



Homer City Hall
491 E. Pioneer Avenue
Homer, Alaska 99603
www.cityofhomer-ak.gov

City of Homer Agenda

**City Council Committee of the Whole
Monday, December 13, 2021 at 5:00 PM**

In Person at City Hall Cowles Council Chambers and by Zoom Webinar

<https://cityofhomer.zoom.us/j/953097829?pwd=RlVmSlc1YnpUUExhbFE0b0NwSCtqUT09>

Or Dial: (669) 900 6833 or (253) 215 8782 or Toll Free (888) 788 0099 or (877) 853 5247

Webinar ID: 953 097 829 Passcode: 234969

CALL TO ORDER, 5:00 P.M.

AGENDA APPROVAL (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 6)

CONSENT AGENDA

REGULAR MEETING AGENDA

DISCUSSION TOPIC(S)

- a. Ordinance 21-63(S), An Ordinance of the City Council of Homer, Alaska Settling the Current and Future Distributions of Income and Debt in the Natural Gas Distribution Special Assessment Bond Sinking Fund. Mayor/City Manager. Introduction October 11, 2021 Public Hearing and Second Reading October 25, 2021 Postponed to November 8, 2021 and December 13, 2021.

Ordinance 21-63(S-2), An Ordinance of the City Council of Homer, Alaska Settling the Current and Future Distributions of Income and Debt in the Natural Gas Distribution Special Assessment Bond Sinking Fund. Mayor/City Manager.


Memorandum 21-200 from City Manager as backup
Memorandum 21-191 from City Manager as backup
Memorandum 21-187 from Finance Director as backup

COMMENTS OF THE AUDIENCE

ADJOURNMENT NO LATER THAN 5:50 P.M.

Next Regular Meeting is Monday, January 10, 2022 at 6:00 p.m., Committee of the Whole at 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Financial Update – Natural Gas Fund (175)
City Council Committee of the Whole Meeting 12/13/21




12/10/2021

1

Presentation Roadmap

- Provide purpose of natural gas fund
- Provide timeline of events
- Define and discuss uses of Free Main Allowance (FMA)
- Display Natural Gas SAD demographics
- Discuss financial statements
- Define and walkthrough restricted cash
- Discuss future revenue streams
- Discuss Ordinance 21-63(S)
- Wrap-up

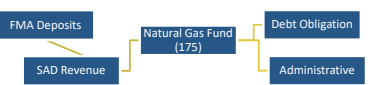



12/10/2021

2

Purpose of Natural Gas Fund (175)

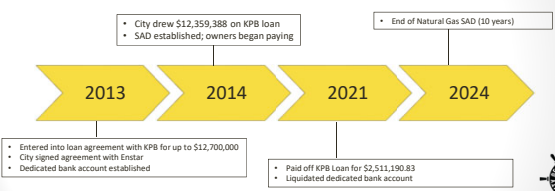

- Per financial statements, “The Gas Line Capital Project Fund accounts for all activities related to the construction of the gas line”
- Examples include: debt obligation costs, administrative costs, Free Main Allowance (FMA) deposits, and Special Assessment District (SAD) revenues

12/10/2021

3

Timeline of Events





12/10/2021

4

Free Main Allowance (FMA)

- The contractual definition can be found in your packet (it’s not very helpful).
- Basically speaking...
 - FMA is a fee that people pay when they hook up to natural gas. Enstar collects the fee, and quarterly remits to the City. The FMA is charged/collected for ten years (through 2025).
- Any restrictions on uses of FMA?
 - No. Council is able to determine the appropriate use.




12/10/2021

5

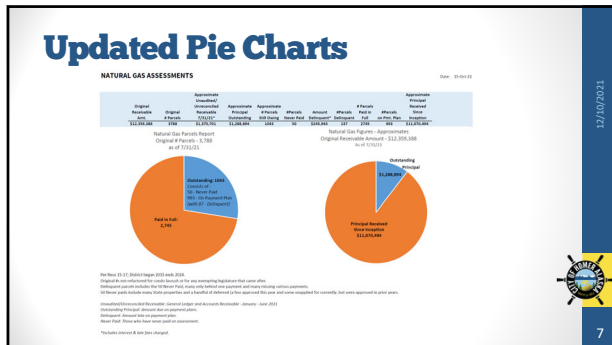
FMA Appropriations

- Authorized use of FMA, per Council appropriations:
 - Ordinance 21-13 authorized the use of \$1,971,808 (full balance) in FMA to payoff the loan with the Kenai Peninsula Borough



12/10/2021

6



Balance Sheet - FY20

FORM D-1

City of Denver, Colorado
Department of Public Works

Account	Balance	Change	Total
Assets			
Cash and investments	1,000,000	100,000	1,100,000
Accounts receivable	500,000	50,000	550,000
Property taxes	200,000	20,000	220,000
Due from other funds	100,000	10,000	110,000
Inventory	50,000	5,000	55,000
Prepaid expenses	20,000	2,000	22,000
Other assets	10,000	1,000	11,000
Liabilities			
Accounts payable	300,000	30,000	330,000
Accrued payroll and related liabilities	100,000	10,000	110,000
Unearned revenue	50,000	5,000	55,000
Customer deposits	20,000	2,000	22,000
Due to other funds	10,000	1,000	11,000
Deferred inflows of resources	1,000,000	100,000	1,100,000
Deferred property taxes	50,000	5,000	55,000
Special assessments not yet due	1,000,000	100,000	1,100,000
Total Liabilities and Deferred Inflows of Resources	3,472,902	347,290	3,820,192

City of Denver, Colorado
12/10/2021

Natural Gas Fund (175) - Assets

December 31, 2020

Account	Balance
Cash and investments	313,971
Receivables, net of allowance:	
Accounts	18,624
Property taxes	-
Sales taxes	-
Assessments	1,870,307
State and federal grants	-
Interfund loans	-
Due from other funds	-
Inventory	-
Prepaid and other assets	-
Restricted cash and investments	1,270,000
Total Assets	3,472,902

- Cash and Investments
- Simply speaking, representative of proportional share of Central Treasury
- Accounts
- Accounting standards state that revenue is recorded in period in which it is earned.
- FMA was received in January 2021, but it was representative of FMA collected in 2020. Therefore, it is posted here as a receivable (as we didn't actually receive the money from Enstar until January).
- Assessments
- Represents the amount we are expecting to collect in revenue by end of district
- Restricted Cash
- Amount required per KPB contract; now eliminated

City of Denver, Colorado
12/10/2021

Natural Gas Fund (175) - Liabilities

December 31, 2020

Account	Balance
Accounts payable	-
Accrued payroll and related liabilities	-
Unearned revenue	-
Customer deposits	1,971,808
Due to other funds	-
Total Liabilities	1,971,808
Deferred Inflows of Resources	
Deferred property taxes	-
Special assessments not yet due	1,870,307
Total Deferred Inflows of Resources	1,870,307
Total Liabilities and Deferred Inflows of Resources	3,842,115

- Enstar FMA Refunds
- Amount is listed under liabilities until Council authorizes use of FMA
- This value represents total FMA collected since inception
- In FY21, City used this full amount to payoff KPB loan
- Special Assessment not yet due
- Represents the amount outstanding to collect on assessments
- Total Liabilities and Deferred Inflows of Resources

City of Denver, Colorado
12/10/2021

Natural Gas Fund (175) - Fund Balances

December 31, 2020

Account	Balance
Nonspendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned (deficit)	(369,213)
Total Fund Balances (Deficit)	(369,213)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	3,472,902

- Unassigned (deficit)
- Represents the fund balance at end of fiscal year
- All negative balances will be categorized into the unassigned fund balance

City of Denver, Colorado
12/10/2021

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - FY20

FORM D-2

City of Denver, Colorado
Department of Public Works

Account	Revenue	Expenditure	Change
Revenue			
Property taxes	1,000,000	-	1,000,000
Accounts receivable	500,000	-	500,000
Property taxes	200,000	-	200,000
Due from other funds	100,000	-	100,000
Inventory	50,000	-	50,000
Prepaid expenses	20,000	-	20,000
Other assets	10,000	-	10,000
Expenditures			
Accounts payable	-	300,000	(300,000)
Accrued payroll and related liabilities	-	100,000	(100,000)
Unearned revenue	-	50,000	(50,000)
Customer deposits	-	20,000	(20,000)
Due to other funds	-	10,000	(10,000)
Deferred inflows of resources	-	1,000,000	(1,000,000)
Deferred property taxes	-	50,000	(50,000)
Special assessments not yet due	-	1,000,000	(1,000,000)
Net Change in Fund Balances	1,870,307	(3,472,902)	(1,602,595)

City of Denver, Colorado
12/10/2021

Natural Gas Fund (175) - Revenues

Year Ended December 31, 2020	Gas Line Capital Project
Revenues	
Property taxes	-
Sales and use taxes	-
Permits and licenses	-
Intergovernmental	-
Charges for services	-
Special assessments	924,474
Investment income	11,353
Fines and forfeitures	-
Donations	-
Other	-
Total Revenues	935,827

- Special Assessments
 - Represents the amount of assessment revenue collected (incl. interest/penalties)
- Investment Income
 - Interest earned on investment account; closed in April 2021

Natural Gas Fund (175) - Expenditures

Expenditures	
Current:	
General government	-
Public safety	-
Public works	-
Library	-
Airport	-
Community services	-
Water	-
Sewer	-
Debt service:	
Principal	559,717
Interest	122,441
Capital outlay	-
Total Expenditures	682,158

- Debt Service (Principal)
 - Amount paid in principal to KPBB for loan
- Debt Service (Interest)
 - Amount paid in interest to KPBB for loan
- In FY21, these amounts will be larger due to the payoff (\$2,510,651.67 total)
- In FY22 (and beyond), these amounts will be zero due to no future payments

Natural Gas Fund (175) - Fund Balances

Excess of Revenues Over (Under) Expenditures	253,669
Other Financing Sources (Uses)	
Transfers in	-
Transfers out	-
Net Other Financing Sources (Uses)	-
Special Item - construction of gas pipeline on behalf of third parties	(2,349)
Net Change in Fund Balances	251,320
Beginning Fund Balances (Deficit)	(620,533)
Ending Fund Balances (Deficit)	(369,213)

- Excess of Revenues Over (Under) Expenditures
 - Represents the amount of revenue that exceeded expenses for the fiscal year
- Special Item
 - Escrow fees, recording fees
- Net Change in Fund Balances
 - Represents the increase in fund balance for the fiscal year
- Beginning Fund Balances (Deficit)
 - Illustrates the fund balance at the start of FY20
- Ending Fund Balances (Deficit)
 - Illustrates the fund balance at the end of FY20

KPB Loan Payoff

The Kenai Peninsula Borough gasoline loan required that a reserve account be established in the amount of \$1,270,000 from the date of the first drawdown. The City has complied with this covenant through the establishment of a dedicated investment account (reported as restricted cash and investments) in the Gas Line Capital Project Fund.

Restricted Cash

- Loan agreement with the Kenai Peninsula Borough required that the City of Homer have \$1.27 million set aside in a dedicated bank account
 - This was done and a restriction on cash in the balance sheet was placed to designate this cash
- When loan was paid off, the cash restriction was lifted and that cash became available to use for other purposes
 - All else remains equal, overall cash balance for the City would not change, but the cash line on balance sheet would increase
 - City used this restricted cash to payoff the loan and, therefore, overall impact on City's cash position will be neutral (cash in and cash out)

December 31, 2020	Governmental Funds						Total
	General	Capital	Debt	Special	Enterprise	Trust	
Assets							
Cash and investments	8,872,479	10,246	91,951	4,272,085	1,077,447	27,880,419	
Receivables	18,188	22,340	28,028	-	-	68,556	
Inventory	16,720	-	-	-	-	16,720	
Due from other funds	1,940,267	200,776	-	-	297,348	2,438,391	
Due from other agencies	1,249,524	-	-	-	-	1,249,524	
Due from other departments	16,743	115,949	11,947	82,946	-	227,645	
Due from other entities	192,028	-	-	-	-	192,028	
Inventory	23,771	348,888	-	-	-	372,659	
Restricted cash	27,714	25,000	-	-	-	52,714	
Total Assets	12,539,836	13,174,149	127,979	4,355,031	1,374,795	41,531,790	
Liabilities							
Accounts payable	1,200,000	10,000	-	-	-	1,210,000	
Due to other funds	1,200,000	-	-	-	-	1,200,000	
Due to other agencies	1,200,000	-	-	-	-	1,200,000	
Due to other departments	1,200,000	-	-	-	-	1,200,000	
Due to other entities	1,200,000	-	-	-	-	1,200,000	
Inventory	1,200,000	-	-	-	-	1,200,000	
Restricted cash	1,200,000	-	-	-	-	1,200,000	
Total Liabilities	6,000,000	10,000	-	-	-	6,010,000	
Fund Balance	6,539,836	13,164,149	127,979	4,355,031	1,374,795	35,521,790	

FY21 financial statements forward will illustrate the removal of this cash restriction


- Fund balance values will **NOT** change in response to the change in cash restriction

Future Revenue Streams

- Approximated Free Main Allowance (historical trends):
 - FY2022 - \$40,000
 - FY2023 - \$30,000
 - FY2024 - \$25,000
 - FY2025 - \$20,000
- Approximated Future Assessment Revenue:
 - FY 2022 - \$481,187 (5429,631 principal; \$51,556 interest)
 - FY 2023 - \$464,002 (5429,631 principal; \$34,371 interest)
 - FY 2024 - \$446,816 (5429,631 principal; \$17,185 interest)

Ordinance 21-63(S)

- As written, ORD 21-63(S) directs the Finance department to transfer the positive fund balance out of the Natural Gas Fund (175).
 - This review will be done annually after the Financial Statements have been formally accepted by City Council
 - The transfer will occur the next business day after the acceptance of the statements




12/10/2021

19

Proposed Amendment

- It was noticed that future FMA needs to be appropriated in order for this to be recognized as revenue on the financial statements.
- Finance proposes that ORD 21-63 (S-2) be substituted for ORD 21-63(S) to include language that appropriates the FMA to the Natural Gas Fund (175)
 - This will streamline the management of the FMA and fund balance




12/10/2021

20

Closeout

- Staff Recommendation
 - Substitute ORD 21-63(S-2) for ORD 21-63(S) to appropriate future FMA to the Natural Gas Fund (175) and allow for annual transfer of positive fund balance out of Natural Gas Fund (175)
- Any questions?




12/10/2021

21

Appendix - Key Terms

- Balance Sheet Terms:
 - Cash and Investments – The City has a Central Treasury and, therefore, each fund does not have its own bank account. This is representative of each fund's proportional share of Central Treasury.
 - Assets – Probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. (GAAP - Generally Accepted Accounting Principles)
 - Liabilities – Obligations owed to outside parties. Probable future sacrifices of economic benefits that arise from present obligations or past transactions. (GAAP Accounting)
 - Restricted Cash – Cash that is held for a specific purpose, and, therefore, not available for immediate or general business use. (GAAP - Generally Accepted Accounting Principles)
 - Deferred Inflows – Acquisition of net assets by government that is applicable to a future reporting period. Recognition of revenues is deferred until the future period in which the inflows are related. (GAAP - Generally Accepted Accounting Principles)
- Original Receivable
 - Represents the total amount of assessments due and amount borrowed from KPB.
 - The Natural Gas SAD was created and total amount billed to all customers was \$12,359,388.




12/10/2021

22

Appendix - City Facilities

- All city parcels that were assessed have been paid in full.
 - Total of 85 city lots for \$277,335.45 (ORD 15-21)
- Facilities **NOT** Connected to Natural Gas:
 - HERC 1 & 2
 - Raw Water Pump Station
 - Ice Plant
 - Smaller facilities include water delivery systems (PRV stations). These are heated with electricity.




12/10/2021

23

Appendix - Natural Gas SAD Demographics

- All information is as of 7/31/21
- Originally assessed parcels in the SAD: 3,788 (\$12,359,388)
- Parcels paid in full: 2,745 (\$11,070,494 approx. principal)
- Parcels still owing: 1,403 (\$1,288,894 approx. principal)
 - Parcels current on payment plan: 993
 - Parcels in late status: 137 (of which 50 have never paid)



12/10/2021

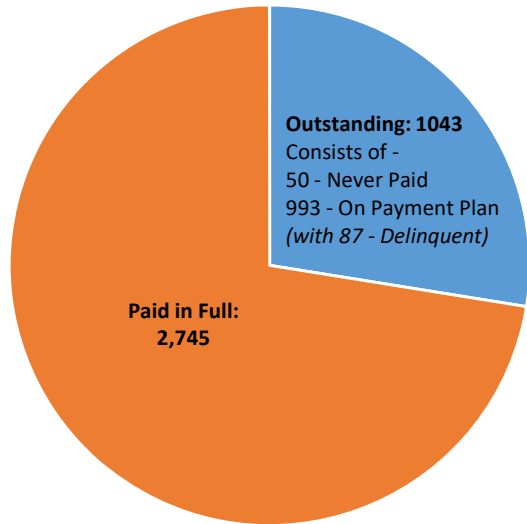
24

NATURAL GAS ASSESSMENTS

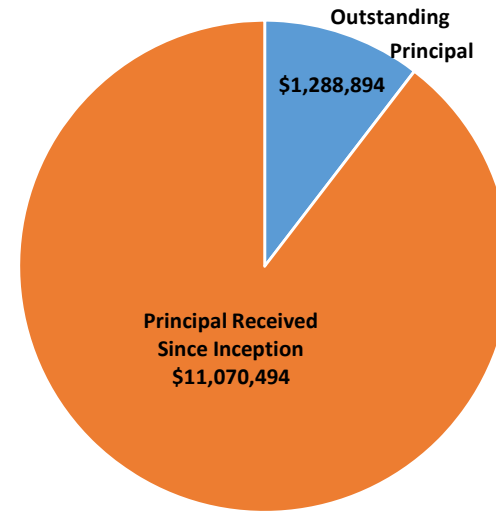
Date: 15-Oct-21

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.*

City of Homer, Alaska

Governmental Funds
Balance Sheet

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	CARES Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project		
December 31, 2020								
Assets								
Cash and investments	\$ 8,872,675	6,066,095	-	502,440	313,971	6,272,850	5,657,447	27,685,478
Receivables, net of allowance:								
Accounts	188,108	232,943	246,206	-	18,624	-	-	685,881
Property taxes	143,700	-	-	-	-	-	-	143,700
Sales taxes	1,043,307	232,709	-	-	-	217,196	124,110	1,617,322
Assessments	-	2,961,524	-	-	1,870,307	-	476,700	5,308,531
State and federal grants	93,979	113,449	1,714,547	163,944	-	-	-	2,085,919
Interfund loans	104,764	-	-	-	-	-	-	104,764
Due from other funds	1,852,009	-	-	-	-	-	-	1,852,009
Inventory	32,351	544,866	-	-	-	-	-	577,217
Prepaid and other assets	337,916	26,855	-	-	-	-	10,000	374,771
Restricted cash and investments	-	-	-	-	1,270,000	-	-	1,270,000
Total Assets	\$ 12,668,809	10,178,441	1,960,753	666,384	3,472,902	6,490,046	6,268,257	41,705,592
Liabilities								
Accounts payable	\$ 187,501	125,965	472,616	204,335	-	24,448	80,475	1,095,340
Accrued payroll and related liabilities	305,173	41,576	18,793	-	-	-	-	365,542
Unearned revenue	-	-	-	-	-	-	22,827	22,827
Unearned grant revenue	-	-	-	-	-	-	6,673	6,673
Customer deposits	20,888	45,701	-	-	-	-	-	66,589
Enstar FMA refunds	-	-	-	-	1,971,808	-	-	1,971,808
Due to other funds	-	-	1,456,332	-	-	-	363,690	1,820,022
Total Liabilities	513,562	213,242	1,947,741	204,335	1,971,808	24,448	473,665	5,348,801
Deferred Inflows of Resources								
Deferred property taxes	147,850	-	-	-	-	-	-	147,850
Special assessments not yet due	-	2,961,524	-	-	1,870,307	-	476,700	5,308,531
Total Deferred Inflows of Resources	147,850	2,961,524	-	-	1,870,307	-	476,700	5,456,381
Total Liabilities and Deferred Inflows of Resources	661,412	3,174,766	1,947,741	204,335	3,842,115	24,448	950,365	10,805,182
Fund Balances								
Nonspendable	475,031	571,721	-	-	-	-	-	1,046,752
Restricted	-	-	-	-	-	6,465,598	1,607,310	8,072,908
Committed	4,493,489	-	-	-	-	-	804,705	5,298,194
Assigned	171,314	6,431,954	13,012	462,049	-	-	3,269,567	10,347,896
Unassigned (deficit)	6,867,563	-	-	-	(369,213)	-	(363,690)	6,134,660
Total Fund Balances (Deficit)	12,007,397	7,003,675	13,012	462,049	(369,213)	6,465,598	5,317,892	30,900,410
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,668,809	10,178,441	1,960,753	666,384	3,472,902	6,490,046	6,268,257	41,705,592

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Year Ended December 31, 2020	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	CARES Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project		
Revenues								
Property taxes	\$ 3,718,482	-	-	-	-	-	26,828	3,745,310
Sales and use taxes	5,705,499	1,401,880	-	-	-	1,261,822	701,069	9,070,270
Permits and licenses	43,425	-	-	-	-	-	-	43,425
Intergovernmental	1,555,388	173,157	9,345,363	508,514	-	-	6,640	11,589,062
Charges for services	2,239,725	3,756,236	-	-	-	-	-	5,995,961
Special assessments	-	481,370	-	-	924,474	-	81,116	1,486,960
Investment income	207,849	127,748	2,122	48,566	11,353	152,136	119,577	669,351
Fines and forfeitures	10,100	-	-	-	-	-	-	10,100
Donations	-	-	-	-	-	-	10,145	10,145
Other	-	-	63,013	1,901	-	-	1,538	66,452
Total Revenues	13,480,468	5,940,391	9,410,498	558,981	935,827	1,413,958	946,913	32,687,036
Expenditures								
Current:								
General government	3,135,343	-	1,822,084	-	-	118,630	44,615	5,120,672
Public safety	4,774,940	-	-	-	-	-	-	4,774,940
Public works	2,666,318	-	-	-	-	-	-	2,666,318
Library	816,125	-	-	-	-	-	-	816,125
Airport	196,466	-	-	-	-	-	-	196,466
Community services	94,000	-	7,575,402	-	-	-	-	7,669,402
Water	-	2,092,129	-	-	-	-	-	2,092,129
Sewer	-	1,635,761	-	-	-	-	-	1,635,761
Debt service:								
Principal	-	870,645	-	-	559,717	-	216,257	1,646,619
Interest	-	132,235	-	-	122,441	-	200,250	454,926
Capital outlay	-	300,546	-	3,816,454	-	128,290	625,621	4,870,911
Total Expenditures	11,683,192	5,031,316	9,397,486	3,816,454	682,158	246,920	1,086,743	31,944,269
Excess of Revenues Over (Under) Expenditures	1,797,276	909,075	13,012	(3,257,473)	253,669	1,167,038	(139,830)	742,767
Other Financing Sources (Uses)								
Transfers in	658,680	99,629	-	-	-	-	551,565	1,309,874
Transfers out	(500,146)	(36,475)	-	(300)	-	(608,810)	(167,577)	(1,313,308)
Net Other Financing Sources (Uses)	158,534	63,154	-	(300)	-	(608,810)	383,988	(3,434)
Special Item - construction of gas pipeline on behalf of third parties	-	-	-	-	(2,349)	-	-	(2,349)
Net Change in Fund Balances	1,955,810	972,229	13,012	(3,257,773)	251,320	558,228	244,158	736,984
Beginning Fund Balances (Deficit)	10,051,587	6,031,446	-	3,719,822	(620,533)	5,907,370	5,073,734	30,163,426
Ending Fund Balances (Deficit)	\$12,007,397	7,003,675	13,012	462,049	(369,213)	6,465,598	5,317,892	30,900,410

See accompanying notes to basic financial statements.

**CITY OF HOMER
HOMER, ALASKA**

Mayor/City Manager

ORDINANCE 21-63(S)

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA
SETTLING THE CURRENT AND FUTURE DISTRIBUTIONS OF
INCOME AND DEBT IN THE NATURAL GAS DISTRIBUTION SPECIAL
ASSESSMENT BOND SINKING FUND

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 to issue a Natural Gas Distribution Special Assessment Bond in the principle amount of not to exceed \$12,700,000 to finance the design and construction of natural gas distribution improvements in the City; 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 the General Fund (\$301,097), Utility Fund (\$95,023), and Harbor Fund (\$266,999) since 2012; and

WHEREAS, The City has collected both annual assessment payments from property owners and a quarterly refund from Enstar known as free main allowance payments which is based on calculations contained within §602 of Enstar’s Tariff; and

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

WHEREAS, Ordinance 16-43 provided for the creation of a Natural Gas Distribution Special Assessment Bond Sinking Fund; and

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

42 WHEREAS, The City’s Finance Department used \$2,459,945 to pay off the bond as
43 directed, which included the entirety of the \$1,971,808 in free main allowance which had been
44 collected by the City since the initiation of the project; and

45
46 WHEREAS, On-time assessment payments will continue until September 1, 2024 and
47 Free Main Allowance payments will continue for 10 calendar years after construction; and

48
49 WHEREAS, Late assessment payments are likely to continue well beyond 2024; and

50
51 WHEREAS, There is value in planning for the end phase of the Natural Gas Distribution
52 Special Assessment Bond Sinking Fund to ensure that surplus funds are put to appropriate
53 uses; and

54
55 WHEREAS, The 2013 Enstar Agreement allows free main allowance to be put towards
56 whatever the City “determines to be appropriate”; and

57
58 WHEREAS, The City Council has determined it is appropriate to direct excess funds to
59 the General Fund where it can be used for purposes beneficial to the entire City.

60
61 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

62
63 Section 1. Once any debt within the Natural Gas Distribution Special Assessment Bond
64 Sinking Fund is retired, all payments into the Natural Gas Distribution Special Assessment
65 Bond Sinking Fund are income to the City of Homer.

66
67 Section 2. Following debt retirement, the City Treasurer shall annually transfer, on the
68 business day following the passage of the Resolution accepting the basic financial statements,
69 the accumulated revenues in the Natural Gas Distribution Special Assessment Bond Sinking
70 Fund to the General Fund – Fund Balance.

71
72 Section 3. This is a budget amendment ordinance only, is not permanent in nature, and
73 shall not be codified.

74
75 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this ___ day of _____, 2021.

76
77 CITY OF HOMER
78
79
80 _____
81 KEN CASTNER, MAYOR

82
83 _____
84 MELISSA JACOBSEN, MMC, CITY CLERK

- 85 YES:
- 86 NO:
- 87 ABSTAIN:
- 88 ABSENT:
- 89
- 90 First Reading:
- 91 Public Hearing:
- 92 Second Reading:
- 93 Effective Date:

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 Mayor/City Manager

4 **ORDINANCE 21-63(S-2)**

5
6 AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA
7 SETTLING THE CURRENT AND FUTURE DISTRIBUTIONS OF
8 INCOME AND DEBT IN THE NATURAL GAS DISTRIBUTION SPECIAL
9 ASSESSMENT BOND SINKING FUND, **AND ACCEPTING AND**
10 **APPROPRIATING FUTURE FREE MAIN ALLOWANCE REFUNDS.**
11

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

14
15 WHEREAS, Ordinance 13-03(S)(2) authorized the City to issue a Natural Gas Distribution
16 Special Assessment Bond in the principle amount of not to exceed \$12,700,000 to finance the
17 design and construction of natural gas distribution improvements in the City; and

18
19 WHEREAS, The City and Enstar signed an agreement titled “Natural Gas Distribution
20 System Extension Contribution in Aid of Construction Agreement for the City of Homer Natural
21 Gas Distribution Special Assessment District” (2013 Enstar Agreement) in 2013; and

22
23 WHEREAS, The natural gas distribution system extension, owned by Enstar, was
24 successfully constructed and put into operation; and

25
26 WHEREAS, The City has appropriated an additional \$663,119 to natural gas-related
27 expenses from the General Fund (\$301,097), Utility Fund (\$95,023), and Harbor Fund (\$266,999)
28 since 2012; and

29
30 WHEREAS, The City has collected both annual assessment payments from property
31 owners and a quarterly refund from Enstar known as free main allowance payments which is
32 based on calculations contained within §602 of Enstar’s Tariff; and

33
34 WHEREAS, Ordinance 15-17(S) permitted the City to prepay principal of the Natural Gas
35 Distribution Special Assessment Bond; and

36
37 WHEREAS, Ordinance 16-43 provided for the creation of a Natural Gas Distribution
38 Special Assessment Bond Sinking Fund; and

39
40 WHEREAS, Ordinance 21-13 appropriated an amount not to exceed \$2,512,000 from the
41 Natural Gas Distribution Special Assessment Bond Sinking Fund to retire the debt that was
42 utilized for the construction of the natural gas distribution line; and

43 WHEREAS, The City’s Finance Department used \$2,459,945 to pay off the bond as
44 directed, which included the entirety of the \$1,971,808 in free main allowance which had been
45 collected by the City since the initiation of the project; and

46
47 WHEREAS, On-time assessment payments will continue until September 1, 2024 and
48 Free Main Allowance payments will continue for 10 calendar years after construction; and

49
50 WHEREAS, Late assessment payments are likely to continue well beyond 2024; and

51
52 WHEREAS, There is value in planning for the end phase of the Natural Gas Distribution
53 Special Assessment Bond Sinking Fund to ensure that surplus funds are put to appropriate
54 uses; and

55
56 WHEREAS, The 2013 Enstar Agreement allows free main allowance to be put towards
57 whatever the City “determines to be appropriate”; and

58
59 **WHEREAS, The City expects to receive the Free Main Allowance refunds through**
60 **2025 and Free Main Allowance deposits that the City receives shall be appropriated at**
61 **time of receipt; and**

62
63 WHEREAS, The City Council has determined it is appropriate to direct excess funds to
64 the General Fund where it can be used for purposes beneficial to the entire City.

65
66 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

67
68 Section 1. Once any debt within the Natural Gas Distribution Special Assessment Bond
69 Sinking Fund is retired, all payments into the Natural Gas Distribution Special Assessment
70 Bond Sinking Fund are income to the City of Homer.

71
72 **Section 2. The City Council hereby accepts and appropriates future Free Main**
73 **Allowance refunds as follows:**

74

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

78

79 Section 3. Following debt retirement, the City Treasurer shall annually transfer, on the
80 business day following the passage of the Resolution accepting the basic financial statements,
81 the accumulated revenues in the Natural Gas Distribution Special Assessment Bond Sinking
82 Fund to the General Fund – Fund Balance.

83 Section 4. This is a budget amendment ordinance only, is not permanent in nature, and
84 shall not be codified.

85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this ___ day of _____, 2021.

CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

YES:

NO:

ABSTAIN:

ABSENT:

First Reading:

Public Hearing:

Second Reading:

Effective Date:



City of Homer

www.cityofhomer-ak.gov

Office of the City Manager

491 East Pioneer Avenue
Homer, Alaska 99603

citymanager@cityofhomer-ak.gov

(p) 907-235-8121 x2222

(f) 907-235-3148

Memorandum 21-200

TO: Mayor Castner and Homer City Council

FROM: Rob Dumouchel, City Manager

DATE: November 2, 2021

SUBJECT: Update to Ordinance 21-63

At the October 25th Council meeting, the Council chose to postpone a decision on Ordinance 21-63 to our November meeting. During Committee of the Whole, there was a lot of discussion regarding the ordinance and the type of information that would be required for the Council to get to a point where they would be willing to adopt Ordinance 21-63. Inspired by that discussion, I have created a substitute ordinance which hopefully provides the information the Council was seeking in order to more confidently make a decision on the matter. The substituted memo ultimately does the same thing as the original draft, however, it takes a different pathway to explaining the concept. This memo contains some discussion of the substitute ordinance.

Natural Gas Line Bond and Special Assessment District Origins

Ordinance 13-02 created the Natural Gas Distribution Special Assessment District and Ordinance 13-03(S)(2) authorized the bond for up to \$12,700,000. The City signed an agreement with Enstar in 2013 which defined our contribution in aid of construction. The natural gas distribution system extension was constructed thereafter. Enstar owns, operates, and maintains the main.

Free Main Allowance

Enstar provides a refund to the City called a free main allowance (FMA) when new customers connect to the gas line. FMA is explained in more detail in §602 Enstar's tariff (attached to this document). It is also discussed in section 11 of the agreement between the City and Enstar which was signed in 2013 (also attached). The City will receive FMA payments for ten calendar years following construction.

Year	FMA Payments	Year	FMA Payments
2015	\$1,302,822	2019	\$114,996
2016	\$169,998	2020	\$88,006
2017	\$130,242	2021 (to date)	\$38,961
2018	\$144,120	TOTAL	\$1,989,145

There is not much guidance in the tariff or the City’s contract with Enstar regarding use of FMA. Our agreement has the following language:

*The CITY may distribute the refund entitlements, credit the refund against assessments due the CITY under the HSAD, make special assessment bond payments (related to financing the HSAD), deposit the refund in a fund used as security for said special assessment bonds, **or may make such use of the refund as it determines to be appropriate** (emphasis added).*

To date, the only thing on which the City has spent FMA funds is the payoff of the gas line bond earlier in 2021. \$1,971,808 of the \$2,459,945 payoff came from FMA.

Additional Natural Gas-Related Appropriations

Throughout the life of the gas line, the City has put approximately \$663,119 from non-gas line-related funds into supporting gas line-related purposes. These investments include paying assessments, retrofitting facilities, etc. The table below identifies some of the known appropriations.

Ordinance	General Fund	Utility Fund	Harbor Fund
Ord. 12-46	\$50,165		
Ord 13-19(A)(S)	\$148,319	\$76,461	
Ord 14-07	\$34,089		
Ord 14-22(A)		\$18,562	\$64,708
Ord 15-21	\$68,524		\$202,291
TOTAL	\$301,097	\$95,023	\$266,999

Staff Recommendation: Adopt Ordinance 21-63(S)

Enclosures:

1. Excerpt of Enstar Tariff (§602)
2. 2013 Contract with Enstar
3. Gas Fund 175 Spreadsheet from Finance Department



ENSTAR Natural Gas Company

§602 **Extension of Mains**

§602a **General**

The Utility will construct the facilities necessary to extend a Gas Distribution Main (a “Main Extension”) to any location within its certificated area if the Main Extension is economically feasible and does not cause an unreasonable added cost burden to be borne by existing Customers. With the exception of Feeder Mains described in Section 602f(4) below, each Main Extension must be considered individually for economic feasibility. A Main Extension may involve one or more Participants.

§602b **Costs to Construct**

The Utility will calculate the costs to construct each Main Extension. These costs are based on the facilities necessary to provide service and include Mains, underground service pipes, meters, regulators, etc., as well as the engineering and supervision necessary to design and construct the facilities to meet all legal and safety requirements (including applicable overhead costs).

§602b(1) **Standard Construction Costs**

In calculating the costs to construct a Main Extension, the Utility will use the Standard Construction Costs (Sheet 236) applicable for the year of construction.

On or before May 1 of each year, the Utility will, by tariff advice letter, file the Standard Construction Costs applicable for the next calendar year. The Standard Construction Costs filed will be calculated by using the actual average cost per foot of the construction of two-inch Main Extensions for the previous five years subject to a 10% increase limitation over the previous approved cost per foot. For example, if the approved Standard Construction Cost for a given year (Year 1) is \$20.00 per foot, and the calculated five year average for the next year (Year 2) is \$23.00, the 10% increase limitation would apply and the new revised Standard Construction Cost for the next year (Year 2) would be \$22.00. Further, when computing the Standard Construction Cost for Year 3, the increase limitation will be based upon the revised Standard Construction Cost for Year 2 of \$22.00. C
C
C
C
C
C
C

RCA No. 4 Original
Cancelling

Sheet No. 60
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602b(2) Charges in Excess of Standard Costs

The Utility may include Charges in Excess of Standard Costs in its calculation of the cost to construct a Main Extension for items which are particularly unique to that Main Extension and which could cause an undue additional cost burden to be borne by existing Customers if only Standard Construction Costs were used. Examples of such unique charges would include, but are not limited to, costs for: the construction of river or stream crossings; construction in swamp, hard rock, or frozen ground areas; construction and permitting in ecologically fragile areas; road bores, open cut crossings, asphalt removal and replacement; or, construction in the right-of-way of a limited access highway. Charges for these items will be based on the Utility's current engineering cost estimates.

§602b(3) Mains in Excess of Two Inches

If the size of the Main Extension that is required for service is in excess of two inches, the cost to construct will be based on the Utility's estimate of actual construction costs. If the actual cost of construction is less than the Utility's estimate, then the difference will be refunded to the Participant.

§602b(4) Cost of System Upgrade

Charges in excess of Standard Construction Costs may include the cost of a system upgrade if it is incidentally the result of a potential Customer's (or Participant's) addition to the system and the potential Customer has a load requirement that is not comparable to those in the area being served by the facilities requiring upgrade.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning



ENSTAR Natural Gas Company

§602b(5) Calculation

For Main Extensions utilizing Standard Construction Costs, the costs to construct a Main Extension will be the total of the footage for a two-inch Main necessary to provide service multiplied by the applicable Standard Construction Cost plus any Charges in Excess of Standard Costs. For Main Extensions requiring pipe in excess of two inches, the costs to construct the Main Extension will be calculated in accordance with Section 602b(3) above.

§602c **Free Main Allowance**

In determining if a Main Extension is economically feasible, the Utility will calculate a Free Main Allowance. This allowance is an estimate of the amount of Main expenditure that can be incurred for an “average” Customer of each class without significant adverse effect to the existing Customer base.

§602c(1) Standard Load Allowances

In calculating the Free Main Allowance for a Main Extension, the Utility will use the Standard Load Allowances (Sheet 236) applicable for the year of construction. On or before May 1 of each year, the Utility will, by tariff advice letter, file Standard Load Allowances and supporting documentation applicable for the next calendar year. The Standard Load Allowances will be the actual average embedded plant cost per Customer for each Customer class as of the end of the prior calendar year less that prior calendar year’s cost per Customer (by class) for meter assemblies and Service Lines. These per Customer costs will be calculated using the methodology accepted by the Commission in the Utility’s most recent cost of service study. For computing average loads the Utility will use the following:

		<u>2021</u>	<u>2022</u>		C
<i>§602c(1)(a)</i>	Average G1 load	143	143	Mcf per year	
<i>§602c(1)(b)</i>	Average G2 load	371	373	Mcf per year	I
<i>§602c(1)(c)</i>	Average G3 load	1,169	1,173	Mcf per year	I
<i>§602c(1)(d)</i>	Average G4 load	7,370	7,408	Mcf per year	I

RCA No. 4 First Revision
Cancelling
Original

Sheet No. 62
Sheet No. 62

RECEIVED

MAR 21 2012

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA



ENSTAR Natural Gas Company

D
T

§602c(2) Calculation

The Utility will compute a Free Main Allowance for each Participant that is anticipated to connect directly to and begin taking service (thereby becoming a consuming Customer) from the proposed Main Extension at the time of construction. The allowance is the product of the Participant's estimated permanent annual load multiplied by the applicable Standard Load Allowance in effect.

§602d Evaluation of Economic Feasibility

§602d(1) If the costs to construct a Main Extension as computed in Section 602b above do not exceed the sum of the Free Main Allowance for all Participants anticipated to become consuming Customers on the Main Extension at the time of construction, the Main Extension is considered economically feasible.


§602d(2) If the costs to construct a Main Extension as computed in Section 602b above exceed the total of the Free Main Allowance for all Participants anticipated to become consuming Customers on the Main Extension at the time of construction, the Utility may require an Advance of the cost of the Main Extension above the total of the Free Main Allowances from the Participants.

Tariff Advice No. 221-4

Effective

MAY 14, 2012

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By: 
Daniel M. Dieckgraeff

Title: Manager, Rates and Regulatory Affairs

RCA No. 4 Original
Cancelling

Sheet No. 63
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602e Main Extension Advances

Main Extension Advances may be in the form of a Main Extension Deposit or a Main Extension Contribution in Aid of Construction. The Utility may require a Contribution in Aid of Construction when the estimated total load during the life of the Main Extension is insufficient to avoid an undue cost burden on existing Customers.

§602e(1) Calculation of Initial Advance

The initial Main Extension Advance is calculated by taking the excess of the costs to construct over the total of the Free Main Allowance for all Participants anticipated to become consuming Customers on the Main Extension at the time of construction. This is the total Advance required for the entire Main Extension.

Normally, the total Advance required for the entire Main Extension is divided by the total number of Participants. However, the Participants can agree to unequal individual Advances, as long as the sum of all of the Advances equals the total Advance required for the entire Main Extension. The individual Advances for a Feeder Main are calculated as provided in Section 602f(4) below.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 64
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602e(2) Customer Additions

§602e(2)(a) Any previously paid Main Extension Advances for a completed Main Extension, except a Feeder Main, must be recomputed when a new consuming Customer who was not a Participant in the Main Extension is added in the calendar year of construction and for two full calendar years following. The new consuming Customer will become a Participant and will be required to pay, as a Main Extension Advance, a prorated share of the original Main Extension Advance. The Utility will calculate the new consuming Customer's Free Main Allowance using the applicable Standard Load Allowances in effect at the time the new consuming Customer joins the system.

§602e(2)(b) Any new consuming Customers added to the Main Extension after two full calendar years following the calendar year of construction will not be required to pay a prorated share of the original Main Extension Advance.

§602e(3) Refunds

§602e(3)(a) Refunds will be calculated for those Participants who made Main Extension Advances except for Feeder Mains, prorata, equal in total to the amount of Advances received from new Participants plus the Free Main Allowance from new consuming Customers directly served by the Main Extension during the calendar year of its construction and for two full calendar years following. These refunds will be calculated and paid by the Utility annually by April 1 based upon the prior year's Participant and Customer additions to the Main Extension.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:

Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 65
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602e(3)(b) After the two full calendar years following the calendar year of construction, refunds will be calculated for those Participants who have Main Extension Advances on the Main Extension except for Feeder Mains, prorata, equal in total to the amount of the Free Main Allowance for each new consuming Customer directly served by the Main Extension until all of the Advance has been refunded or until the end of ten full calendar years following the calendar year of construction, which ever occurs earlier. These refunds will be calculated and paid by the Utility quarterly within one month following the end of the calendar quarter based upon the previous calendar quarter's Customer additions to the Main Extension.

§602e(3)(c) After the end of ten full calendar years following the calendar year of construction:

§602e(3)(c)(i) For Main Extension Deposits, the entire remaining Advance shall be refunded by the first of April of the eleventh year.

§602e(3)(c)(ii) For Main Extension Contributions in Aid of Construction, all remaining portions of the Advance become non-refundable.

§602e(3)(d) In no case may the amount of the refund or the amount totally refunded exceed the amount of the original Advance.

§602e(3)(e) After April First of each year, any Participant with an outstanding Main Extension Advance may request a report of Customers added to the Main Extension in the preceding calendar year.

§602e(4) Interest

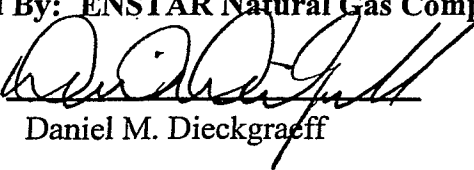
The Utility shall not pay interest on Main Extension Advances.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 66
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602f Types of Main Extension Advances

Main Extension Advances generally fall into one of the following general categories. Each type can be either a Deposit or a Contribution in Aid of Construction.

§602f(1) Standard Main Extension Advance

A standard Main Extension Advance generally involves a group of property owners who have joined together to request gas service to their properties without the help of a Governmental agency. The costs to construct are calculated in accordance with Section 602b above and the total Advance is calculated as provided for in Sections 602c through 602e above.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:

Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 67
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602f(2) Developing Subdivisions

Main Extensions into an area that is being subdivided or developed (a "Developing Subdivision") for either residential or commercial construction, which contemplate the installation of an integrated system to serve an entire subdivision or a portion of a subdivision being developed in stages, will be constructed at the sole discretion of the Utility. The agreements for this type of Main Extensions are generally entered into with a developer.

§602f(2)(a) The Utility will calculate the costs to construct in accordance with Section 602b above.

§602f(2)(b) The Utility will calculate any necessary Advances in accordance with Sections 602c through 602e above except that:

§602f(2)(b)(i) The total Advance calculated in accordance with Section 602e(1) (i.e., for the entire project) shall be paid by the developer.

§602f(2)(b)(ii) The refunds provided for in Section 602e(3) shall be calculated for and paid to the developer. If an additional Customer generates a refund of Free Main Allowance only, the refund will be paid on a quarterly basis similar to that outlined in Section 602e(3)(b).

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By: 
Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning



ENSTAR Natural Gas Company

§602f(3) Special Assessment or Local Improvement Districts

Under AS 29.46, local governmental bodies may form a special assessment district, also known as a local improvement district (LID). The Utility may enter into an agreement with a sponsoring government body (SGB) for the purpose of extending natural gas service into a LID.

§602f(3)(a) The Utility will calculate the costs to construct in accordance with Section 602b above.

§602f(3)(b) The Utility will calculate any necessary Advances in accordance with Sections 602c through 602e above, except that:

§602f(3)(b)(i) The total Advance calculated in accordance with Section 602e(1) (i.e., for the entire project) shall be paid by the SGB.

§602f(3)(b)(ii) The refunds provided for in Section 602e(3) shall be calculated for and paid to the SGB. If a new consuming Customer generates a refund of Free Main Allowance only, the refund will be paid on a quarterly basis similar to that outlined in Section 602e(3)(b).

§602f(3)(c) The SGB shall pay the Advance within thirty days of receipt of notification of completion and an invoice for the Advance from the Utility. Any amount of the Advance not paid to the Utility and outstanding after thirty days will be subject to interest.

§602f(3)(d) Annually, the SGB will provide the Utility with a sworn verification that refunds made to SGB for the previous year under Section 602e(3) have been applied on behalf of the individual Participants in accordance with the SGB's ordinances and resolutions that authorized the LID and this Section 602f(3).

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:

Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 69

Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602f(4) Feeder Mains

A Feeder Main is a Gas Distribution Main that extends through a sparsely inhabited area and links a populated area downstream to the Utility's system supply. It is not economically feasible on its own, and in the view of the Utility, would result in an inequitable apportionment of costs if the Advance necessary were borne exclusively by the Participants directly connecting to the Feeder Main.

To prevent inequity, the Utility will allocate the Feeder Main Advance to the Participants directly connecting to the Feeder Main and to Participants on Main Extensions constructed downstream of the Feeder Main.

§602f(4)(a) The Utility will calculate the costs to construct in accordance with Section 602b above.

§602f(4)(b) The provisions of Section 602e above will generally apply to Feeder Main Extension Advances except as provided below:

§602f(4)(b)(i) The Utility will estimate the number of Participants it expects to connect directly to the Feeder Main, and the number of Participants it expects on Main Extensions constructed downstream of the Feeder Main in the year of construction and for four full calendar years thereafter.

§602f(4)(b)(ii) The total Advance for the Feeder Main calculated in accordance with Section 602e(1) will be divided by the total number of estimated Participants determined in Sub-Section 602f(4)(b)(i) above to determine the "Feeder Main Component".

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4

Original

Sheet No. 70

Cancelling

Sheet No.

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602f(4)(b)(iii) The Feeder Main Component will be collected from each Participant who directly connects to the Feeder Main or participates in any Main Extension constructed downstream of the Feeder Main who relies upon the Feeder Main for gas service until the total Advance is collected.

§602f(4)(b)(iv) The Feeder Main Component will be a non-refundable Contribution in Aid of Construction. There will be no refunds of the Feeder Main Component.

§602f(4)(c) Participants on Main Extensions constructed downstream of the Feeder Main will not be required to have a separate Main Extension Agreement for the Feeder Main Component. The Feeder Main Component will be separately identified and explained in the Agreement for the downstream Main Extension.

§602f(4)(d) A Developing Subdivision or a Local Improvement District Main Extension constructed downstream of the Feeder Main must add to its cost a Feeder Main Component for each of the lots or Participants (as appropriate) involved in such Main Extension.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 71
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602g Participant Construction

The Utility may, at its discretion, allow Participants, or their appointed agents, to perform a portion of the trenching and backfilling of a Main Extension. The Utility will establish in writing, standards of performance, safety, inspection, insurance and bonding which must be complied with prior to commencement and acceptance of any Participant trenching and backfilling.

The Utility will credit the Participant's Main Extension Advance or Contribution in Aid of Construction for the amount of work performed by the Participant and accepted by the Utility. In no case will this credit be in excess of the Utility's estimated cost to trench and backfill the extension less the cost of inspection nor will the credit exceed the amount of the total Main Extension Deposit or Contribution in Aid of Construction for that given extension.

Failure of a Participant, or the Participant's appointed agent, to comply with the standards as set forth by the Utility may result in additional charges by the Utility against the Main Extension cost to construct and the Participant's Main Extension Deposit or Contribution in Aid of Construction. The Utility is not obligated to accept or provide gas service through any facilities that do not meet its construction standards.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:

Daniel M. Dieckgraaff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 72

Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602h Ownership

At all times the Utility shall own, operate and maintain all gas distribution facilities up to the Point of Delivery regardless of whether the facilities have been constructed using Participant supplied trenching and backfilling, Main Extension Deposits, or Contributions in Aid of Construction, or were part of a LID.

§602i Initiation of Line Construction

No line construction or clearing or right-of-way shall be initiated under this section until all required Advances, contributions, Deposits, easements, permits and related documents have been received by the Utility, properly signed and executed, except as provided in Section 602f(3)(c).

§602j Easements and Rights-of-Way

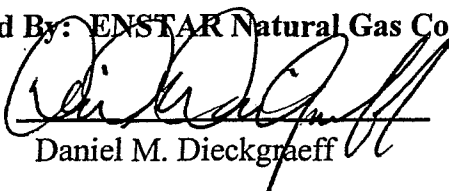
The Participant shall grant the Utility specific easements and rights-of-way necessary for a proper gas Service Connection to that Participant's location. Failure on the part of the Participant to grant such easements and rights-of-way constitutes grounds for the Utility to refuse to construct the Main Extension.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

RCA No. 4 Original
Cancelling

Sheet No. 73
Sheet No. _____

RECEIVED

NOV 22 1999

State of Alaska
Regulatory Commission of Alaska



ENSTAR Natural Gas Company

§602k Main Extension Agreement

Each Main Extension requiring payment shall be in writing and shall set forth the amount of the Deposit or Contribution required, the terms and conditions of payment, the terms under which refunds will be made and other relevant information. The agreement will also provide that a Participant who has made a Deposit may request an annual report of the consuming Customers added to the Main Extension. The agreement shall be signed by the Utility and by the Participant (or the Participant's authorized representative), or in the case of a LID Main Extension, the SGB's authorized representative.

§602l Waivers

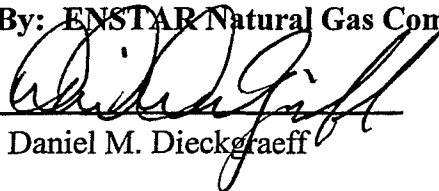
In those unusual circumstances where the Utility believes that application of its Gas Main Extension policy outlined above will result in an inequitable apportionment of costs to one or more Participants (or its existing Customers), the Utility may modify the application of its tariff provision as necessary to remove the inequity by entering into an agreement with the Participant(s) and reporting the agreement to the Commission.

Pursuant to:
U-99-93(2) / U-99-94(2)

Effective May 16, 2001

Issued By: ENSTAR Natural Gas Company, A Division of SEMCO ENERGY, Inc.

By:


Daniel M. Dieckgraeff

Title: Vice President, Rates and Planning

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 THIS AGREEMENT made this 20th day of March, 2013, by and between ENSTAR Natural
2 Gas Company, a division of SEMCO Energy, Inc., whose address is 3000 Spenard Road, P. O. Box
3 190288, Anchorage, Alaska 99519-0288 (hereafter "ENSTAR"), and the City of Homer, whose
4 address is 491 East Pioneer Avenue, Homer, Alaska 99603 (hereafter "CITY").
5

6 WHEREAS, ENSTAR is a gas distribution public utility which provides natural gas service
7 subject to tariff on file with the Regulatory Commission of Alaska and is authorized to provide said
8 service within the CITY, and
9

10 WHEREAS, the CITY is in the process of forming a natural gas distribution special
11 assessment district (hereafter "HSAD") consisting of the lots and tracts within the CITY area as
12 shown on Attachment "A", for the purpose of installing a natural gas distribution system extension
13 (hereafter "System"), and
14

15 WHEREAS, the System, which will be an extension of ENSTAR's existing system, will be
16 constructed and ultimately the responsibility of, and be owned and operated by ENSTAR, its
17 successors or assigns, and,
18

19 WHEREAS, said System must be installed to ENSTAR's specifications, by ENSTAR or by
20 a contractor approved by ENSTAR in order for ENSTAR to connect to the System and to assume
21 full responsibility for the System, and
22

23 WHEREAS, Section 602 of ENSTAR's tariff governs System extensions.
24

25 NOW THEREFORE, in consideration of the premises ENSTAR and the CITY agree as
26 follows:
27

28 1. For a contribution in aid of construction (CIAC) in an amount not to exceed
29 \$12,160,632 calculated in accordance with Section 602 of ENSTAR's tariff and subject to the
30 provisions below, ENSTAR will construct an extension of its natural gas distribution system of
31 approximately 392,000 feet of 2" High Density Polyethylene Pipe to allow service to all lots and
32 tracts within the HSAD as depicted on Attachment "A" to this Agreement. ENSTAR may elect (but
33 shall not be obligated) to construct the System to accommodate future customer load, but all costs to
34 accommodate future load in excess of the CIAC stated above will be borne solely by ENSTAR.
35 This Agreement does not provide for the connection of a service line from the System to the
36 property owner or customer's facilities. The cost, terms and conditions for the connection of a
37 service line is governed by a separate Service Line Agreement between ENSTAR and the individual
38 property owner or customer which must be executed before natural gas can be provided to said
39 facilities. The not to exceed CIAC referenced above is an estimate calculated in accordance with
40 Section 602 of ENSTAR's Tariff. This is a total project cost estimate used to calculate property
41 assessments in the HSAD and for the purposes of seeking project financing. The parties agree to the
42 following provisions with respect to the CIAC.

43 (a) Construction of the System will occur in two Phases. Phase I is planned for
44 the 2013 construction season and Phase II is planned for the 2014 construction season. The not to

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 exceed CIAC applies to the total System and to both Phases and construction seasons. ENSTAR
2 agrees that if construction is delayed and cannot be completed until 2015, the not to exceed CIAC
3 and the final CIAC based upon the actual costs described below apply and remain in effect.

4 (b) ENSTAR agrees that if the total project cost exceeds the not to exceed CIAC,
5 it will be responsible for the excess, and will not ask the CITY for an additional contribution.

6 (c) ENSTAR agrees that the actual CIAC may be less than the not to exceed
7 CIAC. In accordance with the provisions of Section 7 below, ENSTAR agrees to invoice the CITY
8 for its actual costs of construction on a time and materials basis. For the purposes of this contract,
9 actual cost means:

10 (1) Labor costs for work performed by ENSTAR employees plus
11 allowable administrative and construction overheads at the rates established by the State of Alaska
12 Annual Systems Audit for 2013 reimbursable construction projects.

13 (2) The actual contract cost for installation of pipe by a qualified third-
14 party contractor. ENSTAR agrees that there will be no mark-ups, overhead or profit charged on
15 third-party contracts.

16 (3) The actual contract cost of all other third-party contracts, including,
17 but not limited to, surveyors. ENSTAR agrees that there will be no mark-ups, overhead or profit
18 charged on third-party contracts.

19 (4) The actual cost of all project materials, plus a markup on material
20 handled by ENSTAR employees to compensate ENSTAR for its administrative and construction
21 overheads at the rates established by the State of Alaska Annual Systems Audit for 2013
22 reimbursable construction projects. ENSTAR agrees that inventory overheads will not apply if
23 materials are delivered directly to the construction site.

24 (d) The CITY reserves the right to examine or audit all financial records directly
25 related to this project and the invoices submitted to the CITY. This includes, but is not limited to,
26 contracts, invoices, timesheets, and other relevant documents.

27
28 2. ENSTAR shall perform, or have performed, all studies, analyses, engineering,
29 contracting, acquisition, construction, supervision, testing, acceptance and other acts necessary to
30 construct the System.

31
32 3. ENSTAR shall install the System within existing easements and right-of-ways where
33 natural gas lines may be installed or it will obtain easements as needed where existing easements
34 and right-of-ways are not adequate. ENSTAR's inability to secure the necessary easements and/or
35 right-of-ways shall be considered reasonable cause under paragraph 15 of this Agreement.

36
37 4. ENSTAR shall own the System; however, if at any time before the end of the useful
38 life of the System, ENSTAR or its successors or assigns formally abandons natural gas service to
39 any lot or tract shown on Attachment "A," excluding abandonment of service lines or related plant
40 then, ENSTAR shall, upon written demand by the CITY, convey to the CITY all of ENSTAR's
41 rights, title and interest in that part of the System abandoned, including any unrefunded construction
42 deposits.

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 5. The CITY makes no warranties of title, quality or fitness for a particular use and
2 specifically denies any warranty or responsibility of any kind with respect to the engineering,
3 construction, location, condition or completeness of the System.
4

5 6. ENSTAR shall assume full responsibility for all aspects of the System, including but
6 not limited to the System's maintenance, upkeep and safety. ENSTAR agrees to maintain and
7 operate the System at ENSTAR's sole expense for the useful life of the System or until gas service
8 is discontinued in accordance with applicable law. Additionally, excluding incidents which arise in
9 whole or in part from the negligent acts or omissions of the CITY or its personnel that cause bodily
10 injury or death or physical damage to tangible property, ENSTAR agrees to indemnify, save, hold
11 harmless and defend the CITY for and from any and all claims, charges and suits arising in whole or
12 in part out of the engineering, construction, location, operation, use or any condition of the System,
13 or arising from ENSTAR's failure to obtain necessary permits, authorizations, or failure to comply
14 with any federal, state or local law applicable to the Agreement, or arising out of any other action or
15 failure to act by ENSTAR related to the System.
16

17 7. The CITY shall pay ENSTAR, in total, no more than the not to exceed CIAC set out
18 in paragraph 1 above. The actual CIAC may be less and will be based upon actual costs incurred as
19 described in Section 1 above. The parties have a mutual interest to ensure that the project proceeds
20 expeditiously and efficiently. Therefore, the City agrees to advance funds in three lump sum
21 installments in calendar year 2013. On or about March 25, 2013, the City will provide a lump sum
22 in the amount of \$2,000,000 to facilitate pre-construction activities including, but not limited to,
23 permitting, surveying, engineering, design and procurement. This date is subject to final approval of
24 the financing documents by a lending institution, the City Council, and the availability of the bond
25 proceeds. Notwithstanding a written authorization to proceed from the CITY, until ENSTAR has
26 received this initial advance of \$2,000,000, ENSTAR shall not be obligated to commence pre-
27 construction activities.
28

29 Provided that ENSTAR first has notified the City that ENSTAR has signed a construction contract
30 with a third-party contractor, the City will forward a second lump sum in the amount of \$3,000,000
31 no later than June 3, 2013. Notwithstanding a written authorization to proceed from the City, until
32 ENSTAR has received this second advance payment of \$3,000,000, ENSTAR shall not be obligated
33 to commence installation of natural gas distribution mains.
34

35 Finally, the City shall forward a third lump sum payment in the amount of \$2,000,000 no later than
36 August 5, 2013. If the third advance is not made by August 5, 2013, ENSTAR may cease all
37 construction activities until such payment is actually received by ENSTAR.
38

39 The foregoing advance payments will be made in 2013 for a total of \$7,000,000. If the project is
40 terminated for any reason, ENSTAR will refund any unused balance within thirty (30) days of
41 contract termination.
42

43 Beginning in 2014, after all funds advanced in 2013 are exhausted, ENSTAR shall invoice the
44 CITY each month during construction of the System for actual costs for ENSTAR labor, project

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 materials, and contractor work incurred during the preceding month. Save and except for portions
2 of an invoice that are disputed in good faith, payments are to be made within thirty (30) days of
3 receipt by the CITY of an ENSTAR invoice until the project is deemed complete, or the CIAC
4 amount in paragraph 1 has been paid in full. Any amount outstanding after thirty (30) days will
5 accrue interest at the rate of 10.5% percent per annum. In the event that all or a portion of any
6 invoice (except for any portion of the invoice that is disputed in good faith) is not paid within forty-
7 five (45) days from receipt of billing, ENSTAR may suspend all construction activities until the past
8 due balance has been paid in full.
9

10 8. For the purposes of conforming with the section of ENSTAR's tariff governing
11 System extensions (Section 602), the HSAD will be considered a developing subdivision. The
12 CITY will be analogous to a developer for the purposes of payment and refund of the CIAC outlined
13 in paragraph 1 above.
14

15 9. The HSAD is designed and engineered to accommodate a single service line and
16 meter to each lot and tract shown in Attachment "A." In the event a tract or parcel is subdivided
17 into multiple lots, or a tract or parcel is developed in a manner requiring multiple meters or service
18 lines, ENSTAR, in its sole discretion, may require payment for a separate main extension and/or
19 reinforcement costs.
20

21 10. ENSTAR, in its sole discretion, may elect to treat property outside of the HSAD as
22 shown in Attachment "A" as property not eligible for connection to the HSAD without payment for
23 a separate main extension and/or reinforcement costs. Alternatively, ENSTAR may elect to connect
24 such property to the System installed under the terms of this Agreement. In that event, property
25 outside of the HSAD shall be treated as property that has not contributed to the cost of the System.
26 Accordingly, if the property is connected during the calendar year of construction, or within two (2)
27 full years following the year of construction, the property owner or customer will be required to pay,
28 as a main CIAC, a prorated share of the original CIAC prior to connection to the System, as outlined
29 in Section 602e(2)(a) of ENSTAR's tariff. Any deposits collected from outside the HSAD plus the
30 Free Main Allowance (FMA) attributable to the new customer will be refunded pro rata to the CITY
31 and any new customer who has paid a deposit by February 1 for the previous year's new customer
32 additions.
33

34 11. Refunds:

35 (a) The Main Extension CIAC collected from a new Participant (as described in
36 paragraph 10 above) plus the FMA attributable to the new Participant will be calculated and paid by
37 ENSTAR annually on a pro rata basis to the CITY and any new Participant having paid a Main
38 Extension CIAC. These will be paid by April 1 and be based upon the prior year's Participant
39 additions to the Main Extension.

40 (b) Refunds not involving the collection of a CIAC will be calculated for the
41 CITY and those Participants who have Main Extension Advances on the Main Extension, except for
42 Feeder Mains, prorata, equal in total to the amount of the Free Main Allowance for each new
43 consuming Customer directly served by the Main Extension (not already included in a refund made
44 under paragraph 11(a) above) until all of the CIAC portion of the Advance has been refunded or

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 until the end of ten (10) full calendar years following the calendar year of construction, whichever
2 occurs earlier. These refunds will be calculated and paid by ENSTAR quarterly within one month
3 following the end of the calendar quarter and will be based upon the previous calendar quarter's
4 Customer additions to the Main Extension.

5 (c) After the end of ten (10) full calendar years following the calendar year of
6 construction the entire remaining amount of the CIAC shall become non-refundable and the
7 property of ENSTAR.

8 (d) ENSTAR may offset against any portion, or all, of any Main Extension
9 CIAC, or any refund of a Main Extension CIAC, for any or all outstanding monies due ENSTAR by
10 the CITY.

11 (e) This Main Extension CIAC shall bear no interest and in no case may the
12 amount of the refund or the amount totally refunded exceed the amount of the original CIAC.

13 (f) After April 1st of each year, the CITY may request a report of Customers
14 added, in the preceding calendar year, to an outstanding Main Extension CIAC.

15 (g) The CITY may distribute the refund entitlements, credit the refund against
16 assessments due the CITY under the HSAD, make special assessment bond payments (related to
17 financing the HSAD), deposit the refund in a fund used as security for said special assessment
18 bonds, or may make such use of the refund as it determines to be appropriate.

19
20 12. The CITY shall indemnify, hold harmless, save and defend ENSTAR from any and
21 all claims, charges and suits arising out of the formation of the HSAD, the collection of the HSAD
22 assessments by the CITY and claim for a refund by a property owner if such claim arises from a
23 property within the HSAD/Special Assessment District and asserts misuse or misappropriation of
24 refunds paid to the CITY under the provisions of this Agreement.

25
26 13. Subject to the provisions of Section 7 above relating to advance payments, this
27 Agreement becomes effective on the date it is fully executed, provided ENSTAR shall not proceed
28 with the construction of the System until written authorization to proceed has been received from
29 the CITY, and provided further, if the CITY is unable to secure financing for the project at what the
30 CITY Council determines are reasonable terms and conditions, or if the CITY Council does not
31 form the HSAD, the CITY may cancel this Agreement. If an HSAD is canceled by the CITY, the
32 CITY agrees to reimburse, upon demand by ENSTAR, all expenses and costs related to construction
33 of the System, incurred after the receipt of written authorization to proceed.

34
35 14. Subject to the provisions of Section 7 above relating to advance payments, upon
36 receipt of written authorization to proceed and certification of funding availability satisfactory to
37 ENSTAR, ENSTAR shall proceed expeditiously with surveys, acquisition of permits and
38 easements, and other actions necessary to begin the project. However, should adverse weather
39 conditions render completion of the project either too costly or impractical in ENSTAR's judgment,
40 ENSTAR may delay completion of the project until the following construction season, unless prior
41 to construction start-up, the CITY cancels this Agreement pursuant to paragraph 15 below. If
42 project completion is delayed under the provisions of this paragraph, ENSTAR agrees that the not to
43 exceed CIAC remains in effect.
44

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 15. This Agreement is entered into based upon an estimate of actual construction costs.
2 If for any reasonable cause ENSTAR is unable to begin constructing the System during the 2013
3 construction season, either party may cancel this Agreement or may negotiate a new price consistent
4 with the same methodology as described in this agreement as determined for the following year. In
5 this paragraph, "reasonable cause" means a delay that is caused by a "Force Majeure Event" as
6 defined in paragraph 26 below, or any other event or condition that another provision of this
7 Agreement identifies as reasonable cause for the purpose of this paragraph.
8

9 16. ENSTAR shall be responsible for obtaining all permits, easements, authorizations,
10 labor, materials, contracts and other things and actions necessary to construct the System.
11 ENSTAR's inability to secure the necessary permits, easements, authorizations, labor, materials or
12 contracts shall be considered reasonable cause under paragraph 15 of the Agreement.
13

14 17. The CITY will be allowed to participate in ENSTAR's typical processes associated
15 with subcontracting the services to third-party contractors. Selection of any contractor, however,
16 will be the sole responsibility of ENSTAR. In the selection process, preference will be given to a
17 qualified bidder with the lowest bid. ENSTAR agrees to publish public notice in a newspaper of
18 general circulation in the Homer area when soliciting bids from third-party contractors. In no event,
19 however, shall this Section 17 be interpreted to require ENSTAR to deviate from its normal
20 procedure for accepting and awarding contracts.
21

22 18. Pursuant to Section 602f(3)(d) of ENSTAR's tariff, the CITY will annually provide
23 ENSTAR with a sworn verification that refunds to the CITY for the previous year made pursuant to
24 ENSTAR tariff Section 602e(3) have been applied on behalf of individual Participants in
25 accordance with the CITY's ordinances and resolutions that authorized the HSAD.
26

27 19. This Agreement is binding on the successors, assigns and legal representatives of the
28 parties.
29

30 20. Notice under this Agreement may be mailed or emailed to the contact person listed
31 below.
32

City of Homer

Contact Person: Walt Wrede, City Manager
491 E. Pioneer Avenue
Homer, Alaska 99603
Office Phone: (907) 235-8182 x2222
Cell Phone: (907) 391-1201
Email: wwrede@ci.homer.ak.us

ENSTAR Natural Gas Company,
a division of SEMCO Energy, Inc.
Contact Person: Vin Robinson, P.E.
P. O. Box 190288
Anchorage, Alaska 99519-0288
Office Phone: (907) 334-7712
Cell Phone: (907) 230-4464
Email: vin.robinson@enstarnaturalgas.com

33 21. This is the entire Agreement between the parties about the subject matter of this
34 transaction and all prior agreements, understandings and representations, whether oral or written,

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 about this subject matter are merged into and superseded by this written Agreement. It may not be
2 modified except in writing signed by both parties.
3

4 22. No failure or delay by any party in exercising any right under this Agreement shall
5 operate as a waiver of that right, nor shall any partial exercise of a right preclude any further
6 exercise of that or any other right. The rights shall be cumulative and not exclude any rights or
7 remedies provided by law.
8

9 23. The parties to this Agreement make no representation (except as expressly stated
10 herein) or warranty of any kind or nature, directly or indirectly, express or implied, as to any matter
11 whatsoever, including merchantability or fitness for a particular purpose.
12

13 24. This Agreement shall be construed under the laws of Alaska. Any dispute hereunder
14 will be resolved by the Alaska Superior Court at Anchorage. However, this clause shall not be
15 interpreted to affect the primary jurisdiction of the Regulatory Commission of Alaska.
16

17 25. Neither ENSTAR nor the CITY shall be liable to the other for exemplary, punitive,
18 incidental or consequential damages (including without limitation lost profits or revenues) resulting
19 from or arising out of this Agreement, whether the claim is based in contract, tort, strict liability or
20 any other legal theory or principle.
21

22 26. No delay or failure of performance by ENSTAR or the CITY, or the agents, directors,
23 officers, employees and contractors of either, shall constitute a default hereunder or give rise to any
24 claim for damages if and to the extent that such delay or failure is caused by Force Majeure
25 affecting that party's ability to perform. "*Force Majeure Event*" means any event that directly or
26 indirectly renders a Party unable, wholly or in part, to perform or comply with any obligation,
27 covenant or condition in this Agreement if the event, or the adverse effects of the event, is outside of
28 the control of, and could not have been prevented by, the affected Party with reasonable foresight, at
29 reasonable cost, and by the exercise of reasonable diligence in good faith, and is not attributable to
30 the negligence or willful misconduct of the affected Party. Force Majeure Events include without
31 limitation the following events (to the extent they otherwise satisfy the definition):

32 (a) act of God, fire, lightning, landslide, earthquake, storm, hurricane, hurricane
33 warning, flood, high water, washout, explosion or well blowout;

34 (b) strike, lockout or other industrial disturbance, act of the public enemy, war,
35 military operation, blockade, insurrection, riot, epidemic, arrest or restraint by government of
36 people, terrorist act, civil disturbance or national emergency;

37 (c) the inability of the affected Party to acquire, or the delay on the part of the
38 affected Party in acquiring materials, supplies, machinery, equipment, servitudes, right-of-way
39 grants, pipeline shipping capacity, easements, permits or licenses, approvals or authorizations by
40 regulatory bodies or oil and gas lessors needed to enable the Party to perform;

41 (d) breakage of or accident to machinery, equipment, facilities, or lines of pipe,
42 and the repair, maintenance, improvement, replacement, test, or alteration to the machinery,
43 equipment, facilities, or lines of pipe, and the freezing of a well or line of pipe, well blowout, or the
44 partial or entire failure of a Gas well; or

**NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT**

1 (e) act, order, or requisition of any governmental agency or acting governmental
2 authority, or any governmental law, proration, regulation, or priority.
3

4 This Force Majeure provision shall not apply to payment when due of money that is owed by one
5 party or to the other under the terms of this Agreement.
6

7 27. ENSTAR and the CITY are independent entities and are not the agent, partner or
8 employee of the other.
9

10 28. Nothing in this Agreement is intended to benefit any third party not a signatory
11 hereto.
12

13 29. The parties recognize that this Agreement is the product of the joint efforts of the
14 parties and agree that it shall not be construed against one party or the other as a result of the
15 preparation, submittal or other event of negotiation, drafting or execution hereof.
16

17 30. In the event of any action, or any judicial proceedings, or if the parties agree to
18 arbitration proceedings to resolve any dispute under this Agreement, or to enforce any term of this
19 Agreement, or to protect or preserve any rights under this Agreement, the prevailing party shall be
20 entitled to an award of its actual reasonable costs and actual reasonable attorney fees incurred.
21

22 31. Each person signing this Agreement warrants that he or she has authority to sign the
23 Agreement.
24

25 32. Neither party shall assign this Agreement without the prior written consent of the
26 other, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, and
27 subject to the provisions of Section 17 above, the CITY agrees that ENSTAR may assign portions of
28 the Work to qualified subcontractors without the consent of the CITY.
29

30 33. Additional Terms.

31 (a) The CITY represents and warrants that neither federal Davis Bacon wages
32 nor Alaska 'Little Davis Bacon' wages' (AS 36.05) apply to this project.

33 (b) ENSTAR will not be required to provide revegetation in areas where working
34 in previously disturbed soils.

35 (c) ENSTAR will follow all federal, state, municipal and local codes and
36 regulations in the installation and preparation of the pipeline extension.

37 (d) ENSTAR shall prepare its own SWPPP to ensure adequate coverage for
38 ENSTAR's scope of work.

39 (e) ENSTAR believes (but does not warrant) that this Agreement does not
40 require the review or approval of the Regulatory Commission of Alaska.
41
42

NATURAL GAS DISTRIBUTION SYSTEM EXTENSION CONTRIBUTION IN AID OF
CONSTRUCTION AGREEMENT FOR THE CITY OF HOMER NATURAL GAS
DISTRIBUTION SPECIAL ASSESSMENT DISTRICT

1 34. By signing, the CITY acknowledges having read and understood each and every term
2 and condition of this Agreement.

3
4 CITY OF HOMER

5
6
7
8 By: Walt White

9
10 Its: CITY MANAGER

11
12 Date: MARCH 20, 2013

13
14
15
16
17 ENSTAR NATURAL GAS COMPANY,
18 a division of SEMCO Energy, Inc.

19
20
21
22 By: M. Colleen Starnay

23
24 Its: President

25
26 Date: March 14, 2013

27
28
29
30
31
32 Fund Certification \$12,160,632
33 -Subject to Special Assessment Bonds to be issued.

34
35
36
37 Laurie Moore
38 Finance Director

City of Homer
GAS - Reconciliation
Thru 6/30/2021

Fund 175 - GAS												
Reconciliation												
Sources/Uses	Dept #		2013	2014	Subtotals	2015	2016	2017	2018	2019	2020	2021
KPB Loan Revenues	375	4524	8,809,368.00	3,550,020.00	12,359,388.00	-	-	-	-	-	-	-
Interest Income	375	4801	97.45	3,504.72		282,539.39	355,112.19	257,339.45	227,867.68	164,568.94	127,685.47	70,000.00
Assessment Revenue	375	4518	-	-		4,924,924.04	1,238,321.96	1,296,048.80	889,891.02	929,793.87	808,142.20	502,000.00
FMA Revenue	375	4902	-	-		-	-	-	-	-	-	1,971,808.00
Sub Total (375)			8,809,465.45	3,553,524.72		5,207,463.43	1,593,434.15	1,553,388.25	1,117,758.70	1,094,362.81	935,827.67	2,543,808.00
Wages	375	5100	(138,224.97)	(47,335.11)	(185,560.08)	(1,547.00)	-	-	-	-	-	-
Misc Expenses	375	5200	(26,286.55)	(3,463.57)	(29,750.12)	(14,947.36)	-	-	(1,351.86)	(1,189.11)	-	-
Professional Fees	375	5210	(5,345.96)	(1,282.05)	(6,628.01)	(8,897.00)	-	-	(1,904.68)	(99,540.92)	(2,349.68)	(25.00)
Construction/Equip	375	5261	(23,066.33)	(5,832.83)	(28,899.16)	-	-	-	-	-	-	-
Payments to Enstar	377	5261	(7,000,000.00)	(5,085,632.00)	(12,085,632.00)	-	-	-	-	-	-	-
Debt - Principal	375	5607	-	-		(4,094,163.16)	(3,686,458.92)	(502,520.00)	(516,428.08)	(536,818.79)	(559,717.09)	(2,459,945.08)
Debt - Interest	375	5608	-	(307,933.49)		(587,127.45)	(313,541.08)	(179,638.12)	(165,730.04)	(145,339.33)	(122,441.03)	(50,681.59)
Law suit	375	5624	-	-		(42,500.00)	-	-	-	-	-	-
Sub Total			(7,192,923.81)	(5,451,479.05)	(12,336,469.37)	(4,749,181.97)	(4,001,904.68)	(684,137.80)	(685,414.66)	(782,888.15)	(684,507.80)	(2,510,651.67)
Net Assets			1,616,541.64	(1,897,954.33)		458,281.46	(2,408,470.53)	869,250.45	432,344.04	311,474.66	251,319.87	33,156.33
Beginning Fund Balance			-	1,616,541.64		(281,412.69)	176,868.77	(2,233,601.76)	(1,364,351.31)	(932,007.27)	(620,532.61)	(369,212.74)
Audit adjustments to fund balance			-	-		-	(2,000.00)	-	-	-	-	-
Ending Fund Balance			1,616,541.64	(281,412.69)		176,868.77	(2,233,601.76)	(1,364,351.31)	(932,007.27)	(620,532.61)	(369,212.74)	(336,056.41)



City of Homer

www.cityofhomer-ak.gov

Office of the City Manager

491 East Pioneer Avenue
Homer, Alaska 99603

citymanager@cityofhomer-ak.gov

(p) 907-235-8121 x2222

(f) 907-235-3148

Memorandum

TO: Mayor Castner and Homer City Council
 FROM: Rob Dumouchel, City Manager
 DATE: October 25, 2021
 SUBJECT: Additional Information for Ordinance 21-63

Legislative History

Quite a few actions have been taken by past Councils related to the natural gas line, the table below provides a brief overview of relevant ordinances. The ordinance numbers are hyperlinked to more information related to each ordinance on the City's website.

Ordinance #	Ordinance Name	Fiscal Notes
12-46	An Ordinance of the City Council of Homer, Alaska, Appropriating Funds in the Amount of \$50,165 from the General Fund Balance to Carry Out the Requirements of Homer City Code Title 17 Entitled Improvement Districts and to Implement a Public Information Strategy Related to the Proposed Natural Gas Special Assessment District. City Manager.	\$50,165 from General Fund
13-01(A)(S)	An Ordinance of the Homer City Council Amending HCC 17.04.190 to Provide for Deferral of Special Assessments for Low Income Residents. Burgess.	Approximately 6 parcels deferred at this time (OCT21)
13-03(S)(2)	An Ordinance of the City Council of Homer, Alaska, Authorizing the City to Issue a Natural Gas Distribution Special Assessment Bond in the Principal Amount of Not to Exceed \$12,700,000 to Finance the Design and Construction of Natural Gas Distribution Improvements in the City, Fixing Certain Details of Such Bond and Authorizing Its Sale; and Repealing HCC Chapter 17.08. City Manager.	Allowed the City to borrow up to \$12,700,000
13-09	An Ordinance of the City Council of Homer, Alaska, Appropriating Funds and Establishing a Project Budget for Administration and Direct Services Provided in Support of the Homer Natural Gas Distribution System Special Assessment District. City Manager.	Set \$539,368 budget for administrative and direct services to the SAD
13-19(A)(S)	An Ordinance of the City Council of Homer, Alaska, Amending the 2013 Operating Budget to Provide for Natural Gas Conversions to City Buildings by Appropriating \$224,780 from Various City Reserve Funds. City Manager/Public Works Director.	\$148,319 from general reserves (what would be CARMA today); \$48,461 from Sewer Reserves;

		\$28,000 from Water Reserves
14-07	An Ordinance of the City Council of Homer, Alaska, Amending the 2014 Operating Budget by Appropriating \$34,089 from the Airport Reserve Fund for the Replacement of the Boilers at the Airport Terminal and Authorizing the City Manager to Execute All Appropriate Documents. City Manager/Public Works Director.	\$34,089 to support conversion of the Airport to natural gas
14-22(A)	An Ordinance of the City Council of Homer, Alaska Amending the FY 2014 Operating Budget to Provide for Natural Gas Conversions to City Buildings by Appropriating \$83,270 from Various City Reserve Funds. City Manager/Public Works Director.	\$18,562 from Water Reserves; \$64,708 from Harbor Reserves;
15-11	An Ordinance of the City Council of Homer, Alaska, Amending Homer City Code Section 17.04.100, Subdivision After Levy of Assessments, to Provide for Subdivisions of Property Subject to Natural Gas Distribution Assessments. City Manager.	
15-17(S)	An Ordinance of the City Council of Homer, Alaska, Amending Ordinance 13-03(S)(2) to Permit the City to Prepay Principal of the Natural Gas Distribution Special Assessment Bond Authorized by Ordinance 13-02(S)(2), and Authorizing an Amendment to the Loan Agreement Between the City and the Kenai Peninsula Borough Regarding the Bond. City Manager.	Added language allowing pre-payment of principal
15-21	An Ordinance of the City Council of Homer, Alaska, Amending the FY 2015 Operating Budget by Appropriating \$277,335.45 to Pay for Homer Natural Gas Special Assessment District Assessments of 85 City Lots From Various City Reserve Funds. City Manager.	\$3,262.77 from Animal Shelter Reserve; \$3,262.77 from City Hall Reserve; \$32,627.70 from General Fund Reserve; \$13,051.08 from Library Reserve; \$6,525.54 from Park Reserve; \$1,631.39 from Police Reserve; \$1,631.39 from Fire Reserve; \$6,525.54 from Public Works Reserve; \$202,291.74 from Harbor Reserve
15-27	An Ordinance of the City Council of Homer, Alaska, Providing a Procedure for the Council to Consider Whether to Exclude Certain Properties From the Homer Natural Gas Distribution Special Assessment District. Burgess.	
15-38	An Ordinance of the Homer City Council Amending the FY 2015 Operating Budget by Appropriating \$42,500 From the Homer Natural Gas Special Assessment District Account for Settlement Costs in the Castner vs. City of Homer Court Case Challenging Assessments for Condominiums Within the District. City Manager.	\$42,500 lawsuit settlement
16-03(S)	An Ordinance of the City Council of Homer, Alaska Amending Ordinance 13-03(S)(2) to State the Actual Principal Amount of, and Change the Payment Dates for, the Natural Gas Distribution Special	Adjusts bond amount to \$12,359,388

	Assessment Bond Authorized by Ordinance 13-02, and Authorizing an Amendment to the Loan Agreement Between the City and the Kenai Peninsula Borough Regarding the Bond. City Manager.	
16-43	An Ordinance of the City Council of Homer, Alaska, Amending Ordinance 13-03(S)(2) to Change the Terms for Adjusting the Amortization of Principal of the Natural Gas Distribution Special Assessment Bond Authorized by Ordinance 13-02, and Authorizing an Amendment to the Loan Agreement Between the City and the Kenai Peninsula Borough Regarding the Bond. City Manager.	Provides for the creation of a Natural Gas Distribution Special Assessment Bond Sinking Fund
16-44(A)	An Ordinance of the City Council of Homer, Alaska, Amending Homer City Code 17.04.190, Entitled “Deferment of Assessment Payments for Low Income Residents,” by Permitting Assessment Deferral Applicants to Apply for a Deferral in Any Year an Applicant is Eligible for the Deferral Regardless of Whether or Not the Applicant Applied for Deferral in the Initial Year of Assessment. City Manager.	Approximately 6 parcels deferred at this time (OCT21)
17-15	An Ordinance of the City Council of Homer, Alaska, Updating and Clarifying the Implementation of a Penalty and Interest Structure for Special Assessments in the Homer Natural Gas Distribution Special Assessment District That Became Delinquent on or After July 1, 2016, and Provided Terms for Reinstatement on or After July 1, 2016 of Assessments That Became Delinquent Before That Date, and the Policies and Procedures for Waiving Penalties on Delinquent Special Assessment Payments if They Meet Certain Requirements, and Creating an Appeal Process for Waiver Denials to the Board of Adjustment. Aderhold.	Clarifies penalties
19-56	An Ordinance of the City Council of Homer, Alaska Moving Expenditures in the Amount of \$92,852.24 Previously Allocated from the General Fund Operating Fund to now be Allocated from the Natural Gas Line Capital Project Fund for Legal and Travel Related Expenses Associated with ENSTAR Tariff Filing 310-4. Mayor.	\$92,852.24 from Gas Line Fund
21-13	An Ordinance of the City Council of Homer, Alaska Appropriating an Amount not to Exceed \$2,512,000 from the Natural Gas Distribution Special Assessment Bond Sinking Fund to Retire the Debt to the Kenai Peninsula Borough that was Utilized for the Construction of the Homer Natural Gas Distribution Line. Mayor/City Manager.	\$2,512,000 to pay off bond

Natural Gas Distribution Special Assessment District Closeout

Those properties in the District have until September 1, 2024 to pay off their assessments. Approximately 1,043 of 3,788 parcels still owe money to the City (approximately \$1,288,894 of the original \$12,359,388). Staff expects to keep the fund open well beyond September 2024 as late payments and deferrals will continue to come in to the City. Ordinance 21-63, proposed by the Mayor, doesn’t close the gas line fund. It does however create a mechanism to ensure that we are revisiting this account annually to ensure that the City does not build up a balance within the account that is not put to a generally beneficial use.

**CITY OF HOMER
HOMER, ALASKA**

Mayor/City Manager

ORDINANCE 21-13

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA APPROPRIATING AN AMOUNT NOT TO EXCEED \$2,512,000 FROM THE NATURAL GAS DISTRIBUTION SPECIAL ASSESSMENT BOND SINKING FUND TO RETIRE THE DEBT TO THE KENAI PENINSULA BOROUGH THAT WAS UTILIZED FOR THE CONSTRUCTION OF THE HOMER NATURAL GAS DISTRIBUTION LINE.

WHEREAS, By Ordinance 13-03(S)(2), adopted on February 25, 2013, the City of Homer (“City”) authorized the issuance of a Natural Gas Distribution Special Assessment Bond in the principal amount not to exceed \$12,700,000, and the delivery of a Loan Agreement (“Loan”) between the City and the Kenai Peninsula Borough (“Borough”); and

WHEREAS, By Ordinance 15-17(S), adopted June 15, 2015, the City amended Ordinance 13-03(S)(2) to provide for the prepayment of the principal of the Bond; and

WHEREAS, By Ordinance 16-03(S), adopted January 25, 2016, the City amended Ordinance 13-03(S)(2) to state the Bond amount to be \$12,359,388, and to establish a Loan payment regime of making 9 equal annual payments ending in September, 2024; and

WHEREAS, By Ordinance 16-43, adopted August 22, 2016, the City amended Ordinance 13-03(S)(2) to create a special trust fund designated as the “City of Homer Natural Gas Distribution Special Assessment Bond Sinking Fund” (“Sinking Fund”) allowing for prepayment of the Loan from the Borough and recalibration of yearly payments; and

WHEREAS, The Sinking Fund contains assessment payments, including interest, income from the Sinking Fund capital, and hypothecation of other City funds including Enstar’s payments of the Free Main Allowance (“FMA”); and

WHEREAS, It is in the City’s best financial interest to retire the loan as soon as the debt has been reduced to be less than the Sinking Fund balance available in any calendar year; and

WHEREAS, The funds available and projected to be collected in 2021 exceed the amount of the loan; and

WHEREAS, Retirement of the Loan in March, 2021 will save the City a significant amount of interest that is not otherwise offset by interest earnings available to the City.

43 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:
44

45 Section 1. The City of Homer's Natural Gas Distribution Special Assessment Bond
46 Sinking Fund schedule of payments is hereby amended by appropriating up to \$2,512,000 to
47 retire the Loan debt obligation to the Kenai Peninsula Borough.
48


<u>Account</u>	<u>Description</u>	<u>Amount</u>
175-0375	City of Homer Natural Gas Distribution Special Assessment Bond Sinking Fund	\$2,512,000

49
50
51
52
53 Section 2. On or before July 1, 2021, the City Treasurer shall provide the Homer City
54 Council with a summary compilation of the costs and cost allocations funded by, A) the Bond,
55 and B) The Loan, and C) The Free Main Allowance, and D) uncollected assessments. Costs
56 include the cost of construction, interest payments paid in excess of interest payments
57 received, and any other costs that can be appropriately allocated to the project or the
58 capitalization of the Bond or Fund.
59

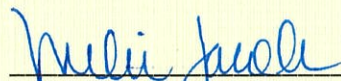
60 Section 3. This is a budget amendment ordinance only, is not permanent in nature, and
61 shall not be codified.
62

63 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 8th day of Mar, 2021.
64

65 CITY OF HOMER

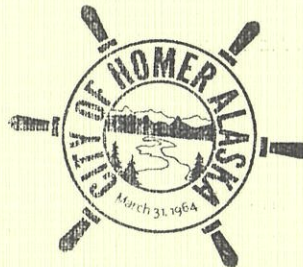
66 
67
68
69
70 KEN CASTNER, MAYOR

71 ATTEST:

72 
73
74 MELISSA JACOBSEN, MMC, CITY CLERK
75

76 YES: 5
77 NO: 0
78 ABSTAIN: 0
79 ABSENT: 1
80

81 First Reading: 2-22-21
82 Public Reading: 3-8-21
83 Second Reading: 3-8-21
84 Effective Date: 3-9-21





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?

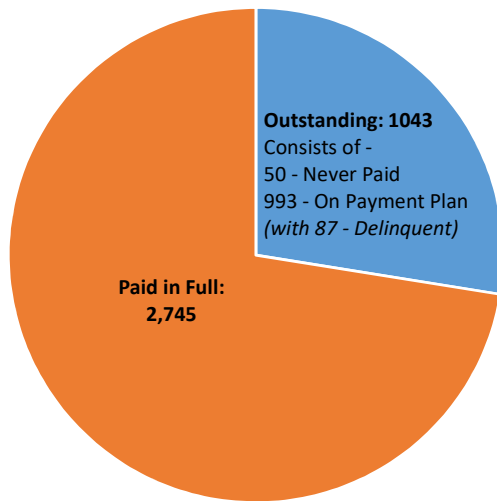
Answer: As written, Ordinance 21-63 directs the Finance Department to wait until the fund balance for the Natural Gas Line fund turns positive (paying off all obligations to the City). At this point, the Finance Department is to annually transfer excess funds (those above \$0) to the General Fund Fund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

NATURAL GAS ASSESSMENTS

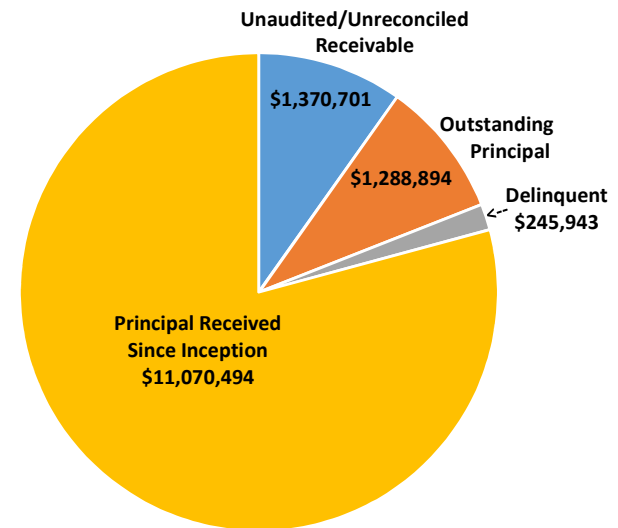
Date: 15-Oct-21

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.*