



City of Homer

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Memorandum

Agenda Changes/Supplemental Packet

TO: MAYOR ZAK AND HOMER CITY COUNCIL
FROM: MELISSA JACOBSEN, MMC, CITY CLERK
DATE: SEPTEMBER 11, 2017
SUBJECT: AGENDA CHANGES AND SUPPLEMENTAL PACKET

COMMITTEE OF THE WHOLE

Memorandum 17-119 (revised) 2017 Budget Status

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CONSENT AGENDA

Ordinance 17-33, An Ordinance of the City Council of Homer, Alaska, Amending Homer City Code Title 9, Taxation, by Adding a New Section 9.04.049 to Exempt Disabled Veterans and Surviving Spouses from Real Property Taxes.

Kenai Peninsula Borough Code 5.12.105 as backup

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CITY MANAGER'S REPORT

Councilmember Smith's AML Summer Conference Report

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Memorandum 17-119(revised)

TO: City Council
FROM: Katie Koester, City Manager
DATE: September 8, 2017
SUBJECT: 2017 Budget Status

The purpose of this memo is to provide an update on revenue sources for the General Fund. The tables below detail the City's 2017 revenue projections from Sales Tax and Real Property Taxes which combined make up over 75% of General Fund revenue.

Property Tax

The 2017 General Fund Revenue projected \$2,914,354 in revenue from Real Property Taxes. However, with the assessed value for 2017 finalized, the City anticipates receiving approximately \$278,675 more than the 2017 budget projected. As you are aware, the Borough changed the methodology for calculating assessed value in 2017 which has likely contributed to the surplus. However, revenue gains are likely mitigated by a general decline in the assessed value of commercial property. Due to the controversy surrounding the 2017 assessed values, it would be prudent to anticipate some changes for 2018. Until the updated methodology settles out, I would recommend using 2016 real property values as the base for estimating revenue for 2018.

Real Property Tax projections for 2017:

Taxable values in the COH for 2017	\$709,562,012
CoH receives 4.5 mills of taxable values	\$3,193,029
CoH 2017 budget	\$2,914,354
Estimated additional revenue over budget	\$278,675

Sales Tax

The Borough provided the attached table reflecting Sales Tax Revenues from January 1 - June 30, 2017. ~~The trend is consistent; an approximate 1% increase in Sales Tax from year to year.~~ This trend is helpful as we project revenues for the 2018 budget.

	Jan. 1, 2017 - June 30, 2017	Jan. 1, 2016 - June 30, 2016	Jan. 1, 2015 - June 30, 2015	Jan. 1, 2014 - June 30, 2014
COH taxable sales sales tax revenue collected for Jan. 1 - June 30, 2017	\$78,874,479	\$77,637,293	\$74,709,040	\$75,282,507
Percentage increase from previous year	1.02%	1.04%	0.99%	-
Percentage increase from previous year	1.59%	3.92%	-0.76%	

Are we on track for 2017? Yes.

Keep in mind a large portion of sales tax revenue will come in the 3rd quarter, July and August when visitorship peaks. According to the Borough, taxable sales are consistently 20% higher during second half of the year when compared to January – June. Using this model, we estimate revenue will be slightly over our 2017 budget for sales tax.

Sales tax estimates based on 1st & 2nd quarter sales and applying 20% increase in sales for second half of 2017	
Estimated taxable sales for 2017	\$173,523,855
3.75% to General Fund	\$6,507,145
2017 sales tax budget	\$6,420,356
Estimated additional revenue over budget	\$86,789

- Enc:
- 2017 Real Property Values
 - 1st and 2nd Quarter Sales Tax Revenue and Historical Analysis
 - 2017 Budget General Fund Revenue Pie Chart

5.12.105. - Real property tax—Exemptions—Senior citizens, disabled veterans and surviving spouses thereof.

- A. A single parcel of real property owned and occupied as the primary residence and permanent place of abode is exempt from taxation as set forth in subsections 1 and 2 of this section. The limitation to a single parcel shall apply unless the applicant has applied for and received a determination that any additional parcel proposed for exemption qualifies as a subsidiary parcel eligible for inclusion as part of the primary residence and permanent place of abode under state law. In no event shall an exemption be allowed for a total value in excess of \$300,000.00 for all parcels included under the exemption, unless a hardship is granted as described in KPB 5.12.105(l).
1. Qualifying property of a resident 65 years of age or older, or a resident at least 60 years old who is the widow or widower of such person, is exempt from taxation in the maximum amount of \$300,000.00;
 2. A disabled veteran, or a resident at least 60 years old who is the widow or widower of such person, is exempt from taxation in an unlimited amount.
- B. For residents 65 years of age or older or residents at least 60 years old who are the widow or widower of a resident 65 years of age or older to be eligible for an exemption under paragraph A of this section the individual applying for the exemption must also meet requirements under one of the following two paragraphs:
1. The individual shall be eligible for a permanent fund dividend under AS 43.23.005 for that same year or for the immediately preceding year; or
 2. If the individual has not applied or does not apply for one or both of the permanent fund dividends, the individual would have been eligible for one of the permanent fund dividends identified in (1) of this subsection had the individual applied.
- C. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide among themselves who is to receive the benefit of the exemption.
- D. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption.
- E. No exemption under this section may be granted except upon written application on a form prescribed by the assessor. The application must be postmarked by or hand-delivered to the assessing department no later than March 31 of the tax year for which the exemption is sought. If March 31 does not fall on a borough business day, then the application is timely filed if postmarked or hand-delivered during the next borough business day after March 31. A qualified senior citizen, disabled veteran, or surviving widow or widower of either, need not file such an application for successive tax years if there is no change in ownership, no change in permanent place of abode by

the owner of record, or no change in status of disability if the owner is a disabled veteran. Additionally, a qualified senior citizen or qualifying surviving widow or widower must meet the requirements for permanent fund eligibility as described above in KPB 5.12.105(B) in order to continue to be qualified without filing an application for successive tax years. Exemption applications filed after March 31 of the tax year must be accompanied by a signed affidavit stating good cause for failure to comply with the March 31 filing deadline. If a qualified claimant files an untimely application, the assembly may, for good cause shown, waive the claimant's failure to make timely application and authorize the Assessor to accept the application as if timely filed. An application, whether timely filed or filed after a grant of extension of time to file, may be held open for consideration through the following three years if eligibility for the exemption is contingent upon a determination by another entity. If a failure to timely file has been waived and the application for exemption is approved, the amount of tax that the claimant has already paid, if any, for the year the property would have been eligible for exemption shall be refunded to the claimant.

1. If property is occupied by a person other than the eligible applicant and his or her spouse and minor children, this exemption applies only to the portion of the property occupied by the eligible applicant and his or her spouse and minor children as a permanent place of abode.
2. It shall be the responsibility of every person who obtains an exemption under this section to notify the borough assessor of any change in ownership, residency, permanent place of abode or status of disability. A disabled veteran who has less than a permanent disability must submit an official disability percentage letter each year prior to March 31 showing a 50 percent or greater disability. Property owners shall notify the borough when the requirements for exemption are no longer met.
3. It shall be the responsibility of every person who obtains a property tax exemption under this chapter to notify the borough assessor of any change in ownership, property use, residency, permanent place of abode, status of disability, or other factor affecting qualification for the exemption. If the assessor determines that the property is not eligible for this exemption, all taxes, penalty, and interest due on the property for all tax years beginning with the year the property should have been subject to taxation shall be immediately due and owing.
4. Good cause shown. If an otherwise qualified claimant is unable to comply with the March 31 deadline for filing an application, the assembly may, by resolution, waive the claimant's failure to file the application by such date for good cause shown, and authorize the Assessor to accept the application as if timely filed. For purposes of this subsection, "good cause" means an inability to comply with the March 31 deadline that was caused by a serious condition or extraordinary event beyond the taxpayer's control. A serious condition or extraordinary event may include a serious medical condition or other similar serious condition or extraordinary event. Absent extraordinary circumstances, a failure to pick up or read mail or to make arrangements for an

appropriate and responsible person to pick up or read mail or a failure to timely provide a current address to the Department of Assessing will not be deemed to result in an inability to comply. This section does not create any private rights whatsoever, nor does it in any manner require the mayor or any assembly member to introduce or approve any such resolution.

- F. The assessor may presume that property has not been occupied as a primary residence and permanent place of abode if the applicant occupied it for less than 185 days during the previous year unless the applicant provides satisfactory evidence that he or she meets the statutory criteria for an allowable absence under AS 43.23.008 as now enacted or may be hereinafter amended.
- G. An applicant under this section is ineligible to receive the exemption if the applicant has applied for or received a similar residency-based exemption for the same year for property located in another jurisdiction outside the borough.
- H. Definitions.
 - 1. For purposes of this section "real property" includes mobile homes whether classified as real or personal property for municipal tax purposes.
 - 2. For purposes of this section, to be eligible for inclusion, a "subsidiary parcel" means the smallest portion of land which is adjacent to the primary parcel, and is necessary for the residential use of the primary parcel. Examples of a subsidiary parcel use which would qualify as necessary and beneficial for the residential use of the primary parcel include, but are not limited to, subsidiary parcels containing a well, septic system, reasonable driveway, or storage building/garage.
 - 3. For purposes of this section a "disabled veteran" means a disabled person (a) separated from the military service of the United States under a condition that is not dishonorable who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served or by the Veteran's Administration; or (b) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more.
 - 4. For purposes of this section, "own and occupy" means possession of an interest in real property, which interest is recorded in the office of the district recorder, or, if unrecorded, is attested by a contract, bill of sale, deed, or other proof in a form satisfactory to the assessor, and living on that real property as one's primary residence.
 - 5. For purposes of this section, "permanent place of abode" means a dwelling in which the person resides in the year prior to the exemption year and when absent, the dwelling is not leased or rented to another. This includes but is not limited to a mobile home or condominium and includes lots or outbuildings, or an appropriate portion thereof, which are necessary for the use of the dwelling unit.

6. For purposes of this section, "resident" means an applicant who has a fixed habitation in the State of Alaska for at least 185 days per calendar year, and, when absent, intends to return to the State of Alaska.
 7. For purposes of this section, "senior citizen" means a person who is 65 or older before January 1 of the exemption year.
- I. Penalties and Enforcement: In addition to any criminal penalties imposed by law, if the borough assessor finds that an individual, in claiming a senior citizen exemption for the value of property greater than \$150,000.00 willfully misrepresents, exercises gross negligence with respect to, or recklessly disregards a material fact pertaining to, eligibility, the assessor may issue an order against the individual for the (1) forfeiture of the exemption for that year; and (2) imposition of a civil fine of up to \$1,000.00 for each violation; and (3) loss of eligibility to receive the next five years' exemptions following the forfeited exemption to the maximum extent such forfeiture is allowed by state statute.
- An individual receiving an order described above may appeal the order to the Board of Equalization within thirty days of the date such order was mailed, and in accordance with the procedures contained in KPB Chapter 5.12 for appeals to the Board of Equalization
- J. Hardship Exemption.
1. To qualify for a hardship exemption beyond the first \$300,000.00 of assessed value of real property under AS 29.45.030(e), the applicant must apply by completing State Form 21-400c and submitting the form, including necessary attachments, to the borough assessor before July 1 of the exemption year.
 2. An eligible applicant may qualify for a hardship exemption beyond the first \$300,000.00 of assessed value of real property if the amount of the applicant's tax bill is greater than 2 percent of the applicant's gross household income. An exemption will be granted only for that portion of the applicant's taxes in excess of 2 percent of the gross household income. "Gross household income" means total annual compensation, earned and unearned, from all sources, of all members of the household.

(Ord. No. 2016-28, § 8, 8-23-16; Ord. No. 2014-29, § 1, 9-2-14; Ord. No. 2014-13, § 1, 5-6-14; Ord. No. 2014-05, §§ 1, 2, 2-25-14; Ord. No. 2011-39, § 1, 12-6-11; Ord. No. 2009-12, § 1, 3-24-09; Ord. No. 2008-23, § 1, 9-2-08, eff. 5-14-08; Ord. No. 2007-39, § 1, 1-8-08; Ord. No. 2006-21, § 1, 9-19-06, eff. 1-1-08; Ord. No. 2007-12, §§ 1, 2, 5-15-07; Ord. No. 2006-26, § 1, 10-10-06; Ord. No. 2005-45, § 1, 12-6-05; Ord. No. 2003-02, § 1, 2-18-03; Ord. No. 2002-03, §§ 2, 3, 2-5-02; Ord. No. 95-29, § 1, 1995; Ord. No. 95-04, § 1, 1995; Ord. No. 86-78, § 1, 1986)

Alaska Municipal League Summer Conference
Haines, Alaska
August 16-17, 2017

The notable events of this conference:

* I attended the Mayor meeting, with Mayor Zak, where it became clear that they are united in the message that it's time that the Legislature resolve the state fiscal crisis. I think there were pitchforks, some scribbling of chant verbiage and talk of occupying the Hill! Anyway, it was good to see them all on the same page...even if it said different things. They have put in place a sub-committee to handle the PR in bringing this message to the legislature...turn up the heat.

* City Manager Koester was the keynote in the manager's meeting. All reports were that she did an excellent job, and that Homer is in very good hands.

* We received a presentation by Deputy Commissioner Fred Parady of the Department of Commerce, Community and Economic Development (DCCED) which had great information on the state of our economy and trends. I recommend you review the presentation at:

<http://www.akml.org/wp-content/uploads/2013/07/DCCED-Presentation.pdf>

The takeaway for me was that we have few options, time is of the essence, and the worst has yet to reveal itself.

* Larry Persily, the Chief of Staff for Borough Mayor Mike Navarre, also gave a presentation on Alaska's economy similar to the one he gave when they visited Homer a few months ago. Also worthy of review at:

<http://www.akml.org/wp-content/uploads/2013/07/Short-version-of-Alaska-Disconnect-slides.pdf>

A helpful outline of why we need new revenue in funding our state government.

Larry also did a presentation on the LNG project which was interesting. It can be found at:

<http://www.akml.org/wp-content/uploads/2013/07/AML-conference-August-2017-FINAL.pdf>

I thought it was interesting that he said we stand to make more money in property tax than from the gas itself. The struggle will be how to fairly distribute those tax dollars in a way that benefits all of Alaskan communities.

* We also heard from Yucel Ors. He is a Federal Advocacy Program Director with the National League of Cities. He gave us a presentation on grant opportunities through the 21st Century Cures Act and the Comprehensive Addiction and Recovery Act (CARA).

These Acts are aimed at increasing access to treatment, reducing unmet need, reducing overdose related deaths, and prevention through education.

The State of Alaska has been allocated \$2 million out of a nearly \$500 million nation wide grant.

Mr. Ors also talked to us about a developing first responder technology that will be implemented in the near future. FirstNet is a broadband LTE based network that will allow first responders and public safety teams to send and receive voice, data, video, images, and text without concerns about network congestion. They will have first priority unlike our systems today.

Governor Walker has joined 18 other states in opting into this program. Those that don't opt-in now will be on the hook for the broadband build-out, which will be costly. By opting in the Fed Gov will develop the network.

* Governor Walker also addressed us and expressed the need to generate new revenue so we can have a sustainable future. He mentioned that he got a wish list from all the communities across the state and when he added up the top two from each community it totaled nearly \$3 billion....and we have spent \$14 billion of our savings rather than fix our fiscal crisis. He would have rather spent the money on those projects and seen a sustainable fiscal plan much earlier.

It was an honor representing the City of Homer at this conference. Our partnership with the Alaska Municipal League is invaluable. It allows us the opportunities to pool ideas, resources, and energy in effectively lobbying the legislature on critical issues. The educational opportunities that come from these conferences can help us as elected officials have a broader knowledge and understanding of what faces communities statewide and how others overcome their municipal challenges.