

Annual Report 2009



Overview

The City government remains in a fiscally sound and stable position thanks in large part to policies adopted by the City Council and responsible management practices by City department heads. According to the FY 2009 audit, the City has increased the fund balance in the General Fund by almost \$300,000 to \$4,895,330. The General Fund has no general obligation debt. The only outstanding debt is \$1,492,541 for a library construction loan. This is an enviable position and the City's credit rating is strong.

The General Fund has significant reserves to address things like depreciation, capital and equipment needs, emergencies, and matching funds for grants. The Water and Sewer and Port and Harbor Enterprise Funds are both operating in the black; however, the managers of both funds continue to struggle to find ways to increase customers and revenue without increasing fees. The Port and Harbor Enterprise Fund is in the better fiscal position of the two. This fund is meeting its expenses even though harbor fees are generally low compared to other harbors and the docks are not contributing as much in revenue as they could. 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 balance be increased.

Water and Sewer Enterprise Fund

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 that the City water and sewer system is expensive because of the raw water source, local geography, and community settlement patterns. There are relatively few customers to pay the expenses. There is also increasing concern about water and sewer long term debt. The City has been working to improve the quality of its drinking water and to extend the water and sewer distribution system so that more residents can benefit. Virtually all of the debt load consists of low interest loans from the Drinking Water Revolving Loan Fund Program. This debt is repaid through dedicated sales tax revenue and LID assessment payments. However, by 2012, the long term debt will be approximately \$14 million. Revenues to pay off the debt have declined significantly due to the recently enacted sales tax exemption for non-prepared foods. The City must make sure that it will always have adequate revenues to make annual debt payments.

The economic downturn and the sales tax exemption for non-prepared foods which occurred in 2009 reduced the

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Published on City of Homer Alaska Official Website (<http://www.cityofhomer-ak.gov>)

City's revenues by over \$800,000 dollars. This reality presented a challenge for the City and required that some difficult and painful choices be made as the FY 2010 operating budget was being prepared. The City administration took steps at mid-year to reduce the 2009 budget which resulted in significant savings and prevented the City from ending the year with a deficit. The FY 2010 budget adopted by the City Council contained further reductions. This included leaving eight full-time positions vacant, suspending all purchases of equipment and vehicles, and suspending or drastically reducing transfers to reserve accounts.

The full impacts of these cuts will be felt as time goes on, especially if revenues do not rebound. The City of Homer strives to become as efficient, productive, and responsive to the needs of its residents as possible. The City's success in 2009 was due in large part to the diligence and hard work of the Mayor, the City Council, the volunteers serving on boards and commissions, an active and engaged citizenry, 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.

Walt Wrede,
City Manager

Supporting Documents



[City of Homer Annual Report 2009](#)

Source URL (retrieved on 2013-05-25 10:24): <http://www.cityofhomer-ak.gov/citymanager/annual-report-2009>