



# MEMORANDUM

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## Budget Follow-up

**Item Type:** Informational Memorandum  
**Prepared For:** Mayor Lord and Homer City Council  
**Date:** June 5, 2025  
**From:** Melissa Jacobsen, City Manager

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This memo is an attempt to respond to questions that have been raised related to the operating and capital budget at and since the last meeting:

### Information on the 2016 budget cuts-

In 2008 Homer agreed to participate with the Kenai Peninsula Borough in the seasonal sales tax exemption and as a result Homer does not collect sales tax on non-prepared food September 1<sup>st</sup> through May 1<sup>st</sup>. After years of belt tightening the City began taking more impactful measures to balance the budget. In 2015 the City switched from self-funding to a private insurance. This savings was used to balance the operating budget instead of putting it in the health insurance fund to cushion against future increases. On the personnel front, patrol officers were refactored to come closer to wages of neighboring communities.

In 2016, the State reduced the City's contract for providing jail services by 40%. Revenue Sharing was shrinking and scheduled to disappear, so Council removed it from the budget as a revenue source, and declining sales tax revenue, Homer faced a revenue decline by approximately \$900,000 for 2016.

Two budgets were presented to Council, Budget A assumed new revenue in the amount of \$1million, and Budget B was a bare bones budget that included cuts that would be necessary if \$1million was not found. The Council authorized a special election in December 2015 asking the voters to suspend the .75% sales tax that goes to roads and trails for 3 years. The measure passed and budget A was enacted. It was still a minimalist budget that included the reduction of 6.5 positions and non-personnel cuts to a variety of line items. One capital budget request was funded, \$200,000 for the expansion of the Hickerson Cemetery.

### Cuts to the 2016 City of Homer 2016 Operating Budget

Department/Division	Reduction	Amount	Impact
Homer Police Department	2 positions- dispatch and jail officer	\$155,000	Less coverage in dispatch & jail. Increased liability
Planning	1 position – code enforcement	\$78,000	Less code enforcement
Library	Books and supplies	\$29,000	Book budget – older circulation

City Manager's Office	4 position – admin assistant	\$28,000	Less responsiveness to public. Less capacity in admin
Finance	One position	\$127,000	Short term impact and ability to produce timely and accurate report
Public Works	two positions one project manager, .5 admin assistant and 0.5 equipment operator	\$154,000	Less ability to take on new projects. Administrative capacity. Less capacity for large snow events. Building maintenance goes to part-time.
Senior Center		\$10,000	2015 one time request
Homer Hockey Association		\$14,000	2015 one time request

**Where do we end up with a 2.2 COLA and health?**

FY26 Salary and wages		2.2% COLA	2.2 COLA
Budgeted		(Non-exempt 107.5)	(All employees 121.50)
General fund	\$10,843,436	\$124,824	\$182,810
Utility	\$ 1,257,736	\$ 37,953	\$ 41,699
Port	<u>\$ 2,741,007</u>	<u>\$ 44,550</u>	<u>\$ 50,510</u>
	\$14,842,179	\$207,328	\$275,020
Unassigned fund balance (as of April 2025)		\$1,584,557	\$1,584,557
General Fund COLA cost		-\$ 124,824	-\$ 182,810
Health Insurance Fund increase		<u>-\$ 33,736</u>	<u>-\$ 33,736</u>
		\$1,425,997	\$1,368,011

FY26 Salary and wages		1% COLA	1% COLA
Budgeted		(Non-exempt 107.5)	(All employees 121.50)
General fund	\$10,843,436	\$56,738	\$83,096
Utility	\$ 1,257,736	\$17,252	\$18,954
Port	<u>\$ 2,741,007</u>	<u>\$20,250</u>	<u>\$ 22,959</u>
	\$14,842,179	\$94,240	\$125,009

Unassigned fund balance (as of April 2025)		\$1,584,557	\$1,584,557
General Fund COLA cost		-\$ 56,738	-\$ 83,096
Health Insurance Fund increase		<u>-\$ 33,736</u>	<u>-\$ 33,736</u>
		\$1,494,083	\$1,467,725

### **Why did you support bringing forward the On-call and Shift Differential?**

As municipal employees we have a responsibility to provide services to the tax payers in the City, and not all the services we provide run on a regular 8am-5pm Monday through Friday schedule. Rather than having 24/7 staffing in certain departments/divisions the City saves money by utilizing on-call pay and shift differentials to non-exempt employees to cover these after-hours needs.

On-call pay is for employees who are expected to respond to work-related needs and emergencies that happen after hours or on weekends. Typically, one employee for IT, Fire, Ice Plant, Equipment Operator, Water/Wastewater, and Building Maintenance will serve as the on-call person. They don't whoop it up at the Super Bowl party, or go dipnetting, hiking across the bay, camping at Skilak Lake, downhill skiing at Girdwood, or run to Home Depot during their off hours because they have the duty phone and have to pick it up and respond if it rings. The on-call pay is a small compensation for that expectation.

Shift differential pay is for employees who work outside standard business hours. It's compensates them for working the less desirable night shifts that may disrupt their regular schedule.

- Swing shifts are hours worked between 4:00 p.m. and midnight and currently receive 2% additional pay to their hourly rate
- Graveyard shifts are hours worked between midnight and 8:00 a.m. and currently receive 4% additional pay to their hourly rate

Increasing these percentages will help retain our current employees and assist in recruiting folks to work these less desirable night shifts.

We need staff to cover these on-call and night shifts.

### **What's the status of police station payoff?**

We're still projecting to have enough in the Police Service Debt Payment fund to satisfy the debt at the end of FY26 (see page 20 of the FY25 3<sup>rd</sup> Quarter report from May 12<sup>th</sup>). We can't pay it off until after May 1, 2030 without prepayment penalty.

### **What's the status of effort on the emergency fund balance?**

At the May 12<sup>th</sup> Council worksession, Mayor Lord asked members to send the City Manager questions or ideas on changes to the emergency fund. Input so far-

- Tweak wording so there is flexibility if it sometimes goes above or below, rather than always four months as a whole.
- Is economic uncertainty the right term in code or if there's something that offers more flexibility?
- The Unassigned fund balance - I think it is easy to think cost overruns will be covered through this fund. I think we have to make sure that bids are held to the agreed amount. I also think that this is more for the out of budget emergency issues beyond the normal issues.
- I also think on those unassigned balance - should have a line on the sheets with the requests to help us see where it is going and how much we really have left.

I'm happy to take direction from Council on scheduling a worksession for further discussion on this topic.