



City of Homer

www.cityofhomer-ak.gov

Finance Department

491 East Pioneer Avenue
Homer, Alaska 99603

finance@cityofhomer-ak.gov

(p) 907-235-8121

(f) 907-235-3140

Memorandum 21-187

TO: Mayor Castner and Homer City Council

THROUGH: Rob Dumouchel, City Manager

FROM: Elizabeth Walton, Finance Director

DATE: October 7, 2021

SUBJECT: Natural Gas Fund Supplemental Information

The purpose of this memo is to provide Council with additional information related to the Natural Gas Fund.

Background:

On March 8, 2021, Homer City Council adopted Ordinance 21-13, which directed the Finance Department to retire the debt obligation with the Kenai Peninsula Borough regarding the Natural Gas Line. Ordinance 21-13 also directed the Finance Department to provide Council with a fund financial summary.

On September 20, 2021, the Finance Department met with Mayor Castner and City Manager Dumouchel to discuss the fund financial summary reporting to Council. The main focus of the meeting was to determine the necessary future appropriations and to develop a future plan for the fund. Ordinance 21-63 is the resulting product from this discussion.

Fund Overview Questions:

Question 1: What financial activity takes place in the Natural Gas Fund (Fund 175)?

Answer: The Natural Gas Fund was setup to record capital project costs, debt obligation costs, Free Main Allowance deposits, and Special Assessment District revenues.

Question 2: What is the financial position of the Natural Gas Fund? When will the fund balance turn positive?

Answer: As of 12/31/20, the Gas fund had a negative fund balance of \$369,213. We anticipate at least one more calendar year (2 more audits) with a negative fund balance due to the prepayment of debt. Finance recommends not appropriating any transfers from this fund until there is sufficient fund balance.

Question 3: What funding sources did the City utilize to retire the debt obligation with the Kenai Peninsula Borough?

Answer: The primary funding source utilized for the debt retirement was the Free Main Allowance (balance as of January 2021 distribution was \$1,972,000). The full payoff amount was \$2,511,190.83. A funding gap of \$539,190.83 was created in this transaction. This gap was essentially advanced by the City. This gap and FY 2021 activity has decreased the fund balance to a negative \$336,056 (unaudited). Assessment revenue will continue to come in to cover this payment advance.

Question 4: What are the demographics for the Special Assessment District (SAD)?

Answer: There were a total of 3,788 parcels originally assessed in the SAD and currently there are 1,043 parcels still owing money. Of these parcels: 993 are current on a payment plan, 50 have never paid, and 137 parcels are in late status. There are 2,745 parcels that are paid in full.

Question 5: How was the doubtful amount derived?

Answer: The doubtful amount (\$161,188) stated in Ordinance 21-63 was approximated by multiplying the 50 parcels that have never paid by the original assessment amount. This value will not be seen in the financial statements, as it is not accounting standards to generate an allowance for doubtful accounts for special assessment districts. We are optimistic that this amount won't be as significant due to our ability to collect on assessments when properties are sold.

Question 6: What does proposed Ordinance 21-63 do?

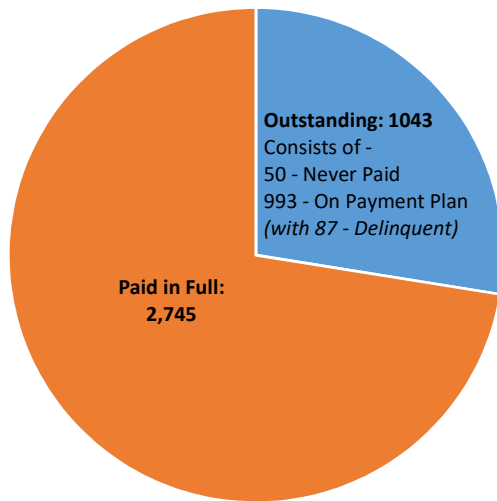
Answer: As written, Ordinance 21-63 directs the Finance Department to wait until the fund balance for the Natural Gas Line fund turns positive (paying off all obligations to the City). At this point, the Finance Department is to annually transfer excess funds (those above \$0) to the General Fund Fund Balance.

NATURAL GAS ASSESSMENTS

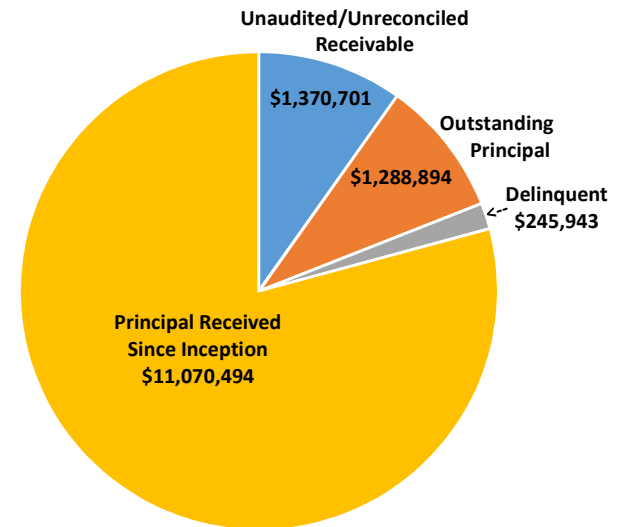
Date: 15-Oct-21

Original Receivable Amt.	Original # Parcels	Approximate Unaudited/Unreconciled Receivable 7/31/21*	Approximate Principal Outstanding	Approximate # Parcels Still Owing	#Parcels Never Paid	Amount Delinquent*	#Parcels Delinquent	# Parcels Paid in Full	#Parcels on Pmt. Plan	Approximate Principal Received Since Inception
\$12,359,388	3788	\$1,370,701	\$1,288,894	1043	50	\$245,943	137	2745	993	\$11,070,494

Natural Gas Parcels Report
Original # Parcels - 3,788
as of 7/31/21



Natural Gas Figures - Approximates
Original Receivable Amount - \$12,359,388
As of 7/31/21



Per Reso 15-17; District began 2015 ends 2024.

Original #s not refactored for condo lawsuit or for any exempting legislature that came after.

Delinquent parcels includes the 50 Never Paid, many only behind one payment and many missing various payments.

50 Never paid include many State properties and a handful of deferred (a few approved this year and some unapplied for currently, but were approved in prior years).

Unaudited/Unreconciled Receivable: General Ledger and Accounts Receivable - January - June 2021

Outstanding Principal: Amount due on payment plans.

Delinquent: Amount late on payment plan.

Never Paid: Those who have never paid on assessment.

**Includes interest & late fees charged.*