation or potential violation of the provisions of subparagraphs 19.03 (a), (b) and (c).

19.04 Indemnification of Lessor. LESSEE agrees to forever protect, defend, indemnify and hold harmless LESSOR from and against any and all losses, claims, investigations, assertions, liens, demands and causes of action of every kind and character (including without limitation any assertions or claims made against LESSOR, LESSEE or third parties, by government agencies or third parties, alleging the release or threatened release of hazardous substances or environmental contamination of any kind on or in connection with the Property) and all costs thereof (including without limitation costs of removal action, remedial action, other "response costs" as that term is defined under applicable federal and state law, attorney's fees, penalties, damages, interest and administrative/court costs incurred by LESSOR in response to and defense of same) arising in favor of any party, including LESSOR, and arising from or connected with LESSEE'S activities under this LEASE or LESSEE'S use of or presence on the Property, whether such activities, use or presence are those of LESSEE or LESSEE'S agents, sub-contractors or other representatives. LESSEE acknowledges that this indemnification clause shall survive termination of this Lease, and that it applies regardless of the basis of liability alleged by or against any party, including strict liability under AS 46.03.822 or federal law. LESSEE'S obligations under this section may be discharged; however, by performance of whatever degree of site investigation for environmental contamination (in LESSOR'S sole discretion) is necessary to render the Property suitable for LESSOR to release LESSEE from these obligations, which release must be granted in writing by LESSOR.

19.05. Hazardous Material Defined. Hazardous Material/Substance is any substance which is toxic, ignitable, reactive, or corrosive and which is regulated by any local government, the State of Alaska, or the United States government. Hazardous Material includes any and all material or substances which are defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" pursuant to local, state or federal law, including without limitation, the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder. "Hazardous Material" includes but is not restricted to asbestos, polychlorobiphenyls ("PCB's") and petroleum and petroleum products.

19.06. Liability for Releases. Liability of Releases/Threatened Releases of Hazardous Materials: LESSOR-LESSEE Relationship Confirmed LESSEE agrees that at all times while this Lease is in effect, for purposes of potential liability under AS 46.03.822:

- (1) LESSEE, not LESSOR, shall be deemed the owner of and person having control over any hazardous substances used by LESSEE or on the property for business reasons of LESSEE; and
- (2) LESSEE, not LESSOR, shall be deemed the owner of the possessory interest under this Lease, and the operator of the property as a facility under AS 46.03.822(a)(2); and
- (3) LESSEE, not LESSOR, shall be deemed the generator, transporter, or both, of any hazardous substances generated or transported by LESSEE in connection with the

enjoyment of its rights under this Lease.

For purposes of this section, "LESSEE" shall include LESSEE's agents, employees, sub-contractors, subsidiaries, affiliates and representatives of any kind.

19.07 Compliance With Environmental Laws. Lessee covenants full compliance with any applicable federal, state or local environmental statute, regulation, or ordinance presently in effect or that may be amended or effective in the future, including without limitation:

AS 46.03.822

The Solid Waste Disposal Act, the Hazardous and Solid Waste Amendments of 1984, and the Federal Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. # 6901 et seq.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and the Superfund Amendments and Reauthorization Act of 1986 (SARA), 42 U.S.C. # 8591 et seq.

The Hazardous Materials Transportation Act

The Clean Air Act, 41 U.S.C. # 7401-7626

The Federal Water Pollution Control Act, and the Federal Clean Water Act, 33 U.S.C. # 1257 et seq.

The Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Pesticide Act of 1978, 7 U.S.C. Paragraph 13 et seq.

The Toxic Substances Control Act (TSCA), 15 U.S.C. # 2601 et seq.

The Safe Drinking Water Act, 15 U.S.C. # 300 et seq.

The Alaska Environmental Conservation Act, AS 46.03 et seq.

The Alaska Oil Pollution Control Act, AS 46.04 et seq.

The Alaska Oil & Hazardous Substance Release Act, AS 46.08 et seq.

The Alaska Hazardous Substance Release Control Act, AS 46.09 et seq.

Valdez City Code

The Coastal Zone Management Act and the Valdez CMP

MSHA and OSHA

At LESSOR's recommendation, LESSEE has investigated the Property for potential environmental contamination, which may have occurred before the date of this Lease; LESSEE accepts the Property in its current environmental condition. After such investigation, LESSEE agrees that the Property:

- (a) has not been subject to the use, generation, manufacture, storage, treatment, disposal, release or threatened release of hazardous substances.
- (b) has not been subject to any actual or threatened assertions, claims or litigation of any kind by government agencies or other persons relating to such matters.

LESSEE authorizes LESSOR to enter upon the Property to make such inspections and tests as LESSOR may deem appropriate to determine compliance with this Lease; any such investigations or tests shall be for LESSOR's purposes only, and shall not be construed to create any responsibility or liability on LESSOR's part to LESSEE or any person.

LESSEE hereby releases and freely waives any future claims against LESSOR for contribution or indemnity (whether under AS 46.03.822, other state law, or federal law) in the event LESSEE incurs or becomes liable for response costs, damages or costs of any kind because of the release, threatened release or presence of hazardous substances on or about the Property.

LESSEE specifically agrees to report all releases, threatened releases, discharges, spills or disposal of hazardous substances, in whatever quantity, immediately to the appropriate regulatory authorities and simultaneously to LESSOR, and to keep LESSOR fully informed of any communication between LESSEE and any person or agency concerning potential environmental contamination and hazardous substances.

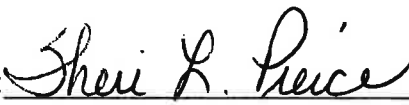
IN WITNESS WHEREOF, the parties hereto have set their hands and seal the dates hereinbelow set forth.

LESSOR:

CITY OF VALDEZ

Date: 12/11/01

By: 
Bert L. Cottle, Mayor

Attest: 
Sheri Pierce, City Clerk

LESSEE:

Max & Betty Wells

Date: 12-7-01

By: 

Date: 12-7-01

By: 

APPROVED AS TO FORM:

WALKER, WALKER & ASSOCIATES
Attorneys for City of Valdez

By: 
William M. Walker



STATE OF ALASKA

)

) ss.

THIRD JUDICIAL DISTRICT

)

THIS IS TO CERTIFY that on this 7 day of December, 2001, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Max Wells, known to me and to me known to be the individual named in and who executed the foregoing document, as his free and voluntary act for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.



Laura Weaver
Notary Public in and for Alaska
My Commission Expires: 12/20/04

STATE OF ALASKA

)

) ss.

THIRD JUDICIAL DISTRICT

)

THIS IS TO CERTIFY that on this 7 day of December, 2001, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Betty Wells, known to me and to me known to be the individual named in and who executed the foregoing document, as his free and voluntary act for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.

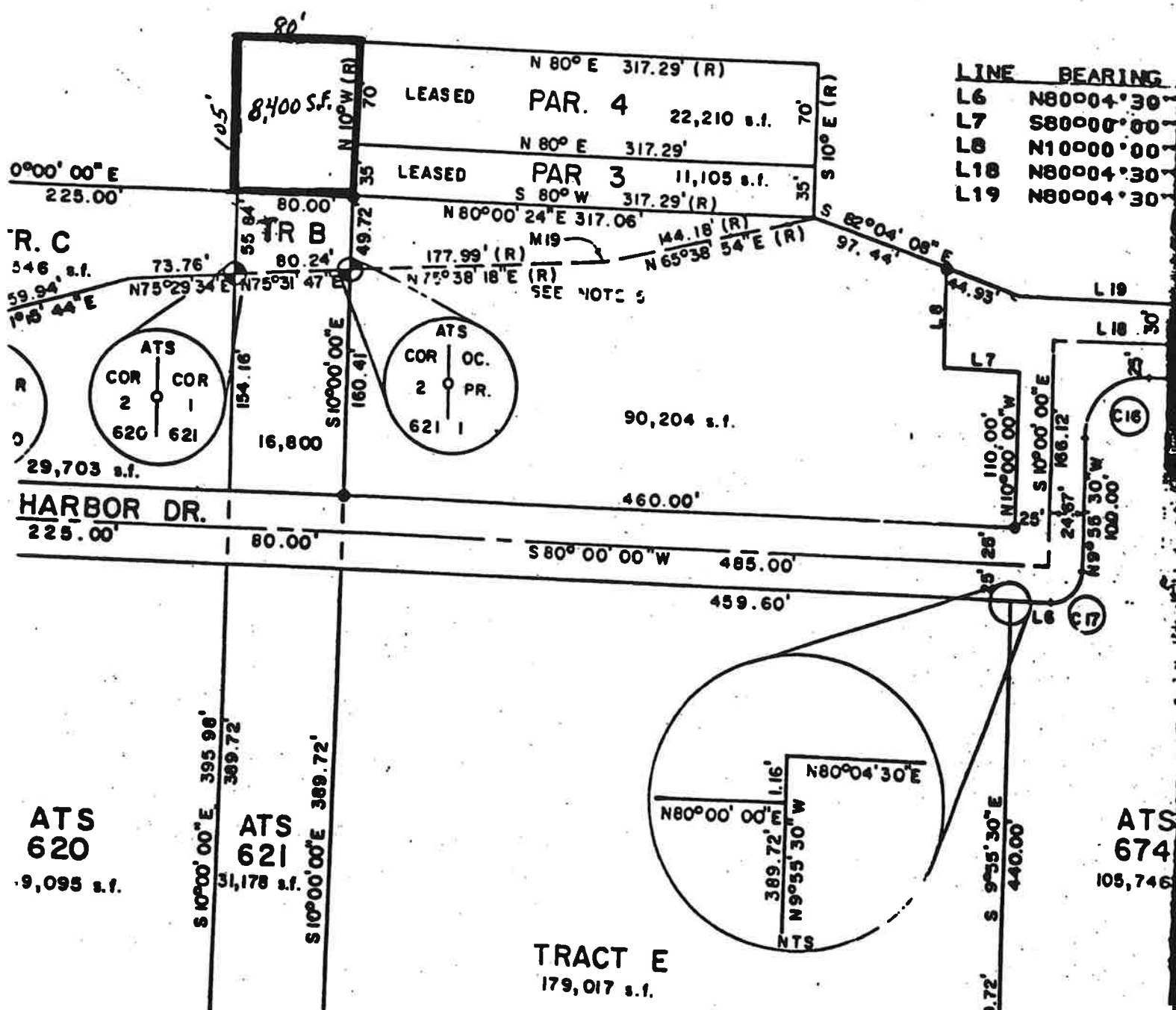


Laura Weaver
Notary Public in and for Alaska
My Commission Expires: 12/20/04

EXHIBIT A

See attached map!

EXHIBIT A



CITY OF VALDEZ
APPLICATION FOR LEASE OF CITY OWNED LAND

EXHIBIT A

Additional Response for Sections 8 and 11

Crowley has a longstanding record of providing superior levels of customer service at Alaska ports and harbors. Since 1953, Crowley has provided unique solutions to petroleum distribution, and today, with 18 tank farms in Alaska and a storage capacity of nearly 30 million gallons, we are a leader in the Alaska fuel industry.

Since 1989, Crowley has reliably served the City of Valdez and surrounding communities with local delivery of marine, aviation, and motor vehicle fuels, heating oil for homes and businesses, lubricants, and propane. Our local predecessor, Valdez Fuel Company, built our first fuel dock (the “South Dock”) in Valdez in 1999, and Crowley acquired a second fuel dock (the “North Dock”) in the Valdez harbor in 2002. The South Dock fuels vessels with over a 10,500-gallon fuel capacity and is a U.S. Coast Guard regulated facility subject to Code of Federal Regulation (CFR) compliance requirements of 33 CFR Part 154. For over a decade, we have successfully operated both docks, providing fuel for a range of customers, including the cruise industry, commercial fishing fleets, the U.S. Coast Guard, small-charter fisherman, and recreational fisherman and boaters. Crowley has continuously met the growing needs of the boating community by supplying over 800,000 gallons of fuel directly into vessels annually at these facilities. For more than a decade, Crowley has built a proven record of maintaining its existing Valdez dock facilities in a safe, accessible, and customer-focused manner to meet the community’s needs.

Long Term Operations

Crowley has a long history of providing excellent customer service and enjoys a positive reputation in the Valdez community with our competitively priced fuel products and responsive service. We are keenly aware of the boating community’s needs and staff our existing facilities accordingly. Our docks are staffed from 6 a.m. to 10 p.m. during the long days of the peak summer season and seasonally adjust based on demand through the shoulder seasons and winter months. Crowley ensures there is always someone on call to respond to after-hours fuel needs and constantly looks for ways to improve reliability and service.

Crowley’s Valdez workforce and management are all members of the local community. Each summer season, Crowley recruits local high school graduates or returning college students to operate the North and South fuel docks. We are pleased to provide steady, full-time seasonal employment to young people in the community.

Environmental/Regulatory

All federal, state, and local regulations concerning aboveground storage tanks will be followed, including spill prevention control and countermeasure regulations. Crowley is proud of our record of meeting all

regulatory requirements for the two marine fuel docks we currently operate in the Valdez harbor. One of the tenets of Crowley's Safety, Security, Quality and Environmental Stewardship is, "Operate our vessels and facilities in compliance with regulations and best practices." To achieve this goal all Crowley operations are reviewed by the Operations Integrity Department to ensure all requirements are met. Therefore, we understand that although all marine fuel dock activity is regulated by the USCG, including fuel transfer, record keeping, and dock maintenance, the USCG is not the only regulatory agency that has oversight. The USEPA and ADEC also have oversight. In addition to the USCG's annual inspection of our docks and records, which Crowley has always passed, we internally audit our own operations at least twice a year to ensure compliance.

We are cognizant of the fact that there are multiple regulatory agencies with oversight responsibility and Crowley is well versed in meeting the regulatory requirements of multiple agencies. We have in-house subject matter experts who develop environmental compliance policy and procedures for Crowley operations. Crowley also performs job hazard analysis for each new operation/task to ensure that worker and operational risks are identified prior to the operations and that the appropriate controls are put in place to safeguard both personnel and operations.

EXHIBIT B.1

South Dock



EXHIBIT B.2

Both Docks – North Dock in foreground and South Dock in background



Relationship to other applicant(s) _____

b) Organization's name Crowley Fuels LLC

Address 201 Arctic Slope Ave, Anchorage, AK 99518

Primary Contact: Jenny Silva

Title: Manager, Contract Compliance and Pricing

Daytime Phone #: 907-777-5510

3. TYPE OF ORGANIZATION: (Check one)

Individuals _____	Business Corporation <u>X</u>
General Partnership _____	Non-Profit Corporation _____
Limited Partnership _____	Non-Profit Association _____
Other _____	

If non-profit, has IRS Tax Exempt Status been obtained? Yes _____ No _____

If yes, attach letter of determination.

Note: Please submit, as appropriate, the following items with this application:

1. Current Alaska business license;
2. Designation of signatory authority to act for organization of other individuals;
3. Certificate and articles of incorporation;
4. Partnership agreement and amendments;
5. Charter/by-laws for non-profits;
6. Most recent annual financial statement;

4. Legal Description AFFECTED BY APPLICATION:

Located in Township _____ Range _____ Section _____ Meridian _____

Lot/ Block/ Tract/ Subd. _____ Plat # _____

Other Description Portion of USS 495 Tidelands - Legal description: Beginning at Corner No. 2 of ATS 621 thence N10°00'00"W, 49.72 feet to the point of beginning; thence N 10°W, 105 feet; thence S 80°W, 80 feet; thence S 10° E, 105 feet; thence N 80°00'24" E, 80 feet returning to the point of beginning.

Tax # _____ No. of Acres 8,400 sq ft

5. DESCRIBE PROPOSAL. ATTACH NARRATIVE FOR FURTHER DESCRIPTION AND A SITE PLAN (the description should include the use; value and nature of improvements to be constructed; the type of construction; and, the estimated dates for construction to commence and be completed).

Crowley currently owns and operates the existing "South Harbor Fuel Dock", a 12' x 70' floating fuel dock with an attached 16' x 20' dock house. The site includes a 55' x 4' ramp with an approach that connects onshore. There are no current plans for additional construction with the exception of maintenance and in-kind replacement or parts / materials. Currently, Crowley subleases the Tidelands from Wells Trust. See attached Exhibits C.1 and C.2 for previous site plans.

6. WHAT IS THE TERM OF THE LEASE DESIRED?

20 years commencing September 1, 2018, with six (6) each five-year options to renew

7. IF THE REQUEST FOR A LEASE AT LESS THAN FAIR MARKET VALUE, PROVIDE JUSTIFICATION.

N/A

8. PLEASE STATE WHY YOU BELIEVE IT WOULD BE IN THE "BEST INTEREST OF THE CITY" TO APPROVE YOUR PROPOSAL AND PROCESS YOUR APPLICATION.

See attached Exhibit A

9. CURRENT STATUS OF LAND. DESCRIBE ANY EXISTING IMPROVEMENTS, PROVIDE PHOTOGRAPHS IF POSSIBLE.

Crowley currently owns and operates the "South Harbor Fuel Dock", a 12' x 70' floating fuel dock with an attached 16' x 20' dock house. The site includes a 55' x 4' ramp with an approach that connects on shore. As noted in Section 5, there are no current plans for additional construction with the exception of maintenance and in-kind replacement or parts / materials. See attached Exhibits B.1 and B.2 for photos.

10. HAS APPLICANT PREVIOUSLY PURCHASED OR LEASED CITY LAND OR RESOURCES? X YES NO. IF YES, PROVIDE LEGAL DESCRIPTION, TYPE OR PURCHASE OR LEASE, AND STATUS.

Approx. 6,230 sq ft, a Portion of USS 495 Tidelands for the "North Harbor Fuel Dock". The original term is 21 yrs 8/6/01 - 7/31/22 w/ 6 add'l 5 yr options for renewal periods. The lease was originally with Westmark Hotels, Inc. and was subsequently assigned to CPD Alaska LLC, successor-in-interest to various companies, which has since changed its name to Crowley Fuels LLC.

11. IF APPLICANT IS A BUSINESS OPERATION, LIST PRESENT BUSINESS ACTIVITIES.

12. IF REQUIRED, ARE YOU PREPARED TO SPEND FUNDS FOR THE FOLLOWING:

YES

NO

- | | | |
|--------------|---------------|--|
| <u> X </u> | <u> </u> | a) Performance bond |
| <u> X </u> | <u> </u> | b) Damage deposit |
| <u> X </u> | <u> </u> | c) General liability insurance |
| <u> X </u> | <u> </u> | d) Worker's compensation insurance |
| <u> X </u> | <u> </u> | e) Survey and platting |
| <u> X </u> | <u> </u> | f) Appraisal fee |
| <u> X </u> | <u> </u> | g) Closing fees, which may include title insurance,
document preparation, escrow closing, and recording |
| <u> X </u> | <u> </u> | h) Any federal, state and local permits required |
| <u> X </u> | <u> </u> | I) Maintenance costs (present or future) |

13. LIST THREE (3) CREDIT OR BUSINESS REFERENCES:

Name

Address

Phone #

Tesoro Corp, 300 Concord Plaza Dr., San Antonio, TX 78216 (210) 626-4063 Beverly Gee

Kenworth Northwest, Inc., 20220 International Blvd., SeaTac, WA 98198 (206) 433-5911 Credit Dept

Seneca Tank, Inc., 5585 NE 16th Street, Des Moines, IA 50313 (515) 262-5900 Greg Qunit

14. HAS APPLICANT, OR AFFILIATED ENTITY, EVER FILED A PETITION FOR BANKRUPTCY, BEEN ADJUDGED BANKRUPT OR MADE AN ASSIGNMENT FOR THE BENEFIT OF CREDITORS?

No

15. IS APPLICANT, OR AFFILIATED ENTITY, NOW IN DEFAULT ON ANY OBLIGATION TO, OR SUBJECT TO ANY UNSATISFIED JUDGEMENT OF LIEN? YES X NO IF YES, EXPLAIN:

COMPLETE THE FOLLOWING APPLICANT QUALIFICATION STATEMENT
FOR EACH INDIVIDUAL APPLICANT OR ORGANIZATION.
ATTACH ADDITIONAL STATEMENTS IF NEEDED.

APPLICANT QUALIFICATION STATEMENT

I, Jenny V. Silva
(Individual Name)

I, _____
(Individual Name)

I, Richard W. Meidel On Behalf of Crowley Fuels LLC
(Representative's Name) (Organization's Name)

201 Arctic Slope Ave

(Address)

Anchorage, AK 99504

(City, State)

(Zip)

do hereby swear and affirm for myself as applicant or as representative for the
organization noted above that:

The Applicant is a citizen of the United States, over the age of nineteen;
and

If a group, association or corporation, is authorized to conduct business
Under the laws of the State of Alaska; and

Has not failed to pay a deposit or payment due the City in relation to
City-owned real property in the previous five (5) years; and

Is not currently in breach or default on any contract or lease for real
Property transactions in which the City has an interest; and

Has not failed to perform under or is not in default of a contract with the
City; and

Is not delinquent in any tax payment to the City.

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE
TO MY KNOWLEDGE.

Jenny V. Silva 8/16/18
Applicant Signature Date

Richard W. Meidel 8/16/18
Applicant Signature Date

Jenny V. Silva

Print Name

Richard W. Meidel

Print Name

Comdev\data/forms/LandLease&SalesForms/AppforLeaseofCityLand

Alaska Department of Commerce, Community, and Economic Development

Division of Corporations, Business and Professional Licensing

P.O. Box 110806, Juneau, Alaska 99811-0806

This is to certify that

CROWLEY FUELS LLC

201 ARCTIC SLOPE AVE ANCHORAGE AK 99518

owned by

CROWLEY FUELS LLC

is licensed by the department to conduct business for the period

October 04, 2017 through December 31, 2018

for the following line of business:

42 - Trade

53 - Real Estate, Rental and Leasing



This license shall not be taken as permission to do business in the state without having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location.
It is not transferable or assignable.

Mike Navarre



People Who Know®

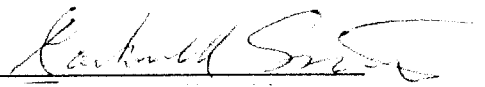
To: State of Alaska, Department of Transportation and Public Facilities, Statewide Aviation
Leasing

From: Rockwell E. Smith, General Manager and Senior Vice President, Crowley Fuels LLC

Date: 4/9/2018

Re: Delegation of Authority

As the General Manager and Senior Vice President of Crowley Fuels LLC f/k/a CPD Alaska LLC (the "Company"), pursuant to Paragraphs 4.3 (b) and (c) of the Company's Operating Agreement, I hereby delegate to the Vice Presidents of the Company, including specially R. Desmond Mayo and Richard W. Meidel, authority to prepare, file and execute leases and permits with the State of Alaska, Department of Transportation and Public Facilities, Statewide Aviation Leasing.

Signed: 
Rockwell E. Smith
General Manager, Senior Vice President
Crowley Fuels LLC



201 Arctic Slope Ave.
Anchorage, AK 99518
P: 907.777.5505
crowley.com

EMERGENCY
SHUT-OFF

GASOLINE
HOSE

DIESEL
HOSE

PRODUCT CONTAINMENT SUMP

INSTALL 1-1/2" X 75' HOSE REEL
ASSEMBLY W/ METER & FILTER IN
ALUMINUM CABINET (UNLEADED)

DIESEL

SPILL
CONTAINMENT

GASOLINE

INSTALL 1-1/2" X 75' HOSE REEL
ASSEMBLY W/ METER & FILTER IN
ALUMINUM CABINET (DIESEL)

DIESEL
HOSE

GASOLINE
HOSE

INSTALL GASBOY DUAL
PRODUCT DISPENSER

PRODUCT CONTAINMENT SUMP

DOCK ELEVATION VIEW

SCALE: 1" = 5'
(VIEW LOOKING SOUTH AT DOCK)

PRECAST CONCRETE DOCK

MOORING AND
TRANSFER
OPERATIONS

MOORING AND
TRANSFER
OPERATIONS

MOUNT SIGNS TO LIGHT POLE

DOCK LIGHT POLE

GALVANIZED PILE TYPICAL

RUBBISH CONTAINER

30# A-B-C FIRE EXTINGUISHER
MOUNTED TO BUILDING

DOCK PLAN VIEW

SCALE: 1" = 5'

30# A-B-C FIRE EXTINGUISHER

FUEL FILTER

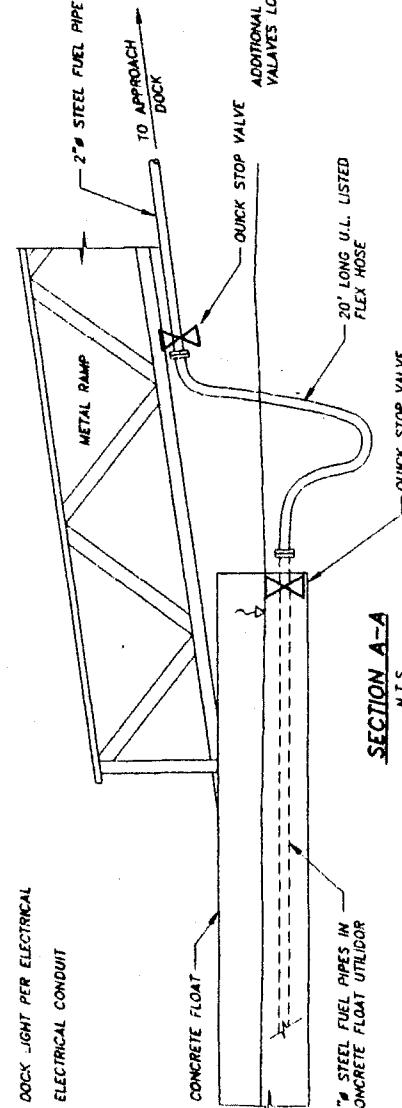
FUEL METER

GROUNDING REEL

REQUIRED WARNING SIGN
PER DETAIL ON SHEET C6

DOCK LIGHT PER ELECTRICAL
ELECTRICAL CONDUIT

SYMBOLS



SECTION A-A

N.T.S.

PHONE
DOCK OFFICE
(SEE SHEET C8 & C9)

ELECTRICAL CONDUITS

2\"/>

2\"/>

2\"/>

2\"/>

METAL RAMP

DOWN

QUICK STOP VALVE

ADDITIONAL EMERGENCY SHUT-OFF
VALVES LOCATED AT TOP OF RAMP

20' LONG U.L. LISTED
FLEX HOSE

QUICK STOP VALVE

2\"/>



DOCK PLAN & ELEVATION VIEWS

FOR

VALDEZ FUEL COMPANY
MARINE FUEL FACILITY

WITHIN
VALDEZ SMALL BOAT HARBOR, VALDEZ ALASKA

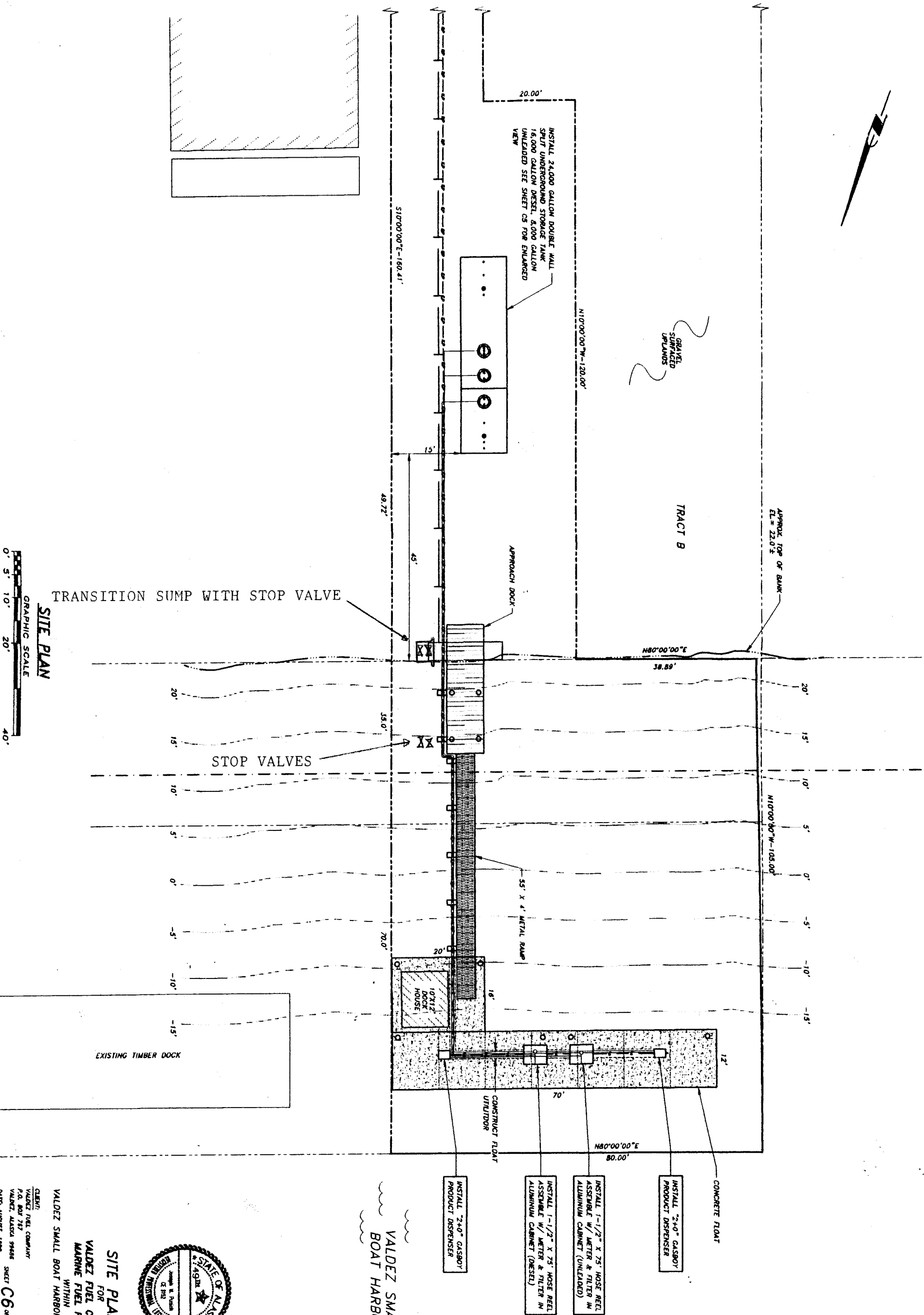
CLIENT:
VALDEZ FUEL COMPANY
P.O. BOX 787
VALDEZ, ALASKA 99686

ENGINEER:

R&M ENGINEERING, INC.
P.O. BOX 34278
JUNEAU, ALASKA 99803
R&M PROJ. NO. 991403

SHEET **C4**

DATE: SEPTEMBER, 1989

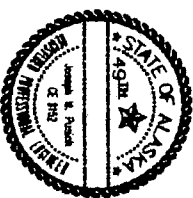


SITE PLAN
GRAPHIC SCALE
0' 5' 10' 20' 40'

SITE PLAN 1
FOR
VALDEZ FUEL COMPANY
MARINE FUEL FACILITY
WITHIN
VALDEZ SMALL BOAT HARBOR, VALDEZ ALASKA

CLIENT:
VALDEZ FUEL COMPANY
P.O. BOX 2472
VALDEZ, ALASKA 99686
DATE: AUGUST, 1989

ENGINEER:
R & M ENGINEERING, INC.
P.O. BOX 2472
VALDEZ, ALASKA 99686
DATE: AUGUST, 1989



VALDEZ SMALL
BOAT HARBOR



Legislation Text

File #: RES 18-0030, **Version:** 1

ITEM TITLE:

#18-30 - Authorizing Lease Amendment No. 2 for a Lease with Crowley Fuels, LLC for an 8,400 Square Foot Portion of USS 495 Tidelands

SUBMITTED BY: Nicole LeRoy, Planning Technician

FISCAL NOTES:

Expenditure Required: N/A
Unencumbered Balance: N/A
Funding Source: N/A

RECOMMENDATION:

Approve Resolution #18-30 authorizing lease amendment No. 2 for a lease with Crowley Fuels, LLC for an 8,400 square foot portion of USS 495 Tidelands

SUMMARY STATEMENT:

The City of Valdez entered into a lease for an 8,400 square foot portion of USS 495 Tidelands, with Max and Betty Wells in 2001 for seventeen years, commencing on December 1, 2001 and ending the last day of November, 2018 with an additional six, five -year options to renew.

On September 18, 2018 Valdez City Council approved assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels, LLC. The lease is set to expire the last day of November, 2018 with an additional six, five-year options to renew. Crowley Fuels, LLC has approached Community Development staff with intention to exercise the first of six, five-year renewal options commencing on December 1, 2018 and ending the last day of November 2023.

Valdez Municipal Code 4.08.100 states that the Lessee “shall be required to pay for any and all survey, appraisal or other costs incurred in connection with the application and lease process.” Paragraph 1.05 of the Lease with Crowley Fuels states there is no appraisal fee. This is in violation of Valdez Municipal Code 4.08.100 which requires that the Lessee pays such costs. Staff is seeking to correct this discrepancy with this amendment.

Approval of this resolution will amend the lease to authorize the City Manager or her designee to negotiate said lease renewal exercising lease renewal option number one of six. It will also amend Paragraph 1.05 of the lease to require the Lessee to pay for appraisals for the purposes of

determining fair rental value. All other terms, covenants, and conditions of said lease, and amendments, shall remain in full force and effect.

Following Council approval of this resolution, Community Development staff will work with the City Attorney and Crowley Fuels, LLC to execute Lease Amendment No. 2.

CITY OF VALDEZ, ALASKA

RESOLUTION #18-30

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ,
ALASKA AUTHORIZING LEASE AMENDMENT NO. 2 WITH CROWLEY
FUELS, LLC FOR AN 8,400 SQUARE FOOT PORTION OF USS 495
TIDELANDS

WHEREAS, the City of Valdez entered into a lease for an 8,400 square foot portion of USS 495 Tidelands, with Max and Betty Wells in 2001 for seventeen (17) years, commencing on December 1, 2001 and ending the last day of November, 2018 with an additional six (6), five (5) year options to renew; and

WHEREAS, Valdez City Council approved an assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels LLC; and

WHEREAS, the Lease is set to expire the last day of November, 2018 with an additional six (6), five (5) year options to renew; and

WHEREAS, Crowley Fuels, LLC has approached Community Development staff with intention to exercise the first of six (6), five (5) year renewal options; and

WHEREAS, Valdez Municipal Code 4.08.100 states that the LESSEE “shall be required to pay for any and all survey, appraisal or other costs incurred in connection with the application and lease process.”

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that:

Section 1. The City Council of the City of Valdez, Alaska authorizes Amendment No. 2 to the Lease with Crowley Fuels, LLC and authorizes the City Manager or her designee to negotiate said lease renewal exercising lease renewal option one (1) of six (6) commencing on December 1, 2018 and ending on the last day of November, 2023.

Section 2. Paragraph 1.05 of the lease dated December 11th, 2001 between the City of Valdez and Crowley Fuels, LLC for approximately 8,400 square feet of USS 495 Tidelands is amended to read as follows:

“The LESSEE is responsible for paying the cost of appraisal of the property for the purposes of determining fair rental value.”

Section 3. All other terms, covenants, and conditions of said Lease, and amendments, shall remain in full force and effect.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 18th day of September, 2018.

CITY OF VALDEZ, ALASKA

Jeremy O’Neil, Mayor

ATTEST:

Sheri L. Pierce, MMC, City Clerk

LEASE AMENDMENT NO. 2
CITY OF VALDEZ
AND
CROWLEY FUELS, LLC

THIS LEASE AMENDMENT NO. 2 is made between the City of Valdez, a municipal corporation organized under the laws of the State of Alaska whose address is P.O. Box 307, Valdez, Alaska 99686 is hereinafter referred to as LESSOR, and, Crowley Fuels, LLC, whose address is 201 Arctic Slope Avenue., Anchorage, Alaska 99518 hereinafter referred to as LESSEE.

WHEREAS, the City of Valdez entered into a lease for an 8,400 square foot portion of USS 495 Tidelands, with Max and Betty Wells in 2001 for seventeen (17) years, commencing on December 1, 2001 and ending the last day of November, 2018 with an additional six (6), five (5) year options to renew; and

WHEREAS, Valdez City Council approved an assignment of leasehold interest from the Estate of Betty J. Wells to Crowley Fuels LLC; and

WHEREAS, the lease is set to expire the last day of November, 2018 with an additional six (6), five (5) year options to renew; and

WHEREAS, Crowley Fuels, LLC has approached Community Development staff with intention to exercise the first of six (6), five (5) year renewal options; and

WHEREAS, Valdez Municipal Code 4.08.100 states that the LESSEE "shall be required to pay for any and all survey, appraisal or other costs incurred in connection with the application and lease process."

NOW, THEREFORE, LESSOR and LESSEE agree as follows:

Section 1. The City Council of the City of Valdez, Alaska authorizes Amendment No. 2 to the Lease with Crowley Fuels, LLC for an 8,400 square foot portion of USS 495 Tidelands and authorizes the City Manager or her designee to negotiate said lease renewal exercising lease renewal option one (1) of six (6).

Section 2. Paragraph 1.05 of the lease dated December 11th, 2001 between the City of Valdez and Crowley Fuels, LLC for approximately 8,400 square feet of USS 495 Tidelands is amended as follows:

"The LESSEE is responsible for paying the cost of appraisal of the Property for the purposes of determining fair rental value."

Section 3. All other terms, covenants, and conditions of said lease, and amendments, shall remain in full force and effect.

IN WITNESS WHEREOF the parties hereto have set their hands and seals as of this September 18th, 2018

LESSEE:

CROWLEY FUELS, LLC
An Alaskan Corporation

By: _____
Richard W. Meidel

Vice President, General Manager

LESSOR:

CITY OF VALDEZ, ALASKA

By: _____
Jeremy O'Neil, Mayor

ATTEST:

Sheri L. Pierce, MMC, City Clerk

APPROVED AS TO FORM:

BRENA, BELL AND CLARKSON
Attorneys for City of Valdez

By: _____
Jon Wakeland

TIDELANDS LEASE

THIS LEASE is made this 11th day of December, 2001, between the **CITY OF VALDEZ**, a municipal corporation organized under the laws of the State of Alaska, whose address is P.O. Box 307, Valdez, Alaska 99686 hereinafter referred to as "LESSOR", and **Max and Betty Wells** (a corporation) whose address is P. O. Box 890, Valdez, Alaska 99686, hereinafter referred to as "LESSEE".

LESSOR and LESSEE agree as follows:

I - PROPERTY

1.01. Property. LESSOR leases to LESSEE and LESSEE leases from LESSOR the property outlined in red in Exhibit "A" attached hereto, it being described as:

8,400 sq. ft, a Portion of USS 495 Tidelands
(See Exhibit A)

(hereinafter referred to as the "Property"), for the term, the rent, and subject to the covenants and conditions hereinafter provided.

1.02. Quiet Enjoyment, Restrictions, Easements, Etc. LESSOR covenants and agrees that LESSEE, upon paying the rent and other charges herein provided for and observing and keeping the covenants, conditions and terms of this Lease on LESSEE's part to be kept or performed, shall lawfully and quietly hold, occupy and enjoy the Property during the term of this Lease without hindrance or molestation, subject, however, to the rights and reservations expressed in the U. S. Patent to the Property, the State of Alaska Patent to the Property, existing easements for roads, gas, electric, water, sewer and other utility lines, restrictions of record and to encroachments ascertained by physical inspection of the Property.

1.03. Property Accepted "As Is". LESSEE acknowledges that it has inspected the Property and accepts the same "as is" and without reliance on any representations or warranties of LESSOR, its agents, servants, or employees, as to the physical condition of the Property, including, but not limited to, subsurface and soil conditions, or as to its fitness or habitability or for any particular purpose, or otherwise.

1.04. No Subsurface Rights. This Lease confers no mineral rights or rights with regard to the subsurface of the land below the level necessary for the use of the Property as stated in this Lease. LESSOR makes no warranty or representation, as whether the Property is open or closed to mineral claims or leases under state or federal law.

1.05 Appraisal. There is no appraisal fee.

1.06 Survey. Not required.

II - TERM

2.01. Lease Term. The term of this Lease shall be seventeen (17) years, commencing on December 1, 2001, and ending on the last day of November 2018, with 6 five-year options to renew.

2.02. Preference Rights to Re-Lease. LESSEE shall upon expiration of this lease be allowed a preference right to re-lease the Property if all of the other factors are substantially equivalent and; provided the LESSEE is not in breach or default of any of the terms or conditions of the Lease, unless it shall be determined by LESSOR that the renewal of such lease is not in the best interests of LESSOR.

2.03. Application to Re-lease. If, at the expiration of this Lease, the LESSEE desires to re-lease the Property, LESSEE shall, not sooner than ninety calendar days and not later than sixty calendar days prior to the expiration, make application to re-lease the Property. The re-lease application shall certify the character and value of all improvements placed by LESSEE on the Property, the purpose and lengths for which the re-lease is desired, and any other information that LESSOR may require. Applications to re-lease shall be submitted to the same application review as new applications for lease, pursuant to Sec. 14.04 of the Valdez City Code as may be amended from time to time.

2.04. Hold-Over. If LESSEE shall holdover after the expiration of the term of this Lease such tenancy shall be from month to month, subject to all the terms, covenants and conditions of this Lease.

2.05. Surrender of Possession. Upon expiration of the term of this Lease, whether by lapse of time or otherwise, LESSEE shall promptly and peaceably surrender the Property, and all buildings and improvements thereon, except as provided in Article XVII of this Lease, and LESSEE agrees to execute, acknowledge and deliver to LESSOR a proper instrument in writing, releasing and quitclaiming to LESSOR all right, title and interest of LESSEE in and to the Property and all such improvements thereon.

III - RENT, TAXES, ASSESSMENTS AND UTILITIES

3.01. Rent. The LESSEE agrees to pay to LESSOR an annual rent of ten percent (10%) of the appraised value of the Property, with equal monthly installment payments to be made not later than the first day of each month. Rent for any partial year shall be prorated at the rate of 1/12th of the annual rent per month or portion thereof. For the first five (5) years, the appraised value is agreed to be **Five Thousand Forty Dollars (\$5,040.00)** resulting in an annual rent of **Five Hundred Four Dollars (\$504.00)** per year. Rent shall be payable at the office of the City Manager, P. O. Box 307, Valdez, Alaska, 99686, or at such other place as LESSOR may designate in writing. Delinquent rent shall bear interest at the maximum rate of interest allowed per annum.

3.02 Adjustment of Rent. The Property will be reappraised and the annual rent accordingly adjusted every five (5) years during the term of this Lease. Such appraisal will be based on the value of the Property and shall not include the value of buildings or improvements placed on the Property by LESSEE. The appraised value of the Property for the purposes of determining the annual rental shall be the most recent tax assessment valuation according to the tax rolls of the City of Valdez. In no event, however, shall the annual rent be less than the original annual rent set forth in paragraph 3.01. Nothing in this paragraph shall prevent the annual reassessment of the leased premises for tax purposes to determine its true value as provided by law.

3.03. LESSEE to Pay Taxes. LESSEE agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all real property taxes levied or assessed upon or against the Property and improvements thereon during the term of this Lease. LESSEE further agrees to pay prior to delinquency and directly to the taxing authorities in which the Property is located all personal property taxes on personal property situated on the Property and placed thereon by LESSEE, its agents, authorized representatives, or employees. LESSEE further agrees to pay prior to delinquency any other taxes for which it may be liable. LESSEE shall, within thirty (30) days after any such tax, assessment or other charge, whether or not constituting a lien on the Property, shall become due and payable, produce and exhibit to LESSOR satisfactory evidence or payment thereof.

3.04. LESSEE to Pay Assessments. LESSEE during the term of this Lease agrees to pay directly to the public authorities charged with collection thereof any and all assessments levied on the Property for any part or all of the costs of any public work or improvement assessed according to benefit found by the levying authority to accrue therefrom to the Property, provided, however, that if an option is given to pay such assessment(s) in installments, LESSEE may elect to pay the same in installments, and in such case LESSEE shall be liable only for such installments as shall accrue during the term of this Lease. LESSOR warrants and represents that there are currently no outstanding assessments levied on the Property for any part or all of the cost of any public work or improvement constructed by LESSOR.

3.05. Proration of Taxes and Assessments. If LESSEE's obligation to pay taxes or assessments commences or ends during a tax year, such obligation shall be prorated between LESSOR and LESSEE.

3.06. Contest. LESSEE shall have the right to contest any taxes or assessments, which LESSEE is obligated to pay under paragraphs 3.03 or 3.04 of this Lease. Such proceedings shall, if instituted, be conducted promptly at LESSEE's own expense and free from all expense to LESSOR. Before instituting any such proceedings, LESSEE shall pay under protest any such taxes or assessments, or shall furnish to LESSOR a surety bond written by a company acceptable to LESSOR or other security acceptable to LESSOR, sufficient to cover the amount of such taxes or assessments, with interest for the period which such proceedings may reasonably be expected to take, and costs, securing the payment of such taxes or assessments, interest and costs in connection therewith when finally determined. Notwithstanding the furnishing of any such bond or security, LESSEE shall pay any such taxes or assessments at least thirty (30) days before the time when the Property or any part

thereof, might be forfeited. The proceedings referred to in this paragraph 3.06 shall include appropriate appeals from any order or judgments therein, but all such proceedings shall be begun as soon as reasonably possible after the imposition or assessment of any such taxes or assessments and shall be prosecuted to final adjudication promptly. In the event of any reduction, cancellation or discharge, LESSEE shall pay the amount that shall be finally levied or assessed against the Property or adjudicated to be due and payable, and, if there shall be any refund payable by the governmental authority with respect thereto, LESSEE shall be entitled to receive and retain the same, subject, however, to apportionment as provided in paragraph 3.05 of this Lease. LESSOR, at LESSOR's option, may, but shall not be obligated to, at LESSOR's own expense contest any such taxes or assessments, which shall not be contested as set forth above, and, unless LESSEE shall promptly join with LESSOR in such contest and pay all costs and attorneys fees of LESSOR therein, LESSOR shall be entitled to receive and retain any refund payable by any governmental authority with respect thereof.

3.07. LESSEE to Pay Utility Charges. LESSEE shall pay or cause to be paid all charges for gas, oil, electricity, water, sewer, heat, snow removal, refuse removal and any and all other utilities or services used upon the Property throughout the term of this Lease, including any connection fees.

3.08. Additional Rent and LESSOR's Right to Cure LESSEE's Default. All costs and expenses which LESSEE assumes or agrees to pay pursuant to this Lease shall, at LESSOR's election, be treated as additional rent, and, in the event of nonpayment, LESSOR shall have all rights and remedies provided in this Lease in the case of nonpayment of rent or of a breach of condition, at LESSOR's election. If LESSEE shall default in making any payment required to be made by LESSEE or shall default in performance of any term, covenant or condition of this Lease on the part of LESSEE to be kept, performed or observed which shall involve the expenditure of money by LESSEE, LESSOR at LESSOR's option may, but shall not be obligated to, make such payment, or, on behalf of LESSEE, expend such sum as may be necessary to keep, perform or observe such term, covenant or condition, and any and all sums so expended by LESSOR, with interest thereon at the maximum allowable rate of interest per year from the date of such expenditure until repaid, shall be, and shall be deemed to be, additional rent and shall be repaid by LESSEE to LESSOR, on demand, provided, however, that no such payment or expenditure by LESSOR shall be deemed a waiver of LESSEE's default, nor shall it affect any remedy of LESSOR by reason of such default.

IV - USE

4.01. Use. LESSEE acknowledges that the Property is being leased for a dock to be used for vessel fueling related business and that the property be used only for those purposes. Vessel traffic at the dock is allowed only in conjunction with active loading and unloading of fuel. Should a vessel be moored at LESSEE's dock that extends beyond said lease area, and LESSOR deems the location of the vessel is an impediment to other vessel navigation in the Small Boat Harbor, LESSOR may require LESSEE to remove the vessel. LESSEE shall not conduct any illegal activities on the Property or maintain any nuisances on the Property.

V – IMPROVEMENTS

5.01. Notice of Construction. No improvements may be made to the property without first obtaining a permit from the Alaska Corps of Engineers and any other permits required by other city, state and/or federal agencies. After obtaining the appropriate permits, LESSEE shall give LESSOR no less than five (5) days written notice prior to the commencement of any construction, alteration or repair of any improvements constructed or made by LESSEE on the Property so that LESSOR may, if it so elects, give notice of nonresponsibility pursuant to AS 34.35, as enacted or hereafter amended.

5.02. Development Requirements. At a minimum, LESSEE must operate a fuel dock in conjunction with the leased premises. Any development, intent to develop or use of the Property by LESSEE that is not in concert with the use of the Property as outlined in Section 4.01 must be approved by the LESSOR and may constitute grounds for termination of this Lease, or cause a new lease to be negotiated between LESSEE and LESSOR.

5.03. LESSEE'S Ownership of Buildings and Improvements. It is expressly understood and agreed that any and all buildings and improvements of any nature whatsoever constructed or maintained on the Property by LESSEE shall be and remain the property of LESSEE and may be removed or replaced by LESSEE at any time during the term of this Lease, subject, however, to paragraph 17.01 of this lease.

5.04 Construction Prerequisites. No construction shall be commenced unless the following events have occurred:

- (a) LESSEE shall furnish to LESSOR certificates of insurance in the amounts and for the purposes specified in Article X.
- (b) LESSEE shall from time to time deliver to LESSOR satisfactory proof that worker's compensation insurance has been procured to cover all persons employed in connection with the construction. Notice of any deficiency in this area to LESSEE will be cured immediately and no work will be performed on the project until the LESSOR has satisfactory proof that proper worker's compensation insurance is in place.
- (c) LESSEE shall obtain all necessary city, state, federal or other required building permits.

VI - TRADE FIXTURES

6.01. LESSEE's Ownership of Trade Fixtures, Machinery and Equipment. It is expressly understood and agreed that any and all trade fixtures (including electrical fixtures), machinery, equipment of any nature whatsoever and other personal property of LESSEE at any time placed or maintained upon the Property by LESSEE shall be and remain property of the LESSEE and may be removed or replaced at any time during the term of this Lease.

VII - ASSIGNMENT AND SUBLETTING

7.01. Assignment Without Consent Generally Prohibited. LESSEE shall not voluntarily assign or encumber its interest in this Lease or in the Property, or sublet all or any part of the Property, or allow any other person or entity (except LESSEE's authorized representatives) to occupy or use all or any part of the Property without first obtaining LESSOR's consent. Any assignment, encumbrance or sublease without LESSOR's consent shall be voidable and, at LESSOR's election, shall constitute default. No consent to any assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this paragraph. If LESSEE is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, of any partner or partners owning fifty percent (50%) or more of the partnership, or the dissolution of the partnership, shall be deemed a voluntary assignment. If LESSEE is a corporation, any dissolution, merger, consolidation or other reorganization of LESSEE, or the sale or other transfer of a controlling percentage of the capital stock of LESSEE, or the sale of fifty-one percent (51%) of the value of the assets of LESSEE, shall be deemed a voluntary assignment. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty-one percent (51%) of the total combined voting power of all classes of LESSEE's capital stock issued, outstanding and entitled to vote for the election of directors. As to a corporation the stock of which is traded through an exchange or over the counter, a sale or other transfer of a controlling percentage of the capital stock of such a LESSEE corporation will not be deemed to be a voluntary assignment. Any assignment affected pursuant to this paragraph 7.01 shall require the assignee to assume the Lessee's obligations hereunder. LESSEE shall promptly deliver to LESSOR a copy of any assignment instrument. Any assignment shall not release the Lessee from liability hereunder.

7.02. Assignment of Rents to LESSOR. LESSEE immediately and irrevocably assigns to LESSOR, as security for LESSEE's obligations under this Lease, all rent from any subletting of all or a part of the Property as permitted by this Lease, and LESSOR, as assignee and attorney-in-fact for LESSEE or a receiver for LESSEE appointed on LESSOR's application, may collect such rent and apply it toward LESSEE's obligations under this Lease, except that, until the occurrence of an act of default by LESSEE, LESSEE shall have the right to collect such rent.

7.03. Costs of LESSOR's Consent to Be Borne by LESSEE. LESSEE agrees to pay to LESSOR, on demand, reasonable costs, including attorney's fees, incurred by LESSOR in connection with any request by LESSEE for LESSOR to consent to any assignment or subletting by LESSEE.

VIII - LIENS

8.01. Prohibition of Liens. LESSEE shall not suffer or permit any liens, including without limitation, mechanic's or materialman's liens, to be recorded against the Property. If any such liens shall be recorded against the Property, LESSEE shall cause the same to be removed, or, in the alternative, if LESSEE in good faith desires to contest the same, LESSEE shall be privileged to do

so, but in such case LESSEE hereby agrees to indemnify and save LESSOR harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure of such liens, cause the same to be discharged and removed prior to any attempt at execution of such judgment. Nothing contained in this Lease shall be construed to be a waiver of the provisions of A.S 09.38.015(c), as may be amended from time to time.

IX - INDEMNITY

9.01. Indemnity. Except for claims arising solely out of acts or omissions of LESSOR, its agents, authorized representatives, employees or contractors, LESSEE agrees to protect, defend, indemnify and hold LESSOR harmless from and against any and all liability arising from acts or omissions of any person and of any nature whatsoever occurring on or relating to the Property, causing injury to, or death of persons, or loss of, or damage to, property, and from any expense, including attorneys fees, incident to the defense of and by LESSOR therefrom. If any action or proceeding is brought against LESSOR by reason of any such occurrences, LESSOR shall promptly notify LESSEE in writing of such action or proceeding.

X - INSURANCE

10.01. Liability Insurance. LESSEE, during the term of this Lease, shall carry at its expense comprehensive general liability insurance covering the Property in an amount of not less than ONE MILLION DOLLARS (\$1,000,000.00) combined single limit to protect against liability for personal injury, death or property damage which might arise from the construction occupancy or use of the Property and the operations conducted on it. Said insurance shall insure performance by LESSEE of the indemnity provisions of paragraph 9.01. LESSOR may increase the amount of insurance required at five (5) year intervals. LESSOR agrees that any such increase shall be reasonable.

10.02. Named Insured, Notice to LESSOR, and Waiver of Subrogation. All insurance policies required to be maintained by LESSEE under paragraph 10.01 shall name LESSOR, and its officers, employees and agents, as additional insured. All policies issued under paragraph 10.01 shall contain an agreement by the insurers that such policies shall not be canceled without at least twenty (20) days' prior written notice to LESSOR, and certificates or copies of all such insurance policies shall be furnished to LESSOR promptly after the issuance thereof. All policies issued under paragraph 10.01 shall contain a waiver of any subrogation rights any insurer might have against LESSOR.

10.03. Fire and Extended Coverage Insurance. LESSEE may at its own expense and in its own name obtain insurance against loss or damage by fire and such other risks as it determines to cover equipment, inventory, fixtures, personal property and by LESSEE subsequent to LESSEE's taking possession of the Property under this Lease.

XI - CARE OF PROPERTY

11.01. Care of the Property. LESSEE at its own cost and expense shall keep the Property and all buildings and improvements, which at any time may be situated, thereon in good condition and repair during the term of this Lease, ordinary wear and tear excepted. The Property shall always be kept by LESSEE neat, clean and free of litter. Vehicles, equipment, supplies, materials or other items of personal property shall be stored on the property in a neat, orderly, and safe manner. LESSOR reserves the right to cause LESSEE to change the manner of storage if potential for hazard or public nuisance is found. Nothing in this subsection shall prevent the temporary placement of building materials and equipment necessary for the construction of the structures identified in the Lease in the areas where the structures are to be constructed, nor shall this section be applicable to general parking for guests and employees.

11.02 Restoration or Removal of Damaged Buildings and Improvements. In the event any buildings or improvements situated on the Property by LESSEE are damaged or destroyed by fire or other casualty, LESSEE shall at LESSEE'S expense restore the same to good and tenantable conditions or shall remove the same as soon as is reasonably possible, but in no event shall the period of restoration exceed eighteen (18) months nor shall the period of removal exceed forth-five (45) days.

11.03. Access Rights of LESSOR. LESSOR, its agents, authorized representatives or employees, shall have the right to enter into and upon the Property and all buildings or improvements situated thereon upon 24 hour notice to LESSEE and during normal business hours (defined as 9:00 a.m. to 5:00 p.m. Monday through Friday except for holidays as defined in paragraph 15.05 of this Lease) for the purpose of inspecting the Property and all buildings or improvements situated thereon for compliance with the terms of this Lease.

11.04. Nuisances Prohibited. LESSEE shall immediately remove from the Property any abandoned or junk vehicles, improvements, equipment, machinery or fixtures. LESSEE shall not permit any nuisance or public nuisance to exist or to be created or maintained on the Property. LESSEE agrees that any nuisance or public nuisance as defined by the Valdez City Code, or any other code or regulations incorporated therein or otherwise adopted by ordinance or resolution of the City of Valdez, may, after five (5) days written notice to LESSEE, be removed by LESSOR without LESSEE's further permission, with use of force if necessary, and without incurring any civil or criminal liability therefor, all the costs of such removal to be paid by LESSEE to LESSOR as additional rent under the terms of this Lease. This paragraph shall not be construed as any limitation on any other legal rights or remedies available to the City of Valdez to abate any nuisance or to prosecute any violation of the Valdez City Code.

XII - LAWS

12.01. Compliance with Laws. LESSEE shall comply with all applicable laws, ordinances and regulations of duly constituted public authorities now or hereafter in any manner affecting

LESSEE's activities on the Property or any buildings or other improvements which may be situated thereon, whether or not any such laws, ordinances or regulations which may be hereafter enacted involve a change of policy on the part of the governmental body enacting the same.

XIII - CONDEMNATION

13.01. Condemnation. In the event the Property, or any part thereof or interest therein, shall be taken for public purposes by condemnation as a result of any action or proceeding in eminent domain, or shall be transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, the interests of LESSOR and LESSEE in the award or consideration for such transfer and the effect of the taking or transfer upon this Lease shall be as provided in this Paragraph 13.

13.02. Total Taking. If all of the Property is taken or so transferred, this Lease and all the right, title and interest thereunder of LESSEE shall cease on the date title to the Property vests in the condemning authority. Subject to the removal provisions in Article XVII if applicable.

13.03. Partial Taking - Termination of Lease. In the event the taking or transfer of part of the Property leaves the remainder of the Property in such location, or in such form, shape or reduced size, or so inaccessible as to be not effectively and practicably usable in the opinion of LESSEE for the purpose of operation thereon of LESSEE's business, then this Lease and all of the right, title and interest thereunder of LESSEE shall cease on the date title to the Property vests in the condemning authority, and the condemning authority enters into possession. Subject to the removal provisions of Article XVII if applicable.

13.04. Partial Taking - Continuation of Lease. In the event the taking or transfer of a part of the Property leaves the remainder of the Property in such location and in such form, shape or size, or so accessible as to be effectively and practicably unusable in the opinion of LESSEE for the purpose of operation thereon of LESSEE's business, this Lease shall terminate and end as to the portion of the Property so taken or transferred as of the date title to such portion vests in the condemning authority and the condemning authority enters into possession, but shall continue in full force and effect as to the portion of the Property not so taken or transferred. If there is a partial taking and this Lease is not terminated, then the annual rent payable under this Lease shall abate for the portion of the Property taken in the proportion that such portion bears to all of the Property.

13.05. Compensation. Compensation received or payable as a result of eminent domain proceedings or a transfer in lieu thereof shall belong to LESSOR, if such compensation be awarded or paid as compensation for diminution in value of the leasehold or of the fee, and LESSEE shall make no claim against LESSOR for damages for termination of the leasehold or interference with LESSEE's business unless LESSOR is the condemning authority or responsible for the condemnation. Compensation received or payable as a result of eminent domain proceedings or a transfer in lieu thereof shall belong to LESSEE, if such compensation be awarded or paid as compensation for LESSEE'S moving expenses, for interference with LESSEE'S business, and for damages relating to any trade fixtures, machinery or equipment owned the LESSEE. Upon award each party shall be

responsible for a pro-rata share of the attorney's fees incurred in direct proportion to the total amount recovered for their respective losses.

XIV - DEFAULT

14.01. Default. Each of the following events shall be deemed an event of default by the LESSEE under this Lease and a breach of the terms, covenants and conditions of this Lease:

- (a) Failure to perform as required and when required any of the development requirements contained in paragraph 5.02 of this Lease.
- (b) A default in the payment of the rent and additional sums due under this Lease, or any part thereof, for a period of fifteen (15) days from the due date for the payment of such rent or additional sums.
- (c) A default in the performance of any other term, covenant or condition on the part of the LESSEE to be kept, performed or observed for a period of thirty (30) days after LESSOR gives to LESSEE a written notice specifying the particular default or defaults; provided, however, that any default on the part of LESSEE in the performance of work or acts required by him to be done, or conditions to be modified, shall be deemed to be cured if steps shall have been taken promptly by LESSEE to rectify the same and shall be prosecuted to completion with diligence and continuity.
- (d) The making by LESSEE of an assignment for the benefit of creditors, unless given written consent by LESSOR.
- (e) The appointment of a receiver by a court of competent jurisdiction for LESSEE's business.
- (f) The levy upon under execution or attachment by process of law of the leasehold interest of LESSEE in the Property if not cured within thirty (30) days.
- (g) The use of the Property or buildings and improvements thereon for purposes other than those enumerated herein, to which LESSOR has not given its written consent.
- (h) The abandonment of the Property by LESSEE.

14.02. LESSOR's Remedies. In the event of any default by LESSEE as recited in paragraph 14.01 of this Lease, LESSOR shall have all of the below enumerated rights and remedies, all in addition to any rights and remedies that LESSOR may be given by statute, common law or otherwise. All rights of LESSOR shall be cumulative, and none shall exclude any other right or remedy. LESSOR's rights and remedies include the following:

- (a) LESSOR may declare the term of this Lease ended by written notice to LESSEE.

Upon termination of this Lease, LESSEE shall surrender possession and vacate the Property immediately, and deliver possession thereof to LESSOR, and LESSEE hereby grants to LESSOR full and free license to enter into and upon the Property in such event with or without process of law and to repossess LESSOR of the Property and to expel or remove LESSEE and any others who may be occupying or within the Property and to remove any and all property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without relinquishing LESSOR's right to rent or any other right given to LESSOR hereunder or by operation of law. Subject to LESSEE'S rights under article XVII.

(b) LESSOR may by written notice declare LESSEE's right to possession of the Property terminated without terminating this Lease. Upon such termination of LESSEE's right to possession, LESSOR shall have all the rights to repossess the Property and remove LESSEE and LESSEE's property that are enumerated in paragraph 14.02(a), subject to LESSEE'S rights under Article XVII. Should LESSOR elect to terminate LESSEE'S right to possession without terminating this Lease, LESSEE shall have the right to re-possession upon cure of the default or upon written waive by the LESSOR of the default claimed.

(c) LESSOR may relet the Property in whole or in part for any period equal to or greater or less than the remainder of the term of this Lease, for any sum which LESSOR may deem reasonable, except as provided in (e) of this paragraph, subject to the applicable sections of Chapter 4.08 of The Valdez Municipal Code and LESSEE'S rights under Article XVII. Any sums collected shall be credited to any indebtedness of LESSEE pursuant to the conditions described in 14.02 (e) (ii).

(d) LESSOR may collect any and all rents due or to become due from subtenants or other occupants of the Property. Any sums collected shall be credited to any indebtedness of LESSEE pursuant to the conditions described in 14.02 (e) (ii) with any excess amounts being paid to LESSEE.

(e) LESSOR may recover, whether this Lease be terminated or not, from LESSEE, damages provided for below consisting of items (i), and (ii), or, in lieu of (ii), item (iii);

(i) actual attorney's fees and other expenses incurred by LESSOR by reason of the breach or default by LESSEE; and

(ii) an amount equal to the amount of all rent and additional sums reserved under this Lease, less the net rent, if any, collected by LESSOR on reletting the Property and less any amounts recovered from the sale of attached personal property or improvements on the Property, which shall be due and payable by LESSEE to LESSOR on the several days on which the rent and additional sums reserved in this Lease would have become due and payable; that is to say, upon each of such days LESSEE shall pay to LESSOR the amount of deficiency then existing. Such net rent

collected on reletting by LESSOR shall be computed by deducting from the gross rent collected all expenses incurred by LESSOR in connection with the reletting of the Property, or any part thereof, including broker's commission and the cost of removing any improvements made by LESSEE in order to return the property to its pre-rent condition, however, LESSOR must take diligent effort in reletting the Property to obtain a rental rate as close to or above that required of LESSEE under this Lease or else LESSOR will not have access to the remedy set out in this subparagraph 14.01(e)(ii); or

(iii) an amount to be due immediately on breach, equal to the difference between the rent and the fair and reasonable rental value of the Property for the same period. In the computation of such damages the difference between any installment of rent thereafter becoming due and the fair and reasonable value of the Property for the period for which such installment was payable shall be discounted to the date of such breach at the rate of eight percent (8%) per year.

(f) Reentry or reletting of the Property, or any part thereof, shall not be deemed a termination of this Lease, unless expressly declared to be so by LESSOR.

(g) If this Lease shall be deemed terminated, LESSEE's liabilities shall survive and LESSEE shall be liable for damages as provided in this paragraph 14.02.

XV - GENERAL PROVISIONS

15.01. Estoppel Certificates. Either party shall at any time and from time to time upon not less than thirty (30) days' prior written request by the other party, execute, acknowledge and deliver to such party, or to its designee, a statement in writing certifying that this Lease is unamended and in full force and effect (or, if there has been any amendment thereof, that the same is in full force and effect as amended and stating the amendment or amendments), that there are no defaults existing, (or, if there is any claimed default, stating the nature and extent thereof); and stating the dates to which the rent and other charges have been paid in advance.

15.02. Conditions and Covenants. All the provisions of this Lease shall be deemed as running with the land, and shall be construed to be "conditions" as well as "covenants", as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

15.03. No Waiver of Breach. No failure by either LESSOR or LESSEE to insist upon the strict performance by the other of any term, covenant or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such terms, covenants or conditions. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

- 15.04. Time of Essence. Time is of the essence of this Lease and of each provision.
- 15.05. Computation of Time. The time in which any act provided by this Lease is to be done is computed by excluding the first (1st) day and including the last, unless the last day is a Saturday, Sunday or a holiday, and then it is also excluded. The term "holiday" shall mean all holidays as defined by the statutes of Alaska.
- 15.06. Successors in Interest. Each and all of the terms, covenants and conditions in this Lease shall inure to the benefit of and shall be binding upon the successors in interest of LESSOR and LESSEE.
- 15.07. Entire Agreement. This Lease contains the entire agreement of the parties with respect to the matters covered by this Lease, and no other agreement, statement or promise made by any party which is not contained in this Lease shall be binding or valid.
- 15.08. Governing Law. This Lease shall be governed by, construed and enforced in accordance with the laws of the State of Alaska.
- 15.09. Partial Invalidity. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated, unless such provisions are considered by LESSEE to be integral to LESSEE's use of the Property for the purposes stated herein in which case LESSEE will have the authority to terminate this Lease upon thirty (30) days' written notice to LESSOR.
- 15.10. Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between LESSOR and LESSEE; and neither the method of computation of rent, nor any other provision contained in this Lease nor any acts of the parties, shall be deemed to create any relationship between LESSOR and LESSEE other than the relationship of LESSOR and LESSEE.
- 15.11. Interpretation. The language in all parts of this Lease shall in all cases be simply construed according to its fair meaning and not for or against LESSOR or LESSEE as both LESSOR and LESSEE have had opportunity for the assistance of attorneys in drafting and reviewing this Lease.
- 15.12. Number and Gender. In this Lease, the neuter gender includes the masculine and the feminine, and the singular number includes the plural; the word "person" includes corporation, partnership, firm or association wherever the context so requires.
- 15.13. Mandatory and Permissive. "Shall", "will" and "agrees" are mandatory; "may" is permissive.

15.14. Captions. Captions of the paragraphs of this Lease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

15.15. Amendment. This Lease is not subject to amendment except in writing executed by all parties hereto.

15.16. Delivery of Notices - Method and Time. All notices, demands or requests from one party to another shall be delivered in person or be sent by mail, certified or registered, postage prepaid, to the addresses stated in paragraph 15.17 and shall be deemed to have been given at the time of delivery or, if mailed, three (3) days after the date of mailing.

15.17. Notices. All notices, demands and requests from LESSEE to LESSOR shall be given to LESSOR at the following address:

City Manager
City of Valdez
P. O. Box 307
Valdez, Alaska 99686

All notices, demands or requests from LESSOR to LESSEE shall be given to LESSEE at the following address:

Max and Betty Wells
P. O. Box 890
Valdez, Alaska 99686

15.18. Change of Address or Agent. Each party shall have the right, from time to time, to designate a different address or different agent for service of process by notice given in conformity with paragraph 15.16.

15.19. Furnishing of Information. LESSEE shall provide LESSOR with copies of articles of incorporation and bylaws, partnership agreements, joint venture agreements or other documents which shall define the manner of organization and the ownership of any business or activities to be conducted upon the Property, together with all future amendments thereto. LESSEE and LESSEE'S assignee or sublessee shall also provide the same information regarding any assignee or sublessee of LESSEE.

15.20. Recordation. This Lease or a memorandum thereof may be recorded by LESSEE at LESSEE's expense with the Valdez Recorder's Office.

XVI - LESSOR'S LIEN

16.01. LESSOR's Lien and Security Interest. LESSOR shall have a lien on, and LESSEE hereby grants LESSOR a security interest on, improvements, equipment and fixtures, which are or

may be put on the premises by LESSEE, to secure the payment of the rent and additional sums reserved under this Lease. If LESSEE shall default in the payment of such rent, LESSOR may, at its option, without notice or demand, take possession of and sell such property in accordance with the Uniform Commercial Code of Alaska. LESSOR shall apply the proceeds of sale as follows:

- (a) To the expense of sale, including all costs, fees and expenses of LESSOR and LESSOR's reasonable attorney's fees in connection with such sale;
- (b) To the payment of such rent; and
- (c) The surplus, if any, to LESSEE.

XVII - OWNERSHIP OF IMPROVEMENTS AND FIXTURES ON TERMINATION

17.01. LESSEE May Remove Improvements, Fixtures, Machinery and Equipment. Improvements, fixtures, machinery and equipment owned by LESSEE may be removed by LESSEE from the Property within sixty (60) days after the expiration or termination of this Lease; provided that such removal will not cause injury or damage to the Property, or if it does, LESSEE shall indemnify LESSOR for the full amount of such damage; and further provided that any improvements, fixtures, machinery or equipment left on the Property by LESSEE shall be in good, safe and tenantable or operable condition; and further provided that LESSEE shall not commit, create, leave or allow to exist on the Property any nuisance or public nuisance. The LESSOR may extend the time for such removal in case hardship is shown to LESSOR's satisfaction, provided application for extension has been made in writing and received by LESSOR within said sixty (60) day period.

17.02. Property Not Removed. Any buildings, improvements, fixtures, machinery, equipment or other items of real or personal property, which are not removed from the Property within the time allowed in paragraph 17.01 of this Lease, shall immediately become the property of LESSOR and title thereto shall vest in LESSOR without further action on the part of LESSEE or LESSOR. LESSOR may use, sell, destroy, or otherwise dispose of any such property in any matter that it sees fit, without further obligation to LESSEE.

XVIII - NONDISCRIMINATION

18.01. LESSEE Will Not Discriminate. LESSEE agrees that in its use and occupancy of the Property it will not, on the grounds of race, color, religion, national origin, ancestry, marital status, age, disability or sex, discriminate or permit discrimination against any prospective occupant, patron, customer, employee, applicant for employment or other person or group of persons in any manner prohibited by federal, state or local law or regulations promulgated thereunder.

XIX - HAZARDOUS MATERIALS

19.01 Condition of Property. LESSEE has had full opportunity to visually examine the Property for the presence of any Hazardous Material. LESSOR states that it is unaware of any

current or past problems with the Property. LESSEE acknowledges that LESSOR, its agents, authorized representatives or employees have made no representations as to the physical conditions of the Property, including but not limited to the subsurface and soil conditions. LESSEE accepts the Property in an "as is" condition. LESSEE does not accept or assume responsibility or liability for pre-existing subsurface and/or soil conditions, including, but not limited to Hazardous Materials and/or Environmental contamination that is unknown and/or undisclosed to LESSEE at the time of execution of this Lease.

19.02 Release of LESSOR. Any other provision of this Lease to the contrary notwithstanding, LESSEE releases LESSOR from any and all claims, demands, penalties, fines, judgments, liabilities, settlements, damages, costs or expenses (including, without limitation, a decrease in the value of the Property, damages due to loss or restriction of usable space, and attorneys' fees, court costs, litigation expenses, and consultant and expert fees) arising, during or after the term of this Lease, and resulting from LESSEE'S use, keeping, storage or disposal of Hazardous Material on the Property. This release includes, without limitation, any and all costs incurred due to any investigation of the site or any cleanup, removal or restoration mandated by a federal, state or local agency or political subdivision or by law, relating to LESSEE'S use, keeping, storage or disposal of Hazardous Materials on the Property.

19.03. Use of Hazardous Materials on the Property.

- (a) LESSEE shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Property by LESSEE or its authorized representatives or invitees, except for such Hazardous Material as is necessary or useful to LESSEE's use of the Property.
- (b) Any Hazardous Material permitted on the Property as provided in this paragraph, and all containers therefor, shall be used, kept, stored and disposed of in a manner that complies with all laws or regulations applicable to any such Hazardous Material.
- (c) LESSEE shall not discharge, leak or emit, or permit to be discharged, leaked or emitted, any material into the atmosphere, ground, sewer system or any body of water, if such material (as reasonably determined by the LESSOR, or any governmental authority) does or may, pollute or contaminate the same, or may adversely affect (a) the health, welfare or safety of persons, whether located on the Property or elsewhere, or (b) the condition, use or enjoyment of the Property or any other real or personal property.
- (d) LESSEE hereby agrees that it shall be fully liable for all costs and expenses related to the use, storage and disposal of Hazardous Material kept on the Property by the LESSEE, its authorized representatives and invitees, and the LESSEE shall give immediate notice to the LESSOR of any violation or potential violation of the provisions of subparagraphs 19.03 (a), (b) and (c).

19.04 Indemnification of Lessor. LESSEE agrees to forever protect, defend, indemnify and hold harmless LESSOR from and against any and all losses, claims, investigations, assertions, liens, demands and causes of action of every kind and character (including without limitation any assertions or claims made against LESSOR, LESSEE or third parties, by government agencies or third parties, alleging the release or threatened release of hazardous substances or environmental contamination of any kind on or in connection with the Property) and all costs thereof (including without limitation costs of removal action, remedial action, other "response costs" as that term is defined under applicable federal and state law, attorney's fees, penalties, damages, interest and administrative/court costs incurred by LESSOR in response to and defense of same) arising in favor of any party, including LESSOR, and arising from or connected with LESSEE'S activities under this LEASE or LESSEE'S use of or presence on the Property, whether such activities, use or presence are those of LESSEE or LESSEE'S agents, sub-contractors or other representatives. LESSEE acknowledges that this indemnification clause shall survive termination of this Lease, and that it applies regardless of the basis of liability alleged by or against any party, including strict liability under AS 46.03.822 or federal law. LESSEE'S obligations under this section may be discharged; however, by performance of whatever degree of site investigation for environmental contamination (in LESSOR'S sole discretion) is necessary to render the Property suitable for LESSOR to release LESSEE from these obligations, which release must be granted in writing by LESSOR.

19.05. Hazardous Material Defined. Hazardous Material/Substance is any substance which is toxic, ignitable, reactive, or corrosive and which is regulated by any local government, the State of Alaska, or the United States government. Hazardous Material includes any and all material or substances which are defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" pursuant to local, state or federal law, including without limitation, the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder. "Hazardous Material" includes but is not restricted to asbestos, polychlorobiphenyls ("PCB's") and petroleum and petroleum products.

19.06. Liability for Releases. Liability of Releases/Threatened Releases of Hazardous Materials: LESSOR-LESSEE Relationship Confirmed LESSEE agrees that at all times while this Lease is in effect, for purposes of potential liability under AS 46.03.822:

- (1) LESSEE, not LESSOR, shall be deemed the owner of and person having control over any hazardous substances used by LESSEE or on the property for business reasons of LESSEE; and
- (2) LESSEE, not LESSOR, shall be deemed the owner of the possessory interest under this Lease, and the operator of the property as a facility under AS 46.03.822(a)(2); and
- (3) LESSEE, not LESSOR, shall be deemed the generator, transporter, or both, of any hazardous substances generated or transported by LESSEE in connection with the

enjoyment of its rights under this Lease.

For purposes of this section, "LESSEE" shall include LESSEE's agents, employees, sub-contractors, subsidiaries, affiliates and representatives of any kind.

19.07 Compliance With Environmental Laws. Lessee covenants full compliance with any applicable federal, state or local environmental statute, regulation, or ordinance presently in effect or that may be amended or effective in the future, including without limitation:

AS 46.03.822

The Solid Waste Disposal Act, the Hazardous and Solid Waste Amendments of 1984, and the Federal Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. # 6901 et seq.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and the Superfund Amendments and Reauthorization Act of 1986 (SARA), 42 U.S.C. # 8591 et seq.

The Hazardous Materials Transportation Act

The Clean Air Act, 41 U.S.C. # 7401-7626

The Federal Water Pollution Control Act, and the Federal Clean Water Act, 33 U.S.C. # 1257 et seq.

The Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Pesticide Act of 1978, 7 U.S.C. Paragraph 13 et seq.

The Toxic Substances Control Act (TSCA), 15 U.S.C. # 2601 et seq.

The Safe Drinking Water Act, 15 U.S.C. # 300 et seq.

The Alaska Environmental Conservation Act, AS 46.03 et seq.

The Alaska Oil Pollution Control Act, AS 46.04 et seq.

The Alaska Oil & Hazardous Substance Release Act, AS 46.08 et seq.

The Alaska Hazardous Substance Release Control Act, AS 46.09 et seq.

Valdez City Code

The Coastal Zone Management Act and the Valdez CMP

MSHA and OSHA

At LESSOR's recommendation, LESSEE has investigated the Property for potential environmental contamination, which may have occurred before the date of this Lease; LESSEE accepts the Property in its current environmental condition. After such investigation, LESSEE agrees that the Property:

- (a) has not been subject to the use, generation, manufacture, storage, treatment, disposal, release or threatened release of hazardous substances.
- (b) has not been subject to any actual or threatened assertions, claims or litigation of any kind by government agencies or other persons relating to such matters.

LESSEE authorizes LESSOR to enter upon the Property to make such inspections and tests as LESSOR may deem appropriate to determine compliance with this Lease; any such investigations or tests shall be for LESSOR's purposes only, and shall not be construed to create any responsibility or liability on LESSOR's part to LESSEE or any person.

LESSEE hereby releases and freely waives any future claims against LESSOR for contribution or indemnity (whether under AS 46.03.822, other state law, or federal law) in the event LESSEE incurs or becomes liable for response costs, damages or costs of any kind because of the release, threatened release or presence of hazardous substances on or about the Property.

LESSEE specifically agrees to report all releases, threatened releases, discharges, spills or disposal of hazardous substances, in whatever quantity, immediately to the appropriate regulatory authorities and simultaneously to LESSOR, and to keep LESSOR fully informed of any communication between LESSEE and any person or agency concerning potential environmental contamination and hazardous substances.

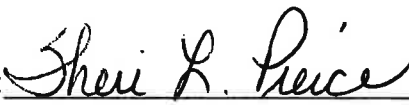
IN WITNESS WHEREOF, the parties hereto have set their hands and seal the dates hereinbelow set forth.

LESSOR:

CITY OF VALDEZ

Date: 12/11/01

By: 
Bert L. Cottle, Mayor

Attest: 
Sheri Pierce, City Clerk

LESSEE:

Max & Betty Wells

Date: 12-7-01

By: 

Date: 12-7-01

By: 

APPROVED AS TO FORM:

WALKER, WALKER & ASSOCIATES
Attorneys for City of Valdez

By: 
William M. Walker



STATE OF ALASKA

)

) ss.

THIRD JUDICIAL DISTRICT

)

THIS IS TO CERTIFY that on this 7 day of December, 2001, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Max Wells, known to me and to me known to be the individual named in and who executed the foregoing document, as his free and voluntary act for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.



Laura Weaver
Notary Public in and for Alaska
My Commission Expires: 12/20/04

STATE OF ALASKA

)

) ss.

THIRD JUDICIAL DISTRICT

)

THIS IS TO CERTIFY that on this 7 day of December, 2001, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Betty Wells, known to me and to me known to be the individual named in and who executed the foregoing document, as his free and voluntary act for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.



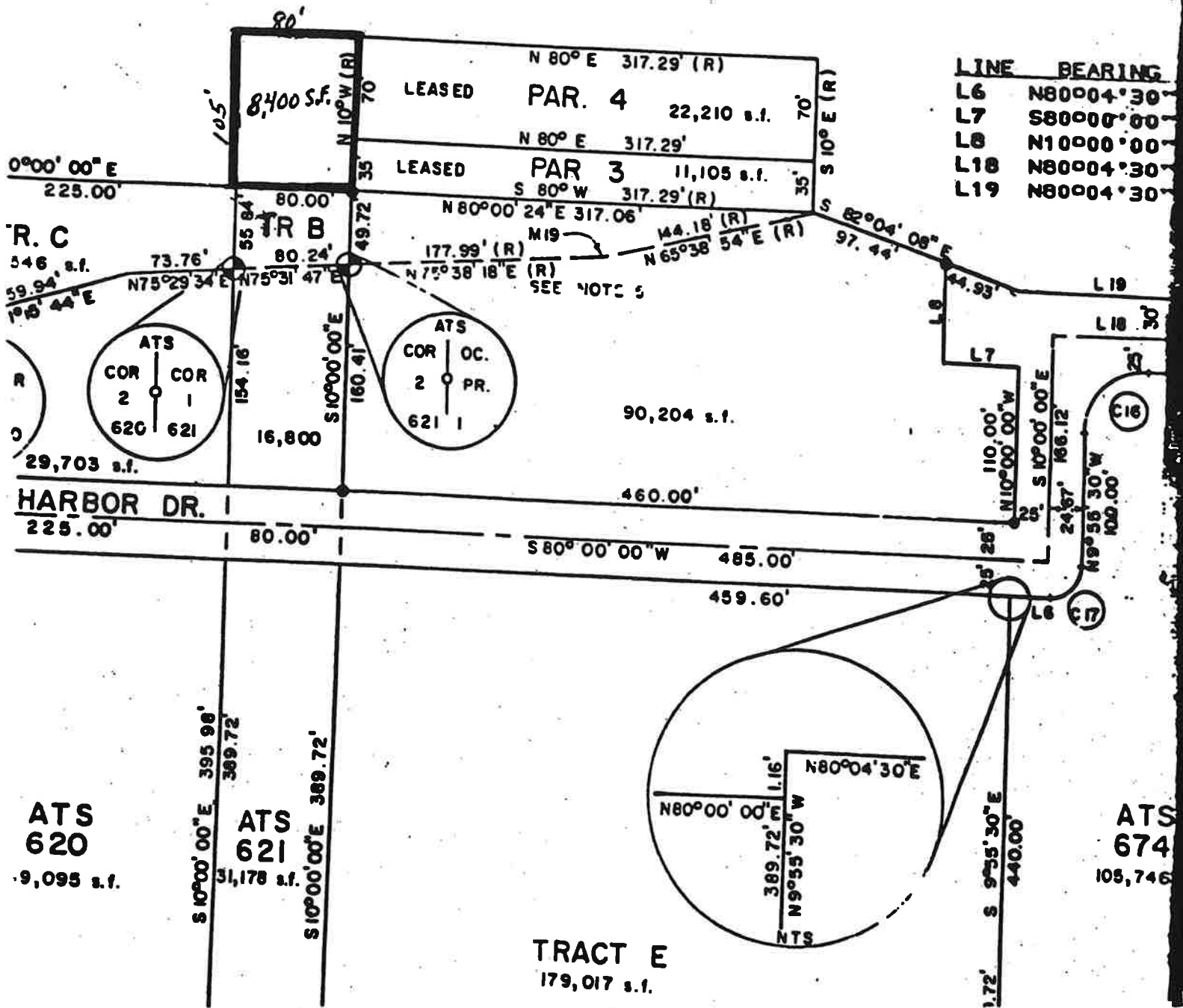
Laura Weaver
Notary Public in and for Alaska
My Commission Expires: 12/20/04

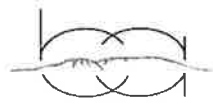
EXHIBIT A

See attached map!

BOUNDARY

EXHIBIT A





BARLOW ANDERSON LLC
ATTORNEYS AT LAW
420 L Street, Suite 310
Anchorage, AK 99501

907-375-0750 phone
907-375-0751 facsimile
lra@barlowanderson.com
www.BarlowAnderson.com

September 12, 2018

City of Valdez
P.O. Box 890
Valdez, AK 99686

By email to: covaldezcomdev@gmail.com

Re: Wells Tidelands Lease
Our File No. 5021-1

Dear City Manager and Ms. Nicole LeRoy (Planning Dept):

This is a letter in support of the application Crowley Fuels LLC ("Crowley") submitted to the City of Valdez regarding the lease of 8,400 square feet of USS 495 Tidelands. We represent Jason Wells as successor trustee of the Max and Betty Wells Trust (the "Trust"). Max and Betty Wells entered into a Tidelands Lease Agreement with the City of Valdez in 2001. The Trust has executed a purchase agreement to sell its uplands property and assign its interest in this lease agreement to Crowley subject to approval from the City of Valdez as required by Section 7.01 of the existing lease.

Our client understands that Crowley has applied for a new lease with the City of Valdez for the property leased to our client. Our client supports Crowley's lease application and understands that the application will be taken up at the September 18, 2018 city council meeting.

If Crowley's lease application is not approved at the upcoming city council meeting, this letter serves as notice that the Trust is exercising its option to extend the existing lease for a period of five years, pursuant to Section 2.01 of the lease, for the purpose of assigning it to Crowley in connection with the sale of the uplands. In other words, the Trust, as the current tenant, is supportive of both (1) a new lease between the City and Crowley, and (2) of an extension of the existing lease and assignment of the Trust's interest to Crowley.

City of Valdez
September 12, 2018
Page 2 of 2

Very truly yours,

BARLOW ANDERSON, LLC

A handwritten signature in blue ink, appearing to read 'Leonard R. Anderson', with a stylized, cursive script.

Leonard R. Anderson

cc: Client
Crowley Fuels LLC



City of Valdez

212 Chenega Ave.
Valdez, AK 99686

Legislation Text

File #: 18-0314, **Version:** 1

ITEM TITLE:

Commercial Marijuana Inspection Report - DKW Farms LLC

SUBMITTED BY: Chief Bart Hinkle

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

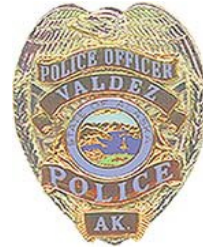
Receive and File

SUMMARY STATEMENT:

See attached memo and document



VALDEZ POLICE DEPARTMENT
P.O. BOX 307
VALDEZ, ALASKA 99686
907-835-4560 (PHONE)
907-834-3412 (FAX)



TO: Elke Doom, City Manager; Sheri Pierce, City Clerk; Valdez City Council

FROM: Bart Hinkle, Chief of Police

RE: DKW Farms LLC Commercial Marijuana Inspection

DATE: September 11, 2018

At approximately 1630 hours on September 6th, 2018, Officer Mitchell and I conducted an inspection of DKW Farms LLC. I have conducted previous inspections of DKW Farms LLC, both during the construction and application period as well as since the facility has been operating. Additionally, the Alcohol and Marijuana Control Office has also conducted inspections during that timeframe – including on 5/2/18.

During the inspection on May 2nd, the AMCO Officer observed enough discrepancies to prompt him to issue a Notice of Violation on 5/8/18 [AMCO Case #: AB18-0509].

During our inspection on 9/6/18, I did not observe any notable violations. Mr. Dunning (one of the owners of DKW Farms LLC) followed proper procedures for visitors to his facility (identification, sign in, and issuing a visitor pass). I observed the facility to be properly secured with an active alarm system as well as a robust video surveillance system. The process outlined by Dunning, et al. appeared to be within the confines of their existing license and well within the administrative codes as defined by the State.

At the conclusion of our inspection, I spoke with Dunning regarding the Notice of Violation that he received on 5/8/18. Mr. Dunning essentially confirmed what I had been informed of by the State – that the violation was pertained to discrepancies between inventory tracking in METRC and in the Veg Room. Mr. Dunning stated DKW Farms LLC took immediate action to rectify the issues, and that they were not required to appear before the Marijuana Control Board. Mr. Dunning indicated he could provide me with the documentation of the corrective actions they took, and that it satisfied the State.

I provided Mr. Dunning with my valid email address and asked him to please forward his correspondence so that I may include it in this report to Council. As of 9/11/18, I have yet to receive the correspondence Mr. Dunning sent the State.

VPD has not received any complaints regarding odor, illegal operations, or any other criminal issues regarding DKW Farms LLC's cultivation facility. At this point, there is – in my opinion – no reasonable grounds to contest their renewal application.

Notice of Violation

(3AAC 306.805)

This form, all information provided and responses are public documents per Alaska Public Records ACT AS 40.25

Date: 5-8-18

License #/Type: #11234

Licensee: Dwain Dunning

Address: 4269 Richardson Hwy, Valdez, AK

DBA: DKW Farms, LLC

AMCO Case #: AB18-0509

This is a notice to you as licensee that an alleged violation has occurred. If the Marijuana Control Board decides to act against your license, under the provisions of AS 44.62.330 - AS 44.62.630 (Administrative Procedures Act) you will receive an Accusation and Notice of your right to an Administrative Hearing.

Note: This is not an accusation or a criminal complaint.

On 5-2-18 an inspection was conducted at your establishment. The following discrepancies were noted in the Veg Room.

	ON HAND	METRC
Say Uncle	51	0
Sky Walker	1	0
Mango	17	0

Clone strains: Tut, 42 clones, and an unmarked strain, 32 clones, for a total of 74 clones. METRC shows 76 total clones.

One plant did not have a tag.

Your attention is referred to 3 AAC 306.435: Marijuana inventory tracking system

3 AAC 306.805 provides that upon receipt of a Notice of Violation, a licensee may request to appear before the board and be heard regarding the Notice of Violation. The request must be made within ten days after receipt of the Notice. A licensee may respond, either orally or in writing, to the Notice. 3 AAC 306.810(3)(A)(B)(C) failed, within a reasonable time after receiving a notice of violation from the director, to correct any defect that is the subject of the notice of violation of AS 17.38 or this chapter, a condition or restriction imposed by the board or other applicable law.

IT IS RECOMMENDED THAT YOU RESPOND IN WRITING TO DOCUMENT YOUR RESPONSE FOR THE MARIJUANA CONTROL BOARD.

*Please send your response to the address below and include your Marijuana Establishment License Number in your response.

Alcohol & Marijuana Control Office
ATTN: Enforcement
550 W. 7th Ave, Suite 1600
Anchorage, Alaska 99501
amco.enforcement@alaska.gov

Issuing Investigator: J. Hamilton

Received by:

SIGNATURE: 

SIGNATURE:

Delivered VIA: Mail

Date:

Article # 7016 2710 0000 8600 3999



Legislation Text

File #: 18-0315, **Version:** 1

ITEM TITLE:

August 2018 New Boat Harbor Report

SUBMITTED BY: Nathan Duval, Capital Facilities Director

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Receive and File.

SUMMARY STATEMENT:

See the attached report for the current status of the New Boat Harbor project through August, 2018.

AUGUST 2018

VALDEZ NEW BOAT HARBOR

CONSTRUCTION

Phase 2 Uplands Facilities and Inner Harbor Facilities

Uplands facilities work primarily focused on finishing the Warehouse Building, installing sidewalks around the three buildings, paving the access driveways, pathways and parking lots, planting trees, spreading topsoil and seeding.

Pacific Pile and Marine (PPM) finished drilling and blasting and continued breaking high areas of bedrock with a large hydraulic hammer. Dredging was completed in the Mooring Basin and approximately half finished in the Drive Down Float Basin. Current progress indicates the dredging might finish by late-September.

Two barges with pile driving equipment, piling and floats for the West mooring basin arrived in Valdez on August 8. After dredging the remaining rock, surveying the dredged area, assembling head floats and installing temporary template piling, PPM started drilling and installing piling for the west head floats. Drive-down float modules, transfer bridge and related items have been fabricated and are stored at Seattle area facilities. PPM anticipates that the mooring floats and bridge will be loaded on a barge and towed to Valdez in early October.



Breaking and excavating rock for dredging and disposing



Spreading asphalt for parking area near Warehouse Building

PROJECT ACHIEVEMENTS

- Delivered barges with equipment and materials; started driving piles and installing floats for West basin
- Finished assembly of drive-down float components at Seattle area shops
- Finished blasting and dredging all the bedrock at the West basin
- Finished blasting and dredged half the bedrock at the East basin
- Placed concrete sidewalks at East Restroom, Bilge Building and Warehouse Building
- Placed topsoil, seed and trees
- Paved driveways, pathways and parking areas except for abutment area at Drive-Down bridge

AUGUST 2018 PROJECT UPDATE (CONT.)

DESIGN TEAM - CONSTRUCTION SUPPORT

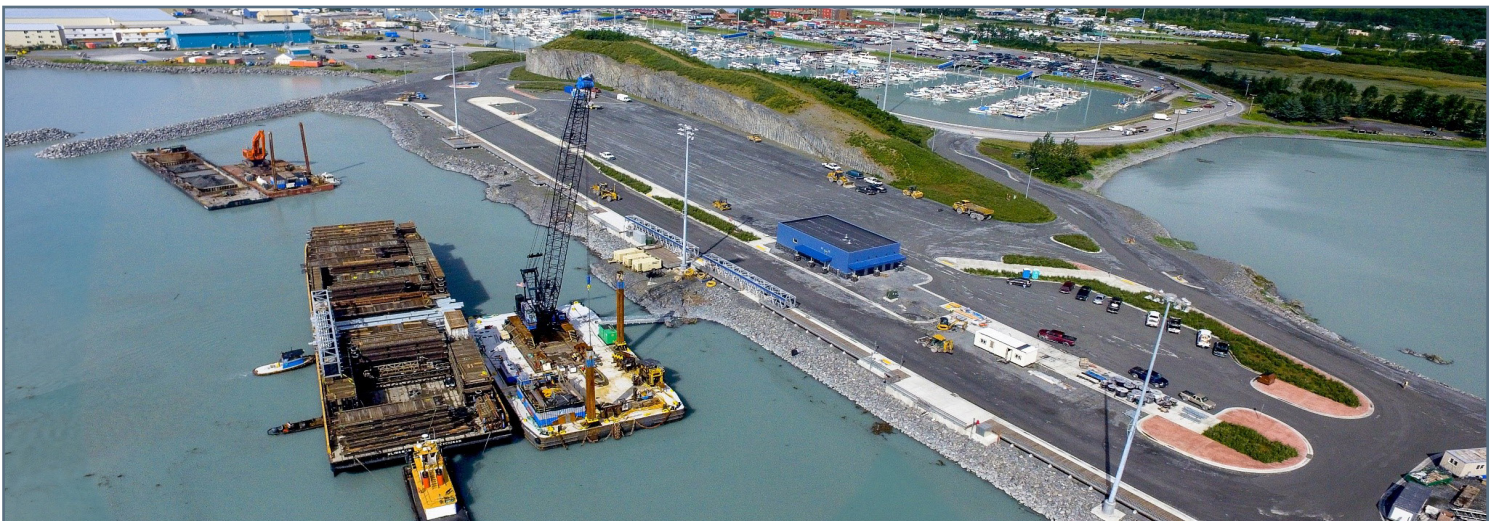
R&M continued reviewing some submittals, responded to Requests for Information (RFIs), clarifications of construction documents and conflicts in the field, performed Special Inspections and observations of building and site work, observations of drilling, dredging, and installing piling and floats.

USACE NAVIGATION IMPROVEMENTS

The USACE is administering the Western Marine Construction (WMC) contract for dredging the navigation channel and float basin and construction of the breakwaters. The USACE is reportedly working toward fiscal closeout of their contract with WMC. Arcadis and the City will continue coordinating with USACE for closeout of the City's contract with USACE.

FUTURE MILESTONES

- Commission and test the Bilge Treatment Building equipment
- Commission and test all systems for the Warehouse Building
- Apply striping and markings on asphalt pavement
- Install landscape boulders, benches, architectural concrete panels, signs, flagpole, picnic canopies
- Perform Substantial Completion inspections for Uplands Facilities
- Finish breaking and dredging bedrock and surveying the Drive-Down Float Basin
- Submit Rock Anchor Pile Installation Plan for Drive-Down Bridge Mooring Frame
- Install Gangway #1 and start installing electrical and mechanical systems on mooring floats
- Closeout City's contract with USACE for the dredging and breakwater work



Aerial view after paving and landscaping. Large barge with piling and floats and pile driving barge with crane is unloading gangways and equipment to Uplands. Dredge equipment and bottom dump barge (upper left) are removing the final portion of bedrock in the Mooring Basin. (J. Talbott)

PROJECT TEAM

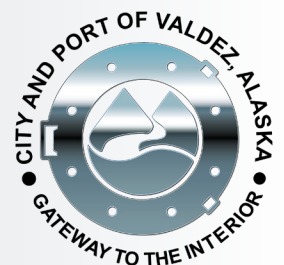
Nate Duval, Capital Facilities Project Manager, City of Valdez || 907.835.5478 ext. 1

Ronnie Barcak, Project Manager, USACE || 907.753.5755

Kim Nielsen, Group Manager, Waterfront Engineering, R&M Consultants || 907.646.9602

Andy Romine, Project Manager, Pacific Pile and Marine || 907.360.4580

Ron Rozak, Construction Manager, Arcadis || 907.382.2933





Crane lifting a pile from materials barge for installing on the west end of the head floats



Temporary pile (left) maintains position of floats while drilling 10 feet into bedrock to install the first mooring pile for the head floats



Piling installed for west portion of the head floats required drilling 10 feet into bedrock to create a "socket" for the piling



Installing canopy, then side panels, on Gangway #1



Wood wind screen and sidewalks installed at East Restroom



Spreading topsoil after planting trees east of Warehouse building

PROJECT SCHEDULE

Task	2016	2017				2018				2019			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CITY OF VALDEZ WORK													
Phase 1 Uplands (Civil work except paving)													
Phase 2 *													***
Design/Bid/Award/NTP													
Mooring Floats													
Fabrication/Delivery													
On-site Construction													
Drive Down Float													
Fabrication/Delivery													
On-site Construction													
In-water Rock Removal													
West Rock													
East Rock													
Uplands Facilities (Warehouse, East Restroom, Bilge Water Bldg.)													
Fabrication/Delivery													
On-site Construction													
Paving/Landscaping													
Master Waterfront Plan (To be determined)													
Phase 3 Future Facilities (To be determined with Master Plan)													
Launch Ramp, Fish Cleaning Station, Wash-Down Pad, W. Restroom													
CORPS OF ENGINEERS (USACE) WORK													
Harbor Dredging and Breakwater Construction**													

*Solid lines reflect PPM's August 2018 schedule update. ** WMC finished dredging and breakwater; contract closeout continues.

*** Contract requires Phase 2 work to be completed by October 1, 2019.

BUDGET SUMMARY

Description	Original Budget	Revised Budget	Committed	Expenditures 8/31/18	% Spent	Estimate at Completion
DESIGN	\$ 2,451,971	\$ 3,659,047	\$ 3,659,047	\$ 3,201,356	87%	\$ 3,659,047
Design	\$ 1,851,971	\$ 2,215,983	\$ 2,215,983	\$ 2,231,917	101%	\$ 2,231,917
Design Team Services During Construction	\$ 600,000	\$ 1,443,064	\$ 1,443,064	\$ 969,439	67%	\$ 1,427,130
PROJECT MANAGEMENT	\$ 2,340,548	\$ 2,919,405	\$ 2,919,405	\$ 2,547,572	87%	\$ 2,919,405
Project Management	\$ 1,740,548	\$ 2,547,868	\$ 2,547,868	\$ 2,176,035	85%	\$ 2,547,868
Inspection/Testing	\$ 600,000	\$ 371,537	\$ 371,537	\$ 371,537	100%	\$ 371,537
USACE CONSTRUCTION - CITY PORTION	\$ 9,345,453	\$ 7,645,453	\$ 7,525,453	\$ 5,141,258	67%	\$ 7,525,453
Initial Basin	\$ 7,145,453	\$ 7,145,453	\$ 7,145,453	\$ 4,761,258	67%	\$ 7,145,453
Other Basin Modifications	\$ 2,200,000	\$ 500,000	\$ 380,000	\$ 380,000	76%	\$ 380,000
CITY CONSTRUCTION	\$ 39,023,904	\$ 44,715,844	\$ 44,638,679	\$ 33,900,097	76%	\$ 44,715,844
Phase 1 Uplands	\$ 19,013,040	\$ 19,191,437	\$ 19,191,437	\$ 19,191,437	100%	\$ 19,191,437
Phase 2 Base/Drivedown Floats, Uplands Fac.	\$ 8,976,100	\$ 25,067,928	\$ 25,067,928	\$ 14,391,448	57%	\$ 25,067,928
Upland Facilities (with Phase 2)	\$ 4,046,643	\$ -	\$ -	\$ -	0%	\$ -
Drive Down Float (with Phase 2)	\$ 4,951,721	\$ -	\$ -	\$ -	0%	\$ -
Drive-Down Float In-water Mods (with Phase 2)	\$ 1,342,500	\$ -	\$ -	\$ -	0%	\$ -
Hotel Hill Clearing	\$ 64,900	\$ 64,900	\$ 64,900	\$ 64,900	100%	\$ 64,900
Fish Cleaning	\$ 324,000	\$ -	\$ -	\$ -	0%	\$ -
Electric Primary	\$ 225,000	\$ 311,579	\$ 311,579	\$ 252,312	81%	\$ 311,579
CCTV/Security/Head End Equipment	\$ 80,000	\$ 80,000	\$ 2,834	\$ -	0%	\$ 80,000
ADMINISTRATION	\$ 60,000	\$ 100,000	\$ 99,245	\$ 92,165	92%	\$ 100,000
FFE	\$ 100,000	\$ 100,000	\$ -	\$ -	0%	\$ 100,000
CONTINGENCY (@ 15% original budget)	\$ 7,998,281	\$ 2,180,408				\$ 2,300,408
TOTAL CITY FUNDED	\$ 61,320,158	\$ 61,320,158	\$ 58,841,829	\$ 44,882,449	73%	\$ 61,320,158
USACE FUNDED**	\$ 21,277,761	\$ 21,277,761	\$ 21,277,761	\$ 20,558,716	97%	\$ 21,277,761
TOTAL CITY/USACE FUNDING	\$ 82,597,919	\$ 82,597,919	\$ 80,119,590	\$ 65,441,165	79%	\$ 82,597,919

* Data includes expenses from 5/22/14 which is the start of Bond eligible costs authorized by COV Resolution 14-33. \$254,321.77 in R&M expenses and other costs are not included.

** Reconciliation with USACE is in process; updates are anticipated.



Legislation Text

File #: 18-0316, **Version:** 1

ITEM TITLE:

Professional Services Agreement Report: DOWL, LLC for Lowe River Gravel Extraction - Permitting, in the Amount of \$49,995

SUBMITTED BY: Nathan Duval, Capital Facilities Director

FISCAL NOTES:

Expenditure Required: \$49,995

Unencumbered Balance: \$626,673.90

Funding Source: 350-0700-55000 Dike Repairs

RECOMMENDATION:

Receive and File.

SUMMARY STATEMENT:

In response to a request by the Flood Task Force and confirmed by the City Council at the joint work session held on August 20, 2018, the attached professional services agreement facilitates the permitting process for gravel extraction in the Lowe River.

The necessary studies and reports are complete and potential gravel uses have been identified to apply for permits with the regulatory agencies.

** 2.80.040 VMC- Approval of City Council Required - Procurements*

For each budgeted procurement between forty thousand dollars and one hundred thousand dollars that does not require council approval, the city council shall be notified by written report detailing such procurement at the next regular city council meeting following such procurement.



**City of Valdez
Agreement for Professional Services**

THIS AGREEMENT between the CITY OF VALDEZ, ALASKA, ("City") and DOWL, LLC ("Consultant") is effective on the 25th day of July, 2018.

All work under this agreement shall be referred to by the following:

**Project: Lowe River Gravel Extraction - Permitting
Project No: 18-350-0700A
Contract No.: 1404
Cost Code: 350-0700-55000**

Consultant's project manager under this agreement is Bradley Melocik.

Consultant's project manager may not be changed without the written consent of the City.

City's project manager is Nathan Duval.

ARTICLE 1. Scope of Work

1.1 The scope of work to be performed hereunder is more completely described in Appendix A which is incorporated herein by reference.

ARTICLE 2. Compensation

2.1 Compensation shall be paid in accordance with the Basis of Compensation Schedule attached hereto as Appendix B and incorporated herein by reference.

ARTICLE 3. Period of Performance

3.1 The Consultant agrees to commence work under this agreement only as authorized by and in accordance with written notice to proceed and to complete the work in accordance with the Scope of Work (Appendix A).

3.2 The period of performance under this agreement shall end and Consultant shall have completed all work under this agreement within 720 days of the written Notice to Proceed. Work shall proceed in accordance with the schedule set forth in Appendix A.

Agreement for Professional Services
Project: Lowe River Gravel Extraction - Permitting
Project No: 18-350-0700A
Contract No.: 1404
Cost Code: 350-0700-55000



ARTICLE 4. Subconsultants

4.1 The Consultant shall be responsible for the performance of all services required under this agreement.

ARTICLE 5. Insurance

5.1 In accordance with the provision contained in the General Conditions (Appendix C), the following minimum limits of insurance coverage are required:

<u>Type of Insurance</u>	<u>Limits of Liability</u>	
	<u>Each Occurrence</u>	<u>Aggregate</u>
Workers' Compensation	Statutory	Statutory
Employers' General	\$100,000	\$300,000
Commercial General Liability	\$100,000	\$300,000
Comprehensive Automobile Liability	\$100,000	\$300,000
Professional Liability	\$500,000	\$500,000

ARTICLE 6. Appendices

6.1 The following appendices are attached to this agreement and incorporated herein:

<u>Appendix</u>	<u>Title</u>
A	Scope of Work
B	Basis of Compensation
C	General Conditions

Agreement for Professional Services
Project: Lowe River Gravel Extraction - Permitting
Project No: 18-350-0700A
Contract No.: 1404
Cost Code: 350-0700-55000



IN WITNESS WHEREOF, the parties to this presence have executed this CONTRACT in two (2) counterparts, each of which shall be deemed an original, in the year and day first mentioned above.

DOWL, LLC

BY: Budley M. Melvin

DATE: 8/20/18

TITLE: Regional Business Supervisor

FEDERAL ID #: 92-0166301

4041 B Street
Mailing Address

Anchorage, AK 99503
City, State, Zip Code

[Signature]
Signature of Company Secretary or Attest

Date: 8-28-18

CITY OF VALDEZ, ALASKA

APPROVED:

Elke Doom
Elke Doom, City Manager

Date: 9-4-18

ATTEST:

[Signature]
Sheri L. Pierce, MMC, City Clerk

Date: 9/4/18

RECOMMENDED:

[Signature]
Nathan Duval, Capital Facilities Director

Date: 8/31/18

APPROVED AS TO FORM:

Brena, Bell & Clarkson, P.C.

[Signature] FOR:
Jon S. Wakeland

Date: 9/4/18

Agreement for Professional Services

Project: Lowe River Gravel Extraction - Permitting

Project No: 18-350-0700A

Contract No.: 1404

Cost Code: 350-0700-55000



**Appendix A
Scope of Work**

BASIC SERVICES

Provide all engineering and support services necessary to provide the City of Valdez:
Design and submit permits with necessary agencies to be able to extract gravel from the Lowe River at the Alpine Woods subdivision as well as participate in community meetings as needed. Coordinate meetings with agencies and City to discuss project as needed. Extracted gravel will be utilized as part of ongoing maintenance or groin expansion projects.

The scope of work is more specifically described in the attached proposal dated July 9, 2018, which is incorporated herein by reference.

**Appendix B
Basis of Compensation**

On completion of work and submission of invoices, the City shall pay to consultant the compensation as follows:

Payment shall be made based on the proposed fee and shall not exceed \$49,995 per the proposal attached to Appendix A of this Agreement, without prior authorization by the City as required in Section V of the General Conditions (Appendix C).



July 9, 2018
W.O. 1136.62530.01

Mr. Nathan Duval
City of Valdez Capital Facilities
555 West Egan Drive
Valdez, Alaska 99686

Subject: Lowe River Gravel Extraction Permitting

Dear Mr. Duval:

DOWL is submitting this Scope of Services and Fee Estimate for a gravel extraction plan and permits to be submitted to the resource agencies. Anticipated permit submittals include Alaska Department of Fish and Game, State of Alaska Department of Natural Resources, and the United States Army Corps of Engineers.

Included in this proposal is for DOWL and Northwest Hydraulic Consultants (NHC) to travel to Valdez to layout the gravel extraction limits. Since the river is very dynamic, having the channel limits staked just prior to extraction is recommended.

Time has been included for an agency meeting in Valdez to discuss the purpose and need of the project as well as to get the agency personnel acquainted with the project area. This meeting may not be needed, but was included as a conservative estimate of the level of interaction that may be needed to acquire the permit.

As discussed in the Gravel Extraction Plan and report submitted by NHC, we recommend that the City of Valdez monitor the channel response to the extraction through aerial imagery. Additional drone imagery should be taken after large extractions or floods to determine the channel responses. This may be added as a separate service in the future.

The total fee is estimated to be \$49,995. Please contact me with any questions that you may have.

Sincerely,
DOWL

A handwritten signature in dark ink, reading "Bradley M. Melocik".

Bradley M. Melocik, P.E., P.H.
Senior Water Resources Project Manager

20180709.D62530.Duval.BMM.mkr

Attachments:
Fee Breakdown Spreadsheet

COST ESTIMATE PER TASK

FIRM: DOWL		PROJECT TITLE:		DATE: 7/9/2018				
TASK NO: 1		TASK DESCRIPTION: Permitting		PREPARED BY: BMW				
GROUP:		METHOD OF PAYMENT:		REVIEWED BY: PAW				
		FP <input type="checkbox"/> FPPE <input type="checkbox"/> T&E <input checked="" type="checkbox"/> CPFF <input type="checkbox"/>						
SUB-TASK NO.	SUB-TASK DESCRIPTION	LABOR HOURS PER JOB CLASSIFICATION						TOTALS
		PM Mellock	Proj Eng Robuck	Permitting Whitesell	GIS Harrington	CAD Setten	Admin Stevens	
1a	Gravel Extraction Plan Permit Documents							
	Plan Documents, chosen alternative, quantities	4	16	4	8	24	4	60
	Permit Documents	8	12	60	8		4	92
1b	Field layout of extraction limits and tie-in	12	12		2			26
1c	Agency Meeting in Valdez (if needed)	12	12	12				36
1d	Project Management	4						4
1e	Project Meetings	4	4	4				12
TOTAL LABOR HOURS		44	56	80	18	24	8	230
* LABOR RATES (\$/HR)		\$190.00	\$125.00	\$135.00	\$125.00	\$115.00	\$110.00	-
LABOR COSTS (\$)		\$8,360.00	\$7,000.00	\$10,800.00	\$2,250.00	\$2,760.00	\$880.00	\$32,050.00
EXPENSES								
SUB-TASK NO.	ITEM(S)	TRIPS	QUANTITY	UNIT PRICE	PRICE	TOTAL PRICE	ASSUMPTIONS:	
	Airfare		5	\$500	\$2,500		NHC to provide review of gravel extraction limits in field.	
	Per Diem		5	\$45	\$225		City to monitor channel response to extraction through aerial imagery.	
	Car Rental		2	\$110	\$220		Drone imagery post extraction is recommended and can be provided in a separate proposal	
						TOTAL EXPENSES:	\$2,945	
						FIRM'S TOTAL COST OF LABOR (or Fixed Price):	\$32,050.00	
						INDIRECT COST	\$0.00	
						FIRM'S TOTAL EXPENSES	\$2,945.00	
						FIRM'S TOTAL COST (no Subcontracts or Fee)	\$34,995.00	
FIRM: Northwest Hydraulic Consultants								
AMOUNT: \$15,000								
						TOTAL SUBCONTRACTOR PRICES:	\$15,000.00	

Agreement for Professional Services
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Contract No.: 1404
Cost Code: 350-0700-55000



Appendix C General Conditions

I. Definitions:

Basic Services: The identified work elements set forth in this Agreement for which the Consultant will receive prime compensation.

Change: An addition to, or reduction of, or other revision in the scope, complexity, character, or duration of the services or other provisions of this Agreement.

City's Project Manager: City's representative in charge of the project(s) and the consultant's primary point of contact for notice(s) to proceed, invoices, correspondence and interface with the City.

Consultant's Project Manager: The Consultant's representative in charge of the project(s) who is directly responsible and engaged in performing the required services.

Extra Services: Any services or actions required of the Consultant above and beyond provisions of this Agreement.

Funding Agency(s): The agency(s) of the federal, state or municipal government which furnishes funds for the Consultant's compensation under this Agreement.

Optional Services: Identifiable and/or indeterminate work elements set forth in this Agreement, which are separate and distinct from those covered by the prime compensation, which the City has the option to authorize.

Prime Compensation: The dollar amount paid to the Consultant for basic services set forth in this Agreement. Prime compensation does not include payment for any optional or extra services.

Scope of Work: Basic and optional services required of the Consultant by provisions of this Agreement.

Subconsultant: Any person, firm, corporation, joint venture, partnership or other entity engaged through or by Consultant.

II. Information and Services from Others:

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Provisions of information, data, budget, standards, and other materials by the City does not warrant their accuracy or quality nor provide approval of omissions or oversights or of any non-compliance with applicable regulation.

The City may, at its election, or in response to a request from the Consultant, furnish information or services from other Consultants. If, in the Consultant's opinion, such information or services are inadequate, the Consultant must notify the City of the specific service or material deemed inadequate and the extent of the inadequacy prior to use in the performance of this Agreement. Unless so notified by the Consultant, the City may assume the information or services provided are adequate.

III. Indemnification

To the fullest extent permitted by law, the Consultant shall indemnify, defend, and hold harmless the City from and against any claim of, or damages, losses, expenses and liability (including but not limited to fees and charges of engineers, architects, attorneys and other professionals and court, mediation and/or arbitration costs) for negligent acts, errors, and omissions of the Consultant, Subconsultant, persons or organizations directly or indirectly employed or engaged by Consultant or Subconsultant under this Agreement. The Consultant is not required to indemnify, defend, or hold harmless the City for a claim of, or liability for the independent negligent acts, errors, and omissions of the City. If there is a claim of, or liability for a joint negligent act, error, or omission of the Consultant and the City, the indemnification, defense, and hold harmless obligation of this provision shall be apportioned on a comparative fault basis. In this provision, "Consultant" and "City" include the employees, agents, and contractors who are directly responsible, respectively, to each. In this provision, "independent negligent acts, errors, and omissions" means negligence other than in the City's selection, administration, monitoring, or controlling of the Consultant, or in approving or accepting the Consultant's work.

IV. Insurance:

The Consultant shall purchase and maintain professional liability insurance coverage with limits not less than those specified herein for the duration of the Agreement. The professional liability insurance shall be maintained in force for one year following the date of final payment for the work performed herein. The amount of the contract may be renegotiated if the insurance premiums for the following year are raised over those in force when the contract was let. Should the professional liability insurance become unavailable during the one year period following the date of final payment, the insurance coverage may be renegotiated between the owner and the Consultant. Insurance coverage shall provide for negligent acts, errors or omissions which the Consultant, employees of the Consultant or Subconsultant may make which produce loss or liability to the Owner and for the protection against loss which results from reliance on the Consultant's products, reports or a combination thereof. Failure to comply with

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the provision for maintaining the insurance in effect for one year following the date of final payment may be cause for the Owner to refrain from dealing with the Consultant in the future.

V. Payments:

The City shall pay to the Consultant the amount of any changes in the cost of insurance which are attributable to the Scope of Work created by change orders.

Payments shall be made in accordance with Appendix B. Consultant shall submit progress invoices to City in duplicate showing the itemized services performed during the invoice period and the charges therefore.

All progress invoices shall be prepared as a percentage of the work is completed except contracts performed on "time and expenses" basis which invoiced amounts shall not exceed the actual charges to the invoice date.

Under no circumstances will City pay for charges in excess of any lump sum or not-to-exceed contract amount incurred prior to written authorization by City for an increase in the contract amount. Written request for an increase in the contract amount shall be given to City with sufficient notice to allow City to issue formal approval prior to the incurring of excess charges without delay to the work.

On "time and expenses" contract amounts, compensation for work included in the Scope of Work shall be for direct labor costs and the actual cost of reimbursable expenses. Direct labor costs shall be as shown on n/a, times a factor of n/a, for services rendered by principals and employees of the firm. Reimbursable expenses mean the actual expenses incurred directly or indirectly in connection with the Project for: transportation and subsistence incidental thereto; obtaining bids or proposals from contractor(s); furnishing and maintaining field office facilities; toll telephone calls and telegrams; reproduction of reports, drawings, specifications, and similar project-related items and, if authorized in advance by City, overtime work requiring higher than regular rates. Reimbursable expenses shall also include the amount billed to Consultant by Subconsultant employed by consultant for such Subconsultants' services and reimbursable expenses times a factor of 1.05.

The sum of payments shall not exceed the allowable compensation stated in this Agreement. In the event items on an invoice are disputed, payment on those items will be withheld until the dispute is resolved.

The Consultant shall submit a final invoice and required documentation for services authorized by each Notice to Proceed within Ninety (90) days after final acceptance by the City. The City will not be held liable for payment of invoices submitted after this time unless prior written approval has been given.

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VI. Changes:

Changes in the Scope of Work or of services may only be made by written amendment signed by both City and Consultant.

If at any time the City through its authorized representatives, either orally or in writing, requests or issues instructions for extra services or otherwise directs actions which conflict with any provisions of this Agreement, the Consultant shall, within ten (10) days of receipt and prior to pursuing such instructions, notify the City in writing, and to the extent possible, describe the scope and estimated cost of any extra services. Unless so notified by the Consultant, the City may assume such instructions have not changed any provisions of this Agreement nor require additional compensation. No additional payments shall be made to the Consultant without such notice.

VII. Audits and Records:

The Consultant shall maintain records of all performances, communications, documents, and correspondence pertinent to this Agreement, and the City or its authorized representatives shall have the right to examine such records and accounting procedures and practices.

The materials described in the Article shall be made available at the business office of the Consultant, at all reasonable times, for inspection, audit or reproduction by City or any funding agency, for a minimum of three years from the date (a) of final payment under this Agreement (b) final payment upon claims or disputes, and for such longer period, if any, as may be required by applicable statute or other provisions of this Agreement.

VIII. Inspections:

The City, or any funding agency, has the right to inspect, in the manner and at reasonable times it considers appropriate during the period of this Agreement, all facilities, materials and activities of the Consultant in the performance of this Agreement.

IX. Termination or Suspension:

This Agreement may be terminated by either party upon ten (10) day's written notice if the other party fails substantially to perform in accordance with its terms through no fault of the party initiating the termination (default termination). If the City terminates this Agreement, the City will pay the Consultant a sum equal to the percentage of work completed that can be substantiated by the Consultant and the City. If the City becomes aware of any fault or defect in the work of the Consultant or nonconformance with this Agreement, the City will give prompt written notice thereof to the consultant. Should the Consultant's services remain in

Agreement for Professional Services

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nonconformance to this Agreement, the percentage of total compensation attributable to the nonconforming work may be withheld.

The City at any time may terminate (convenience termination) or suspend this Agreement for its own needs or convenience. In the event of a convenience termination or suspension for more than three months, the Consultant will be compensated for authorized services and authorized expenditures performed to the date of receipt of written notice of termination plus reasonable termination expenses. NO fee or other compensation for the uncompleted portion of the services will be paid, except for already incurred indirect costs which the Consultant can establish and which would have been compensated for over the life of this Agreement, but because of the convenience of the termination would have to be absorbed by the Consultant without further compensation.

If state or federal funds support this Agreement, settlement in the event of default or convenience termination must be approved by the City and any appropriate state or federal agency.

X. Officials Not to Benefit:

No member of or delegate to Congress, United States Commissioner or other officials of federal, state or local government shall be admitted to any share or part of this Agreement or any benefit to arise therefrom. The Consultant warrants that it has not employed or retained any organization or person, other than a bona fide employee working for the Consultant, to solicit or secure this Agreement and that it has not paid or agreed to pay any consideration contingent upon or resulting from this Agreement.

XI. Independent Consultant:

Except in those instances specifically provided for herein, the Consultant and any of its agents and employees shall act in an independent capacity and not as agents of the City in the performance of the Agreement.

XII. Ownership of Work Products:

Work products produced under this Agreement, except items which have preexisting copyrights, are the property of the City. Payments to the Consultant for services hereunder includes full compensation for all work products, field notes, interim work, reports, and other materials produced by the Consultant and its Subconsultants pertaining to this Agreement. Any re-use the City might make of these work products shall be at the City's own risk and the Consultant shall not incur any liability for the City's re-use of the work products on any project for which they were not intended.

XIII. Subconsultants, Successors and Assigns:

Agreement for Professional Services

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The City must concur in the selection of all Subconsultants for professional services to be engaged in performance of this Agreement.

As soon as practicable after the award of the contract, the Consultant shall furnish to the City in writing the names of the proposed Subconsultants for each of the principal portions of the work. The City shall promptly notify the Consultant if it has reasonable objection to any of the proposed Subconsultants. Failure of the City to give prompt notification shall constitute notice of no reasonable objection. The Consultant shall not contract with any Subconsultant to whom the City has made reasonable objection.

If this Agreement includes named firms or individuals, then such firms or individuals shall be employed for the designated services, unless the Agreement is changed by amendment.

The Consultant shall not assign, sublet or transfer any interest in this Agreement without the prior written consent of the City.

The Consultant binds itself, its partners, its Subconsultants, assigns and legal representatives to this Agreement and to the successors, assigns and legal representatives of the City with respect to all covenants of this Agreement.

The Consultant shall include provisions appropriate to effectuate the purposes of this Appendix C in all subcontracts executed to perform services under this Agreement in which the subcontract amount exceeds \$40,000.

XIV. Claims and Disputes:

If the Consultant becomes aware, or reasonably should have become aware of any act or occurrence which may form the basis of a claim, the consultant shall immediately inform the City's Project Manager. If the matter cannot be resolved within seven (7) days, the Consultant shall within the next fourteen (14) days submit written notice of the facts which may form the basis of the claim.

In addition, all claims by the Consultant for additional compensation or an extension of the time for performance of any dispute regarding a question of fact or interpretation of this Agreement shall be presented in writing by the Consultant to the City's Project Manager with the next sixty (60) days unless the Project Manager agrees in writing to an extension of time for good cause shown. Good cause shown includes time for the Consultant to prepare the claim, and the City's Project Manager will grant an extension of not more than sixty (60) days for preparation of the claim. The Consultant agrees that unless these written notices are provided, the Consultant shall not be entitled to additional time or compensation for such act, event or condition. The Consultant shall in any case continue diligent performance under this

Agreement for Professional Services
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Agreement. The Consultant shall in any case continue to expeditiously accomplish disputed services pending future resolution of the Consultant's claim unless notified by the City to stop work on the disputed matter.

In presenting any claim, the Consultant shall specifically include, to the extent then possible, the following:

- The provisions of this Agreement which apply to the claim and under which it is made.
- The specific relief requested including any additional compensation claimed and the basis upon which it was calculated and/or the additional time requested and the basis upon which it was calculated.
- The claim will be acknowledged in writing by the City's Project Manager. If the claim is not disposed of within sixty (60) days of acknowledgement, provided additional time is not granted in writing by the City's Contract Officer, the claim will be decided by the City's Contract Officer. The Contract Officer reserves the right to make a written request to the Consultant at any time for additional information which the Consultant may possess to support the claims(s). The Consultant agrees to provide the City such additional information within thirty (30) days of receipt for such a request. The City's Contract Officer will allow a reasonable time extension for good cause if presented in writing prior to the expiration of the thirty (30) days. Failure to furnish such additional information constitutes a waiver of claim.
- The Consultant will be furnished a written, signed copy of the Contract Officer's decision within ninety (90) days of receipt of all necessary information from the Contractor upon which to base the decision. The Contract Officer's decision is final and conclusive unless fraudulent as to the claim unless, with thirty (30) days of receipt of the decision, the Consultant delivers a notice of appeal to the City Manager. The notice of appeal shall include specific exceptions to the City's decision including specific provision of this Agreement which the Consultant intends to rely upon on appeal. General assertions that the City's decision is contrary to law or to fact are not sufficient.
- The decision of the City Manager will be rendered within 120 days of notice of appeal and the decision constitutes the exhaustion of contractual and administrative remedies.

XV. Extent of Agreement:

Agreement for Professional Services

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This Agreement, including appendices, represents the entire and integrated Agreement between the City and the Consultant and supersedes all prior negotiations, representations or agreements, either written or oral.

Nothing contained herein may be deemed to create any contractual relationship between the City and any Subconsultants or material suppliers; nor may anything contained herein be deemed to give any third party a claim or right of action against the City or the Consultant which does not otherwise exist without regard to this Agreement.

This Agreement may be changed only by written amendment executed by both the City and the Consultant.

All communications that affect this Agreement must be made or confirmed in writing.

The Consultant receiving final payment will execute a release, if required, relinquishing in full all claims against the City arising out of or by reason of the services and work products furnished under this Agreement.

The Consultant shall pay all federal, state and local taxes incurred by the Consultant and shall require their payment by any Subconsultant or any other persons in the performance of this Agreement.

XVI. Governing Laws:

This Agreement is governed by the laws of the State of Alaska and such federal and local laws and ordinances as are applicable to work performed. Any litigation arising out of the terms of this Agreement shall be brought in the Third Judicial District, Superior or District Court at Valdez.

XVII. Minimum Wages:

Minimum wages as determined by the Department of Labor shall be paid to all persons performing work on this Contract.



City of Valdez

212 Chenega Ave.
Valdez, AK 99686

Legislation Text

File #: 18-0317, **Version:** 1

ITEM TITLE:

Council Calendars - September & October 2018

SUBMITTED BY: Allie Ferko, CMC, Deputy City Clerk

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Receive and file

SUMMARY STATEMENT:

Council calendars for September and October 2018 attached for Council reference.

September

2018

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3 Holiday 7pm Ports & Harbor Commission	4 6pm Council Work Session (ECI – Kelsey Dock Part 2) 7pm City Council Meeting	5 7pm Economic Dev Commission	6 6pm Council Work Session (Budget Process)	7 11am – Mayor, CM, & Clerk Standing Meeting	8
9	10 6:30 pm School Board	11 5:30pm – Library Board Meeting (@ Library) 6:30pm – PVMC HAC Meeting (@ Hospital) 6:30pm Kimley Horn Comp Plan Public Meeting @ Civic Center 7pm Parks and Rec Commission	12 7pm Planning & Zoning Commission	13 6pm Council Work Session (Fire Department Project)	14 11am – Mayor, CM, & Clerk Standing Meeting	15
16	17 7pm Ports & Harbor Commission	18 7pm City Council Meeting	19 7pm Economic Dev Commission	20 6pm – VMHA Board Meeting (@ Museum)	21 11am – Mayor, CM, & Clerk Standing Meeting	22
23	24 Noon – Beautification Task Force Meeting 6:30 pm School Board	25	26 7pm Planning & Zoning Commission	27	28 11am – Mayor, CM, & Clerk Standing Meeting	29
30						

Note 1: This calendar is subject to change. Contact the City Clerk's Office for the most up-to-date information.

Updated 09.14.18

October

2018

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 7pm Ports & Harbor Commission	2 7pm City Council Meeting	3	4	5 11am – Mayor, CM, & Clerk Standing Meeting	6
7	8 6:30 pm School Board	9 5:30pm – Library Board Meeting (@ Library) 6:30pm – PVMC HAC Meeting (@ Hospital) 7pm Parks and Rec Commission	10 7pm Planning & Zoning Commission	11	12 11am – Mayor, CM, & Clerk Standing Meeting	13
14	15 7pm Ports & Harbor Commission	16 6pm Valdez Museum Corporation Meeting 7pm City Council Meeting	17	18 HOLIDAY - ALASKA DAY 6pm – VMHA Board Meeting (@ Museum)	19 11am – Mayor, CM, & Clerk Standing Meeting 6pm Council Work Session (2019 Budget)	20
21	22 6:30 pm School Board	23 6pm Council Work Session (2019 Budget)	24 7pm Planning & Zoning Commission	25 6pm Council Work Session (2019 Budget)	26 11am – Mayor, CM, & Clerk Standing Meeting	27
28	29 Noon – Beautification Task Force Meeting	30	31 6pm Council Work Session (2019 Budget)			