



## **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 Worksession**

**Monday, November 25, 2019 at 4:00 PM**

**City Hall Cowles Council Chambers**

### **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)**

- [HAWSP](#) Analysis Report

### **COMMENTS OF THE AUDIENCE** (3 minutes)

### **ADJOURNMENT NO LATER THAN 4:50 P.M.**

Next Regular Meeting is Monday, December 9, 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.

## HAWSP Fund Balance Analysis

Altman Rogers & Co. was contracted to look at and analyze the HAWSP fund and to focus on the negative fund balance. It is our understanding that the HAWSP fund was created to account for sales tax in the amount of  $\frac{3}{4}$ 's of a percent "for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent of revenues from such tax exceed such debt retirement obligations for the purposes of funding water and sewer systems."

Prior to 2002 the water and sewer enterprise funds were accounted for as individual funds, between 2002 and 2009 the funds were combined into one enterprise fund. In 2010 a decision was made and the water and sewer utility fund was converted from an enterprise fund to a special revenue fund. Upon this conversion the HAWSP fund was created with a beginning fund balance of (\$4,055,680). We reviewed previous audit information to determine if this beginning fund balance was reasonable. With the assistance from the City finance department we were able to obtain audit reports dating back to late 1980's. We concentrated our focus on the enterprise fund cash flow statements, due to the fact that we were trying to recreate the activity of the fund based on the modified accrual basis of accounting. We determined that the sales tax started being collected in late 1991 with the first full year of collections in 1992.

From 1992 to 2009 the water and sewer utility funds were accounted for as enterprise funds and as such based on the full accrual method of accounting. We recreated the activity for those years from the cash flow statements as if they would have been accounted for on the modified accrual basis of accounting (see attached spreadsheet). Based on this analysis the beginning fund balance at 1/1/10 should have been (\$954,958). We looked at the accounting records from the City's accounting system from 2005 (when the accounting software was converted) through 2009 when the fund was converted from an enterprise fund to a special revenue fund. Upon looking at those reports as well as previous audit reports it appears that there was an error made in the beginning fund balance allocation between operations and HAWSP. This appears to have been caused by the combination of the water and sewer utility into one fund as well as the recording of yearly activity when the fund was an enterprise fund. Based on our analysis we recommend that a transfer between operations and HAWSP is made in the amount of \$3,101,082.

During review of the fund activity from 2010 to current we came across one unusual transaction. In 2014 there was a debt deobligation of \$1,580,014. There was a decision made to stop pursuing collections of amounts due from state or federal agencies (see email). Amounts related to these transactions had been recorded as an increase in fund balance in previous years. The debt deobligation was recorded in the same fund that the related revenue was accounted for previously. A decision should be made if this write off of accounts receivable should be accounted for in the HAWSP fund or should the non collection be covered by the reserve fund. If the council decides that the short fall be covered by the reserve fund a transfer should be made from the reserve fund to the HAWSP fund.

**Estimated Activity of HAWSP as SRF**

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sales Tax	513,738	516,713	514,264	747,826	659,226	670,050	680,022	724,962	747,448
Assessment Collected	104,679	323,707	151,635	182,396	167,231	42,950	159,253	72,408	66,253
Debt funding and capital contributions	2,044,924	1,011,814	482,001	51,031	56,593	62,656	617,537	8,158	315,017
Interest Paid	(510,703)	(121,612)	(260,112)	(366,079)	(70,496)	(324,850)	(336,047)	(324,081)	(228,313)
Principal Paid	(370,257)	(359,106)	(1,103,553)	(318,196)	(310,929)	(324,896)	(565,182)	(391,123)	(391,549)
Payments to refund debt escrow	-	-	-	-	-	-	(928,426)	-	-
Capital Outlay	(309,773)	(899,738)	(560,658)	(78,816)	(308,168)	(431,975)	(857,033)	(89,149)	(724,455)
Net change in fund balance	<u>1,472,608</u>	<u>471,778</u>	<u>(776,423)</u>	<u>218,162</u>	<u>- 193,457</u>	<u>(306,065)</u>	<u>(1,229,876)</u>	<u>1,175</u>	<u>(215,599)</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	775,218								
Sales Tax	82,419	864,639	940,751	1,018,238	1,021,260	1,090,940	1,249,287	1,261,222	1,117,105
Assessment Collected	44,321	90,423	179,759	98,073	125,596	247,638	271,545	171,953	124,115
Debt funding and capital contributions	(139,776)	3,058	2,739,869	328,586	2,183,502	1,114,880	1,758,692	2,585,265	8,654,097
Interest Paid	(424,423)	(100,749)	(89,797)	(77,121)	(57,140)	(240,849)	(140,446)	(104,882)	(87,214)
Principal Paid	-	(429,424)	(423,004)	(370,079)	(381,200)	(671,788)	(721,597)	(640,594)	(647,795)
Capital Outlay	(222,468)	(2,024,776)	(2,496,625)	(1,528,958)	(3,518,257)	(2,473,068)	(2,277,118)	(6,429,697)	(4,207,421)
Net change in fund balance	<u>115,291</u>	<u>(1,596,829)</u>	<u>850,953</u>	<u>(531,261)</u>	<u>(626,239)</u>	<u>(932,247)</u>	<u>140,363</u>	<u>(3,156,733)</u>	<u>4,952,887</u>
Beginning Fund Balance as recalculated	(954,598)								
Beginning Fund Balance per F/S	<u>(4,055,680)</u>								
Proposed Transfer	<u>(3,101,082)</u>								
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
Net increase in fund balance	93,820	762,577	199,998	211,077	(1,393,479)	(463,074)	704,018	584,657	

## Report Criteria:

Total By Reference Number and Date

Journal Code: Journal Code = "je"

Transaction: Reference Number = 190-192

Date	Reference Number	Payee or Description	Account Number	Account Title	Debit Amount	Credit Amount
<b>JE</b>						
<b>190</b>						
12/31/2014	190	De-obligate loan receivable - loan 40910	205-0375-6211	De-obligation revenues	1,580,470.28	
<b>191</b>						
12/31/2014	191	De-obligate loan receivable - loan 40910	205-0000-1162	Accounts Receivable State/Fed		422,184.70-
<b>192</b>						
12/31/2014	192	De-obligate loan receivable - loan 40908	205-0000-1162	Accounts Receivable State/Fed		1,158,285.58-

Documents: 3 Transactions: 3

Total JE:

1,580,470.28	1,580,470.28-
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Grand Totals:

1,580,470.28	1,580,470.28-
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## Elizabeth Walton

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**From:** Verrelli, Beth A (DEC) <beth.verrelli@alaska.gov>  
**Sent:** Thursday, November 13, 2014 1:29 PM  
**To:** John Li  
**Cc:** Walt Wrede; Carey Meyer; Laurie Moore; Jo Earls  
**Subject:** RE: outstanding loans (ACWF 409031, ADWF 409041, ACWF 409081, and ADWF 409101).

Hi John,

Thanks for letting me know the City's decision. We shouldn't need anything further to closeout and deobligate the unused portion of the four loans mentioned: ACWF 409031, ADWF 409041, ACWF 409081, and ADWF 409101. I will work with Chris Novell, our loan administrator in our Juneau office, in closing out the loans. We may touch base with the City just to confirm numbers before we finalize the deobligations, but that should be all that's needed.

I appreciate the time and consideration you gave this matter, and will let you know when everything is complete.

Sincerely,

Beth Verrelli  
Project Engineer  
Municipal Grants & Loans/Anchorage  
(907)269-7603

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**From:** John Li [mailto:zli@ci.homer.ak.us]  
**Sent:** Thursday, November 13, 2014 11:25 AM  
**To:** Verrelli, Beth A (DEC)  
**Cc:** Walt Wrede; Carey Meyer; Laurie Moore; Jo Earls  
**Subject:** outstanding loans (ACWF 409031, ADWF 409041, ACWF 409081, and ADWF 409101).

Good morning Beth,

I have talked with Walt, the City Manager, and Carey, the Public Works Director, regarding the outstanding Loan Receivables the City of Homer has with ADEC.

We have realized that it would take considerable amount of effort from the City as well as it from ADEC to reconstruct all necessary documentation in order to restart the process. Taking into consideration of your recommendation concerning the old age of the existing Loan Receivables and the information on current loan availabilities, we decided not to pursue the balances of the four outstanding loans (ACWF 409031, ADWF 409041, ACWF 409081, and ADWF 409101).

Please let me know if anything we need to do to help on closing out these loans.

Thank you very much for your help!

John