



City of Homer

www.cityofhomer-ak.gov

Homer City Council

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March 11, 2019

Honorable Governor Dunleavy
Alaska State Legislature, State Capitol
120 4th St.
Juneau, Alaska 99801

RE: City of Homer Municipal Impact Statement

Honorable Governor Dunleavy and Members of the Alaska State Legislature,

We appreciate the State's commitment to sustainable spending but want to draw attention to the unsustainable impact the proposed FY20 budget will have on local governments in Alaska and offer our support for considering revenue solutions.

REVENUE SOLUTIONS

The Homer City Council wants to be proactive and is supportive of a sincere and honest look at new revenue for the State of Alaska. This includes:

- Examining the oil tax credit structure to ensure oil and gas exploration is not being subsidized by citizens
- Exploring an income tax
- Using our largest asset, the Permanent Fund, to fund essential government services by capping the Permanent Fund Dividend

IMPACT OF PROPOSED CUTS IN HOMER

The City of Homer is responsible for municipal governance in our community of 5,313 residents. We have 101.5 full time employees who fulfill the obligations of a local government. Our ability to do so is limited by statute, public interest, and available resources. Traditionally those resources have included State and Federal funding, which offset the burdens that might otherwise be felt by a local tax base.

On average our tax revenue comprises 72% of our total General Fund budget, and any impact from State decision-making on Alaska's economy further weakens the City's ability to sustainably serve our community. The City of Homer is very concerned about the impact cuts to the University, Alaska Marine Highway System, education, and Medicaid will have on our local economy.

- The Kachemak Bay Branch of the Kenai Peninsula College is part of the fabric of Homer. It educates students in a formal learning environment and the community through diverse programming. It provides critical job training for everyone from fisherman to nurses and employs X professionals.
- The City of Homer is the Home Port to the M/V Tustemena. In addition to employing local residents, the Alaska Marine Highway System brings visitors and residents throughout town as a gateway to Seldovia, Kodiak, and Western Alaska.

- South Peninsula Hospital is the largest employer in Homer with over 400 professional jobs. The Hospital provides critical care to our residents; the Kenai Peninsula Borough has the fastest growing senior population in the State.
- Cuts to the Kenai Peninsula Borough will have a direct impact on the City of Homer and our residents. We are especially concerned about \$20 million in cuts to the Kenai Peninsula Borough School District that will force the closure of schools and compromise the quality of education. Without good schools, people will leave Homer which will further effect our local economy and erode our tax base.

Based on the proposed FY20 budget, we have highlighted below some of the areas that will be directly impacted based on your administration's proposed budget:

- Our Community Assistance funding was \$177,172 in State FY2019.
- Our receipt of the Petroleum Property Tax was \$5,998 in 2018.
- We received \$62,069 in 2018 in Fisheries Taxes from the State. These funds are invested directly back into our public access fish dock to support fishing industry infrastructure.

The City of Homer was hit hard in 2015 when the State reduced the contract with communities for shared prisoner space by 45% and we removed Community Assistance from our operating budget due to the uncertain future of the fund. Also during this time, the City Council cut the budget, which included staff reductions, and with voter approval, restructured sales tax to cover municipal operations. Recognizing the need to pay our own way, voters approved a .35% sales tax increase in 2018 to fund a long overdue police station. **The City of Homer and its residents have stepped up to the plate.** There is no room in our budget or tax base for further cost shifting.

We believe the proposed FY20 budget and approach that you have outlined reflects little concern for the burden that you have passed on to the residents of Alaska and the local governments that serve them. The City of Homer will work to mitigate the damage from these administrative actions while partnering with our legislative leaders to develop solutions that protect the public's interest.

Sincerely,

Homer City Council

Mayor Ken Castner

Donna Aderhold

Heath Smith

Tom Stroozas

Shelly Erickson

Caroline Venuti

Rachel Lord