



City of Homer

www.cityofhomer-ak.gov

Office of the City Clerk

491 East Pioneer Avenue

Homer, Alaska 99603

clerk@cityofhomer-ak.gov

(p) 907-235-3130

(f) 907-235-3143

Memorandum

Agenda Changes/Supplemental Packet

TO: MAYOR CASTNER AND HOMER CITY COUNCIL
FROM: MELISSA JACOBSEN, MMC, CITY CLERK
DATE: JANUARY 11, 2021
SUBJECT: SUPPLEMENTAL PACKET

CONSENT AGENDA

Memorandum 21-005 backup for Resolutions 21-004 and 21-005 to is changed to Memorandum 21-012 to correct duplicated Memorandum number.

VISITORS

Lobbyist Update – Session Update Reports Page 2

PUBLIC HEARINGS

Ordinance 20-93, An Ordinance of the City Council of Homer, Alaska Amending the 2021 Operating Budget to Provide for Necessary Mid-Biennium and 2021 Truncated Budget Adjustments. City Manager.

Memorandum 21-013 from Finance Director as backup Page 14
Written public comment Page 18

PENDING BUSINESS

Resolution 20-133(S), A Resolution of the City Council of Homer, Alaska Expressing Intent to Participate in the Payment of the Water and Sewer Assessments for Kenai Peninsula Borough Parcel Number 17936032, T06S R13W SEC 22 Seward Meridian HM 2017050 Hodnik Subdivision Lot 4, by Kachemak Bay Moose Habitat, Inc. when the Property Ownership Transfers to Kachemak Bay Moose Habitat, Inc, and a Deed Restriction for Conservation and Public Use are Recorded. City Manager.

Written public comment Page 20



Bills, Bills, Bills:

On January 8th, the first set of pre-filed bills was released. Below is a summary of the bills divided by category. Please let us know if there is a specific bill that is of interest or concern to your organization.

EDUCATION:

HB 7 – Interactive Computer Service Content Restrictions: Restricts what user content an interactive computer services provider can block, censure, prohibit or remove.

HB 15 – Temporary Permits & Licenses; Military License: Requires the Dept. of Education & Early Development to issue preliminary teacher’s certificates, within 30 days of receipt of a complete application, to active-duty members of the armed forces or a spouse of an active-duty member who meets the requirements. It also allows for temporary permits and licenses for teachers and teacher’s aides who are occupational therapists or teachers who are students enrolled in accredited occupational therapy programs.

HB 18 – Teachers, National Board Certification: Requires public schools to display the name of each teacher at that school who has achieved national board certification.

HB 19 – Limited Teacher Certificates; Languages: Allows the Dept. of Education & Early Development to issue limited teacher certificates to qualified persons who may not have a bachelor’s degree for the following programs:

- Alaska Native culture
- Military science
- Vocational or technical education
- Any subject, if the language of instruction is not English

HB 21 – University Board: Add a faculty member to the University of Alaska Board of Regents.

HB 24 – Nursing Mothers and Breaks: Requires school districts to provide reasonable accommodations for nursing mothers by giving reasonable break times and a location to pump milk for one year after giving birth. The requirement doesn’t apply if a school has fewer than 50 employees and the expense is significant and is an undue hardship.

HB 25 – Public Schools, Social/Emotional Learning: Requires the Dept. of Education & Early Development State Board to adopt statewide standards for instruction in social-emotional learning.

HB 43/SB 19 – Extend Special Education Service Agency: HB 43 Extends the sunset date of the Special Education Service Agency to June 30, 2029. SB 19 extends the sunset date of the Special Education Service Agency to June 30, 2028

HB 48/SB 19 – Alaska Performance Scholarship, Eligibility: Allows Alaska Performance Scholarships to be awarded to applicants who've completed a core academic curriculum that includes career and technical education. Broadens who can apply for a scholarship.

HB 49 – Appropriation, Early Literacy Programs: Appropriates \$20,225,000 for early literacy programs, to be distributed to school districts based on adjusted average daily membership over two fiscal years (\$10 million in FY 22 and \$10.225 million in FY 23).

HB 53 – Military Children School Residency Waiver: Requires school districts to admit military children to a public school in the district if a parent/guardian is an active-duty member of the armed forces or a member of the National Guard.

SB 8 – Funding Pre-K/Elementary Education Reading Programs: Over a five-year period, creates a state-wide early education program. The early education program will be phased in and start with the lowest performing districts. It also establishes a reading program in the Department of Education & Early Development, a new statewide literacy program, and intensive reading intervention services for students experiencing reading deficiencies starting in kindergarten through grade three. With some adjustments, it is the same as SB 6, The Alaska Reads Act that was debated last session.

SB 18 – Class Size Reduction Grant Program: Directs school districts to adopt policies setting the maximum class size for each grade. Establishes a class size reduction grant program in the Department of Education & Early Development.

SB 20 – Out of State Teacher Reciprocity: Requires the Department of Education & Early Development to issue teacher certificates to people who hold a valid teacher certificate issued by another state, complete a background check, and pay the required fee. There is a question whether the out-of-state teachers would be required to meet certain requirements that local teachers are required to complete, i.e.: three semester hours in Alaska studies and three semester hours in multicultural or cross-cultural communications, training in alcohol and drug related disabilities, training in sexual abuse and sexual assault awareness and prevention, training in dating violence and abuse awareness and prevention, and suicide prevention.

SB 32 – High School Students, College Credit: Establishes the Alaska middle college program, allows students to enroll in University of Alaska courses and earn dual credit. The bill requires the university to enter into agreements with school districts that have eligible students, and the agreements must allow all eligible student to participate.

SB 32 – Reporting: Requires the Department of Education & Early Development annual report to the legislature to include information on the Alaska middle college program.

SB 34 -Tribal Education Compact Schools: Allows the Commissioner of Education & Early Development to enter into compacts with federally recognized tribes in the state for the establishment of state-tribal education compact schools. The bill details the process for establishing compacts, funding, and rules governing the schools.

SB 36 – Teachers/University: The University of Alaska, Board of Regents must submit a biannual report detailing their efforts to attract, train and retain qualified public school teachers.

EMPLOYMENT:

HB 17 – Discrimination: Adds more duties and powers to the Human Rights Commission to prevent discrimination. Prohibits discrimination on the basis of gender identification, gender expression, or sexual orientation, including by the state and political subdivisions of the state.

SB 6 – RIP for Public Employees/Teachers: Allows employers to establish a retirement incentive program for defined benefit members of PERS and TRS (Public Employees’ Retirement System and Teachers’ Retirement System).

SB 16 – Equal Pay/Living Wage Act, Sex Discrimination: Prohibits wage discrimination on the basis of sex and increases the minimum wage to \$15 an hour, effective January 1, 2022. After that, the minimum wage will be adjusted annually for inflation.

SB 37 – Teachers & Public Employees Retirement Plans: Allows certain employees of PERS and TRS to choose between a defined contribution or a defined benefit retirement plan. The bill also allows restoration of tenure rights due to a disability if the disability no longer exists. Tenure rights will be restored at such time as an opening for which the teacher is qualified becomes available.

HEALTH, INSURANCE AND WORKERS COMPENSATION:

HB 35/SB 21– License: License mobile intensive care paramedics.

SB 26 – Certificate of Need: Eliminates the Certificate of Need program for hospitals and clinics, which allows the state to regulate the number of clinics and hospitals offering specific services.

SB 30 – Colorectal Cancer Screening: Requires group health insurance to cover the cost of colorectal cancer screening for retirees.

HB 45 – Infectious Disease: Introduces a presumption of compensability for infectious diseases for workers compensation.

ENERGY:

SB 17 – Energy Efficiency & Policy, Public Buildings: By 2026 the state will have entered into \$100 million in energy service performance contracts for public facilities, including schools, that will result in savings on energy costs. The bill requires the Department of Transportation & Public Facilities to perform an energy audit of each public school, excluding charter schools, at least once every seven

years. The bill also has a goal that at least 50 percent of the energy used by state and state-funded facilities, including public schools, be obtained from clean energy sources.

COMMUNITY:

HB 1 – Audit Cares Act Funds: Requires audit of CARES Act funds that were expended.

HB 2 – Minimum Age Tobacco: Changes the minimum age to buy tobacco from 19 to 18.

HB 3 – Cybersecurity: Adds cybersecurity attacks on critical infrastructure to the official definition of what constitutes a state disaster.

HB 8 – Conversion Therapy Prohibitions: Provides for disciplinary action for conversion therapy for minors and vulnerable adults.

HB 23 – Voting: Prohibits ballot harvesting except for a limited list of individuals. Requires handwriting match between voter registration and an absentee ballot.

HB 16 – Surplus Equipment: Volunteer search and rescue gets first right of refusal on surplus state property.

HB 50 – Trapping: Allows municipalities to regulate trapping within their boundaries.

HB 52 – Parks: Provides that operations of the Tutka Bay Lagoon Hatchery in Kachemak Bay is compatible with the operations and functions of the park.

HB 47 – Native Languages: Renames the Alaska Native Language and Preservation and Advisory Council to the Council for Alaska Native Languages and adds two members to the council.

SB 9 – Alcohol: This is the large Title 4 alcohol rewrite that has been in the works for years.

SB 10 – Tuition: Provides grants for post-secondary tuition and fees to essential workers attending school during the pandemic.

SB 25– Government Finances: Establishes a website providing information on state government financial transactions.

BUSINESS AND REVENUE:

HB 4 – Immunity: Protects businesses from litigation by providing immunity for them if an individual contracts COVID-19 and the business has been complying with mitigation mandates.

HB 9 – Income Tax: Introduces a progressive income tax with exemptions for lower income individuals.

HB 11 – Oil Spills: Significant increase of monetary penalties for spilled containments.

HB 28 – Commercial Boat Registration: Exempts commercial vessels licensed under A.S. 16.05.490-530 from boat registration requirements.

HB 29 – Electric Utility: A utility offering electrical service to the public under a certificate of public convenience may not be held liable for property damage, death, or personal injury resulting from contact between vegetation and the utility's facilities. The bill carves out exceptions for when the utility can be held liable, e.g., failing to maintain vegetation.

HB 37 – Flat tax: Introduces a flat income tax with additional provisions related to S Corporation and oil and gas revenues.

HB 46 – Lottery: Establishes a state lottery and provides for participation in multi-state lotteries. Establishes the Alaska State Lottery Board in the Department of Revenue.

SB 13 – Property Tax: Increases the total property mill rate to 30 but leaves municipalities capped at 20. Bill includes reimbursement for senior citizen property tax exemptions.

SB 24 – Virtual Meetings: Authorizes virtual meetings for corporations and nonprofits.

SB 27 – Hemp: Allows for the manufacture and sale of industrial hemp.

SB 33 – Tax Credit: Adds pollock and cod to the list of seafood available for a seafood product development tax credit not to exceed 50 percent of the taxpayer's tax liability.

GOVERNANCE AND LEGISLATURE:

SB 15 – Open Meetings Act: A member of a governmental body who is an elected or appointed public official and who knowingly attends a meeting of a governmental body that violates the Open Meetings Act is liable to the state for a civil penalty not to exceed \$1,000.

SB 23 – Initiatives: Prohibits initiatives from being severable. The Lt. Governor must discard the entire initiative if one portion is invalid.

SB 31 – Binding Caucus: Prohibits binding caucuses.

CRIME:

HB 5 – Consent: Broadens what constitutes consent for a sexual assault.

HB 11 – Display of Firearms: Allows brandishing of firearms and will not be considered a third- or fourth-degree assault.

HB 38 – Indigenous Women: Enables the Alaska Police Standards Council to work with Alaska tribes, adds two liaisons to work on missing and murdered indigenous women cases, and requires Department of Public Safety to standardize investigation methods for reports involving indigenous women.

HB 51 – Aggravating Factors: Targeting an individual based on sexual orientation when committing a crime will be considered an aggravating factor.

SB 1 – Ban Chokeholds: Ban chokeholds unless deadly force is authorized.

SB 2 – Misconduct: Must report misconduct of other officers and outlines consequences for failure to report.

SB 3 – De-escalation: Requires de-escalation training and use of de-escalation practices before deadly force, warn of deadly force before use.

SB 4 – Shooting Vehicles: Prohibits shooting at a moving vehicle, with exceptions for circumstances such as self-defense.

SB 7 – Policies: Requires public access to state trooper policies.

A second set of pre-filed bills will be released next week and will be added to this list. As session progresses, J&H Consulting will keep you updated on all that is happening here in Juneau.

Best regards,

Christine Hess and Reggie Youle

J&H Consulting



The Basics

Legislators and staff are arriving in Juneau daily and are getting ready for the legislative session that is set to start on January 19, 2021. A majority caucus has yet to be announced for either the House of Representatives or the Senate. There is no particular deadline to organize, but until they can appoint committees both bodies will be hampered in their ability to perform their legislative duties.

The situation in the Senate is a strong majority of thirteen Republican members, and a minority of seven Democrats. Internally, however, the Republicans disagree on several major items including payment of a full PFD, revenue measures, and the binding caucus. The Mat-Su delegation is trying to convince several democrats to join them in a bipartisan coalition focused on the payment of a full PFD. The Senate Republicans have met several times but have been unable to agree on an organization. The Senate Republicans will either work out their differences and form an all-Republican majority or form a bipartisan caucus with some or all of the Democrats. A bipartisan coalition leaves the far right or more conservative Republican senators to form a minority. Capitol insiders are expecting the Senate to organize shortly.

The House of Representatives is purportedly waiting for the Senate to organize. The House is split evenly with twenty Republicans and twenty in a mostly Democratic caucus. Both Representative Louise Stutes (R-Kodiak) and Representative-elect Josiah Patkotak (I-Utqiagvik) have chosen to work with fellow rural representatives in the Democratic caucus, thus increasing its membership to twenty. Representative Pruitt has lost his elections appeal to the Supreme Court and it is now clear that representative-elect Snyder (D-Anchorage) is the victor. There is a chance that the more moderate Republican members will join in a bipartisan majority caucus, much like the organization in the 31st Legislature. As it now stands, someone will have to break the 20/20 split in order to form an organization. The House seems in no hurry to organize and has announced that it might not formally organize before the start of session.

Budget Overview:

Alaska faces serious budget challenges between the impacts of COVID19 and reduced oil revenues as daily pipeline flows and world oil prices remain diminished. This year is the ninth straight year of fiscal deficits. In recent years, the largest revenue source for the state has been the Percentage of Market Value (POMV) withdrawal from the Earnings Reserve of the Permanent Fund, contributing 65 percent of unrestricted general fund revenue. In fact, oil revenue in FY21 is projected to be the lowest since FY78 in nominal terms and the lowest since FY75 in real terms. Since FY13, a variety of savings accounts

have been used to fill the deficits. The Constitutional Budget Reserve (CBR) has been reduced from \$16 billion to about \$900 million. The portion of the budget that is funded with state funds (UGF) has been reduced 43 percent from \$7.8 billion in FY13 to \$4.5 billion in FY21. Against this backdrop, Governor Dunleavy proposed this year's budget.

Governor Dunleavy proposes a supplemental appropriation (FY21) to fund a 2020 retroactive dividend payable July 1 in the amount of \$1,916.00. If approved by the legislature, this would necessitate a withdrawal of approximately \$1.2 billion, *above and beyond* the POMV draw of approximately \$3.06 billion. The Governor is also proposing a full statutory 2021 permanent fund dividend of \$3,058, which is an estimated \$2.0 billion earnings reserve draw. Between the two proposed dividends the total payout per resident would \$4,972.00.

Due to the extreme circumstances, the Governor proposes to draw \$6.3 billion from the earnings reserve; half of the draw would pay for dividends, and half would fund government services. About half of the draw is part of the regular draw that occurs according to state statute, but the other half would be above the statutorily allowed 5 percent draw. This is about \$3 billion above what the Permanent Fund Corporation projects is sustainable for the long term. The Governor's proposed FY21/22 earnings reserve overdraw is projected to increase future deficits per year by about \$160 million. Obviously, this will be the subject of significant discussion during the session.

For the ten-year forecast, Governor Dunleavy projects Alaska's economy rebounding from the pandemic by FY23. Moving forward the Governor proposes a total of \$450 million more in cumulative budget cuts over FY22, 23, and 24, or about 10% of the current budget. Starting in FY23, the Governor's budget proposal includes other revenue sources of \$1.2 billion and about \$1 billion each year thereafter. This is assumed to be some form of new revenue measure like a sales or income tax. Most experts agree that in order to be collecting revenue by FY23 any revenue measure would have to be passed this legislative session.

The operating and mental health budgets spend \$4.25 billion in undesignated general funds, which are mostly state funds, and \$8.9 billion total from all funding sources. The proposed capital budget spends \$58.5 million in undesignated general funds and \$101.6 million from an Alaska Housing Finance Corporation bond package. Additionally, Governor Dunleavy is proposing a \$300 to \$350 million general obligation bond infrastructure package that would upgrade or build new infrastructure across the state, helping to stimulate the economy. There is a roughly \$2 billion list of deferred maintenance projects at state facilities. Any bond package must pass the legislature and be approved by a majority of voters. This would be the first statewide bond proposal in over 10 years.

Operating Budget:

The operating budget cuts the Department of Health and Social Services by \$140 million, but much of that cut is actually just a reduction in spending of COVID-19 resources. Spending on highways, airports, and transportation facilities is reduced by \$17.2 million, but again some of this is one-time lapsing of COVID-19 funding (\$14.1 million). The University of Alaska is cut by another \$20 million, as previously planned. The Alaska Marine Highway is cut by another \$3.6 million. Public Safety's funding is increased by \$13.5 million and \$4 million is included to address the sexual assault case backlog. \$26 million in funding is provided for a variety of fisheries, wildlife and resource projects.

The Alaska Energy Authority is funded at \$32.35 million to fully fund the power cost equalization program. The PCE endowment fund is used to capitalize the Community Assistance Program. This year the endowment underperformed, so recapitalization of the Community Assistance Program will be only \$12 million instead of the required \$30 million needed to maintain full funding of the program. For the upcoming year, the program will pay out \$22 million to communities instead of \$30 million. This payment will basically cover the base payments to communities plus a small prorated adjustment for population. In future years, if the fund isn't recapitalized the assistance payments to communities will be reduced further. Public radio and television are not included in the budget again this year, and the Harbor Grant Program received no funding either. Several Department of Motor Vehicles offices are slated for closure in Eagle River, Valdez, Tok, Haines, Homer, and Delta Junction.

Education funding is reduced by about \$29 million, but much of this reduction is a result of lower school enrollment. There is also a reduction of 19 employees in the Department of Education. Governor Dunleavy's education budget proposal includes \$1,193,475,200 for the foundation formula, which is fully funded, although it is a decrease of about \$19.8 million due to projected enrollment decreases. There is \$71,435,893 for pupil transportation with a decrease of \$5.56 million also due to lower enrollment. There is a \$62,600 reduction in anticipated TVEP (Technical & Vocational Education Program) funding. School bond debt is reimbursed at 50 percent with \$41,771,980 in funding for school bond debt reimbursement, and \$17,119,000 for the REAA & Small Municipal School District Fund. There are no school construction projects in the proposed capital budget. Other funded items include the following:

- Pre-Kindergarten grants: \$3.2 million (Transferred Early Childhood Grants to Pre-K Grants).
- Quality School Grants (lottery): \$550,000.
- Mt. Edgecumbe Boarding School: \$12.83 million (up \$1.28 million).
- Residential School Program: \$8.2 million.
- Alaska State Council on the Arts: \$3.86 million (down \$83,000).
- Alaska State Libraries: \$5.87 million (down \$8.1 million).
- Online with Libraries: \$473,200.00, a slight increase.
- Live Homework Help: \$138,200.0
- BAG Grants: \$7.79 million.
- WWAMI: \$3.25 million, a slight increase.
- Alaska Performance Scholarship Awards: \$11.75 million.

Some smaller changes include a proposal for the State Board of Education to meet annually instead of quarterly, saving \$21,500, and reductions in travel funding across most programs due to the increase in virtual meetings. There is a \$230,000 reduction for a discontinued contract.

Much of the Department of Health and Social Services is flat funded. Medicaid services are cut by \$35 million, but the impact will not be as great because lapsing funds from FY21 will be used to backfill the reduction. Adult Public Assistance is funded at \$61.78 million, down \$3.4 million from last year and with a reduction of 101 positions. Improvements in technology supposedly support the reduction in positions and will not compromise service. Additionally, the programs listed below are largely funded at last year's levels:

- Senior Benefits Program: \$20.78 million fully funded.
- Alaska Psychiatric Institute: \$55.5 million.
- Adult Dental: \$27 million.
- Alaska Temporary Assistance Program: \$22 million.
- Child Care Benefits: \$39.74 million (up \$469,000).
- General Relief: \$605,000.
- Tribal Assistance: \$17.04 million.
- Energy Assistance: \$9.66 million (up \$1.2 million).
- Women, Infants and Children: \$24.72 million (down \$428,500).
- Behavioral Health and Treatment Grants: \$46.4 million (down \$3 million).
- Behavioral Health Prevention and Early Intervention: \$8.3 million (down \$200,000).
- Human Services Matching Grant: \$1.38 million.
- McLaughlin Youth Center: \$18.2 million (down \$500,000).
- Kenai Youth Center: \$2.13 million (down \$93,400).

In order to save money, the state will adjust the employer's PERS contribution of 22% by lifting the cap and charging the full actuarial rate, saving the state millions of dollars. This proposed change to the PERS statutes will impact only the State of Alaska as a PERS employer. All other PERS and all TRS employers' rates will remain unchanged. This change will shift the state's share of the unfunded liability from the annual state assistance payment, which is typically funded 100 percent with unrestricted general fund (UGF) revenue, to agency payroll, where it can be spread across all fund sources. This change is anticipated to save an estimated \$43 million in unrestricted general funds each year by shifting these costs to other fund sources, mostly federal. There is some concern here that this opens the entire PERS system to revisions and modifications. In order for this change to occur, legislation proposed by Governor Dunleavy will need to pass the Alaska State Legislature.

Capital Budget:

The capital budget is larger this year than it has been in several years. A larger capital budget will help stimulate the economy by creating jobs while building and maintaining Alaska's infrastructure. Listed below are some of the highlights:

- Community Block Grants: \$6 million.
- Alaska Travel Industry Association: \$5 million.
- NPRA Grants: \$9.1 million.
- AEA-Alternative Energy: \$5 million.
- AEA-Bulk Fuel Upgrades, \$13 million.
- AEA-Rural Power Systems Upgrades: \$17.5 million.
- Village Safe Water Upgrades and Expansions: \$30.5 million.
- Village Safe Water First Time Projects: \$37.9 million.
- Statewide deferred maintenance and repair: \$49.25 million.
- Code Blue: \$500,000.
- Pacific Cod Disaster, Gulf of Alaska: \$1 million.
- Pacific Coastal Salmon Recovery Fund: \$4.4 million.
- Pacific Salmon Treaty Chinook Fishery Mitigation: \$7.7 million.
- National Recreational Trails Grants: \$1.6 million.
- Marine Fisheries Patrol Improvements: \$1.1 million.
- AHFC Teacher, Health, and Public Safety Housing: \$2.25 million.
- AHFC Energy Programs, Weatherization: \$3 million.
- Alaska Marine Highway Vessel Overhaul: \$15 million.

This is, of course, just the beginning of the budget process. Once the session convenes, the various committees will begin to evaluate the Governor's proposed budget and will analyze the fiscal impacts of his proposal. We are hearing that the legislature will largely focus on passing a budget and essential legislation only, and then recess due to COVID-19. Additional federal COVID-19 relief funds may also help alleviate Alaska's current fiscal crisis. As the session progresses, J&H Consulting will keep you updated and informed.

Best regards,

Reggie Joule and Christine Hess

J&H Consulting

HOUSE BILL NO. 52

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE VANCE

Introduced: 1/8/21

Referred: Prefiled

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing that operation of the Tutka Bay Lagoon Hatchery in Kachemak Bay**
2 **is compatible with the functions of Kachemak Bay State Park; and providing for an**
3 **effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 41.21.132 is amended by adding a new subsection to read:

6 (b) Operation of the Tutka Bay Lagoon Hatchery permitted under
7 AS 16.10.400 is a compatible use within the boundaries of the Kachemak Bay State
8 Park.

9 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).



City of Homer

www.cityofhomer-ak.gov

Finance Department

491 East Pioneer Avenue
Homer, Alaska 99603

finance@cityofhomer-ak.gov

(p) 907-235-8121

(f) 907-235-3140

Memorandum 21-013

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: January 7, 2021
SUBJECT: FY21 Truncated Budget – Supplemental Information

The purpose of this memo is to provide supplemental information to Memorandum 20-206, which was presented to Council at the December 14th meeting.

Key Terminology

Fund Balance: Simply speaking, it is the difference between assets and liabilities in a governmental fund. Fund balance is intended to serve as a measure of the financial resources available in a governmental fund. It is important to remember that the fund balance is a snapshot in time and is constantly fluctuating.

Unassigned Fund Balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances.

Reserves: Fund that accounts for monies set aside to be used for the purchase and maintenance of City buildings and equipment. Each of the City components (General Fund, Utility Fund and Enterprise Fund) have a respective reserve fund. The General Fund has the CARMA (156) and Fleet CARMA (152) funds. The Utility Fund has the Utility CARMA (256) fund that is further broken down to Water CARMA (256-0378) and Sewer CARMA (256-0379). The Enterprise Fund has the Port Reserves (456) fund and it includes a reserve component for each of the following: Port and Harbor, Load and Launch Ramp, and Revenue Bond reserves.

FY21 Truncated Budget Reminders

Per HCC 3.05.045, projected expenditures shall not exceed projected revenues in the operating budget. As you will see in the amended budget before you, each of the operating funds has total projected expenditures exceeding projected revenues. Therefore, utilization of fund balance/reserves is necessary to meet code and to maintain a balanced operating budget.

One major change for FY21 is that none of the operating budgets include a transfer to reserves, as each of the funds is not expected to have “excess” budgeted revenue to transfer

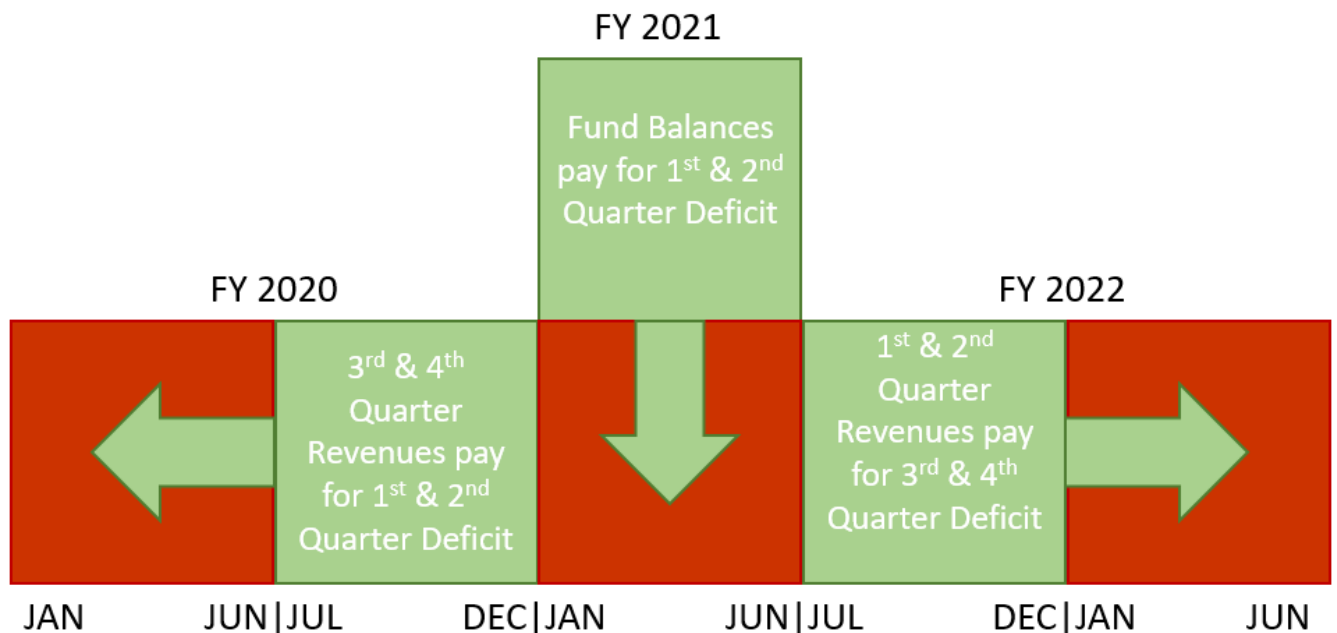
to reserves. Each of the funds have a handful of mandatory transfers (bond payments, seawall reserves, hydrants, GF admin, revolving energy, debt payments, etc.), but anything outside of mandatory is not taking place during the truncated fiscal year.

Balancing the Budget

Each of the operating funds (General Fund, Utility Fund, and Enterprise Fund) require a draw on fund balance/reserves to balance the truncated FY21 Operating Budget. The size of the draw varies significantly between the operating funds, but a basic cash flow problem exists for them all. That is, the majority of the City’s revenue is received in the last six months of the calendar year (July – December).

Switching fiscal years effective July 1, 2021 puts the City in a position in which the deficit that is naturally born in the first six months of the calendar year will not be reimbursed by revenues received in the last six months of the calendar year. It will instead be paid by fund balance/reserves. The size of the deficit for FY21 (January 1 to June 30, 2021) is no greater than deficits in prior years for the same period. This is the natural cash flow pattern for the City of Homer.

The figure below shows a simplified view of the change in cash flow pattern. The current pattern (FY 1987 through FY 2020) has us spending and then reimbursing. The new pattern (FY 2022 and onwards) earns money and then spends it. The transition year (FY 2021) is cut off from a revenue source and will use fund balance/reserves to balance the equation.



Funding the Deficit

Any deficits/surpluses that are accrued by the end of a fiscal year naturally remain in the specific fund in which they are derived, unless other financial direction is provided on how to handle the deficit/surplus. Due to this natural process, the FY21 Amended Budget is balanced by drawing on each fund’s respective fund balance.

If Council would like to utilize reserves (or any other funding source), then a budget amendment needs to be proposed prior to the passage of the FY21 Amended Budget – or – Council can pass a subsequent Ordinance at a later date that amends the budget to reflect the updated funding source.

There are some options associated with the timing of the transfer (if utilizing reserves). The budget can be balanced with a transfer from reserves up front and the transfer can be done matching the budgeted deficit. The other option is waiting until the fiscal year concludes and amending the budgeted transfer from reserves to match the actual deficit.

City Administration recommends that the fund balance is utilized to balance the budget for each of the operating funds.

Financial Implications

Citywide

It is important to understand that the loss to each fund balance will not simply be reimbursed in subsequent fiscal years. Management will need to be actively planning in future years to work on reimbursing the fund balances, assuming Council wants to build up similar balances. Otherwise, the fund balances will remain at the lower levels.

The revenue that the City receives in the second half of calendar year 2021 will not be available to replenish the fund balances, as this revenue will need to be utilized to fund the expenditures for the first six months of calendar 2022 (FY22 will run July 1, 2021 – June 30, 2022).

General Fund

HCC 3.05.049 (effective FY20), states that emergency fund balance for the General Fund is equal to four months operating revenue for the current fiscal year. Exhibit B-1 (page 21) of the financial statements provides an unassigned general fund balance of \$9,522,558. Based on the FY20 budget, the emergency fund balance should be approximately \$4,153,169. This leaves an estimated unassigned fund balance of \$5,369,389.

There is sufficient balance in the unassigned fund balance for the General Fund to absorb the budgeted draw to balance the truncated FY21 Operating budget. The budgeted draw will utilize approximately 45% of the unassigned balance.

Water/Sewer Fund

The draw is not as severe for the Utility fund as the revenue is relatively stable through the calendar year. If spending is monitored closely or if revenue is above budget expectations, there is potential for this fund to break even without the need of relying on fund balance or reserves.

If you reference Exhibit H-3 (page 90) of the financials, the fund balance of Utility Operations (Fund 200) is \$673,608. This fund should have sufficient fund balance at the end of fiscal year 2021 to absorb the budgeted draw. If not,

there should be sufficient balance in Utility CARMA to fund the deficit. As of 12/31/20, the balance of the Utility Reserves is \$4,582,260 (\$2,555,102 Water CARMA and \$1,932,218 Sewer CARMA). This balance represents the actual spending and revenue recorded to the CARMA funds in FY20.

Port and Harbor Fund

If you reference Exhibit I-4 (page 97-98) of the 2019 Basic Financial Statements, you are able to extract information that makes it apparent that the Operations component (Fund 400) does not have sufficient balance to cover this deficit. A quick formula for fund balance is current assets minus current liabilities. If we perform this quick math on Harbor Operations (Fund 400) it comes to a deficit of \$1,375,697.

Also detailed in Exhibit I-4 is the cash balance available for each of the “units” within the Enterprise Fund. As of 12/31/19, the total cash balance available to the Port and Harbor fund is \$1,942,518 (negative cash balance of \$553,116 for operations). The cash balance represents the Harbor’s share of the central treasury and in a simple sense is what the Harbor could write a check for.

If you reference Exhibit I-5 (page 99) of the financials, the net position of Harbor reserves is \$1,829,802 (\$2,160,222 less \$330,420 for bond reserves). As of 12/31/20, the balance of the reserves is \$1,824,493 (not including bond reserves). This balance represents the actual spending and revenue recorded to the reserve fund in FY20.

City Administration strongly recommends Council provide support to the Enterprise Fund to balance out the impacts of the fiscal year change. The Finance Department is actively researching the options that are available for the General Fund to support the Enterprise Fund through this transitional year.

Capital Budget

The Amended Budget before Council is only representative of the FY21 Operating Budget. What still needs to be discussed is how to handle the FY21 Capital Budget. The Adopted FY21 Operating Budget includes various transfers to fund reserves. However, the Amended (truncated) FY21 Operating Budget does not include transfers to fund reserves.

Council passed Resolution 20-050 stating that all non-critical capital projects were to be delayed. As such, City Departments took that direction and postponed those non-critical projects. Administration will be bringing additional information associated with the Capital Budget to Council at the meeting on January 25th.

1/11/21

To the City of Homer Council,

Hi,

My name is Mark Zeiset. I am a City of Homer resident and a business owner. I also am a Port and Harbor Commissioner.

I wanted to address ordinance 20-93.

I have some major concerns about the fiscal year change. It looks like this will cost Port and Harbor \$660,176 dollars. This is from page 61 of the amended budget.

If I am misunderstanding the transfer of funds please explain to me and the Port and Harbor Commission so we can understand this large money transfer.

I hope the City Council will allow more thought and input on this before making any decisions.

I am open to the fiscal year change but not at this kind of expense. There must be a more efficient way.

I ask that the City Council allow this to be discussed with the commissions. If I am way off, please allow someone with finance knowledge to give a presentation to the Port and Harbor so we can understand.

To be clear I am against this Ordinance/Resolution with this kind of expense. There needs to be more discussion.

Thank you,

I know everyone is working very hard. Thank you for your service.

Mark Zeiset

City of Homer
2021 Operating Budget

400 PORT & HARBOR - Combined Revenues				Adopted	Draft	Δ %	
Dept Num.	Revenue Categories & Descriptions	12/31/18 Actual	12/31/19 Actual	12/31/20 Budget	06/30/21 Budget	2020 to 2021	
						\$	%
0603	FISH DOCK						
4620	Ice Sales	253,559	318,677	259,347	78,453	(180,894)	-69.7%
4621	Cold Storage	17,194	16,001	17,017	14,906	(2,111)	-12.4%
4622	Crane Rental	201,787	206,818	208,529	68,388	(140,141)	-67.2%
4623	Card Access Fees	8,422	8,994	9,924	4,830	(5,094)	-51.3%
4637	Seafood Wharfage	20,284	19,796	21,931	8,874	(13,058)	-59.5%
4700	Other Wharfage Fish Dock	28,217	1,136	1,562	750	(812)	-52.0%
	Operating Revenue - Fish Dock	529,463	571,422	518,310	176,200	(342,109)	-66.0%
4206	Fish Tax	62,069	59,647	44,017	1,898	(42,119)	-95.7%
0604	DEEP WATER DOCK						
4633	Stevedoring	11,352	15,320	10,378	1,551	(8,827)	-85.1%
4637	Seafood Wharfage	1,256	0	419	0	(419)	-100.0%
4640	Deep Water Dock Wharfage	0	5,008	8,981	4,000	(4,981)	-55.5%
4643	Deep Water Dock Docking	176,320	185,451	186,372	40,000	(146,372)	-78.5%
4668	Dwd Water Sales	46,276	49,625	30,041	14,659	(15,382)	-51.2%
4672	Port Security Revenues	27,945	1,806	26,805	0	(26,805)	-100.0%
	Operating Revenue - DW Dock	263,149	257,210	262,996	60,210	(202,786)	-77.1%
0605	OUTFALL LINE						
4704	Outfall Line	4,800	4,800	4,800	4,800	0	0.0%
0606	FISH GRINDER						
4706	Fish Grinder	7,975	7,835	7,821	712	(7,109)	-90.9%
0615	LOAD AND LAUNCH RAMP						
4653	L & L Ramp Revenue	122,501	127,708	127,884	67,868	(60,015)	-46.9%
	Operating Revenue - L & L Ramp	122,501	127,708	127,884	67,868	(60,015)	-46.9%
	Transfer from Fund Balance				660,176		
	Total Revenues	4,653,741	5,033,767	4,723,175	2,309,905	(2,413,270)	-51.1%

2021 Budget Notes:

0601-4646 and 4666 - Commercial barge ramp revenues are up because of new small boat user rates.

0601-4643 - Due to Covid we have lost Cruise ship landings is reflected in this budget line.

0605-4704 - Annual Operations and maintenance fees for outfall line connections for lots 12-A and 12-C

From: [Mary Griswold](#)
To: [Melissa Jacobsen](#)
Subject: Fw: Resolution 20-133 (S) qualified support
Date: Sunday, January 10, 2021 12:08:17 PM

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(please include in the 1.11.21 city council supplemental packet)

From: [Mary Griswold](#)
Sent: Sunday, January 10, 2021 12:05 PM
To: carolinevenuti@ci.homer.ak.us ; donnaaderhold@ci.homer.ak.us ; heathsmith@ci.homer.ak.us ; JoeyEvensen@ci.homer.ak.us ; mayor@ci.homer.ak.us ; rachelord@ci.homer.ak.us ; StormHansen-Cavasos@ci.homer.ak.us ; [Robert Dumouchel](#)
Subject: Resolution 20-133 (S) qualified support

I encourage the city to help Kachemak Moose Habitat Inc protect the Lampert Lake property. I suggest a contribution from the city's Land Acquisition Fund in the range of \$30,000 to \$40,000 instead of \$78,500. This would leave more money in the fund for future acquisitions, especially those which would result in city ownership and control. The Lampert Lake property offers popular ice skating opportunities but until the state improves Kachemak Drive, there will remain a hazardous parking situation. There is little the city can do to mitigate this. This is valuable moose habitat and I applaud the city's willingness to promote conservation. My suggested financial contribution toward this purchase strikes a reasonable balance between immediate and future opportunities for use of the Land Acquisition Fund.