



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

City of Homer Agenda

**City Council Committee of the Whole
Monday, October 25, 2021 at 5:00 PM
In Person at City Hall Cowles Council Chambers
By Zoom Webinar**

<https://cityofhomer.zoom.us/j/953097829?pwd=RVmSlc1YnpUUExhbFE0b0NwSCtqUT09>

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

Webinar ID: 953 097 829 Passcode: 234969

CALL TO ORDER, 5:00 P.M.

Councilmember Davis requests excusal, timely notice was given.

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

CONSENT AGENDA

REGULAR MEETING AGENDA

DISCUSSION TOPIC(S)

- a.** Ordinance 21-63, An Ordinance of the City Council of Homer, Alaska Settling the Current and Future Distributions of Income and Debt in the Natural Gas Distribution Special Assessment Bond Sinking Fund. Mayor. Introduction October 11, 2021 Public Hearing and Second Reading October 25, 2021.

Memorandum 21-187 from Finance Director as backup

COMMENTS OF THE AUDIENCE

ADJOURNMENT NO LATER THAN 5:50 P.M.

Next Regular Meeting is Monday, October 25, 2021 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.

ORDINANCE REFERENCE SHEET
2021 ORDINANCE
ORDINANCE 21-63

An Ordinance of the City Council of Homer, Alaska Settling the Current and Future Distributions of Income and Debt in the Natural Gas Distribution Special Assessment Bond Sinking Fund.

Sponsor: Mayor

1. City Council Regular Meeting October 11, 2021 Introduction
2. City Council Regular Meeting October 25, 2021 Public Hearing and Second Reading
Memorandum 21-187 from Finance Director as backup

**CITY OF HOMER
HOMER, ALASKA**

Mayor

ORDINANCE 21-63

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

WHEREAS, Ordinance 21-13, adopted on March 8, 2021, the City of Homer (“City”) authorized the retirement of debt to the Kenai Peninsula Borough in the amount of \$2,512,000; and

WHEREAS, Ordinance 21-13 appropriated funds that included the Free Main Allowance (FMA) collected prior to December 31, 2020, the principal and interest payments from the gas line assessments made prior to December 31, 2020 and other funds that were included in the Sinking Bond Fund; and

WHEREAS, The final settlement of debt to the Kenai Peninsula Borough allowed the City to remove the restrictions on \$1,270,000 which had been used as payment surety (Bond) as a condition of the loan; and

WHEREAS, Ordinance 21-13 required the City Treasurer to inform the Council as to various balances associated with the Gas Line Project and Fund 175; and

WHEREAS, The Bond balance at 7/01/2021 is \$-0-, as restrictions against \$1,270,00 have been removed and the funds are in the General Fund – Fund Balance; and

WHEREAS, The Loan amount at 7/01/2021 to the Kenai Peninsula Borough is \$-0-; and

WHEREAS, The City, following the debt retirement and as of 07/01/2021, is owed \$336,056 for funds advanced; and

WHEREAS, The balance of the Free Main Allowance at 7/01/2021, and as reflected in the first two quarterly payments in 2021, is \$20,337; and

WHEREAS, The uncollected assessments at 07/01/21 are \$1,369,011 of which \$161,188 are doubtful; and

WHEREAS, All remaining receivables in the Natural Gas Distribution Special Assessment Bond Sinking Fund are now available to the City as unrestricted income.

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NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. All payments into the Natural Gas Distribution Special Assessment Bond Sinking Fund are income to the City of Homer.

Section 2. The City Treasurer shall first transfer revenues in the Natural Gas Distribution Special Assessment Bond Sinking Fund to retire the debt to the City.

Section 3. Following debt retirement, the City Treasurer shall annually transfer, on or before October 1 of each calendar year, the accumulated revenues in the Natural Gas Distribution Special Assessment Bond Sinking Fund to the General Fund – Fund Balance

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

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

CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

YES:
NO:
ABSTAIN:
ABSENT:

First Reading:
Public Hearing:
Second Reading:
Effective Date:



City of Homer

www.cityofhomer-ak.gov

Finance Department

491 East Pioneer Avenue
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(f) 907-235-3140

Memorandum 21-187

TO: Mayor Castner and Homer City Council

THROUGH: Rob Dumouchel, City Manager

FROM: Elizabeth Walton, Finance Director

DATE: October 7, 2021

SUBJECT: Natural Gas Fund Supplemental Information

The purpose of this memo is to provide Council with additional information related to the Natural Gas Fund.

Background:

On March 8, 2021, Homer City Council adopted Ordinance 21-13, which directed the Finance Department to retire the debt obligation with the Kenai Peninsula Borough regarding the Natural Gas Line. Ordinance 21-13 also directed the Finance Department to provide Council with a fund financial summary.

On September 20, 2021, the Finance Department met with Mayor Castner and City Manager Dumouchel to discuss the fund financial summary reporting to Council. The main focus of the meeting was to determine the necessary future appropriations and to develop a future plan for the fund. Ordinance 21-63 is the resulting product from this discussion.

Fund Overview Questions:

Question 1: What financial activity takes place in the Natural Gas Fund (Fund 175)?

Answer: The Natural Gas Fund was setup to record capital project costs, debt obligation costs, Free Main Allowance deposits, and Special Assessment District revenues.

Question 2: What is the financial position of the Natural Gas Fund? When will the fund balance turn positive?

Answer: As of 12/31/20, the Gas fund had a negative fund balance of \$369,213. We anticipate at least one more calendar year (2 more audits) with a negative fund balance due to the prepayment of debt. Finance recommends not appropriating any transfers from this fund until there is sufficient fund balance.

Question 3: What funding sources did the City utilize to retire the debt obligation with the Kenai Peninsula Borough?

Answer: The primary funding source utilized for the debt retirement was the Free Main Allowance (balance as of January 2021 distribution was \$1,972,000). The full payoff amount was \$2,511,190.83. A funding gap of \$539,190.83 was created in this transaction. This gap was essentially advanced by the City. This gap and FY 2021 activity has decreased the fund balance to a negative \$336,056 (unaudited). Assessment revenue will continue to come in to cover this payment advance.

Question 4: What are the demographics for the Special Assessment District (SAD)?

Answer: There were a total of 3,788 parcels originally assessed in the SAD and currently there are 1,043 parcels still owing money. Of these parcels: 993 are current on a payment plan, 50 have never paid, and 137 parcels are in late status. There are 2,745 parcels that are paid in full.

Question 5: How was the doubtful amount derived?

Answer: The doubtful amount (\$161,188) stated in Ordinance 21-63 was approximated by multiplying the 50 parcels that have never paid by the original assessment amount. This value will not be seen in the financial statements, as it is not accounting standards to generate an allowance for doubtful accounts for special assessment districts. We are optimistic that this amount won't be as significant due to our ability to collect on assessments when properties are sold.

Question 6: What does proposed Ordinance 21-63 do?

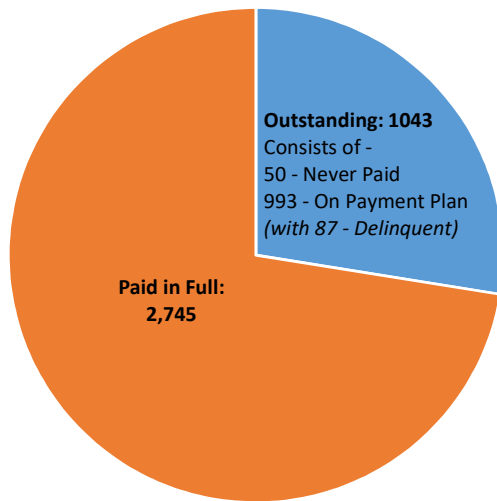
Answer: As written, Ordinance 21-63 directs the Finance Department to wait until the fund balance for the Natural Gas Line fund turns positive (paying off all obligations to the City). At this point, the Finance Department is to annually transfer excess funds (those above \$0) to the General Fund Fund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

NATURAL GAS ASSESSMENTS

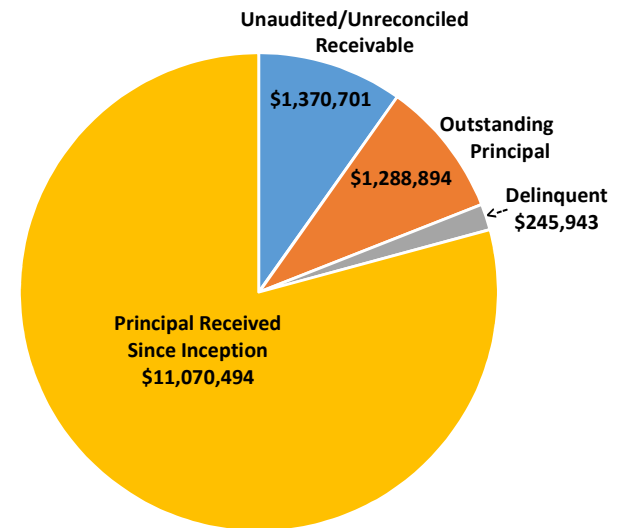
Date: 15-Oct-21

Original Receivable Amt.	Original # Parcels	Approximate Unaudited/Unreconciled Receivable 7/31/21*	Approximate Principal Outstanding	Approximate # Parcels Still Owing	#Parcels Never Paid	Amount Delinquent*	#Parcels Delinquent	# Parcels Paid in Full	#Parcels on Pmt. Plan	Approximate Principal Received Since Inception
\$12,359,388	3788	\$1,370,701	\$1,288,894	1043	50	\$245,943	137	2745	993	\$11,070,494

Natural Gas Parcels Report
Original # Parcels - 3,788
as of 7/31/21



Natural Gas Figures - Approximates
Original Receivable Amount - \$12,359,388
As of 7/31/21



Per Reso 15-17; District began 2015 ends 2024.

Original #s not refactored for condo lawsuit or for any exempting legislature that came after.

Delinquent parcels includes the 50 Never Paid, many only behind one payment and many missing various payments.

50 Never paid include many State properties and a handful of deferred (a few approved this year and some unapplied for currently, but were approved in prior years).

Unaudited/Unreconciled Receivable: General Ledger and Accounts Receivable - January - June 2021

Outstanding Principal: Amount due on payment plans.

Delinquent: Amount late on payment plan.

Never Paid: Those who have never paid on assessment.

**Includes interest & late fees charged.*

**CITY OF HOMER
HOMER, ALASKA**

Mayor/City Manager

ORDINANCE 21-13

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

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

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

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

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

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

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

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

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

43 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:
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45 Section 1. The City of Homer's Natural Gas Distribution Special Assessment Bond
46 Sinking Fund schedule of payments is hereby amended by appropriating up to \$2,512,000 to
47 retire the Loan debt obligation to the Kenai Peninsula Borough.
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<u>Account</u>	<u>Description</u>	<u>Amount</u>
175-0375	City of Homer Natural Gas Distribution Special Assessment Bond Sinking Fund	\$2,512,000

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53 Section 2. On or before July 1, 2021, the City Treasurer shall provide the Homer City
54 Council with a summary compilation of the costs and cost allocations funded by, A) the Bond,
55 and B) The Loan, and C) The Free Main Allowance, and D) uncollected assessments. Costs
56 include the cost of construction, interest payments paid in excess of interest payments
57 received, and any other costs that can be appropriately allocated to the project or the
58 capitalization of the Bond or Fund.
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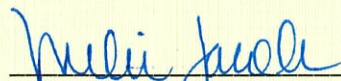
60 Section 3. This is a budget amendment ordinance only, is not permanent in nature, and
61 shall not be codified.
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63 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 8th day of Mar, 2021.
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65 CITY OF HOMER

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69 _____
70 KEN CASTNER, MAYOR

71 ATTEST:

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73 _____
74 MELISSA JACOBSEN, MMC, CITY CLERK
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76 YES: 5
77 NO: 0
78 ABSTAIN: 0
79 ABSENT: 1
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81 First Reading: 2-22-21
82 Public Reading: 3-8-21
83 Second Reading: 3-8-21
84 Effective Date: 3-9-21

