



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

City of Homer Agenda

City Council Worksession

Monday, December 14, 2020 at 4:00 PM

City Hall Cowles Council Chambers via Zoom Webinar

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

Webinar ID: 965 8631 4135 Password: 792566

CALL TO ORDER, 4:00 P.M.

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

DISCUSSION TOPIC(S)

- a. Resolution 20-077(S), A Resolution of the City Council of Homer, Alaska Adopting a Reserve Fund Policy for the Collection and Use of Water and Sewer Depreciation Reserve Funds **Capital Asset Repair And Maintenance Allowance Fund** . Lord/Aderhold.

Memorandum 20-205 from Public Works Director as backup
Memorandum 20-165 from Finance Director as backup

- b. Resolution 20-078, A Resolution of the City Council of Homer, Alaska Amending the Homer Accelerated Water and Sewer Program (HAWSP) Policy Manual to Modernize the Language and Clarify Qualifying Criteria for using HAWSP Funds. Lord/Aderhold.

COMMENTS OF THE AUDIENCE (3 minutes)

ADJOURNMENT NO LATER THAN 4:50 P.M.

Next Regular Meeting is Monday, January 11, 2020 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.

**CITY OF HOMER
HOMER, ALASKA**

Lord/Aderhold

RESOLUTION 20-077

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA
ADOPTING A RESERVE FUND POLICY FOR THE COLLECTION AND
USE OF WATER AND SEWER DEPRECIATION RESERVE FUNDS.

WHEREAS, Homer City Council instituted a two-year budget in December 2019 (Ordinance 19-51(A)); and

WHEREAS, As part of that budgeting process, Homer City Council discussed and initiated the process of establishing reserve fund policies; and

WHEREAS, Water and Sewer Depreciation Reserve funds are collected by Homer water and sewer rate payers; and

WHEREAS, Per Homer City Code 9.16.010(b), the City of Homer collects a three-quarters percent tax to fund the Homer Accelerated Water and Sewer Program (HAWSP); and

WHEREAS, Concurrently with developing a policy for Water and Sewer Depreciation Reserve funds, Homer City Council is revising the HAWSP policy manual to modernize the language and clarify qualifying criteria for using HAWSP funds; and

WHEREAS, The City of Homer Public Works Department is developing Capital Improvement Plans for water and sewer infrastructure; and

WHEREAS, Having clear policies regarding the use of Water and Sewer Depreciation Reserve funds and HAWSP funds supports the development and implementation of the Capital Improvement Plans.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska adopts the Reserve Fund Policy for the Collection and Use of Water and Sewer Reserve Funds.

PASSED AND ADOPTED by the Homer City Council on this _____ day of _____ 2020.

CITY OF HOMER

KEN CASTNER, MAYOR

43 ATTEST:

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45 _____

46 MELISSA JACOBSEN, MMC, CITY CLERK

47

48 Fiscal Note: N/A

Legislative History of Water/Sewer Reserve Funds

5-13-91 Resolution 91-25 Council establish a “capital reserve fund” for the Water/Sewer funds, built from the water/sewer rates. The amount to be set aside for the capital reserve funds were to be computed as a factor of the plant replacement costs. The annual contribution amounts were established as a percentage of the water/sewer plant costs amortized over the expected useful life of the plants; at the time, the annual contribution was \$150,000 for the water fund. The reserves were to be administered as restricted elements of the Water/Sewer Funds and transferred from those funds on a monthly basis.

The funds could be used for “*major capital outlay*”; that is,

“engineering and construction of major enhancements or upgrades to the water treatment facilities...greater than \$10,000...such as pump stations, damaged collection mains, etc...The expenditure of [these] fund[s] was to be based on Council approval and upon a priority list submitted annually by Public Works.”

A companion capital reserve fund was established for the sewer fund in Resolution 91-26.

Note – The HAWSP Fund was established in 1999, well after the Water/Sewer Reserve Funds were established by Resolution 91-25, demonstrating the City had concluded that two funds were needed to finance major capital projects.

Dec 1994 Resolutions 94-129(A) and 94-130(A). Council established a ceiling for the capital sewer and water reserve funds at \$600,000 each and a replenishment schedule of no more than \$150,000 per year per fund, if the balance of the funds fell below \$600,000.

12-10-01 Resolutions 01-82 and 01-83. Council amended Reso 94-139(A) and 94-130(A) to remove the \$600,000 limits on the reserve funds but to maintain balances

“[S]ufficient to satisfy grant-matching requirements and future major capital needs and be replenished in accordance with the depreciation schedule established for the Water[Sewer] Fund...”

Further, *“the Capital Reserve Fund Balance(s) were to be “reviewed every two years”.*

Resolution 18- 064 Adopted water & sewer rate structure, which contained a 15% surcharge designated for capital reserves.

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 91-25

A RESOLUTION OF THE HOMER CITY COUNCIL ESTABLISHING A CAPITAL RESERVE FUND FOR THE WATER FUND.

WHEREAS, the City Council of the City of Homer has adopted Ordinance 91-10(S) establishing a water rate schedule; and,

WHEREAS, the rate schedule includes a component for capital replacement; and,

WHEREAS, the City Council of the City of Homer desires to restrict that portion of the revenues collected comprising of the capital component, and;

WHEREAS, the capital replacement monies are to be restricted and distributed only for those projects comprising of major capital outlay expenditures for the water system; and,

WHEREAS, the city Council of the City of Homer desires that distributions must be approved by Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska that:

1. A portion of the Revenues from the Water Fund shall be set aside in a restricted section of the Fund balance; and,

2. The amount shall be equal to \$150,000 per year computed as follows:

Plant Costs	\$12,000,000
divided by useful life	<u>20</u>
Basis	600,000
Times the Replacement level	<u>25%</u>
Total Annual amount	150,000

3. This amount shall show as a budgeted amount in the annual budget and be transferred to the restricted fund balance on a monthly basis.

4. The use of this restricted fund balance shall be for major capital outlay items. These shall consist of unbudgeted and unexpected capital costs.

5. Management of the reserve account shall be outlined as follows:

a. The accounts would be used for engineering and purchasing of pieces of equipment whose costs

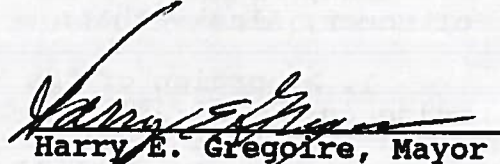
exceed \$10,000.

- b. The accounts would be used to provide for engineering and construction of major enhancements or upgrades to the water treatment facilities. Major is defined as greater than \$10,000.
- c. The accounts would be used for engineering and construction of necessary upgrades to existing water collection facilities such as pump stations, damaged collection mains, manholes, etc. the minimum appropriation is \$10,000.
- d. The accounts would be used for engineering studies that identify the most cost effective manner in which to upgrade portion of the infrastructure.

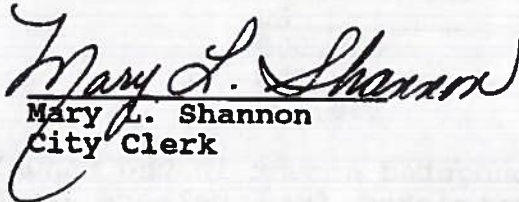
6. The expenditure of the funds in the accounts would be based upon Council approval and upon a priority list submitted annually by Public Works.

PASSED AND APPROVED by the Homer City Council this 13th day of May, 1991.

CITY OF HOMER


Harry E. Gregoire, Mayor

ATTEST:


Mary L. Shannon
City Clerk

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 94-129(A)

A RESOLUTION OF THE HOMER CITY COUNCIL
AMENDING RESOLUTION 91-26, ESTABLISHING
A MAXIMUM CAPITAL RESERVE FUND
BALANCE AND A REPLENISHMENT SCHEDULE
FOR THE SEWER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 91-26,
establishing a capital reserve fund for the Sewer Fund, and

WHEREAS, the City Council of the City of Homer desires to limit the balance to
\$600,000, and

WHEREAS, the City Council of the City of Homer desires that when the balance is less
than \$600,000 it will be replenished at a rate of \$50,000 per year or one third (1/3) the difference
between the cap and present balance, whichever is greater, no greater than \$150,000 will be
contributed in any one year; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund
Balance and the Replenishment Schedule be reviewed every two years.

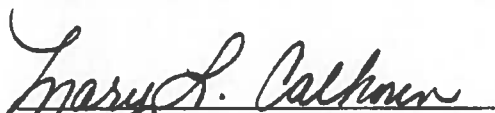
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer,
Alaska that a maximum capital reserve fund balance of \$600,000 and a replenishment schedule be
established for the Sewer Fund.

PASSED AND APPROVED by the Homer City Council this day of December, 1994.

CITY OF HOMER


Harry E. Gregoire, Mayor

ATTEST:


Mary L. Calhoun, City Clerk

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 94-130(A)

A RESOLUTION OF THE HOMER CITY COUNCIL
AMENDING RESOLUTION 91-25, ESTABLISHING A
MAXIMUM CAPITAL RESERVE FUND BALANCE
AND A REPLENISHMENT SCHEDULE FOR THE
WATER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 91-25, establishing a capital reserve fund for the Water Fund, and

WHEREAS, the City Council of the City of Homer desires to limit the balance to \$600,000, and

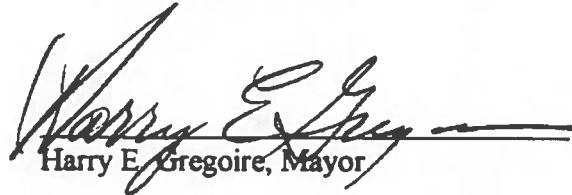
WHEREAS, the City Council of the City of Homer desires that when the balance is less than \$600,000 it will be replenished at a rate of \$50,000 per year or one third (1/3) the difference between the cap and present balance, whichever is greater, no greater than \$150,000 will be contributed in any one year; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance and the Replenishment Schedule be reviewed every two years.

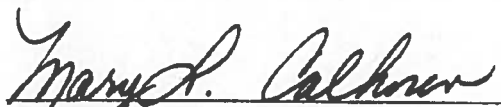
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska that a maximum capital reserve fund balance of \$600,000 and a replenishment schedule be established for the Water Fund.

PASSED AND APPROVED by the Homer City Council this day of December, 1994.

CITY OF HOMER


Harry E. Gregoire, Mayor

ATTEST:


Mary L. Calhoun, City Clerk

HOMER ALASKA

City Resolutions 1983 - 2010

City of Homer

Homer, Alaska

Resolution 01-82

A RESOLUTION OF THE HOMER CITY COUNCIL AMENDING RESOLUTION 94-130(A) ESTABLISHING A MAXIMUM CAPITAL RESERVE FUND BALANCE AND A REPLENISHMENT SCHEDULE FOR THE WATER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 94-130(A) establishing a capital reserve fund for the Water Fund; and

WHEREAS, the State of Alaska has changed the granting process to require a matching amount for the City of Homer, and reduced the amount of grants available; and

WHEREAS, the City Council of the City of Homer desires to remove the \$600,000 limit on the account balance; and

WHEREAS, the City Council of the City of Homer desires that the capital reserve fund balance be sufficient enough to meet these grant matching requirements and future major capital needs and be replenished each year in accordance with the depreciation schedule established for the Water Fund; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance be reviewed every two years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska the capital reserve fund balance limit of \$600,000 be removed and the fund will be replenished according to the depreciation schedule established for the Water Fund.

PASSED AND APPROVED by the Homer City Council this day of

CITY OF HOMER

Jack Cushing, Mayor

ATTEST:

Mary L. Calhoun, City Clerk

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance be reviewed every two years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska the capital reserve fund balance limit of \$600,000 be removed and the fund will be replenished according to the depreciation schedule established for the Sewer Fund.

PASSED AND APPROVED by the Homer City Council this day of

CITY OF HOMER

Jack Cushing, Mayor

ATTEST:

Mary L. Calhoun, City Clerk

HOMER ALASKA

City Resolutions 1983 - 2010

City of Homer

Homer, Alaska

Resolution 01-83

A RESOLUTION OF THE HOMER CITY COUNCIL AMENDING RESOLUTION 94-129(A) ESTABLISHING A MAXIMUM CAPITAL RESERVE FUND BALANCE AND A REPLENISHMENT SCHEDULE FOR THE SEWER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 94-129(A) establishing a capital reserve fund for the Sewer Fund; and

WHEREAS, the State of Alaska has changed the granting process to require a matching amount for the City of Homer, and reduced the amount of grants available; and

WHEREAS, the City Council of the City of Homer desires to remove the \$600,000 limit on the account balance; and

WHEREAS, the City Council of the City of Homer desires that the capital reserve fund balance be sufficient enough to meet these grant matching requirements and future major capital needs and be replenished each year in accordance with the depreciation schedule established for the Sewer Fund; and

**CITY OF HOMER
HOMER, ALASKA**

City Manager/Finance Director

RESOLUTION 18-064

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA,
AMENDING THE CITY OF HOMER WATER AND SEWER RATES AND
UPDATING THE HOMER FEE SCHEDULE ACCORDINGLY.

WHEREAS, Water and sewer utility services shall be reviewed annually shall take effect as of January 1, 2019; and

WHEREAS, Based on a the water sewer rate model prepared by the Water Sewer Rate Task Force and adopted by the Homer City Council in Resolution 13-048(S-2)(A-3) adjustments to the rates are recommended and warranted to reflect the true cost of water and sewer services; and

WHEREAS, The cost to the average residential user of water and sewer will range from a 2% decrease to a less than 1% increase based on 2018 usage.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, that the water and sewer fees be amended and the Homer Fee Schedule be updated as follows:

WATER AND SEWER FEES:

Public Works - 235-3170

City Hall - 235-8121

Billing - 235-8121 x2240

(The following fees have been set by the following legislative enactment HCC Title 14, new fees set forth in Resolution 16-063(S-2), Resolution 14-060, Ordinance 13-30(A), Resolution 15-074A-2), 13-048 (S-2)(A-3), Ordinance 11-43, Resolution 11-094(S), Resolution 11-062(A), Resolution 09-47(S)(A), Resolution 09-48(S)(A), Resolution 07-119 (A), Resolution 07-120(A), Ordinance 06-62(A), Resolution 06-04, Resolution 05-125, Resolution 05-122, Resolution 05-121(A), Resolution 05-09, Resolution 04-95, Resolution 04-94(S)(A), Resolution 03-159, Resolution 02-80, Resolution 01-80(A), Resolution 00-123, Resolution 00-34, Ordinance 00-02, Ordinance 97-17(A), amending the rates set forth in Ordinance 97-5(S)(A), with amendments by Ordinance 97-7, Ordinance 97-13 and Ordinance 97-14).

A 15% admin. fee for replacement parts for water/sewer services, functions, pressure reducing valves, sewer saddles, any Public Works Department stock item for resale to public.

Establishing service includes a one-time disconnect - \$75

Service calls, inspections, repairs not to exceed one hour - \$25 per employee plus equipment and materials.

45 Service calls, inspections and repairs during normal operating hours in excess of one hour labor: actual
 46 labor costs by City plus equipment and materials.

47
 48 Service calls, inspections and repairs after normal operating hours or on weekends/holidays: \$50
 49 minimum plus equipment and materials or actual cost incurred by City, whichever is greater.

50

51 **SEWER FEES:**

52 Sewer Connection and Extension Permit Fee

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54 Single Family \$255

55 Multi-Family/Commercial \$330

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57 Customer classification definitions for determining sewer connection and extension permit fees:

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59 Single Family Residential – A unit providing housing for one household; with less than 25% of the
 60 building area used for business or commercial purposes.

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62 Multi-Family Residential- A building or lot occupied by more than one household: contained within one
 63 building or several building within one complex. Examples of multi-family units includes duplexes,
 64 four-plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one
 65 lot (where units are normally rented or occupied for longer than one month at a time). Examples of
 66 units not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units
 67 are routinely rented or occupied for less than one month at a time.)

68

69 Commercial - Any user not defined as Residential.

70

71 Sewer Rate Schedule.

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73 All sewer utility services shall be billed according to the following schedule (Table I, II). This schedule
 74 is for monthly sewer services and is in addition to any charges for connecting or disconnecting the
 75 service, installation of the service or any assessment of the improvements.

Rates

Table I

Customer Classification	Sewer	
	Monthly Service	Usage Charge/Gallon
Lift-Station Customer		\$0.0232 <u>\$0.0224</u>
Non-Lift-Station Customer		\$0.0157 <u>\$0.0145</u>
Multi-units (additional per unit)	\$5.00	N/A

76

Rates

Table II

Sewer ONLY Customers	Sewer	
	Fees/Rate/Usage	Per Customer Per Month
Lift-Station Customer	\$0.0224/Gal	\$69.60 \$67.20
Non-Lift-Station Customer	\$0.0145/Gal	\$47.10 \$43.50
Monthly Service	\$5.00/customer/mo.	\$5.00 (Kachemak City customers will be exempt from \$5 monthly service fee. Kachemak City will be billed a \$5 monthly service fee to cover all Kachemak City sewer customers.)
Pumping Fee (If Applicable)	\$7.75 \$6.75/customer/mo.	\$7.75 \$6.75
Assumption: Avg. Sewer Usage	3000 Gal/Mo.	

77 Customer classification definitions for determining sewer rates:

78

79 Lift Station Zone Customer: There are eleven sewage lift/pump stations that are used for pumping
 80 wastewater or sewage from areas with lower elevation than the treatment plant. Customers who are
 81 located in these areas shall be charged additional fees for the cost added to the services (see Table I &
 82 II).

83

84 Non-Lift Station Zone Customer: Customers who are located in the zone that do not need lift/pump
 85 station services.

86

87 Sewer System Dischargers (Sewer ONLY customers): Customers who use sewer service only shall be
 88 charged a monthly fee of \$5 plus sewer usage fee based on assessed volume of 3,000 gallons per month
 89 multiplied by the applicable sewage rate (see Table II). Kachemak City Local Improvement District (LID)
 90 members have contributed to the initial cost of the sewer treatment plant and the collection system.
 91 For Kachemak City LID dischargers connected within the LID, the City of Homer shall bill Kachemak City
 92 in one single bill at the Lift-Station Zone Rate of \$73.95 (\$67.20 +\$6.75) per month per customer.
 93 Kachemak City shall be billed a \$5 monthly service charge to cover all Kachemak City sewer customers
 94 and shall be responsible for payment to the City of Homer.

95
96 Domestic sewer service customers who use large quantities of City water in addition to their domestic
97 use shall be allowed, with the Public Works Director's approval, to install an additional water meter on
98 the domestic water use line for the purpose of metering and charging for domestic sewer system use.
99 Sewer system use will be billed monthly.

100
101 The City will allow, upon approval by Public Works and a permit from the Public Works Department, a
102 second water usage meter – called a seasonal sewer meter – for each customer that desires to measure
103 the flow of City water that is not discharged to the sewer system during the summer growing season,
104 June 15 through September 15. Rates noted above do not apply.

105
106 Seasonal Sewer Meter Fee is \$251.75.

107
108 WATER FEES:

109 Water Connection Fee

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111 Single Family \$300
112 Multi-Family/Commercial \$375

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114 Customer classification definitions for determining water connection and extension permit fees:

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116 Single Family Residential – A unit providing housing for one household; with less than 25% of the
117 building area used for business or commercial purposes.

118
119 Multi-Family Residential- A building or lot occupied by more than one household: contained within one
120 building or several building within one complex. Examples of multi-family units includes duplexes,
121 four-plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one
122 lot (where units are normally rented or occupied for longer than one month at a time). Examples of
123 units not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units
124 are routinely rented or occupied for less than one month at a time.)

125
126 Commercial - Any user not defined as Residential.

127
128 Water Rate Schedule.

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130 All water utility services shall be billed according to the following schedule. This schedule is for monthly
131 water service and is in addition to any charges for connecting or disconnecting the service, installation
132 of the service or any assessment of the improvements.

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Rates	Water	
	Monthly Service	Usage Charge/Gallon
Customer Classification		
Lift-Station Customer	\$ 19.00 13.00	\$0.0109 \$0.0132
Non-Lift-Station Customer	\$ 19.00 13.00	\$0.0109 \$0.0132
Multi-units (additional per unit)	\$ 5.00	
Bulk Water	\$ 19.00 13.00	\$0.0149 \$0.0172

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Customer classification definitions for determining water rates:

Bulk Water Customers: The bulk water customers are the resellers of water or water users who purchase water from the water plant directly and are not in the metered water distribution system.

Non-Bulk Customers: All customers who receive water from the metered water distribution system.

Multi-Units: An additional \$5 monthly charge shall apply to each of the units of a building or lot occupied by more than one household or commercial entity contained within one building or several buildings within one complex. Examples of multi-family units include duplexes, four-plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one lot (where units are normally rented or occupied for longer than one month at a time). Examples of units not considered as multi-family include hotels, motels, and B&B's seasonal rooms/cabins (where units are routinely rented or occupied for less than one month at a time.)

This fee applies to all multi-unit structures defined in the sewer section of this for apartments, rental units or multi-unit buildings where each unit would have one or more restrooms and are intended to be rented on a monthly basis where there is only one meter installed, excluding a rental building restroom used for shared or public use.

Meter Size Deposits.

<u>Size (inches)</u>	<u>Residential Users</u>	<u>Nonresidential Users</u>
5/8	\$75.00	\$220.00
3/4	\$80.00	\$230.00
1	\$90.00	\$250.00

1-1/2	\$115.00	\$310.00
2	\$150.00	\$370.00
3	\$220.00	\$525.00
4	\$310.00	\$730.00
6	\$520.00	\$1,225.00

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163 \$750 meter deposit shall apply to metered fire hydrant connections. The deposit will be returned when
164 the meter is returned undamaged. This deposit may be waived upon the recommendation of the Public
165 Works Superintendent.

166

167 If a bulk water customer purchases a meter from the City for measuring the quantity of water
168 purchased, it shall be exempt from the monthly meter service charge. It is the responsibility of the bulk
169 water customer to maintain that meter so the City can accurately determine the amount of water being
170 purchased. In the event the meter fails, it is the bulk water customer's responsibility; at its expense, to
171 repair it or purchase a replacement meter from the City. The City may at any time test the meter for
172 accuracy.

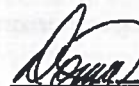
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174 PASSED AND ADOPTED by the Homer City Council on this 13th day of August, 2018.

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CITY OF HOMER

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DONNA ADERHOLD, MAYOR PRO TEMPORE

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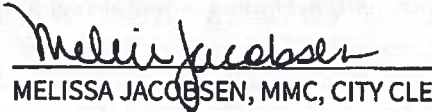
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182 ATTEST:

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MELISSA JACOBSEN, MMC, CITY CLERK

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188 Fiscal Note: Revenue amounts defined in CY2019 budget.



Here's the comments I've heard:

I. CARMA Fund

1. **Comment:** The CARMA Fund should be built from a commodity-based surcharge, tied to the water rates; that is, the expense to create the CARMA Rate should be paid by rate payers in direct proportion to the volume of water used.
Response: We will compute and recommend a formula for the 2022 rate schedule.
2. **Comment:** We need a plan for extending water/sewer services, not just relying on Special Assessment Districts to do this.
Response: We will create a plan as part of the Water/Sewer Capital Improvement Plans in the coming year.
3. **Comment:** The CARMA Fund should be administered with the Rate Model, for example, as Retained Earnings.
Response: We are researching how to do this.
4. **Comment:** There should be a provision for a "Maximum Spending Limit".
 - a. **Response:** This is provided for in the draft CARMA Fund Policy Manual. It is tied to the Water/Sewer Capital Improvement Plans and established as part of the budget process.
5. **Comment:** The criteria to be used when evaluating projects for eligibility to use CARMA Fund money should be simplified; it is a given that eligible projects must be located within City limits.
 - a. **Response:** I've edited the way the criteria are described, to address this.
6. **Comment:** We do need a way to provide for large capital projects.
 - a. **Response:** See Response to Comment #4.
7. **Comment:** The tariff should not be used to pay for major repairs. That's what HAWSP is for.
 - a. **Response:** Every water/sewer utility we know of, builds their capital reserves from their rate structure. In 1991, the Homer City Council enacted Resolution 91-25 establishing capital reserve funds for both the water and sewer utilities, built from *"a portion of the revenues from the water [and sewer] funds"* to pay for *"major enhancements...or upgrades to existing...facilities"*. In 1999, the Homer City Council, by a vote of Homer's citizens, created the HAWSP fund to pay for *"water and sewer system improvements"*. There is no evidence past City Councils intended to limit the use of the HAWSP Fund solely for new system extensions or use the HAWSP Fund as a replacement for the capital reserves. Clearly, past City Councils determined there was a need for both funds to pay for major capital projects.
 - b. This makes sense. For a variety of reasons, Homer's water/sewer systems are more expensive to maintain and expand capacity for, than systems in similarly sized communities. We recommend that the administration of the CARMA Reserves and the HAWSP Fund be clarified; that is, we use the CARMA Reserve Fund for repairs of existing

facilities, which serve existing customers, and the HAWSP Fund for system expansion, which will be able to serve new customers.

8. **Comment:** There should be a top limit on the CARMA reserve.
- a. **Response:** The City Council has passed legislation in years past, which address the issue of ceilings for the reserve fund and replenishment schedules. For example:
- i. Resolutions 94-129(A) and 94-130(A) established ceilings for the water/sewer funds of \$600,000 and a replenishment schedule if the funds fell below that level.
 - ii. Resolutions 01-82 and 01-83 revised the 1994 resolutions by removing the \$600,000 limit, changing the language to read *"...maintain a balance sufficient to satisfy grant-matching requirements and future major capital needs and be replenished in accordance with the depreciation schedule established for the Water[Sewer] Fund(s)..."* These resolutions also provided for "depreciation schedules" and regular review by the City Council "every two years".

Past City Councils decided that an arbitrary ceiling on the Funds was not the best way to administer them. Instead, they opted for flexible Funds, which could be adjusted to address need, and which were subject to regular oversight. The new draft Policy Manuals build on that premise by (1) describing a process, which would be used to establish a spending plan for the CARMA and HAWSP Funds, based on need, as part of the budget process and (2) subject to at least quarterly reporting. These strategies allow the City Council to adjust the level of the Funds, while it is establishing rates and the budget for the coming year.

That being said, it is a Best Practice to maintain a minimum balance equal to some percentage of the utility's annual capital budget and to make minimum contributions equal to a percentage of the utility's assets. We will make a recommendation on what those balances should be in the coming months.

9. **Comment:** We should create a spending plan to link the use of the reserves with spending.
- a. **Response:** See Response to Comment #4.
10. **Comment:** We should be mindful of the need to maintain sufficient reserves to comply with bonding covenants.
- a. **Response:** The City Manager and City Attorney are discussing this matter with the City Attorney and determined there was no minimum reserve.
11. **Comment:** We should not need to charge City Administration fees for projects, on top of the overhead allocation already made from the City's Water/Sewer Operating Budgets to the General Fund.
- a. **Response:** The Draft CARMA Fund policy manual provides that the City Council can waive such fees for specific projects.
12. **Comment:** We should have a way to assess the health of the CARMA Fund.

- a. **Response:** I agreed – this should be done as part of establishing comprehensive City Financial Policies. This will be done in the coming months.
13. **Comment:** We should clarify in the Homer City Code how rates are established; for example, the City of Soldotna has codified its rate-setting process.
- a. **Response:** This can be done, once we get agreement on what the policies should be, we could work to codify them.
14. **Comment:** We should make it clear that when we extend mains to add more customers, the rates will not necessarily be reduced.
- a. **Response:** Once we get the policy manuals adopted, we will do some public education about rate setting and other financial implications of the new policies.

II. HAWSP Fund

- 1. **Comment:** We should define what the City’s contribution to Special Assessment Districts should be.
 - a. **Response:** This is currently defined in the draft HAWSP Policy Manual as 25%.
- 2. **Comment:** If we had excess money, we should try to use it to pay down debt.
 - a. **Response:** The draft HAWSP Policy Manual specifies the HAWSP fund can be used to pay debt. There is nothing to prevent the Council to using excess funds to pay debt.
- 3. **Comment:** It’s frustrating not to have more regular reporting.
 - a. **Response:** The draft HAWSP Policy Manual provides for reporting, at least quarterly.



Memorandum 20-205

TO: Mayor and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Janette Keiser, Director of Public Works
DATE: December 3, 2020
SUBJECT: Industry Standards Relating to Water-Sewer Reserves and Q&A

I have been continuing to research benchmarks related to the financial matters for water/sewer utilities, using the Environmental Protection Agency's Environmental Finance Service Center ("EPA"), American Water and Wastewater Association ("AWWA") and other water/wastewater industry experts, as well as the Government Finance Officers Association ("GFOA"), as resources. In particular, I've been looking for answers to questions posed by the Council and staff about such matters. Here is a summary of findings and conclusions:

Question #1: What do we need reserves for?

Answer: Attached is a summary of the basic Elements of Reserves for a typical utility Fund, which identifies various categories of reserve funds, the total sum of which represents a utility's Reserve Fund:

- Operating Reserves
- Capital Contingencies
- Equipment Replacement
- Debt Service Coverage

Question #2: How much money should we have in our Water/Sewer Reserve Funds?

Answer: There are industry standards for each element, which are identified on the attached Elements of Reserves. Obviously, the level of the City's Reserve Funds depends on affordability and need. There are industry standard tools for measuring both factors and for guiding the gradual development of a sustainable level of funding.

Question #3: How should we build the Reserve Funds?

Answer: Usually, utilities include an element in their tariffs to build their reserve funds, because that is the only source of revenue they have, beyond grants, debtor or one-off injections of cash, such as from a sale of property. In Homer, we have another source of funding for capital projects, the HAWSP Fund, but

this is unique to Homer. And, analysis of the HAWSP Fund’s purpose and need demonstrates that Homer needs multiple sources of revenue to support its relatively expensive utility systems.

Question #4: How should we spend money from the Reserve Funds?

Answer: It is a Best Practice for utilities to have written financial policies that govern how their reserve funds are spent. Further, expenditure of reserve funds should require authorization by the governing body and be based on approved planning documents that identify project needs and project cash flow. Developing and maintaining a robust asset management system is also a Best Practice to assist with preventative maintenance and long-term planning of asset replacement.

Question #5: How do I know if our Reserve Funds are healthy?

Answer: The AWWA, EPA and GFOA all recommend that Reserve Funds be subject to oversight in accordance with Generally Accepted Accounting Practices and the municipality’s financial policies, generally through the budget process. There are Best Practices to guide these processes.

Question #6: How do we keep the Reserves from continuing to build at the expense of our rate/tax payers?

Answer: The Reserve Funds are built from the water/sewer rates, which are adjusted annually and linked to the budget and capital planning processes. This gives the governing body multiple opportunities to adjust the Reserve Funds to affordable levels, which address needs. Further, the governing body will receive financial reports, at least quarterly, which it can review in the context of the body’s established financial policies.

Question #7: What else can we do to bring some clarity to these matters?

Answer: All the resource agencies recommend as a Best Practice, that utilities have written, and codified financial policies, to guide decision making and accountability. The City of Homer has a number of financial policies, but they are not necessarily in the same place and some of the provisions are ambiguous enough to allow different interpretations, which can cause confusion and conflict. The City can review its financial policies to (1) fill in any blanks; (2) clarify any ambiguities; and (3) reconcile any conflicts.

Elements of Reserves in a Utility Fund

- **Operating Reserves** – These are cash reserves available to cushion the time lag between when billing happens and when bills are paid. Industry standards recommend having reserves totaling 60-90 days of operating and maintenance costs.

<u>Utility</u>	<u>Total Operating Costs</u>	<u>Recommended Operating Reserve</u>
Water	\$2,320,278	\$381,415 - \$572,040
Sewer	\$1,788,617	\$294,000 - \$441,000

- **Capital Contingency** – These funds pay for unexpected major repairs. Industry standards recommend an amount equal to 1-2% of the system’s fixed assets.

<u>Utility</u>	<u>Value of Fixed Assets¹</u>	<u>Recommended Capital Contingency</u>
Water	\$48,920,806	\$489,208 - \$978,416
Sewer	\$44,707,860	\$447,078 - \$894,157

- **Infrastructure Replacement Funding** – These funds are used to replace assets, in accordance with established planning documents, such as an Asset Management Plan, a Capital Improvement Plan and an Equipment Replacement Schedule. The numbers below represent numbers from the Draft Asset Management Plan.

<u>Utility</u>	<u>Reserve Required to Build Replacement Fund²</u>
Water	\$7,573,704
Sewer	\$5,280,544

- **Totals**

<u>Utility</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>VI</u>
		<u>Operating Reserve</u>	<u>Capital Contingency</u>	<u>Minimum (II + III)</u>	<u>Infrastructure Replacement</u>	<u>Totals</u>
Water		\$572,000	\$978,416	\$1,550,416	\$7,573,704	\$9,124,120
Sewer		\$441,000	\$894,157	\$1,335,157	\$5,280,544	\$6,615,701

¹ From AML insurance worksheet showing 2019 value of City Building Assets

² From 2020 draft Asset Management Plan prepared by JAK

- **Debt Service Coverage** – This includes payments required to service debt as well as minimum levels of reserves required to cover bond covenants.

HAWSP Fund Debt Payment – principal & interest \$1,029,766/Year

- **Debt management** – Credit agencies don't like utilities to fund all their capital improvements with debt, but prefer that no more than 60% of a project is financed with debt.

POLICY MANUAL FOR THE WATER AND SEWER CAPITAL ASSET REPAIR AND MAINTENANCE ALLOWANCE "CARMA" FUNDS

Table of Contents

- I. Purpose
- II. Definitions
- III. Maximum Spending Limit and Spending Plan
- IV. Accounting Matters

I. PURPOSE

The City Council established Capital Asset Repair and Maintenance Allowance (CARMA) accounts for multiple City programs and departments within the General Fund. The intent of the City of Homer CARMA Funds is *"for appropriation and expenditure for equipment replacement, fleet replacement, engineering or planning services, major maintenance of city facilities, or any other purpose as identified and recommended by the City Manager and authorized by the City Council...and to extend the life and use of taxpayer funded assets, facilities and infrastructure."* (See Ordinance 19-35(S)(A). It is appropriate that the Water and Sewer Utilities, which operate as independent utilities, comport with the intent and policy set forth in Ordinance 19-35(S)(A). Thus, the City Council hereby establishes CARMA Funds for the Water and Sewer Utilities to fund improvements, repairs, and replacements to the City's existing water and sewer systems; that is, to benefit existing customers by keeping the utility systems in a state of good repair. CARMA Funds may be used for Capital Contingencies or Infrastructure Replacement.

Note: In addition to the Water and Sewer CARMA Funds, the City has a Homer Accelerated Water and Sewer Program (HAWSP). HAWSP is intended to fund projects, which extend systems or otherwise expand capacity to serve new customers as well as support public health in other ways. (See HAWSP Policy Manual for more information on the HAWSP.)

II. DEFINITIONS

- a. **Capital Contingency** – These funds pay for unexpected or unplanned major repairs. Industry standards recommend an amount equal to 1-2% of the system's fixed assets.

- b. **Capital Improvement Plan (CIP)** – A multi-year document that lays out priorities for capital projects, including descriptions of each project, rationale for why each project is needed, order of magnitude cost estimate, and other information about the project.
- c. **HART** – Homer Accelerated Roads and Trails program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve roads, sidewalks, and trails within the City of Homer, thereby improving property values and quality of life.
- d. **HAWSP** – Homer Accelerated Water and Sewer Program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve the health and welfare of the Citizens of Homer by connecting residences to City water and/or sewer, thereby increasing the number of users on the system, increasing property values, and improving the quality of life; the funds may also be used on other water and sewer infrastructure that expand the systems or protect the public health.
- e. **Infrastructure Replacement** – The replacement of assets, in accordance with established planning documents, such as an Asset Management Plan, a Capital Improvement Plan and an Equipment Replacement Schedule.
- f. **Operating Reserves** – These are cash reserves available to cushion the time lag between when billing happens and when bills are paid. Industry standards recommend having reserves totaling 30-45 days of operating and maintenance costs.
- g. **Unencumbered Fund Balance** – The balance within the Water and Sewer CARMA Funds that are not allocated to a project.
- h. **Water and Sewer System Improvements** – Any work, such as planning, design, or construction, etc., that improves the City’s water and sewer infrastructure, including, but not limited to, the extension, expansion, repair, or rehabilitation of
 - 1. The City’s water supply, raw water transmission lines, water treatment facilities, water storage facilities, water distribution lines, fire-fighting devices, and related or similar appurtenances.
 - 2. The City’s sewer collection lines, sewer lift stations, RV Dump Stations, wastewater treatment facilities, discharge outfall, and related or similar appurtenances.
 - 3. Other facilities related to providing public access to clean water and the sanitary disposal of human wastes to protect public health.

III. MAXIMUM SPENDING LIMITS AND SPENDING PLAN

- a. *“The amount of the CARMA funds shall be established by City Council in the biennial budget based on the projected maintenance and repair needs of the City.” (Ordinance 19-35(S)(A)).* This means CARMA funds are supported by an appropriate planning document, which forecasts needs for repair and maintenance.
- b. The Public Works Department shall, on an annual basis, submit for City Council review, separate Capital Improvement Plans for the Water and Sewer Utilities, which shall identify Major Capital Projects required to (i) keep the utilities in a state of good repair or (ii) expand capacity. These Plans shall include cost projections and rank the projects in order of need, applying the following criteria:
 1. Expands service to currently unserved areas.
 2. Addresses public health, safety, or regulatory changes.
 3. Improves, repairs, replaces, rehabilitates, or otherwise corrects deficiencies in existing utility systems.
 4. Is listed in another planning document adopted by the City Council, such as the citywide CIP, Water/Sewer Master Plan, Parks Capital Improvement Plan, etc.
 5. Reduces maintenance costs.
 6. Other factors deemed appropriate by the City Council.
- c. As part of the budget process, the City Council shall:
 1. Assess the health of the CARMA Funds in accordance with the City’s Financial Policies.
 2. Establish by ordinance a Maximum Spending Limit and a Spending Plan for the Water and Sewer CARMA Funds for the subject year. Once adopted the Maximum Spending Limits and Spending Plans may only be changed by the City Council.

IV. ACCOUNTING MATTERS

- a. The Water/Sewer CARMA Funds are built from a commodity-based fee, contained within the water/sewer tariff, which is deposited into separate accounts and managed as Retained Earnings. These fees may vary from year to year depending on need and as adopted by Council as part of the water/sewer rate-setting process.
- b. Water/Sewer CARMA Funds should be sufficient to cover the following elements:
 1. Operating Reserves
 2. Debt Service Coverage
 3. Capital Contingencies
 4. Infrastructure Replacement Funding
 5. Funding to comply with existing or projected bond covenants
- c. Interest, if any, generated from a CARMA Fund will remain in that Fund.

- d. The Finance Department shall, on a quarterly basis, submit for City Council review, financial statements showing the status of the Water and Sewer CARMA Funds.
- e. The City may, at its discretion waive allocations of General Fund Overhead expenses for projects funded by CARMA funds.
- f. Projects may be funded through the CARMA Funds, bonds, grants, or a combination of these or other funding mechanism that may be identified by the City.
- g. All projects funded by the CARMA Funds must comply with the provisions of HCC Titles 14, City of Homer Public Utility Systems, and 17, Public Assessments.
- h. CARMA and HAWSP funds may be used to jointly fund a project. CARMA funds should be used for portions of the project that improve, repair, or replace existing water or sewer infrastructure while HAWSP funds should be used for portions of the project that expand capacity or result in new water or sewer infrastructure.
- i. The City does not expect to fully capitalize the replacement of Major Projects, but to instead, leverage debt in accordance with the City's Financial Policies.

POLICY MANUAL FOR THE WATER AND SEWER CAPITAL ASSET AND MAINTENANCE ALLOWANCE "CARMA" FUNDS

Table of Contents

- I. Purpose
- II. Definitions
- III. Qualifying Project Criteria
- IV. Financing
- V. Maximum Spending Limit and Spending Plan

I. PURPOSE

The City Council established Capital Asset and Maintenance Allowance Funds for multiple City programs and departments, including the Water and Sewer utilities. The intent of the City of Homer Water and Sewer Capital Asset and Maintenance Allowance Funds ("CARMA Funds") is to fund improvements, repairs, and replacements to the City's existing water system and sewer systems; that is, to benefit existing customers by keeping the utility systems in a state of good repair.

In addition to the Water and Sewer CARMA Funds, the City has a Homer Accelerated Water and Sewer Program (HAWSP). HAWSP is intended to fund projects, which extend systems or otherwise expand capacity to serve new customers as well as support public health in other ways. (See HAWSP Policy Manual for more information on the HAWSP.)

II. DEFINITIONS

- a. **Capital Improvement Plan (CIP)** – A multi-year document that lays out priorities for capital projects, including descriptions of each project, rationale for why each project is needed, schedule and progress to date, and estimated total cost.
- b. **HAWSP** – Homer Accelerated Water and Sewer Program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve the health and welfare of the Citizens of Homer by connecting residences to City water and/or sewer, thereby increasing the number of users on the system, increasing property values, and improving the quality of life; the funds may also be used on other water and sewer infrastructure that expand the systems or protect the public health.

- c. **Unencumbered Fund Balance** – The balance within the Water and Sewer CARMA Funds that are not allocated to a project.
- d. **HART** – Homer Accelerated Roads and Trails program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve roads, sidewalks, and trails within the City of Homer, thereby improving property values and quality of life.
- e. **Water and Sewer System Improvements** – Any work, such as planning, design or construction, etc., which improves the City’s water and sewer infrastructure, including, but not limited to, the extension, expansion, repair or rehabilitation of
 - 1. The City’s water supply, raw water transmission lines, water treatment facilities, water storage facilities, water distribution lines, fire-fighting devices, and related or similar appurtenances.
 - 2. The City’s sewer collection lines, sewer lift stations, RV Dump Stations, waste water treatment facilities, discharge outfall and related or similar appurtenances.
 - 3. Other facilities related to providing public access to clean water and the sanitary disposal of human wastes to protect public health.
- f. **Major Capital Project** – A project that exceeds \$1.1 million in value, which cannot be executed in an incremental fashion.

III. QUALIFYING PROJECT CRITERIA

- a. All projects will be authorized only after a public hearing pursuant to HCC Title 17.
- b. All projects using funds from the Water/Sewer CARMA Funds must meet at least three of the following criteria:
 - 1. Is located within the City limits.
 - 2. Addresses public health, safety or regulatory changes.
 - 3. Improve, repairs, replace, rehabilitate or otherwise correct deficiencies in existing water or sewer facilities
 - 4. Is listed a planning document adopted by the City Council, such as the citywide CIP, Water or Sewer CIPs, or Water/Sewer Master Plan.
 - 5. Reduces maintenance costs.
 - 6. Other factors deemed appropriate by the City Council.

IV. FINANCING

- a. Projects may be funded through the CARMA Funds, bonds, grants, or a combination of these or other funding mechanism that may be identified by the City.

- b. All projects funded by the CARMA Funds must comply with the provisions of HCC Titles 14 and 17.
- c. The Council shall review the CARMA Funds during the budget process.
- d. City Council shall assess the health of the CARMA Funds prior to approving a new project.
- e. Interest, if any, generated from a CARMA Fund will remain that Fund.
- f. The City shall not charge the CARMA Funds for General Fund Overhead.
- g. CARMA and HAWSP funds may be used to jointly fund a project. CARMA funds should be used for portions of the project that improve, repair, or replace existing water or sewer infrastructure while HAWSP funds should be used for portions of the project that expand capacity or result in new water or sewer infrastructure.

V. MAXIMUM SPENDING LIMITS AND SPENDING PLAN

- a. The Finance Department shall, on an annual basis, submit for City Council review, financial statements showing the status of the Water and Sewer CARMA Funds.
- b. The Public Works Department shall, on an annual basis, submit for City Council review, separate Capital Improvement Plans for the Water Utility and Sewer Utility, which shall identify Major Capital Projects required to (i) keep the utilities in a state of good repair or (ii) expand capacity. These Plans shall include cost projections and rank the projects in order with need.
- c. The City Council will, upon review of the documents described above, establish, by ordinance a Maximum Spending Limit and a Spending Plan for the Water and Sewer CARMA Funds for the subject year. Once adopted the Maximum Spending Limits and Spending Plans may only be changed by the City Council



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 20-165

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: October 6, 2020
SUBJECT: Water and Sewer Rate Model – Rate Scenarios

There has been some interest in performing a what-if analysis on adjusting the reserve requirement and its implications on the utility rates. Staff spent time identifying a couple different scenarios that aligned with previous council conversations. Below are descriptions on four different rate scenarios. Included as supplemental information to this memo are detailed rate models for each scenario and a comparison chart. This chart compares each of the proposed rates with our existing 2020 rate.

Scenario 1 – Maintain Current Rate Model (15% Reserve Requirement)

This scenario keeps everything status quo and utilizes a 15% reserve requirement. All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0133

Bulk (per gal): \$0.0173

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0157

Lift Station: \$0.0256

Scenario 2 – Utilize Current Rate Model, Amend to 10% Reserve Requirement

This scenario utilizes rate model, but amends the reserve requirement to 10% (instead of the original 15%). All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0126

Bulk (per gal): \$0.0166

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0149

Lift Station: \$0.0247

Scenario 3 – Utilize Current Rate Structure, Amend Inputs to match 2021 Budgeted Costs

This scenario utilizes current rate model structure, but amends inputs to match the adopted 2021 budgeted costs. The following line items in the water model were adjusted to match the budget: total revenue required, reserve requirement and service fee deduction. The hydrant rents line item is amended, as it is a fraction of the total revenue required. All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0130

Bulk (per gal): \$0.0170

Monthly Fees: \$14

Sewer Rates:

Non-Lift Station: \$0.0148

Lift Station: \$0.0249

Scenario 4 – Utilize Current Rate Model, Amend to 2021 Budgeted Reserve Transfer

This scenario utilizes the current rate model, but amends the reserve requirement to match the FY21 budgeted reserve transfer (instead of the original 15%). All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal):	\$0.0127
Bulk (per gal):	\$0.0167
Monthly Fees:	\$13

Sewer Rates:

Non-Lift Station:	\$0.0138
Lift Station:	\$0.0237

Current Rates:

To provide additional context our current rates are as follows:

Water Rates:

Commodity (per gal):	\$0.0132
Bulk (per gal):	\$0.0172
Monthly Fees:	\$13

Sewer Rates:

Non-Lift Station:	\$0.0145
Lift Station:	\$0.0224

Recommendation:

Without a detailed analysis on the budgetary implications of changing the inputs of the rate model it would seem to be worth considering Scenario 3, as it would further connect the model with our budget.

Future considerations should be given to adjusting the schedule of water/sewer rate passage. Some efficiencies could be found in timing the rate setting discussion around our budget schedule.

Scenario 1 - Rate Calculations

WATER Rate Model	
Revenues	
2020 Total Revenue Required - Water	\$ 1,911,348
15% Reserve Requirement	286,702
Deduct Portion Collected through Service Fee	(286,547)
Hydrant Rents (10% of Total)	(95,567)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,748,140
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0133
Bulk Rate (per gal)	\$ 0.0173
Monthly Fees	\$ 13
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2020 Total Operating Revenue Required - Sewer	\$ 1,627,400
15% Reserve Requirement	244,110
Lift Stations Costs	(217,160)
Pumping Fee	(10,050)
Dumping Station Fees	(5,978)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,568,002
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0157
Lift Station Rate	\$ 0.0256
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

Scenario 2 - Rate Calculations

WATER Rate Model	
Revenues	
2020 Total Revenue Required - Water	\$ 1,911,348
10% Reserve Requirement	191,135
Deduct Portion Collected through Service Fee	(286,547)
Hydrant Rents (10% of Total)	(95,567)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,652,573
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0126
Bulk Rate (per gal)	\$ 0.0166
Monthly Fees	\$ 13
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2020 Total Operating Revenue Required - Sewer	\$ 1,627,400
10% Reserve Requirement	162,740
Lift Stations Costs	(217,160)
Pumping Fee	(10,050)
Dumping Station Fees	(5,978)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,486,632
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0149
Lift Station Rate	\$ 0.0247
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

Scenario 3 - Rate Calculations

WATER Rate Model	
Revenues	
2021 Total Revenue Required - Water	\$ 1,962,599
Reserve Requirement - 2021 Budgeted Transfer	206,071
Deduct Portion Collected through Service Fee	(301,116)
Hydrant Rents (10% of Total)	(98,130)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,701,629
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0130
Bulk Rate (per gal)	\$ 0.0170
Monthly Fees	\$ 14
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2021 Total Operating Revenue Required - Sewer	\$ 1,734,023
Reserve Requirement - 2021 Budgeted Transfer	54,594
Lift Stations Costs	(222,021)
Pumping Fee	(10,050)
Dumping Station Fees	(6,156)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,480,070
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0148
Lift Station Rate	\$ 0.0249
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

Scenario 4 - Rate Calculations

WATER Rate Model	
Revenues	
2020 Total Revenue Required - Water	\$ 1,911,348
Reserve Requirement - 2021 Budgeted Transfer	206,071
Deduct Portion Collected through Service Fee	(286,547)
Hydrant Rents (10% of Total)	(95,567)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,667,509
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0127
Bulk Rate (per gal)	\$ 0.0167
Monthly Fees	\$ 13
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2020 Total Operating Revenue Required - Sewer	\$ 1,627,400
Reserve Requirement - 2021 Budgeted Transfer	54,594
Lift Stations Costs	(217,160)
Pumping Fee	(10,050)
Dumping Station Fees	(5,978)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,378,486
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0138
Lift Station Rate	\$ 0.0237
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

City of Homer
 Water and Sewer Rates Comparison
 Presented October 12, 2020

	Average Volume City Hall				High Volume Library				Lift Station (Year-Round) Port & Harbor - Maintenance					
	Scenario 1 3800	Scenario 2 3800	Scenario 3 3800	Scenario 4 3800	Existing 6600	Scenario 1 6600	Scenario 2 6600	Scenario 3 6600	Scenario 4 6600	Existing 1800	Scenario 1 1800	Scenario 2 1800	Scenario 3 1800	Scenario 4 1800
Consumption	3800	3800	3800	3800	6600	6600	6600	6600	6600	1800	1800	1800	1800	1800
Water Rate	0.0132	0.0133	0.0126	0.0130	0.0132	0.0133	0.0126	0.013	0.0127	0.0132	0.0133	0.0126	0.013	0.0127
Sewer Rate	0.0145	0.0157	0.0149	0.0148	0.0145	0.0157	0.0149	0.0148	0.0138	0.0224	0.0256	0.0247	0.0249	0.0237
Charges:														
Water	50.16	50.54	47.88	49.40	87.12	87.78	83.16	85.80	83.82	23.76	23.94	22.68	23.40	22.86
Sewer	55.10	59.66	56.62	56.24	95.7	103.62	98.34	97.68	91.08	40.32	46.08	44.46	44.82	42.66
Service	13	13	13	14	13	13	13	14	13	13	13	13	14	13
Total Bill	\$ 118.26	\$ 123.20	\$ 117.50	\$ 119.64	\$ 195.82	\$ 204.40	\$ 194.50	\$ 197.48	\$ 187.90	\$ 77.08	\$ 83.02	\$ 80.14	\$ 82.22	\$ 78.52
Impact		\$ 4.94	\$ (0.76)	\$ 1.38	\$	\$ 8.58	\$ (1.32)	\$ 1.66	\$ (7.92)	\$	\$ 5.94	\$ 3.06	\$ 5.14	\$ 1.44

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

3 Lord/Aderhold

4 **RESOLUTION 20-078**

5
6 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA
7 AMENDING THE HOMER ACCELERATED WATER AND SEWER
8 PROGRAM (HAWSP) POLICY MANUAL TO MODERNIZE THE
9 LANGUAGE AND CLARIFY QUALIFYING CRITERIA FOR USING
10 HAWSP FUNDS.

11
12 WHEREAS, The Homer Accelerated Water and Sewer Program (HAWSP) was authorized
13 June 28, 1999 by Resolution 99-53 and most recently updated May 9, 2016 by Resolution 16-
14 041(S-2)(A); and

15
16 WHEREAS, Per Homer City Code 9.16.010, HAWSP is funded by a "... consumer's sales
17 tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales,
18 rents and services within the City except as the same may be otherwise exempted by law, for
19 the purpose of funding debt retirement of the sewer treatment plant improvements, and to the
20 extent revenues from such tax exceed such debt retirement obligations, for the purpose of
21 funding water and sewer systems"; and

22
23 WHEREAS, The current revision of the HAWSP manual is unclear, not user friendly, and
24 leads to confusion regarding the use of HAWSP funds for new water and sewer infrastructure
25 versus maintenance, repairs, and upgrades to existing water and sewer infrastructure; and

26
27 WHEREAS, Homer City Council is in process of establishing policies for reserve funds,
28 including the Water and Sewer Depreciation Reserves, and clarifying how and when HAWSP
29 funds and Water and Sewer Depreciation Reserve funds should be used for water and sewer
30 infrastructure; and

31
32 WHEREAS, In revising the HAWSP manual, Homer City Council reviewed the history of
33 legislation associated with the program.

34
35 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska amends the
36 HAWSP Policy Manual

37
38 PASSED AND ADOPTED by the Homer City Council on this _____ day of _____, 2020.

39
40 CITY OF HOMER
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50

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal Note: N/A

Legislative History of HAWSP Fund

June 28, 1999 Resolution 99-53 "Authorizes the Homer Accelerated Water and Sewer Program", for the purpose of addressing the need for

*"[S]ome type of water and sewer program for the Homer residents that will provide for utility improvements without the heavy financial burden placed on the individual property owner and will increase users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds."*¹

July 12, 1999 City Council Meeting Minutes. The minutes state:

*"City Manager Drathman advised that once the sewer bonds are paid off the revenues could be used for a number of projects as well as a funding mechanism to accomplish some of the LIDs approved..."*²

The minutes say a "work session or working group prior to the next meeting...to discuss the accelerated water and sewer program, the proposed funding mechanism and alternatives..."

Aug 23, 1999 Ordinance 99-14(S)(A) Authorized use of "unexpended $\frac{3}{4}$ of 1% sales tax" for funding "water and sewer system improvements". Also uses the phrasing, "water and sewer systems improvements" and "water and sewer systems".³

Sept 29, 1999 Council Work Session to talk about the HAWSP program and the first HAWSP Policy Manual. This describes the purpose of the HAWSP program to address water/sewer LIDs, designed around the same concepts as the HARP fund. The Policy Manual states, in the *Purpose/Intent* section,

"[T]he [HAWSP] is a combined local funding source of dedicated sales tax and assessments to upgrade approximately 500+ homes to City water and/or sewer service at an estimated cost of \$2,000,000.00."

Oct 11, 1999 Resolution 99-92 Certified the election approving the Proposition.

Oct 12, 2015 Ordinance 15-36(A-2) Amended HCC 9.16.010, relating to the $\frac{3}{4}$ of 1% of sales tax for HAWSP and HART. Ordinance mentioned HAWSP only because it's part of the same section of the HCC. It still refers to HAWSP as being "for the purpose of funding water and sewer systems..."

May 9, 2016 Ordinance 16-20 Specified signatures required to pass SAD must equal at least 50% of the cost of the improvements.

May 9, 2016 Resolution 16-041(S-2)(A) Provided expenditures from HART and HAWSP were "subject to availability of funds, after maintaining a debt-service coverage ratio of 1.25 or above..."

June 27, 2016 Resolution 16-074 Placed moratorium on new water and sewer SADs until

¹ This is the first legislation I've found that talks about the intent of the program, which eventually became HAWSP. It does not address repair/replacement or system-wide capital projects.

² He seems to be looking at using HAWSP for projects, other than just w/s line extensions.

³ I did not find a definition of these terms.

"...[T]he debt service ratio for the HAWSP fund is above 1.25 and directing the Homer Advisory Planning Commission to develop procedures for applying and lifting the debt service ratio restrictions."

June 2016 Updates to HAWSP Policy Manual were adopted, stating:

*"The intent of the program is to improve the health and welfare of the Citizens of Homer by connecting residences to City water and/or sewer, thereby increasing the number of users on the system, increasing property values and improving the quality of life."*⁴

July 20, 2016 Planning Commission Meeting Minutes. Discussed HAWSP criteria. One of the Commissioners questioned why the HAWSP was being used *"for maintaining the system"* since so doing does not *"increase the number of users or property values...which was [the] intent."*⁵

Aug 3, 2016 Planning Commission Meeting Minutes. Discussed HAWSP debt ratio

Sept 7, 2016 Memo from R. Abboud to Homer Advisory Planning Commission. Reviewed concepts related to HAWSP to help Planning Commission address questions from Council about HAWSP.

Nov 30, 2016 Memo from R. Abboud to City Council Reported on Planning Comm review of HAWSP.

Mar 13, 2017 Ordinance 17-10(S)(A) Authorized ballot measure related to continuing HART. Ordinance mentioned HAWSP only because it's part of the same section of the HCC.

Jan 27, 2020 Resolution 20-012(A) Stipulated that Council would hold a work session on March 9, 2020⁶, to *"develop updates to the HAWSP policy manual..."* primarily to address how to gauge the health of the HAWSP fund. One of the questions to be addressed is, *"How should system-wide projects be evaluated and prioritized versus citizen-initiated SADs?"*⁷

Feb 19, 2020 Planning Commission Meeting Minutes

"City Planner Abboud...pointed out the following – Funding for HAWSP is ¾ of one percent original ballot language was provided and any projects related to water and sewer are eligible not just special assessment districts [stet]."

⁴ I couldn't find the legislation that adopted the 2016 updates, but it apparently was. At this point, it looks like HAWSP was being discussed in the context of expanding water and sewer service to new users, not so much about repair/replacement or executing system-wide capital projects.

⁵ This is the first time I saw a record of someone questioning the intent behind the HAWSP Fund; that is asking the question: Should it be used to pay for water/sewer system extensions to new users and for system-wide projects or only for system extensions?

⁶ Did the work session of March 9 take place? I think so. Was the HAWSP Policy Manual ever amended? I don't think so.

⁷ This discusses the HAWSP Fund in the context of funding projects providing system-wide benefits.

Feb 27, 2020 Memo re: Planning Commission's recommendations on HAWSP SAD evaluation criteria, after reviewing HAWSP Policy Manual. This says, "[s]ystem wide projects should be evaluated and prioritized using the Comprehensive Plan Land Use Recommendations (Pages A-2 thru A-10)." ⁸

Mar 5, 2020 Memorandum from K. Koester to City Council Katie address questions raised in Resolution 20-012(A).

Q – How should system-wide projects be evaluated and prioritized versus citizen-initiated SADs?

Katie's response – "Mayor has mentioned the City's share should be paid in cash and not financed. This could be spelled out in the HAWSP policy manual, taking into consideration that a major city-wide infrastructure (like the water treatment plant) would still require financing..."

⁸ The problem with this approach is that it does not address system-wide projects that are required due to rehabilitation projects or projects that improve the efficacy of the entire system.

CITY OF HOMER
HOMER, ALASKA

Finance
Public Works
City Clerk

RESOLUTION 99-53

A RESOLUTION OF THE CITY COUNCIL OF HOMER,
ALASKA AUTHORIZING THE HOMER ACCELERATED
WATER AND SEWER PROGRAM.

WHEREAS, City of Homer property owners continually express their needs regarding water and sewer and have urged the Council at Council meeting to address this need: and

WHEREAS, sewer particularly is a health and safety matter within the Homer City limits and many homes are without connection to City water; and

WHEREAS, for the majority of Homer residents water and/or sewer improvements are cost prohibitive; and

WHEREAS, a need exists for some type of water and sewer program for the Homer residents that will provide for utility improvements without the heavy financial burden placed on the individual property owner and will increase users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska hereby authorizes the Homer Accelerated Water and Sewer Program: and

BE IT FURTHER RESOLVED that funding of the program should be defined by January 1, 2000.

PASSED AND ADOPTED by the City Council of Homer, Alaska this 28th day of June, 1999.

CITY OF HOMER

ATTEST:


MARY L. CALHOUN, CMC/AE, CITY CLERK


JACK CUSHING, MAYOR

Fiscal Note: Included.

CITY OF HOMER
HOMER, ALASKA

Staff
City Attorney

ORDINANCE 99-14(S)(A)

AN ORDINANCE AMENDING HOMER CITY CODE SECTION 9.16.010(b) TO REDEDICATE CURRENT UNEXPENDED SALES TAX REVENUES COLLECTED UNDER THAT SUBSECTION TO WATER AND SEWER IMPROVEMENTS; AND FURTHER ELIMINATING THE CURRENT TERMINATION DATE OF THE TAX AND REDEDICATING THE ENTIRE TAX TO WATER AND SEWER SYSTEMS IMPROVEMENTS AFTER SATISFACTION OF SEWER TREATMENT PLANT DEBT RETIREMENT OBLIGATIONS.

WHEREAS, HCC Section 9.16.010(b) currently levies a 3/4% sales tax dedicated "for the purpose of funding debt retirement of the sewer treatment plant improvements"; and

WHEREAS, there are significant unexpended sales tax revenue generated by that levy in excess of the funds needed currently to fund debt retirement obligations for the sewer treatment plant improvements; and

WHEREAS, the City Council recently authorized the new Homer Accelerated Water and Sewer Program (HAWSP) to promote construction of additional improvements to the City water and sewer systems, and funds are needed to implement the program: and

WHEREAS, the HAWSP is suitable for use for unexpended revenues collected under HCC 9.16.010(b): and

WHEREAS, the tax levy under HCC 9.16.010(b) is scheduled to terminate upon full repayment of the sewer treatment plant debt on or before December 21, 2012, whichever occurs first, and if the levy were extended it could be used in its entirety to fund sewer and water improvements, ~~under HAWSP, or another City program.~~

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. Homer City Code Section 9.16.010(b) is hereby amended to read as follows:

b. An additional consumer's sales tax in the amount of three-quarters percent (3/4%) is hereby levied by the City of Homer on all sales, rents and services within the City except as the purpose of funding debt retirement of the sewer treatment plant improvements, **and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems improvements.**

50 Section 2. Section 1 of this Ordinance shall take effect on October 26, 1999 only if the
51 following proposition is approved by the qualified voters of the City of Homer at the General
52 Election of October 5, 1999:

53
54 Under Homer City Code Section 9.16.010(b), 3/4 of 1 percent of the sales tax is currently
55 dedicated for the purpose of funding debt retirement of the sewer treatment plant
56 improvements. Shall the dedication be amended to allow current unexpended sales tax
57 revenue in excess of that needed to fund debt retirement to be dedicated to water and sewer
58 system improvements, such as the Homer Accelerated Water and Sewer Program?

59
60 YES _____ NO _____
61

62 Section 3. The sales tax levy imposed by Section 9.16.010(b) shall continue to remain in
63 effect after full repayment of the debt for the sewer treatment plant improvements and after
64 December 31, 2012. Provisions to the contrary in Ordinance 91-19(S)(A) are repealed. After full
65 repayment of the debt of approximately \$6.8 million (as of August 12, 1991, the date of enactment
66 of Ordinance 91-19(S)(A)) for the sewer treatment plant improvements, the entire tax generated by
67 the levy imposed by Section 9.16.010(b) shall be used for the purpose of funding water and sewer
68 systems improvements.

69
70 Section 4. Section 3 of this Ordinance shall take effect on October 26, 1999 only if the
71 following proposition is approved by the qualified voters of the City of Homer at the General
72 Election of October 5, 1999:

73
74 Under Homer City Code Section 9.16.010(b), 3/4 of 1 percent of the sales tax now dedicated
75 for the purpose of funding debt retirement of the sewer treatment plant improvements is
76 scheduled to terminate upon retirement of \$6.8 million in sewer treatment plant debt or on
77 December 31, 2012, whichever occurs first. Shall this termination provision be repealed and,
78 after the applicable debt has been repaid in full, shall the entire amount of the 3/4 of 1
79 percent sales tax levy be dedicated to water and sewer systems improvements, such as the
80 Homer Accelerated Water and Sewer Program?

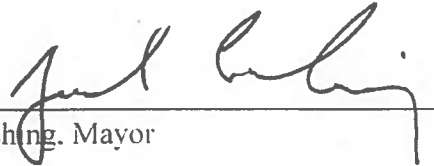
81
82 YES _____ NO _____
83

84 Section 5. Section 1 of this ordinance is of a permanent and general character and shall be
85 included in the City Code if the proposition set forth in Section 2. is approved by the voters.
86 Section 3 of this Ordinance removes a termination date for the current sales tax levy, and the only
87 codification required is the removal of the footnote to HCC 9.16.010(b), if the proposition set forth
88 in Section 4 is approved by the voters. Sections 2 and 4 will not be included in the City Code.

91 Page Three
92 City of Homer
93 Ordinance 99-14(S)(A)
94

95 ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA on this
96 23rd day of August, 1999.
97

98 CITY OF HOMER
99


100
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103 
Jack Cushing, Mayor

104 ATTEST:

105
106
107 
108 _____
109 Mary L. Calhoun, CMC/AE, City Clerk
110

111
112 AYES: 5
113 NOES: 0
114 ABSTAIN: 0
115 ABSENT: 1
116

117
118
119 First Reading: 7/12/99
120 Public Hearing: 7/26/99
121 Second Reading: 8/23/99
122 Effective Date: Upon approval by the voters Oct 5, 1999 &
123 certification by the Council, scheduled for Oct 11th.
124 *eff 10/11/99 MLC*
125 Reviewed and approved as to form and content:
126
127

128
129 
130 _____
131 Ronald Wm. Drathman, City Manager
132

128
129 
130 _____
131 Gordon J. Tans, City Attorney
132

133 Fiscal Note: Cost of putting on the ballot and election advertising.
134
135

CITY OF HOMER
HOMER, ALASKA

Mayor

ORDINANCE 15-36(A-2)

AN ORDINANCE AMENDING HCC 9.16.010 TO SUSPEND THE DEDICATION OF 0.75% OF THE CITY SALES TAX TO THE HOMER ACCELERATED ROADS AND TRAILS (H.A.R.T.) PROGRAM FOR A PERIOD OF THREE YEARS, AND AUTHORIZING THE CITY TO SUBMIT THE QUESTION OF SUSPENDING SUCH SALES TAX DEDICATION TO THE QUALIFIED VOTERS OF THE CITY AT A SPECIAL ELECTION TO BE HELD IN THE CITY ON DECEMBER 1, 2015.

THE CITY OF HOMER ORDAINS:

Section 1. Homer City Code 9.16.010 is amended to read as follows:

9.16.010 Levied.

a. A consumer's sales tax in the amount of three and three-quarters percent is levied by the City on all sales, rents and services within the City except as the same may be otherwise exempted by law.

b. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems.

Section 2. Homer City Code 9.16.010 is amended to read as follows:

9.16.010 Levied.

a. A consumer's sales tax in the amount of three percent is levied by the City on all sales, rents and services within the City except as the same may be otherwise exempted by law.

b. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems.

c. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding of street

43 reconstruction improvements and related utilities, construction of new local roads, and
44 construction of new local trails.

45 Section 3. A special election in and for the City is called for December 1, 2015, at which
46 the City shall submit the following proposition to the qualified voters of the City. The
47 proposition must receive an affirmative vote from a majority of the qualified voters voting on
48 the question to be approved.
49

50 **PROPOSITION NO. 1**

51 **SUSPEND THE DEDICATION OF 0.75% OF THE CITY SALES TAX TO THE**
52 **HOMER ACCELERATED ROADS AND TRAILS (H.A.R.T.) PROGRAM FOR A**
53 **PERIOD OF THREE YEARS, TO MAKE SUCH 0.75% OF CITY SALES TAX**
54 **AVAILABLE FOR GENERAL GOVERNMENT PURPOSES**

55 Shall the dedication of 0.75% of the City sales tax to the Homer Accelerated
56 Roads and Trails (H.A.R.T.) Program be suspended for a period of three years,
57 to make such 0.75% of City sales tax available for general government
58 purposes?
59

60 Section 4. The proposition shall be printed on paper ballots and machine ballots, and
61 the following words shall be added as appropriate next to an oval provided for marking the
62 ballot for voting by hand or machine:
63

64 **PROPOSITION NO. 1**

- 65 Yes
66 No
67
68

69 Section 5. Section 1 of this ordinance shall become effective on January 1, 2016, but
70 only if the proposition described in Section 3 is approved by a majority of the qualified voters
71 voting on the proposition at the special election to be held in the City on December 1, 2015.
72 Section 2 of this ordinance shall become effective on January 1, 2019, but only if the
73 proposition described in Section 3 is approved by a majority of the qualified voters voting on
74 the proposition at the special election to be held in the City on December 1, 2015. The
75 remaining sections of this ordinance shall become effective upon adoption.
76

77 Section 6. Sections 1 and 2 of this ordinance are of a permanent and general character
78 and shall be included in the city code upon their respective effective dates. The remaining
79 sections of this ordinance are not permanent in nature, and shall not be codified.
80

81 ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA, this 12th day of
82 October, 2015.
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CITY OF HOMER

Mary E. Wythe
MARY E. WYTHE, MAYOR

ATTEST:

Jo Johnson
JO JOHNSON, MMC, CITY CLERK

AYES: 4
NOES: 0
ABSTAIN: 0
ABSENT: 2

First Reading: 9/22/15
Public Reading: 10/12/15
Second Reading: 10/12/15
Effective Date: 10/13/15

Reviewed and approved as to form:

Mary K. Koester
Mary K. Koester, City Manager

Date: 10.15.15

Thomas F. Klinkner
Thomas F. Klinkner, City Attorney

Date: 10-19-15

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**CITY OF HOMER
HOMER, ALASKA**

City Manager

RESOLUTION 16-041(S-2)(A)

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING THE HOMER ACCELERATED ROADS AND TRAILS PROGRAM (HART) POLICY MANUAL TO CHANGE THE ALLOCATION OF COSTS FOR STREET RECONSTRUCTION AND NEW STREET CONSTRUCTION, AND THE BASIS FOR ASSESSING SUCH COSTS; AMENDING THE HART AND HOMER ACCELERATED WATER AND SEWER PROGRAM (HAWSP) POLICY MANUALS TO STATE THAT EXPENDITURES UNDER EACH PROGRAM IS SUBJECT TO THE AVAILABILITY OF FUNDS; REFERRING THE DEVELOPMENT OF A MATCHING GRANT PROGRAM FOR SMALL SCALE GREENWAY TRAILS TO THE PARKS AND RECREATION ADVISORY COMMISSION; AND REFERRING OTHER REVISIONS OF THE HART POLICY MANUAL TO THE HOMER ADVISORY PLANNING COMMISSION FOR ITS REVIEW AND RECOMMENDATIONS.

WHEREAS, It is in the best interest of the City and its residents to encourage the reconstruction of streets and the construction of new streets with funding from Homer Accelerated Roads and Trails Program (HART) funds; and

WHEREAS, Revising the formula for funding street reconstruction and new street construction from HART funds will provide a better incentive for property owners to participate in special assessment districts (SAD) for street reconstruction and new street construction; and

WHEREAS, Uniformity between HART and the Homer Accelerated Water and Sewer Program (HAWSP) with regard to the basis for allocating special assessments is desirable; and

WHEREAS, The HART Policy Manual is in need of updating and reorganization, and it would be appropriate to refer this matter to the Homer Advisory Planning Commission for its review and recommendations.

NOW, THEREFORE, BE IT RESOLVED that Paragraph III.A.1.j of the Homer Accelerated Roads and Trails Program (HART) Policy Manual is amended to read as follows (additions bold and underlined; deletions stricken through):

j. For special assessment districts initiated on or before May 10, 2016, property owner contribution through SAD process by paying \$30 per front foot for gravel and \$17 per front foot for paving cost of a residential standard street and the city pays all costs for

43 additional improvements deemed necessary. For special assessment districts initiated after
44 May 10, 2016, property owner contribution through SAD process of 25% of project cost for
45 street reconstruction or new street construction on an equal assessment per lot basis for cost
46 of a residential standard street and the city pays all costs for additional improvements
47 deemed necessary.

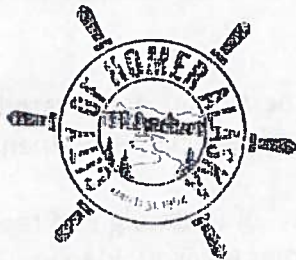
48
49 BE IT FURTHER RESOLVED that each of the Homer Accelerated Roads and Trails
50 Program (HART) and Homer Accelerated Water and Sewer Program (HAWSP) Policy Manuals
51 is amended to state that expenditures under each program are subject to the availability of
52 funds, after maintaining a debt-service coverage ratio of 1.25 or above.

53
54 BE IT FURTHER RESOLVED that the Council refers to the Homer Advisory Planning
55 Commission for its review and recommendations the subject of revising the HART Policy
56 Manual to achieve the following goals: (i) update and improve the organization and
57 readability of the HART Policy Manual; (ii) make policies in the HART Policy Manual as
58 consistent as possible with the policies in the Homer Accelerated Water and Sewer Program
59 (HAWSP) Policy Manual; and (iii) review project eligibility; (iv) provide for the funding of
60 special assessment districts for sidewalks with HART funds; and (v) develop a matching grant
61 program for small scale greenway trails.

62
63 BE IT FURTHER RESOLVED that the Council refers to the Parks and Recreation Advisory
64 Commission for its review and recommendations the subject of revising the HART Policy
65 Manual to develop a matching grant program for small scale greenway trails.

66
67 PASSED AND ADOPTED by the Homer City Council this 9th day of May, 2016.

68
69 CITY OF HOMER



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Mary E. Wythe
MARY E. WYTHE, MAYOR

81 ATTEST:

Jo Johnson
JO JOHNSON, MMC, CITY CLERK

Fiscal Note: N/A



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 16-063

TO: Mayor Wythe and Homer City Council

FROM: Katie Koester, City Manager

DATE: April 1, 2016

SUBJECT: Resolution 16-041 HART and HAWSP

Council has had two work sessions on the Homer Accelerated Roads and Trails (HART) and Homer Accelerated Water and Sewer Program (HAWSP). From those sessions I gathered the following areas of consensus.

- 1) Standardize HART and HAWSP as much as possible
- 2) Make the allocation of cost to lot owners under HART more equitable

Changes made in Resolution 16-041:

- 1) Resolution 16-041 before you changes HART from \$30/foot for gravel reconstruction and \$17/foot for paving to an equal assessment per lot owner, regardless of lot size. This will require changing how the cost per lot is determined. Staff recommendation is that lot owners be assessed 25% of total project cost. This more closely aligns HART and HASWP Special Assessment District (SAD) procedures.
- 2) A new provision makes HART and HAWSP SADs subject to the availability of funds. This could be a problem sooner rather than later for HAWSP whose cash flow is committed to loan repayment.

Recommendations for Planning Commission review contained in Resolution 16-041:

There are a number of outstanding policy questions Council has brought up surrounding HART that this Ordinance does not address. Item 7 of the Purpose and Intent section of the HART Policy Manual requires the criteria for HART to be reviewed annually by the Transportation Advisory Committee, whose duties have been absorbed by the Planning Commission. Resolution 16-041 asks the Planning Commission for an extensive review focusing on:

1. Any specific differing criteria for the establishment of a sidewalk LID (now called a Special Assessment District or SAD)
2. Any recommendations/comments on incorporating maintenance costs into the HART
3. Readability of HART Policy Manual

Issues not addressed in Resolution 16-041:

HCC 17.04.100 triggers a new assessment when a lot is subdivided. This was not an issue for HART SADs currently, because the original assessments have a relation to lot size. The

rational is that when a lot subdivides, it is creating additional benefit from the improvement and should pay a fair share. City code says this new assessment is to be distributed back to the members of the district. This is difficult to do in practice and very administratively burdensome. Staff recommended a sunset on this clause for the natural gas HSAD. The Economic Development Advisory Commission has submitted a memo requesting this be changed for all special assessment districts.

Some councilmembers have articulated the desire for every lot to have an equal vote (currently votes are weighted by assessed value). This would solve the problem of one very large commercial lot being able to dictate the outcome for the rest of the district. However, the original intention of weighting the vote by assessed value was to give a preference to people who had a home and investment on the property (and are probably city residents living and working here) versus someone who has a vacant piece of property and may have no motivation to have a road improved or access to city utilities. Because of this, Resolution 16-041 as it is currently drafted does not change the way votes are calculated.

Column1	HART CURRENT	HAWSP CURRENT	HART RESOLUTION 16-041
Vote	Each lot owner is given a vote that is weighted by assessed value.	Each lot owner is given a vote that is weighted by assessed value.	Each lot owner is given a vote that is weighted by assessed value.
Cost	Lot owners are charged \$17/foot for paving and \$30/foot gravel reconstruction. Fixed cost for lot owners variable for City.	Every Lot pays the same (75% of project cost).	Every lot pays the same (25% of project cost).
Payment Schedule	10 Years	20 Years	10 Years
New Assessment Generated When Lot Subdivides?	No	Yes	Yes

Because of the details surrounding HART/HAWSP the topic can quickly become confusing. In order to give the public a chance to weigh in and Council time to come up with additional suggestions, a Public Hearing is scheduled for April 25.

- Enc:
- HART Policy Manual
- HASWP Policy Manual
- HCC 17.04.100

CITY OF HOMER
HOMER, ALASKA

Smith

ORDINANCE 16-20

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING SUBSECTION (a) OF HCC 17.04.040, INITIATION OF DISTRICT, TO PROVIDE THAT A SPECIAL ASSESSMENT DISTRICT MAY BE INITIATED BY A PETITION SIGNED BY THE RECORD OWNERS OF REAL PROPERTY THAT WOULD BEAR NOT LESS THAN 50 PERCENT OF THE ASSESSED COST OF THE IMPROVEMENT.

THE CITY OF HOMER ORDAINS:

Section 1. Subsection (a) of HCC 17.04.040, Initiation of district, is amended to read as follows:

a. A special assessment district may be initiated by:

1. Resolution approved by a vote of not less than three-fourths of the Council;

or

2. Petition signatures of the record owners of real property that would bear not less than 50 percent of the assessed cost of the improvement received by the City Clerk within 60 days after the mailing of the petition to record owners of property in the proposed district. Upon payment of the nonrefundable filing fee in the City fee schedule established by resolution of the Council, the City Clerk shall prepare a petition for distribution by certified mail to all record owners of property in the proposed district that contains:

a. A statement that it is a petition to form a special assessment district, and describing the capital improvement for which the district is proposed;

b. For each property in the proposed district, the Kenai Peninsula Borough tax parcel number and property description, the name and mailing address of the record owner, and a place for the record owner's signature; and

c. A statement that to support initiation of the proposed district, the record owner must sign and return the petition to the City Clerk within 60 days after the date the petition was mailed.

Section 2. This Ordinance is of a permanent and general character and shall be included in the City Code.

41 ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA, this 9th day of May,
42 2016.



CITY OF HOMER

Mary E. Wythe
MARY E. WYTHE, MAYOR

50 ATTEST:

51 *Jo Johnson*
52 _____
53
54 JO JOHNSON, MMC, CITY CLERK

56
57 AYES: 5
58 NOES: 0
59 ABSTAIN: 0
60 ABSENT: 1

62
63 First Reading: 4/25/16
64 Public Reading: 5/09/16
65 Second Reading: 5/09/16
66 Effective Date: 5/10/16

68
69 Reviewed and approved as to form:

70
71
72 *Mary K. Koester*
73 _____
74 Mary K. Koester, City Manager

75 Date: 5.11.16 _____

Holly Wells

Holly Wells, City Attorney

Date: 5.19.16 _____



Birch Horton Bittner & Cherot

a professional corporation

Memorandum 16-070

**TO: KATIE KOESTER
CITY MANAGER
CITY OF HOMER**

FROM: THOMAS F. KLINKNER

RE: PETITION REQUIREMENT FOR SAD FORMATION

FILE NO.: 506,742.221

DATE: APRIL 12, 2016

Currently HCC 17.04.040(a) provides that a special assessment district (SAD) is initiated by either (i) a resolution approved by a vote of not less than three-fourths of the Council; or (ii) petition signatures of the record owners of not less than one-half in value of the real property in the proposed SAD. I understand that the Council wants the second alternative to be rewritten to provide that a SAD may be initiated by petition signatures of the record owners of real property that would bear 50 percent or more of the assessed cost of the improvement. A draft ordinance making this change is attached.

Currently HCC 17.04.050(b) provides that after initiation of an SAD, the preparation of an improvement plan for the SAD, and notification of the record owners of property in the proposed SAD of a public hearing on the necessity of the improvement and proposed improvement plan, "[i]f owners of real property that would bear 50 percent or more of the assessed cost of the improvement file timely written objections, the Council may not proceed with the improvement unless it revises the improvement plan to reduce the assessed cost of the improvement that is borne by objecting record owners to less than 50 percent of the assessed cost of the improvement."

With the requested change to the signature requirement on the petition to form an SAD, the objection procedure in HCC 17.04.050(b) repeats the property owner vote that would be required for an SAD initiated by property owner petition, and may seem redundant for an SAD initiated in that manner. However, the objection procedure must remain, as it is required by state law.

AS 29.26.020(a) authorizes a municipality by ordinance to prescribe procedures for the formation of special assessment districts, making local improvements, levying

and collecting assessments, and financing improvements, which the City has done in HCC 17.04. Under AS 29.46.020(b), a municipal ordinance prescribing the procedure for forming special assessment districts is subject to the requirement that “[i]f protests as to the necessity of a proposed local improvement are made by owners of property that will bear 50 percent or more of the estimated cost of the improvement, the governing body may not proceed with the improvement until the objections have been reduced to less than 50 percent, except on approval of not fewer than three-fourths of the governing body.” Because of this statutory mandate, the objection procedure in HCC 17.04.050(b) must be retained for every SAD, including one that is initiated by property owner petition.

TFK/lcj

June 2016

Approved by Council via Resolution 20-28
June 28, 1992 Program Authority

H. A. W. S. P.

(Homer Accelerated Water Sewer Program)

POLICY MANUAL

Updated August 2012

Updated June 2016

HAWSP Original, June 22, 1999
Approved by Council via Resolution 99-53
June 28, 1999 Program Authorized

ERRATA

I. PURPOSE/INTENT – In General

II. QUALIFYING CRITERIA

1. Grandfather list updated, changes to Hillside Acres Sewer and Water and the Addition of West Lakeshore Drive Water and Sewer.
2. Resolution 03-80, deleted the methodology from Qualifying Criteria and placed more appropriately under Financing/Assessments.

III. FINANCING/ASSESSMENTS

1. Ordinance 99-14(S)(A), to use unexpended $\frac{3}{4}$ of 1% sales tax revenues not used for debt retirement for funding water and sewer systems.
2. Resolution 01-21, amended the assessment methodology.
3. Resolution 03-80, amended the interest and payment date.
4. Resolution 03-80, assessment methodology set at equal shares.
5. Ordinance 16-20, amended petition signatures required to record owners of real property that would bear not less than 50% of the assessed cost of the improvement.

IV. SPECIAL PROVISIONS, In Lieu of Agreements, Deferred Assessments

1. Ordinance 02-48, Subdividing. 17.04.095 and 17.04.180; Ordinance 12-15 - 17.04.100 .
12. Added by Resolution 05-50, Exempting Certain Lands.

Updated June 2016

GENERAL STATEMENTS

H. A. W. S. P. POLICY MANUAL

TABLE OF CONTENTS

- I. Purpose/Intent – In General**
- II. Qualifying Criteria**
- III. Financing/Assessments**
- IV. Special Provisions**

I. PURPOSE/INTENT – IN GENERAL

1. The H.A.W.S.P. is a combined local funding source of unexpended dedicated sales tax and dedicated sales tax, once the sewer debt is paid, and assessments to upgrade approximately 500+ homes to City water and/or sewer service.
2. The intent of the program is to improve the health and welfare of the Citizens of Homer by connecting residences to City water and/or sewer, thereby increasing the number of users on the system, increasing property values and improving the quality of life.
3. All water and/or sewer connections, upgraded, projects will be to City standards.
4. When practical, the intent of the program is to preclude the destruction of existing water and/or sewer services and, where practical, to eliminate spaghetti lines.
5. The criteria for the H.A.W.S.P. shall be reviewed annually by the Homer City Council.
6. No new subdivisions, formed after June 28, 1999, shall be eligible for this program.
7. Every attempt shall be made to include lots immediately adjacent to the water/sewer main lines within the project limits or boundaries as defined by the Public Works Department.

II. QUALIFYING CRITERIA

The following water and/or sewer Assessment Districts, aka, LIDs or SADs are on the books: These LIDs/SADs should be grandfathered into the program and will receive priority consideration. These LIDs/SADs are listed in chronological order.

These projects have been reassessed, pursuant to Resolution 01-21 for a property owner share of 50%.

The City Council's regular meeting is scheduled for May 28, Memorial Day. The Council may change the meeting date to Tuesday, May 29th.

1. Harrington Heights – Water & Sewer, Public Hearing set for May 28/29/2001. Objection period ends July 27/28, 2001.

Updated June 2016

2. Mariner Village/Thorn Subdivision – Water & Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
3. Thompson Drive – Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
4. Forest Glen Subdivision/Forest Glen Drive – Water & Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
5. Salt Water Drive – Water and Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
6. East Road – portion – Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
7. Hillside Acres Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
8. Hillside Acres Water, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.
9. W. Lakeshore Drive Water and Sewer, Public Hearing set for May 28/29, 2001. Objection period ends July 27/28, 2001.

Amendments to the schedule can be accomplished only by Council action.

LIDs/SADs Assessment Districts formed after March 27, 2001 shall be assessed 75% property owner share of the project.

All projects will be authorized only after a public hearing to insure public participation in the process pursuant to HCC 17.

The following criteria may be considered for qualifying as a water and/or sewer project.

- a. Health and Safety;
- b. Correct deficiencies of existing systems;
- c. System wide basis versus local needs;

Updated June 2016

- d. Complete utility loop;
- e. Encourage economic development;
- f. Correct problems;
- g. Reduce maintenance cost;
- h. Build to city standards prior to acceptance;
- i. Property owner contribution through LID/SAD process by paying \$1,100 per half acre increments for water and sewer each. With the exclusion of those 7 projects on the preceding page.
- j. Other factors deemed appropriate by the City Council.

III. FINANCING/ASSESSMENTS

1. Pursuant to Ordinance 99-14(S)(A) the program may utilize the unexpended sales tax revenue dedicated to sewer debt. Upon satisfaction of the sewer debt the $\frac{3}{4}$ of 1% sales tax shall continue and shall be used for water and/or sewer system improvements. Approved by the voters October, 1999.
2. A $\frac{3}{4}$ of one percent (3/4%) dedicated sales tax can be expected to generate approximately \$750,000 annually. The unexpended portion is projected to be approximately \$300,000.
3. The utility improvements will be financed on a combined pay as you go basis as well as possible sale of revenue or assessment bonds, future bond sales or even the need for a General Obligation Bond if so deemed necessary by the Homer City Council and as recommended by staff.
4. The City will attempt to obtain long term financing for up to twenty years for the private share of funding.
5. Interest, if any, generated from the program will remain with the program funds.
6. Abutting property owners will share the cost of the utilities.
7. The City will pay all costs for any additional improvements required when deemed necessary by the City.

Updated June 2016

8. Assessment payment date, penalty and interest shall be set as soon as the project has been accepted by the Public Works Department.

Interest and Payment Due date will be set by Resolution of the City Council (Resolution 03-80, May 27, 2003).

9. Methodology: Approved by Resolution 02-21 on March 27, 2001. The nine LIDs/SADs Assessment Districts named herein, under Qualifying Criteria, shall be assessed 50% of the project. Districts formed after March 27, 2001 shall be assessed 75% of the project. Via Council action on April 28, 2003 assessment methodology for HAWSP LIDs/SADs Assessment Districts will be equal shares. (Resolution 03-80, May 27, 2003)

10. Expenditures under the HAWSP program are subject to the availability of funds, after maintaining a debt-service coverage ratio of 1.25 or above. (Resolution 16-041(S-2)(A), May 9, 2016)

IV. SPECIAL PROVISIONS

1. Non existing water and sewer improvement districts shall be encouraged whenever possible. District is defined as: lots immediately adjacent to the water/sewer main lines within the project limits/boundaries as defined by Public Works.

2. HCC 17.04.170 Water and sewer connections required. The owner of property in a water or sewer special assessment district that contains an occupied building shall connect to the improvement constructed in the district within one year after the date that the resolution confirming the assessment roll for the district becomes final. (Ordinance 87-30, 1988; revised Ordinance 12-15, 2012)

3. HCC 14.04.020(e), the City sewer is considered as not available to a structure when the nearest City sewer is located more than 200 feet from any point on the boundary of the lot or parcel of land on which the structure is located. Sewer connection will be required within one year of sewer becoming available. (Ordinance 94-17(A))

4. Additional easements required will be paid by this program, at no additional cost to abutting property owners.

5. No parcel shall be double assessed nor shall be included in two like assessment districts.

6. Whenever and wherever practical road improvements shall be done in conjunction with the water and/or sewer project, but not before.
7. HCC 17.04.190, Deferment of assessment payments for senior citizens.
8. HCC 17.04.200, "In lieu of assessment"—determination of amount—terms.
9. HCC 17.04.200 "In lieu of assessments", not to prevent inclusion in of property in future district.
10. 17.04.100 Subdivision after levy of assessments. (a) Except as provided in subsection (b) of this section, upon the subdivision of a property assessed as a single parcel, the amount of the assessment shall be allocated among the resulting lots that benefit from the improvement on the same basis that the assessment originally was allocated. (b) Upon the subdivision of a property assessed as a single parcel in an assessment district where assessments were levied in an equal amount per parcel (i.e., without regard to parcel area, dimension or other characteristic), then no resulting parcel, other than the parcel that contains the original connection to the improvement for which the assessment was levied, may connect to the improvement until a subdivided property connection fee is paid for the parcel. (1) The amount of the connection fee shall be equal to the amount of the original assessment, adjusted up or down by a percentage equal to the change in the Consumer Price Index, All Urban Consumers (CPI-U) for Anchorage, Alaska from the end of the calendar year preceding the original assessment date to the end of the calendar year preceding the date the parcel is connected to the improvement. (2) If the original assessment was payable in installments the city may enter into a written agreement for the payment of the connection fee in installments on terms that are substantially the same as those authorized for the payment of the original assessment, secured by a deed of trust on the parcel. (3) Upon receiving connection fee payments, the city shall allocate such payments to each property assessed in the district in proportion to the amount originally assessed against the property, either by adjusting the original assessment amount or disbursing a payment to the record owner at the time of disbursement. (Ordinance 02-48, December 10, 2002; revised by Ordinance 12-15, April 10, 2012)
11. 17.04.110 Assessments to be liens. Assessments are liens upon the property assessed and are prior and paramount to all liens except those having priority under State law. They shall be enforced in the same manner as property tax liens. (Ordinance 12-15, April 10, 2012)
12. Certain Lands that will not be Developed due to Conservation Easements or Owned by Organizations that Conserve Land for Public Purpose and/or Habitat Protection from the Homer Accelerated Roads Program and the Homer Accelerated Water and Sewer Program Assessment District Assessments on a Case by Case Basis and that Each Program Shall be Amended to Include this Exemption under Special Provisions. (Resolution 05-50(A), April 25, 2005)

**CITY OF HOMER
HOMER, ALASKA**

Mayor

ORDINANCE 17-10(S)(A)

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA, SUBMITTING A BALLOT QUESTION TO THE VOTERS AT THE OCTOBER 3, 2017 REGULAR MUNICIPAL ELECTION INQUIRING WHETHER TO AMEND THE HOMER ACCELERATED ROADS AND TRAILS (HART) PROGRAM TO AUTHORIZE THE USE OF REVENUES FROM THE THREE FOURTHS PERCENT (3/4%) SALES TAX LEVIED TO SUPPORT THE HART PROGRAM FOR THE USE OF ROAD AND TRAIL MAINTENANCE AND AMENDING HOMER CITY CODE 9.16.010(C) ACCORDINGLY UPON APPROVAL BY THE VOTERS OF PROPOSITION NO.1.

WHEREAS, The HART Program (the "Program" or the "HART Program") and the three fourths percent (3/4%) sales tax levy in support of the Program was first approved by the voters in October 1987; and

WHEREAS, The general intent of the Program, as approved by the voters of the City of Homer, Alaska (the "City") in 1987, was to provide for the reconstruction of local substandard roads and/or upgrade existing City roads, thereby reducing maintenance costs, improving access, increasing property values, and improving the quality of life within the City; and

WHEREAS, In October 2006 the City voters reauthorized the Program for an additional 20 years and amended it to include the construction of new roads and trails; and

WHEREAS, Ten years later there is again a need to amend the Program to include maintenance of City roads and trails; and

WHEREAS, A dedicated funding source for road and trail construction, improvement and maintenance will establish these activities as essential and funding to continue to maintain and improve the City transportation infrastructure; and

WHEREAS, Road and trail maintenance includes:

- gravel road surface grading, dust control, gravel purchase, and drainage ditch/culvert maintenance
- pavement, curb, gutter and sidewalk repair, asphalt crack sealing, pavement stripping and sweeping
- bridge maintenance, signage, right-of-way vegetation control, storm drain pipe/catch basin/ manhole cleaning and repair, street light maintenance and electricity costs

- 43 • snow plowing and snow removal, snow dump site maintenance, purchase of sand,
44 calcium chloride, and deicing chemicals, sanding, advertising and public notices
- 45 • purchase of road and trail maintenance equipment and tools
- 46 • for trails: vegetation control, trash pickup, signage, drainage, snow plowing, sanding,
47 grading/resurfacing of gravel trails, sweeping of paved trails, and trail head
48 maintenance

49

50 WHEREAS, Funding road and trail maintenance, construction and improvement
51 through the Program will free up general funds for other essential City services; and

52

53 WHEREAS, The City Council will still be able to annually dedicate a large percentage of
54 HART funds to capital projects to keep up with demand for road and trail improvements and
55 new construction; and

56

57 WHEREAS, The City will continue to offer a special assessment district process as a
58 mechanism for the improvement of local roads.

59

60 NOW THEREFORE, THE CITY OF HOMER ORDAINS:

61

62 Section 1: The Homer City Council finds that it is in the best interest of the community
63 to ask the voters to authorize amendments to the Program to expressly permit the use of
64 revenue generated by the HART Program dedicated sales tax levy for maintenance of local
65 roads and trails.

66

67 Section 2. The City shall submit the following proposition to the qualified voters of the
68 City at the October 3, 2017 regular election. The proposition must receive an affirmative vote
69 from a majority of the qualified voters voting on the question to be approved.

70

71

PROPOSITION NO. 1

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**AUTHORIZE THE USE OF REVENUE FROM THE 0.75% OF THE EXISTING CITY
SALES TAX DEDICATED TO THE HOMER ACCELERATED ROADS AND TRAILS
(H.A.R.T.) PROGRAM TO INCLUDE MAINTENANCE OF LOCAL ROADS AND
TRAILS**

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Shall the City of Homer, Alaska, be authorized to use the revenue from the three
fourths percent (3/4%) Homer Accelerated Roads and Trails dedicated sales tax
for the maintenance of local roads and trails?

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82

83

Section 3. The proposition shall be printed on paper ballots and machine ballots, and
the following words shall be added as appropriate next to an oval provided for marking the
ballot for voting by hand or machine:

84 PROPOSITION NO. 1

85 Yes

86 No

87

88 Section 4. Homer City Code 9.16.010 is amended to read as follows:

89

90 a. A consumer's sales tax in the amount of three and three-quarters percent is levied by
91 the City on all sales, rents and services within the City except as the same may be
92 otherwise exempted by law.

93

94 b. An additional consumer's sales tax in the amount of three-quarters percent is hereby
95 levied by the City of Homer on all sales, rents and services within the City except as the
96 same may be otherwise exempted by law, for the purpose of funding debt retirement of
97 the sewer treatment plant improvements, and to the extent revenues from such tax
98 exceed such debt retirement obligations, for the purpose of funding water and sewer
99 systems.

100

101 c. An additional consumer's sales tax in the amount of three-quarters percent is hereby
102 levied by the City of Homer on all sales, rents and services within the City except as the
103 same may be otherwise exempted by law, for the purpose of funding street
104 reconstruction improvements and related utilities, construction of new local roads,
105 construction of new local trails, and maintenance of local roads and trails.

106

107 Section 5. Section 4 of this ordinance shall become effective immediately upon
108 approval of Proposition No. 1 by a majority of the qualified voters voting on the proposition at
109 the regular election to be held in the City on October 3, 2017. The remaining sections of this
110 ordinance shall become effective upon adoption.

111

112 Section 6. Section 4 of this ordinance is of a permanent and general character and shall
113 be included in the Homer City Code upon its effective date. The remaining sections of this
114 ordinance are not permanent in nature, and shall not be codified.

115

116 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 13th day of March, 2017.

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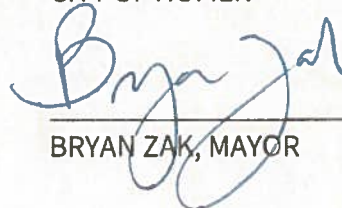
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CITY OF HOMER



A handwritten signature in blue ink, appearing to read 'Bryan Zak', is written over a horizontal line. Below the line, the name 'BRYAN ZAK, MAYOR' is printed in black capital letters.

BRYAN ZAK, MAYOR



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ATTEST:

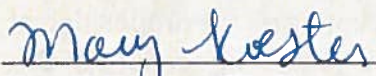


JO JOHNSON, MMC, CITY CLERK

AYES: 6
NOES: 0
ABSTAIN: 0
ABSENT: 0

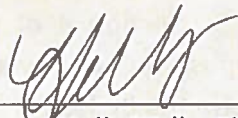
First Reading: 2/27/17
Public Hearing: 3/13/17
Second Reading: 3/13/17
Effective Date: 3/14/17

Reviewed and approved as to form:



Mary K. Koester, City Manager

Date: 3.20.17



Holly Wells, City Attorney

Date: 3.21.17



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 17-044

TO: City Council
FROM: Katie Koester, City Manager
DATE: March 8, 2017
SUBJECT: Clarification of Ordinance 17-10(S) to Expand Eligible HART Expenses

At the February 27th Council meeting, members asked for clarification of Ordinance 17-10 asking voters to expand HART to cover maintenance of new and existing roads and trails. This memo details the pros and cons of expanding HART, defines road and trail maintenance and compares the fiscal impact that expanding HART would have on the general fund versus permanently diverting .5% HART sales tax to general fund.

PROS of adding maintenance to HART eligible expenses

- HART's original purpose was to upgrade substandard roads to help reduce maintenance costs. Ten years ago, the Homer voters added new construction to eligible expenses for Homer Accelerated Roads and Trails (HART). Expanding HART is a logical next step to help keep our expanded road system maintained.
- Establishes roads and trails (transportation) as an essential service in Homer with a dedicated funding stream and keeps with the original intent of HART – improving transportation infrastructure.
- Gives Council flexibility to respond annually to the City's specific transportation needs– maintaining, upgrading or building new transportation infrastructure.
- Provides an answer to the criticism that the City builds new infrastructure without funds to maintain the improvement.
- Opportunity for better trail maintenance with dedicated funding stream.
- Provides one measure towards funding essential City services while balancing the budget; together with other measures (new revenue streams, increased tax base, and/or budget cuts) we are on the way toward fiscal balance.
- HART will be up for re-authorization in 10 years; Council and voters will have the opportunity to change HART based on the current fiscal climate and infrastructure needs if necessary.

CONS of adding maintenance to HART eligible expenses

- Less funds available for capital projects.
- A portion of road maintenance (equipment maintenance) still needs to be supported through the general fund.
- Does not create a new revenue stream to fund essential City services.
- HART will be up for re-authorization in 10 years; this HART amendment, if passed, could be overturned, and therefore is not necessarily a long term solution for providing a steady stream of maintenance funding.

Definition of Maintenance

The substitute Ordinance before you includes the following definition of road and trail maintenance:

- gravel road surface grading, dust control, gravel purchase, and drainage ditch/culvert maintenance
- pavement, curb, gutter and sidewalk repair, asphalt crack sealing, pavement stripping and sweeping
- bridge maintenance, signage, right-of-way vegetation control, storm drain pipe/catch basin/ manhole cleaning and repair, street light maintenance and electricity costs
- snow plowing and snow removal, snow dump site maintenance, purchase of sand, calcium chloride, and deicing chemicals, sanding, advertising and public notices
- purchase of road and trail maintenance equipment and tools
- for trails: vegetation control, trash pickup, signage, drainage, snow plowing, sanding, grading/resurfacing of gravel trails, sweeping of paved trails, and trail head maintenance

The definition of maintenance in Ordinance 17-10(S) and associated cost estimates below **do not** include the labor and parts associated with repairing road and trail maintenance equipment or administrative and supervisory costs. Public Works administration is part of the formula used for calculating the overall administrative fee that city funds pay towards the General Fund.

Capital requests for new road maintenance equipment is low for the near future, see depreciation schedule attached.

Comparison of fiscal impact of expanding HART to include maintenance versus permanently diverting .5% sales tax to General Fund

Voters add 'maintenance' to eligible expenses under HART

	HART Road	HART Trail
Total	\$1,156,388	\$128,487
Minus Admin fee	\$109,001	\$27,250
Minus Est. Maintenance	\$676,505 ¹	\$22,776 ²
Remainder for capital	\$370,882	\$78,461

GF impact \$812,756

Voters redirect a portion of HART to General Fund (.5% GF/.25%HART)

	HART Road	HART Trail
Total	\$385,221	\$42,802
Minus Admin fee	\$38,522	\$4,280
Minus Remainder for capital	\$346,699	\$38,522

GF impact (.5%) \$856,047

¹ 2017 budget for paved roads, winter roads and gravel roads.

² 5% of 2017 Parks/Cemetery budget. Rough estimate. A separate budget page for trail maintenance would need to be developed to accurately track this expense.

CITY OF HOMER
HOMER, ALASKA

Mayor/Lord

RESOLUTION 20-012(A)

A RESOLUTION OF THE CITY COUNCIL OF HOMER ALASKA REOPENING THE HOMER ACCELERATED WATER AND SEWER PROGRAM FOR CITIZEN INITIATED SPECIAL ASSESSMENT DISTRICTS UNDER HCC 17.02.040 AND DIRECTING THE PLANNING COMMISSION TO PROVIDE INPUT ON CRITERIA FOR EVALUATION SADS AND SCHEDULING A WORKSESSION FOR COUNCIL TO PROVIDE INPUT ON APPROPRIATE METRICS FOR THE FISCAL HEALTH OF THE FUND.

WHEREAS, The Homer Accelerated Water and Sewer Program (HAWSP) Fund is made up of special assessment district (SAD) payments and a ¾% dedicated sales tax; and

WHEREAS, The HAWSP fund is used to finance water and sewer improvements, including the build out of water and sewer infrastructure through a SAD; and

WHEREAS, According to the City of Homer 2015 Audited Financial Statements, the HAWSP fund had an ending negative balance of \$4,644,761; and

WHEREAS, In 2016 the Homer City Council expressed concern regarding the debt burden HAWSP and its ability to continue to take on new debt; and

WHEREAS, To address these concerns Resolution 16-041(S-2)(A) instituted a minimum debt service ratio of 1.25 in order to initiate new SADs; and

WHEREAS In June of 2016 Homer City Council placed a moratorium on all new SADs pending improved health of the fund and reduced debt burden; and

WHEREAS, The debt service ratio of 1.25 was found to be a confusing metric that was difficult to track over time; and

WHEREAS, Since June of 2016 three property owners have attempted to initiate a water and sewer SAD assessment district for water and/or sewer improvements; and

WHEREAS, It is in the best interest of the City of Homer to reopen the ability of the HAWSP fund to finance SADs for the growth of water and sewer infrastructure; and

42 WHEREAS, extensive work was done by the Finance Department, City Manager's office,
43 and the Mayor to establish the history of the HAWSP fund transfers; and

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45 WHEREAS, In 2019 Homer City Council hired an independent third party auditor, Altman
46 & Rogers Company, to study the history of the fund and provide recommendations for
47 improving the fiscal health of HAWSP; and

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49 WHEREAS, ~~In order to eliminate the negative balance of the fund, Altman Rogers and~~
50 ~~Company recommended a transfer of \$3.5 million dollar from water and sewer operations to~~
51 ~~the HAWSP fund which was accomplished in Ordinance 19-58~~ **Altman & Rogers Co. found,**
52 **and management concurred, that when the Water and Sewer Utility Fund was converted**
53 **from an Enterprise Fund to a Special Revenue Fund in 2010, the beginning balances for**
54 **the Utility Operations and HAWSP funds were incorrectly reported and recommended a**
55 **transfer of \$3.1 million from Utility Operations into HAWSP to properly reflect balance,**
56 **which was accomplished by Ordinance 19-58;** and

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58 WHEREAS, The current unaudited balance of the HASWP is \$1.7 million; and

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60 WHEREAS, There remain a number of policy questions that need to be answered to
61 ensure the long-term health and management of the fund in the best interest of the public.

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63 NOW THEREFORE BE IT RESOLVED that the SAD process for water/sewer projects
64 eligible for HASWP funding be opened to allow for the initiation of districts process under
65 17.02.040

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67 BE IT FURTHER RESOLVED that the Planning Commission is directed to provide
68 recommendations to City Council on criteria for evaluating SAD applications, including
69 prioritization based on the Comprehensive Plan and long-term community planning.

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71 BE IT FURTHER RESOLVED that the City Council shall hold a work session on March 9,
72 2020 to develop updates to the HAWSP policy manual that address the following, utilizing the
73 November 30,2016 Planning Commission memo to Council in addition to other resources:


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75
- 76 • What is an appropriate metric to gauge the health of the HASWP fund?
 - 77 • How often should Council review the health of the HAWSP fund?
 - 78 • Should pending HAWSP projects be taken into considering when evaluating the health
79 of the fund?
 - 80 • How should system-wide projects be evaluated and prioritized versus citizen-initiated
81 SADs?
 - 82 • Should the fees be increased to initiate a SAD?
 - 83 • ~~Does the first come method work, to be tracked by the Clerk's office?~~ **The current
method for establishing HAWSP SADs is first come first served, tracked by the**

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Clerk's office. Is this the most appropriate method or should a different method be employed?

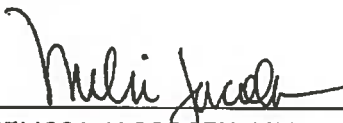
PASSED AND ADOPTED by the City Council this 27th day of January, 2020.

CITY OF HOMER



KEN CASTNER, MAYOR

ATTEST:



MELISSA JACOBSEN, MMC, CITY CLERK



Chapter 9.16 SALES TAX¹

Sections:

9.16.010 Levied.

9.16.020 Mill rate contingency.

9.16.040 Borough provisions adopted by reference.

9.16.050 Civil penalties.

9.16.060 Forgiveness of uncollected taxes, penalties and interest.

9.16.070 Sales tax liens.

9.16.100 Exemptions.

9.16.110 Sales tax.

Prior legislation: Ord. [85-17](#).

9.16.010 Levied.

a. A consumer's sales tax in the amount of three percent is levied by the City on all sales, rents and services within the City except as the same may be otherwise exempted by law.

b. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems.

c. An additional consumer's sales tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales, rents and services within the City except as the same may be otherwise exempted by law, for the purpose of funding of street reconstruction

improvements and related utilities, construction of new local roads, construction of new local trails, and maintenance of local roads and trails.

d. An additional consumer's sales tax in the amount of thirty-five hundredths of one percent is hereby levied by the City of Homer on all sales, rents and services within the City, except as the same may be otherwise exempted by law, for the purpose of funding public safety operations and infrastructure within the City, including without limitation construction of a police station, with three-tenths of one percent of the sales tax rate providing funds to pay debt service on general obligation bonds authorized by Ord. [18-26\(A\)\(S\)\(A\)](#) and expiring on December 31st of the year when the City has received sufficient funds from that sales tax rate to pay all of that debt service. [Ord. [18-26\(A\)\(S\)\(A\)](#) § 3, 2018; Ord. [17-10\(S\)\(A\)](#) § 4, 2017; Ord. [15-36\(A-2\)](#) §§ 1, 2, 2015; Ord. [06-42](#) § 2, 2006; Ord. [05-03\(A\)](#) § 2, 2005; Ord. [99-14\(S\)\(A\)](#) § 1, 1999; Ord. [91-19\(S\)\(A\)](#) § 1, 1991; Ord. [90-29](#) §§ 1, 2, 1990; Ord. [87-19](#) § 1, 1987; Ord. [85-37](#) § 2, 1985].

9.16.020 Mill rate contingency.

The sales tax enacted by HCC [9.16.010\(a\)](#) shall remain in effect only in such years that the City Council sets the property mill levy at six mills or less. In such years as the property mill levy exceeds six mills, this sales tax levy shall not be in effect. [Ord. [90-29](#) § 4, 1990; Ord. [85-37](#) § 3, 1985].

9.16.040 Borough provisions adopted by reference.

Subject to HMC 9.16.100 and 9.16.110, those sections of the Kenai Peninsula Borough Code of Ordinances applicable to the levy and collection of the sales tax described in this chapter are incorporated by this reference and made a part of this chapter as though fully set forth in this chapter. [Ord. [15-19\(A-2\)](#) § 2, 2015; Ord. [92-27](#), 1992; Ord. [92-11\(A\)](#) § 2, 1992; Ord. [85-37](#) § 6, 1985].

9.16.050 Civil penalties.

a. Failure to Obtain Certificate of Registration. A seller who is required to obtain a certificate of registration under Chapter 5.18 KPBC but fails to do so within the time prescribed is subject to a civil penalty equal to 25 percent of the amount of any City tax found to be due in addition to payment of the actual amount of City taxes.

b. Failure to File Return. A seller who fails to file a timely return, or who fails to remit all City taxes collected by him or later found to be due, is subject to a civil penalty of five percent per month of the amount of City taxes found to be due, to a maximum of 25 percent. The filing of an incomplete return, or the failure to remit all taxes, is the equivalent of filing no return. All City taxes due but not paid within the time required shall accrue and be assessed an interest charge at the maximum statutory rate as provided by AS [29.45.650\(d\)](#).

c. The provisions of this section shall be enforced by the Kenai Peninsula Borough pursuant to KPBC 5.18.100(b). [Ord. [92-11\(A\)](#) § 3, 1992; Ord. [90-29](#) § 6, 1990].

9.16.060 Forgiveness of uncollected taxes, penalties and interest.

a. If, pursuant to the provisions of KPBC 5.18.270, the Kenai Peninsula Borough forgives payment of a Borough sales tax, penalties or interest thereon, the City Manager may grant forgiveness of any corresponding City sales tax, penalties or interest.

b. The City Manager shall notify the City Council in writing of any such incidence of forgiveness which shall be final unless overridden by the Council, within 30 days of such forgiveness. [Ord. [92-11\(A\)](#) § 4, 1992; Ord. [90-29](#) § 7, 1990].

9.16.070 Sales tax liens.

a. Sales taxes, together with penalties, interest, and costs of administration, shall constitute a lien in favor of the City upon all real and personal property of every person making sales subject to City sales taxes and, when recorded, sales tax liens are prior and paramount to all other liens or encumbrances against the property except as provided by AS [29.45.650\(e\)](#).

b. A lien imposed by subsection (a) of this section may be filed and recorded by the Kenai Peninsula Borough pursuant to KPBC 5.18.660. Enforcement of City sales tax liens by foreclosure or any other remedy shall be administered by the Kenai Peninsula Borough. [Ord. [92-11\(A\)](#) § 5, 1992; Ord. [90-29](#) § 8, 1990].

9.16.100 Exemptions.

The following sales of items are exempt from sales tax:

a. Except as provided in HMC 9.16.110, sales of nonprepared food items occurring from September 1st through May 31st of each year.

b. The sale of all other items granted exemption from sales tax under the Kenai Peninsula Borough Code as amended from time to time, except where the Kenai Peninsula Borough by ordinance expressly authorizes the City to tax a source exempted from sales tax by the Kenai Peninsula Borough Code and City imposes a sales tax on that source in compliance with the law. [Ord. [15-19\(A-2\)](#) § 3, 2015; Ord. [13-17\(S\)](#) § 18, 2013; Ord. 08-32(S)(A-2) § 1, 2008].

9.16.110 Sales tax.

Sales of the following prepared food products shall be subject to sales tax 365 days a year:

a. Beverages containing less than 50 percent fruit or vegetable juice, including soft drinks, energy drinks and sports drinks, but excluding dairy and dairy substitute beverages;

b. Candy;

c. Potato and corn chips, pretzels, crackers and other ready-to-eat snack foods;

d. Ready-to-eat baked products, including cookies, cake, donuts, Danish, and muffins, but excluding bread;

e. Ice cream, sherbet and other frozen desserts;

f. Prepackaged or made-to-order sandwiches, wraps and salads. [Ord. [15-19\(A-2\)](#) § 4, 2015].

¹For statutory provisions authorizing cities to levy sales taxes, see AS [29.45.700](#) and [29.45.710](#).

The Homer City Code is current through Ordinance 20-18, passed March 23, 2020.

Disclaimer: The City Clerk's office has the official version of the Homer City Code. Users should contact the City Clerk's office for ordinances passed subsequent to the ordinance cited above.

City Website: <http://www.cityofhomer-ak.gov/>

City Telephone: (907) 235-8121

[Code Publishing Company](#)

H.A.W.S.P. POLICY MANUAL

(Homer Accelerated Water and Sewer Program)

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- I. **Purpose**
- II. **Definitions**
- III. **Maximum Spending Limits and Spending Plan**
- IV. **Accounting Matters**
- V. **History**

I. **PURPOSE**

City of Homer voters established the Homer Accelerated Water and Sewer Program (HAWSP) to improve the health and welfare of the citizens of Homer by funding capital improvements to the City's water and sewer system. A key strategy for accomplishing this was to extend water and sewer mains to unserved properties, bringing the following benefits: increasing the number of users on the system, increasing property values, protecting public health and improving quality of life. The HAWSP is funded by a voter-approved dedicated sales tax, and assessments levied on benefited properties. (See HCC 9.16.010(b).)

The intention of the HAWSP is to:

- Provide for water/sewer improvements without placing a heavy financial burden on individual property owners. (Resolution 99-53.)
- Increase the number of users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds. (Resolution 99-53.)
- Promote construction of additional improvements to the City water and sewer systems. (See Ordinance 99-14(S)(A).)
- Protect public health. (2016 HAWSP Policy Manual.)

Note: In addition to the HAWSP Fund, the City maintains Water and Sewer Capital Asset Repair and Maintenance Allowance (CARMA) accounts. The CARMA accounts are intended to fund projects, to fund improvements, repairs, and replacements to the City's existing water and sewer systems; that is, to benefit existing customers by keeping the utility systems in a state of good repair. (See CARMA Policy Manual for more information on the CARMA accounts.)

II. **DEFINITIONS**

- A. **Capital Improvement Plan (CIP)** – A multi-year document that lays out priorities for capital projects, including descriptions of each project, rationale for why each project is needed, order of magnitude cost estimate, and other information about the project.
- B. **HART** – Homer Accelerated Roads and Trails program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve

roads, sidewalks, and trails within the City of Homer, thereby improving property values and quality of life.

- C. **Infrastructure Replacement** – The replacement of assets, in accordance with established planning documents, such as an Asset Management Plan, a Capital Improvement Plan and an Equipment Replacement Schedule.
- D. **Unencumbered Fund Balance** – The balance within the HAWSP fund that is not allocated to pay the City portion of a project, committed to paying existing debt, or otherwise allocated.
- E. **Water and Sewer System Improvements** – Any work, such as planning, design or construction, etc., which improves the City’s water and sewer infrastructure, including, but not limited to, the extension, expansion, repair or rehabilitation of
 - 1. The City’s water supply, raw water transmission lines, water treatment facilities, water storage facilities, water distribution lines, fire-fighting devices, and related or similar appurtenances.
 - 2. The City’s sewer collection lines, sewer lift stations, RV Dump Stations, waste water treatment facilities, discharge outfall and related or similar appurtenances.
 - 3. Other facilities, which provide public access to clean water and the sanitary disposal of human wastes to protect public health.
- F. **Water and Sewer Capital Asset Repair and Maintenance Allowance (CARMA) Funds** – Separate water and sewer funds to fund improvements, repairs, and replacements to the City’s existing water and sewer systems, intended to benefit existing customers by keeping the utility systems in a state of good repair

III. **MAXIMUM SPENDING LIMITS AND SPENDING PLAN**

- A. The Public Works Department shall, on an annual basis, submit for City Council review, separate Capital Improvement Plans for the Water and Sewer Utilities, which shall identify Major Capital Projects required to (i) keep the utilities in a state of good repair or (ii) expand capacity. These Plans shall include cost projections and rank the projects in order of need, applying the following criteria:
 - 1. Expands service to currently unserved areas.
 - 2. Addresses public health, safety, or regulatory changes.
 - 3. Improves, repairs, replaces, rehabilitates, or otherwise corrects deficiencies in existing utility systems.
 - 4. Is listed in another planning document adopted by the City Council, such as the citywide CIP, Water/Sewer Master Plan, Parks Capital Improvement Plan, etc.
 - 5. Reduces maintenance costs.

6. Other factors deemed appropriate by the City Council.
- B. As part of the process, the City Council shall:
1. Assess the health of the HAWSP Funds in accordance with the City's Financial Policies, including, but not limited to, a specified Debt to Assessment Revenue Ratio.
 2. Establish, by ordinance, a Maximum Spending Limit and a Spending Plan for the HAWSP Funds for the subject year. Once adopted the Maximum Spending Limits and Spending Plans may only be changed by the City Council.

IV. ACCOUNTING MATTERS

A. Funding

1. The HAWSP Fund is built from a levy of $\frac{3}{4}$ of a percent on the retail sales tax. This tax was authorized by the voters and can only be changed by another ballot measure.
2. Interest, if any, generated from the program will remain with program funds.
3. CARMA and HAWSP funds may be used to jointly fund a project. CARMA funds should be used for portions of the project that improve, repair, or replace existing water or sewer infrastructure while HAWSP funds should be used for portions of the project that expand capacity or result in new water or sewer infrastructure.
4. When the HAWSP Fund is used to finance an assessment district, the City shall provide cash for its required percentage.
5. Projects may be funded with HAWSP Funds, bonds, grants, or a combination of these or other funding mechanism that may be identified by the City. *(Note: There is not currently a reserve requirement for bonded HAWSP debt. In the event that changes with the enactment of new law, the City may need to amend this Policy Manual.)*
6. The City may, at its discretion waive allocations of General Fund Overhead expenses for projects funded by HAWSP funds.

B. Standards & Policies

1. Administration of the HAWSP Fund shall conform to the City's Financial Policies.
2. All projects and connections to the water/sewer system must conform to City standards.
3. Whenever and wherever practical, road improvements shall be done in conjunction with water and/or sewer projects but not before. (See HART Policy Manual.)

C. Debt

1. HAWSP funds may be used to pay off HAWSP-project debt, subject to Council approval.
2. In the event the City waives utility assessments, the HAWSP Fund must be reimbursed for the value of any assessments so waived. (See Resolution 05-50.)

V. HISTORY

A summary of legislative history of the HAWSP is attached.

December 7 Draft

H.A.W.S.P. POLICY MANUAL

(Homer Accelerated Water and Sewer Program)

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- I. **Purpose**
- II. **Definitions**
- III. **Qualifying Project Criteria**
- IV. **Financing and Assessments**
- V. **Maximum Spending Limit**
- VI. **History**

I. **PURPOSE**

City of Homer voters established the HAWSP to improve the health and welfare of the citizens of Homer by funding capital improvements to the City's water and sewer system. A key strategy for accomplishing this was to extend water and sewer mains to unserved properties, bringing the following benefits: increasing the number of users on the system, increasing property values, protecting public health and improving quality of life. The HAWSP is funded by a voter-approved dedicated sales tax, and assessments levied on benefited properties. (See HCC 9.16.010(b).)

The intention of the HAWSP is to:

- Provide for water/sewer improvements without placing a heavy financial burden on individual property owners. (Resolution 99-53.)
- Increase the number of users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds. (Resolution 99-53.)
- Promote construction of additional improvements to the City water and sewer system. (See Ordinance 99-14(S)(A).)
- Protect public health. (2016 HAWSP Policy Manual.)

II. **DEFINITIONS**

- a. **Unencumbered Fund Balance** – The balance within the HAWSP fund that is not allocated to pay the City portion of a project or otherwise allocated.
- b. **HART** – Homer Accelerated Roads and Trails program
- c. **Water and Sewer System Improvements** – Any work, such as planning, design or construction, etc., which improves the City's water and sewer infrastructure, including, but not limited to, the extension, expansion, repair or rehabilitation of
 - i. The City's water supply, raw water transmission lines, water treatment facilities, water storage facilities, water distribution lines, fire-fighting devices, and related or similar appurtenances.

- ii. The City's sewer collection lines, sewer lift stations, RV Dump Stations, waste water treatment facilities, discharge outfall and related or similar appurtenances.
- iii. Other facilities, which provide public access to clean water and the sanitary disposal of human wastes to protect public health.
- d. **Major Capital Project** – A project that exceeds \$1.1 million in value, which cannot be executed in an incremental fashion.

III. QUALIFYING PROJECT CRITERIA

- a. All projects will be authorized only after a public hearing pursuant to HCC Title 17.
- b. All projects using HAWSP funds must meet at least three of the following criteria:
 - 1. Is located within the City limits.
 - 2. Will be part of an authorized Special Assessment District.
 - 3. Addresses public health, safety or regulatory changes.
 - 4. Expands capacity to serve new customers.
 - 5. Is listed in a planning document adopted by the City Council.
 - 6. Reimburses a private developer for the costs of providing excess capacity at the City's request, pursuant to HCC Title 17.
 - 7. Other factors deemed appropriate by the City Council.
- c. All projects and connections to the water/sewer system must be conform to City standards.
- d. HAWSP funds may be used to pay off HAWSP-project debt, subject to Council approval.
- e. Whenever and wherever practical, road improvements shall be done in conjunction with water and/or sewer projects but not before. (See HART Policy Manual.)

IV. FINANCING AND ASSESSMENTS

- a. All projects funded by HAWSP must comply with the provisions of HCC Titles 14 and 17.
- b. City Council shall assess the health of the HAWSP Fund prior to approving a new project.
- c. Interest, if any, generated from the program will remain with program funds.
- d. The City shall not charge the HAWSP Fund for General Fund Overhead.
- e. In the event the City waives utility assessments, such as to facilitate acquisition of real property interests for conservation purposes, the HAWSP Fund must be reimbursed for the value of any assessments so waived. (See Resolution 05-50.)

- f. The Council shall review the HAWSP Fund annually during the budget process. All efforts shall be made to ensure the assessment payments levied on benefited properties cover the annual debt service of the Fund.
- g. When financing a HAWSP project, the City shall provide cash for its required percentage, unless otherwise authorized by the Council.

V. MAXIMUM SPENDING LIMIT

- a. The Finance Department shall, on an annual basis, submit for City Council review, financial statements showing the status of the HAWSP Fund.
- b. The Public Works Department shall, on an annual basis, submit for City Council review, separate Capital Improvement Plans for the Water Utility and Sewer Utility, which shall identify Major Capital Projects required to (i) keep the utilities in a state of good repair or (ii) expand capacity. These Plans shall include cost projections and rank the projects in order with need.
- c. The City Council will, upon review of the documents described above, establish, by ordinance (1) a Maximum Spending Limit for the HAWSP Fund for the subject year and (2) a Spending Plan for the HAWSP Fund. Once adopted the Maximum Spending Limit and HAWSP Spending Plan may only be changed by the City Council.

VI. HISTORY

A summary of legislative history of the HAWSP is attached.