

## **Memorandum 13-072 Establish 2013 Mil Rate for Ocean Drive Special Service District**

**Memorandum ID:** 13-072

**Memorandum Status:** Backup

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TO: Mayor Wythe and Homer City Council

FROM: Walt Wrede

DATE: May 28, 2013

SUBJECT: 2013 Mil Rate / Ocean Drive Loop Special Service District

Ordinance 11-49(S) created the Ocean Drive Loop Special Service District (ODLSSD). HCC 15.10.020 provides that the Mil Rate for a Special Service District shall be set pursuant to Section 9.04.040 of the City Code. HCC 9.04.040 establishes that the Mil Rate must be adopted no later than June 15 of each year. Resolution 12-051(A) set the 2012 MIL Rate for the ODLSSD at 9.6283.

The Mil Rate for 2012 was set at 9.6283 because the Special Service District beginning Fund Balance was zero and a healthy balance needed to be established. The City attempted to raise \$30,000 from property taxes based upon prior seawall repair experience. Unfortunately, this Mil rate only raised \$19,166.82 in 2012, in part, because the City did not fully account for the impact of senior exemptions. So, at the time this memorandum was drafted, the Fund Balance in the ODLSSD maintenance and repair account at the close of 2012 was \$19,166.82. This account contains only the property tax revenues collected. In addition, the City has established a Seawall Depreciation Account to which the Council has made regular transfers. The 2013 budget year transfer of \$10,000 has already been made. The Depreciation Reserve presently has a total balance of \$30,639.58. So, at this point in time, there is \$49,806.40 available for seawall maintenance and repair.

This was a very good year for the seawall. We survived the storm season with little or no damage. The wall is in good shape and at this point, no repairs are anticipated this summer. Given this situation, property owners have asked if the Council would consider lowering the Mil rate this year. I would not recommend doing so, at least not substantially.

There are several factors that enter into this recommendation. First, we were lucky this year that the wall sustained no damage. We cannot assume this will be the "new normal." Experience has shown us that particularly bad storms can result in damage that easily exceeds the amount of funds currently available. It would be wise and prudent to continue to build the fund balance. Second, the Finance Department made another exhaustive search to see if insurance could be obtained for the wall. The result was disappointing once again. Only one company would even discuss insuring it and all they would provide was "catastrophic" insurance related to things like earthquakes and tidal waves. Even then, the premiums and deductibles were unacceptably high. In short, there is no insurance in place, another reason to have a healthy fund balance. Third, the Mil Rate established last year only generated about two thirds of what was anticipated. We must fully account for the senior exemption and also for the fact that the Council removed the McNamara property from the ODLSSD last year. The recommended Mil Rate (9.962541) is expected to generate about \$25,000 after adjustments are made for exemptions and deletion of the McNamara property.

**RECOMMENDATION:** Adopt Resolution 13-049 and set the ODLSSD Mil rate at 9.962541.

Related Resolutions **Memorandum - Related Resolutions:** [Resolution 13-049 Establishing a 2013 Mil Rate of 9.962541 Mils for the Ocean Drive Loop Special Service District](#)

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