

Session 15-20 a Regular Meeting of the Homer City Council was called to order on May 26, 2015 at 6:00 p.m. by Mayor Mary E. Wythe at the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska, and opened with the Pledge of Allegiance.

PRESENT: COUNCILMEMBERS: BURGESS, LEWIS, REYNOLDS, ROBERTS, VAN DYKE, ZAK

STAFF: CITY MANAGER KOESTER
CITY CLERK JOHNSON
CITY ATTORNEY KLINKNER
CITY PLANNER ABBOUD
PORT AND HARBOR DIRECTOR HAWKINS
PUBLIC WORKS DIRECTOR MEYER

The Council met for a Special Meeting in Executive Session from 4:30 p.m. to 4:52 p.m. to discuss City of Homer v. Castner Supreme Court No. S-15890 Order. From 5:00 p.m. to 5:50 p.m. the Council met as a Committee of the Whole to discuss Water and Sewer Rates, Consent Agenda, and Regular Meeting Agenda items.

Department Heads may be called upon from time to time to participate via teleconference.

AGENDA APPROVAL

(Addition of items to or removing items from the agenda will be by unanimous consent of the Council. HCC 1.24.040.)

The following changes were made: **CONSENT AGENDA - Resolution 15-038(S)**, A Resolution of the Homer City Council Electing to Participate in the AMLJIA Loss Control Incentive Program for the City of Homer for the 2015-2016 Policy Year. City Manager/Finance Director. **ORDINANCES - Ordinance 15-17**, An Ordinance of the City Council of Homer, Alaska, Amending Ordinance 13-03(S)(2) to Permit the City to Prepay Principal of the Natural Gas Distribution Special Assessment Bond Authorized by Ordinance 13-02(S)(2), and Authorizing an Amendment to the Loan Agreement Between the City and the Kenai Peninsula Borough Regarding the Bond. City Manager. First Amendment to Loan Agreement as backup. **Ordinance 15-18(S)**, An Ordinance of the City Council of Homer, Alaska, Amending the FY 2015 Capital Budget by Appropriating ~~\$613,000~~ **\$621,500** From the General Fund Fund Balance to the Public Safety Building Project Account to Fund the New Public Safety Building to 35% Design. Mayor. **CITY MANAGER'S REPORT** -Memorandum 15-079 from City Manager, Re: Tax Revenue and Public Safety. Letter from Concerned Citizens and Business Owners of

Kachemak Bay, Re: Polystyrene Debris in Kachemak Bay. Letter from Department of Corrections, Re: FY 2016 Funding for Jail.

Mayor Wythe called for a motion to approve the agenda as amended.

LEWIS/REYNOLDS – SO MOVED.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

PUBLIC COMMENTS UPON MATTERS ALREADY ON THE AGENDA

There were no public comments.

RECONSIDERATION

CONSENT AGENDA

(Items listed below will be enacted by one motion. If separate discussion is desired on an item, that item may be removed from the Consent Agenda and placed on the Regular Meeting Agenda at the request of a Councilmember.)

- A. Homer City Council unapproved Regular meeting minutes of May 11, 2015. City Clerk. Recommend adoption.
- B. **Memorandum 15-068**, from Mayor, Re: Reappointment of Patrick Brown to the Economic Development Advisory Commission.
- C. **Ordinance 15-14**, An Ordinance of the City Council of Homer, Alaska, Accepting and Appropriating a Commercial Vessel Passenger Tax Program Grant from the Kenai Peninsula Borough for FY 2014 in the Amount of \$13,925.00 and Authorizing the City Manager to Execute the Appropriate Documents. City Manager. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Moved to Ordinances.

- D. **Ordinance 15-15**, An Ordinance of the City Council of Homer, Alaska, Purchasing Tax Foreclosure Property, Kenai Peninsula Borough (KPB) Tax Parcel Number 173-052-19 and Designating its Use for Public Purpose and Authorizing the City Manager to

Execute the Appropriate Documents. City Manager. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Moved to Ordinances.

- E. **Ordinance 15-16**, An Ordinance of the City Council of Homer, Alaska, Amending Homer City Code 3.05.012, Complete Financial Plan, to Exclude State Revenue Sharing From Income in the City Budget. Mayor. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Moved to Ordinances.

- F. **Resolution 15-035**, A Resolution of the City Council of Homer, Alaska, Requesting That the United States Coast Guard Continue to Maintain and Upkeep the Oil Spill Response Caches Located in Kachemak Bay, Cook Inlet, and the State of Alaska. Reynolds/Burgess. Recommend adoption.
- G. **Resolution 15-036**, A Resolution of the Homer City Council Awarding the Contract to Create a Municipal Art Baseline Inventory to Far North Photography of Homer, Alaska, in the Amount of \$3,700 and Authorizing the City Manager to Execute the Appropriate Documents. City Clerk. Recommend adoption.

Memorandum 15-071 from Public Arts Committee as backup.

- H. **Resolution 15-037**, A Resolution of the Homer City Council Awarding the 2015 Septic Tank Pumping Contract to Homer Septic Services of Homer, Alaska, in the Amount of \$35,510.00 and Authorizing the City Manager to Execute the Appropriate Documents. City Clerk. Recommend adoption.

Memorandum 15-072 from Permit Technician as backup.

- I. **Resolution 15-038**, A Resolution of the Homer City Council Electing to Participate in the AMLJIA Loss Control Incentive Program for the City of Homer for the 2014-2015 Policy Year. City Manager/Finance. Recommend adoption.

Resolution 15-038(S), A Resolution of the Homer City Council Electing to Participate in the AMLJIA Loss Control Incentive Program for the City of Homer for the 2015-2016 Policy Year. City Manager/Finance Director.

- J. **Resolution 15-039**, A Resolution of the City Council of Homer, Alaska, Establishing a 2015 Mill Rate of 9.962541 Mills for the Ocean Drive Loop Special Service District. City Manager. Recommend adoption.
- K. **Resolution 15-040**, A Resolution of the Homer City Council Establishing the Property Tax Mill Levy Rate at 4.5 for 2015. City Manager. Recommend adoption.

Moved to Resolutions.

- L. **Resolution 15-041**, A Resolution of the City Council of Homer, Alaska, Approving a Five-Year General Concession Lease at the Homer Airport Terminal for Daniel Lush, dba Flying Whale Coffee, and Authorizing the City Manager to Execute the Appropriate Documents. City Manager. Recommend adoption.

Memorandum 15-073 from City Manager as backup.

- M. **Memorandum 15-070**, from City Clerk, Re: Travel Authorization for Mayor Wythe to Attend the “Building a Sustainable Future: Conversation with Alaskans” Discussion June 5-7, 2015 at University of Alaska Fairbanks.

Items C, D, and E, Ordinances 15-14, 15-15, and 15-16 were moved to Ordinances, Items C, D, and E. Roberts.

Item K, Resolution 15-040 was moved to Resolutions, Item A. Zak.

Mayor Wythe called for a motion for the approval of the consent agenda as amended.

LEWIS/REYNOLDS – SO MOVED.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

VISITORS

- A. Cody Davidson and Mike Hurd, Youth On Record Alaska

Cody Davidson, Mike Hurd, and Anna Meredith reported on Youth On Record Alaska. Digital music production classes are held as a means to facilitate healthy choices for teens. The

R.E.C. Room is open Monday through Friday 3:00 p.m. to 6:00 p.m. They help kids deal with crisis, transitions, and make referrals. The programs are grant and donation funded. More information can be found at homerrecroom.org. A fundraising event is scheduled for May 27 at 8:00 p.m. at the Pratt Museum.

ANNOUNCEMENTS/PRESENTATIONS/BOROUGH REPORT/COMMISSION REPORTS

- A. Mayor's Proclamation Mary Epperson Day June 6, 2015
- B. Borough Report
- C. Commissions/Board Reports:
 - 1. Library Advisory Board

Library Advisory Board Member Patrick Brown reported on the Library's increased activity of students and patrons. The award winning library has thousands of volumes of books to share. Library staff works diligently to keep things clean. An inventory control theft system has been serviced to ensure materials are not stolen. Obtaining a library card is easy and benefits all patrons. Twice the City of Homer has received the eCity Award from Google. The Library provides computers and printers to help job-seeking applicants and small businesses. WiFi, new computer systems, and emergency backup power supplies are being requested to provide the library with faster and more reliable service for staff and patrons. Several projects are underway at the Library including the adjacent lot that has been cleared. Cleanup continues this weekend. An architect and gardeners have provided exciting opportunities for use and enjoyment of the land and resources. For the youth the Library provides life skills and positive solutions for career selection. Programs include TERC (Testing and Education Reference Center), genealogy group, Mango languages, public meeting resources, children's library, and amateur radio. Homer Friends of the Library supports SPARK (South Peninsula Amateur Radio Klub) and Ham Radio training classes. Last session all nine students passed. Trainings were at no cost to the students as the Friends donated resources. The Library has accomplished much and continues to expand its mission to serve all patrons. It is many hearts, minds, and hands uniting for the greater good and investing in our future.

- 2. Homer Advisory Planning Commission
 - a. Minutes of May 6, 2015
- 3. Economic Development Advisory Commission
- 4. Parks and Recreation Advisory Commission

Parks and Recreation Advisory Commissioner Robert Archibald reported on the Recreation Symposium at the high school that included every recreation group in town. We are advertising for a park host for Karen Hornaday Park. New signs at Jack Gist Park, WKFL Park, and End of the Road Park will soon be erected. The City has renewed their membership with the Alaska Parks and Recreation Association. A membership meeting this fall will draw several hundred people here. The commission is still reviewing a recreational service area and beach policies. At the last meeting over 25 people testified on beach access. The commission has been working on beach issues for the last four to five months and has reviewed lots of ideas. Nationwide Information indicates vehicles are not environmentally good for the beaches. Changes will be coming forward for both vehicle and dog access to the beaches. The next public meeting is June 18 and the commission will bring the beach policies to the council at a June 29th Workession. Highland Games are scheduled for June 20th.

5. Port and Harbor Advisory Commission

6. Cannabis Advisory Commission

Councilmember Burgess announced the first meeting will be on Thursday at 5:00 p.m.

D. Thank You from Rotary Club of Homer-Kachemak Bay for hosting Russian Open Work Team from Yakutsk, Siberia

PUBLIC HEARING(S)

A. **Ordinance 15-09**, An Ordinance of the City Council of Homer, Alaska, Amending Subsection (d) of Homer City Code Section 21.58.020, Installation Requirements, to Delete the One-Acre Minimum Lot Area for Small Wind Energy Systems. Zak. Introduction April 13, 2015, Referred to Planning Commission, Public Hearing and Second Reading May 26, 2015.

Memorandum 15-069 from City Planner as backup.

Mayor Wythe opened the public hearing. In the absence of public testimony, Mayor Wythe closed the public hearing.

Mayor Wythe called for a motion for the adoption of ordinance 15-09 by reading of title only for second and final reading.

BURGESS/REYNOLDS – SO MOVED.

There was no discussion.

VOTE: YES. BURGESS, REYNOLDS, ZAK, VAN DYKE

VOTE: NO. LEWIS, ROBERTS

Motion carried.

- B. **Ordinance 15-13**, An Ordinance of the Homer City Council, Enacting Homer City Code Chapter 9.20, Hotel Tax; and Submitting to the Qualified Voters of the City at the October 6, 2015 Regular City Election the Question of Levying a Tax of 2.5% in Addition to the General City Sales Tax on Rent for Occupancy of a Room in a Hotel, Motel, Inn, Bed and Breakfast or Similar Structure. Lewis. Introduction May 11, 2015, Public Hearing and Second Reading May 26, 2015.

Memorandum 15-065 from City Manager as backup.

Mayor Wythe opened the public hearing.

Pat Malone, city resident, urged Council to vote no. We already pay twice as much in sales tax and adding the bed tax will make it three times more and reduce the amount of visitors.

Coletta Walker, city resident, spoke in opposition to the tax as city businesses already have to compete against the 7.5% sales tax from businesses outside city limits. AAA and AARP look at the taxes; they are a big part of our business.

Mike Warburton, city resident, opposes the tax. People ask about bed and sales tax. Added taxes exploit and gouge people and they will trim their stay or not go at all. In 2005 Homer voted 65% against bed tax. He suggested a 1% tourism tax.

Kevin Hogan, city resident, commented the tax it is a bad idea and the Council has no authority to dedicate tax revenues.

Adrienne Sweeney, city resident, spoke in opposition to the tax. Most of her guests are Alaskans 65%; and in the winter 90% locals. It is a dedication of taxes and the city attorney said funds cannot be dedicated. Economic growth is the answer and supporting small business will generate more revenue.

Tom Bos, city resident, opposes the bed tax and was dismayed when he read that people won't notice this. People should be charged for riding on the beaches, recreation, dumping, and tax on food all year round so we are getting money from everyone.

Paula Riley, city resident, opposes the bed tax as people are already taxed for their entire stay with the absence of the \$500 sales tax cap. The tax will hurt businesses if people stay outside city limits to avoid the tax.

Anna Rodriguez Sansom, city resident, opposes the tax. People already ask if she will discount the rate to cut the tax. They won't be buying gas here, meals, and spending money on trinkets. There are other ways to make economic development.

Keri-Ann Baker, Homer resident, spoke in opposition to the bed tax. It would place an overwhelming burden on a small business. She requested an opinion from the attorney on the validity of a dedicated tax.

Sarah Vance, city resident, is opposed to the bed tax. We want Homer to be a town people come and enjoy without people saying it is really expensive. There are lots of great places to spend money in Homer and we want people to enjoy and continue to make economic growth.

Rick Fetterhoff, city resident, expressed opposition to the bed tax. Homer is a discretionary destination and there is a certain tolerance of what people put up with. He suggested a broad based small percentage tax, if one is needed.

Pat Brown, Homer resident, opposes the bed tax. Homer has become a destination people want to come to; no tax is the impetus to allow them to come. He sees groups that advocate for people with disabilities also advocate for prices. Once taxes are invoked they won't reverse. He asked that we give our small businesses a chance to grow, nurture, and develop and ask the Economic Development Advisory Commission to explore options for economic development.

Mayor Wythe closed the public hearing.

Mayor Wythe called for a motion for the adoption of Ordinance 15-13 by reading of title only for second and final reading.

LEWIS/REYNOLDS - SO MOVED.

Councilmember Lewis explained the history of the bed tax. The Kenai Peninsula Borough Assembly passed a bed tax. The Borough Mayor vetoed it saying people of Homer didn't want the rest of the borough telling them what to do. Councilmember Lewis would like the people of Homer to have a say. The ordinance would then go to the Borough for approval. Voters would be voting on a dedicated tax as they did with HART and HAWSP funds. He questioned Attorney Klinkner on the legality of the dedicated tax.

Attorney Klinkner advised it is legal to dedicate taxes. There is no specific precedent whether municipalities can dedicate tax revenues to particular purposes. Dedicating local tax revenues is widespread across the state and is had not been questioned for a number of years.

Councilmember Zak was declared to have a conflict of interest at the last meeting and an attorney opinion was requested. Attorney Klinkner concluded he had no conflict of interest with the ownership of a bed and breakfast.

Councilmember Burgess expressed opposition to imposing a tax. This is an advisory vote, an idea of posing the question to the voters. Seward has almost a \$3M marketing budget from ship and bed taxes. That is one of the biggest reasons someone will go to Seward instead of Homer. Valley cities Palmer, Wasilla, and Anchorage have a \$1.5M marketing budget. Homer has a line item of \$51,000 that goes to the Chamber of Commerce. We also made one ad buy in a book. We are riding on the awesomeness of our place which is riding on a fishery. Waiting for the fishery to get better is not a solution. Not raising taxes at all is not a solution. We need to be competitively marketing ourselves..

Mayor Wythe clarified this is not an advisory vote. It is for the voters to approve an increase of tax. If passed, the Council would not have the authority to change the allocation of the funds. If the voters vote yes it will go to the Borough Assembly; if they vote no the entire ordinance is void.

Councilmember Zak counted the cost this could have on the local economy, including the expense of putting it on the ballot and the citizens' time. A .5% property tax or 1% tourism tax may be more fair. This could hurt us when looking at changes to halibut regulations. As a bed and breakfast owner he has been asked to discount the tax rate. We need to stop this here tonight and not go before the voters. If voters vote to tax the minority group we are taxing an economic industry that doesn't have a sales tax cap.

Councilmember Reynolds commented Councilmember Lewis brought the ordinance forward as we are facing a lot of pressure for a rec area. Although she sees the value of the charter fishing industry, kayaking and hiking appeal to her. Sales tax on food is an unfair tax for people of the lowest incomes. Tourism tax is hard to enforce since there is so much grey area between what locals and tourists want to do.

Mayor Wythe noted twelve years ago the City separated taxation since so much of the community is not in City of Homer proper. We removed part of the mill rate to increase sales tax for the library. As we look at a tax increase, property tax is much smaller than the user community. Sales tax makes a lot more sense for everyone's participation. The conversation will be needed in the near term. We increased sales tax after the voters voted to build the library with no funding. We then came back in six months after discussion and education and the voters supported the sales tax increase. The money that increased support to the library is not with us for months without the food tax. It is easy to say tighten the budget but that means cutting crucial services that allow us to enjoy living here. We could close the library and community schools but we still need police, fire, and public works. Our only source of revenue is through taxation. We have cut the budget substantially year after year and the Council struggles year after year with the budget.

Councilmember Burgess urged the Council if they are not going to proactively look for solutions to balance the budget it is poor form to advocate spending monies if you are not looking for ways to generate revenues. If you are going to make compelling arguments use factual arguments rather than an emotional appeal.

Councilmember Zak commented the citizens here tonight are paying for marketing and are doing so much more to market and sell Homer. Knowing how much work these people put into the community to survive we have to discover a new way to survive. There are many other ways to find revenue streams. Do we want to spend \$649,000 to take something to the 35% design phase? We have to look at employees, the biggest cost to our city. We pay for health care for all the employees; IBM no longer does.

Councilmember Lewis commented on charging employees for health care when they were hired and promised not to have to pay for it. The \$600,000+ is not raising any money. We have to look at ways to raise funding since costs keep increasing. He doesn't want to single any individual group or business. There are a number of people that have asked him why we don't have a bed tax. Now will be their chance to say yes or no. You can't cut your way out of economic problems because you will lose what becomes the community of Homer. The nonprofits take up a lot of the slack the City can't afford to do.

Councilmember Zak said we have looked at selling land and putting it back on the tax rolls. There is a lot we can do besides implementing an additional tax. We have to look at something equally, not just the minority. He doesn't want to lose our citizens along the road. He doesn't want to put it on the ballot due to costs and citizens' time.

VOTE: YES. ROBERTS, LEWIS

VOTE: NO. REYNOLDS, ZAK, BURGESS, VAN DYKE

Motion failed.

Mayor Wythe called for a recess at 7:25 p.m. and reconvened the meeting at 7:32 p.m.

ORDINANCE(S)

- A. **Ordinance 15-17**, An Ordinance of the City Council of Homer, Alaska, Amending Ordinance 13-03(S)(2) to Permit the City to Prepay Principal of the Natural Gas Distribution Special Assessment Bond Authorized by Ordinance 13-02(S)(2), and Authorizing an Amendment to the Loan Agreement Between the City and the Kenai Peninsula Borough Regarding the Bond. City Manager. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Mayor Wythe called for a motion for the adoption of Ordinance 15-17 for introduction and first reading by reading of title only.

LEWIS/BURGESS – SO MOVED.

Attorney Klinkner advised Mayor Wythe has no conflict of interest since the improvements for the gas district have been constructed and assessments have been levied.

ROBERTS/BURGESS - MOVED TO HAVE THE PUBLIC HEARING AND SECOND READING ON JUNE 15TH.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

- B. **Ordinance 15-18**, An Ordinance of the City Council of Homer, Alaska, Amending the FY 2015 Capital Budget by Appropriating \$613,000 From the General Fund Fund Balance to the Public Safety Building Project Account to Fund the New Public Safety Building

to 35% Design. Mayor. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Memorandum 15-074 from City Manager as backup.

Ordinance 15-18(S), An Ordinance of the City Council of Homer, Alaska, Amending the FY 2015 Capital Budget by Appropriating ~~\$613,000~~ **\$621,500** From the General Fund Fund Balance to the Public Safety Building Project Account to Fund the New Public Safety Building to 35% Design. Mayor.

Mayor Wythe called for a motion for the adoption of Ordinance 15-18 for introduction and first reading by reading of title only.

LEWIS/BURGESS - SO MOVED.

Mayor Wythe called for a motion to substitute Ordinance 15-18(S) for Ordinance 15-18.

LEWIS/BURGESS – SO MOVED.

There was no discussion.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

ROBERTS/BURGESS - MOVED TO CHANGE THE PUBLIC HEARING AND SECOND READING TO JUNE 29TH.

Mayor Wythe commented in the absence of State funding we have momentum behind the project to follow through to 35% design. If anything changes with funding we can take the project forward or to the voters for bond funding. If we stop now we have nothing to take forward. She is requesting the allocation of State Revenue Sharing funds for the project.

Mayor Wythe noted funds from 2015 distributed in 2014 were unallocated and we have an excess revenue. It is close to equal of the State Revenue Sharing for 2014. In past years State Revenue Sharing has been used to balance the budget, although it should be separated from the annual budget. Funds for the public safety building design to 35% will come from the general fund that includes State Revenue Sharing. We have to get off the dependency of using State Revenue Sharing as it will be discontinued within the next two years.

The Council discussed the importance of fire, public safety, and police. OSHA says we will provide a safe working environment. Currently we cannot keep employees safe from

prisoners. The Fire Department is a high need, but the Police is a critical need. The project has been on the CIP for 20 years and we have not done anything.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

- C. **Ordinance 15-14**, An Ordinance of the City Council of Homer, Alaska, Accepting and Appropriating a Commercial Vessel Passenger Tax Program Grant from the Kenai Peninsula Borough for FY 2014 in the Amount of \$13,925.00 and Authorizing the City Manager to Execute the Appropriate Documents. City Manager. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Mayor Wythe called for a motion for the adoption of Ordinance 15-14 for introduction and first reading by reading of title only.

LEWIS/REYNOLDS - SO MOVED.

LEWIS/ROBERTS - MOVED TO AMEND FOR THE SECOND READING AND PUBLIC HEARING TO BE ON JUNE 15TH.

The Council discussed the disparity between funds Seward and Homer receive for cruise ships. We need to figure a way to get cruise ships to come to Homer instead of Seward.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

- D. **Ordinance 15-15**, An Ordinance of the City Council of Homer, Alaska, Purchasing Tax Foreclosure Property, Kenai Peninsula Borough (KPB) Tax Parcel Number 173-052-19 and Designating its Use for Public Purpose and Authorizing the City Manager to Execute the Appropriate Documents. City Manager. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Councilmember Burgess declared a potential conflict of interest as he owns property within 300 ft. of the subject parcel.

City Attorney Klinkner advised there is little to no effect on the value of Councilmember Burgess' property resulting from the City purchasing the parcel.

Mayor Wythe called for a motion for the adoption of Ordinance 15-15 for introduction and first reading by reading of title only.

LEWIS/REYNOLDS – SO MOVED.

ROBERTS/LEWIS - MOVED TO AMEND THE PUBLIC HEARING AND SECOND READING TO JUNE 15TH.

There was no discussion.

VOTE: (amendment) YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

VOTE: (main motion as amended) YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

- E. **Ordinance 15-16**, An Ordinance of the City Council of Homer, Alaska, Amending Homer City Code 3.05.012, Complete Financial Plan, to Exclude State Revenue Sharing From Income in the City Budget. Mayor. Recommended dates: Introduction May 26, 2015, Public Hearing and Second Reading June 8, 2015.

Mayor Wythe called for a motion for the adoption of Ordinance 15-16 for introduction and first reading by reading of title only.

LEWIS/REYNOLDS - SO MOVED.

The Council discussed the declining State Revenue Sharing and the need to stop relying on it to balance the budget. The Council may allocate State Revenue Sharing for a specific use with the passage of Ordinance 15-16.

ROBERTS/LEWIS - MOVED TO CHANGE THE PUBLIC HEARING AND SECOND READING TO JUNE 15TH.

VOTE: (amendment) YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

VOTE: (main motion as amended) YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

CITY MANAGER'S REPORT

A. City Manager's Report

1. Memorandum 15-076 from City Manager, Re: Process for land sales.
2. Memorandum 15-075 from IT Manager, Re: Telephonic Participation at Council Meetings.
3. Memorandum 15-079 from City Manager, Re: Tax Revenue and Public Safety

Bridge Creek Watershed Lots for Sale

I was approached by Aryn Young and Beau Burgess of Porcupine LLC regarding lots for sale in the Bridge Creek Watershed (see attached map). According to Planning Director Abboud, at a minimum 2 of these lots, lots 17368015 and 17368014 are rich with tributaries and would be very beneficial for the preservation of the watershed (see attached map). The assessed value of the lots is \$16,300 and \$20,000, however the lot owner is asking \$55,000 for both parcels. The lots would need to be appraised before they could be purchased by the City to determine fair market value. The City Council would need to identify a source of funding for land purchase. There is the Land Reserve fund, however it currently carries a small negative balance (-\$200). One option would be for the Council to advance with the land sales proposed in the Land Allocation Plan with the intention of building up the fund and pursuing purchase of the lots at a later date. A second option would be to transfer funds from the General Fund to the Land Reserve Fund (this is what is proposed in the resolution before you today authorizing the purchase of 40 acres of foreclosed property in the watershed from the Borough). However, Ms. Young indicated a desire to put the lots on the market in the near future, which means the City runs the risk of the lots selling before the City is able to build up the necessary capital. Of course the third option is to do nothing given the current fiscal climate. Please let me know if Council believes these lots are valuable enough to warrant further investigation.

Blue Crest Energy Update

Port and Harbor Director Hawkins and I had a visit from Blue Crest Energy this week updating the City on plans for the drilling of the Cosmo oil project. The project is located on the bluff side of Milepost 151 of the Sterling Highway near Anchor Point. Though the rig and drill operation will be located onshore, the project will horizontally drill to access oil fields offshore. Product will primarily be trucked north to Nikiski. During construction, September – April, Blue Crest will be employing 300-350 people and depending on Homer hotels for housing employees that cannot be found locally (primarily through contractors). The City has put Blue Crest in touch with the Chamber and Homer Marine Trades Association as potential resources. During construction it is also likely that the Port will be used for bringing in

construction materials, though details have yet to be finalized. I have included a Frequently Asked Questions for your information. Blue Crest will be holding a public meeting on June 10th at Land's End.

Street Sweeping Delays

Public Works was expecting to have their new sweeper (the one that picks up the bulk of the material as opposed to the vacuum sweeper that is for secondary cleanup) the first half of April. The unit was being manufactured over the winter. The vendor, Yukon Equipment, was late getting it to Homer and once it was delivered Public Works found programming issues with it. The vendor and manufacturer are working diligently on resolving the issues, however it has resulted in a delay of street sweeping. Unfortunately, this is taking place when we need that piece of equipment the most. Public Works has been using the vacuum sweeper as best as it can be used, but many streets still have not been swept. The vacuum unit is not designed to pick up heavy sand, so it is a slow operation to use it as a pick-up broom. The new unit was delivered on May 19th and Public Works will have it in operation every day until the streets are cleaned. Please be patient with street sweeping and know that Public Works is doing the best they can with the limited tools available.

Float Debris

Councilmembers have heard from members of the public regarding float debris that have been found on Kachemak Bay beaches. As part of the harbor float replacement project, the contractor, Harris Sand and Gravel, was required to dispose of the old harbor floats. Unfortunately the City did not stipulate in the contract during the first phase of the project how the floats were to be disposed of and Harris Sand and Gravel gave floats from the first phase away to a number of different people last fall. The floats were taken to various sites around the bay and some obviously were not properly secured. No one knows for sure how many of the first phase 1 floats have become float debris. A recent letter from concerned residents leads us to believe that there are quite a few float sections that have gotten away from their owners and that some level of action needs to be taken. In the second phase (System 4 rehab) of the harbor float improvement project the city made stipulations in the contract as to how the demoed floats were to be disposed of. The floats were removed from the harbor to the chip pad and could only be reused/returned into the bay if the flotation billets were replaced with encapsulated billets as required by fish and game habitat.

The City has installed a dumpster above the commercial barge ramp for members of the public to deposit flotation debris that they find (see attached map). Debris cleanup is complicated by the fact that many of the old floats are on private property – this is why it is important that members of the public who have debris on their beaches, or were given the floats and cannot safely secure them, communicate with the City and Borough landfill so that arrangements can be made for proper disposal. The City provided dumpster will be for smaller parts and pieces. Persons interested in returning large float sections to the harbor recovered from the bay will need to contact the harbormaster so that arrangements can be made to remove the floats from the water.

Port and Harbor Director Hawkins, Public Works Director Meyer, and I will be meeting with Harris Sand and Gravel to discuss debris cleanup. I will keep you updated on the progress.

Water Storage/Distribution Improvements Project

The funding for this project (\$1,922,577) continues to remain in the State budget. Public Works will be completing a grant application (to facilitate the preparation of a formal grant agreement) for the City Manager's signature. Public Works will be preparing a resolution authorizing the City Manager to execute the formal grant agreement, and an ordinance that appropriates the matching funds for the project from the HAWSP Fund (\$832,961) for Council action at the first meeting in June. (See attached letters to adjacent property owners for more information).

Jail Contract Cuts

The final word is not in yet from the state on what the cuts will be to the jail contract; however the situation does not look good. Though the program was cut by 30% in the operating budget, program administrators and the Department of Public Safety were optimistic that funding solutions to help mitigate the damage could be found given the integral nature of Community Jails to the State. The latest word from the State is cuts could be as deep as 50%. The City of Homer is anticipating a cut of \$240,000- \$450,000. The Department of Corrections still does not have a final number for communities, though they hope to by the end of the month. The reality of the cuts are fast approaching; the State's fiscal year begins on July 1. I will be meeting with the Finance Director and Police Chief to discuss possible funding scenarios, how the City would react, and the risk involved to the City.

Natural Gas, Interest, and the Free Main Allowance

The City started incurring interest on the loan from the Borough as soon as we made the first draw on the loan. Interest for all assessed property owners begins accruing on July 1, 2015. The first two years of interest payments were never calculated into the total project cost because the City did not really know what those costs would be because there was always the possibility the City might pay off early or perhaps borrow less because project costs were less than estimated. Either of those could change what the City ultimately paid in interest. The thought at the time was to budget for the interest and/or use the Free Main Allowance. The net result of this is that the first two years of interest payments, \$813,000 is absorbed by the project. This eats up a large chunk of the Free Main Allowance. The fiscal impact of losing the condominium case, if that were to happen, could cost around \$300,000, depending on how the Council decides to assess condominiums. At the very beginning of the project Enstar estimated we would receive \$1.6M in FMA over the course of 10 years. We have received \$1.1M to date. As you can see, there is very little wiggle room in the project to account for things like deferred assessments and additional exemptions. Essentially, by paying the first two years of interest on behalf of the property owners the City has given each property owner their share of the FMA up front instead of waiting until the loan has been paid off to redistribute any leftover funds. This equates to \$215 per lot owner.

FMA estimate from Enstar over 10 years	\$1,600,000
First two years of interest	-\$813,000
Assessments for condominiums	-\$326,200
Remaining	\$460,800

FMA current balance	\$1,100,000
First two years of interest	-\$813,000
Assessments for condominiums	-\$300,000
Remaining	-\$13,000

City Manager Koester commented on the city process for land sales. It is a cumbersome process where land has to be appraised, the Council adopts a resolution authorizing advertisement for sealed bids or a public outcry auction, and properties cannot be sold for less than fair market value. Recommendations were discussed at the Committee of the Whole including appraisals before sale, but not before listing for sale, and sale of land to adjacent land owners.

The Council suggested having the ability to list property for sale and allowing interested buyers to approach the City. Property could be sold for higher than the assessed value. Modifying the requirements that property be sold for higher than appraised value to higher than assessed value will eliminate the need for an appraisal. The objective in liquidating the properties is to get them back on the tax roll without diminishing the value. An ordinance changing the process to “assessed” instead of “appraised” value would solve most of the issues.

The Council decided to use the existing process on the West Hill and Kachemak Drive properties to get the process moving forward quickly.

Port and Harbor Director Hawkins reported on the float debris. They have stationed a dumpster by the barge ramp to collect debris brought in from the beaches. The float replacement project had two phases; phase 1 started in October. It detailed it as the contractor’s responsibility to dispose of the floats, but didn’t say how. There was a lot of interest around the bay for the floats that were advertised for free. Property owners took the floats across the bay and some owners allowed the floats to get away, ending up on area beaches. The City has supplied a dumpster to bring pieces back in for disposal. Port and

Harbor Director Hawkins has asked the contractor for a list of people who received the floats to have a conversation with them. He does not know how big the issue is; to date he has received a few pictures of floats, three pieces so far. The second phase contract said the discarded floats need to be removed from the harbor and set on uplands for three weeks to make sure the species of growth have died. Flotation billets had to be replaced with modern coated flotation.

Cuts to the jail contract and diminishing State Revenue Sharing will impact next year's budget. The Council scheduled an Executive Session on June 15th to review the budget deficiencies.

B. Bid Report

C. Games Report

1. Alaska Marine Conservation Council

CITY ATTORNEY REPORT

City Attorney Klinkner reported the Alaska Supreme Court denied the petition for review on the assessments for condominiums for the Natural Gas Special Assessment District. He will provide a resolution for the next meeting to reassess the condominiums.

COMMITTEE REPORT

A. Public Arts Committee

B. Permanent Fund Committee

C. Employee Committee Report

D. Port and Harbor Building Task Force

Mayor Wythe reported the grand opening celebration of the harbor office is June 11th.

E. Public Safety Building Review Committee

Mayor Wythe reported there is no meeting scheduled for the committee at this time.

F. Vessel Haul-Out Task Force

PENDING BUSINESS

NEW BUSINESS

RESOLUTIONS

- A. **Resolution 15-040**, A Resolution of the Homer City Council Establishing the Property Tax Mill Levy Rate at 4.5 for 2015. City Manager.

Mayor Wythe called for a motion for the adoption of Resolution 15-040 by reading of title only.

LEWIS/REYNOLDS – SO MOVED.

The Council suggested bringing the property tax resolution before them next year at the first meeting in May. Therefore if changes were recommended it could be noticed.

It was suggested that Council look at the property tax exemption before looking at the mill rate.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

COMMENTS OF THE AUDIENCE

There were no comments of the audience.

COMMENTS OF THE CITY ATTORNEY

City Attorney Klinkner had no comments.

COMMENTS OF THE CITY CLERK

City Clerk Johnson commended the Council on an exceptional job getting through tough issues.

COMMENTS OF THE CITY MANAGER

City Manager Koester reported a \$366,000 cut to jail funding. Council has intelligently backed out revenue sharing from the budget. There is a combined fiscal gap of \$750,000 and sales tax

is down 8% for the first quarter when there was a projected 2% increase. The supplemental packet contains mill rate and sales tax information. She commended the Council for looking at the budget for the next meeting and asked them to delve into the details. It gives her great pause to be facing that type of shortfall.

Mayor Wythe clarified jail funding for 2015 will diminish by one half of the \$366,000.

COMMENTS OF THE MAYOR

Mayor Wythe thanked everyone for being here and Francie for starting the meeting in her absence. She had an awesome day with the King of Norway. It was fun and she learned a lot of things about the Arctic and that we need to have a bigger voice in that conversation. The community of Homer needs to start paying attention; she knows there are people doing that. We need to be getting our name and business card out there saying we have a port and need a bigger harbor. We need to be able to help support that industry as it comes on. It will be important to us in the next 3-5 years.

COMMENTS OF THE CITY COUNCIL

Councilmember Roberts appreciates everyone's comments, although we didn't always agree. It was interesting debate on ideas of how to address some of the problems. She had asked Interim City Manager Yoder to look into the amount of water in our reservoir. We didn't get much snow pack this year. She asked City Manager Koester to look into it to reassure us we do not have water issues. We approved the public arts inventory contract. She is glad to see it is happening. Her original concern was it would be too costly, but it doesn't seem overboard in cost. We have wonderful artwork all over the City and it would be good to get that job done. She asked City Manager Koester about the re-allocation for Waddell Way.

City Manager Koester answered we had asked for \$600,000 to be re-appropriated to the public safety building. The money was not re-appropriated, but it wasn't taken. We still have \$1.4M for Waddell Way. Carey has been working on it and brought it to Planning Commission at their last meeting. She will provide an update at the next meeting.

Councilmember Reynolds thanked everyone for the lively discussion and everyone that came for public comments. She thanked Alaska Youth On Record. She was happy to see Resolution 15-035 passed, especially after this weekend when there was an oil spill on Thors Hammer. We have already had three large vessels in Cook Inlet lose power this year. Hopefully the Coast Guard is able to see the wisdom of keeping response caches around the area.

Councilmember Van Dyke had no comment.

Councilmember Lewis asked Katie to have a resolution supporting the 50 ft. buffer around streams. The Borough has an ordinance coming up to do away with that, but salmon is an

important part of the Peninsula. He wished the boys' soccer team luck this week at State. They won two and lost one; all of the games were by one goal and two were in overtime. They get to pay Kenai for their first game at the State. He is glad to see Chamber of Commerce Director Karen Zak here. Councilmember Lewis received a couple emails from Nick Varney who had contacted the Chamber about a partnership with businesses and building an enclosure over the fish cleaning tables at the Fishing Hole and he had not heard back from the Chamber. He asked Karen to get in touch with him.

Councilmember Zak thanked the Council for their great work and the City Manager for bringing it to our attention she is looking for assistance with the budget. We had the King of Norway and the first cruise ship of the season dock here. We get a few cruise ships and some revenue from them. Those visitors see our beautiful community and often come back. It was great to see and learn of additional small businesses that are operating in our community.

Councilmember Burgess reminded the general public when they make an emotional appeal to persuade someone on an issue, he appreciates people bringing facts to the table when trying to convince the Council either way to state their position. It is a lot easier to get behind solutions than emotional appeals. We are lucky to have a mayor who takes care of our town fiscally. Although he may not agree with the mayor on every policy decision we make, Mayor Wythe does an excellent job looking out for the fiscal future of our town and in balancing our budget. It makes him feel good when we spend money to send her to a Fairbanks conference or when she takes time to hang out with a foreign head of state because there is a lot of good that comes to the City of Homer for her efforts. It is often overlooked by those who aren't intimately involved with our government. He asked if we are getting a new project manager for Carey.

City Manager Koester answered she had advertised a temporary position for the project manager. She hopes funding for it can come out of the Deep Water Dock Feasibility Study. It is a big project that needs to be managed. She hasn't authorized filling a full time position as she is moving forward cautiously.

Mayor Wythe added the project manager was authorized previously to the extent we had projects funded to support his salary. It was not considered a permanent position.

ADJOURNMENT

There being no further business to come before the Council, Mayor Wythe adjourned the meeting at 8:26 p.m. The next Regular Meeting is Monday, June 15, 2015 at 6:00 p.m., Committee of the Whole 5:00 p.m., and Special Meeting 4:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

JO JOHNSON, MMC, CITY CLERK

Approved: _____