

**NOTICE OF MEETING
MEETING AGENDA**

- 1. CALL TO ORDER**
- 2. APPROVAL OF THE AGENDA**
- 3. PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA**
- 4. RECONSIDERATION**
- 5. APPROVAL OF MINUTES**
 - A. March 13, 2012 Regular Meeting Minutes** **Page 1**
- 6. VISITORS (10 minutes each)**
 - A. Families First Presentation on Early Education and Economic Development** **Page 7**
 - B. Port and Harbor Improvement Committee Project Presentation**
 - C. Homer Ocean Park** **Page 9**
- 7. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/ BOROUGH REPORTS**
- 8. PUBLIC HEARING**
- 9. PENDING BUSINESS**
- 10. NEW BUSINESS**
 - A. Natural Gas Line distribution system/ funding alternatives (City Manager Walt Wrede)** **Page 17**
- 11. INFORMATIONAL ITEMS**
- 12. COMMENTS OF THE AUDIENCE**
- 13. COMMENTS OF THE CITY STAFF**
- 14. COMMENTS OF THE COUNCILMEMBER**
- 15. COMMENTS OF THE CHAIR**
- 16. COMMENTS OF THE COMMISSION**
- 17. ADJOURNMENT/NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, MAY 8, 2012 at 6:00 p.m. in the City Hall Cowles Council Chambers located at 491 E. Pioneer Ave, Homer, Alaska.**

Session 12-03, a Regular Meeting of the Economic Development Advisory Commission was called to order at 6:00 p.m. by Chair Sarno on March 13, 2012 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMISSIONERS: FAULKNER, NEECE, SARNO, WAGNER

COUNCILMEMBER: WYTHE (absent)

STUDENT: DAVIS

STAFF: COMMUNITY AND ECONOMIC DEVELOPMENT COORDINATOR
KOESTER
CITY CLERK JOHNSON
CITY PLANNER ABOUD
PORT AND HARBOR DIRECTOR HAWKINS

APPROVAL OF THE AGENDA

FAULKNER/NEECE – MOVED TO APPROVE THE AGENDA AS PRESENTED.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA

None.

RECONSIDERATION

APPROVAL OF MINUTES

A. February 14, 2012 Regular Meeting Minutes

FAULKNER/NEECE – MOVED TO APPROVE THE MINUTES AS PRESENTED.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

VISITORS

A. Kate Mitchell with the Marine Trades Association

Kate Mitchell, Marine Trades Association, reported the group originally started in 1994 as a committee and is now named the Marine Trades Association. They currently have 60 members. The Marine Trades Association plans include promoting and encouraging Homer's marine industries with no fish politics. When the association is more organized they will speak for harbor infrastructure improvements and all things that allow businesses to grow.

The association wants to promote Homer to bring more business to town by bringing more boats into the harbor. They have formed a website: homermarinetrades.com. In November they attended Fish Expo in partnership with the City of Homer Harbor. There are other shows they may consider: a show in Kodiak and the Sportsman's Show in Soldotna. Goals for 2012 include: establishing bylaws, membership levels, and fees. The association has three advertising contracts and will network to build business as a whole.

The State of Alaska is working on a survey for the marine industry and will solicit responses from everyone in the marine industry.

The Marine Trades Association will encourage people to get their boats worked on in Homer. The economic impact of the marine trades will be substantial in comparison to the tourism industry. Kenny and Snooks Moore put in the boatyard shop which houses up to 75 ton boats. The boat repair industry supports well-paying jobs. People come here to get their boats rewired and for other mechanical issues.

As the community grows the infrastructure needs to increase. The association is considering an option for bigger boat haul out, possibly on the old chip pile site. It would be a place to haul a boat out and allow the workmen to come to work on a boat at that location. Local marine trades people can work on the boats, get the work done, and get the boat back in the water. The association is looking at the aspects of hauling boats out safely and renting work space on the Spit.

Port and Harbor Director Hawkins reported there are two projects created for the Capital Improvement Plan: large vessel marine haul-out and a barge mooring facility in the vicinity of Pier One Theatre. The barge mooring facility would have a series of pilings that extend out into the bay with deadmen on the beach and a stern anchor or dolphin system heavily built for mooring four vessels on the pilings. At Northern Enterprises they have the ability to move vessels up to 70 ton, but the majority of the fleet has to go somewhere else to have work done. If we can find a way to get large vessels up on the chip pad it would be a market that is untapped. The market would be for the tugs and barges serving Western Alaska. We are looking for a place to store barges during the winter and a means of hauling them out to do work for inspections. An idea is using 30-ft. long air bags that can maneuver boats in and out of water. To look at permitting, letters were sent out to industries. It would provide another revenue stream for the harbor. If there is support of a barge haul out we will be looking at fast tracking it and it could be funded locally. We may ask the City Council to fund it and pay-back the costs with the harbor enterprise fund.

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/ BOROUGH REPORTS

- A. Staff report from February 14th meeting: Marine Trades Expo, BizIDEA Contest and Natural Gas distribution system funding possibilities.

Community and Economic Development Coordinator Koester summarized the staff report.

Marine Trades Expo: This is the Seafair that the marine trades business people are no longer doing. They have thought about doing something more focused to the marine trades industry. The Marine Trades Association is still exploring the possibilities. Carrie Couey of the Kenai Peninsula Economic Development District has expressed an interest in partnering with the City in some type of business day.

BizIDEA Contest: Library holds this contest every other year awarding a good business idea seed money. The contest will be this year in the fall or winter.

Natural Gas

Distribution System: Council is working through how they will fund the natural gas system and whether it will be the core area of town or the entire city. Council has a couple ordinances regarding the natural gas system.

As to implementing the Comprehensive Economic Development Strategy (CEDS), City Manager Wrede suggested bringing it to Council to ask for direction and to get their support. The City Council expressed an interest in a joint worksession with EDC.

Commissioner Neece related he won the BizIDEA last year. There was not much follow-up. He was told The Homer Foundation would be the next step and applied to the foundation and was handed the packet right back without them even looking at it. He has been working with Senator Stevens and Representative Seaton on his film school idea for some time and now has the Legislature behind it. For this year's BizIDEA it is important that The Homer Foundation get behind the presenter's idea. The Foundation is funded by the City.

Commissioner Faulkner reported he attended the last gas line committee working group. The EDC should weigh in on it at the next meeting to see where the City is considering going. His testimony to Council was to Think Big. They were looking at funding the core with a grocery tax, while the rest of town would need to pay for the more expensive areas to develop. You don't have to do the whole town, you just need to get the trunk line up West Hill, up Skyline, and down East Hill and out to East Road. The gas line is one of the biggest economic development ideas for Homer. It will lessen carbon emissions more than anything.

FAULKNER/WAGNER - MOVED THAT EDC TAKE UP THE GAS LINE.

Different mechanisms of funding for the gas line are being explored. Costs are expected to be \$6M to \$12M. The core area contains about 2,500 people, with half the land tax exempt. There is discussion of spending the extra money to get it up and around the entire city. Every subdivision could have a Local Improvement District. Funding may come through the Legislature. A plan is need prior to when the Legislature session ends.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Commissioner Neece's last meeting will be in April. He will then be gone for four months, but would like to rejoin the commission in August.

Commissioner Faulkner has convinced another person to apply for the EDC.

PUBLIC HEARING

PENDING BUSINESS

A. Sign Code: Temporary Commercial Signs

City Planner Abboud related the City Council referred the sign ordinance back to the Planning Commission and asked that the EDC look at the sign code, specifically temporary commercial signs. The Planning Commission reviewed the sign code again and voted that a permit was needed for the temporary commercial signs with a 14-day limitation. The permit could include when they are displaying the sign within a 90-day period. He asked that the EDC weigh in on the temporary commercial signs and make a recommendation to Council.

Commissioner Faulkner asked if there was a 90 day period defined on a quarterly fashion.

City Planner Abboud answered the requestor could prescribe the 90-day period when applying for the permit. The temporary sign would be one sign per lot.

Commissioner Faulkner noted it liberalizes temporary signage a little during the prime tourist season, and makes enforcement easier. There could be a quarterly time, such as taxes are computed.

Commissioner Wagner pointed out the need to select the dates and display them on the permit. He asked if there was any way to enforce the regulation.

City Planner Abboud answered he would dedicate staff time for enforcement.

Commissioner Faulkner had talked with the sandwich board sign people and had his ear chewed off with City Council meddling in sandwich board signs. He determined the sandwich board signs might not be so bad.

Commissioner Wagner prefers to keep it simple to enforce the rule.

Chair Sarnos would like to abide by the quarterly method, keeping it simple. It could be self-enforcing.

Other cities are all over the board with no regulations in Soldotna. A lot of towns are designed better for temporary signs. Here every sign is unique since right-of-way is not standardized any way throughout the town.

Commissioner Neece commented Homer is an artist's community. Some consideration must be given for the temporary signs. In some areas they look really good and work.

It was suggested a prominent sticker be displayed with the permitted dates posted. Chair Sarnos asked that the policy be a simple one page rule and be self-enforcing. We could follow how it makes it through the summer.

FAULKNER/NEECE - MOVED THAT THE 90-DAY PERIOD FOR TEMPORARY SIGNS SHALL BE CONSIDERED QUARTERLY AS DEFINED BY KBP TAX QUARTERS SO YOU COULD HAVE 14 DAYS WITHIN ANY QUARTER WHICH LIBERIZES THIS SOMEWHAT DURING THE SUMMER SEASON.

There was no additional discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

NEW BUSINESS

A. Election of Vice Chair

WAGNER – MOVED TO NOMINATE BRAD AS VICE CHAIR.

Commissioner Faulkner declined the nomination as he does not wish to serve on the commission that long.

FAULKNER/NEECE – MOVED TO NOMINATE NEIL AS VICE CHAIR.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

B. 2012 Land Allocation Plan

Commissioner Faulkner declared a conflict of interest with his lease on Spit property and furnished the commission with an overview of some leased properties and encouraged the commissioners to read some leases.

The commission commented on possible community garden areas at the Old Intermediate School, Town Center, and Old Library land.

The commission had no recommendations on the Land Allocation Plan for Council.

INFORMATIONAL ITEMS

A. City Manager's Report, March 12, 2012

Commissioner Wagner commented on the customer charges for multi-family dwellings. About a third of the people in Alaska rent and rate increases are harder on the lower income people. We have to make everything pay, yet there is no incentive to use less. Bulk water users are charged way less.

COMMENTS OF THE AUDIENCE

Bumppo Bremicker, city resident, commented the Boys and Girls Club doesn't use the \$100,000 in energy costs for the building, but they are hoping to pay for their portion. He mentioned the corner lot of Fish Dock and Spit Road as a boat haul out site. It is a good thing for the fishing industry to have as many processors as possible. He asked if there were areas for fish processors the City could lease land to.

COMMENTS OF THE CITY STAFF

Katie Koester passed around a handout on the harbor improvement projects and the project Port and Harbor Director Hawkins mentioned. She will not be attending the next meeting unless she is way overdue.

COMMENTS OF THE COUNCILMEMBER

Councilmember Wythe was not present.

COMMENTS OF THE CHAIR

Chair Sarno thanked Katie for her work and specifically for the follow-up on BizIdeas. Good ideas can be brought to fruition. She asked the commission to consider new members.

COMMENTS OF THE COMMISSION

Commissioner Faulkner told Chair Sarno she did a nice job running her first meeting and congratulated Neil on being Vice Chair.

Commissioner Neese commented his last meeting is April and then he will be gone for four months. He can't renew his chair until August.

Commissioner Wagner told Chair Sarno she was doing a great job as Chair and said goodbye to Commissioner Neese.

Student Representative Davis commented she is learning so much being on this commission.

ADJOURNMENT

There being no further business to come before the Commission, Chair Sarno adjourned the meeting at 8:19 p.m. The next Regular Meeting is scheduled for Tuesday, April 10, 2012 at 6:00 p.m. in the City Hall Cowles Council Chambers located at 491 E. Pioneer Ave, Homer, Alaska.

JO JOHNSON, CMC, CITY CLERK

Approved: _____



A coalition of non profit agencies and individuals supporting early childhood education in the Homer area.

Co-Chair
Bonnie Betley,
Homer Public Health Center
907-235-8857

Co-Chair
Lolita Brache
Kachemak Kids Early Learning
Center

Treasurer
Audrey Morris
Sprout
907-235-6044

Fiscal Agent
Joy Steward
Homer Foundation

Contract Coordinator
Jenny Martin
907-435-7101

2012 Goals:

Imagination Library

Age Appropriate Playgrounds

POP411.org

Community Education

Parenting Classes

Child Care program Mini
Grants

On-line Parent Support

Week of the Young Child

Home Visiting Program

Accomplishments

- **Parenting Classes** held 4 times a year in both Homer and Anchor Point.
- **Conscious Discipline** parent support DVDs available at Public Library and Public Health.
- **Playground safety and equipment** improved at Bayview park.
- **Child Screenings** for infants through 5 years to screen for developmental stages, hearing, and vision.
- **Home Visiting Program** developed in Homer and outlying areas to provide parent support through the Parents as Teachers training.
- **Imagination Library** providing free books each month for over 180 children ages infant through 5 years.
- **Week of the Young Child** events held in April throughout community raising awareness for early childhood education.
- **Mini-Grants** provided to 3 local child care programs for music and arts curriculum and building improvements.



Families First funded a new slide and boulders for Bayview Park and organized a work party to install equipment and perform other safety maintenance with the Parks & Rec Department (May 2011).



Families First organized a presentation for parents on Social & Emotional Development of Young Children facilitated by Brian Partridge, KBC, at the Community Recreation Toddler Playgroup. (February 2012)

Economic Development Strategies

Ideas for collaboration with the EDC and City of Homer

- Continued collaboration between the Homer Public Library and the Homer Imagination Library to promote reading programs with young children / families.
- \$5000 from the annual City Grant fund (administered through the Homer Foundation) dedicated for early childhood education. Early childhood organizations and child care centers/homes could apply for funding to improve and enhance their services. Families First or another appointed knowledgeable team could review applications and determine awards.
- Collaboration between EDC, City's Economic Development staff, and Families First to develop strategies for improved local business support of early childhood education (i.e., policies, benefits, etc.) and to provide support for early childhood education business owners that create jobs and allow parents to work.
- Continued collaboration between the City's Parks & Rec department and Families First to improve the safe and maintenance of our parks, indoor playspaces, and recreational spaces and to provide developmentally appropriate equipment for young children and children with special needs.

Week of the
Young Child™

Strengthening Families



"We Need YOU!"

Community Café

11a-2pm, Saturday, April 28

Free lunch & childcare provided.

Location: Christian Community Church / Kachemak Kids
3838 Bartlett St.

Contact: 435-7101 www.POP411.org, search for "Families First"

What does the Homer area need to support our youngest community members and our families? Join us and share your thoughts and suggestions!

Sponsored by:



BEST BEGINNINGS
Alaska's Early Childhood Investment

Families First: A Best Beginnings Partnership

Where families develop and grow.

SPROUT

Kachemak Kids Early Learning Center

William J. Marley of Dell Group
183 West Bayview Ave.
Homer, Ak 99603
(907)-235-8987
wmarley@mac.com

April 4, 2012

Chairman Economic Development Committee,
Ms Lindianne Sarno and Committee Members
Economic Development Committee
City of Homer
Homer, Alaska 99603

Re: Homer Ocean Park

Dear Chairman Davis and Committee Members;

Great communities have great parks.

Three of us who are owners of the “Dell” property wish to propose the said property as the most scenic and visible park potential in all of the area.

The Dell property consists of a total of 31.3 acres with of that 12.3 acres estimated uplands on the Sterling Highway. Kenai Peninsula Borough Parcel Nos.: 175-100-53 & adjoining 175-082-33. The combined beach front area is 2,300 feet (est.) and

the highway frontage is 1400 feet (est.). The Dell property is by far the largest piece of land that approximates both the highway and the beach.

The proposed, presently called the “Homer Ocean Park” rests at the base of the truly world class scenic drive into Homer. Its development would provide a natural scenic view of the ocean yet from a natural landscape. It would provide a very positive punctuation point to the end of the road concept of which we are. In fact another name could be Punctuation Park because the location of this park would be at the bottom of the drive into Homer yet the beginning of the entrance to Homer proper and would give new visitors their first impression of us and our community as well as cause us all to have a continuing positive self image of ourselves. Most of us pass this land on a quite frequent basis and this land would indeed be an art image of who we are what we stand for.

The location of the park would be such that with a conceived ramp down to the beach it could then provide for beach access to the trail system beginning at Bishops Beach.

Being at a near sea level yet averaging about 100 feet above sea level it also would provide for

significant tsunami protection and would there for have some strategic value to be owned by the City if ever such a terrible event occurred.

While the final design of the park would rest in the hands of the Parks and Recreation Committee and the City Council some potential park uses are as follows:

A year round performing arts center. In all deference to the Spit area the in-clement winter time weather does not lend itself at all to community activities.

Tennis courts.

Walking trails.

Pavilions for family and group picnics.

Observation stations to appreciate the ocean and wild life. The bluff area is a noted fly way for birds. Bald Eagles regularly cruise the beach. Seals, sea otters and water fowl can often be seen just off of the beaches.

Beach access to the community trail system as well as the extended beach along the property.

An outdoor native appreciation area.

With sewer and water to the property facilities requiring such as rest rooms and water to pavilions can be provided.

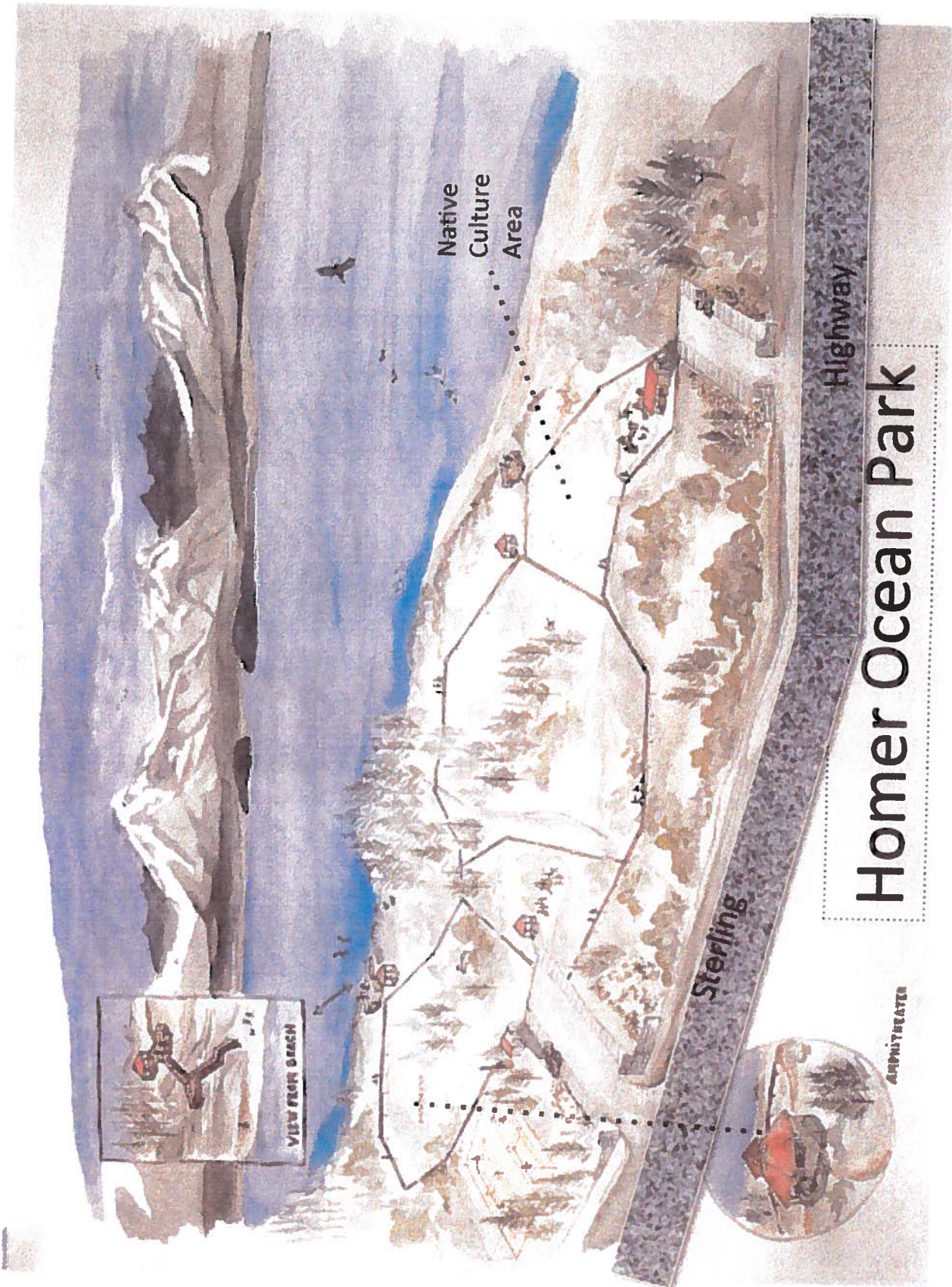
Proposed sale of the entire 31.3 acres of land is \$3,750,000. A final appraisal will no doubt less than this in todays market.

This has to be the most glowing promotional letter I have ever written. But I would be very proud to have future generations enjoy and appreciate this park and I am consequently proud to submit the proposal.

Respectfully submitted;

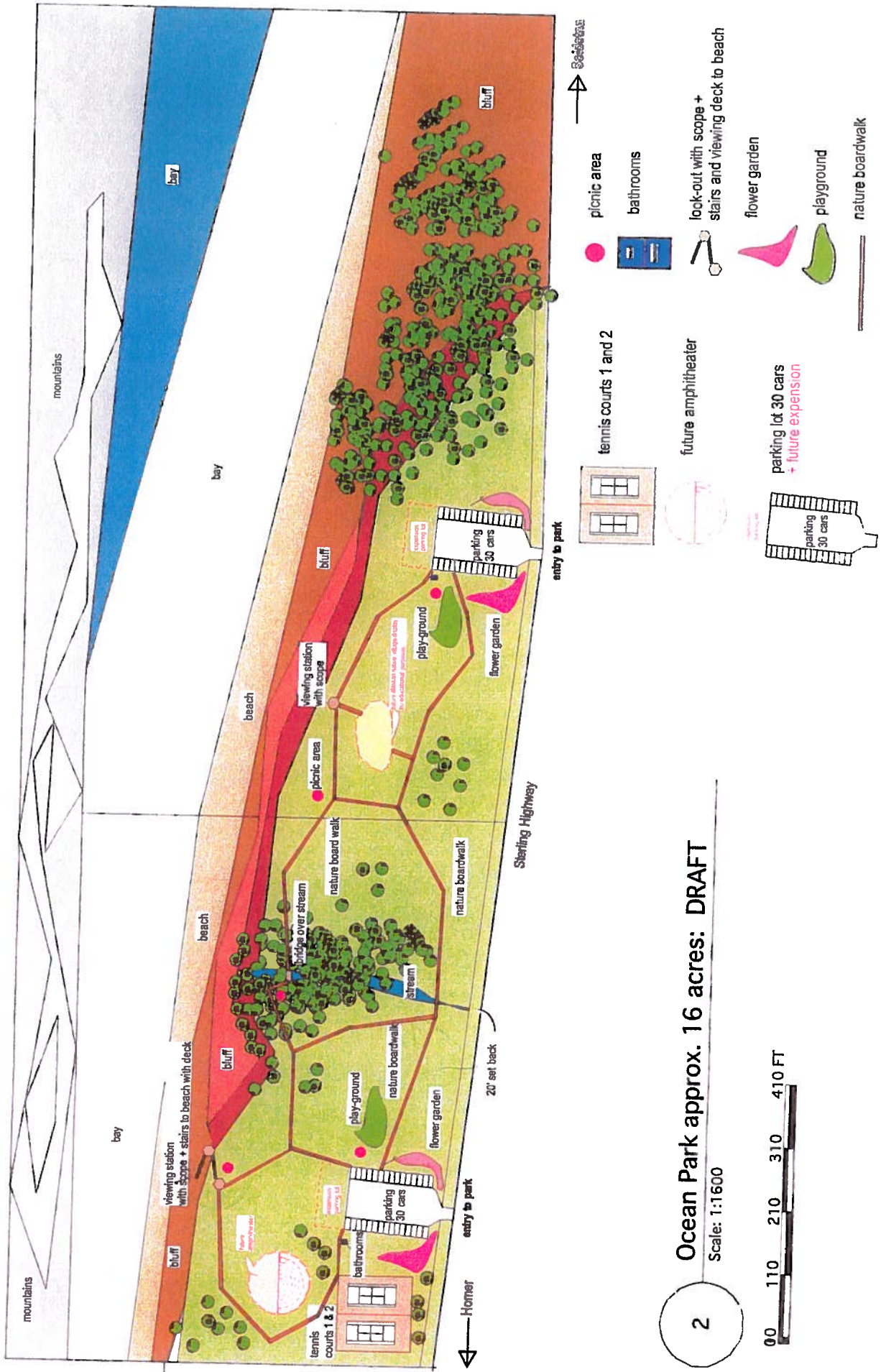


William J. Marley



Homer Ocean Park





2 Ocean Park approx. 16 acres: DRAFT



South Peninsula Natural Gas Pipeline, Phase 2

PROJECT DESCRIPTION & BENEFIT: The goal of the South Peninsula Natural Gas Pipeline Project is to provide natural gas to Anchor Point, Homer, and Kachemak City from the North Fork field east of Anchor Point. Natural gas is expected to provide significant cost savings to homeowners, businesses, and major institutions including state, local, and federal agencies, as compared to fuel oil, electricity, or propane. The transmission line will serve home and business needs en route and be able to supply 5 million cubic feet per day to Homer, which is adequate for a 30-year customer base build out.

PLANS & PROGRESS: The first phase of the project, construction of a pressure reducing station on North Fork Road and approximately 3600 feet of 8-inch plastic pipe into Anchor Point, was completed in 2011 with funding approved by the Alaska Legislature. The Legislature approved additional funding for FY 2012 to extend the natural gas line to Nikolaevsk, Homer and Kachemak City; however, the Governor vetoed all but the Nikolaevsk portion.

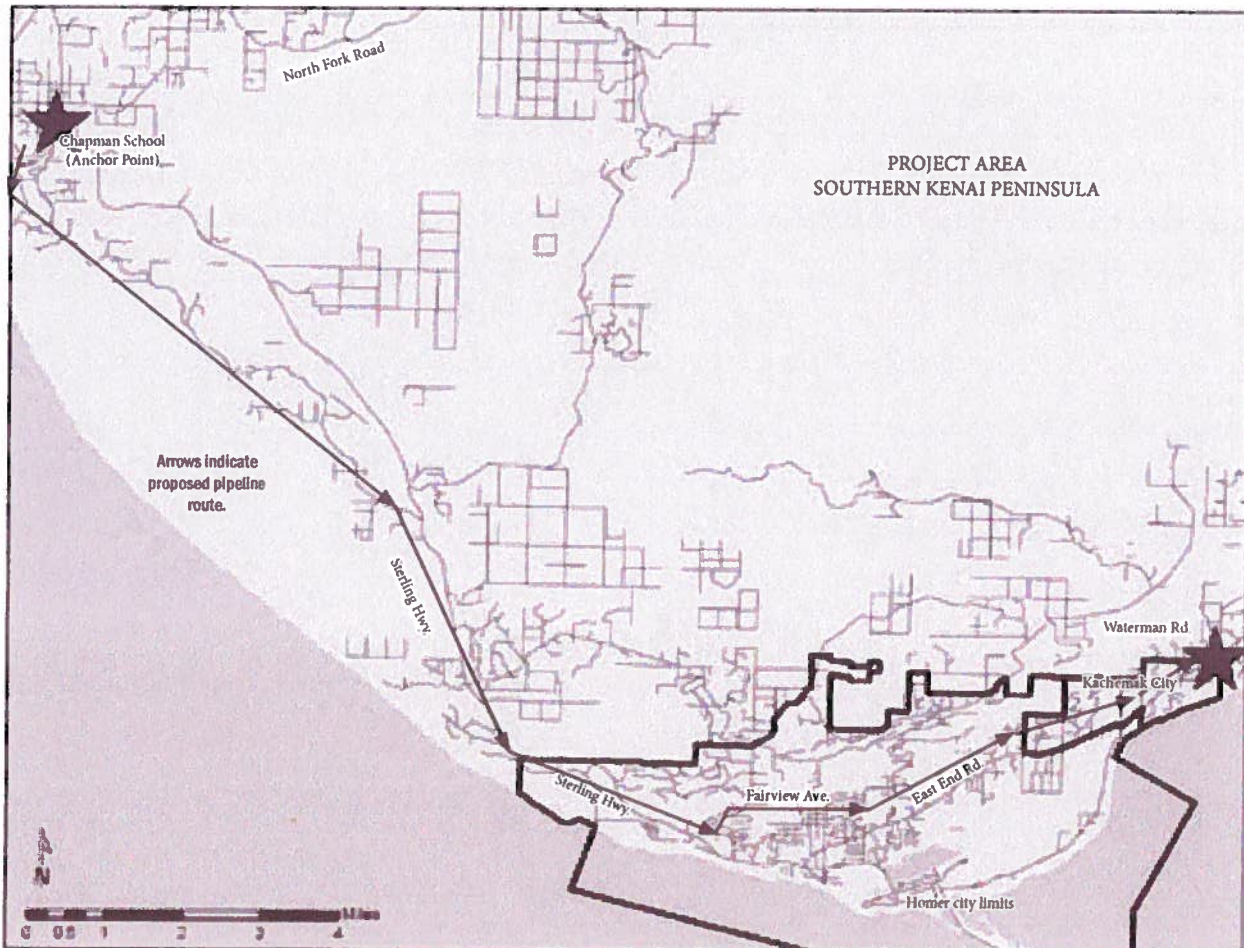
Build out of distribution lines to neighborhoods within Anchor Point, Homer, and Kachemak City will be a local responsibility. Anchor Point has approved a LID to build out the local distribution system, Kachemak City has passed a mil rate for build out and the Homer City Council is researching financing options. The estimated cost to residents in the greater Homer area for a full build-out (110 miles of streets and roads), not including service lines to individual homes and businesses, will be in the range of \$20 million. The RCA has approved a \$1 per mcf tariff that users will pay to help fund the distribution line. Enstar estimates this will generate \$2.5 million in revenue over 10 years. The Homer City Council is working on getting the necessary ordinances in place to be prepared for the 2012 construction season.

Cost: \$10,650,000

Schedule: 2012-13

FY 2013 STATE REQUEST: \$8.15 million

(Tariff paid by users: \$2.5 million or 24% of project cost)



COWLES COUNCIL CHAMBERS
491 E. PIONEER AVENUE
HOMER, ALASKA
www.cityofhomer-ak.gov



WORKSESSION
4:00 P.M. – 6:00 P.M. MONDAY
FEBRUARY 6, 2012

MAYOR JAMES C. HORNADAY
COUNCIL MEMBER BETH WYTHE
COUNCIL MEMBER FRANCIE ROBERTS
COUNCIL MEMBER BARBARA HOWARD
COUNCIL MEMBER DAVID LEWIS
COUNCIL MEMBER BRYAN ZAK
COUNCIL MEMBER KEVIN HOGAN
CITY ATTORNEY THOMAS KLINKNER
CITY MANAGER WALT WREDE
CITY CLERK JO JOHNSON

MEETING NOTICE
WORKSESSION AGENDA

- 1. CALL TO ORDER, 4:00 P.M.**
- 2. AGENDA APPROVAL** (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 5)
- 3. Natural Gas Distribution System**
- 4. COMMENTS OF THE AUDIENCE**
- 5. ADJOURNMENT NO LATER THAN 6:00 P.M.**
Next Regular Meeting is Monday, February 13, 2012 at 6:00 p.m. and Committee of the Whole 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

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.

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?

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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P.O. Box 190288
Anchorage, AK 99519-0288
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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		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total							
		\$585,778	\$320,340	\$187,621	\$38,908	\$77,817	\$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

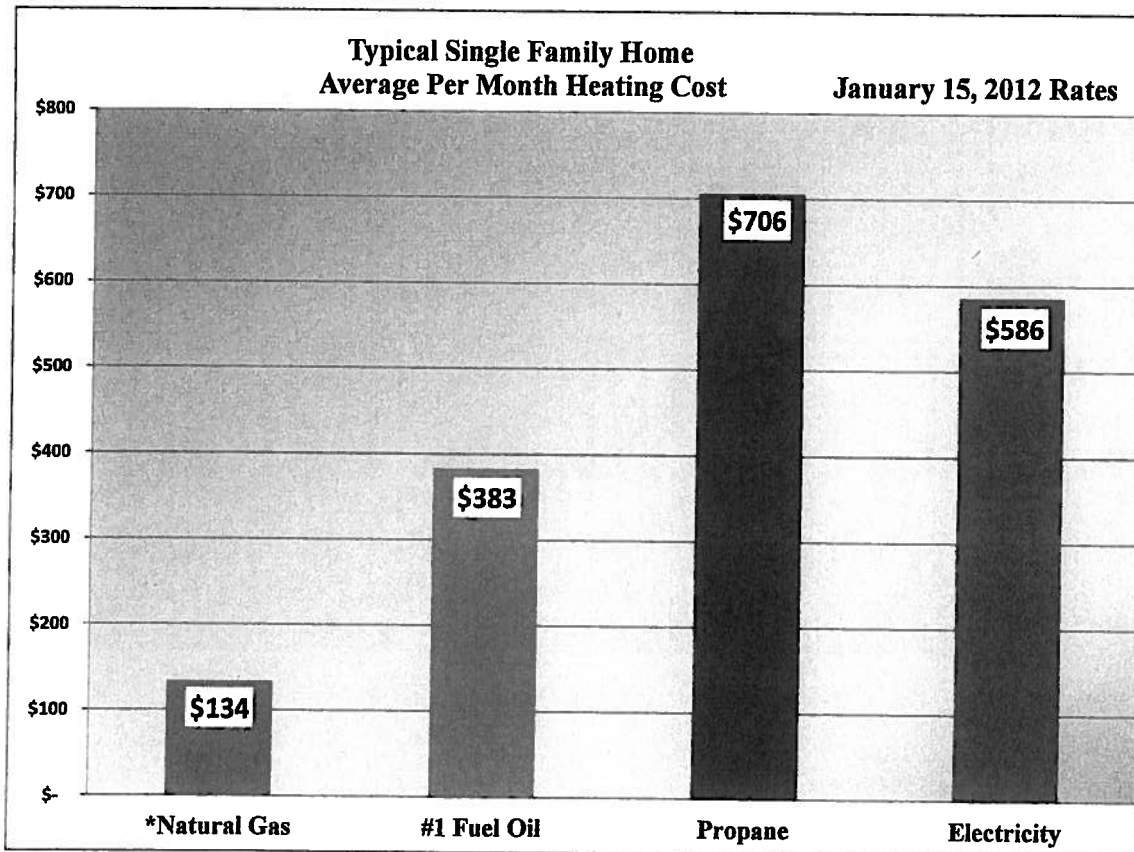
Sales Taxes not included
 Each source will vary with market prices.
 Electricity & Natural Gas prices include monthly customer charge.
 #1 Fuel Oil Is Jet A (low sulfur)
 Fuels priced at typical delivery quantities

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	74,788	\$ 261,564	99,359	G4	0.99678	\$ 99,039	\$ 162,525	62.1
Homer Middle School	\$ 3.4975	24,027	\$ 84,033	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	2,647	\$ 9,635	3,517	G3	0.95283	\$ 3,351	\$ 6,284	65.2
Potential KPB 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	7,641	\$ 27,966	10,192	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
HERC 1, B&G Club, College	\$ 3.66	11,817	\$ 43,250	15,700	G3	0.95283	\$ 14,959	\$ 28,291	65.4
HERC 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	63.1
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	51,800	\$ 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	\$ 1,046	\$ 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	252	\$ 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	\$ -	\$ -	
ADF&G Officer/Shop	\$ 3.64	4,165	\$ 15,124	5,820	G3	0.95283	\$ 5,260	\$ 9,864	65.2
AK State Courthouse	\$ 3.64	4,437	\$ 16,151	5,895	G3	0.95283	\$ 5,617	\$ 10,534	65.2
AK State Office Bldg, Lake St.	\$ 3.64	2,840	\$ 9,810	3,607	G2	0.97219	\$ 3,410	\$ 6,200	64.5
DOT Maintenance, Baycrest	\$ 3.80	3,336	\$ 12,677	4,432	G3	0.95283	\$ 4,223	\$ 8,454	66.7
Kachemak Community Center	\$ 3.89	1,000	\$ 3,990	1,329	G1	1.01578	\$ 1,350	\$ 2,640	66.2
US Post Office	\$ 3.64	15,170	\$ 55,219	20,154	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 CCF
 British Thermal Unit BTU
 Thousand BTU MBTU

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

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.

Prepared by: Bill Smith
 4/26/2011

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

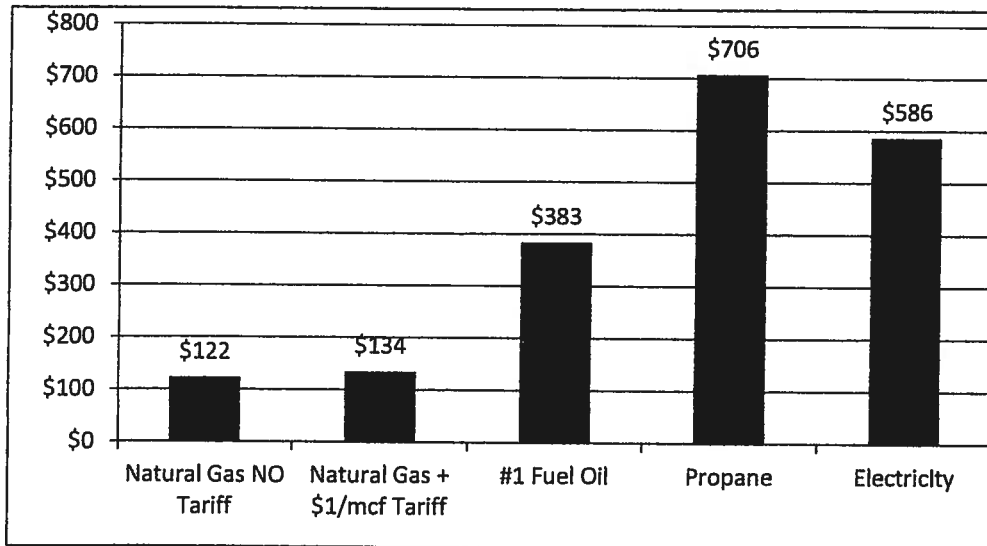
What is a tariff? - The Southern Peninsula is in Estar's service area which means Enstar has to charge us the same rate for natural gas as everyone else in the service area (Kenai Peninsula to Matsu). The tariff is an additional amount used to cover capital construction costs. Southern Peninsula users 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.

	NO TARIFF	\$1/mcf TARIFF
Capital Request - How Much to ask the Legislature for	\$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.
Perception	Southern Peninsula Residents have no 'skin in the game.'	The Southern Peninsula is helping fund our energy needs.
Monthly Cost to Heat Typical Home/ Small Business*	\$122	\$134
Savings Over Fuel Oil for Typical Home/ Small Business	68%	65%

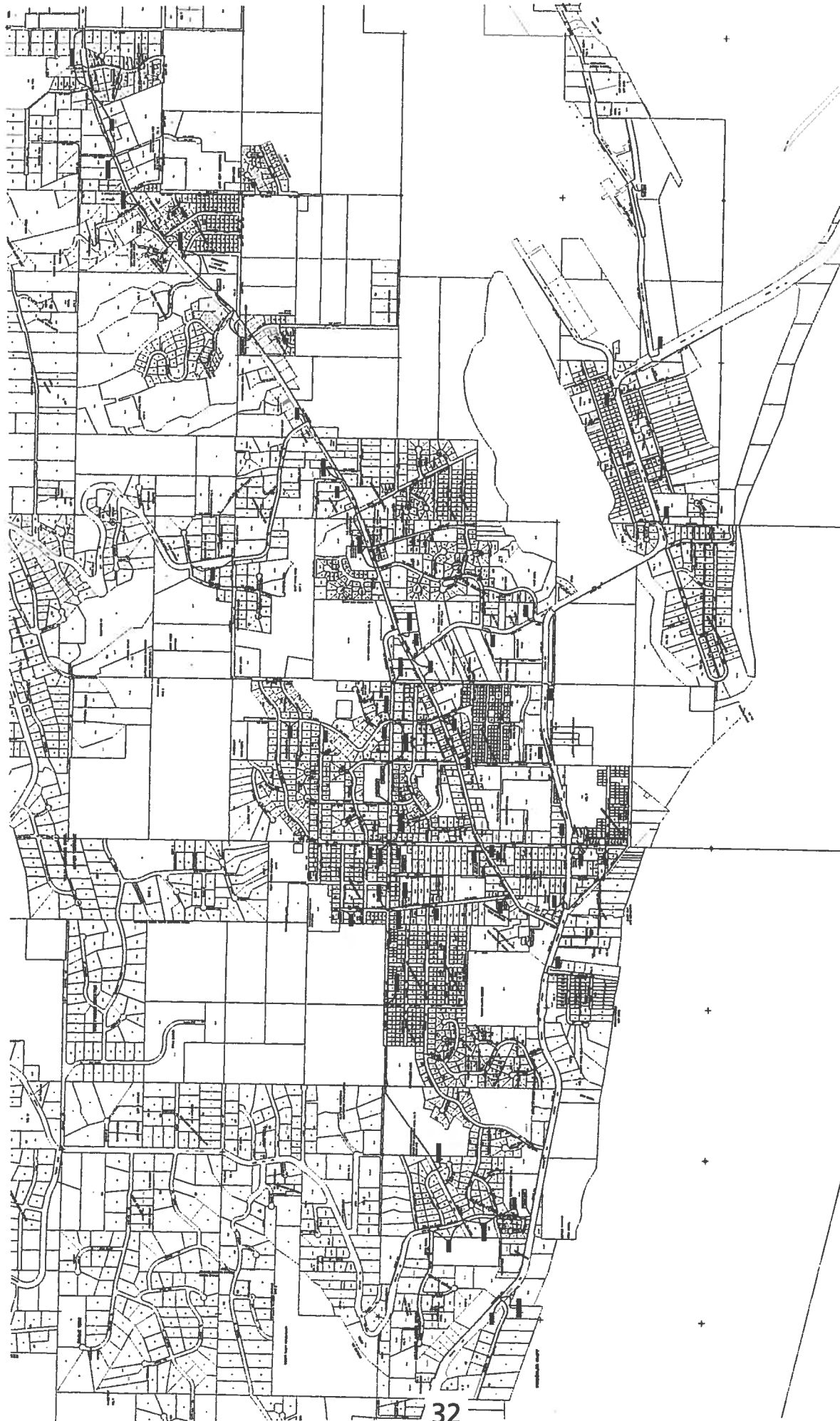
* Typical Home/ Small Business Fuel Oil Usage Assumption: 1200 gallons/year.

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

Fax (907) 235-3148 E-mail: wwrede@ci.homer.ak.us Web Site: 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



3000 Spenard Road
PO Box 190288
Anchorage, AK 99519-0288
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
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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

All Our Energy Goes Into Our Customers