



City of Homer

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Memorandum 18-051

TO: Mayor Zak and Homer City Council
 FROM: Katie Koester, City Manager
 DATE: April 18, 2018
 SUBJECT: Ordinance 18-26 Authorizing G.O. Bonds for Police Station

Ordinance 18-26 authorizes a seasonal sales tax of 1% through the summer months (June, July, and August). After the work session on April 12, a number of you came to me with concerns about the proposed seasonal sales tax increase spanning multiple quarters. In order to facilitate the continuation of that conversation, I have included scenarios below that may be used to amend the ordinance before you.

Bond for 5 Million

Term and Rate	Annual Payment	X 1.25	+ Increased O&M*
20 years at 4%	\$390,660	\$488,325	\$569,874
30 years at 4.5%	\$320,076	\$400,095	\$481,644

*Assumption: \$81,549 in increased operations and maintenance

- 1) 1% seasonal sales tax for three months, June July August, to mirror tax on non-prepared food. (Current language included in Ordinance).

Tax Collected Annually 3mo at 1%	\$599,342
.8% (debt retirement)	\$479,474
.2% (operations)	\$119,868

- 2) .5% seasonal sales tax for six months, April – September. (Amendment No. 1)

Tax Collected Annually 6mo at .5%	\$583,368
.4% (debt retirement)	\$466,694
.1% (operations)	\$116,673

3) .3% year round sales tax. (Amendment No. 2)

Tax Collected Annually Year round at .3%	\$522,758
.25% (debt retirement)	\$435,632
.05% (operations)	\$87,126

4) Councilmember Erickson requested an amendment that allows voters to choose between a seasonal sales tax and year round sales tax. I have done my best to provide that language with amendment number 3 attached, however it would need additional legal review if adopted. There is time for this review between now and second reading. (Amendment No. 3)

5) Councilmember Smith requested an amendment that would allow for a special election on June 26, 2018. If passed, funding would come from the elections budget which includes funding for 1 special election annually in the case of a runoff. If passed, administration would bring a midyear adjustment to ensure funding in the case of a special election in October (Amendment No. 4).