



# City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

Office of the City Clerk

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## Memorandum 20-025

TO: MAYOR CASTNER AND HOMER CITY COUNCIL  
THROUGH: RENEE KRAUSE, MMC, DEPUTY CITY CLERK  
FROM: DONNA ADERHOLD, COUNCILMEMBER  
CC: KATIE KOESTER, CITY MANAGER  
DATE: FEBRUARY 5, 2020  
SUBJECT: CITY OF HOMER COMMENTS ON "THE ALASKA WE WANT"

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Following is a letter drafted by Councilmember Aderhold in response to Governor Dunleavy's message in the Anchorage Daily News Opinions column dated January 3, 2020 regarding the Alaska we want and responding to the questions the Governor posed in that article.

Recommendation

Review and make amendments as needed. Make a motion to approve or not.



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## Homer City Council

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February 10, 2020

Honorable Governor Dunleavy  
Alaska State Legislature, State Capitol  
120 4<sup>th</sup> St.  
Juneau, Alaska 99801

*RE: City of Homer Comments on the Alaska We Want*

Honorable Governor Dunleavy,

Thank you for the opportunity to participate in the conversation about the Alaska we want. At the City of Homer, we want an Alaska that has quality education, a robust transportation network, regulations and enforcement that protect the health and safety of Alaskans and the environments we depend on, and diverse local economies. Furthermore, we understand that all Alaskan citizens need to be part of a revenue solution to get there. This letter provides the Homer City Council's responses to the questions you posed in your January 3<sup>rd</sup> opinion piece in the *Anchorage Daily News*, "Time for a conversation about the Alaska we want."

*How do we want to pay for government going forward if oil revenue is not enough to pay for the government we have?*

The Homer City Council reiterates its previous position that we want to be both proactive about revenue solutions and 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 and ensure the long term sustainability of the corpus by capping the Permanent Fund Dividend.

The City of Homer is supportive of a broad-based tax in which all Alaskans and non-residents who benefit from the resource wealth of our great state pay their fair share of the services provided by State government but we hesitate when it comes to a statewide sales tax initiative. Municipalities such as Homer depend on sales tax to provide essential services such as police protection; water, sewer, and road infrastructure; and emergency

services. Homer shoppers pay 7.85% in sales tax (which includes Kenai Peninsula Borough and City of Homer sales taxes). A statewide sales tax hurts our residents who can least afford it and has the potential to be devastating to municipalities like Homer whose residents are already paying for government services through their purchases. Please consider the regressive nature of sales tax, the need to capture income from non-residents, and the impact to municipalities when debating sales tax proposals.

We understand that it will take a combination of revenue solutions to close the fiscal gap but believe that Alaskans are committed to working together for a fiscally healthy and stable future for Alaska.

*What programs and services do we wish to preserve?*

All State programs provide important services to different sectors of the economy and constituent groups. State government has been cut to the bone and municipalities are seeing the effects of the cuts in reduced services, reduced State support, and increased costs. A few specific examples of the ways that State budget cuts have resulted in increased costs and disruptions to the City of Homer include: increased costs to train police officers; reductions in the State's contract with the City of Homer for Homer's community jail; and significant delays in the rehabilitation of Pioneer Ave. and Lake St., which are main roadways owned by the State in downtown Homer.

Homer's economy depends on healthy air and waters overseen by the Alaska Department of Environmental Conservation and the sustainable management of commercial and sport fisheries managed by the Alaska Department of Fish and Game. Our tourism economy also depends on adequate management of State parks, refuges, and critical habitat areas in the lower Cook Inlet and Kachemak Bay region.

While the City of Homer does not provide education services directly, we value and rely on our Kenai Peninsula Borough School District and University of Alaska Anchorage education systems. Families seeking to relocate to a new community assess the quality of the school district. Homer is proud of our public schools and we want them to maintain their high quality with State funding support. The Kachemak Bay Campus of Kenai Peninsula College allows local students of all ages to seek post-secondary degrees or pursue classes for life-long learning. Our local campus depends on services provided by the University of Alaska to remain successful and affordable.

As a community at the end of the road system, Homer is the launching point for the Alaska Marine Highway System, which has destinations across Kachemak Bay, the Kodiak Island archipelago, and southwest Alaska. Ferry workers live in Homer and passengers rely on

services provided by Homer businesses.

*What should the PFD look like going forward?*

The Homer City Council believes that using some portion of the Permanent Fund Earnings Reserve to help pay for government should be considered as part of a long term revenue solution. While this means a cap, or limit, on the Permanent Fund Dividend check, it also is a way all Alaskans can share in the responsibility of providing essential government services.

*Are we committed to developing our resources to provide jobs, wealth, and revenue for Alaskans or not?*

Responsible resource development is an essential component of the Alaskan economy. For example, Homer residents rely heavily on sustainable and well managed fisheries and the health of the ecosystems that support them. The City of Homer is working to do our share to develop the State's economy by partnering with State and Federal governments to build a Large Vessel Harbor that would home-port oil spill support, tugs, tourism and fishing vessels, among others.

*What sacrifices are we as Alaskans willing to make in order to leave a better Alaska for our children and grandchildren?*

Municipalities have already made sacrifices. The lack of State capital budgets in recent years have delayed important local capital projects, such as the new Homer Police Station. Cuts to municipal services such as community jails and the Community Assistance Program have affected our ability to provide local services. Municipalities are experiencing 'death by a thousand cuts' as fees from everything from grant management to permits and leases increase exponentially while State services and revenue contributions drop off.

On average, Homer's tax revenue comprises 72% of our total General Fund budget, and any additional cuts that weaken Alaska's economy will further weaken 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 system, and Medicaid will have on our local economy.

- The Kachemak Bay Campus 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 56 full and part-time professionals.
- The City of Homer is the home- port to the M/V Tustumena. 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 and education will have a direct impact on the City of Homer and our residents. Without good schools, people will leave Homer which will further effect our local economy and erode our tax base.

We believe the municipalities of Alaska and the taxpayers who support them have sacrificed enough. It is time for broad-based revenue solutions that allow all Alaskans to participate in funding our State government.

Thank you for the opportunity to comment on the Alaska we want.

Sincerely,  
Homer City Council

Mayor Ken Castner

Donna Aderhold

Heath Smith

Rachel Lord

Caroline Venuti

Storm Hansen-Cavasos

Joey Evensen

CC: Alaska State Legislature  
Alaska Municipal League



# ANCHORAGE DAILY NEWS

Opinions

## Time for a conversation about the Alaska we want

✍ Author: Michael J. Dunleavy | Opinion ⌚ Updated: January 3 📅 Published January 3



*Gov. Mike Dunleavy talks and answers questions about his budget vetoes at the start of a meeting with members of his cabinet in Anchorage on July 15, 2019. (Marc Lester / ADN)*

In a matter of weeks, our Legislature will begin deliberations on our state's budget for the next fiscal year. There is no doubt we have challenges. The reserve funds that once held more than \$16 billion lie nearly empty. Unlike the federal government, Alaska possesses no cash-printing machines. Any solution to our fiscal crisis must come from within the revenues we generate and the current programs and services on which we spend money.

However, we have much to look forward to as well. According to economists, our three-year recession is finally at an end. Our private sector economy is leading the way with a 4.1% increase in gross domestic product — the third-highest in the nation. Unemployment remains at historic lows, and 1,600 new jobs have been created over the past year. Perhaps most telling, hundreds of these jobs are in the construction industry.

On the North Slope, a renaissance is underway. Private investment has increased by \$1.1 billion, and last year was the region's busiest in more than a decade. Oil industry wages also grew at 7% — nearly double the national average. In fact, wages all across Alaska increased by \$355 million during the first half of 2018.

Economic growth will remain a key part of our recovery in the years to come. That's why I formed the Alaska Development Team. Tasked with identifying and recruiting businesses and investment to Alaska that will result in more jobs here in our state, they are currently working with Anchorage Airport staff to develop more than \$500 million in proposed projects that will capitalize on recent air cargo growth. This

includes 1.4 million square feet of new warehouse space that will create 1,000 construction jobs next summer.

Many of our future economic opportunities will complement our nation's push for a cleaner environment. Our state is rich in resources like zinc and rare earth metals — critical components in the batteries and electronics of most electric vehicles. In fact, Tesla is already active in Alaska with a testing facility in Delta Junction and a battery energy storage project in Homer.

But economic growth alone will not solve our budget issues in the short term. Shared sacrifice will be required as we regain our fiscal footing. The proposed budget I have submitted to the Legislature for its review and discussion acknowledges this reality while also protecting the priorities of Alaskans — the same priorities that I promised to fight for when I was elected last November.

That means continuing our path toward a safer Alaska. After passing landmark sexual assault legislation and hiring more troopers than in any other year in the past decade, my proposed budget funds an additional 15 troopers and three prosecutors. The Department of Corrections budget will see an increase of 7%, and the judiciary will see extra funding for public defenders and guardians.

It also means fully funding K-12 education. Having spent decades as both a teacher and school administrator, it pains me to see our state consistently ranked as one of the worst for K-12 education. Funding, however, is just one piece of the education puzzle — our delivery of education services must be improved.

I recently met with federal officials to discuss how we can move forward with tribal compacting in education as well as ideas to boost reading performance. I believe that our children must be reading at grade level by the third grade and proficient in algebra by the eighth grade. We must achieve these milestones to ensure our children can pursue any career they set their sights on. We must insist proficiency in reading and algebra be a moral imperative for Alaska's children.

Finally, it means protecting the Permanent Fund as well as the Permanent Fund dividend. My budget calls for a full PFD plus complete payment for last year's partial dividend. Until Alaskans decide otherwise, I am committed to honoring the statutes that calculate the PFD.

Alaskans have important decisions to make in the days ahead. The upcoming year represents the final time we can rely on budget reserves to make ends meet, meaning hard decisions must be made. To that end, I will be back in the air beginning this month, visiting with communities in every corner of our state, and gathering more of your critical input as to what Alaska should look like going forward. In order to build that Alaska together, we will need your thoughts on questions such as:

Do we want to continue to grow government with little or no controls on spending, or do we want a spending limit?

How do we want to pay for government going forward if oil revenue is not enough to pay for the government we have?

Which programs and services do we wish to preserve?

What should the PFD look like going forward?

Are we committed to developing our resources to provide jobs, wealth, and revenue for Alaskans or not?

What sacrifices are we as Alaskans willing to make in order to leave a better Alaska for our children and grandchildren?

In preparation for these conversations, my staff has compiled and published extensive budget data. This includes an unbiased set of scenarios that could be used to balance our budget. I truly hope you spend some time reviewing this information ahead of these discussions.

Most importantly, I urge Alaskans to not lose sight of the big picture. Our present budget woes are not simply a math exercise. The long-term solutions will come from people like you — Alaskans with

ingenious ideas and a commitment to delivering better government services with less resources. Alaskans who understand that the decisions we make today will shape the world we leave our children.

I'm confident that, together, we will secure for them a safer and more prosperous Alaska.

**Gov. Mike Dunleavy** is the 12th governor of Alaska.

*The views expressed here are the writer's and are not necessarily endorsed by the Anchorage Daily News, which welcomes a broad range of viewpoints. To submit a piece for consideration, email [commentary\(at\)adn.com](mailto:commentary(at)adn.com). Send submissions shorter than 200 words to [letters@adn.com](mailto:letters@adn.com) or [click here to submit via any web browser](#). Read our full guidelines for letters and commentaries [here](#).*

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### About this Author

#### Michael J. Dunleavy

Gov. Michael J. Dunleavy, R-Wasilla, is the 12th governor of the state of Alaska.

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