



City of Homer

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Memorandum

TO: Mayor Zak and Homer City Council
FROM: Katie Koester, City Manager
DATE: April 12, 2018
SUBJECT: Supplemental Packet for Police Station Worksession April 12, 2018

The purpose of this memo is to provide supplemental information that was not available or requested by packet deadline.

- 1) A 5 year forecast. This was tremendously difficult to wrap our heads around and comes with so many qualifiers the data may not be useful. However, the Finance Director and I did our best to project based on historical experience. To do that we had to take out the HART dollars since that artificially inflates revenue. The charts attached are explained below:

General Fund Revenues & Expenditures, No HART Revenue:

This chart utilizes a trend line to forecast. The historical data is illustrated as a scatter plot and then a best fit line is overlaid onto the plot. A best fit line is a straight line that best represents the data.

Revenue in this graph is General Fund only and backs out HART, PERS relief and shared revenues. Expenditures are categorized as total operating costs (personnel, operations & maintenance, and debt service). The expenditures also include mandatory transfers (leave cash out, revolving energy fund, seawall maintenance, and water hydrants).

General Fund Revenues vs. Expenditures 5 Year Forecast:

This chart utilizes a forecasting module within Microsoft Excel. The model is formula based and uses historical data to predict future values. This model also incorporates the use of confidence intervals, which illustrates the potential variability in the forecasted data.

In this specific model, the confidence intervals are set at 95% and this means that 95% of future points are expected to fall within these parameters. By 2023, the potential variability for revenues is \$2,078,068 and \$790,411 for expenditures.

Revenue in these graphs are General Fund only and reflects no HART dollars pre-2019, but includes a HART infusion of \$695,000 for 2019 and beyond to cover Road Maintenance. Expenditures are categorized as total operating costs (personnel, operations & maintenance, and debt service). The expenditures also include mandatory transfers (leave cash out, revolving energy fund, seawall maintenance, and water hydrants). We are accounting for an estimated \$240,000 influx (starting in

2020) to cover costs associated with the full time Assistant Fire Chief position, operating costs for the new police station and keeping the old station in warm status.

- 2) How much would a 1% seasonal sales tax in June, July and August generate: \$599,342 based on 2017 sales tax data.
- 3) How much would each of the sales tax options presented represent in an increase per \$100 for the consumer? In order to calculate these numbers, I presumed the percent sales tax increase would be only enough to generate approximately \$390,660, or a 20 year bond for \$5,000,000 with a 4% interest rate (no additional operations and maintenance or debt service ratio applied).

Annual Payment Needed \$390,660

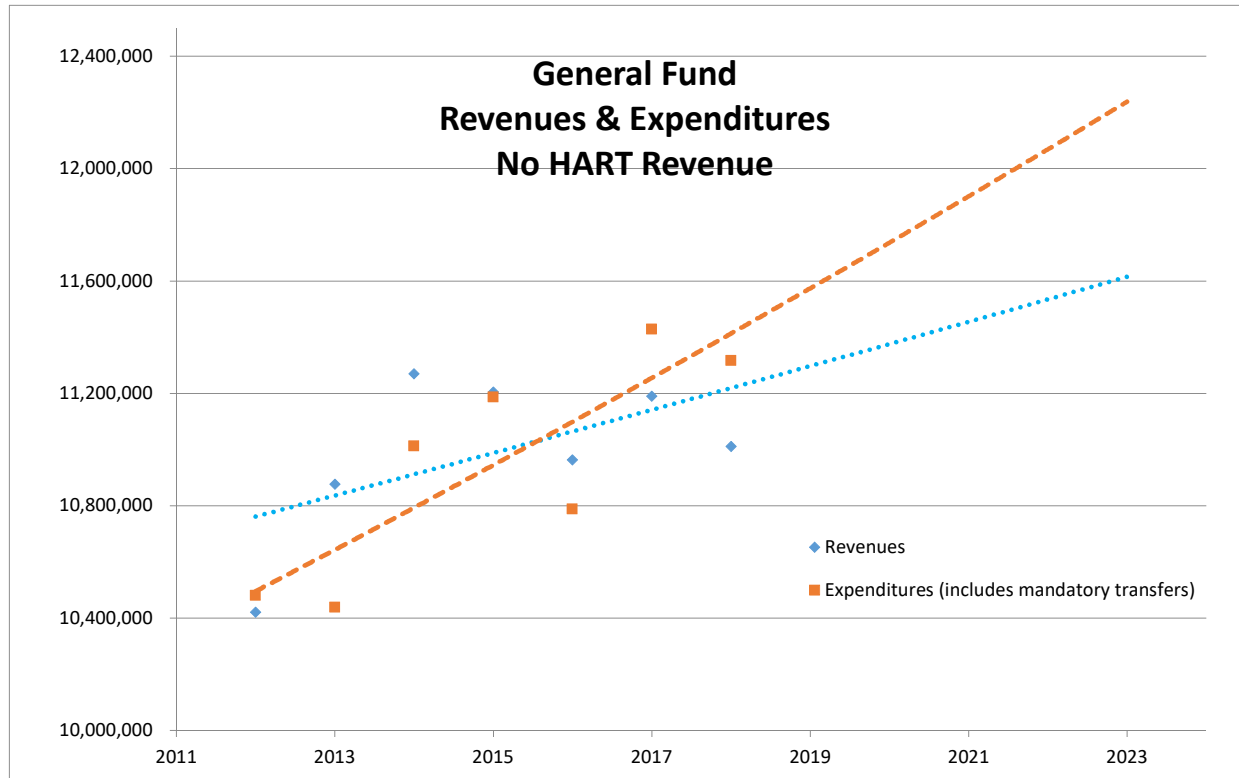
Mechanism	Rate	Generates annually based on current data	How much per \$100 for the consumer
Sales Tax (year round)	.25%	\$435,632	\$0.25
3 mo. Seasonal Sales Tax	.7%	\$419,539	\$0.70
6 mo. Seasonal Sales tax	.4%	\$466,694	\$0.40

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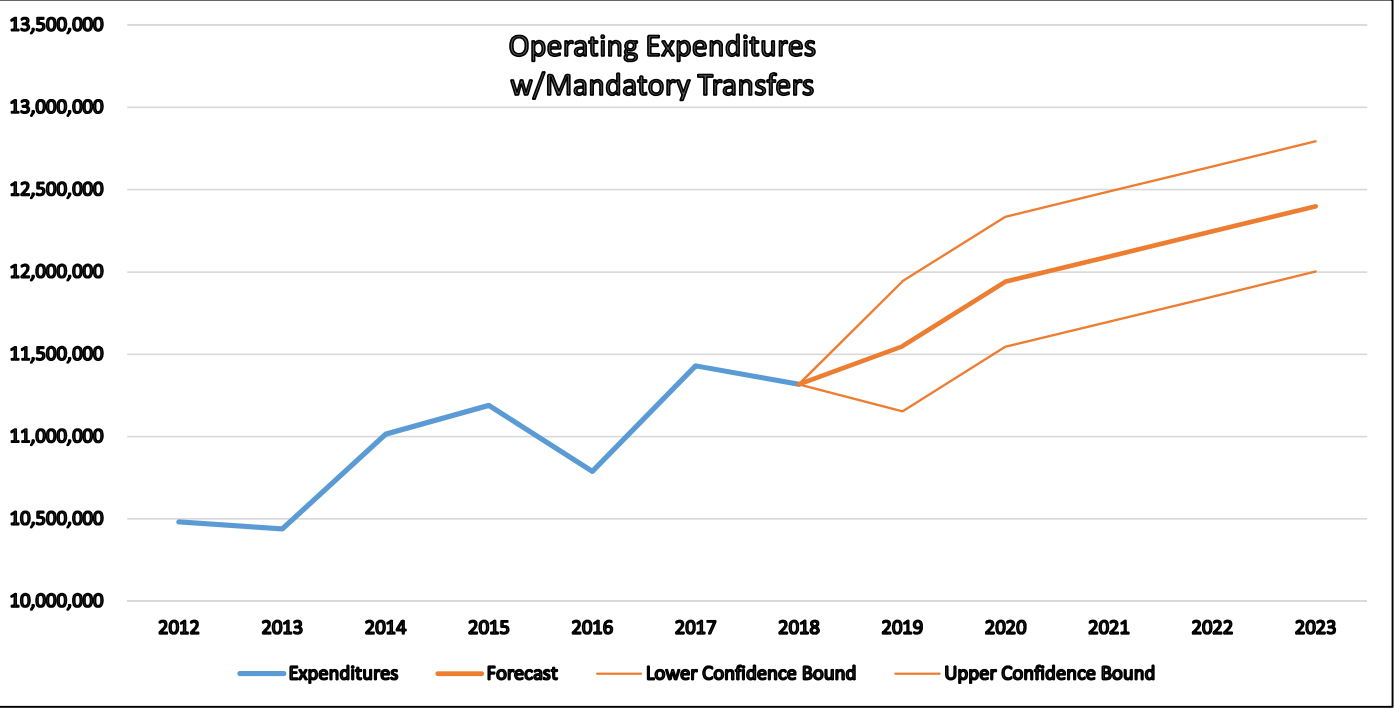
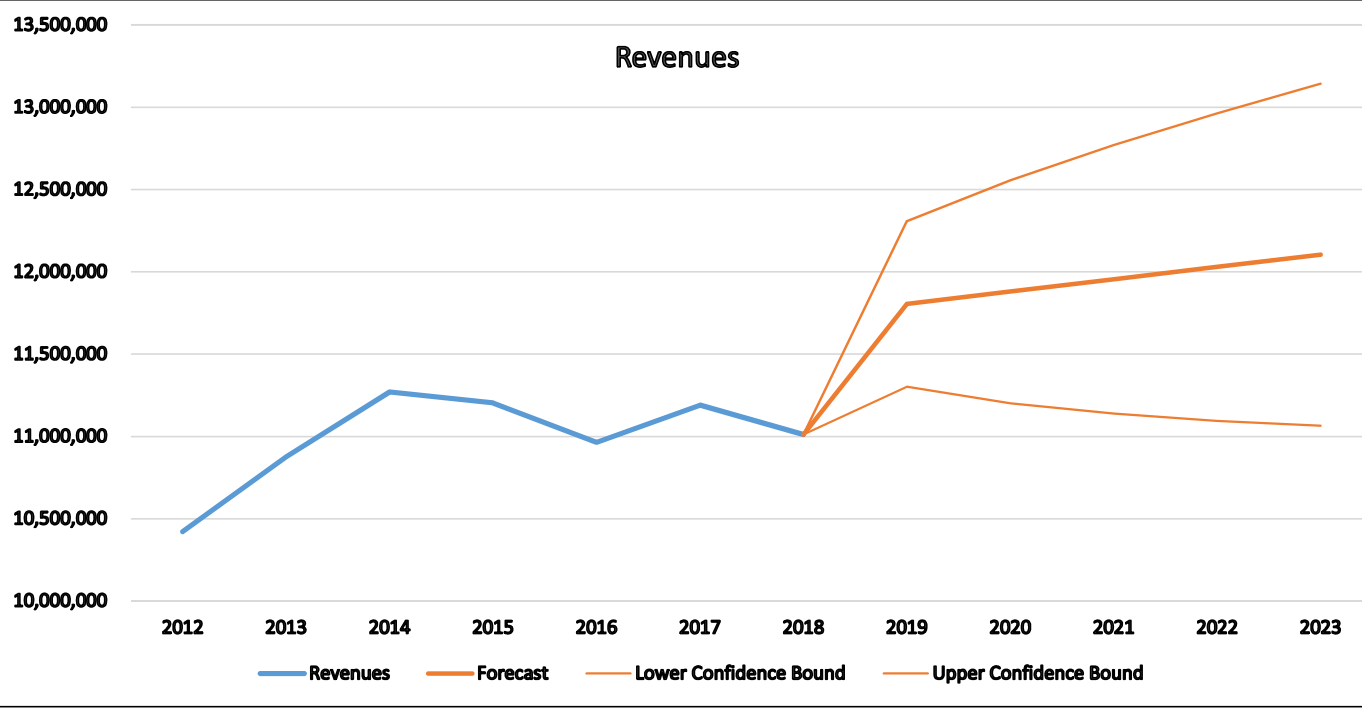
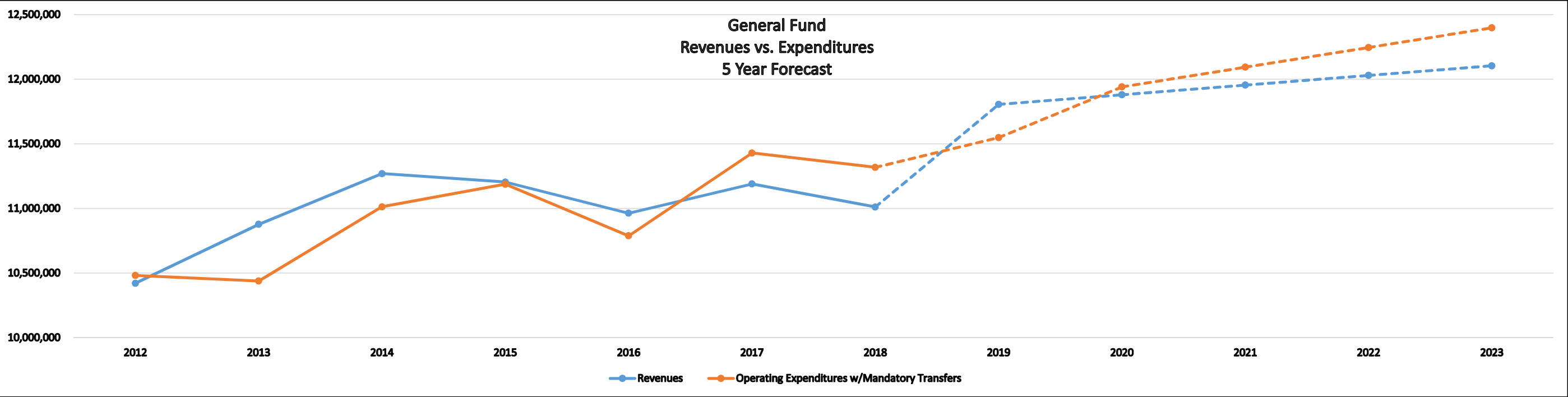
General Fund Revenues & Expenditures No HART Revenue

General Fund Revenues Vs. Expenditures 5 year Forecast

	2012	2013	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Actual	Actual	Budget	Budget
Revenues (w/o HART, PERS and Shared Revenue)	10,421,071	10,876,887	11,269,498	11,204,085	10,963,369	11,189,507	11,010,965
Total Operating Expenditures	10,286,941	10,276,321	10,699,567	10,853,340	10,449,668	10,993,993	11,043,364
Mandatory Transfers	194,219	162,358	313,080	334,326	338,441	435,110	274,298
Rev - Exp	(60,090)	438,208	256,852	16,419	175,260	(239,596)	(306,697)



Mandatory Transfers: Leave Cash Out, Revolving Energy Fund, Seawall Maintenance, Water Hydrants



Notes:

- Revenue reflects no HART dollars pre-2019, but does include a HART infusion of \$695,000 for 2019 and beyond to cover Road Maintenance
- Expenditure accounts for an estimated \$240,000 influx (starting in 2020) to cover costs associated with the full time Assistant Fire Chief position, operating costs for the new police station and keeping the old station in warm status