



## **Homer City Hall**

491 E. Pioneer Avenue

Homer, Alaska 99603

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

# **City of Homer Agenda**

**City Council Committee of the Whole  
Monday, September 23, 2019 at 5:00 PM  
City Hall Cowles Council Chambers**

## **CALL TO ORDER, 5:00 P.M.**

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

## **CONSENT AGENDA**

## **REGULAR MEETING AGENDA**

## **DISCUSSION TOPIC(S)**

[Preliminary](#) Budget Assumptions

## **COMMENTS OF THE AUDIENCE**

## **ADJOURNMENT NO LATER THAN 5:50 P.M.**

Next Regular Meeting is Monday, October 14, 2019 at 6:00 p.m., Worksession at 4:00 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

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## Office of the City Manager

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## Memorandum

TO: Mayor Castner and Homer City Council  
FROM: Katie Koester, City Manager  
DATE: September 18, 2019  
SUBJECT: Budget Assumptions for 2020-2021

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According to Homer City Code (HCC) 3.05.005, the City Manager is required to present to the Council an overview of preliminary budget assumptions by the third Friday in September. This memo addresses some of the budget assumptions Administration will be using when preparing the draft budget for your review on October 14 based on the changes to the budget process adopted in Ordinance 19-35.

- 1) Staff is developing a 2 year budget for your consideration which means you will see both columns, 2020 and 2021 in your budget book. In most instances, the 2021 budget will remain the status quo from the 2020 budget, unless there are increases (such as permit fees, anticipated trainings, etc) that departments have been able to anticipate. Line items such as electricity and insurance increases are based on a formula that takes into account the maximum anticipated percentage increase. I anticipate any needed significant changes from 2020 will be reviewed during the mid-biennium review required under HCC 3.05.015(e).
- 2) The City Manager presents Council with a balanced budget. The mechanism Administration uses to balance the final number is transfer to reserves. For example, if the general fund operating expenditures come in \$500,000 below projected revenue, the draft budget will reflect a commiserate transfer to reserves. Once the budget is introduced, Council can change those designations either by transferring funds to different reserve funds, project accounts under the Capital Improvement Fund, or increases in the operating budget.
- 3) Ordinance 19-35 establishes the Capital Asset Repair and Maintenance Allowance Fund to fund projected maintenance needs of the City. For the time being, this is our general fund depreciation reserves and fleet reserves renamed (fund number 156 and 152, if you are keeping track). Until further policy guidance is passed by Council, we will continue to account for each reserve subaccount separately without an overall designated cap or floor. Once Council has established policy changing that and transfers any funds; we will issue a budget supplemental that reflects the changes.
- 4) Ordinance 19-35 establishes the Capital Improvement Fund. That is the projects fund, or fund 151. Any projects Council set funding aside for will be held here.
- 5) The fund balance will be listed separately in the budget to include the emergency restricted fund balance as established by Council, four months revenue for the current fiscal year.
- 6) Per HCC 3.05.035, all operating funds lapse at the end of the year. This means that unexpended funds in the general fund lapse to fund balance. Council has indicated a desire to review this at end of year and sanction any lapse of funds. I propose Council develop some type of mechanism for the following fiscal year that provides that level of comfort.

Enc: Ordinance 19-35(S)(A)

CITY OF HOMER  
HOMER, ALASKA

Mayor

ORDINANCE 19-35(S)(A)

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA, AMENDING HOMER CITY CODE CHAPTER 3.05, BUDGET TO INSTITUTE A TRADITIONAL BIENNIAL BUDGET; REPEALING HOMER CITY CODE 3.05.040, EQUIPMENT REPLACEMENT RESERVE, HOMER CITY CODE 3.05.042, ALTERNATIVE FUNDING FOR DEPRECIATION, AND HOMER CITY CODE 3.05.043, HEALTH INSURANCE RESERVE FUND; AMENDING HOMER CITY CODE 3.05.045, BALANCED BUDGET REQUIREMENTS; AND ENACTING HOMER CITY CODE 3.05.047, CAPITAL ASSET REPAIR AND MAINTENANCE ALLOWANCE FUND; 3.05.048, CAPITAL IMPROVEMENT FUND; 3.05.049, GENERAL FUND - FUND BALANCE; AND 3.05.050, PRIORITIZATION OF FUNDING.

**WHEREAS, Biennial budgeting will provide an opportunity to streamline government services through better long range and strategic financial planning, a longer perspective on program planning, and consolidation of the effort invested in the budget development and approval process, thereby improving services to the citizens of Homer; and**

WHEREAS, It is the intent of the City to budget in a fair and transparent manner and provide adequate oversight by the City Council; and

WHEREAS, The City Manager is required to prepare and present a budget proposal for the following budget period by the third Friday in October; and

WHEREAS, It is imperative that the budget process provide the City Council adequate opportunities to fulfill their appropriation and oversight duties; and

WHEREAS, Establishing funds and fund balance and reserve policies will provide better fiscal accuracy and a more informed budget process; and

WHEREAS, It is in the best interest of the City to set aside funds for maintenance and repairs to ensure the City is funding the highest city-wide priorities; and

WHEREAS, The unique location of the City next to the North Pacific Ocean and subject to frequent earthquakes, volcanic eruptions, flooded rivers, and high fire danger, requires that

the City maintain an emergency reserve sufficient **fund balance** to carry out its municipal duties at a time of disaster; and,

~~WHEREAS, The City Council may supplement, or further delineate designations.~~

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. Homer City Code 3.05.005 through 3.05.035 of Homer City Code Chapter 3.05, Budget are amended to read as follows:

**3.05.005 Budget assumptions.**

**The City of Homer operates on a traditional biennial budget beginning with the two-year biennium commencing January 1, 2020. The 2020-21 biennial budget and all subsequent budgets shall be prepared, considered and adopted under the provisions of this chapter. The budget shall be adopted every second year of a mayoral term.** By the third Friday in September the City Manager shall present to the Council an overview of preliminary budget assumptions for the next fiscal year of the City **a budget period containing the next two fiscal years.** These preliminary assumptions will address, by fund, revenue projections, tax and utility rates, program additions or deletions, wages and benefits, or other issues with potential effects upon the City's overall financial condition.

**3.05.010 Budget submission – Contents.**

By the third Friday in October **of a budget year,** the City Manager shall present to the Council a budget proposal for the next **covering each of the next two fiscal years** of the City.

**3.05.011 City Manager's budget message.**

The City Manager's budget message shall explain the budget in fiscal terms and in terms of work programs. It shall contain an outline of the proposed financial policies of the City for the ensuing **two** fiscal years, describe the important features of the budget, indicate any major changes from the ~~current year~~ **prior budget period** and from current financial policies, expenditures, and revenues, together with the reasons for such changes, summarize the City's debt position and include other material as deemed desirable.

**3.05.012 Complete financial plan.**

a. The budget shall provide a complete financial plan of all City funds and activities for the next **two** fiscal years. In organizing the budget, the City Manager shall utilize the most feasible combination of expenditure classification by fund, organizational unit, program, purpose or activity and objective.

b. The budget shall begin with a clear general summary of its contents, which summary shall show principal sources of anticipated revenue, stating separately the amount to be raised

by property taxes, and by department the kinds of expenditures in such a manner as to present to the public a clear and simple estimate of budget detail.

c. The budget shall show in detail all estimated income, including the proposed property tax levy, but shall exclude State revenue sharing, which will be appropriated when received. The budget also shall show in detail all proposed expenditures, including debt service, for the ensuing fiscal year budget period.

d. The budget shall be prepared on a modified accrual basis and subsequent reporting ~~and auditing shall reflect this basis of goods and services are received, and revenues are recorded when payment is received; except for material or available revenue which should be accrued to reflect properly the taxes levied and the revenues earned~~ **shall recognize revenues when they become available and measurable and recognize expenditures when liabilities are incurred.**

e. The budget shall include in separate sections:

1. Proposed expenditures for each current **fund** operations during the ensuing fiscal year **budget period** detailed by offices, departments and agencies in terms of their respective work programs, and the method of financing such expenditures;

2. Anticipated net surplus or deficit (fund balance) for the ensuing fiscal year **budget period** of each enterprise fund owned or operated by the City and the proposed method of its disposition; subsidiary budgets for each such enterprise fund, giving detailed income and expenditures information, shall be presented in the budget;

3. Proposed capital budget will be presented ~~under as~~ a separate **section document of the biennial budget. The capital budget shall show capital** expenditures during the ensuing fiscal year **budget period**, detailed by offices, departments and agencies, when practicable, and the proposed method of financing each such capital expenditure.

f. Comparative data for the previous and current fiscal years **ensuing budget periods** shall be provided in a format for ease of comparison **of previous** ~~with the proposed revenues and expenditures.~~

g. Data for the current fiscal year shall include the total of the amounts actually received or encumbered to the time of preparing the budget, plus anticipated receipts and expenditures for the remainder of the current year.

**3.05.015 Review – Hearing – Adoption – Appropriations.**

a. ~~The budget proposal of the City Manager shall be reviewed by the Council and shall be available for public inspection in the office of the City Clerk and the budget summary shall be posted in three public places and published at least once in one or more newspapers of general circulation in the city.~~ **At a Council meeting held not less than 10 days prior to the end of the current budget period, the Council shall, by ordinance, appropriate the money needed for the ensuing budget period.**

b. ~~A public hearing on the appropriation ordinance shall be held in accordance with provisions for adoption of an ordinance. All interested parties shall be given an opportunity to be heard on matters relative to the budget.~~ **The budget proposal of the City Manager shall be reviewed by the Council and shall be available for public inspection in the office of the City Clerk and posted on the City's website.**

c. ~~At a Council meeting held not less than 10 days prior to the end of the fiscal year, the Council shall, by ordinance make appropriation of the money needed for the following year.~~ **A public hearing on the appropriation ordinance shall be held in accordance with provisions for adoption of an ordinance. All interested parties shall be given an opportunity to be heard on matters relative to the budget.**

d. A separate appropriation shall be made to each of the various funds of the City. From the effective date of the budget, the amounts stated therein as expenditures shall be and become appropriated to the objects and purposes therein named. The City Council may make supplemental and emergency appropriations, but payment may not be authorized or made and an obligation may not be incurred except in accordance with approved appropriations.

**e. The City Council shall provide for a midbiennium review, and any modification shall occur no sooner than eight (8) months after the start, but no later than the conclusion of the first year of the biennium. The City Manager shall prepare a proposed budget modification and the City shall provide for publication of notice of hearings consistent with publication of notices for adoption of other City ordinances. Such proposal shall be submitted to the City Council and shall be a public record and be available to the public. A public hearing shall be advertised at least once and shall be held no later than the first regular Council meeting in December and may be considered from time to time. At such a hearing or thereafter, the Council may consider a proposed ordinance to carry out such modifications.**

### **3.05.020 Amendments.**

The Council may, by ordinance, increase or decrease appropriations during the course of the budget period, and may also amend the budget using the same method used for its initial adoption.

**3.05.025 System of accounts.**

All City accounts shall be organized in a manner consistent with the approved budget. For purposes of appropriations under HCC3.05.15, the funds of the City are those established by the Finance Director/Treasurer, recommended by the City Manager and approved by the City Council. **The City Council may supplement or further delineate designations.**

**3.05.030 Unencumbered balances of appropriations – Transfers.**

a. The necessary accounting records shall be maintained to reflect the unencumbered balances of all appropriations. ~~In determining the unencumbered balances of appropriations, the estimated amounts of commitments for goods or services ordered but not paid for shall be taken into consideration, and t~~ The Finance Director/Treasurer shall submit to the City Manager **City Council a quarterly monthly report of all unencumbered balances reflecting operating activity and anticipated expenditures.**

b. Unencumbered appropriation balances may be transferred from one budget line item to another within the same department by the City Manager at any time. Transfer of appropriations within departments which would permanently amend the approved staffing level or level of service delivery shall require Council approval.

c. At the request of the City Manager, or on its own initiative, the Council may, by resolution, transfer unencumbered appropriation balances from one department to another within the same fund.

~~d. Nothing allowed in this section shall violate the requirements of presenting a balanced budget (HCC3.05.045).~~

**3.05.035 Lapse of appropriation at end of fiscal year.**

a. Except as provided in this section and in HCC 3.05.040 and 3.05.043 ~~3.05.047 – 3.05.049~~, appropriations shall lapse at the end of the fiscal year to the extent that they have not been fully expended or fully encumbered. **Any earnings from investment of monies accumulated in a fund shall accrue to the fund.**

b. An appropriation for a capital expenditure shall continue in force until the purpose for which it is made has been accomplished or abandoned; the purpose of such appropriation shall be deemed abandoned if three years pass without disbursement or encumbrance of the appropriation.

**Section 2. Homer City Code 3.05.017, Minimum annual transfer for Homer Accelerated Roads and Trails capital accounts is repealed.**

Section 3. Homer City Code 3.05.040, Equipment replacement reserve fund, is repealed.



Section 4. Homer City Code 3.05.042, Alternative funding for depreciation, is repealed.

Section 5. Homer City Code 3.05.043, Health insurance reserve fund, is repealed.

Section ~~5~~ **6**. Homer City Code 3.05.045, Balanced budget requirements, is amended to read as follows:

**3.05.045 Balanced budget requirements.**

~~The budget which is adopted shall be balanced considering all sources of funds.~~

~~a. Any action to reconsider, rescind or veto the budget which creates an "imbalance" shall be in violation of this section.~~

**Projected expenditures shall not exceed projected revenues in the operating budget.**

~~b.~~ Any action to reconsider, rescind, or veto the budget which would affect a balanced budget must be accompanied by action which maintains a balanced budget.

Section ~~6~~ **7**. Homer City Code 3.05.047, Capital asset repair and maintenance account, is enacted to read as follows:

**3.05.047 Capital Asset Repair and Maintenance Allowance Fund.**

**a. There is established in the general fund a Capital Asset Repair and Maintenance Allowance Fund (CARMA). The amount of the fund shall be established by City Council in the biennial budget based on the projected maintenance and repair needs of the City.**

**b. Purpose. Capital asset management is essential to extending the life and use of taxpayer funded assets, facilities and infrastructure.**

**c. Funds in the Capital Asset Repair and Maintenance Allowance Fund shall be available 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.**

Section ~~7~~ **8**. Homer City Code 3.05.048, Capital improvement fund, is enacted to read as follows:

**3.05.048 Capital Improvement Fund**

**a. There is established a Capital Improvement Fund (CIF). The fund shall be comprised of various Council appropriations for capital projects, acquisitions or initiatives as identified and authorized by the City Council which shall not be limited to only the current budget period.**

Section ~~8~~ **9**. Homer City Code 3.05.049, General fund – Fund balance, is enacted to read as follows:

**3.05.049. General Fund – Fund Balance.**

**a. Purpose. General Fund – The fund balance of the general fund represents the net assets of the general fund and serves as a measure of financial resources.**

**b. There is established within the fund balance of the general fund an amount equal to ~~six~~ four months revenue for the current fiscal year that is restricted to emergency use only. Emergency restricted fund balance shall only be spent to help the City of Homer provide quick response to weather economic uncertainty and unexpected situations such as natural disasters so as to avoid the need for short-term borrowing.**

**c. Unassigned fund balance shall be available for appropriation by City Council.**

**b. Any General Fund budget surplus at the end of a fiscal year will lapse into the General Fund – Fund Balance.**

Section 9 **10**. Homer City Code 3.05.050, Priority of funding, is enacted to read as follows:

**3.05.050 Priority of Funding**

**Within the General Fund during the biennial budget process available revenue will be budgeted in the following priority order in order to meet the financial obligations of the City of Homer:**

- i. Operating budget**
- ii. General Fund – Fund Balance Restricted**
- iii. Capital Asset Repair and Maintenance Allowance Fund**
- iv. General Fund – Fund Balance Unrestricted**

Section ~~10~~ **11**. Section 1 of this ordinance shall take effect immediately

Section ~~11~~ **12**. Sections 2-9 shall take effect January 1, 2020.

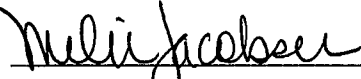
Section ~~12~~ **13**. This ordinance is of a permanent and general character and shall be included in Homer City Code.

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 12 day of August, 2019.

CITY OF HOMER

  
KEN CASTNER, MAYOR

ATTEST:



MELISSA JACOBSEN, MMC, CITY CLERK

YES: 6

NO: 0

ABSTAIN: 0

ABSENT: 0


First Reading: 7-22-19

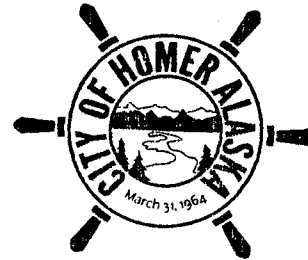
Public Hearing: 8-12-19


Second Reading: 8-12-19

Effective Date: 8-13-19

Reviewed and approved as to form.

  
Katie Koester, City Manager



  
Holly C. Wells, City Attorney