

Office of the City Clerk

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M E M O R A N D U M – A G E N D A C H A N G E S / S U P P L E M E N T A L P A C K E T

TO: MAYOR HORNADAY AND HOMER CITY COUNCIL
FROM: JO JOHNSON, CMC, CITY CLERK 
DATE: OCTOBER 10, 2011
SUBJECT: A G E N D A C H A N G E S A N D S U P P L E M E N T A L P A C K E T

AGENDA APPROVAL

Councilmember Zak has requested telephonic participation.

CITY MANAGER'S REPORT

Budget Message FY 2012 Operating Budget Page 1
The Homer Foundation Fund Report Ending June 30, 2011 Page 4
Fee Waiver for Disposal of Animal Carcasses by City Page 9

ORDINANCES

Ordinance 11-41, An Ordinance of the City Council of Homer, Alaska, Appropriating Funds for the Calendar Year 2012 for the General Fund, the Water-Sewer Fund, the Port/Harbor Fund, Debt Funds, and Capital Reserve Funds (Conditional Expenditures). City Manager.

Budget Request from the Chamber of Commerce Page 11

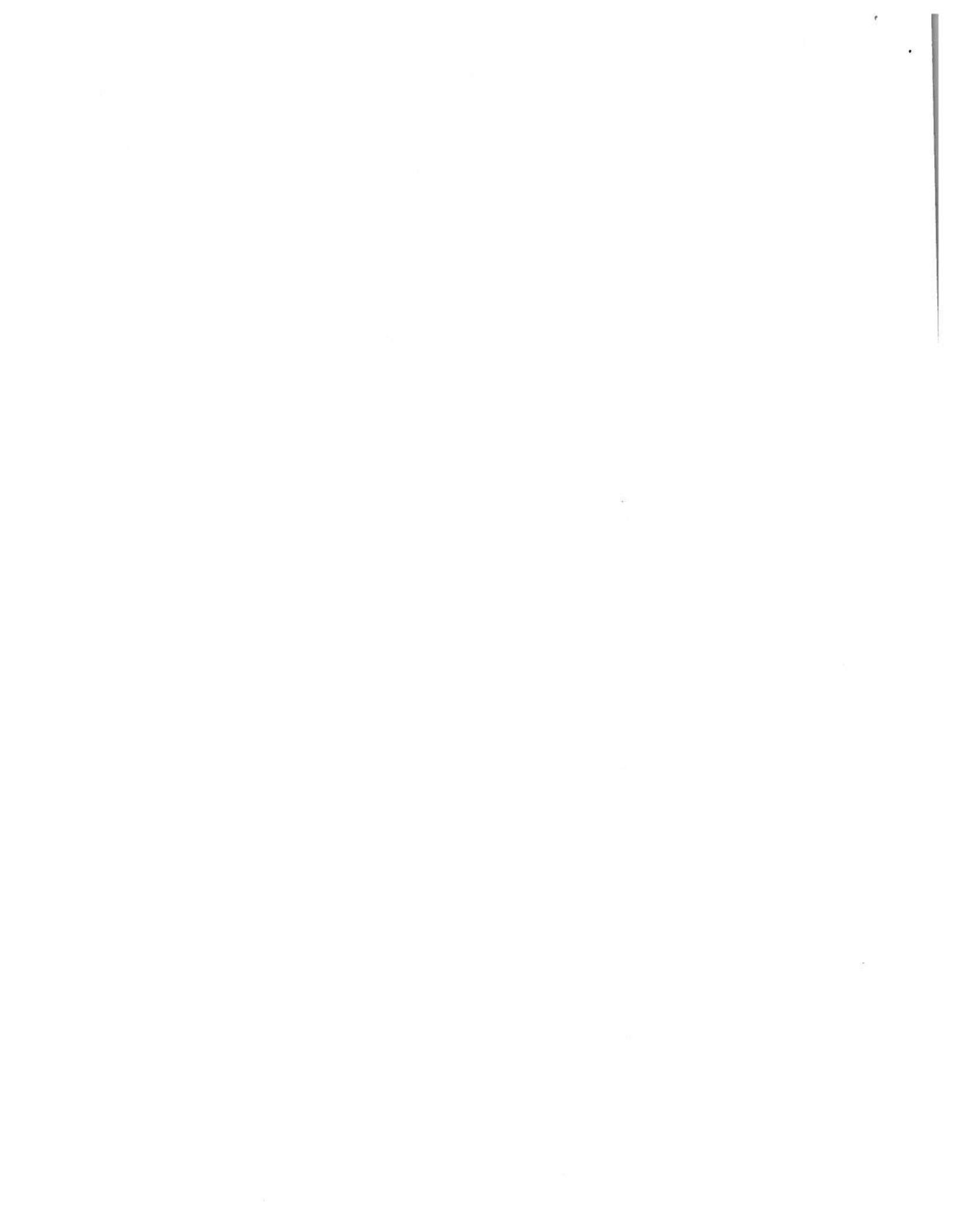
RESOLUTIONS

Resolution 11-097(S), A Resolution of the City Council Certifying the results of the City of Homer Regular City Election Held October 4, 2011 to Elect Two Council Members. City Clerk/Canvass Board. Page 13

RECOMMENDATION:

Voice consensus to changes under Agenda Approval.

Fiscal Note: N/A



BUDGET MESSAGE

FY 2012 OPERATING BUDGET

Submitted September 28; Introduced October 10, 2011

Introduction:

The Draft FY 2012 Operating Budget was delivered to the City Council on September 28, 2011. The draft budget was a result of many hours of hard work, number crunching, and program review by the department heads and their staff. I would like to especially thank Regina Mauras, the Finance Director, for her immeasurable contribution to this effort. I believe the budget document contains more information and is easier to read than ever before. This draft budget is often referred to as the "Manager's Budget" and it is scheduled to be introduced via a budget ordinance at the regular meeting on October 10, 2011. After the budget is introduced by ordinance, it becomes the Council's budget and it can be amended as Council sees appropriate at anytime right up to final adoption.

The draft budget contains new graphics and data regarding personnel costs that I think the Council and the public will find to be helpful. The budget incorporates a recalibration of how some expenditures on the Spit related to the visitor industry (garbage collection, restroom maintenance and custodial) are shared between the General Fund and the Port and Harbor Enterprise Fund. The budget also fully incorporates the transfer of the port maintenance function from the Public Works Department to the Port and Harbor Department.

In developing this budget, I did my best to adhere to the budget priorities identified by the Council and balance them against fiscal reality and what is needed to maintain core municipal services. For example, my priorities as City Manager were workforce morale, productivity, building reserves, filling some vacant positions, and maintaining a high level of service delivery. This budget achieves those objectives for the most part with the notable exceptions of COLA's and filling vacant positions. The budget addresses Council priorities including no new or increased taxes or fees, at least in the initial draft, a conservative budget that acknowledges continued economic and revenue uncertainty, and increased transfers to depreciation and fleet reserve accounts. One Council priority that the budget does not address at this time is refilling vacant positions in core programs.

A budget summary follows which provides a quick overview of the draft budget. This summary covers all three operating funds and highlights the "flashpoints" that many people zero in on and want to know first about the budget. A more detailed description of the contents of each fund follows in subsequent sections and we will go through the budget with you line item by line item at the Committee of the Whole on Monday.

Budget Summary:

- There are no new or increased taxes or fees
- All funds are balanced, meaning that revenues meet or exceed expenditures
- Transfers to depreciation and fleet reserves are included for the General Fund this year but they have been reduced slightly for the Port and Harbor Enterprise Fund and the Water and Sewer Utility Fund.
- Increases in real expenditures are limited to fixed costs, training, and basic operating supplies.
- Non-profits are funded at last year's level. That includes The Chamber of Commerce, the Homer Foundation, the Pratt Museum, and Haven House.
- There are no new positions or vacant positions that have been filled with the exception of a part time seasonal position with Parks.
- There are no changes to employee compensation from last year.

- The budget does not include a COLA.

The General Fund

The General Fund is balanced in the sense that revenues meet or exceed expenses. The total General Fund Budget is \$10,782,862. Total Revenues and Transfers are projected to increase by \$668,004. This is due largely to the fact that PERS relief payments are shown as revenue. Property tax is projected to remain essentially level and sales tax is projected to increase by almost \$200,000 over what was budgeted last year. Expenditures increase by \$622,756 over 2011 however, most of that is accounted for by transfers to depreciation and reserve accounts and PERS relief payments which also are included on the expenditures side. Projected revenues exceed projected expenditures by \$ 443,246 before transfers. Virtually all of those excess funds were transferred into reserve accounts. Of that amount, \$329,894 was transferred into depreciation and fleet reserve accounts.

Following are some budget highlights that I would call your attention to:

- The lobbying contract is included at the same level as last year, pending Council action. \$22,000 from the General Fund and \$22,000 from P&H Fund (page 55).
- The Attorney Contract and budget is included at last year's level, consistent with Council action. (page 55).
- The Animal Shelter contract is included at last year's level, pending Council action. (page 97).
- Non-Profits are included at last year's level (Pages 66, 92, and 114.)
- Fishing Hole Contribution included at last year's level (page 66).
- Contributions to depreciation and fleet reserves included for first time in two years, restored to 2009 levels but still far short of 2008 (page 47).
- Almost no major capital expenditures from reserve accounts proposed (page 201)
- No new positions or vacant positions filled with exception of restoration of vacant summer temporary Parks position. (page 228.)
- Funding restored for Council stipends (back to previous level) and for Council travel (for AML and Juneau) (page 55).
- Funding restored on limited basis for training (Clerk, Finance, Personnel, Police, Fire) and for basic operating supplies.
- Funding included for two elections (to provide for possible runoff or special elections) (page 60).
- Estimated "warm status" costs for HERC Building (Old School) (page 70)
- Estimated energy costs for expanded but more efficient City Hall (page 78)

Analysis / Comment

Overall, the general fund is in much better shape than it has been the previous couple of years. We can be thankful that at least this year, we are not talking about layoffs, eliminating entire programs, reducing the level of services, and deleting funding for services that might be considered "nice" but not essential. I am very pleased that we were able to include transfers to depreciation and fleet reserves for the first time since FY 2009.

However, we should not allow our collective relief over the fact that we can manage to produce what is essentially a status quo budget cloud our vision. There are still a number of concerns that must be addressed. Although the General Fund reserve is now close to the level recommended by the auditors, this budget does not "grow" the reserve at all. Second, although we are happy to be able to do something about depreciation this year, the amount transferred is far below what was transferred in the past and that recommended by the auditors and Council resolution. The economy and tax revenues continue to be very uncertain as we move forward. That is why I chose

to place all of the excess revenues this year into savings accounts rather than fill vacant positions. I was not confident that the positions we would fill would be sustainable. Finally, the number of vacant positions continues to be a problem. The most critical positions right now, in my opinion are the project manager, maintenance and custodial, dispatch, and the jail. I would be happy to talk with the Council about this in detail.

Port and Harbor Enterprise Fund:

The Port and Harbor Enterprise Fund is balanced in that projected total revenues (\$3,431,243) exceed projected total expenditures (\$3,174,725). The fund is operating in the black in terms of operating expenses however, when the recommended depreciation expenses are included as though they represented a real expenditure this year, it appears that the fund is operating in the red, and by a large margin. Projected revenues are down slightly from 2011. The budget includes expenditures that are up approximately \$100,000; a fact that can be attributed largely to PERS Relief, increases in operating supplies, and increased garbage collection costs. This budget transfers \$470,000 into depreciation and fleet reserves which is \$30,000 less than 2011. Budget highlights for the Port and Harbor Enterprise Fund Include:

- No new fees or fee increases pending Council action (see below)
- Incorporation of the port and harbor maintenance function
- Moderate expenditures from reserves (page 201)
- No new personnel
- An essentially status quo operating budget

Analysis / Comment:

The Port and Harbor Enterprise Fund is solvent but it is essentially trading water. This is basically a maintenance budget. It covers day to day operating costs and that is about it. The City has deferred maintenance, repair, upgrades, and investment in this vital infrastructure for too long. There is room to generate more revenue that can be reinvested in the port and harbor however, deciding how to increase revenues and what to spend them on can be difficult. Political pressure to keep fees low has trumped good management. As a result, fees have not kept up with inflation and they do not generate enough revenue to address basic depreciation. Because the City has not raised fees as it should and has not kept up with maintenance, repair and investment, the decisions get harder and the necessary fee increases more drastic.

The Enterprise Fund does not have as much in its depreciation reserve account as it should given its assets and the value of its infrastructure. Instead of transferring \$500,000 a year, the City should be transferring three times that much. The Fund is also developing a problem with retained earnings and cash on hand. This is getting dangerously low and it means that the Fund does not have much margin for error if a large unforeseen expense occurs or revenues suddenly decline.

As noted above, there are legitimate opportunities to raise fees and the City should probably do so simply to grow the depreciation reserves and improve the Fund's retained earnings position. But, given the current state of the economy, care should be taken to not raise fees to the point of diminishing returns. As you know, the Special Port Revenue Bond Committee is looking at the possibility of selling revenue bonds to leverage other funds and finance improvements in the harbor. This would also require raising fees. This is where the decisions get tough. But, the City has a wonderful asset and economic engine here. We have exciting opportunities before us to improve and maintain the asset if we manage it carefully with an eye toward the future.

Water and Sewer Utility Fund

The Water and Sewer Utility Fund is balanced but the margin between revenues and expenditures is tight. Water revenue is projected to increase by about \$150,000 over the 2011 Budget to \$1,717,101 but sewer revenues are anticipated to decrease by \$300,000 to \$1,572,089. Total revenues are projected to decrease by \$129,852 to \$3,289,190. Expenditures are budgeted to increase by \$115,284 to \$3,107,571. This can be accounted for by PERS relief showing as an expense, and by increases in fixed costs and essential operating supplies. Only the minimum amount authorized by resolution, \$200,000, was placed in the depreciation reserves. That was necessary to balance the budget.

Highlights for the Water and Sewer Revenue Fund Include:

- No increases in fees consistent with the fee schedule adopted in July
- No new staff positions
- Expense increases limited to inflation and purchase of basic supplies
- Moderate capital expenses from reserves for basic infrastructure upgrades and repair (page 201)

Analysis / Comment:

The Water and Sewer Utility Fund remains vulnerable because of the basic structural flaws we have discussed in the past. We have a production and distribution infrastructure that is very expensive to operate and maintain and relatively few customers to pay for it. We have a reliable source of funds to build things and expand the infrastructure (dedicated sales tax) but inadequate funds to maintain it all (user fees). There is intense political pressure to keep fees down even though doing so may not always be in the best interest of the Fund. Our bonded indebtedness is significant and will limit opportunities to finance new projects or expansion of the distribution system for the next few years at a minimum. That is a problem if the Council's goal is to increase the number of customers. This year we have further uncertainty on the revenue side until we fully understand how the new "meter" ordinance will work in practice. We have already discovered some unanticipated flaws and will soon be discussing amendments with the Council.

September 21, 2011

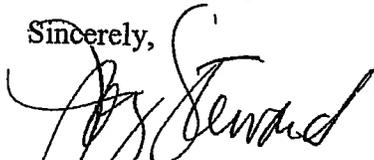
Dear Field of Interest Fund Holder,

The enclosed fund holder report indicates all activity for your fund for the period ending June 30, 2011, including contributions, market growth and earned income.

I have included the Investment Committee Report for this same period. Do call if you have questions regarding your fund or fund earnings.

Would you like your quarterly fundholder reports delivered via email in the future? Give me a call at 235-0541 or email jsteward@homerfund to opt into receiving your reports via email.

Sincerely,



Joy Steward, Director
The Homer Foundation

PO Box 2600 Joy Steward
Home; AK 99603 Executive Director
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HOMER FOUNDATION
 Quarterly Report to Fund Holders
April - June 2011

Fund Holder City of Homer
 Fund **City of Homer Fund**

Fund Type: Field of Interest
 Portfolio: Combo
 Fund Code: 1305

PORTFOLIO SHARE (Corpus)

Beginning Balance	189,883.69
Contributions	15,000.00
Withdrawals	-
Portfolio Market Change	(5,507.33)
Ending Balance	199,376.36

AVAILABLE FOR DISTRIBUTION (Earnings)

Beginning Balance	31,542.20
Earnings Allocation	1,761.37
Grants Awarded:	
Grants Total	(19,008.00)
Transfers	-
Ending Balance	14,295.57

Homer Foundation
Investment Committee Report 6/30/11

The Homer Foundation has enjoyed another spectacular year of investment performance mainly due to the efforts of Ken Castner, our investment manager. The return on investments compared favorably with our benchmarks:

Homer Foundation Schwab Trading.....	35.69%
S & P 500	30.42%
Alaska Permanent Fund	20.56%
Investment Fund for Foundations (TIFF).....	19.05%

Included in the above returns, the covered call strategy that Ken uses effectively to generate income returned over \$123,000 this fiscal year. As of June 30, 2011 the Schwab account totaled \$1,932,760.20 which represented more than a complete recovery from the poor market conditions in the fall of 2008. The turnaround in investment performance over the last few years has been due to improved market conditions and a more focused and aggressive investment stance.

As in past years, we are still primarily invested in precious metals and oil, with half of the active portfolio held in cash. Since we do not feel comfortable holding the cash position in U.S. dollars we have diversified the dollars into primarily three foreign currencies, Swiss francs, Swedish kroner, and the Canadian dollar. We may also be adding the Australian dollar this year.

In addition to our Active Schwab portfolio we hold a few certificates of deposit. Our other investments include first deeds of trust which totaled a remaining balance of \$152,800 at fiscal year end. These trust investments are not being actively replaced as they mature over the next several years.

We continue to hold our first Friday meetings monthly at noon in the fall and winter in our board room downstairs in the Kachemak Title building. Anyone interested in our investments and our outlook for the economy is encouraged to attend.

The investment committee's thanks go out to Ken Castner for another stellar performance and we hope those of you who support the foundation and what we do, appreciate the effort he puts in to generate the extraordinary income we enjoy for the support of non-profits all over town.



KENAI PENINSULA BOROUGH

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www.borough.kenai.ak.us

DAVID R. CAREY
BOROUGH MAYOR

October 5, 2011

Mr. Walt Wrede, City Manager
City of Homer
491 Pioneer Avenue
Homer, AK 99603

RE: FEE WAIVER FOR DISPOSAL OF ANIMAL CARCASSES BY CITY

Dear Mr. Wrede,

On September 20, 2011, the Kenai Peninsula Borough Assembly adopted ordinance 2011-32 approving a fee schedule for the Kenai Peninsula Borough. As part of this fee schedule a \$5.00 (FIVE DOLLARS AND NO CENTS) fee was established for the commercial disposal of animal carcasses. Pursuant to KP.B 1.26.030(A) "Exemptions and Waivers", I hereby exempt the City of Homer from payment for the disposal of animal carcasses. The borough does not exercise animal control powers; however, borough residents outside the city limits are known to use the City's animal control facilities and services. Further, proper disposal of animal carcasses is an important health issue in the prevention of scavenger animals from preying on the carcasses. In consideration of the City's services to the borough in extending use of its animal control facilities and services to borough residents and its responsible disposal of animal carcasses it is in the borough's best interests to exempt the City from the \$5.00 (FIVE DOLLAR AND NO CENTS) fee per animal carcass disposed at borough solid waste facilities by the City. This exemption shall remain in place unless and until altered by either Mayoral or borough assembly action.

Sincerely,

David R. Carey
Mayor

cc: Jack Maryott, Director of Solid Waste
Mark Robl, Chief of City of Homer Police Department



Mission: To promote cooperative economic development that preserves the essence of the community while enhancing the quality of life.

September 28, 2011

Mayor James Hornaday & Council
City of Homer
491 East Pioneer Avenue
Homer, AK 99603

Dear Mayor Hornaday & Council,

The Homer Chamber of Commerce respectfully requests \$30,000 to be earmarked in the 2012 City budget to assist the Chamber in its continued marketing efforts.

Our records from last year show that we received slightly over \$21,000 for marketing. We ask that the City consider bumping that figure to \$30,000 for 2012.

According to our records, and in talking with business leaders here in Homer, the marketing budget in the past has gone almost exclusively toward visitor marketing which indeed is essential for sales tax revenues. (According to Page 87, Table 3 of the 2010 audited financial report on the City of Homer website, sales tax revenues have traditionally made up slightly more than 2/3 of tax revenues for the City. According to the Kenai Peninsula Borough approximately 2/3 of all sales tax is collected in the 2 quarters spanning the summer months.) Without visitors we would probably all be paying considerably higher property taxes.

With due consideration to the above mentioned tax revenues, and an eye on economic development and year round jobs, we believe it is time to begin an aggressive marketing campaign specifically for Homer Marine Trades and the Port of Homer as THE place to have work done on a vessel.

In 2011 we partnered with the Port of Homer and the Homer Marine Trades Committee so that Homer will for the first time in a long time have a presence at The Pacific Marine Expo in Seattle. This is just the tip of the iceberg and the first step in what we hope to be a long term plan.

The 2012 marketing plan for Marine Trades is not complete as we await your decision on the budget, but initial plans are:

1. Return to EXPO next year with a bigger and better presence including designing and purchasing a portable trade booth touting Marine Trades in Homer.
2. Announcing that presence in the months leading up to EXPO by purchasing advertising in comm-fish publications like Pacific Fisherman.
3. Offer co-op advertising opportunities to Marine Trades businesses in those same publications.

201 Sterling Hwy., Homer, AK 99603
907.235.7740 fax: 907.235.8766 info@homerak.org www.homerak.org



The generic marketing plan for Homer remains pretty much the same as past years.

We remain strongly committed to a presence in the KPTMC and ATIA Official State of Alaska travel planners as well as many of their co-op marketing opportunities thereby leveraging thousands of City dollars into hundreds of thousands of Kenai Peninsula Borough dollars and millions of State dollars. Most importantly by utilizing these entities we reach a highly targeted and motivated market that turn into visitors to our community.

To paint a picture of the economic impact of Visitors to Homer and the effectiveness of marketing; According to the most recent Alaska Visitor Statistics Program (2002!), visitors spend an average of \$128.00 per person per day. Counting **only** the 9281 folks who stopped by the Visitor Center from Memorial Day to Labor Day, and multiplying that by the nine year old statistic of \$128 per person per day, even if those folks only stayed in town one day it represents an economic impact to Homer of \$1,187,968.00. That figure alone represents sales tax revenue for the City of Homer of \$53,548.00. Marketing is a good investment!

In addition to the \$21,385.00 contributed by the City, the Chamber has spent an additional \$10,500 for marketing. As we return the Chamber to more solid financial footing next year that figure will certainly go up to more closely match past contributions.

The Homer Chamber of Commerce & Visitor Center, representing over 500 member businesses and literally hundreds of community volunteers donating thousands of hours, remains committed to marketing Homer as not just a great place to visit, but a great community to build a family, a life and a business.

We are grateful for the opportunities presented us by the City of Homer in the past and truly look forward to a long and mutually beneficial relationship.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark D.", written over a horizontal line.

Executive Director
Homer Chamber of Commerce & Visitor Center

Cc/Walt Wrede

CITY OF HOMER
HOMER, ALASKA

City Clerk/Canvass Board

RESOLUTION 11-097(S)

A RESOLUTION OF THE CITY COUNCIL CERTIFYING THE RESULTS OF THE CITY OF HOMER REGULAR CITY ELECTION HELD OCTOBER 4, 2011 TO ELECT TWO COUNCIL MEMBERS.

WHEREAS, In compliance with the Homer City Code 4.35, the Canvass Board of the City of Homer has opened, counted and tallied the votes on absentee ballots, including special needs ballots, found to be valid and made determination on questioned ballots, and has opened, counted and tallied those questioned ballots found to be valid, cast in the Regular City Election held on October 4, 2011; and

WHEREAS, The total number of voters voting in the City Election was 865 and reflects the number of voters, not the number of votes cast or ballots counted; and

WHEREAS, In accordance with Homer City Code 4.35, the Canvass Board of the City of Homer has opened and inspected the precinct reports, Election Central Logs and entered the results of the absent and questioned ballots on the Certification of Election along with the results of the precinct counts.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby certifies the results of the Regular City Election held October 4, 2011, as presented in the Canvass Board's Certificate of Election, attached as Exhibit A, in accordance with the Homer City Code; and

BE IT FURTHER RESOLVED that the following candidates are declared elected to Office of Councilmember, having received at least 40% of the votes cast for a three-year term of office:

COUNCILMEMBERS (TWO THREE-YEAR TERMS)

BARBARA HOWARD
DAVID G. LEWIS

BE IT FURTHER RESOLVED that the Canvass Board's Certificate of Election (Exhibit A) be attached permanently as part of this Resolution.

PASSED AND ADOPTED by the Homer City Council this 10th day of October, 2011.

CITY OF HOMER

JAMES C. HORNADAY, MAYOR

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52 ATTEST:

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56 JO JOHNSON, CMC, CITY CLERK

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59 Fiscal Note: N/A

EXHIBIT A

CERTIFICATE OF ELECTION

City of Homer Regular Election October 4, 2011

We, the Election Canvass Board, duly appointed, of the City of Homer, Alaska hereby certify that the validated absentee and validated questioned ballots were opened, counted, and recorded at a legally authorized and convened meeting of the City of Homer Canvass Board, held October 7, 2011 and that the results of that count are hereon entered with the certified results of the City of Homer Canvass precinct polling places via Accu-Vote Ballot Tabulation System and that the total results are recorded hereon.

	35-010 Homer #1	35-020 Homer #2	Absentee/ Questioned/ Special Needs that were Counted	Total Regular Votes	% of Votes
CITY COUNCIL 3 Year Term					
Howard, Barbara	252	194	64	510	72%
Lewis, David G.	229	171	60	460	65%
Heimbuch, Michael	206	177	37	420	60%
Write-ins	8	11	2	21	3%
Registered Voters	2219	2058		4,277	

We further certify that there were 767 Regular voters and 88 Absentee voters, 5 Special Needs Voters, and 5 Questioned voters for a total of 865 voters that voted in this election. Percentage of voter turnout is 20%. Total registered voters for the City of Homer are 4,277 as of September 12, 2011.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of October, 2011.

Canvass Board: Pauline E. Benson Pauline Benson
 Staff: Melissa Jacobson Melissa Jacobson, CMC, Deputy City Clerk
Louise Gross-Hall Louise Gross-Hall
 Attest: Jo Johnson Jo Johnson, CMC, City Clerk

