



# City of Homer

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## Office of the City Manager

491 East Pioneer Avenue  
Homer, Alaska 99603

[citymanager@cityofhomer-ak.gov](mailto:citymanager@cityofhomer-ak.gov)

(p) 907-235-8121 x2222

(f) 907-235-3148

## Memorandum 22-020

TO: Mayor Castner and Homer City Council  
FROM: Rob Dumouchel, City Manager  
DATE: January 14, 2022  
SUBJECT: Transfers from General Fund to CARMA and Land Reserves

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Net income to the City has been exceeding forecasts resulting in a healthy General Fund Fund balance. The exact value of the fund changes multiple times every day, but the approximate balance at this time is \$14.3 million. Of that, \$4.4 million is restricted as an emergency fund (as required by Homer City Code 3.05.049 (b) which sets aside four months of operating budget for a given fiscal year), and another approximately \$1 million is encumbered by various existing appropriations. This leaves approximately \$9 million in unassigned fund balance which is available for appropriation by the City Council. Administration is recommending a \$4 million package which refills the General and Fleet Capital Asset Repair and Maintenance Allowance (CARMA) accounts as well as the Land Reserve.

### **General Fund General CARMA (Fund 156)**

The General CARMA account funds general fund-related projects, planning, and equipment purchases. In 2021, Ordinance 21-30(S) rolled all CARMA sub-account funds into the general subaccount (156-0375) except for the Seawall, HERC, and Fishing Hole accounts. With the passage of the FY22/23 Capital Budget (Ordinance 21-36(S-2)(A)), the majority of the funds available in the General CARMA general subaccount were encumbered leaving \$90,883 available. Ordinance 21-65 (replacement of departmental servers) reduced that amount to \$45,883. The proposed ordinance would add \$1.5 million to the General CARMA which will be available for future Council appropriations.

### **General Fund Fleet CARMA (Fund 152)**

The General Fleet CARMA account funds general fund-related vehicle purchases. All funds were rolled into the general subaccount (152-0375) with the FY22/23 Capital Budget. The proposed ordinance would add \$1.5 million to the General Fleet CARMA account which will be available for future Council appropriations. Administration intends to come forward with a request shortly for the replacement of a piece of fire apparatus for the Volunteer Fire Department. This is a long overdue replacement that has been in the Capital Improvement Plan for many years. I expect the cost to be somewhere around \$850,000 but it may be higher given the inflation we are seeing at this time.

### **Land Reserves (Fund 150)**

The Land Reserves are a fund in which we hold funds to be used for the acquisition of property (like the parcel at Bishops Beach in early 2021 and the current Bridge Creek Watershed acquisition before Council on January 24<sup>th</sup> for adoption) and easements for the City. This fund has also been used for things like paying off

assessments on moose habitat (Ordinance 21-05). The proposed ordinance would add \$1 million to the Land Reserves which will be available for future Council appropriations. Having these funds available will help me to negotiate potential options for projects like the Public Works campus relocation and green stormwater land acquisitions (any actual use of the funds will require Council approval).

### **Internal Management of CARMA Appropriations**

During the FY22/23 budget cycle's work sessions, the passage of Ordinance 21-30(S), and a work session held August 9<sup>th</sup>, we held many discussions with Council regarding CARMA and how it works. At the end of our last work session, the next steps were to develop a CARMA proposal update to Council. In reviewing Administrative needs and the evolution of the direction received from Council over time, my team has a proposed way to deal with CARMA appropriations that I believe satisfies many of the issues different Councilmembers have had over time.

The process, prior to the FY22/23 budget, had been to appropriate surplus dollars into specific CARMA sub-accounts. This was done to balance the budget and save up for various future needs. The capital budget would then approve projects and assign them to the different sub-accounts. The roll-up ordinance (21-30(S)) moved all dollars (with a few exceptions) into the general CARMA sub-accounts.

The staff proposal for future use of CARMA is as follows:

1. Council appropriates dollars to CARMA at the fund level, i.e., Fund 156 or Fund 152
2. Council makes an appropriation approving a specific project that will use up to a specific amount of CARMA funds
3. Staff will use the existing sub-account structure as a tool to segregate projects by type – this helps greatly with administration of projects
4. Remaining funds will be rolled back into the top level of the fund at the end of the project

This method fits the spirit of Ordinance 21-30(s) while giving staff the flexibility to better manage the administration of capital projects. If there is a desire by Council to create an account to save money for future use, we will suggest placing those funds somewhere other than CARMA.

**Staff Recommendation:** Introduce and adopt Ordinance 22-XX transferring funds from the General Fund Fund Balance into General Fund CARMA accounts (152 and 156) and the Land Reserve.