



City of Homer

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Memorandum 17-044

TO: City Council

FROM: Katie Koester, City Manager

DATE: March 8, 2017

SUBJECT: Clarification of Ordinance 17-10(S) to Expand Eligible HART Expenses

At the February 27th Council meeting, members asked for clarification of Ordinance 17-10 asking voters to expand HART to cover maintenance of new and existing roads and trails. This memo details the pros and cons of expanding HART, defines road and trail maintenance and compares the fiscal impact that expanding HART would have on the general fund versus permanently diverting .5% HART sales tax to general fund.

PROS of adding maintenance to HART eligible expenses

- HART's original purpose was to upgrade substandard roads to help reduce maintenance costs. Ten years ago, the Homer voters added new construction to eligible expenses for Homer Accelerated Roads and Trails (HART). Expanding HART is a logical next step to help keep our expanded road system maintained.
- Establishes roads and trails (transportation) as an essential service in Homer with a dedicated funding stream and keeps with the original intent of HART – improving transportation infrastructure.
- Gives Council flexibility to respond annually to the City's specific transportation needs– maintaining, upgrading or building new transportation infrastructure.
- Provides an answer to the criticism that the City builds new infrastructure without funds to maintain the improvement.
- Opportunity for better trail maintenance with dedicated funding stream.
- Provides one measure towards funding essential City services while balancing the budget; together with other measures (new revenue streams, increased tax base, and/or budget cuts) we are on the way toward fiscal balance.
- HART will be up for re-authorization in 10 years; Council and voters will have the opportunity to change HART based on the current fiscal climate and infrastructure needs if necessary.

CONS of adding maintenance to HART eligible expenses

- Less funds available for capital projects.
- A portion of road maintenance (equipment maintenance) still needs to be supported through the general fund.
- Does not create a new revenue stream to fund essential City services.
- HART will be up for re-authorization in 10 years; this HART amendment, if passed, could be overturned, and therefore is not necessarily a long term solution for providing a steady stream of maintenance funding.

Definition of Maintenance

The substitute Ordinance before you includes the following definition of road and trail maintenance:

- gravel road surface grading, dust control, gravel purchase, and drainage ditch/culvert maintenance
- pavement, curb, gutter and sidewalk repair, asphalt crack sealing, pavement stripping and sweeping
- bridge maintenance, signage, right-of-way vegetation control, storm drain pipe/catch basin/ manhole cleaning and repair, street light maintenance and electricity costs
- snow plowing and snow removal, snow dump site maintenance, purchase of sand, calcium chloride, and deicing chemicals, sanding, advertising and public notices
- purchase of road and trail maintenance equipment and tools
- for trails: vegetation control, trash pickup, signage, drainage, snow plowing, sanding, grading/resurfacing of gravel trails, sweeping of paved trails, and trail head maintenance

The definition of maintenance in Ordinance 17-10(S) and associated cost estimates below **do not** include the labor and parts associated with repairing road and trail maintenance equipment or administrative and supervisory costs. Public Works administration is part of the formula used for calculating the overall administrative fee that city funds pay towards the General Fund.

Capital requests for new road maintenance equipment is low for the near future, see depreciation schedule attached.

Comparison of fiscal impact of expanding HART to include maintenance versus permanently diverting .5% sales tax to General Fund

Voters add 'maintenance' to eligible expenses under HART

	HART Road	HART Trail
Total	\$1,156,388	\$128,487
Minus Admin fee	\$109,001	\$27,250
Minus Est. Maintenance	\$676,505 ¹	\$22,776 ²
Remainder for capital	\$370,882	\$78,461

GF impact \$812,756

Voters redirect a portion of HART to General Fund (.5% GF/.25%HART)

	HART Road	HART Trail
Total	\$385,221	\$42,802
Minus Admin fee	\$38,522	\$4,280
Minus Remainder for capital	\$346,699	\$38,522

GF impact (.5%) \$856,047

¹ 2017 budget for paved roads, winter roads and gravel roads.

² 5% of 2017 Parks/Cemetery budget. Rough estimate. A separate budget page for trail maintenance would need to be developed to accurately track this expense.