



City of Homer

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Administration

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Memorandum 16-092

TO: Mayor Wythe and Homer City Council

FROM: Katie Koester, City Manager

DATE: May 23, 2016

SUBJECT: Data to accompany Ordinance 16-30

The purpose of this memo is to provide Council with information to frame Ordinance 16-30, a general obligation bond for public safety and seasonal sales tax increase.

Bond Terms

The chart below presents a variety of options for the cost of issuing a bond. Voters authorize a not to exceed number, the City can always bond for less than the voters authorize. The Bond Bank clusters many communities together. It would be tight to make a fall 2016 issuance, but the next available sale would be soon thereafter in February or March of 2017.

Amount Borrowed	Term	Interest Rate	Annual Payment	+ 1.25 Debt ratio	+ Increased O&M \$144,000
		As of 04/12/2016			
11.5m	20 years	Current (2.6586%)	\$727,482*	\$909,353	\$1,053,353
11.5m	20 years	Current + 50bps (3.0853%)	\$759,760*	\$949,700	\$1,093,700
11.5m	30 years	Current (3.427%)	\$595,516*	\$744,395	\$888,395
11.5m	30 years	Current + 50bps (3.777%)	\$631,392*	\$789,240	\$933,240
		As of 5/16/2016			
12m	20 years	Current (2.6586%)	\$843,780	\$1,054,725	\$1,198,725
12m	20 years	Current + 50bps (3.0853%)	\$872,688	\$1,090,860	\$1,234,860
12m	30 years	Current (3.35%)	\$635,000*	\$793,750	\$937,750
12m	30 years	Current + 50bps (3.85%)	\$676,000*	\$845,000	\$989,000
		Estimate (combined)			
13m	20 years	Current (2.6856%)	\$913,992	\$1,142,490	\$1,286,490
13m	20 years	Current + 50bps (3.0853%)	\$945,300	\$1,181,625	\$1,325,625
13m	30 years	Current (3.35%)	\$731,892	\$914,865	\$1,058,865
13m	30 years	Current + 50bps (3.85%)	\$774,312	\$967,890	\$1,111,890

*Actual figures run by Alaska Bond Bank. Non-asterisk numbers are estimates based on online bond calculator tool and less arcuate.

Sales Tax Value by Tenths of a Percent

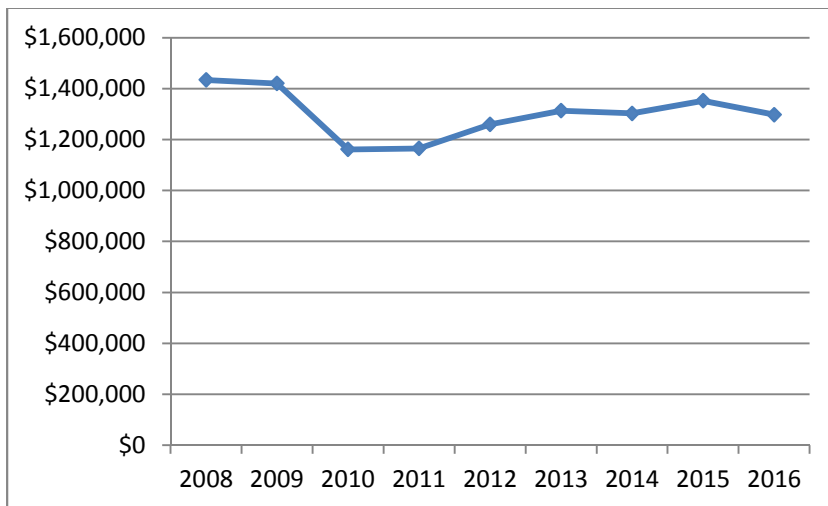
2015 Seasonal Sales Tax Value April – September (6mo)	
1%	\$1,222,000
0.90%	\$1,099,800
0.80%	\$977,600
0.70%	\$855,400
0.60%	\$733,200
0.50%	\$611,000

2015 Sales Tax Value	
1%	\$1,666,642
0.90%	\$1,499,978
0.80%	\$1,333,314
0.70%	\$1,166,649
0.60%	\$999,985
0.50%	\$833,321

First Quarter Sales Tax Revenue

First quarter sales tax is down just over 4% from last year's first quarter data. The 2016 budget is based on a 2% decrease in sales tax revenue for 2016.

January – March Historical Sales Tax Revenue



Year	Jan - March
2008	1,433,659
2009	1,419,869
2010	1,161,059
2011	1,164,786
2012	1,259,037
2013	1,313,448
2014	1,302,726
2015	1,352,305
2016	1,297,705

2015 Property Tax Returns (Budget vs. Actual)

Property tax receipts for 2015 actual are up \$40,000 from budgeted. This is just shy of 1.5%: \$2,890,000 up from budgeted number of \$2,855,000.

Can two questions (a tax increase and authority to bond, for example) be combined on one ballot?

From Attorney Klinkner:

The question of combining a proposition to issue bonds with a proposition to impose a tax to pay debt service on the bonds has not been addressed by courts in Alaska. However, while courts in other states may disapprove the combination of two unrelated questions in a single ballot proposition, this disapproval does not extend to ballot propositions that combine the question of issuing bonds with the question of levying a tax to pay the bonds. Courts have consistently approved such a combination. Indeed, some have held that the combination of the two questions is required. As a court in Texas explained:

The bonds and the tax [to pay the bonds] both had to be voted on. There could not be one without the other. Any voter who was in good faith for the bonds was also for the tax, and one against the tax was also against the issuance of the bonds. The voters were not entitled to have these two inextricably joined matters submitted separately so that they might cast unintelligent votes of being for the one and against the other.

As far as I could determine, the City bonds for the library were authorized (by Ordinance 04-030(A)) without any proposition for a sales tax increase for their payment being submitted to the voters. Alternate ordinances that would have combined the bond proposition with a proposition for a sales tax increase apparently failed at introduction.

Timing for Bond Ordinance

Staff has been operating under the assumption that the City of Homer is required to submit a ballot proposition to the U.S. Department of Justice 90 days before a regular election for preclearance as part of the Voting Rights Act. However, the Department of Justice requirement to review all bond propositions was overturned by the U.S. Supreme Court in 2013, thus negating the need to have propositions in place by July 1. This gives Council until the August 8th meeting to adopt a final proposition for placement on the October ballot.