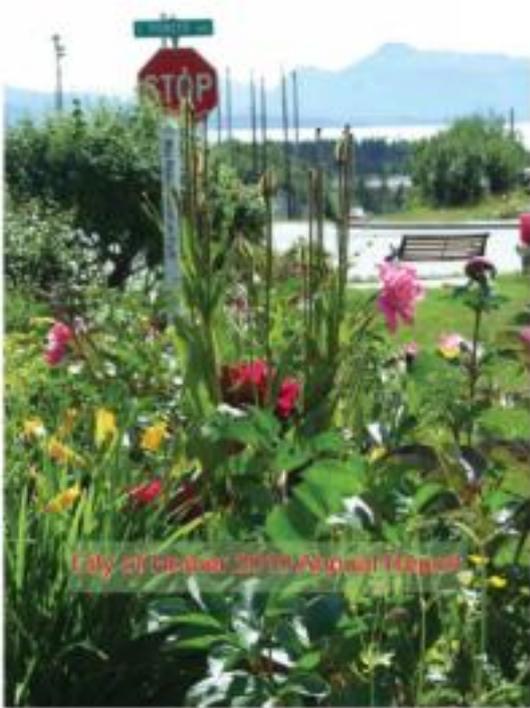


City of Homer 2010 Annual Report



2010 proved to be another rewarding but challenging year for the City of Homer. The challenges included a continued downturn in the economy and uncertainty about future revenues. Despite this, the City government remains in a fiscally sound and stable position. According to the FY 2010 audit, the City has increased the fund balance in the General Fund by almost \$700,000 to \$5,573,814. The only outstanding debt is a relatively small library construction loan. Property tax and sales tax revenues both increased slightly over the previous year but total revenues declined by \$700,000. Expenditures in the FY 2010 budget were reduced by \$500,000 and at year end, there was an excess of revenues over expenditures of \$666,563. Although the General Fund is stable and operating in the black, the effects of continued unfunded positions, deferment of equipment and infrastructure repair and replacement, and suspension of transfers into reserve accounts are becoming apparent.

The Port and Harbor Enterprise Fund is operating in the black; however, the political pressure to keep fees down has resulted in a backlog of maintenance, repair, and replacement projects and the depreciation reserves are far less than optimal considering the assets the Fund is responsible for. Fortunately, there are options to increase revenues if necessary. This fund paid off the last of its revenue bonds in 2008 and currently has no outstanding debt. It is recommended that depreciation reserves and fund balances be increased and that methods to fund repairs and upgrades be examined. Operating revenues increased over 2009 by about \$150,000 to \$3,504,442. Operating expenses decreased by about \$200,000 to \$4,563,253. The fund is in the black on a cash flow basis. The Port and Harbor is an economic engine for this community and the level of service provided is very high.

The Water and Sewer Enterprise Fund is operating in the black and has adequate reserves. This fund, however, has significant challenges that must be addressed. There is a general feeling by many in the community that water and sewer fees are too high and that the rate structure places an unfair burden on large businesses. A fundamental problem is the City water and sewer is expensive for a variety of reasons and there are relatively few customers to pay the expenses. There is also increasing concern about water and sewer long term debt. Revenues to pay off the debt have declined significantly since 2008 due to the sales tax exemption for non-prepared foods enacted that year. The City must make sure that it will always have adequate reserves to make annual debt payments. The Water and Sewer Fund was changed in 2010 from an enterprise fund to a special revenue fund. On the operations side, revenues exceeded expenditures by \$282,125 before a transfer of \$500,000 was made to the depreciation account.

The economic downturn and the sales tax exemption for non-prepared foods which occurred in 2009 continued to present challenges in 2010. The FY 2010 operating budget adopted by the City Council contained further reductions. The full impact of these cuts will be felt as time goes on, especially if revenues do not rebound. The City has been very successful in obtaining funding for capital projects and some big ones will get underway in 2011. Unfortunately, the revenues to maintain expanding infrastructure are lagging behind. More discussion will be required on this subject in the future.

The City of Homer strives to be as efficient, productive, and responsive to the needs of its residents as possible. The City's overall success in 2010 was due in large part to the diligence and hard work of the Mayor, the City Council, the Boards and Commissions, citizen volunteers, and dedicated public employees. I believe that a review of this year's annual report will confirm that the City government is functioning at a high level, that its fiscal policies are sound, and that Homer continues to be a very attractive place to live and conduct business. I believe the future for Homer is bright.

Walt Wrede – City Manager

Supporting Documents



[City of Homer 2010 Annual Report](#)

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