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**CITY OF HOMER  
HOMER, ALASKA**

Mayor/City Manager

**ORDINANCE 21-63(S-3)(A)**

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA  
~~SETTLING THE CURRENT AND FUTURE DISTRIBUTIONS~~  
**DIRECTING DISPOSITION OF INCOME AND DEBT AMOUNTS**  
**HELD** IN THE NATURAL GAS DISTRIBUTION SPECIAL  
ASSESSMENT BOND SINKING FUND, ~~AND ACCEPTING AND~~  
~~APPROPRIATING FUTURE FREE MAIN ALLOWANCE REFUNDS~~ **AND**  
**RELATED MATTERS**

WHEREAS, Ordinance 13-02 created the City of Homer Natural Gas Distribution Special Assessment District; and

WHEREAS, Ordinance 13-03(S)(2) authorized the City **of Homer (City)** to issue a Natural Gas Distribution Special Assessment Bond (**Bond**) in the principal amount of not to exceed \$12,700,000 to finance the design and construction of natural gas distribution improvements ~~in~~ **within** the City (**Project**); and

WHEREAS, The City and Enstar signed an agreement titled “Natural Gas Distribution System Extension Contribution in Aid of Construction Agreement for the City of Homer Natural Gas Distribution Special Assessment District” (2013 Enstar Agreement) in 2013; and

~~WHEREAS, The natural gas distribution system extension, owned by Enstar, was successfully constructed and put into operation; and~~

WHEREAS, The City has ~~appropriated an additional \$663,119 to natural gas related expenses from~~ **issued the Bond in the principal amount of \$12,359,388, proceeds of which were used to design and construct the Project** General Fund (\$301,097), Utility Fund (\$95,023), and Harbor Fund (\$266,999) since 2012; and

**WHEREAS, Project-related costs were also financed with equity of the City in amount of \$663,119 (General Fund (\$301,097), Utility Fund (\$95,023), and Harbor Fund (\$266,999)); and**

WHEREAS, The City has collected both annual assessment payments from property owners and a quarterly ~~refunds~~ from Enstar ~~known~~ (**referred to as “free main allowance payments”**) ~~which is~~ **and are** based on calculations contained within §602 of Enstar’s Tariff; and



43 WHEREAS, Ordinance 15-17(S) permitted **authorized** the City to prepay principal  
44 **prepayment** of the Natural Gas Distribution Special Assessment Bond; and

45  
46 WHEREAS, Ordinance 16-43 provided for the creation of a **created the** Natural Gas  
47 Distribution Special Assessment Bond Sinking Fund **(Fund) for purposes of paying and**  
48 **securing payment of the Bond; assessments and free main allowance payment are**  
49 **deposited into the Fund;** and

50  
51 WHEREAS, Ordinance 21-13 appropriated an amount not to exceed \$2,512,000 from the  
52 Natural Gas Distribution Special Assessment Bond Sinking Fund to retire the debt that was  
53 utilized for the construction of the natural gas distribution line **Bond;** and

54  
55 WHEREAS, The City's Finance Department used **cost to retire the Bond was** \$2,459,945  
56 to pay off the bond as directed, **; amounts used to retire the Bond included those amounts**  
57 **held in the Fund** (which included the entirety of the \$1,971,808 in free main allowance  
58 **payments** which had been **were** collected by the City since the initiation of the pProject), **and**  
59 **other authorized funds of the City;** and

60  
61 WHEREAS, On-time assessment payments **Amounts** will continue **to be deposited into**  
62 **the Fund from (i) assessment payments (current payments** until September 1, 2024 and  
63 Free Main Allowance payments will continue for **late payments beyond September 1, 2024),**  
64 **and (ii) free main allowance payments ending 10** calendar years after **following**  
65 construction **of the Project;** and

66  
67 WHEREAS, Late assessment payments are likely to continue well beyond 2024; and

68  
69 WHEREAS, There is value in planning for the end phase of the Natural Gas Distribution  
70 Special Assessment Bond Sinking Fund to ensure that surplus funds are put to appropriate  
71 uses **use of amounts held in the Fund;** and

72  
73 WHEREAS, The 2013 Enstar Agreement allows free main allowance **payments** to be put  
74 towards whatever **used for purposes** the City "determines to be appropriate" **following**  
75 **retirement of the Bond;** and

76  
77 **WHEREAS, The City recognizes the free main allowance, including the free main**  
78 **allowance funds already used to prepay the Bond, as direct payments from Project**  
79 **property owners and strongly encourages future disposition of all received revenues into**  
80 **the Fund (both free main allowance and assessments) to specifically benefit properties**  
81 **within the Project; and**

82  
83 **WHEREAS, All costs to the City relating to the conversion to natural gas of City-**  
84 **owned facilities are costs incurred as a property owner and should not receive**



85 **reimbursement through the free main allowance or assessments, except as costs may be**  
86 **related to the administration of the Project; and**

87  
88 **WHEREAS, Both private landowners and City taxpayers receive the benefit in**  
89 **reduced utility expenses as a result of the Project and all future revenues into the Fund**  
90 **should be distributed to equitably benefit all properties within the Project, with private**  
91 **and City-owned properties treated similarly; and**

92  
93 ~~WHEREAS, The City expects to receive the Free Main Allowance refunds through 2025~~  
94 ~~and Free Main Allowance deposits that the City receives shall be appropriated at time of~~  
95 ~~receipt; and~~

96  
97 **WHEREAS, Free main allowance payments received by the City shall be**  
98 **appropriated into the Fund upon receipt; and**

99  
100  
101 ~~WHEREAS, The City Council has determined~~ **hereby determines that** it is appropriate  
102 ~~to direct excess funds to the General Fund where it can be used for purposes beneficial to the~~  
103 ~~entire City~~ **it is in the best interest of the City to establish a process for use of amounts held**  
104 **in the fund on an annual basis.**

105  
106 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

107  
108 ~~Section 1. Once any debt within the Natural Gas Distribution Special Assessment Bond~~  
109 ~~Sinking Fund is retired, all~~ **assessments and free main allowance** payments **shall be**  
110 **deposited** into the Natural Gas Distribution Special Assessment Bond Sinking Fund are  
111 income to **be used in a manner and for the purpose(s) determined by** the City of Homer.

112  
113 ~~Section 2. The City Council hereby accepts and appropriates future Free Main~~  
114 ~~Allowance refunds as follows:~~

115

Account	Description	Amount
175-0375	City of Homer Natural Gas Distribution Special Assessment Bond Sinking Fund	TBD

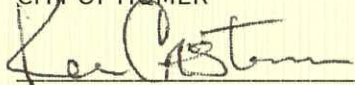
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120 **Section 2. The City Treasurer shall annually provide City Council with fund balance**  
121 **information for the Natural Gas Distribution Special Assessment Bond Sinking Fund. This**  
122 **annual presentation will occur at the City Council meeting following acceptance and**  
123 **delivery of the City's annual audited financial statements that include a positive balance**  
124 **in such Fund.**

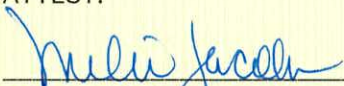
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126 Section 3. Following debt retirement, the City Treasurer shall annually transfer, on the  
127 business day following the passage of the Resolution accepting the basic financial statements,  
128 the accumulated revenues in the Natural Gas Distribution Special Assessment Bond Sinking  
129 Fund to the General Fund—Fund Balance.

130  
131 Section 4 3. This is a budget amendment ordinance only, is not permanent in nature,  
132 and shall ~~not be codified~~ **become effective upon adoption.**

133  
134 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 10 day of January 2021.

135  
136 CITY OF HOMER  
137   
138 \_\_\_\_\_  
139 KEN CASTNER, MAYOR

140 ATTEST:  
141   
142 \_\_\_\_\_  
143 MELISSA JACOBSEN, MMC, CITY CLERK

144  
145 YES: 6  
146 NO: 0  
147 ABSTAIN: 0  
148 ABSENT: 0

149  
150 First Reading: 10-11-21  
151 Public Hearing: 10-26-21  
152 Second Reading: ~~12-3-21~~ 12-13-21, 1-10-22  
153 Effective Date: 1-10-22

