



City of Homer

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Office of the City Manager

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Memorandum 20-067

TO: Mayor Castner and Homer City Council
FROM: Marvin Yoder, Interim City Manager
DATE: May 26, 2020
SUBJECT: Backup memo to Resolution 20-049, Follow up to May 18th Worksession

On tonight's agenda includes Resolution 20-049, "Establishing a 2020 Mill Rate of 9.962541 Mills for the Ocean Drive Loop Special Service District." Per the Borough, the mill rate must be set by June 15th. As follow up to the May 18 worksession, staff were asked to provide clarification on if the mill rate for the Seawall properties could be raised and the answer is yes. According to *Alaska State Statute 29.45.090 Tax limitation*:

"(a) A municipality may not, during a year, levy an ad valorem tax for any purpose in excess of three percent of the assessed value of property in the municipality. All property on which an ad valorem tax is levied shall be taxed at the same rate during the year."

Ten mills is synonymous with 1% so the maximum mill rate the City of Homer could set is 30. If there is bonded debt, the mill rate could exceed 30.

In his May 14 memo, City Engineer Meyer provided an estimate of \$100,000 to fix 20 out of the 85 wooden panels on the wall. This repair would not need to occur if armor stone could be placed at the toe of the wall prior to the arrival of this winter's storms. However, if consensus and construction are not reached by then, replacing the wooden panels would need to occur and would exceed the maintenance account balance (currently estimated at ~\$93,000) for the wall. If this occurs, Council could apply a portion of the City's \$10,000 annual contribution for FY21 to this year's expenses to make up the difference. If an expanded SAD to place armor stone is successful before the winter storms, then the maintenance account balance should take care of any other needed repairs for this year assuming no unanticipated damage occurs before then. Raising the mill rate at this time would provide more funds for next year's maintenance expenses so that preservation of the Seawall in its current form can sustainably still occur. Staff can provide scenarios that demonstrate what increases to the mill rate could look like at the June 8th meeting if desired by Council for consideration.

In considering how likely it is the armor stone major improvement could occur this year, would Council be willing to pay upfront for costs that exceed the maintenance account balance if we need to continue reinforcing the current Seawall? This is an important decision if Council decides to keep the mill rate at the same amount while focusing efforts on the long-term armor stone solution. Property tax bills are sent out in July and revenues are received by the City between September-November of each year. For 2021, the Seawall in its current form will most likely have maintenance expenses before those revenues are received and could reimburse the City for any advanced expenses incurred; this is assuming the current balance is depleted from replacing the wood panels.

Overall approach

Based on discussion at the worksession on May 18, staff suggests the below approach to address improvement needs and annual maintenance to the Seawall. Additional follow-up to answer the questions and direction given by council at the worksession will be provided at the June 8 council meeting.

Approach:

1. An expanded Special Assessment District should be formed which will pay for construction of the armor stone addition. This will be defined by the Public Works Director and City Engineer.
2. Accessing funds for this project with very minimal interest through a State-managed loan program (after exploring any liabilities the City may face with this financing option).
3. An expanded Special Service Area should be formed to provide funding for maintenance through the mill rate.

Seawall Maintenance Expenditures

	2012	2013	2014	2015	2016	2017	2018	2019*	2020*	Total
Seawall Maintenance Expenditures	\$38,292	\$0	\$0	\$3,126	\$30,328	\$102,916	\$44,594	\$33,054	\$46,708	\$299,018

Seawall Revenue ("Seawall Maintenance Fund")

156-0369	2012	2013	2014	2015	2016	2017	2018	2019*	2020*	Total
Seawall Reserve Account (City)	\$70,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$150,000

808-0375	2012	2013	2014	2015	2016	2017	2018	2019*	2020**	Total
Mil rate deposits (ODLSA private property owners)	\$19,167	\$22,078	\$35,176	\$24,802	\$24,759	\$30,140	\$28,917	\$30,052	\$26,886	\$241,977

Remaining Balance for Future Seawall Maintenance

	2012	2013	2014	2015	2016	2017	2018	2019*	2020*	Total
Combined Seawall Revenue	\$89,167	\$32,078	\$45,176	\$34,802	\$34,759	\$40,140	\$38,917	\$40,052	\$36,886	\$391,977
Seawall Maintenance Expenditures	\$38,292	\$0	\$0	\$3,126	\$30,328	\$102,916	\$44,594	\$33,054	\$46,708	\$299,018

Remaining Balance: \$92,959

Updated 5/26/20

***Please note:**

*The above 2019 figures will be finalized once the City audit is completed by September 2020.

*2020 figures have not been reviewed by Finance Dept. and will not be finalized until September 2021.

*The 2020 mil rate deposit amount provided at the 5/18/20 worksession was incorrect, as it actually was the final 2019 figure from KPB. To help Council in tonight's discussions, staff have taken the average of mil rate deposits to provide a new figure for 2020. The Borough will have the 2020 certified tax roll from their Assessing Dept. in a couple of days so City staff can provide a better 2020 mill rate deposit estimate by the June 8th meeting.

**This is the figure estimated to be received this year in property taxes. Bills go out in July and are due in one installment by Oct. 2020 or in two installments due September and November 2020.



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Finance Department

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Memorandum

TO: Mayor Castner and Homer City Council
THROUGH: Marvin Yoder, Interim City Manager
FROM: Elizabeth Walton, Finance Director
DATE: May 26, 2020
SUBJECT: Employee Regular Time Spent on COVID Pandemic

The purpose of this memo is to provide a breakdown of regular time spent by City of Homer employees to address the COVID pandemic.

Budgeted Personnel Costs Recorded to COVID response:

Breakdown of Costs thru PPE 5/10:

Full Time Regular	\$170,341
Part Time Regular	\$1,590
<u>Quarantine</u>	<u>\$17,498</u>
Total Cost	\$189,429

This category is a moving target and a determination still remains on how to utilize CARES funding to cover budgeted personnel costs.

There have been numerous interpretations of the language in municipalities across the State, with some stating that the CARES funding can be used to fully cover the budgeted labor costs associated with first responders. Others are interpreting the language very tightly and are using CARES funding to cover labor costs only if the employee experienced a “substantially different” job.



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Memorandum 20-066

TO: HOMER CITY COUNCIL
FROM: MAYOR CASTNER
DATE: MAY 26, 2020
SUBJECT: CARES ACT SPENDING

In Ordinance 20-25, I have asked the Council to set aside \$3,030,000.00 for administration and distribution of equally sized grants to Homer-located businesses.

I have consulted with several people, and believe the best screen for eligibility is through sales tax collection combined with a public place of business within the Homer city limits.

In the first quarter of 2020, there were 1,022 entities that filed sales tax returns that included Homer as a tax collection area. Of those, 79 reported no sales, 33 had outstanding balances, and 17 had missed prior filings.

The application process would include the physical location of the business which would eliminate out of town or state sales.

It is a "small business" program, which surprisingly is mostly defined at being less than \$35million in sales.

Also, as part of the application process, a W-9 must be included so that the City can file a 1099. It is unknown as to whether this is reportable income, but that is not the City's problem. The 1099 can be issued with the grant check to save on costs.

This type of program meets the requirements of the CARES Act. I know that some Council members want to derive a program that somehow benefits the City residents. There remains in the CARES package over \$4mm that might be used to address those concerns.

Figuring that the total number of applicants will be under one thousand, the grants could be \$2,500 each. A cash injection into the economy at this time will go a long way in helping in business recovery.

Thank you.