HOMER CITY COUNCIL
491 E. PIONEER AVENUE
HOMER, ALASKA
www.cityofhomer-ak.gov

WORKSESSION
4:00 P.M. THURSDAY
APRIL 12, 2018
COWLES COUNCIL CHAMBERS

MAYOR BRYAN ZAK
COUNCIL MEMBER DONNA ADERHOLD
COUNCIL MEMBER HEATH SMITH
COUNCIL MEMBER TOM STROOZAS
COUNCIL MEMBER SHELLY ERICKSON
COUNCIL MEMBER CAROLINE VENUTI
COUNCIL MEMBER RACHEL LORD
CITY ATTORNEY HOLLY WELLS
CITY MANAGER KATIE KOESTER
CITY CLERK MELISSA JACOBSEN

WORKSESSION AGENDA

1. **CALL TO ORDER, 4:00 P.M.**

2. **AGENDA APPROVAL** (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 6)

3. **POLICE STATION BUILDING -**
   - **How to pay for it**
   - **Timing and when to initiate design**

4. **COMMENTS OF THE AUDIENCE**

5. **ADJOURNMENT**
   The next Regular Meeting is Monday, April 23, 2018 at 6:00 p.m., Worksession at 4:00 p.m., Committee of the Whole at 5:00 p.m., in the City Hall Cowles Council Chambers; and a Worksession April 17, 2018 at 4:00 p.m. in the City Hall Conference Room, all located at 491 E. Pioneer Avenue, Homer, Alaska.

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www.cityofhomer-ak.gov
Administration
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Homer, Alaska 99603
(p) 907-235-8121 x2222
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Memorandum

TO: Mayor Zak and Homer City Council

FROM: Katie Koester, City Manager

DATE: April 6, 2018

SUBJECT: Memo for April 12 Police Station Worksession

The purpose of this memo is to continue the conversation on bonding for the police station in an effort to come up with an Ordinance authorizing bonding to put before the voters. The questions italicized below will be discussed through the course of the worksession on the 12th to be followed up with authorizing legislation.

Timeline

If Council would like to accelerate the schedule of the police station, it would be helpful to have 35% design and geotechnical work done before the bond proposition in order to initiate construction in the spring of 2019 with occupation at the end of summer. If the City waits until the bond proposition passes to spend additional dollars on design, it could push the completion date out to winter of 2019. It is in the City's best interest to have plenty of time for design and public outreach – the more effort that is put into design the more efficient and smooth the building process will go, so we don't want to rush that process. However, a strong argument can be made to hold off on spending additional dollars on the project until the voters approve it.

-Does the Council bring forward an Ordinance to authorize 35% design in the near future or wait till voters approve the bond proposition?

Five Year Forecast

At the March 27th Worksession on the police station, Council requested information on what the budget looks like without the suspension of HART. I included a memo from the budget conversations (November 2017) that models the 2018 budget without the suspension of HART. Finance and I have had a very difficult time coming up with a forecast 5 years out that has any kind of accuracy. There are so many variables at play, moving targets, and assumptions that have to be made that can wildly skew the data in either direction. We will continue to work on modeling and have some graphs and tables for your review as lay downs on Thursday.

How much additional revenue does the City need annually for this project?

Assumptions have to be made to calculate these numbers including length of term and interest rate. The Alaska Bond Bank provided terms that they consider reasonable and conservative: a 20 year term with a 4% interest rate. I also included a 30 year scenario at a 4.5% interest rate as a point of comparison. The term of the bond cannot be beyond the anticipated life of the building. Stability of the revenue source is important to consider when deciding on a revenue target as the City is required to make the bond payment regardless of whether or not the designated revenue stream brings in the predicted revenue. Council has precedent using the 1.25 number as it is applied in decisions related to taking on debt in the HAWSP fund.

Bond for 5 Million

Term and Rate	Annual Payment	X 1.25	+ Increased O&M*
20 years at 4%	$390,660	$488,325	$569,874
30 years at 4.5%	$320,076	$400,095	$481,644
*Assumption: $81,549 in increased operations and maintenance			

How to Pay for It? Revenue Options

The attached spreadsheet with revenue generation options has been updated to include a 4 month seasonal sales tax increase that mirrors the non-prepared food tax. Options that Council took off the table are greyed out.

-Does the Council want to spend more savings on the police station?

-What revenue source will be used to guarantee the bond?

Ballot language

There was great debate at the last Council meeting whether or not you want to restrict the revenue source to only making bond payments or present the voters with a question that could allow the revenue to be spent on operations and maintenance. Though the final language would vary from the first go round in 2016, those ordinances present a good framework.

> -See attachment Ordinance 16-30 for a draft of ballot language with operations and maintenance authority
>
> -See attachment Ordinance 16-30(S-2)(A-2) for version of ballot language with sunset clause (version adopted by City Council for first bond proposition on public safety building.

-Does the Council want to be able to spend revenue on operations and maintenance of the new facility or dedicate all revenue exclusively to paying back the bond?

Enc:

Ordinance 16-30
Ordinance 16-30(S-2)(A-2)
Revenue Options Spreadsheet 4/6/2018

CITY OF HOMER
HOMER, ALASKA

Mayor/Council

ORDINANCE 16-30

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA, AUTHORIZING THE CITY TO ISSUE GENERAL OBLIGATION BONDS IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED $12,000,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF A POLICE STATION AND IMPROVEMENTS TO THE FIRE HALL; AMENDING HCC 9.16.010 TO PROVIDE FOR AN INCREASE IN THE RATE OF THE CITY SALES TAX FROM 4.5% TO 5.5% FROM APRIL 1 THROUGH SEPTEMBER 30, WITH THE INCREASE DEDICATED TO FUND PUBLIC SAFETY OPERATIONS AND INFRASTRUCTURE, INCLUDING CONSTRUCTION OF A POLICE STATION AND RENOVATION OF A FIRE HALL AND SUBMITTING THE QUESTION OF THE ISSUANCE OF SUCH BONDS AND SUCH SALES TAX RATE INCREASE TO THE QUALIFIED VOTERS OF THE CITY AT THE OCTOBER 4, 2016 REGULAR CITY ELECTION.

WHEREAS, The City of Homer (the “City”) is in need of a new police station and renovations to the existing fire hall; and

WHEREAS, The City Council views the acquisition and construction of a new police station and related capital improvements and renovations to the fire hall and related capital improvements authorized herein as necessary and beneficial to the community, and determines that to fund such improvements general obligation bonds of the City should be authorized, issued and sold; and

WHEREAS, The City Council also deems it necessary to increase the rate of the City sales tax to provide funds to pay costs of public safety operations and capital improvements, including without limitation part of the debt service on such general obligation bonds; and

WHEREAS, Under the provisions of AS 29.47.190 the City may incur general obligation debt only after a bond authorization ordinance is approved by a majority of those voting on the question at a regular or special election; and

WHEREAS, Under the provisions of AS 29.45.700(b) and AS 29.45.670, the City may increase the rate of its sales tax only after an ordinance authorizing the increase is approved by a majority of those voting on the question at a regular or special election.

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. It is hereby determined to be for a public purpose and in the public interest of the City to incur general obligation bonded indebtedness in an amount not to exceed Twelve Million Dollars ($12,000,000) for the purpose of paying the cost of planning, designing, and constructing a new police station and related capital improvements and renovating the fire hall and related capital improvements.

Section 2. The City is authorized to borrow the sum of Twelve Million Dollars ($12,000,000) to finance the capital improvements described in Section 1, and the borrowing shall be evidenced by the issuance of general obligation bonds of the City. The full faith and credit of the City are pledged for payment of the principal of and interest on the bonds, and ad valorem taxes upon all taxable property in the City shall be levied without limitation as to rate or amount to pay the principal of and interest on the bonds when due.

Section 3. Homer City Code 9.16.010 is amended to read as follows:

9.16.010 Levied.

a. A consumer's sales tax in the amount of three and three-quarters percent is levied by the City on all sales, rents and services within the City except as the same may be otherwise exempted by law.

b. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems.

c. An additional consumer's sales tax in the amount of one percent is hereby levied by the City of Homer on all sales, rents and services within the City from April 1 through September 30, except as the same may be otherwise exempted by law, for the purpose of funding public safety operations and infrastructure within the City, including construction of a police station, renovation of the fire hall and, without limitation, debt retirement of capital improvements related to the police station and fire hall.

Section 4. The City shall submit the following proposition to the qualified voters of the City at the October 4, 2016 regular City election. The proposition must receive an affirmative vote from a majority of the qualified voters voting on the question to be approved.

PROPOSITION NO. __
GENERAL OBLIGATION BONDS FOR
A NEW POLICE STATION AND FIRE HALL RENOVATION AND RELATED CAPITAL IMPROVEMENTS;
1.0% SALES TAX RATE INCREASE TO 5.5%

Shall the City of Homer incur debt and issue general obligation bonds in an amount not to exceed Twelve Million Dollars ($12,000,000) to finance the planning, design and construction of a police station and related capital improvements and renovation of the fire hall and related capital improvements; and shall the rate of City sales tax be increased by one percent (1.0%) to five and one-half percent (5.5%) from April 1 through September 30, for the purpose of funding public safety operations and infrastructure within the City, including construction of a police station, renovation of the fire hall and, without limitation, debt retirement of capital improvements related to a police station and the fire hall?

The bonds shall be secured by a pledge of the full faith and credit of the City. (Ordinance 2016-__)

Section 5. The proposition, both for paper ballots and machine ballots, shall be printed on a ballot which may set forth other general obligation bond propositions, and the following words shall be added as appropriate next to a space provided for marking the ballot for voting by hand or machine:

PROPOSITION NO. ____
O Yes
O No

Section 6. Section 2 of this ordinance shall become effective only if the proposition described in Section 4 is approved by a majority of the qualified voters voting on the proposition at the October 4, 2016 regular City election. Section 3 of this ordinance shall become effective January 1, 2017, but only if the proposition described in Section 4 is approved by a majority of the qualified voters voting on the proposition at the October 4, 2016 regular City election. The remaining sections of this ordinance shall become effective upon passage.

Section 7. Section 3 of this Ordinance is of a permanent and general character and shall be included in the City Code. The remainder of this ordinance is not of a permanent nature and as such, shall not be codified.

ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA, this _____ day of _______, 2016.

CITY OF HOMER

____
MARY E. WYTHE, MAYOR

ATTEST:

____
JO JOHNSON, MMC, CITY CLERK

AYES:
NOES:
ABSTAIN:
ABSENT:

First Reading:
Public Reading:
Second Reading:
Effective Date:

Reviewed and approved as to form:

____
Mary K. Koester, City Manager

Date: __________________________

____
Holly C. Wells, City Attorney

Date: __________________________

CITY OF HOMER
HOMER, ALASKA

Smith

ORDINANCE 16-30(S-2)(A-2)

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA, AUTHORIZING THE CITY TO ISSUE GENERAL OBLIGATION BONDS IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED $12,000,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF A POLICE STATION; AMENDING HCC 9.16.010 TO PROVIDE FOR AN INCREASE IN THE RATE OF THE CITY SALES TAX FROM 4.5% TO 5.15% FROM APRIL 1 THROUGH SEPTEMBER 30, WITH THE INCREASE PROVIDING FUNDS TO PAY DEBT SERVICE ON THE GENERAL OBLIGATION BONDS AND EXPIRING ON SEPTEMBER 30 OF THE YEAR WHEN THE CITY HAS RECEIVED SUFFICIENT FUNDS FROM THE INCREASE TO PAY ALL OF THAT DEBT SERVICE; AND SUBMITTING THE QUESTION OF THE ISSUANCE OF THE BONDS AND THE SALES TAX RATE INCREASE TO THE QUALIFIED VOTERS OF THE CITY AT THE OCTOBER 4, 2016 REGULAR CITY ELECTION.

WHEREAS, The City of Homer (the "City") is in need of a new police station; and

WHEREAS, The City Council views the acquisition and construction of a new police station and related capital improvements authorized herein as necessary and beneficial to the community, and determines that to fund such improvements general obligation bonds of the City should be authorized, issued and sold; and

WHEREAS, The City Council also deems it necessary to increase the rate of the City sales tax to provide funds to pay debt service on such general obligation bonds, with the increase expiring when the City has received funds from the increase that are sufficient to pay all debt service on the general obligation bonds; and

WHEREAS, Under the provisions of AS 29.47.190 the City may incur general obligation debt only after a bond authorization ordinance is approved by a majority of those voting on the question at a regular or special election; and

WHEREAS, Under the provisions of AS 29.45.700(b) and AS 29.45.670, the City may increase the rate of its sales tax only after an ordinance authorizing the increase is approved by a majority of those voting on the question at a regular or special election.

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. It is hereby determined to be for a public purpose and in the public interest of the City to incur general obligation bonded indebtedness in an amount not to exceed Twelve Million Dollars ($12,000,000) for the purpose of paying the cost of planning, designing, and constructing a new police station and related capital improvements.

Section 2. The City is authorized to borrow the sum of Twelve Million Dollars ($12,000,000) to finance the capital improvements described in Section 1, and the borrowing shall be evidenced by the issuance of general obligation bonds of the City. The full faith and credit of the City are pledged for payment of the principal of and interest on the bonds, and ad valorem taxes upon all taxable property in the City shall be levied without limitation as to rate or amount to pay the principal of and interest on the bonds when due.

Section 3. Homer City Code 9.16.010 is amended to read as follows:

9.16.010 Levied.

a. A consumer's sales tax in the amount of three and three-quarters percent is levied by the City on all sales, rents and services within the City except as the same may be otherwise exempted by law.

b. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems.

c. An additional consumer's sales tax in the amount of sixty five hundredths of one percent is hereby levied by the City of Homer on all sales, rents and services within the City from April 1 through September 30, except as the same may be otherwise exempted by law, for the purpose of paying debt service on the bonds authorized by Ordinance 16-30(S-2)(A). The additional consumer's sales tax shall be levied only on sales, rents and services made on or before September 30 in the year when the City has received funds from the tax that are sufficient to pay all debt service on the bonds.

Section 4. The City shall submit the following proposition to the qualified voters of the City at the October 4, 2016 regular City election. The proposition must receive an affirmative vote from a majority of the qualified voters voting on the question to be approved.

PROPOSITION NO. __
GENERAL OBLIGATION BONDS FOR A NEW POLICE STATION
AND RELATED CAPITAL IMPROVEMENTS;
0.65% SALES TAX RATE INCREASE TO 5.15%

Shall the City of Homer incur debt and issue general obligation bonds in an amount not to exceed Twelve Million Dollars ($12,000,000) to finance the planning, design and construction of a police station and related capital improvements; and shall the rate of City sales tax be increased by sixty five hundredths of one percent (0.65%) to five and fifteen hundredths percent (5.15%) from April 1 through September 30, for the purpose of paying debt service on the general obligation bonds, until September 30 in the year when the City has received funds from the tax that are sufficient to pay all debt service on the bonds?

The bonds shall be secured by a pledge of the full faith and credit of the City. (Ordinance 2016-30(S-2)(A))

<u>Section 5</u>. The proposition, both for paper ballots and machine ballots, shall be printed on a ballot which may set forth other general obligation bond propositions, and the following words shall be added as appropriate next to a space provided for marking the ballot for voting by hand or machine:

PROPOSITION NO. ____

O Yes
O No

<u>Section 6</u>. Section 2 of this ordinance shall become effective only if the proposition described in Section 4 is approved by a majority of the qualified voters voting on the proposition at the October 4, 2016 regular City election. Section 3 of this ordinance shall become effective January 1, 2017, but only if the proposition described in Section 4 is approved by a majority of the qualified voters voting on the proposition at the October 4, 2016 regular City election. The remaining sections of this ordinance shall become effective upon passage.

<u>Section 7</u>. Section 3 of this Ordinance is of a permanent and general character and shall be included in the City Code. The remainder of this ordinance is not of a permanent nature and as such, shall not be codified.

ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA, this 28 day of June, 2016.

CITY OF HOMER

Mary E. Wythe

MARY E. WYTHE, MAYOR

ATTEST:

Melissa Jacobsen, Acting City Clerk

JO JOHNSON, MMC, CITY CLERK

AYES: 5
NOES: 0
ABSTAIN: 0
ABSENT: 1

First Reading: 05/23/2016
Public Reading: 6/13/2016 + 6/27/2016
Second Reading: 6/27/2016
Effective Date: 6/28/2016

Reviewed and approved as to form:

Mary K. Koester

Mary K. Koester, City Manager

Date: 6.29.16

Holly C. Wells, City Attorney

Date: 7.6.16

How to Pay for it - Options for Police Station

4/06/2018

REVENUE	ANNUAL EST VALUE	PRO	CON	BARRIER	HOW WOULD BECOME EFFECTIVE	NOTES
BOROUGH ACTION REQUIRED						
Raise Sales Tax Cap from $500-$1000	$358,000 after residential rent exempted	Instituted Borough wide	Burden on businesses, especially those that sell large items.	Voters have spoken NO on this twice	Ordinance by Borough and vote (note, it can be implemented w/o a vote, but the last proposal put a vote to Borough residents).	Estimate provided by KPB in 2017.
Bed Tax	4% = $500,000-$580,000	Captures revenue from visitors	Targets one industry. Argument revenue should be dedicated to economic development. Not signifigant revenue unless very high.	Requires Borough action. Has been attempted recently to put on ballot and did not pass Assembly	Borough would allow COH to institute a tax OR pass one themselves. Then would need a vote of City residents. If Borough allowed City to collect tax, we would have to get in the business of tax collection.	Estimate provided by KPB in July of 2017.
COUNCIL ACTION REQUIRED						
Eliminate COH $20,000 Property Tax Exemption for Primary Residence	$101,026	Can be implemented by Council.	Burden is on year round City of Homer residents. Does not raise much revenue.		Requires Council action only.	Based on 2017 certified values. The City cannot exempt more than $50,000 on primary residence. Currently we exempt the first $20,000, but could exempt less.
Raise Property Tax 1 Mill	$755,687 per mill based on 2017 valuation	Can be implemented by Council.	Increases taxes on residents when many of the services City provides are to entire Homer area.		Council pass a resolution by July 1, 2017 increasing the mill rate.	Currently COH taxpayers pay 4.5 COH, 4.5 KPB and 2.3 SPH (total 11.3). According to HCC if property taxes increase to 6 mills, sales tax is eliminated. Estimate inlcludes oil and personal property.

How to Pay for it - Options for Police Station

4/06/2018

REVENUE	ANNUAL EST VALUE	PRO	CON	BARRIER	HOW WOULD BECOME EFFECTIVE	NOTES
VOTER ACTION REQUIRED						
Raise Sales Tax .5%	$871,264	Easily adjustable to raise sufficent funds. Taxes non-residents who use City services.	Places burden on local business. Makes rents more expensive.	Need a vote of City residents.	Council would pass an ordinance to increase the sales tax before August for consideration at regualr election	Current COH sales tax is 4.5% COH and 3% KPB. (Based on 2016 actual)
1% seasonal sales tax increase (6 moths of year)	$1,166,736	Captures more visitor revenue.	Places burden on local business. Makes rents more expensive.	Need a vote of City residents.	Council would pass an ordinance to increase the sales tax before August for consideration at regular election	Based on 2016 actual
Mirrors food tax: 1% seasonal sales tax increase (June July August)	Waiting for info from KPB	Easy to administer because mirrors non-prepared food. Captures visitor revenue.	Places burden on local business. Makes rents more expensive.	Need a vote of City residents.	Council would pass an ordinance to increase the sales tax before August for consideration at regular election	**Infomraiton from Borough is only broken down by quarter. Waiting for numbers by month from Borough.

NO NEW TAXES	VALUE	PRO	CON	BARRIER	HOW WOULD BECOME EFFECTIVE	NOTES
Reappropriate General Fund Reserves to Police Station	Just shy of $2,000,000	Money we already have	Reserves are important for maitenance, vehcile replacement & projects. City spends aprox. $500,000 annualy on such projects.		City Council by Ordinance	Based on end of 2017 snapshot

How to Pay for it - Options for Police Station

REVENUE	ANNUAL EST VALUE	PRO	CON	BARRIER	HOW WOULD BECOME EFFECTIVE	NOTES
General Fund Fund Balance	Aproximatly $5 million	Money we already have	Fund balance is a savings account. Recommendation is 6 months operating budget ($6.2m). Needed for cash flow and emergencies. Spending this down would hamper ability to handle any emergency or future project.		City Council by Ordinance	
Implement Budget Cuts to Fund Loan Payment	Depends on how deep the cuts are/ annual bond payment needed	Requires no new revenue/taxes	Would require a reduction in staff and services the City provides. Could be controversial to prioritze a new facility over existing services.		Council would pass an ordinance to authorize bonding by August for consideration at regular election. Annual budget process would have to include reductions in expendetures commensurate to amount needed to make bond payments.	

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Memorandum

TO: Mayor Zak and Homer City Council

FROM: Katie Koester, City Manager

DATE: November 27, 2017

SUBJECT: Presentation of 2018 budget without suspension of HART

For FY2016- FY2018 the General Fund has benefited approximately $1.3m annually in diverted HART revenue. The ability to use those funds for general fund expenditures expires in 2019. Instead, the 2019 budget will be built with a voter approved amendment to HART that allows HART dollars to be spent on road and trail maintenance. However, in order to ensure there is sufficient funds available for road and trail capital projects in the future, there is a limit to what the City can spend on maintenance established in Ordinance 17-40 and Resolution 17-092; $500,000 has to be reserved for road capital projects and $50,000 for trail capital projects. Operating under these guidelines, the FY2018 budget would allow for $665,343 of HART dollars to be spent on road maintenance. In comparison, the FY 2018 budget for paved roads, gravel roads and winter roads is $717,422. General fund dollars will still need to be spent on road maintenance. Trail maintenance is much more difficult to estimate as the current budget does not track trail maintenance separately, but will need to in the future. The set aside funding and heightened awareness for trail maintenance will likely increase trail maintenance capacity and the PARAC has an important role to play in guiding this process. For this scenario, I estimated $30,000 of existing budget is currently spent on maintaining trails.

2018 value of 3/4% sales tax	$1,294,826
10% set aside for trails	$129,482

HART ROADS

HART Roads Funds Available	$1,165,343
Minimum set aside for capital projects	($500,000)
Available to offset road maintenance expenditures	$665,343

Eligible HART Road Maintenance Expenditures

Gravel Roads	$220,851
Paved Roads	$211,080
Winter Roads	$285,491
TOTAL	$717,422

HART TRAILS

HART Trail Funds Available	$129,482
Minimum set aside for capital projects	($50,000)
Available to offset trail maintenance expenditures	$79,482

Eligible HART Trail Maintenance Expenditures	
(estimate, needs tracking and input from PARCAC)	$30,000

Total amount available to offset current GF maintenance expenditures	$695,343

As I mentioned above, I would propose offsetting the $600,000 decrease in available general fund dollars by decreasing the transfer to reserves. The City is fortunate that through a combination of cost cutting measures in the operating budget and the suspension of HART, we have been able to build reserves which helps prepare for the decrease in reserve funding in the future. One scenario using the draft 2018 budget as a basis is listed below.

	2018 Budget	2018 Scenario	Difference
Total GF Revenue	$12,451,754	$11,852,271	($599,483)
Transfers to Reserves			
Seawall	$10,000	$10,000	$0
Fire Fleet	$200,000	$100,000	($100,000)
PW Fleet	$200,000	$100,000	($100,000)
Police Fleet	$200,000	$100,000	($100,000)
Library	$100,000	$50,000	($50,000)
IT	$200,000	$100,000	($100,000)
ADA	$100,000	$50,000	($50,000)
City Hall	$149,107	$49,624	($99,483)
Total	$1,159,107	$559,624	($599,483)

One item this scenario does not address is the overhead allocation that is charged to each fund to share in the overhead of Mayor/Council, City Clerk, Administration, Information Technology, Finance, City Hall, Janitorial, and Public Works Admin. In the 2015 budget, HART Road paid $115,365 in overhead and HART Trails $28,841. One solution would be to charge a project specific overhead fee instead of a general fee charged directly to the fund.

In Conclusion

Though the future will continue to be tight, City Council has limited growth in the operating budget over the last 3 years and set aside an average of $1m a year for reserves. Though we will still need to proceed cautiously, I am hopeful that combined with a steady tax base and no further erosion to state funding, the City of Homer will be able to weather the current economic downturn.

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Memorandum

TO: Mayor Zak and Homer City Council

FROM: Katie Koester, City Manager

DATE: April 12, 2018

SUBJECT: Supplemental Packet for Police Station Worksession April 12, 2018

The purpose of this memo is to provide supplemental information that was not available or requested by packet deadline.

1) A 5 year forecast. This was tremendously difficult to wrap our heads around and comes with so many qualifiers the data may not be useful. However, the Finance Director and I did our best to project based on historical experience. To do that we had to take out the HART dollars since that artificially inflates revenue. The charts attached are explained below:

   General Fund Revenues & Expenditures, No HART Revenue:

   This chart utilizes a trend line to forecast. The historical data is illustrated as a scatter plot and then a best fit line is overlaid onto the plot. A best fit line is a straight line that best represents the data.

   Revenue in this graph is General Fund only and backs out HART, PERS relief and shared revenues. Expenditures are categorized as total operating costs (personnel, operations & maintenance, and debt service). The expenditures also include mandatory transfers (leave cash out, revolving energy fund, seawall maintenance, and water hydrants).

   General Fund Revenues vs. Expenditures 5 Year Forecast:

   This chart utilizes a forecasting module within Microsoft Excel. The model is formula based and uses historical data to predict future values. This model also incorporates the use of confidence intervals, which illustrates the potential variability in the forecasted data.

   In this specific model, the confidence intervals are set at 95% and this means that 95% of future points are expected to fall within these parameters. By 2023, the potential variability for revenues is $2,078,068 and $790,411 for expenditures.

   Revenue in these graphs are General Fund only and reflects no HART dollars pre-2019, but includes a HART infusion of $695,000 for 2019 and beyond to cover Road Maintenance. Expenditures are categorized as total operating costs (personnel, operations & maintenance, and debt service). The expenditures also include mandatory transfers (leave cash out, revolving energy fund, seawall maintenance, and water hydrants). We are accounting for an estimated $240,000 influx (starting in

2020) to cover costs associated with the full time Assistant Fire Chief position, operating costs for the new police station and keeping the old station in warm status.

2) How much would a 1% seasonal sales tax in June, July and August generate: $599,342 based on 2017 sales tax data.

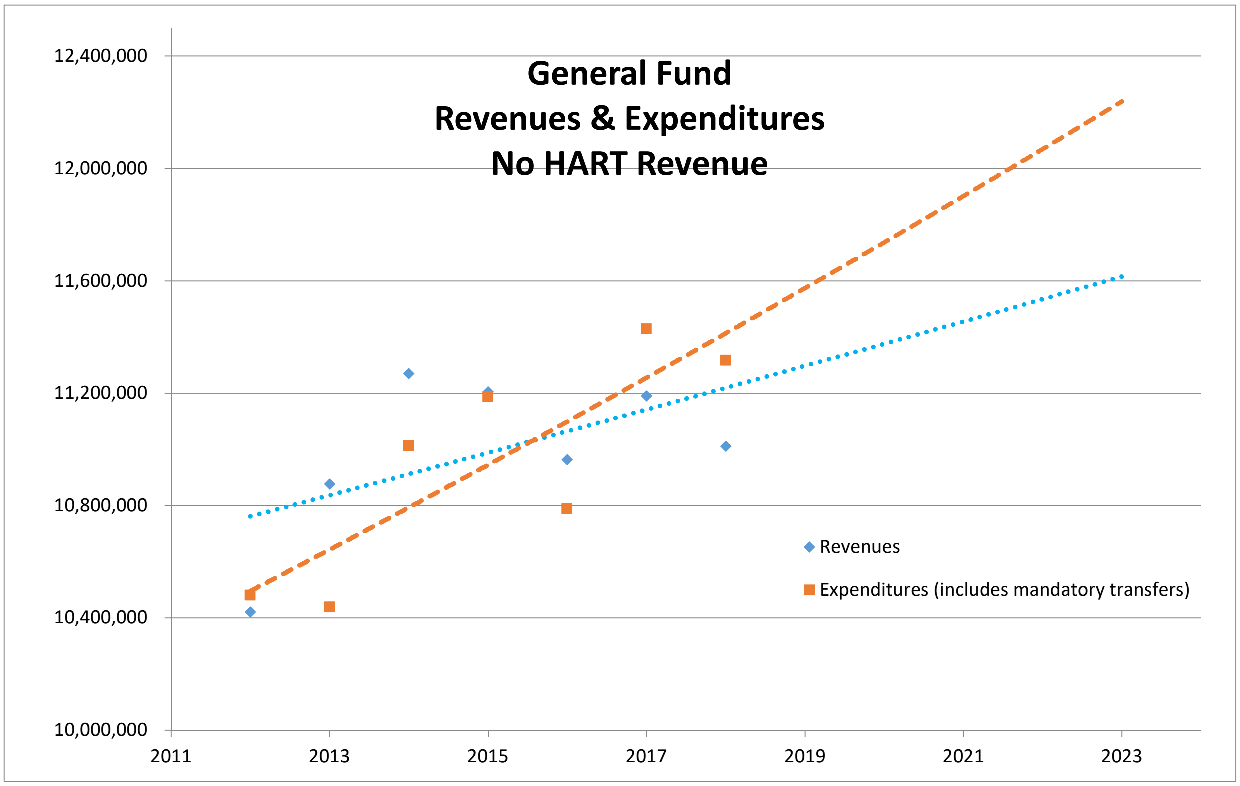
3) How much would each of the sales tax options presented represent in an increase per $100 for the consumer? In order to calculate these numbers, I presumed the percent sales tax increase would be only enough to generate approximately $390,660, or a 20 year bond for $5,000,000 with a 4% interest rate (no additional operations and maintenance or debt service ratio applied).

Annual Payment Needed $390,660

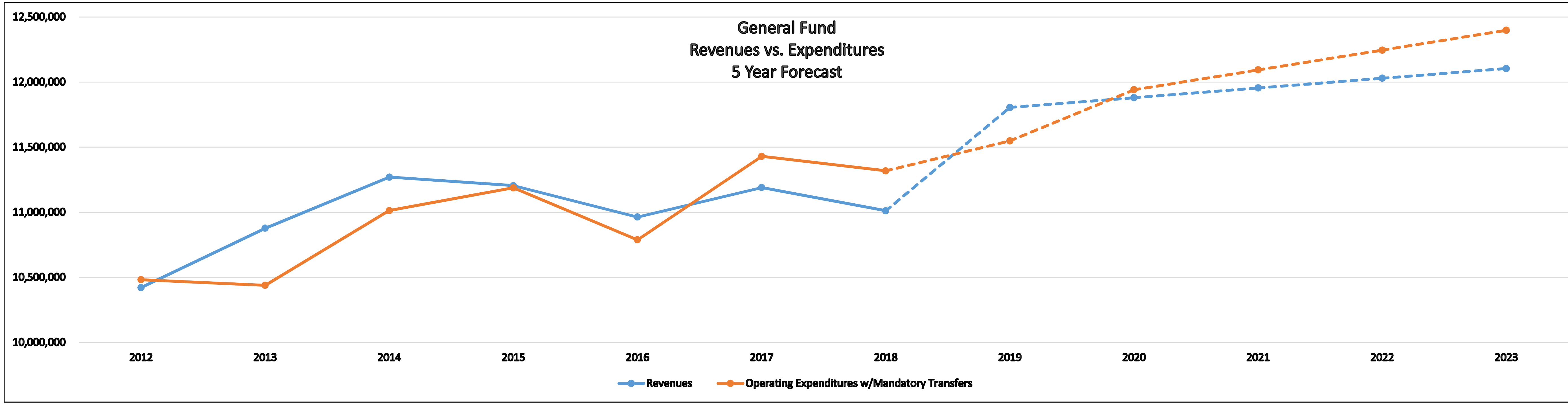
Mechanism	Rate	Generates annually based on current data	How much per $100 for the consumer
Sales Tax (year round)	.25%	$435,632	$0.25
3 mo. Seasonal Sales Tax	.7%	$419,539	$0.70
6 mo. Seasonal Sales tax	.4%	$466,694	$0.40

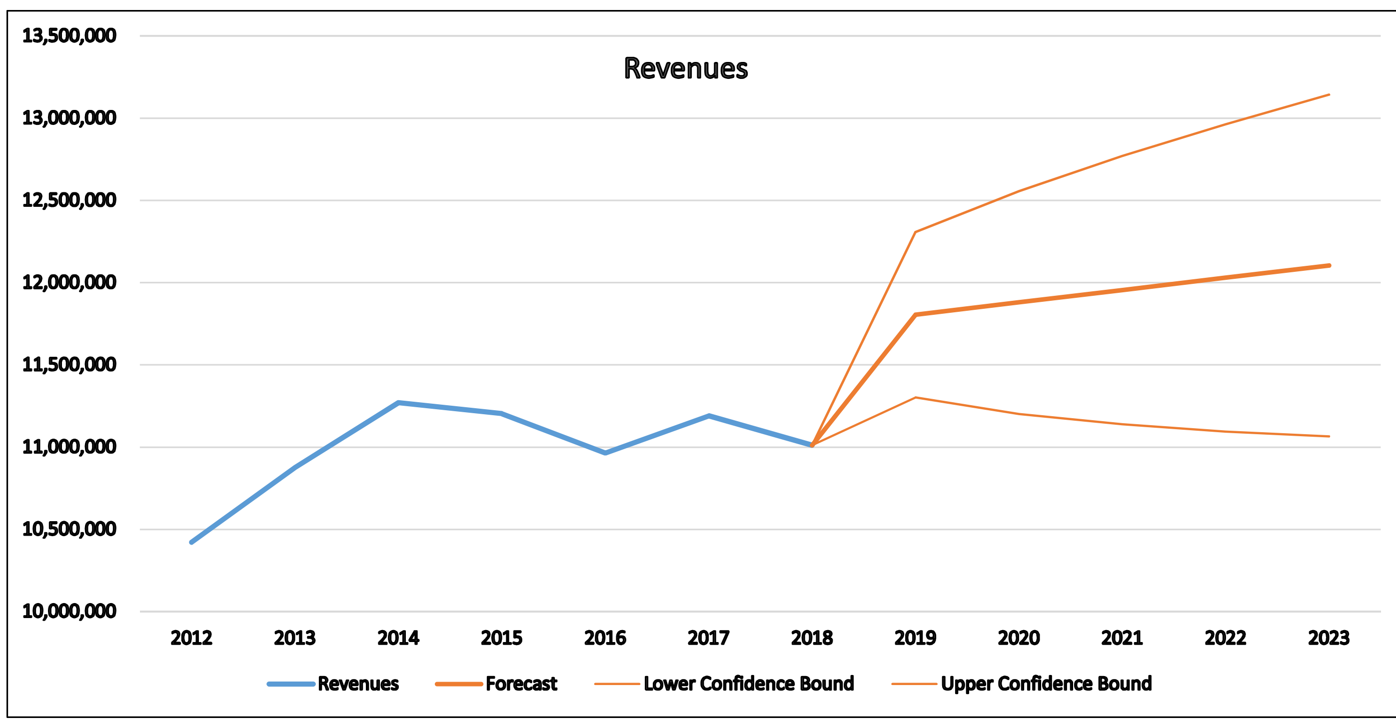
Enc:
General Fund Revenues & Expenditures No HART Revenue
General Fund Revenues Vs. Expenditures 5 year Forecast

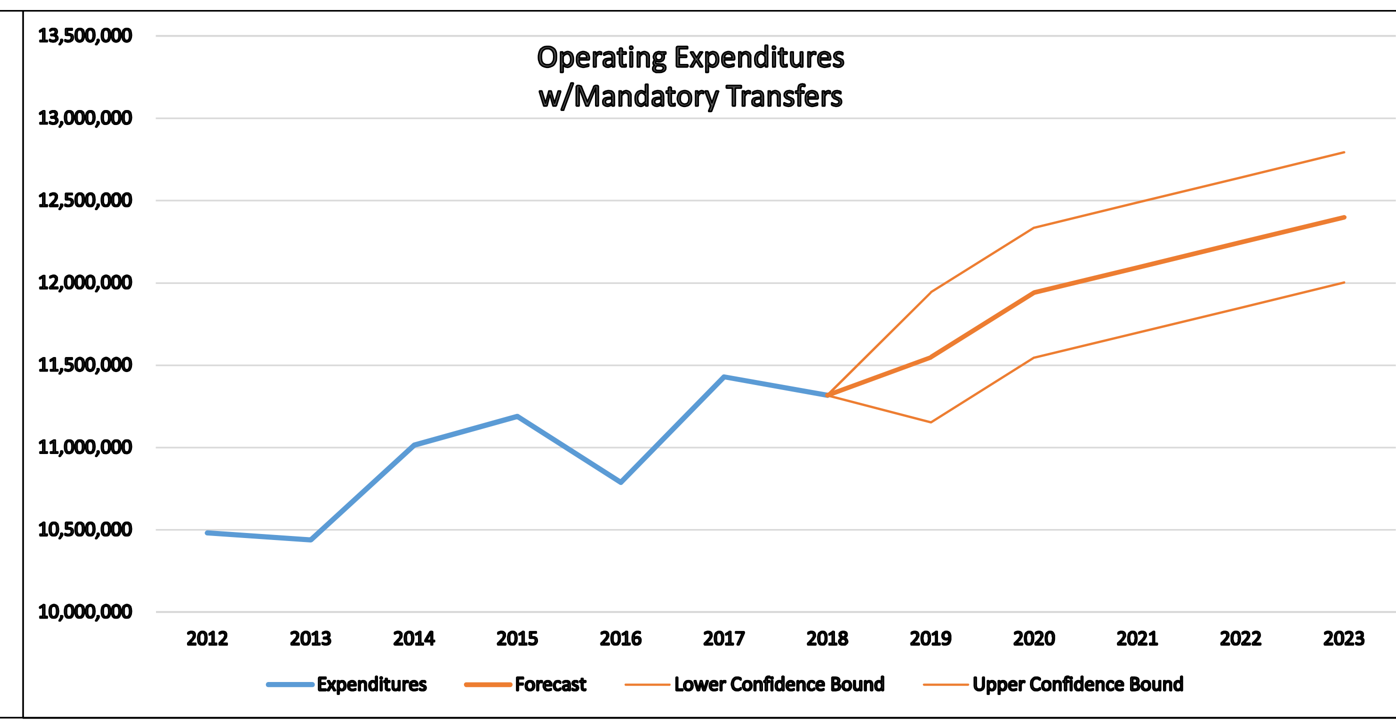
	2012	2013	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Actual	Actual	Budget	Budget
Revenues (w/o HART, PERS and Shared Revenue)	10,421,071	10,876,887	11,269,498	11,204,085	10,963,369	11,189,507	11,010,965
Total Operating Expenditures	10,286,941	10,276,321	10,699,567	10,853,340	10,449,668	10,993,993	11,043,364
Mandatory Transfers	194,219	162,358	313,080	334,326	338,441	435,110	274,298
Rev - Exp	(60,090)	438,208	256,852	16,419	175,260	(239,596)	(306,697)



Mandatory Transfers: Leave Cash Out, Revolving Energy Fund, Seawall Maintenance, Water Hydrants







Notes:
- Revenue reflects no HART dollars pre-2019, but does include a HART infusion of $695,000 for 2019 and beyond to cover Road Maintenance
- Expenditure accounts for an estimated $240,000 influx (starting in 2020) to cover costs associated with the full time Assistant Fire Chief position, operating costs for the new police station and keeping the old station in warm status