

# CITY COUNCIL WORKSESSION

Monday, June 4, 2012

5:00 p.m.

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## NATURAL GAS DISTRIBUTION SYSTEM DISCUSSION POINTS

CITY COUNCIL WORKSHOP FEBRUARY 6, 2012

### Introduction

The purpose of this paper is to provide a framework for discussion at the Council workshop on February 6. We only have two hours for the discussion so it will be important for us to stay focused on the major issues and decisions that are before the Council regarding the gas distribution system. This paper is broken into five sections entitled The Big Questions, Financing Mechanisms, Borrowing Options, Road Map to Success, and Other Topics for Discussion.

### The Big Questions

***Should the City Provide Financing for the Distribution System?*** This is probably the most basic and fundamental question. If the answer is yes, then we have a lot of work to do and we need to get going as soon as we can. If the answer is no, then we are done. End of discussion.

An argument can be made that the City should do nothing. Enstar already has a mechanism and process in place for extending service that is approved by the RCA. It is not hard to envision the distribution build-out happening naturally once the gas is here. Things like the free main allowance and the location of the big consumers who are likely hook up quickly would contribute to this scenario. The City would be assuming risk, substantial administration effort, and a significant debt load if it participated and ownership of the financed infrastructure would end up resting with a private corporation.

On the other hand, there are powerful arguments for City financing and participation. These can be discussed in much more detail at the workshop but they include:

- Easier for local businesses and residences to hook up. Financing with easy terms and good interest rates. Otherwise, all costs must be paid upfront and in full.
- Economic Impact: Big impacts to the economy and the cost of living for local business and residences would occur much more quickly.
- Tariff paid off more quickly: The more people hooked up and paying the tariff, the quicker the proposed \$1.00 per mcf goes away; benefitting everyone.
- Enstar investment: Enstar is a business and projects need to "pencil". The quicker people hook up, the broader the customer base, and the easier it is to justify investing \$2.5 Million upfront for the transmission line, payment of the property taxes for all the new infrastructure, and the expenses necessary for maintenance and operation in the newly served area.
- The Big Picture: Support for the gas line project, from the Governor, to the legislators, to Enstar itself is largely dependent upon the City participating. Support could evaporate if the City does not participate. It is part of the "Homer Plan" that the Governor wanted to see. Enstar's continued support for taking the financial risk may disappear without some assurance that there will be a customer base.

***What is the "Core Area". Why focus on that?***

Enstar has requested that the City identify a "core area" in Homer that would be serviced first. The idea was to identify the area that contained the biggest potential gas consumers and the greatest density. This would provide for a quick return on investment for both the City and Enstar and really jump start the extension of the distribution system. The staff took a shot at identifying a core area using some assumptions and basic criteria. A map was provided to Enstar which then engineered and cost estimated a build-out plan. The proposed build-out plan is in your packet. A big map of the draft core area will be on the wall.

There are several questions to be discussed about the core area. First, there is likely to be great discussion about the boundaries and which streets and/or neighborhoods should be in and which should not. Planning, Public Works, Enstar, and the financing institution will all have recommendations about that. The Council will as well. The map can be easily changed and we expect that it will be.

The second big question is whether we should do the entire town at once (or smaller sections one at a time). There are good arguments for that. They include 1) every Homer resident and business gets the benefit right up front or knows they will get it at some point 2) everybody gets it for the same price, 3) there is less administrative burden if you have one big service area or LID instead of lots of little ones that come on line at different times. The advantages of starting with a large core area is that you capture the easy to do stuff first, you see how it goes, and you decide whether to expand later. There is also less risk involved because the City would be borrowing \$ 6 Million instead of \$12 Million or more.

#### ***What are the Financing Mechanisms?***

See Section 2

#### ***What are the Borrowing Options?***

See Section 3

#### ***How Do we Proceed from Here?***

A suggested road map to success is provided in Section 4.

#### **Financing Mechanisms**

This section contains three options that are available for financing the gas distribution network. The first two are common methods used by municipalities for financing the extension of utilities. The third is an option based upon programs unique to Homer; the HART and HAWSP programs.

##### **Special Service Districts**

A special service district is an area where the City provides a service to a designated part of the City that is not provided to the City at large. A special mil rate is levied on the benefitting properties to pay for the service. In this case, the idea would be that the "core area" would be set up as a special service district and a mil rate levied.

There are advantages and disadvantages to using a special service district in this case. The advantages include the fact that it would be easy to administer and the higher value properties would pay proportionate to the benefit received. The disadvantages include the fact that not everyone would consider it fair if some property owners paid more than others. Tom Klinkner has advised that using property taxes to pay off bonds for infrastructure not owned by the City may be problematic. The biggest disadvantage may be the fact that almost half of the assessed value in the core area, including the biggest potential consumers, is exempt from property taxes. This raises fairness questions. It is unlikely that the City could obtain payment in lieu of tax agreements from all of these properties.

#### Local Improvement Districts

The Council already has experience with local improvement districts. It uses them for the extension of water and sewer service. This is the most common method used for extending utilities and the Borough does this for the extension of gas mains. Under this scenario, the core area would be set up as an LID. Enstar has estimated that the build-out of the core area would cost \$ 6 Million. (please refer to the attachments discussing the free main allowance for the estimated actual costs to the City). There are approximately 2,400 benefitted lots which means that the assessment per lot would be about \$2,500 per lot plus interest and administrative charges.

There are a number of advantages to using an LID. This is a commonly used method and is accepted by financing institutions. According to the Bond Bank and the City attorney, it is particularly well suited here for selling bonds. Another reason is that everybody pays unless the Council chooses to grant exemptions. The primary disadvantage is the fact that a 2,400 lot LID would be a real administrative challenge.

If the Council chooses the LID option, it will have to adopt an ordinance and make decisions about things like exemptions and how the assessment will be applied. I would recommend that the Council initiate the LID itself (HCC 17.04.030 (D)) in order to save time and avoid confusion and unnecessary work both for the City and the property owners.

One idea that I have discussed with both Tom and the Bond Bank is the notion that the City could set up an LID but then defer assessments and pay off the bonds with a dedicated sales tax. Assessments would not have to be paid unless the tax was inadequate to service the loan. Asking the voters if they want to remove the exemption for unprepared foods and dedicate the money to paying off bonds is one idea. The advantages of this are that much of the administrative burden would go away and residents would not have to pay assessments. Under this scenario, it would be good to make it clear when service will be extended to the remainder of the community. A dedicated tax would require a vote.

#### Create a Homer Accelerated Natural Gas Program (HANG).

A program like this would be based upon the model the City has already established with HARP and HAWSP. The City could establish a fund, perhaps with some seed money, and feed it with a dedicated sales tax. The fund could then be used to finance gas main LIDs. This would also require a vote of the people.

The advantages to this approach are that the City could self finance the extension of gas mains and might not have to borrow as much money. It would also provide a recurring source of funds for creating new LIDS. The major downside is that it would delay the build-out and would probably jeopardize the two year core area build-out plan Enstar has talked about.

### Borrowing Options

We have explored a number of borrowing options. The best ones seem to come down to the ones listed below:

#### Special Assessment Bonds

In this case the City would work with a commercial lender who would loan it money for the project. The City would sell special assessment bonds and pledge to make repayment with the property assessment proceeds. This is how it was done in the Mat-Su Borough. The advantages of this approach include the fact that it is a well established procedure and banks are generally more than willing to work with cities on these types of bonds. The disadvantages include the fact that commercial interest rates are likely to be higher, the City's legal costs are likely to be higher, and the City would use its own bond rating, rather than the state, a fact that might drive interest rates higher.

#### Self Financing

The Borough self finances the extension of gas mains into subdivisions. It is able to do this because it has ample reserves and because most of the extension projects are relatively small, like the current one in Anchor Point. In this case, the City does not have the reserves the Borough has and we are talking about extending mains for at least 37 miles of road, the entire downtown core. This is a big project and would require an estimated \$ 6 Million.

The Primary advantage of self financing of course, is that you don't incur debt and pay interest and fees. The downside in this case is that the City would draw its reserves dangerously low and if it only contributed a small amount, like several million, it would really slow things down.

#### Municipal Bond Bank Bonds

A very common method of financing for municipalities is to sell bonds through the Alaska Municipal Bond Bank. The advantages to this approach include a good bond rating, lower administrative and legal costs, and better interest rates. Multiple municipal bond sales are usually grouped together into a large bond sale that is more attractive to investors.

It should be noted that the City cannot sell General Obligation Bonds in this case because G.O. bonds (pledging the full faith and credit of the City) may not be used to finance capital projects that are not owned by the City. Second, these bonds will not be tax exempt municipal bonds for the same reason. They must be taxable bonds which usually mean a higher interest rate.

#### Legislative / Bond Bank Financing

There is precedent for the Legislature to loan money to the Bond Bank which in turn loans it to municipalities to finance capital projects. The State General Fund is invested anyway and there are good arguments for the state to invest in its communities. The advantages to this approach are that the City would avoid the costs of a bond sale and could get a loan at a low interest rate; similar to tax free bonds or even lower. The disadvantage is that this would have to be approved by the Legislature through the capital budget. Therefore, the outcome is uncertain and it might require expending lots of political capital to make it happen. The Council might have to rethink its CIP Priorities and it would certainly want **to talk to its delegation before taking any action. In the end, the gain may not be worth the effort.**

**RECOMMENDATION:** My recommendation is that the Council 1) participate and finance the extension of the main lines 2) start with the core area with a plan for further expansion 3) choose the LID approach to financing and initiate the LID 4) sell bonds through the Municipal Bond Bank.

### Road Map / the Way Forward

If the Council is in agreement with the preceding recommendation, then a suggested course of action is presented below to make that happen. If Council does not agree, either entirely or in part, then we can develop a new strategy together. Remember, my primary intent here is to frame and focus the discussion.

February 27: Introduce a resolution expressing the sentiment of the Council re: the proposed tariff

March 12: Introduce an Ordinance amending Title 13 (Standard Construction Practices) and Title 11.20 (Utility Construction in ROW)

March 12 Introduce an Ordinance amending Title 17 (Local Improvement Districts)

March 12 Adopt an Action Plan by Resolution and hold Public Hearing

March 26 Introduce Resolution initiating Core Area LID

April 9 If Desired, Introduce Ordinance Establishing Dedicated Tax and Schedule Election

May 14 Submit Loan Application to Bond Bank

May 14 Adopt a plan for build-out of remainder of City

### Other Related Topics

1. The proposed tariff; \$1.00 per mcf
2. Support for oil and gas drilling close to Homer



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**CITY OF HOMER  
HOMER, ALASKA**

Lewis/City Manager

**ORDINANCE 12-15**

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,  
REPEALING AND REENACTING HCC CHAPTER 17.04 REGARDING  
SPECIAL ASSESSMENT DISTRICTS.

WHEREAS, The City of Homer enacted HCC 17.04, regarding special assessments, in 1987; and

WHEREAS, In the years following the adoption of HCC 17.04, the City has found the procedures under this code chapter to be cumbersome and difficult for the public to understand; and

WHEREAS, It also is necessary to revise HCC Chapter 17.04 to accommodate the financing of a wider range of projects, including infrastructure of privately owned utilities.

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. HCC Chapter 17.04, Special Assessment Districts, is repealed and reenacted to read as follows:

Chapter 17.04

SPECIAL ASSESSMENT DISTRICTS

Sections:

- 17.04.010 Definitions.
- 17.04.020 Purpose of chapter.
- 17.04.030 Assessment authority.
- 17.04.040 Initiation of district.
- 17.04.050 Creation of district.
- 17.04.060 Contract award; Approval of increased costs.
- 17.04.070 Assessment roll.
- 17.04.080 Certification of assessment roll.
- 17.04.090 Payment.
- 17.04.100 Subdivision after levy of assessments.
- 17.04.110 Assessments to be liens.
- 17.04.120 Reassessment.
- 17.04.130 Objection and appeal.
- 17.04.140 Interim financing.
- 17.04.150 Special assessment bonds.
- 17.04.160 Time limit for special assessment districts.
- 17.04.170 Water and sewer connections required.

- 47 17.04.180 Road improvement assessments for lots with two street frontages.  
48 17.04.190 Deferment of assessment payments for senior citizens.  
49 17.04.200 "In lieu of assessment".

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51 17.04.010 Definitions. In this chapter:

52 a. "Cost" means all expenses incurred by the city for an improvement, including  
53 without limitation advertising expenses, fees of engineers, architects and surveyors, legal fees,  
54 costs of property acquisition, payments to construction contractors, costs of interim and long-  
55 term financing of the improvement, including costs of issuing bonds and notes, and city  
56 administrative costs.

57 b. "District" means a special assessment district created under this chapter.

58 c. "Improvement" means a capital improvement, including without limitation streets,  
59 sidewalks, alleys and bridges; street lighting; drainage and flood control facilities; sanitary  
60 sewage collection and treatment facilities; water supply and distribution facilities; natural gas  
61 distribution facilities; and parks, playgrounds, public squares and open space.

62 d. "Record owner" means the person in whose name real property is listed on the  
63 property tax roll prepared by the Kenai Peninsula Borough.

64

65 17.04.020 Purpose of chapter. a. A special assessment district may be created for the  
66 purpose of acquiring, installing or constructing a capital improvement that primarily benefits real  
67 property in the district, in contrast to capital improvements that benefit the entire community and  
68 are paid for with general government resources.

69 b. The purpose of this chapter is to prescribe the procedure for initiating a special  
70 assessment district, authorizing an improvement in a special assessment district, approving and  
71 levying special assessments, payment of special assessments, and the authorization of special  
72 assessment bonds, for public information and administrative guidance.

73

74 17.04.030 Assessment authority. a. The city may assess all or part of the cost of a capital  
75 improvement against real property benefited by the improvement, whether the property is  
76 privately or governmentally owned, including real property that is exempt from taxation.

77 b. A capital improvement that is provided through a special assessment district may  
78 be owned by the city, a public utility, or another entity that is qualified to own and operate the  
79 capital improvement.

80

81 17.04.040 Initiation of district. a. A special assessment district may be initiated by:

82 1. Resolution approved by a vote of not less than three-fourths of the council;

83 or

84 2. Petition signatures of the record owners of not less than one half in value  
85 of the real property in the proposed district received by the city clerk within 60 days after  
86 the mailing of the petition to record owners of property in the proposed district. Upon  
87 payment of the nonrefundable filing fee in the city fee schedule established by resolution  
88 of the council, the city clerk shall prepare a petition for distribution by certified mail to  
89 all record owners of property in the proposed district that contains:

90 i. A statement that it is a petition to form a special assessment  
91 district, and describing the capital improvement for which the district is proposed;

92                   ii. For each property in the proposed district, the Kenai Peninsula  
93 Borough tax parcel number and property description, the name and mailing  
94 address of the record owner, the current assessed value, and a place for the record  
95 owner's signature; and

96                   iii. A statement that to support initiation of the proposed district, the  
97 record owner must sign and return the petition to the city clerk within 60 days  
98 after the date the petition was mailed

99           b. Upon adoption of a resolution initiating a special assessment district, or the city  
100 clerk's verification that a petition to initiate a district bears sufficient signatures, the city clerk  
101 shall

102                   1. Schedule a meeting of record owners of real property in the proposed  
103 district, notify the record owners by mail of the date, time and location of the meeting,  
104 and include a copy of the notice in the city's regular meeting advertisement, and

105                   2. Refer the proposed district to the city manager, who shall prepare an  
106 improvement plan for the district that includes final boundaries for the district, the design  
107 of the proposed improvement, a cost estimate for the improvement, the percentage of the  
108 improvement cost to be assessed against properties in the district, a method for allocating  
109 the assessed cost of the improvement among the properties in the district, the time period  
110 over which assessments will be financed, and a preliminary assessment roll for the  
111 district.

112  
113           17.04.050 Creation of district. a. Upon completion of an improvement plan under HCC  
114 §17.04.040, the city clerk shall set a time for a public hearing on the necessity of the  
115 improvement and proposed improvement plan. Notice of the hearing shall be published at least  
116 twice in a newspaper of general circulation in the city, and mailed via certified mail to every  
117 record owner of real property in the proposed district not less than 60 days before the hearing.

118           b. A record owner of real property in the proposed district may file a written  
119 objection to the improvement plan with the city clerk no later than the day before the date of the  
120 public hearing on the improvement plan. If owners of real property that would bear 50 percent  
121 or more of the assessed cost of the improvement file timely written objections, the council may  
122 not proceed with the improvement unless it revises the improvement plan to reduce the assessed  
123 cost of the improvement that is borne by objecting record owners to less than 50 percent of the  
124 assessed cost of the improvement. If the resolution changes the district boundary in the  
125 improvement plan, the city clerk shall notify all record owners of property included in the district  
126 under the improvement plan of the change.

127           c. At the noticed date and time, the council shall hold a public hearing on the  
128 necessity of the improvement and proposed improvement plan. After the public hearing, the  
129 council shall act upon a resolution determining to proceed with the proposed improvement. The  
130 resolution shall find that the improvement is necessary, of benefit to the properties to be  
131 assessed, and if the district is initiated by petition, that the petition is in proper form and bears  
132 sufficient signatures. The findings of the council are conclusive. The resolution shall contain a  
133 description of the improvement, the estimated cost of the improvement, the percentage of the  
134 cost to be assessed against the properties in the district, and a description of the properties to be  
135 assessed.

136 d. If the owners of 100 percent of the real property in the proposed district waive in  
137 writing the notice, protest period and public hearing required under this section, the question of  
138 creating the district may be submitted to the council without such notice, protest period or public  
139 hearing.

140  
141 17.04.060 Contract; Approval of increased costs. a. After a special assessment district  
142 has been created, the city shall contract for the construction of the improvement. If the city will  
143 own the improvement, it shall solicit bids for construction of the improvement. If the city will  
144 not own the improvement, it shall contract with the owner of the improvement to provide for its  
145 construction.

146 b. If the cost of constructing the improvement will exceed 115 percent of the  
147 estimated cost of construction of the improvement in the improvement plan, the city shall not  
148 contract for the construction of the improvement without first:

149 1. Notifying all record owners of property in the district via certified mail of  
150 the increased cost, and

151 2. Within 30 days after the mailing of notice of the increased cost to record  
152 owners of property in the district, receiving written objections from record owners of  
153 property that would bear less than one-half of the cost of the improvement.

154 c. If record owners of property that would bear one-half or more of the cost of the  
155 improvement object in writing to the increased cost, the city will not contract to construct the  
156 improvement. The council either may levy assessments in the district in an amount sufficient to  
157 recover costs incurred for preliminary design and engineering services, or determine that the city  
158 shall assume such costs.

159  
160 17.04.070 Assessment roll. a. After completion of the improvement the council shall  
161 assess costs of the improvement by a method that the council determines will assess each  
162 property in the district in proportion to the benefit that it receives from the improvement.

163 b. The city shall prepare an assessment roll stating for each property in the district  
164 the name and address of the record owner, Kenai Peninsula Borough parcel number, a  
165 description of the property, the amount assessed against the property, and the assessed value of  
166 the property as determined by the Borough Assessor.

167 c. Each property in the district shall be identified and assessed on the assessment roll  
168 in accordance with the legal description of the property at the time the council certifies the  
169 assessment roll; except that where assessments are in an equal amount per parcel (i.e., without  
170 regard to parcel area, dimension or other characteristic), a property that was created by  
171 combining parcels after the public hearing under HCC §17.040.050(c) shall be assessed that  
172 amount multiplied by the number of parcels that comprised the property at the time of the public  
173 hearing.

174 d. The council shall fix a time to hear objections to the assessment roll. Not less than  
175 fifteen days before the hearing, the city clerk shall send notice of the hearing and assessment roll  
176 by certified mail to each record owner of an assessed property, and publish notice of the hearing  
177 in a newspaper of general circulation in the city.

178  
179 17.04.080 Certification of assessment roll. After the hearing the council shall correct any  
180 errors or inequalities in the assessment roll. If an assessment is increased, a new hearing shall be

181 set and notice published, except that a new hearing and notice is not required if all record owners  
182 of property subject to the increased assessment consent in writing to the increase. Objection to  
183 the increased assessment shall be limited to record owners of properties whose assessments were  
184 increased. When the assessment roll is corrected, the council shall confirm the assessment roll by  
185 resolution. The city clerk shall record the resolution and confirmed assessment roll with the  
186 district recorder.

187  
188 17.04.090 Payment. a. In the resolution confirming the assessment roll, the council shall  
189 fix the time or times when assessments or assessment installments are due, the amount of penalty  
190 on a delinquent payment and the rate of interest on the unpaid balance of an assessment. An  
191 assessment that is to be paid in a single payment shall not be due before 60 days after billing.

192 b. Within 30 days after fixing the time when payment of the assessments is due, the  
193 finance director shall mail a statement to the record owner of each assessed property identifying  
194 the property and stating the assessment amount, the payment due date and the amount of the  
195 penalty on a delinquent payment. Within five days after mailing the statements, the finance  
196 director shall publish notice of mailing the statements in a newspaper of general circulation in  
197 the city.  
198

199 17.04.100 Subdivision after levy of assessments. a. Except as provided in subsection (b)  
200 of this section, upon the subdivision of a property assessed as a single parcel, the amount of the  
201 assessment shall be allocated among the resulting lots that benefit from the improvement on the  
202 same basis that the assessment originally was allocated.

203 b. Upon the subdivision of a property assessed as a single parcel in an assessment  
204 district where assessments were levied in an equal amount per parcel (i.e., without regard to  
205 parcel area, dimension or other characteristic), then no resulting parcel, other than the parcel that  
206 contains the original connection to the improvement for which the assessment was levied, may  
207 connect to the improvement until a subdivided property connection fee is paid for the parcel.

208 1. The amount of the connection fee shall be equal to the amount of the  
209 original assessment, adjusted up or down by a percentage equal to the change in the  
210 Consumer Price Index, All Urban Consumers (CPI-U) for Anchorage, Alaska from the  
211 end of the calendar year preceding the original assessment date to the end of the calendar  
212 year preceding the date the parcel is connected to the improvement.

213 2. If the original assessment was payable in installments the city may enter  
214 into a written agreement for the payment of the connection fee in installments on terms  
215 that are substantially the same as those authorized for the payment of the original  
216 assessment, secured by a deed of trust on the parcel.

217 3. Upon receiving connection fee payments, the city shall allocate such  
218 payments to each property assessed in the district in proportion to the amount originally  
219 assessed against the property, either by adjusting the original assessment amount or  
220 disbursing a payment to the record owner at the time of disbursement.  
221

222 17.04.110 Assessments to be liens. Assessments are liens upon the property assessed and  
223 are prior and paramount to all liens except those having priority under State law. They shall be  
224 enforced in the same manner as property tax liens.  
225

226           17.04.120. Reassessment. a. The City Council shall within one year correct any  
227 deficiency in a special assessment found by a court, under the procedure for certification of the  
228 assessment roll in HCC §§17.04.070 and 17.04.080.

229           b. Payments on the initial assessment are credited to the property upon reassessment.  
230 The reassessment becomes a charge upon the property notwithstanding failure to comply with  
231 any provision of the assessment procedure.

232

233           17.04.130 Objection and appeal. a. The regularity or validity of an assessment may not  
234 be contested by a person who did not file with the city clerk a written objection to the assessment  
235 roll before its confirmation. The decision of the council on the objection may be appealed to  
236 the superior court within 30 days after the date of confirmation of the assessment roll.

237           b. If no objection is filed or appeal taken within the time provided in this section, the  
238 assessment procedure shall be considered regular and valid in all respects.

239

240           17.04.140 Interim financing. a. The council may provide by resolution or ordinance for  
241 the issuance of notes to pay the costs of an improvement that shall be payable from the special  
242 assessments for the improvement. The notes shall bear interest at a rate or rates authorized by  
243 the resolution or ordinance, and shall be redeemed either in cash or bonds for the improvement  
244 project.

245           b. Notes issued against assessments shall be claims against the assessments that are  
246 prior and superior to a right, lien or claim of a surety on the bond given to the city to secure the  
247 performance of the contract for construction of the improvement, or to secure the payment of  
248 persons who have performed work or furnished materials under the contract.

249           c. The finance director may accept notes against special assessments on conditions  
250 prescribed by the council in payment of:

- 251           1. Assessments against which the notes were issued in order of priority;  
252           2. Judgments rendered against property owners who have become delinquent  
253           in the payment of assessments; and  
254           3. Certificates of purchase when property has been sold under execution or at  
255           tax sale for failure to pay the assessments.

256

257           17.04.150 Special assessment bonds. a. The council by ordinance may authorize the  
258 issuance and sale of special assessment bonds to pay all or part of the cost of an improvement in  
259 a special assessment district. The principal and interest of the bonds shall be payable solely from  
260 the special assessments levied against property in the district. The assessment shall constitute a  
261 sinking fund for the payment of principal and interest on the bonds. The benefitted property may  
262 be pledged by the council to secure payment of the bonds.

263           b. On default in a payment due on a special assessment bond, a bondholder may  
264 enforce payment of principal, interest, and costs of collection in a civil action in the same manner  
265 and with the same effect as actions for the foreclosure of mortgages on real property. Foreclosure  
266 shall be against all property on which assessments are in default. The period for redemption is  
267 the same as for a mortgage foreclosure on real property.

268           c. Before the council may issue special assessment bonds, it shall establish a  
269 guarantee fund and appropriate to the fund annually a sum adequate to cover a deficiency in  
270 meeting payments of principal and interest on bonds if the reason for the deficiency is

271 nonpayment of assessments when due. Money received from actions taken against property for  
272 nonpayment of assessments shall be credited to the guarantee fund.  
273

274 17.04.160 Time limit for special assessment districts. If five or more years elapse  
275 between the creation of a special assessment district and the city contracting for construction of  
276 the improvement, the city may not enter into the contract unless the council by resolution extends  
277 the period for entering into the contract by not more than an additional five years.

278 b. Before the council acts on a resolution under subsection (a) of this section, the  
279 city clerk shall mail notice of the resolution to each current record owner of property listed on  
280 the preliminary assessment roll that the city will not contract for construction of the improvement  
281 in the district unless the resolution is adopted. The notice also shall include an updated copy of  
282 the preliminary assessment roll.  
283

284 17.04.170 Water and sewer connections required. The owner of property in a water or  
285 sewer special assessment district that contains an occupied building shall connect to the  
286 improvement constructed in the district within one year after the date that the resolution  
287 confirming the assessment roll for the district becomes final.  
288

289 17.04.180 Road improvement assessments for lots with two street frontages. a. The  
290 record owner of a through lot or flag lot may obtain a deferment of the part of an assessment for  
291 road improvements that is based on frontage on a road to which the lot does not have access. To  
292 obtain the deferment, the owner shall enter into a deferred assessment agreement with the city  
293 before the end of the period for filing objections to the district under HCC §17.04.050. The  
294 agreement shall provide that the lot has frontage on two streets, to only one of which the lot has  
295 access; that the lot owner shall pay the part of the assessment that is based on frontage on the  
296 street to which the lot has access; and that the owner shall pay the part of the assessment that is  
297 based on the other street frontage when the lot acquires access to the street from that frontage.  
298 The agreement shall be recorded with the district recorder's office.

299 b. The assessment for road improvements against a corner lot shall be based only on  
300 the longer of the lot's road frontages.  
301

302 17.04.190 Deferment of assessment payments for senior citizens. a. A person may obtain  
303 a deferment of assessment payments under this section if the person:

304 1. Will be at least 62 years of age within 12 months after the date of  
305 confirmation of the assessment roll;

306 2. Has an annual family income that would qualify under the United States  
307 Department of Housing and Urban Development designation of lower income families  
308 adjusted for Alaska and the Kenai-Cook Inlet Region;

309 3. Owns or has a life tenancy in the assessed property, and permanently  
310 resides in a single family dwelling on the property; and

311 4. Is not determined by the city, after notice and hearing, to have been  
312 conveyed the property primarily for the purpose of obtaining the exemption.

313 b. An assessment payment deferment is subject to approval by the council. A person  
314 seeking deferment of an assessment payment shall file a written application with the finance  
315 director on or before the first payment is due, supported by documentation showing that the

316 applicant meets the criteria in subsection (a) of this section. A person receiving an assessment  
317 payment deferment must file with the city by April 15th of each subsequent year a new  
318 application proving eligibility as of January 1st of that year in order to retain the exemption.  
319 Within the same year the city for good cause shown may waive the claimant's failure to make  
320 timely application and approve the application as if timely filed.

321 c. Assessment payment deferments are subject to the availability of funds  
322 appropriated for that purpose. An application for an assessment payment deferment shall be  
323 submitted to the council with a report from the finance director as to the availability of funds to  
324 appropriate for the deferment. Deferred assessments are funded from the following sources:

325 1. The appropriate utility operating fund for deferred water and sewer  
326 assessment payments.

327 2. The accelerated roads program fund for deferred road improvement  
328 assessment payments.

329 If funds for an assessment payment deferment are not available from the appropriate source, the  
330 council may loan the necessary amount to the appropriate source from the general fund.

331 d. A person who receives an assessment payment deferment shall execute a deed of  
332 trust on the property subject to assessment, together with a promissory note payable to the city  
333 on demand, to secure the eventual payment of the deferred payment.

334 e. A deferred assessment payment shall be immediately due and payable upon the  
335 earlier to occur of the following events:

336 1. The sale or lease of the assessed property; or

337 2. The death of both the deferred assessment applicant and the applicant's  
338 surviving spouse, if any.

339

340 17.04.200 "In lieu of assessment". a. An "in lieu of assessment" must be paid for a  
341 property to receive additional water or sewer service within or beyond the area within a local  
342 improvement district.

343 b. An "in lieu of assessment" shall be computed on the actual cost of the additional  
344 water or sewer service, and shall be paid in accordance with HCC §§17.04.090 and 17.04.100.

345 c. A property on which an "in lieu of assessment" for water or sewer service has  
346 been levied in accordance with subsection (a) of this section nonetheless may be included in  
347 special assessment district for the same service in the future date, and will be assessed in that  
348 district. An amount not exceeding the lesser of (i) the amount of "in lieu of assessment" paid for  
349 the property and (ii) the amount of the assessment levied on the property in the future special  
350 assessment district shall be a credit against the amount of the assessment levied on the property  
351 in the future special assessment district.

352

353 Section 2. This Ordinance is of a permanent and general character and shall be included  
354 in the City Code.

9th

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ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this \_\_\_\_\_ day of  
June 2012.



ATTEST

[Signature]  
JO JOHNSON, CMC, CITY CLERK

YES: 6  
NO: 0  
ABSTAIN: 0  
ABSENT: 0

First Reading: 3/27/12  
Public Hearing: 4/09/12  
Second Reading: 4/09/12  
Effective Date: 4/10/12

Reviewed and approved as to form:

[Signature]  
Walt E. Wrede, City Manager

Date: 5/11/12

CITY OF HOMER

[Signature]  
JAMES C. HORNADAY, MAYOR

[Signature]  
Thomas F. Klinkner, City Attorney

Date: 5-13-12

**ORDINANCE REFERENCE SHEET**  
**2012 ORDINANCE**  
**ORDINANCE 12-15**

An Ordinance of the City Council of Homer, Alaska, Repealing and Reenacting HCC Chapter 17.04 Regarding Special Assessment Districts.

Sponsor: Lewis/City Manager

1. City Council Regular Meeting March 27, 2012 Introduction
  - a. Comparison Draft with HCC 17.04
  - b. HCC Chapter 17.04 Improvement Districts
  - c. Ordinance 12-14 (failed 3/12/12)
  - d. Comparison Draft with Ordinance 12-14
  
2. City Council Regular Meeting April 9, 2012 Public Hearing and Second Reading
  - a. Comparison Draft with HCC 17.04
  - b. HCC Chapter 17.04 Improvement Districts
  - c. Ordinance 12-14 (failed 3/12/12)
  - d. Comparison Draft with Ordinance 12-14



3000 Spenard Road  
PO Box 190288  
Anchorage, AK 99519-0288  
[www.enstarnaturalgas.com](http://www.enstarnaturalgas.com)

March 12, 2012

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

**RE: *City of Homer, Natural Gas Distribution System, Three Construction Cost Estimates***

Dear Mr. Wrede:

In the letter dated January 13, 2012 ENSTAR provided a design and engineering cost estimate for a natural gas distribution system to serve the City of Homer. This estimate was based on the area defined as the "core area" for the City of Homer and nothing beyond. According to ENSTAR's engineering estimate, the proposed gas distribution system for this area would require 37 miles of pipeline with an estimated cost of \$6,110,300.

At our February, 2012 meeting, you asked ENSTAR to prepare estimates for two additional options; one to serve all properties located within the City of Homer boundaries, and a second option serving an area bounded by the city "core area" including the Skyline Loop distribution line.

The second option, "The City of Homer LID", includes the design and engineering cost estimate to serve the entire City of Homer. According to ENSTAR's engineering design, the proposed gas distribution system for the entire area would require 74.2 miles of pipeline, estimated at a cost of \$12,306,800.

The third option, "Homer Core Area Plus Skyline Loop LID", includes the design and engineering cost estimate to serve the "core area" as defined under the first option, and the cost to install gas distribution line along Skyline Drive. According to ENSTAR's engineering design, the proposed gas distribution system for the third option would require 43 miles of pipeline, estimated at a cost of \$7,609,700.

Our cost estimates are valid through the construction season of 2013. If approved after 2013, cost estimates will be adjusted.

These cost estimates provide for the installation of the gas distribution main lines only. All meter sets and service lines connecting to the system will be paid for at the time of application by individuals requesting gas service to their business or residence.

Please do not hesitate to call me or Charlie Pierce should you need any assistance

Anchorage: 907-277-5551 • Kenai Peninsula Office: 907-262-9334 • Mat-Su Office: 907-376-7979

***All Our ENERGY Goes Into Our Customers***



3000 Spenard Road  
PO Box 190288  
Anchorage, AK 99519-0288  
[www.enstarnaturalgas.com](http://www.enstarnaturalgas.com)

or have any questions.

Respectfully,

Inna Johansen  
Business Development Manager

Attachments: Gas Distribution Design Maps

Anchorage: 907-277-5551 • Kenai Peninsula Office: 907-262-9334 • Mat-Su Office: 907-376-7979

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January 13, 2012

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

**RE: *City of Homer, Natural Gas Distribution System, Core Area  
Construction Cost Estimate***

Dear Mr. Wrede: .

Per your request in November 2011, ENSTAR has completed the design and engineering cost estimate for a natural gas distribution system. This estimate only includes the area defined in your request as the "core area" for the City of Homer and nothing beyond. ENSTAR has proactively completed cost estimates and engineering for the surrounding areas as well and can provide cost information upon request.

According to ENSTAR's engineering plans, the proposed gas distribution system for the core area would require 37 miles of pipeline, estimated at a cost of \$6,110,300.00. If approved and funded, ENSTAR will contract with a complete installation contractor for the construction of this project. Our cost estimate is valid through the construction season of 2013. If approved after 2013, cost adjustments will be made.

This cost estimate provides for the installation of the gas main lines only. All meter sets and service lines connecting to the system will be paid for at time of application by individuals requesting gas service to their business or residence.

Please do not hesitate to call should you need any assistance or have any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "C. Pierce".

Charlie Pierce  
Southern Division Manager

Attachments: Gas Distribution Design Map .



HOMER LID SUMMARY

January 23, 2012

Homer LID Costs	\$6,110,342																			
Footage of 4-inch main, ft	31,770																			
Footage of 2-inch main, ft	162,090																			
Total Footage	193,860 feet																			
Cost per Foot	\$31.52																			
Number of Customers	1,388 (a)																			
Number of Parcels	2,496 (b)																			
Cost per Parcel	\$2,448																			
Estimated Free Main Allowance (FMA)	\$1,234,576 (c)																			
Estimated Cost per Parcel with FMA applied to total costs	\$1,953																			
FMA Breakdown by Year																				
Homer Core LID	\$585,778	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total								
		\$320,340	\$187,621	\$38,908	\$77,817	\$12,056	\$12,056	\$12,056	\$ -	\$ -	\$ -	\$ -	\$1,234,576							

Additional meter allowances will be available for each customer based on the estimated annual gas usage during application for the gas service.

- (a) ENSTAR projects that 95% of residential dwelling within Homer LID will connect over 7 year period and 100% of commercial customers will connect over 3 year period.
- (b) Number of Parcels was identified using Kenai Borough GIS property maps. The boundaries for LID were provided by the City of Homer.
- (c) FMA has been calculated using 2011 free main allowances approved by the Regulatory Commission of Alaska and projected gas service connections over first seven years.

**Comparison of Energy Rates: Subject to Energy Price Change!**

Annual cost to provide Heat & Hot Water for a typical single family Home

This comparison is based on using 1200 gallons of fuel oil per year. Adjust numbers proportionally for your consumption.

Energy Costs on 1-15-2012 in Homer City and Kachemak City Alaska

**Residential Rates**

Source	Unit	Average \$ Per Unit	BTU per Unit	AFUE Equipment Efficiency	Net BTU per Unit	Annual Units	CO2 # per Year	Annual Cost	Average Per Month Cost
Electricity	KWH	0.1844524	3,412	100	3,412	38,114	50,978	\$ 7,030	\$ 586
Propane	Gallon	4.79	92,000	82	75,440	1,768	29,929	\$ 8,469	\$ 706
#1 Fuel Oil	Gallon	3.83	135,500	82	111,110	1,200	34,796	\$ 4,596	\$ 383
*For Comparison: Residential Natural Gas Rate Anticipated for Homer City and Kachemak City (Enstar G1 Rate + \$1 per MCF)									
Natural Gas	CCF	1.01578	103,000	82	84,460	1,578	24,868	\$ 1,603	\$ 134

Sales Taxes not included

Each source will vary with market prices.

Electricity & Natural Gas prices include monthly customer charge.

#1 Fuel Oil is Jet A (low sulfur)

Fuels priced at typical delivery quantities

Note: Combustion equipment efficiency can vary widely. A constant 82% efficiency is used to enable a base comparison between fuels and electricity. Many gas and oil fired units function at higher efficiencies.

KWH=Kilowatt Hours

AFUE= Annual Fuel Utilization efficiency

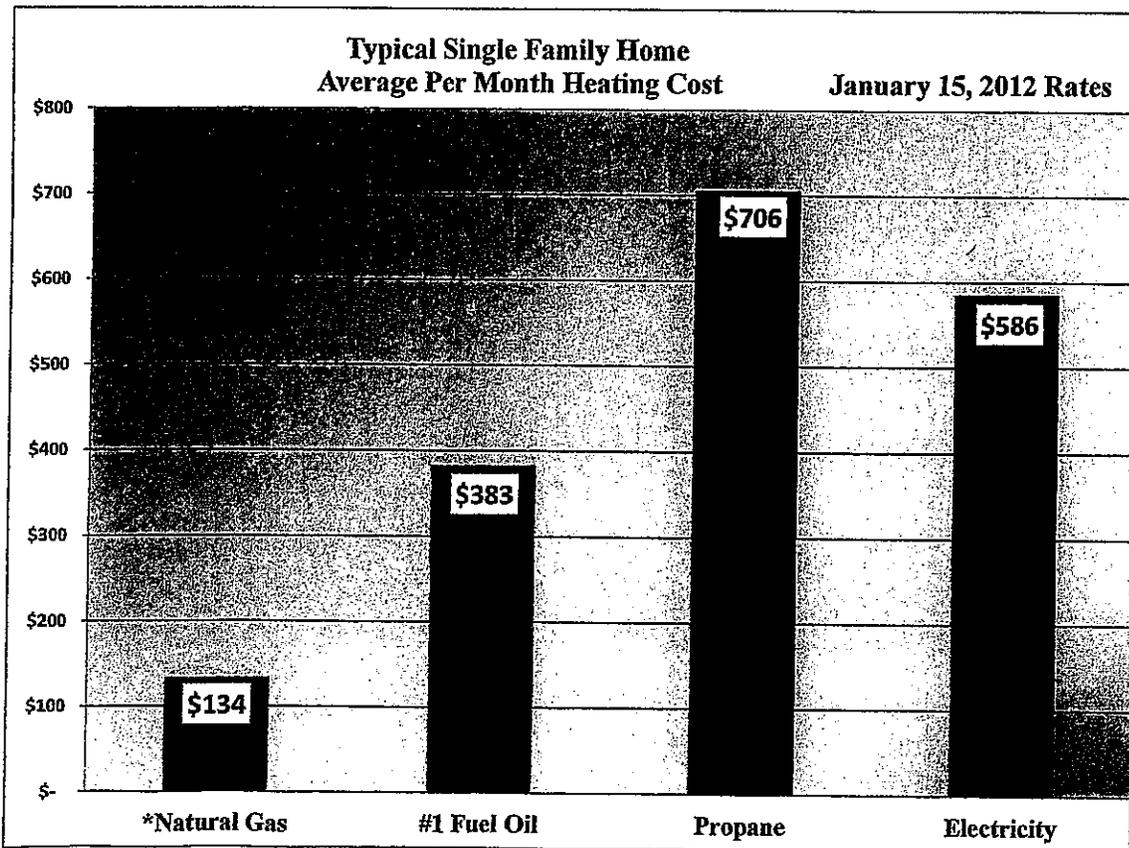
BTU= British Thermal Unit (Amount of heat needed to raise 1 pound of water 1 degree fahrenheit)

CO2= Carbon dioxide

CCF= Hundred Cubic Feet

This energy cost comparison is also valid for small commercial users

Prepared by Bill Smith



\*For Comparison: Residential Natural Gas Rate Anticipated for Homer City and Kachemak City (Enstar G1 Rate + \$1 per MCF)

# Comparison of Natural Gas and Fuel Oil Costs in Homer Area Public Facilities

Kenai Peninsula Borough Schools Heated with Fuel Oil	Last Delivered Price Per Gallon Fuel Oil	Annual Fuel Use, Gallons	Fuel Oil \$	Natural Gas CCF	Enstar Schedule	Natural Gas \$ Per CCF	Natural Gas \$	Potential Savings per School	% Cost Reduction
Homer Flex	\$ 3.5085	1,048	\$ 3,678	1,353	G1	1.01578	\$ 1,374	\$ 2,304	62.6
Homer High School	\$ 3.4975	74,786	\$ 261,564	99,359	G4	0.99678	\$ 99,039	\$ 167,525	62.1
Homer Middle School	\$ 3.4975	24,027	\$ 84,053	31,921	G3	0.95283	\$ 30,415	\$ 53,618	63.8
Paul Banks Elementary	\$ 3.508	18,435	\$ 64,669	24,492	G3	0.95283	\$ 23,336	\$ 41,332	63.9
West Homer Elementary	\$ 3.508	36,595	\$ 128,374	48,619	G4	0.99678	\$ 48,462	\$ 79,912	62.2
School Maintenance Building	\$ 3.640	2,947	\$ 9,935	3,517	G3	0.95283	\$ 3,351	\$ 6,284	65.2
Potential KPBS School District Annual Savings in the Homer Area									
								\$ 345,976	

City of Homer Facility Heated with Fuel Oil	Last Delivered Price Per Gallon Fuel Oil	Annual Fuel Use, Gallons	Fuel Oil \$	Natural Gas CCF	Enstar Schedule	Natural Gas \$ Per CCF	Natural Gas \$	Potential Annual Savings	% Cost Reduction
Homer Public Library	\$ 3.66	9,915	\$ 36,289	13,173	G3	0.95283	\$ 12,551	\$ 23,737	65.4
Homer Animal Shelter	\$ 3.66	8,064	\$ 29,514	10,714	G3	0.95283	\$ 10,208	\$ 19,306	65.4
Sewer Treatment Plant	\$ 3.66	7,841	\$ 27,966	10,152	G3	0.95283	\$ 9,673	\$ 18,293	65.4
Homer Airport	\$ 3.66	8,858	\$ 32,420	11,768	G3	0.95283	\$ 11,213	\$ 21,207	65.4
Police Station	\$ 3.66	1,032	\$ 3,777	1,371	G1	1.01578	\$ 1,393	\$ 2,384	63.1
HIERC 1, B&G Club, College	\$ 3.66	11,817	\$ 43,250	15,700	G3	0.95283	\$ 14,959	\$ 28,291	65.4
HIERC 2, Pub Works	\$ 3.66	2,785	\$ 10,193	3,700	G2	0.97219	\$ 3,597	\$ 6,596	64.7
Public Works Building, Shop	\$ 3.66	2,827	\$ 10,347	3,756	G2	0.97219	\$ 3,651	\$ 6,695	64.7
Harbor Rest Rooms	\$ 3.66	2,348	\$ 8,594	3,119	G1	1.01578	\$ 3,169	\$ 5,425	69.1
Port Maint Bldg	\$ 3.66	1,938	\$ 7,093	2,575	G2	0.97219	\$ 2,503	\$ 4,590	64.7
City of Homer Facility Heated with Electricity	April 22, 2011 KWH Cost	Annual KWH Use	Electric Heat \$						
Public Works Building, Offices	\$ 0.1572	51,600	\$ 8,112	1,677	G3	0.95283	\$ 1,598	\$ 6,514	80.3
City Hall	\$ 0.1572	76,400	\$ 12,010	2,483	G3	0.95283	\$ 2,366	\$ 9,645	80.3
Fire Hall	\$ 0.1572	114,240	\$ 17,959	3,712	G2	0.97219	\$ 3,609	\$ 14,350	79.9
Potential Annual Savings for City of Homer Facilities									
								\$ 167,033	

Other Public Facilities Heated with Fuel Oil	Last Delivered Price Per Gallon Fuel Oil	Annual Fuel Use, Gallons	Fuel Oil \$	Natural Gas CCF	Enstar Schedule	Natural Gas \$ Per CCF	Natural Gas \$	Potential Annual Savings	% Cost Reduction
Islands & Ocean Visitor Center	\$ 4.00	25,392	\$ 101,570	33,736	G3	0.95283	\$ 32,144	\$ 69,425	68.4
KBRR Bunnel shop	\$ 4.00	775	\$ 3,100	1,030	G1	1.01578	\$ 1,045	\$ 2,054	66.3
KBRR Warehouse	\$ 4.00	1,542	\$ 6,168	2,049	G2	0.97219	\$ 1,992	\$ 4,176	67.7
KBRR Bay Ave Lab	\$ 4.00	262	\$ 1,008	335	G1	1.01578	\$ 340	\$ 668	66.3
KBRR Modular Office, K'mak Dr	\$ 4.00	1,717	\$ 6,868	2,281	G1	1.01578	\$ 2,317	\$ 4,551	66.3
UAA KPC Kachemak Bay Birch	\$ 4.00				G3	0.95283	\$ -	\$ -	
ADP&G Office/Shop					G3	0.95283	\$ 5,260	\$ 9,864	65.2
AK State Courthouse					G3	0.95283	\$ 5,617	\$ 10,534	65.2
AK State Office Bldg, Lake St.					G2	0.97219	\$ 3,410	\$ 6,200	64.5
DOT Maintenance, Baycrest	\$ 3.80	3,336	\$ 12,677	4,452	G3	0.95283	\$ 4,223	\$ 8,454	66.7
Kachemak Community Center	\$ 3.99	1,000	\$ 3,990	1,329	G1	1.01578	\$ 1,350	\$ 2,640	66.2
US Post Office					G4	0.99678	\$ 20,090	\$ 35,129	63.6
South Peninsula Hospital	\$ 3.79	141,174	\$ 535,049	187,560	G4	0.99678	\$ 186,956	\$ 348,094	65.1
DOT Airport Facilities (2 of 4)	\$ 3.80	6,858	\$ 26,060	9,111	G3	0.95283	\$ 8,682	\$ 17,379	66.7
Other Public Facilities Annual Savings									\$ 519,168

Hundred Cubic Feet  
 BTU  
 British Thermal Unit  
 MBSU  
 Thousand BTU  
 Blended Natural Gas & Electricity rates include monthly customer charges  
 Based on Prices Current on 4/26/2011 with \$1 per MCF added to Enstar Rates.

Annual Savings by Conversion to Natural Gas for above Public Facilities	\$ 1,032,177
Reduction of Fuel Oil Gallons per year	423,211

Prepared by: Bill Smith  
 4/26/2011

# What Does a \$1/mcf Tariff Mean to Homer?

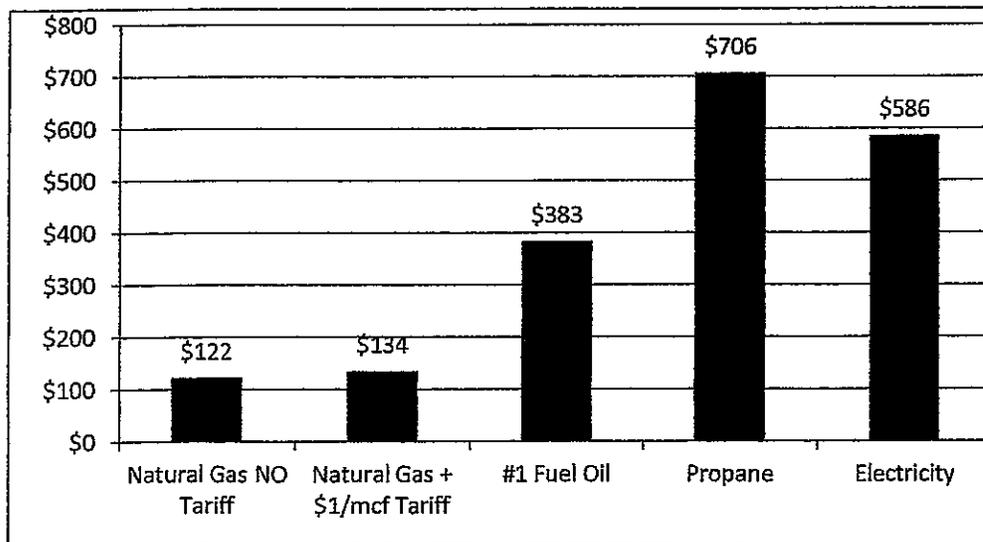
What is a tariff? - The Southern Peninsula is in Estar's service area which means Enstar has to charge us the same rate for natural gas as everyone else in the service area (Kenai Peninsula to Matsu). The tariff is an additional amount used to cover capital construction costs. Southern Peninsula users agree to pay more on their monthly gas bill until \$2.5m in revenue is reached (estimated to take 10 years). Enstar fronts the \$2.5m to help build the line.

	<b>NO TARIFF</b>	<b>\$1/mcf TARIFF</b>
<b>Capital Request - How Much to ask the Legislature for</b>	\$10.55 million Total to bring main extension from AP to K-City.	\$8.05 million \$2.5m paid by tariff over 10 yrs (estimated). Enstar Fronts the \$2.5m.
<b>Perception</b>	Southern Peninsula Residents have no 'skin in the game.'	The Southern Peninsula is helping fund our energy needs.
<b>Monthly Cost to Heat Typical Home/ Small Business*</b>	\$122	\$134
<b>Savings Over Fuel Oil for Typical Home/ Small Business</b>	68%	65%

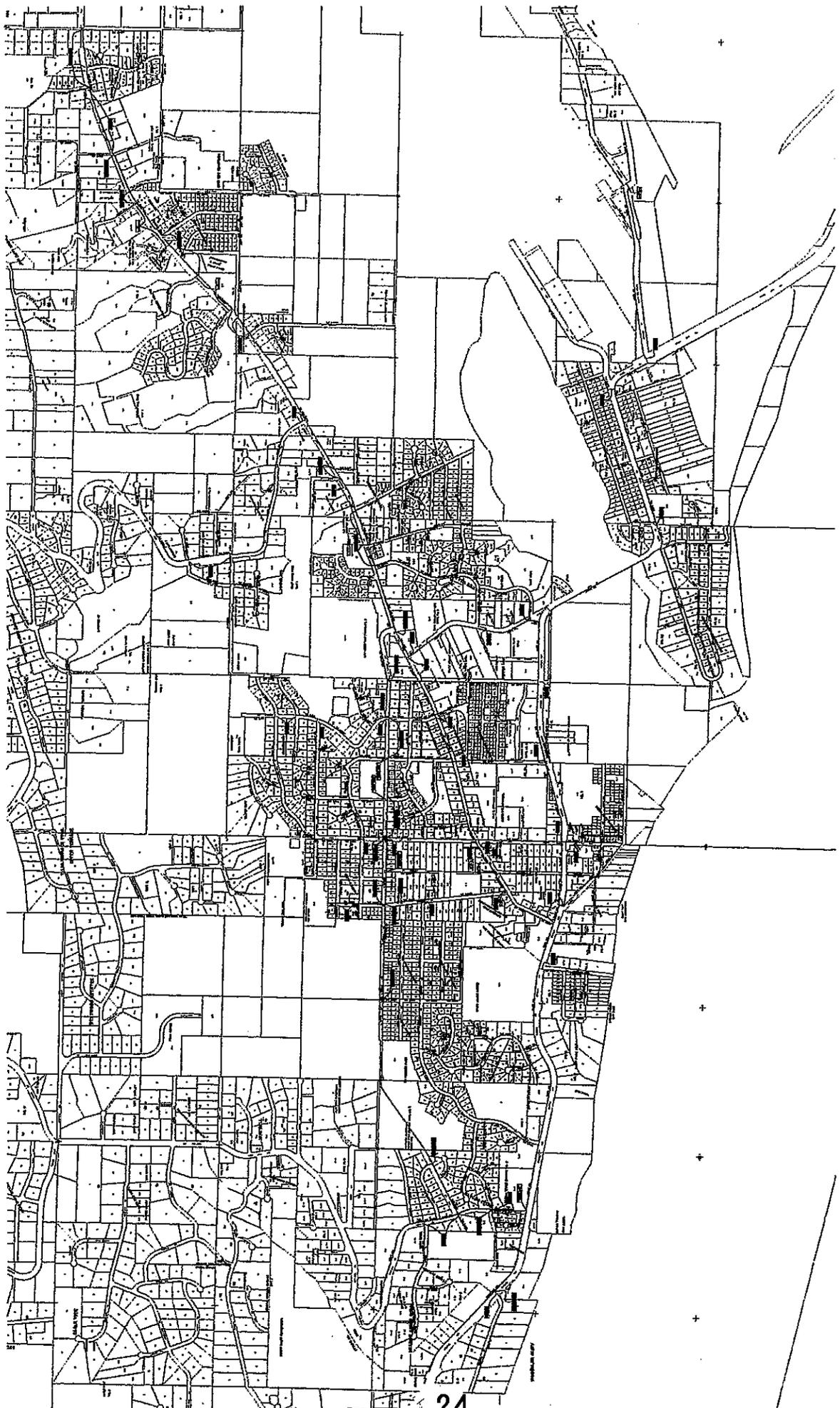
\* Typical Home/ Small Business Fuel Oil Usage Assumption: 1200 gallons/year.

## Typical Home/Small Business Average Monthly Heating Cost

Jan. 15, 2012 Rates



Prepared by City Manager's Office with Data from Bill Smith updated 1-30-12





# City of Homer

City Manager

491 East Pioneer Avenue  
Homer, Alaska 99603  
907-235-8121, X-2222

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Fax (907) 235-3148 E-mail: [wwrede@ci.homer.ak.us](mailto:wwrede@ci.homer.ak.us) Web Site: [www.ci.homer.ak.us](http://www.ci.homer.ak.us)

March 13, 2012

Governor Sean Parnell  
Third Floor, State Capitol Building  
P.O. Box 110001  
Juneau, AK. 99811-0001

**SUBJECT:** Progress Report / South Peninsula Natural Gas Pipeline

Dear Governor Parnell:

I am writing to provide you with a status report on steps the City of Homer is taking to facilitate and promote construction of the South Peninsula Natural Gas Pipeline Project. This project has been vetoed or partially vetoed in each of the past two years. In your veto messages, you have made it clear that you want to see two things occur as a prerequisite for approval; a local contribution to the cost of building the main transmission line and a plan for build-out of the local distribution system.

The Homer City Council is working to achieve those prerequisites. In January of this year the Council held a workshop to discuss a strategic plan or "roadmap" for moving ahead with this vitally important project. The City is presently taking steps to implement the major elements of the plan. These actions directly address the prerequisites you have discussed and they will put the community in position to accommodate construction of both the transmission line and the local distribution mains.

Recent and anticipated Council actions include:

- February 27: Council adopted Resolution 12-017 which expressed support for a \$1.00 per mcf tariff increase. This would provide for a local contribution, estimated at \$2.5 Million, toward the cost of constructing the transmission line from Anchor Point to the greater Homer area.
- March 12: The Council introduced an ordinance that would amend the Homer City Code and provide for the accommodation and regulation of gas utility mains in the Right of Way.
- March 27: The Council will have before it an ordinance which amends the Special Assessment provisions in the municipal code to among other things, provide for Gas Utility Special Assessment Districts.
- April 23: The Council will consider a resolution or resolutions initiating the process for creating a gas utility special assessment district or districts.

I hope this information is helpful. Please do not hesitate to contact us if you would like additional information. The City of Homer looks forward to your support for this project.

Sincerely,

Walt Wrede  
City Manager

