

**LOCAL
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HOMER
(File 2)**

LBC Homer Annexation

Materials Submitted by the City of Homer

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Jack Cushing

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February 4, 2002

Alaska Legislature
Joint Community and Regional Affairs Committee

Dear Co-Chairman Representative Kevin Meyer, Representative Carl Morgan, Senator John Torgerson, and Committee Members:

This letter is to give some insights, from my perspective, why we have this annexation issue before us today in the Homer Area.

The City of Homer is a service provider. The City of Homer and its citizens have traditionally been very generous to the lower peninsula. The City's port and harbor, a 100 million dollar asset, is clearly an economic engine of the area, and has been available to all without discrimination. Similarly, city water, the very commodity that allows area properties to be more easily **financed, insurable, and ADEC approvable**, has been available without distinction for years to any in the area. It is estimated that 25% of the city water customers are citizens outside of city limits, an important fact for an area with notoriously poor ground water. Until recently, Fire and Emergency Medical Services (EMS) were generously rendered in the same manner. These services are just the start. During the last decade, the City and its citizens and businesses have directly given moneys or support to the following organizations for the general area:

Animal services
Snomads Snowmachine Club
Homer Head Start
Playgrounds and picnic areas
Homer Food Pantry
Kachemak Ski Club (Olsen Mountain Rope Tow)
Bunnell Street Gallery
South Peninsula Women's Services
Homer Hockey Associatio..
Kachemak Gun Club
Homer Council on the Arts

Kachemak Nordic Ski Club (Baycrest, Olsen Mt., & McNeil Canyon areas)
Community Schools
Boys & Girls Club
Land for the South Peninsula Hospital
Homer Foundation
Girl's Softball
Little League, Tee Ball & Baseball
Adult Softball, New Fields
Pratt Museum

These organizations and facilities all serve the larger regional community. This year the City is funding \$45,000 of the Chamber of Commerce's budget, again a regional organization. This is in addition to the numerous times we are asked and willing to respond to requests for assistance with police protection and emergency road repairs or snow clearing.

We feel this generosity has been appreciated by the majority of this area's residents. Times have changed however, as State subsidies have diminished to a small fraction of what they were a decade ago but, there has been no less demand from this area for these services. In fact, the demand grows. The City of Homer had choices ranging from cutting services, to engaging more of the local area for greater participation in these services. We chose the present path in part, for the proven economic stimulus it provided the entire area, as well as our believe in the benefits these types of services provide to the area.

During the last decade, the City has brought these issues of dwindling state funding to the local area to consider. We felt many in the area chose to ignore or refused to participate in reaching solutions to mitigate these complex issues of an area which manifests greater needs, superimposed with decreasing state funds. Fire and emergency services are a classic example; nothing was initiated area-wide despite of City requests, until the annexation process was initiated. Meanwhile, it was unacceptable to us, in essence, to let our neighboring area's structures or businesses burn down, or allow threats life and property to go unanswered. The heart and soul of the City is to continue to make this an economically productive, safe, and great area to live.

Some maintain that many of these services have been brought to the area through State and Federal grants. True, but not without the countless hours

dedicated by elected and appointed officials, area volunteers, and City paid administration. The important point here is that this has been accomplished through the organization of a governmental entity. Greater costs and all risks are assumed by the residents and businesses within the boundary of that entity, the City of Homer. Most importantly, any area of Alaska with sufficient population has privilege to form a governmental entity and have their own access to State and Federal grants. But, they must step to the plate and form these entities. The Homer area has the apparent desire for these various services discussed. The City of Homer needs to grow correspondingly to continue to provide to the greater area.

An interesting item concerning process, is that prior to this annexation proposal, and the lack of public response to address service issues, the City was routinely and frequently asked to be involved in various area-wide issues, and in fact we still are. Some issues affect the entire area or economy, such as fisheries allocations, and are indisputably City issues. Some issues are clearly more local issues and have their greatest impact in that particular local area. The City Council has taken countless hours of testimony on these local area non-city issues, and has been implored to do anything we could, pleaded with to do anything we could, to help on these issues. Keep in mind, these are issues coming from the area proposed for annexation. A partial list of these include:

- The Kenai Peninsula Borough Solid Waste Facility's and associated stream water quality;
- Urban sprawl & development on top of Baycrest Hill;
- Air emissions from asphalt plant operations;
- Ski club trail facilities;
- Rural road reclassification to thorough fare use between West Hill Road and Skyline Drive;
- Moose corridors to wintering areas or hunting issues on private land;
- Log harvesting operations and watershed protection;
- Gravel mining issues including the trade of land for a gravel sorting/storage yard and concrete plant;
- Various oil and gas issues.

Many of these land use type issues ironically, were brought to the City Council by a few of the individuals who now oppose annexation. One could reason that this has all been a part of the process.

Eventually these growth issues will be settled and new ones will arise. It is important that the City of Homer be allowed to grow and continue to provide the high quality of services we have. To not do so, could possibly alter this areas current health and economic direction as well as our general area-wide quality of life. One must ask who would provide for these services if not the City of Homer? Can the Borough do it? Would the State be asked to provide these services?

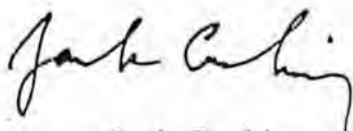
I believe, many people in the area, probably feel we will move forward in a quite civil manner. For example, the President of the Kachemak Nordic Ski Club, although being on the list of those opposed to annexation, has just written a Statewide letter to Nordic Ski Clubs touting the great work done by the City of Homer enabling the construction of ski facilities outside the current City boundaries. This is my experience with many in the area.

Five of the current seven elected offices have stood in support of annexation and won since this process started, and three will be up for re-election this Fall. All issues are being duly examined at the State level. The State Constitution and Regulations are being followed.

In conclusion, growth isn't necessarily easy. I believe the elected officials, have the best interest of the Homer area at heart. We are attempting to provide for what we believe are the services requested, based upon input we have heard from the larger community through out the years.

Thank you for your consideration of this matter tonight.

Sincerely,



Mayor Jack Cushing
City of Homer

From the City of Homer 2-5-02 MLY

Fact Sheet Supporting Homer Annexation of 4.58 Square Miles

- As the only municipality in the Southern Kenai Peninsula, the City of Homer absorbs the financial costs for services such as library, police, port and harbor, water and more, but offers and shares these services with area-wide community residents.
- The City of Homer was incorporated in 1964 and its 21 square mile boundaries have not been extended since incorporation. Uncontrolled development and intensive growth surrounding City limits necessitates extending the 1964 boundaries.
- Population per square mile in Homer is 188 citizens. Within the proposed 4.58 square mile annexation territory the square mile population is 196 individuals. This is greater than that within the City.
- The City of Homer is the only Kenai Peninsula Borough municipal government that is able to provide all Fire and Emergency Services to residents of the 4.58 square mile area recommended for annexation by the LBC. It has been suggested that the Kachemak Emergency Service Area was formed in 2000 "as a direct reaction to the City's annexation petition."
- Increasing the tax base, at a time of decreasing State Revenue Sharing, will enable the City to better sustain and further develop the Homer's infrastructure of services.
- It is estimated that 25% of City water customers live outside the City limits. Water, the very commodity that allows area properties to be financed easier, insured, and ADEC approved, has been available without distinction for years to the area-wide community.
- Since 1992, the City of Homer has budgeted in excess of 1.5 million dollars to area-wide non-profit organizations that support education, recreation, and cultural activities in the Southern Peninsula. Fifty percent of those receiving benefit from these activities and programs live outside City limits.
- The City of Homer continues to support the Chamber of Commerce and the Community Schools program. The organizations are open to area-wide residents; however, only City residents support each through a local mil rate tax assessment.
- The City's port and harbor, a \$100,000,000 asset, is clearly an economic engine for the South Peninsula, and it is available to all without discrimination.
- Annexation and the implementation of planning and development standards, will limit uncontrolled growth and territorial sprawl that presently devalue and denigrate property contiguous to the City.
- Since submitting the annexation proposal to the Local Boundary Commission, four City Councilmen and the Mayor, who announced support for annexation while seeking either election or re-election, have been voted into City office.
- Homer's annexation proposal follows the Constitution and the Legislative process as previously done in over 100 municipal boundary changes since statehood.



City of Homer
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Homer Annexation Considerations

The City of Homer initiated the annexation process by filing a petition with the Alaska Local Boundary Commission to annex 25± square miles of surrounding territory. After two years of public hearings and forums, the City and the Department of Community and Economic Development agreed upon an annexation area of about 4.57 square miles. This area, while smaller, includes the bulk of the commercial and residential development on the borders of the city. Both the City and the Local Boundary Commission recognize annexation as a good idea whose time has come. We hope to demonstrate why annexation will be beneficial to all and why it will help create a more cohesive and economically stronger community.

First, consider the current state of affairs. While Homer city limits have not changed since incorporation in 1964, the City serves an area much greater than its boundaries. Homer residents and many of their nonresident neighbors use a host of services offered by the city and paid for, in the main, by taxes and user fees. While we all pay sales taxes when shopping in Homer, contributing greatly to the city's revenue stream, only city residents also pay a 5.5 mill property tax; an expense not shared by service users living outside Homer. The 5.5 mill property tax raises about 26 percent of the revenue used by the city's General Fund. While user fees support the city's port and harbor, sewer and water systems, which operate as enterprise funds, the General Fund is available as a financing alternative for these funds.

Here is a brief overview of some of the services enjoyed by folks living in the city and in the greater Homer area.

Library

Tens of thousands of people walk through the doors of the Homer Public Library each year – 98,100 this year alone. They come to read, research, use public-access computers and check out books, magazines and videos. In 2000, the library recorded a circulation of 104,000, up 5,000 from the year before.

The library's interlibrary loan program provides local residents access to a huge body of literature and research material from across the nation. Children, especially, benefit from the Homer Public Library. Last year, more than 1,600 youngsters attended weekly pre-school story hours. Public access computers allow residents and nonresidents access to the Internet through the city's high-speed server. This service is so popular that the library now requires sign-up sheets and has to set time limits because of space limitations.

Library data clearly demonstrates that many of the facility's most frequent users live beyond the city limits. More than 50% of the library cards presently issued are to outside city resident. In the present annexation area recommended by the Department of Community and Economic Development, there are more than 360 library card-holders in a population of 898.

Unfortunately, the small building on Pioneer Avenue is woefully inadequate for current demand, much less the growth expected in the next couple of decades. Crammed into that small space are nearly

34,000 volumes. That's a lot, but the number could be much bigger in a larger facility. Libraries need to accommodate more than just books. Homer lacks the funds to construct a new library to house the many library services the community deserves. The additional tax base annexation will provide will help forward this project.

Police

It is simply a fact of life; we don't live in a perfect world. That we are as safe a community as we are is due in no small part to the dedicated men and women of the Homer Police Department. In a time of need, their rapid response to crime or danger is a blessing. Homer officers do their work primarily within the city boundaries, but often are called to aid the law enforcement efforts of the Alaska State Troopers outside Homer. The HPD will immediately respond to any life threatening called received by 911 dispatch. Additionally, HPD responds to all requests made by the Alaska State Troopers for assistance outside city limits.

In fact, the Homer Police Department is much more than patrol officers rolling to crime scenes or ensuring the safety of city streets. It is part of a linked network of agencies. City dispatchers perform their task for City police, the Homer Volunteer Fire Department, the Alaska Fish and Wildlife Protection Service, the Alaska State Troopers, the Alaska State Parks, various search and rescue and civil defense teams, as well as for other fire, rescue and emergency medical services south of Ninilchik, including in Seldovia, Port Graham, Nanwalek, Kachemak Bay Wilderness State Park and the outlying Russian villages from Anchor Point to the head of Kachemak Bay.

During 2001, Homer Police responded to 5,971 incidents including 735 on the Spit and 119 outside city limits. Police data does not indicate the ratio of city to non-city residents involved in those incidents. In all, the Homer Police Department received 6,242 requests for services of all kinds during 2001. There were 462 arrests made and 640 charges filed. Police investigated 436 property crimes – vandalism, criminal mischief, theft, embezzlement, burglary, vehicle theft and arson. They also investigated 83 violent crimes, including sex offenses, robbery, assault and kidnapping. Police responded to 121 motor vehicle accidents that included 15 injuries and issued 1,019 traffic & animal citations and court summonses in 2001. These are not all City of Homer residents, nor are the victims.

The city of Homer provides jail services for Homer, and under an agreement with the State of Alaska, to the wider area as well. That means that residents and non-residents who are arrested must be housed in the City of Homer facility.

In 2001, there were 312 people jailed for City of Homer offenses, while another 174 were state prisoners. The Homer District Court sentenced 118 people to short-term stays in the Homer. In all, 604 prisoners spent time in the Homer Jail in 2001, serving a total of 1,562 prisoner-days.

The department not only investigates major crimes and operates the Homer Jail it also operates the Homer Animal Shelter which is addressed below.

Maintaining the peace is expensive. Annexation will help cover those costs and permit the department to expand services to the new territory by adding personnel and equipment. Homer residents need their neighbors to help ensure the continued effectiveness of this vital public safety service.

Homer Volunteer Fire Department

Few things are as frightening as a fire or dire medical emergency. They strike with little or no warning, and often leave their victims helpless. Like the arrival of police, it is reassuring indeed to hear and see the fire trucks and ambulances roll. And roll they do, not only within the boundaries of Homer, but virtually as far as emergencies demand, very often into the proposed annexation area to fight forest, grass and structure fires, protect surrounding property and save lives. The Homer department provides emergency services to Kachemak City, has mutual-aid agreements with Anchor Point and memorandums

of understanding for assistance with Seldovia, Port Graham and Nanwalek. Firefighters and emergency medical technicians have gone to the Russian villages at the head of Kachemak Bay and responded to fires as far away as the central Kenai Peninsula at the request of state or federal fire officials, well beyond the proposed annexation area.

Homer is proud of its fire and emergency medical teams. Not only do department staff members and the host of volunteers respond in emergencies, they participate in prevention programs designed to make life safer for all of us. The department sponsors and teaches classes for a Fire Science Degree program through Kenai Peninsula College, provides fire prevention materials to the public and area schools. It co-sponsors the annual Homer Bike Rodeo in conjunction with the Safe Kids Fair. Those folks you see distributing and adjusting helmets for young riders are fire and EMS volunteers who work with the local Safe Kids Coalition and its bicycle helmet program. They can also be found instructing parents how to use child car seats properly.

Homer volunteers participate in the PRIDE program, which offers safety training to people with mental disabilities. When fans at Homer High School cheer their Mariners to victory on the gridiron, volunteer emergency medical technicians are there, standing by.

All that expertise comes from hours of training and practice provided by the City of Homer.

In reaction to the City of Homer Annexation petition, the Kenai Peninsula Borough recently created a fire and EMS service area on the south Kenai peninsula. Presently, the only way the Borough can deliver these services is through contract with the City of Homer.

Public Works

Visit a city park, cheer on the youngsters at a Little League game or dash to the fence yourself and snag a fly ball. Take your toddler to play on the seesaw or ride the slide, pitch a tent or park your RV in one of several city campgrounds, drop your child off at the Homer Boys & Girls Club, or just stroll along the broad, open city beaches at low tide. Then thank the Homer Public Works Department for seeing that those parks and recreational areas are built, maintained and safe. General fund monies finance the operation of these amenities as well as a new adult softball complex expected to be constructed during 2002.

Walking along Pioneer Avenue, one can't help but notice how it blooms with color each spring and summer. Mother Nature gets a lot of help from Public Works crews and volunteers who are busy planting and pruning from May to September. Of course, not all of the department's duties are so eye-catching – or, for that matter, particularly obvious.

Frankly, the Homer Public Works Department greases the City of Homer's gears, without which several critical systems would cease to function. The department is responsible for operating the city water and sewer system. City water is available to many nonresidents because the city provides access to that water to commercial bulk water haulers. Many homes outside Homer could not have been financed or occupied had city water not been made available. In 1990 5.3 million gallons of city water was sold to bulk water haulers and by 2000 this had increased to 17 million gallons.

A change in the funding formula for expanding city water and sewer lines to reflect reduced state spending will permit the construction of five new water/sewer districts this summer. In the future, the city enterprise funds will contribute 25% of these costs and property owners 75%. Under the new city tax structure, the city will be able to create a million dollars worth of line extensions each year if neighborhoods vote to do so.

Public Works crews are also responsible for maintaining city streets and keeping them cleared of snow in winter. No matter the weather, city maintained streets are open. Through the use of private contractors with local coordination and Public Works crews, the condition of roads in the annexation area will improve.

Non-city residents use many of these city facilities daily. It is time to more equitably share the expense by becoming part of the City of Homer.

Port & Harbor

The beauty and bounty of Kachemak Bay and Cook Inlet make Homer's port and harbor a Mecca for recreation and enterprise. The Homer Small Boat Harbor fills to capacity in the warm months with every size and variety of vessel. Still, the demand for space exceeds available moorage. The harbor is a 48-acre basin with 772 reserved slips, 4,000 lineal feet of transient floats. The City is presently engaged in a project to add 140 new slips and 800 feet of transient moorage.

The port and harbor provides those boat owners a host of services. The wood and steel grids make repairs easier. Homer's load and launch ramp is a vital link to the sea for recreational and commercial boaters alike. Fishing season means a steady parade of commercial vessels to the Homer Fish Dock, where crews use city cranes to unload their harvest and sell it to dockside buyers. The dock has 483 feet of vessel berthing and eight public cranes. The City of Homer's ice plant can produce 100 tons of flake ice per day. The cold storage facility provides valuable space to commercial fishermen. All of these facilities are publicly owned and available to all.

Recreational anglers use fish-cleaning stations provided by the city to clean their catch, depositing the waste in containers provided at city expense. Scores of charter outfits thrive thanks to the Port and Harbor and the private-sector enterprise it fosters. Indeed, marine businesses have sprung up from one end of Homer to the other and beyond into the proposed annexation area, all because the port and harbor exist.

Meanwhile, Homer's port is attracting an increasing amount of commercial marine traffic. Wood chip ships, log transport vessels and even cruise ships regularly visit the Deep Water Dock. Container barges, the U.S. Coast Guard vessel *Sedge* and the Alaska State Ferry use the city's Main Dock. A new \$11 million dock is presently being constructed to replace the main dock. The new dock was originally named the Kachemak Bay Multi-Purpose Dock, but has been renamed the Pioneer Dock. When this project is complete during the summer of 2002, the dock will be able to accommodate roll-on, roll-off vessels and handle larger container vessels. The dock will be able to accommodate the state ferry *Tustumena* and the larger new ferries. The dock will also accommodate the new larger Coast Guard vessel scheduled to replace the Coast Guard vessel *Sedge*, which is a true Alaska Pioneer vessel. Homer will continue to be Alaska's premiere ice-free port.

All of this has an enormous impact on Homer's economy and, clearly, to the economy of the larger area. More halibut are landed in Homer than any other port in the world. Without the port and harbor, much of Homer's entrepreneurial spirit likely would go unfulfilled.

Clerk's Office

Homer's city clerk's office provides the general public with access to public records, notice of meetings and other city events. Clerk Mary Calhoun attends Homer City Council meetings and records the minutes and her office coordinates the meetings of city commissions, boards, other panels and maintains information kiosks in the City. Her office helps coordinate the sister-city programs for Homer's sister cities Teshio, Japan, and Yelisovo, Russia.

When voters from the Anchor Point to the Kachemak Bay precincts head to their polling places for statewide elections, it is the Homer City Clerk's office that coordinates ballot collection and compiles the local results. In city races, the clerk notifies residents of filing periods and candidates and runs the elections.

When residents seek to work together to improve utilities or roads in their neighborhoods, the city has a procedure for this purpose called the Local Improvement District coordinated through the clerk's office. The clerk's office draws up a petition complete with the names of property owners and the

locations and values of their holdings. Once technical issues have been addressed by Public Works, the clerk gives the petition to the petitioners who then collect the necessary signatures. If enough signatures are collected, the clerk's office prepares an LID resolution for the council. The clerk's office is the face the public sees throughout the process of improving neighborhood water service, sewers and roads.

Planning

A crucial element of the city's ability to function efficiently is its capacity to plan for the future. For a city of several thousand independent-minded citizens to run smoothly, there must be ways to avoid land-use conflicts or help resolve them when they arise. Through written guidelines and permits, city planners promote safety, protect public health and help guide development. Planning is best done locally, by neighbors who live with the results.

Planning personnel also develop policy recommendations, provide staff support for the Homer Advisory Planning and Zoning Commission, aid in the processing of conditional use permits and variances, work on revisions of the city's Comprehensive Plan and help neighborhoods plan for the future.

Good planning can prevent a lot of heartache. With that in mind, Homer has divided the city into zones where specific types of activities are encouraged and others prohibited. That's why you won't find junkyards in residential neighborhoods or industrial shops amid office complexes in the City of Homer, except where those conditions predated the city's zoning ordinance and hence, enjoy grandfather status.

Other city requirements prevent water sources from being spoiled, protect the integrity of streams beds and ensure that development meets minimum standards.

This year the City will complete a GIS center at City Hall which will be a tremendous planning aid for all departments. The City of Homer will have the same technology resources as the Kenai Peninsula Borough, 85 miles to the north.

Animal Shelter

The city is working to find the funds and build a new animal shelter. The current facility is completely inadequate. Indeed, if city officials could snap their fingers and provide a better animal shelter overnight, they would. While desperately needed, unfortunately, a new animal shelter is not the only vital project the city needs to complete.

Despite its inadequacies, the small facility on the Homer Sterling Highway is shelter for lost, abandoned or turned-in cats and dogs from throughout the entire lower Kenai Peninsula. Looking at the recent statistics, between January and August of 2001, the shelter received 86 strays from inside Homer, 80 from outside. Some 94 Homer resident owners turned in animals, 150 did so from beyond city limits. The shelter also boards animals, reunites lost critters with their owners and finds new owners for those with no homes without regard to residency.

The point is, the Homer Animal Shelter provides a service to the entire area. It would help, as the Kenai Peninsula Borough does not fund animal control services, if Homer had a broader tax base to operate this vital program.

An architect has been retained to start working on the design of the facility with the help of a volunteer design committee. Hopefully, funding will be in place for construction this year.

City Support of Area-wide Organizations

Since 1992, the City of Homer has spent in excess of \$1.5 million to help fund non-profit organizations such as the Pratt Museum, Homer Council of the Arts, Kachemak Ski Club, Kachemak

Nordic Ski Club, Homer Food Pantry, Bunnell Street Gallery, Homer Head Start, Snomads Snow Machine Club, The Homer Foundation, Pier 1 Theatre, Community Schools, Homer Hockey Association, Kachemak Gun Club, Homer Little League, Women's Services and the Homer Boy's & Girl's Club. These are the organizations that provide education, recreation, cultural activities and a helping hand on the Southern Kenai Peninsula. At least fifty percent of those benefiting from these activities and programs live outside City limits. The City of Homer budgeted an additional \$45,000 to support the Homer Chamber of Commerce. \$30,000 of this is used to promote the Homer area and its businesses and \$15,000 is to partially fund the Business Development Center.

All of these organizations are open to area-wide residents; however, only City residents support them through property taxes.

Conclusion

While this is a fairly impressive list of services, it is just an overview. The fact is, though we get a lot for our money, a broader tax base is necessary to help keep it that way. Contrary to what many believe, the added property taxes new residents would pay wouldn't amount to a great individual expense.

Today, non-city residents in the annexation area who own real property pay a combined 11.35 mills in real property taxes:

Borough	7.00 mills
Road Service Area	1.00 mill
Hospital	1.50 mills
Kenai Pen. College	0.10 mill
Kachemak Emergency Services [Fire & EMS]	1.75 mills = 11.35 mills total

Meanwhile, city residents pay a combined 14.10 mills:

City of Homer	5.50 mills
Borough	7.00 mills
Hospital	1.50 mills
Kenai Pen. College	0.10 mills = 14.1 mills total

If non-city property owners are annexed and become city taxpayers, they would cease paying the 1 mill for the borough road service area and the 1.75 mills for the fire service area, but instead would pay the 5.5 mills levied by the city.

The difference between what city and non-city residents now pay amounts to just 2.75 mills. That is \$275 a year for a \$100,000 home. Looked at a different way, for all the services and opportunities listed above, being part of Homer would cost the new resident tax payer less than \$.76 cents a day for every \$100,000 worth of real property they own. This is within a few pennies of the cost of a daily newspaper

The new revenues generated by property taxes in the proposed annexation area are estimated at roughly \$313,000. Sales tax revenues from this area should generate approximately \$484,000. This means the city can strengthen its current services and broaden their availability in the larger area. Facilities can be upgraded and then perhaps taxes can be lowered. Thus, annexation will be beneficial not only to Homer's newest residents, but to its current residents as well.

Annexation in Homer represents value and fairness!

HOMER WATER RESERVOIR
CITY WATER SUPPLY
PROPERTY OF CITY OF HOMER

HOMER WATER TREATMENT PLANT
PROPERTY OF THE CITY OF HOMER

AT THE REQUEST OF
PROPERTY OWNERS,
THIS WAS ADDED TO
ANNEXATION AREA AT
LOCAL BOUNDARY COMMISSION
HEARING IN HOMER

AREA RECOMMENDED
BY LOCAL BOUNDARY
COMMISSION FOR
ANNEXATION

CURRENT
CITY OF HOMER

See legal description prepared
by the Local Boundary Commission
for exact boundary locations.

GRAPHIC SCALE 0 2500 5000 7500

REVISION		REVISION	
BY	DATE	BY	DATE



CITY OF HOMER, ALASKA
PUBLIC WORKS DEPARTMENT
3575 HEATH STREET
HOMER, ALASKA 99603
PHONE: (907) 235-3170
FAX: (907) 235-3145

DATE:	
SCALE:	
DESIGN:	
DRAWN BY:	
CHECKED BY:	
APPROVED BY:	

**PROPOSED
ANNEXATION
AREA**
Drawing Status: Updated: 2/2002

PROJECT NO:	
SHEET:	1
OF:	1

PERKINS COIE LLP

1029 WEST THIRD AVENUE, SUITE 300 · ANCHORAGE, ALASKA 99501-1981
TELEPHONE: 907 279-8561 · FACSIMILE: 907 276-3108

January 31, 2002

Senator John Torgerson
Chair Senate Community & Regional
Affairs Committee
State Capitol, Room 427
Juneau, AK 99801-1182

Representative Kevin Meyer
Co-Chair, House Community & Regional
Affairs Committee
State Capitol, Room 110
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Representative Carl Morgan
Co-Chair, House Community & Regional
Affairs Committee
State Capitol, Room 434
Juneau, AK 99801-1182

Re: City of Homer Annexation — Shortening of Incumbents' Terms

Dear Senator Torgerson and Representatives Meyer and Morgan:

In connection with the Local Boundary Commission recommendation concerning City of Homer's annexation petition, some have argued that the terms of the Mayor and City Council members, the elected officials of Homer, should be shortened to allow voters in the annexed territory an immediate opportunity to vote for new officials. The Boundary Commission found that such action was not merited on the facts.

As the attorney for the City of Homer, I now write to explain that it would be unlawful and unwise to force a shortening of the incumbents' terms.

[13126-0201/AA020170.017]

I. The Terms of Office of Elected Officials Are Set By Law and Cannot Be Shortened For Current Incumbents

According to law, city council terms are three years, and a change in the length of terms cannot be effective as to a current member, except in cases of change in composition or apportionment. AS 29.20.150 provides

(a) A member of the governing body is elected for a three-year term and until a successor qualifies, unless a different term not exceeding four years is prescribed by home rule charter or ordinance.

(b) Except when otherwise required by a change in composition or apportionment, if the term of a member of a governing body is changed by charter or ordinance the term of the member holding office when the change becomes effective is not affected.

Homer has not adopted an ordinance to prescribe a different term for council members. Every year two council members are elected for three-year terms.

The term of the Mayor of the City of Homer is governed by AS 29.20.230(a) and Homer City Code. The statute provides:

The mayor of a borough or first class city is elected at large. The mayor of a borough or first class city serves a term of three years, unless by ordinance a different term not to exceed four years is provided. The current term of an incumbent mayor may not be altered. ...

The City of Homer has, by ordinance, provided for a two-year term for mayor, HCC 1.24.030. The incumbent mayor's term expires in October 2002.

Because the annexation of territory to the City of Homer involves neither a change in composition (six members elected at-large) nor an apportionment, the incumbent city council members' terms cannot be shortened. The term of the office of the incumbent mayor can not be changed in any event. Any attempt by the Local Boundary Commission or the City to change the terms of office of the current incumbents would violate AS 29.20.150(b) and 29.20.230(a).

January 31, 2002

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No other statute or regulation gives authority to change the terms of current elected officials, neither expressly nor by implication.

Therefore, any LBC action or City of Homer ordinance attempting to shorten the terms of incumbents would be unlawful.

II. Stability of Public Affairs Is a Compelling Need That Outweighs the Interests of Annexed Residents In Voting Immediately for New Elected Officials

Opponents of Homer's annexation have argued annexing them into the City without electing an entirely new slate of elected official is unfair, and that it deprives them of opportunity to vote for elected officials to represent them.

Our Court has already addressed a strikingly similar argument — that elected officials should be ousted to accommodate the voting rights of a sudden influx of new voters brought into the jurisdiction by judicial decree, which was the functional equivalent of annexation. The Court concluded that the need for stability in local public affairs is compelling and outweighs the interests of those new residents in voting to replace lawfully elected incumbents. *Jordan v. Reed*, 544 P.2d 75 (Alaska 1975).

In the *Jordan* case, residents of the Eagle River-Chugiak area, acting on special statutory authority granted in Chapter 145 SLA 1974, voted to form a new borough to be carved out of the Greater Anchorage Borough. It was officially incorporated and began the business of governing.

Meanwhile, after the formation of the Eagle River-Chugiak Borough, the Greater Anchorage Area Borough proceeded about its business, electing a school board, voting to authorize about \$8,000,000 in bonds, electing assembly members, approving a home-rule charter, and electing a Charter Commission.

Subsequently, the Supreme Court in *Abrams v. State*, 534 P.2d 91 (Alaska 1975), declared Chapter 145 SLA 1974 unconstitutional. As a consequence, the Eagle River-Chugiak Borough was suddenly dissolved and "automatically reincorporated" into the Greater Anchorage Area Borough.

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One of the major issues in the *Jordan v. Reed* case was whether the residents of Eagle River-Chugiak who were thus "automatically reincorporated" into Anchorage were unconstitutionally denied the right to vote for the Charter Commission, which was elected by Greater Anchorage Area Borough voters during the time the Eagle River-Chugiak Borough was in existence. The Court observed that the right to vote is fundamental, and its denial ought to be strictly scrutinized by the courts. With those principles in mind, and applying the appropriate standard of constitutional review, the Court found the following considerations outweighed the right to vote in these circumstances:

We have previously held that political subdivisions have a compelling state interest in stability in public affairs, which may be implemented by residency requirements for candidates for public office. We see no reason why that decision ought not, by analogy, extend as far as acknowledging a compelling state interest in having an electorate reside in the governed area. When denial of the right to vote, based on apparently valid laws which do not create suspect classification, is weighed against the compelling state interest of stability in public affairs, and the denial bears a direct and substantial relation to the state interest, the balance weighs in favor of upholding the challenged election.

Jordan v. Reed, 544 P.2d at 81.

It was also contended that it was fundamentally unfair to deprive the residents of Eagle River-Chugiak the right to vote on the members of the new Charter Commission. They claimed it would "thrust upon them a government they had no part in selecting." *Id.* In rejecting this claim, the Court stated:

Appellees, on the other hand, argue that the realignment of political boundaries which occurred as a result of the *Abrams* decisions is functionally equivalent to an annexation. We find this argument, and the case authority cited in support, persuasive. The general rule regarding annexation is summarized in 2 McQuillin, *Municipal Corporations*, § 7.10 at 857 (3d ed. 1966), where it is stated:

When territory has been lawfully and finally annexed, the new area becomes, *ipso facto*, a part of the municipality subject to municipal jurisdiction and it may be governed as the original municipal territory was governed prior to the change. ...

In annexation cases it can also be argued that it is unfair to place individuals under the authority, and the existing obligations, of a political entity they had no part in fashioning. Yet, to do otherwise could, in our view, create an intolerable burden upon the annexing entity.

Id. at 81-82.

As the *Jordan* court recognized, it is intolerably dangerous to destabilize local public affairs by undoing valid elections properly held before the annexation, even when the annexation involves a significant number of voters. *See also Kentopp v. Anchorage*, 652 P.2d 453, 463 (Alaska 1982). There is a compelling need for stability in elections, as well as in municipal bonds, ordinances, taxes, and all manner of municipal acts approved before annexation, all of which, it could be argued, are also "thrust upon" the annexed residents without their participation. If one concludes that being "thrust upon" by annexation justifies ousting properly elected officials of the city, then there is no logical place to stop before throwing out all of the actions approved by the city under the governance of such elected officials and their predecessors. While opponents of Homer's annexation may be thrilled with this result, it would, as *Jordan* stated, create an intolerable burden on the City. This result is not wise or good public policy. Destabilization or destruction of the City of Homer government would harm the interests of all the people of the Homer area as well as the interests of the State as a whole.

The compelling interest in the stability of Homer's public affairs will outweigh any claim that the newly-annexed voters should immediately have a vote to elect new officials. The Court will not approve ouster of the current elected officials for this purpose. *Kentopp v. Anchorage*, 652 P.2d 453 (Alaska 1982).

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III. Any Formal Shortening of Terms Is Contrary to the Voting Rights of Current City Resident Voters

Not only would ousting the current elected officials destabilize public affairs, but it would also diminish the voting rights of those qualified electors who validly elected them to office.

As non-residents of the City, people in the proposed annexation area were not entitled to vote in City elections held before the annexation. After the effective date of annexation, they will be qualified to vote and run for office in every election. That is as it should be. The right to vote for elected officials is reserved to the residents of the City at the time they are elected. There are compelling reasons for this result, but there is no compelling reason to oust incumbents and thereby frustrate the will of the voters who validly put them in office.

For every argument that it is unfair to some 900 new residents to make them wait until the end of incumbents' respective terms to vote for new council members, there is a weightier counter argument that it is unfair to nearly 4000 existing residents to have their valid exercise of political will disregarded by the premature ouster of their elected representatives.

To remove the current elected officials from office at this stage would be an arbitrary act, because there is no statutory authority for the removal nor standards by which to judge which, if any, terms should be ended. Just as the right to vote is fundamental, and abridgements of that right are subject to strict scrutiny, see *Jordan v. Reed*, so should the ouster of the officials elected by exercise of the fundamental right to vote be viewed with strict scrutiny. Depriving the people of the effect of their vote in this manner must be justified by a compelling need. *Kentopp v. Anchorage*, 652 P.2d 453, 463 (Alaska 1982) ("the intrusive remedy of court ordered truncation is only warranted when supported by compelling considerations.") As concluded by *Jordan v. Reed*, discussed above, the desire of newly annexed citizens to vote for a new slate of officials is not compelling.

If compelling need is at one end of the spectrum, then arbitrariness would be near or at the opposite end of the spectrum. The Local Boundary Commission must not be arbitrary in its actions, but rather it must make its decisions based on written standards. On December 12, 2001, the Dept. of Law issued an opinion, No. 663-02-0090, on the subject of "Authority of Local Boundary Commission to require

truncation of terms of governing body in annexation proceeding." The opinion concludes that the LBC does not, in the absence of preestablished standards, have discretionary authority to require truncation of city council terms as a condition of approving annexation. On that point the conclusion is surely correct for the reasons stated in the opinion.¹ A standardless decision to shorten terms would be arbitrary.

Reference has been made to the governor's former authority to truncate terms of state legislators as "incidental to his general reapportionment powers." *Egan v. Hammond*, 502 P.2d 856, 874 (Alaska 1972). However, annexation is not analogous to reapportionment, nor do the facts in the Homer case even approach the magnitude of concern that might justify truncating terms in the reapportionment context.

The six Homer City Council members are elected at large, with two being elected every year on staggered three-year terms. Those brought into the city by annexation will be entitled to vote in every election following annexation, and their votes will instantly carry equal weight with every other voter in the city.

In contrast, reapportionment addresses unequal voting power in which residents of one district have disproportionate power in legislative elections. Reapportionment is intended to eliminate such disproportionate voting and invidious discrimination. It does not result in the immediate election of a whole new legislature, but it may result in shortening terms of particular legislators in extraordinary circumstances.² For

¹ The Department of Law goes on to opine that the LBC has authority, under current law, to promulgate and apply regulations for truncating terms of elected officials as a condition for approval of future boundary changes. With that conclusion we disagree. Absent change of composition or reapportionment, neither of which is present here, the shortening of terms of incumbents is prohibited by AS 29.20.150 and .230. The ordinary rule following annexation is that ouster of incumbents does not occur, see *Jordan v. Reed*, discussed above. No one has pointed to any reported case approving the ouster of elected incumbents as a condition of annexation. The power to shorten incumbent terms is not implied in the power to approve annexations. The LBC does not have, and should not assume the power to change the terms of incumbent elected officials as a condition of annexation unless first granted by statute enacted by the Legislature.

² In ordinary circumstances, reapportionment does not require truncation of terms following redistricting. *Gaona v. Anderson*, 989 F.2d 289 (9th Cir. 1993), even when the shift of population into and out of a voting district is greater than 50%, *Kentopp v. Anchorage*, 652 P.2d 453, 463 and n.11 (Alaska 1982).

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instance, one of the cases that *Egan v. Hammond* relied on for that proposition is *Moss v. Burkhart*, 220 F. Supp. 149 (D. Oklahoma 1963), affirmed *Williams v. Moss*, 378 US 558, 84 S. Ct. 1907 (1964). In *Moss* the misapportionment was so bad that 31% of the population had the power to elect a majority of the state house. The size of house districts ranged from 11,700 in population to 62,800, while senate districts ranged in size from 24,400 to 115,300. Furthermore, the court concluded that this arbitrary and invidious discrimination was purposeful, and the state legislature essentially refused to correct it. If the terms of incumbents were not shortened, this discrimination would continue for many years. In such egregious circumstances it was found necessary to drastically rearrange voting districts, necessitating the shortening of incumbent terms, in order to eliminate this clearly unconstitutional apportionment.

There are no such unconstitutional infirmities with the City of Homer voting procedures. When the annexed territory is included, there will be no voting rights discrimination against the new residents. See *Jordan v. Reed*. The power to shorten terms implied in reapportionment, sometimes necessary to address unconstitutional voting districts, simply has no application in a case such as this.

The voting rights of those who elected the incumbents to office are entitled to just as much consideration as the voting rights of those who will be annexed. Indeed, as concerns their respective rights in elections prior to annexation, the voting rights belong entirely to those who then resided in the city. The effect of their votes should never be taken away arbitrarily. Perhaps their rights can be diminished for a compelling reason, but the only compelling need present in this matter is to maintain stability in local public affairs. There is nothing present in this case to justify conditioning annexation on the premature termination of all of Homer's elected representatives.

IV. Voluntary Resignations of Elected Officials Will Not Result in a New Election of Council Members, and May Not Result in the Election of a New Mayor

A vacancy in the office of mayor occurring six months before a regular election is filled by an appointment by the governing body. A vacancy in this office occurring more than six months before a regular election is to be filled by special election. AS 29.20.280(b), and Homer City Code § 1.24.050. Whether by appointment or

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special election, a mayor filling a vacancy will serve only until the next election in October 2002, when the term of the current Homer mayor will expire in any event.

Under both AS 29.20.180 and Homer City Code § 1.24.050, a vacancy in the office of city council member created by resignation is filled by an appointment made by the remaining members of the council regardless of when it occurs. If the membership is reduced to less than a quorum, the remaining members are authorized to appoint a sufficient number to constitute a quorum. Therefore, a vacancy created by resignation of a city council member will be filled by appointment, not election.

The only conceivable way resignations could result in the election of new council members is if all simultaneously resign with simultaneous effective dates. This is extremely unlikely to happen, because it would require unanimous agreement among the council members that this is a good idea. As discussed above, this is not a good idea. A mass resignation would be dangerous and unwise because it would cause a destabilization of the local government and public affairs of Homer. There are very compelling reasons not to do this, but no compelling reasons for it.

In conclusion, prematurely ending the terms of all the incumbent elected officials as a condition of annexation is unlawful, unnecessary, and unwise. There are compelling policy and legal reasons why it should not be done. Even without such drastic action, the new residents of Homer will instantly have an equal vote in all future elections. Three of the seven elected officials' terms are scheduled to end in October of this year, which quickly gives the new voters a very substantial opportunity to affect the selection of the mayor and one-third of the city council. This will be accomplished in an orderly fashion while the stability of local public affairs is fully maintained. Both as a legal matter and as a matter of public policy, this is much the better choice.

As additional resources for your review I am attaching:

1. Memorandum (5 pages) from Marjorie Vandoi, Asst. Attorney General to Commissioner Deborah Sedwick, DCED, December 12, 2001, File No. 663-02-0090, Subject: "Authority of Local Boundary Commission to require truncation of terms of governing body in annexation proceeding."

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2. Memorandum (2 pages) from Senator John Torgerson to Tam Cook, Legal Services, January 2, 2002, Subject: "Legal Opinion - Annexation Issues."
3. Memorandum (3 pages) from Tamara Brandt Cook, Director, Division of Legal and Research Services, Legislative Affairs Agency, to Senator John Torgerson, Senate Community and Regional Affairs Committee, January 9, 2002, Work Order No. 22-LS1270, Subject: "City of Homer annexation."

Thank you for your careful consideration of the issues addressed in this letter.

Very truly yours,

Gordon J Tans

GJT:gjt

Attachments

cc: Senators Austerman, Phillips, Lincoln, Kelly and Ward
Representatives Halcro, Scalzi, Murkowski, Guess, Kerttula,
Lancaster and Chenault
DCED - Dan Bockhorst


MEMORANDUM**State of Alaska
Department of Law**

To: The Honorable Deborah Sedwick
Commissioner
Department of Community &
Economic Development

DATE: December 12, 2001

FILE NO.: 663-02-0090

TELEPHONE NO.: 465-3600


FROM: Marjorie Vandor
Assistant Attorney General
Governmental Affairs Section -
Juneau

SUBJECT: Authority of Local Boundary
Commission to require
truncation of terms of
governing body in annexation
proceeding

You have asked for an opinion from this office as to whether the Local Boundary Commission (LBC) has the authority to require truncation of terms of elected officials of an annexing municipality. And, if so, can the LBC exercise such authority in the short-term absent regulations establishing standards and procedures for truncation of terms. In brief, it is our opinion that the LBC does not have the authority to require truncation of terms as a condition of approving a petition for annexation absent regulations establishing standards and procedures for truncation. However, it is our opinion that LBC has adequate constitutional and statutory authority to adopt such standards. The LBC also can recommend to the annexing city that it consider truncation of terms of the city council through passage of an appropriate ordinance if the LBC determines it to be appropriate.

1. Powers of the LBC -- Annexation Petitions

Under AS 29.06.040, the LBC may consider any proposed municipal boundary change. The LBC may also amend the proposed change and may impose conditions on the proposed change. If the LBC determines that the proposed change, as amended or conditioned if approved, meets applicable standards under the state constitution and commission regulations and is in the best interests of the state, it may accept the proposed change. Under AS 44.33.812(a)(2), the LBC is required to adopt regulations adopting standards and procedures for annexation.¹ The current standards for annexation to cities are set out in 3 AAC 110.090 -- 3 AAC 110.150.

¹ AS 44.33.812 (a)(2) reads: "The Local Boundary Commission shall . . . (2) adopt regulations providing standards and procedures for municipal incorporation, annexation, detachment, merger, consolidation, reclassification, and dissolution." (emphasis added).

The Honorable Deborah Sedwick, Commissioner
Department of Community & Economic Development
Re: Authority of LBC to truncate terms

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While population of the existing city and the territory proposed for annexation are listed as relevant factors the LBC may consider in annexation proceedings, there is no criteria in the regulations to guide the LBC as to when it may condition approval of a city annexation petition on truncation of terms of the city council to address an increase in population to the city. Such standards would conceivably address percentage of increase in population, date of the next general election, number of council seats up for election based on staggered terms, and whether council members are elected at-large or by another method (i.e., by district). These are variables which we believe a court would find should be established in regulation in order to provide the commission with standards as well as to promote informed, public participation in the annexation process.

The Alaska Supreme Court while determining that the Local Boundary Commission enjoys broad discretion with respect to whether it approves of a proposed boundary change, has also held that development of standards is a precondition to the commission's exercise of its discretion. *United States Smelting, R & M, Co. v. Local Boundary Com'n*, 489 P.2d 140, 143 (Alaska 1971) (before the commission held hearings and prior to submitting annexation proposal to legislature, it was obligated to comply with the requirement of (former) AS 44.19.260(a)(2)² that it develop standards for changing local boundary lines). Conditioning an annexation petition on a requirement that terms of existing city council members be truncated is a condition that we believe goes beyond the normal scope of the annexation standards currently considered by the LBC as set out in its own regulations.

On the issue of the LBC's broad discretionary powers, you cite several state reapportionment cases as a potential basis for finding authority of the LBC to require truncation in the instant proceeding. We have reviewed those cases, but do not believe that the LBC enjoys the same degree of discretion afforded the governor in reappropriation of legislative seats. See *Groh v. Egan*, 526 P.2d 863 (Alaska 1974); *Egan v. Hammond*, 502 P.2d 856 (Alaska 1972). In those cases, wherein the governor's reapportionment plan resulted in the truncation of several senate seats, the Court equated the governor's constitutional authority to reapportion the legislature³ and truncate terms to a regulation adopted under a delegation of authority from the legislature to an administrative agency to formulate policy and promulgate regulations. *Groh*, 526 P.2d at 880-1; *Egan v. Hammond*, 502 P.2d at 873-4. The governor was not required to adopt

² Now AS 44.33.812(a)(2).

³ Former Art. VI, secs. 3 - 10 of the Alaska Const. (amended 1999; governor no longer adopts plan; current law provides for a plan adopted by a redistricting board consisting of members appointed by the three branches of government).

The Honorable Deborah Sedwick, Commissioner
Department of Community & Economic Development
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regulations before exercising his authority under the constitutional provisions providing the power to adopt a reapportionment plan. In contrast, the LBC is an administrative agency that has been delegated authority to adopt regulations by the legislature and is actually mandated to do so in certain instances. See *U.S. Smelting*, 489 P.2d at 141-2. Notwithstanding the LBC's constitutional origin, it has been determined by the Alaska Supreme Court that the LBC's exercise of discretion in boundary changes must be based on developed standards as a precondition to exercising its discretion. *Id.* We believe a court would so hold here -- that development of standards for determining when truncation of terms of a city council is a condition for approving an annexation petition is prerequisite to exercising such discretion by the LBC.

2. At Large Representation: Power of City to Pass Ordinance to Truncate Terms

The City of Homer, like most first class cities, elects its six council members on an at-large basis. AS 29.20.130.⁴ Assuming the annexation petition is approved, persons residing in the annexed territory will be represented by all members of the existing Homer city council. Then, in October 2002, based on the current staggered terms, the mayor and two council member seats will be up for election.¹ At that election, the people in the annexed territory will have the opportunity to run for office as well as vote for at least three city officials within the first seven months after annexation is effective.⁵ While voters in the annexed territory may be considered to be temporarily disenfranchised since they did not have the opportunity to vote for any of the current members of the council, the disenfranchisement is temporary (i.e., 7 months). Further, considering that all current council members are elected at-large, they will assume the constituency living in the annexed territory on the effective date of the annexation.

In the event truncation remains an issue beyond the LBC proceedings, the city of Homer has the authority to provide, by ordinance, for election of members other than on an at-large basis for all members. AS 29.20.130. And, the city council may pass an ordinance to truncate terms of its current council members.⁶ With the ability of the

⁴ AS 29.20.130 reads: Each first class city has a council of six members elected by the voters at large. Each second class city has a council of seven members elected by the voters at large. The council of a first or second class city may by ordinance provide for election of members other than on an at-large basis for all members.

⁵ If the annexation petition is approved by the LBC and not disapproved by the Alaska Legislature, it will become effective in March 2002. AS 29.06.040(b).

⁶ See AS 29.20.150 (term of office); AS 29.35.250 (powers of cities within boroughs); AS 29.35.100 (a liberal construction shall be given to all powers and functions of a municipality conferred in this title).

The Honorable Deborah Sedwick, Commissioner
Department of Community & Economic Development
Re: Authority of LBC to truncate terms

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city to address truncation of terms at the local level, the LBC may want to recommend that the city consider adopting such an ordinance, particularly if the approved annexation results in a substantial increase in population.

Lastly, we are mindful that the Homer city annexation petition has the potential of increasing the population of the city by an estimated 56% (if approved with the amount of territory sought in the original petition) or by an estimated 22 % (if approved with the amount of territory recommended by DCED staff in its preliminary and final reports). And, while truncation may well be an appropriate tool to apply in conjunction with substantial population increases resulting from a boundary change, there are simply no provisions of law or regulation to guide the LBC in making such a determination. This differs greatly from the municipal charters and state statutes setting out when reapportionment of assemblies is to occur (AS 29.20.080 - 29.20.120). Yet, even under an established reapportionment process, the Alaska Supreme Court has determined that when a governing body is composed of members elected in staggered terms, the temporary disenfranchisement of transferred voters is an inevitable consequence of the reapportionment and this does not constitute invidious discrimination in violation of the constitutional guarantee to equal representation. *See Kentopp v. Anchorage*, 652 P.2d 453, 461 (Alaska 1982) (although a substantial number of Anchorage voters were transferred into new districts, the resultant temporary disenfranchisement is, at worst, no greater than that generally imposed on residents who move into an Assembly district or who become of voting age shortly after an election has taken place). Further, it has been held that continuity and stability associated with a staggered schedule of elections, which would be lost if the terms of all members were truncated, supports a decision to reject truncation. *Id.* at 462.

3. Conclusion

In conclusion, it is our opinion that the LBC does not, absent regulations, have discretionary authority to require truncation of terms of the city council of Homer as a condition to approving the petition for annexation presently being considered. In the event the LBC determines that truncation of terms is appropriate, it may recommend to the city council that it pass an ordinance addressing the matter. Finally, it is our opinion that the LBC has the authority to promulgate regulations to establish standards and procedures dealing with truncation of terms to be applied in future boundary change petition reviews.

If you have questions regarding this advice, please do not hesitate to call.

The Honorable Deborah Sedwick, Commissioner
Department of Community & Economic Development
Re: Authority of LBC to truncate terms

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cc: The Honorable Drew Scalzi
Alaska House of Representatives

Dan Bockhorst, Staff (LBC)



ALASKA STATE LEGISLATURE

SENATOR JOHN TORGERSON

- ♦ CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
- ♦ CHAIR, SENATE RESOURCES COMMITTEE
- ♦ CHAIR, JOINT COMMITTEE ON NATURAL GAS PIPELINES

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 State Capitol, Room 427, Juneau, AK 99801
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MEMORANDUM

DATE: January 2, 2002
 TO: Tam Cook, Legal Services
 FROM: Senator John Torgerson *J. Torgerson*
 RE: Legal Opinion – Annexation Issues

The Local Boundary Commission (LBC) has issued a decision on the City of Homer's 2000 annexation petition of some 25 square miles – they reduced it to some 4.5 square miles.

At this point, I have four specific issues which I need clarified.

1. Does the newly adopted language in HB 13 (passed in 2001) apply to this "detachment"?¹
2. When will the City be required to hold elections to provide representation for the newly annexed population? ²
3. Is the LBC able to make a determination that will result in a City's receiving more tax funds than it will expend for services in the new area?³
4. Who is responsible for ensuring that the City of Homer complies with the service expansions and funding they have proposed to the LBC?

¹ As background, note that there are three service areas in the 4.58 detached area. One is a hospital service area, formed some 30 years ago, that affects all city and non-city residents in the lower peninsula. One is a road service area, formed some 20 years ago. The last is a fire service area, formed in 2000 as a direct reaction to the City's annexation petition.

² The population of the annexed area will increase the size of the municipal population by some 20%. Assuming the Legislative Review process is adopted according to the LBC determination, I believe the effective date is immediate. Discussion of issues like zoning, planning, road standards, and service provisions will presumably be undertaken by the City shortly after the effective date and without an election for city council, the newly annexed area will not have had the opportunity to determine representation.

³ For example, assume that the new area is expected to generate \$1.5 million in taxes but the only municipal service that can be provided, roads, is expected to cost only \$0.5 million, generating a net of \$1.0 million in profit to the municipality.

REPRESENTING THE KENAI PENINSULA

Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Frazz Creek Happy Valley Halibut Cove Homer Hope Kachemak Bay Kachemak Bay
 Kaslof Lawell Point Mowat Pass Nunavak Nabalutak Nuvikok Port Graham Rozhnova Seward Selliana Soldotna Staruk Sterling Vucnetenka

MEMORANDUM (-continued)

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TO: Tam Cook
FROM: Senator Torgerson
RE: Legal Opinion – Annexation Issues

As background information, I am providing these documents:

1. 11/7/01 Memorandum from Commissioner Sedwick (hand written as Legal Request #1) RE: Truncate Terms (5 pages)
2. 12/12/01 Memorandum from AG Marjorie Vandor as response to above, 5 pages total. (handwritten as Response to ... #1)
3. 11/7/01 Memorandum from Commissioner Sedwick (hand written as Legal Request #2) RE: AS 29.35.450(c) (7 pages)
4. 12/12/01 Memorandum from AG Marjorie Vandor as response to above, 1 page total. (handwritten as Response to ...#2)
5. 12/21/01 Letter from Erwin & Erwin RE: AB opinion above, 2 pages total.
6. LBC Statement of Decision – 12/26/01 (43 pages)

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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MEMORANDUM

January 9, 2002

SUBJECT: City of Homer annexation (Work Order No. 22-LS1270)

TO: Senator John Torgerson, Chair
Senate Community and Regional Affairs Committee

FROM: Tamara Brandt Cook
Director

TBC

Along with other materials relating to the proposal, you have supplied me with a Statement of Decision by the Local Boundary Commission (LBC) in which the LBC has determined that it will submit a recommendation for the annexation of 4.58 square miles to the City of Homer to the legislature under Article X, sec. 12 of the state constitution. You also indicate that the area or portions of the area proposed for annexation are currently within three service areas: a hospital service area, a road service area, and a fire service area. The annexed area will increase the size of the city population by about 22 percent. You ask several questions about the proposed annexation.

(1) Does the newly adopted language in HB 13 (passed in 2001) apply to this "detachment"?

The LBC Statement of Decision notes on pages 41 and 42:

The Commission stipulates that, to the extent the 4.58 square miles approved for annexation to the City of Homer lies within the Kenai Peninsula Borough Road Service Area and the Kenai Peninsula Borough Kachemak Emergency Service Area, the annexed territory shall, under Article X, sec. 12 of the Constitution of the State of Alaska and other principles of law, be detached from those borough service areas as a result of annexation of the territory to the City of Homer.

The hospital service area already includes the City of Homer and will, apparently, continue to function as constituted so does not present an issue.

AS 29.35.450(c) was added by HB 13 (ch. 31, SLA 2001). That subsection prohibits the alteration of a service area that provides road or fire protection services unless the change is approved by the voters. However, AS 29.35.450(a) permits a borough to include a city in a service area only if the city agrees by ordinance. Furthermore, the LBC has a constitutional right to present any proposed local boundary change to the legislature and,

Senator John Torgerson
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therefore, cannot be prevented from proposing the annexation of property that is within a borough service area to a city. Therefore, I agree with the LBC that, under AS 29.35.450(a), the Homer annexation will have the affect of removing the annexed areas from the borough service areas. While the matter has not been considered by a court, I think that it is more likely that a court would find that AS 29.45.450(c) has no application when a change to a service area results from an annexation that is recommended by the LBC under its constitutional authority, Art. X, sec. 12. This result serves the purpose articulated under Art. X, sec. 1 of the state constitution of providing for "maximum local self-government with a minimum local government units..." and appears to be supported by the reasoning in Fairview Pub. Util. Dist. No. 1 v. City of Anchorage, 368 P.2d 540 (Alaska 1962), appeal dismissed and cert. denied, 371 U.S. 5 (1962).

You suggest that the fire service area was formed in 2000 "as a direct reaction to the City's annexation petition." If so, that service area was probably invalidly established. Art. X, sec. 5 states in part: "A new service area shall not be established if, consistent with the purposes of this article, the new service can be provided by an existing service area, by incorporation as a city, or by annexation to a city."

(2) When will the City be required to hold elections to provide representation for the newly annexed population?

There is nothing in state law that requires special elections as a result of annexation or that prevents the City from holding elections at the normal dates when the terms of members of the council expire. AS 29.20.080 sets out a system for reapportioning an assembly, but it has no application to a city council. It does not even apply to an assembly if the members are elected at large rather than by district. It is possible that a court would hold that the state or federal guarantee of equal protection requires that a special election be held, at least for those council seats with terms that will not expire reasonably quickly after the annexation, but this seems unlikely. Note that in the redistricting context, the Alaska Supreme Court has acknowledged that equal protection considerations can be sufficient to justify a decision to truncate terms (Groh v. Egan, 526 P.2d 863 (Alaska 1974) at 881), but the court has also acknowledged that stability and continuity may justify a decision not to truncate terms. (Kentopp v. Anchorage, 652 P.2d 453 (Alaska 1982) at 462.)

The federal Voting Rights Act of 1965 (42 U.S.C. 1973 et seq) applies to states and subdivisions of states, so it could come into play in some situations involving a municipal election. However, it appears that even under the Voting Rights Act, truncation of an existing term of office is not required following redistricting. (Gaona v. Anderson, 989 F.2d 299 (9th Cir. 1993).) If redistricting does not trigger an absolute duty to truncate the terms of individuals in office under the old districting plan, then it is unlikely that a court would hold that a municipality is required to truncate terms of council members and hold special elections because of the addition of population through annexation.

Senator John Torgerson
January 9, 2002
Page 3

(3) Is the LBC able to make a determination that will result in a city receiving more tax funds than it will expend for the services in the new area?

There is nothing that prevents such a determination. Under AS 29.45.010 a borough may levy an areawide tax for areawide functions, a nonareawide tax for functions limited to the area outside cities, and a tax in a service area for functions limited to the service area. However, a city normally taxes and provides services on a city-wide basis unless it chooses to use differential tax zones to provide for services not generally provided in the city. (AS 29.45.580.)

(4) Who is responsible for ensuring that the City of Homer complies with the service expansions and funding it has proposed to the LBC?

It is not clear that Homer will have a legally binding duty to provide any particular level of services to the area annexed. The LBC Statement of Decision notes at page 21:

The intent of 3 AAC 110.900(a) is to require each petitioner to demonstrate that it has given forethought to the manner in which it will extend services to the territory proposed for annexation. It must also demonstrate the petitioner's good faith to extend services... While the nine-page transition plan presented by the City of Homer in its Petition lacks minutiae regarding the manner in which services are proposed to be extended, the law does not require a petitioner to provide a detailed comprehensive plan for the extension of services. Again, each petitioner need only provide evidence that it has given forethought to what it must do to deliver municipal services to the area proposed for annexation.

Consequently, it will probably be up to the political process in the city itself to ensure that services are provided to the area annexed. Of course, nothing prevents the LBC from proposing at a later date that the annexed area be detached from Homer if it becomes convinced that the city acted in bad faith in requesting the annexation and that the area is not receiving appropriate services.

TBC:pjc
02-009.pjc

City of Homer



Comprehensive Annual Financial Report

YEAR ENDED DECEMBER 31, 2000

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF HOMER, ALASKA

December 31, 2000

Jack Cushing
Mayor

Ron Drathman
City Manager

Prepared By
Finance Department

Dean Baugh
Finance Director

CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

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City of Homer

Homer, Alaska

May 21, 2001

To the Honorable Mayor Jack Cushing,
Members of the City Council,
The Citizens of the City of Homer:

The Comprehensive Annual Financial Report of the City of Homer, Alaska for the fiscal year ended December 31, 2000, is hereby submitted. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

Responsibility for both the accuracy of the data presented, the completeness and fairness of the presentation, including all disclosures, rest with the City of Homer.

This report covers all funds and financial transactions of the City of Homer. The information is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section contains this letter of transmittal, organizational data of the City and the Table of Contents.

The Financial Section contains the independent auditors' report, the general purpose financial statements (which present aggregate data by fund types and account groups) together with notes to the financial statements, the combining and individual funds, account group statements and schedules.

The Statistical Section contains tables that present economic and social data, financial trends and the fiscal capacity of the City. The statistical data is based on calendar years beginning with 1991. The City is required to undergo an annual single audit in conformity with the provisions of the Federal and State Single Audit Acts. Information related to the single audit, including the auditors' reports on the internal controls and compliance with applicable laws and regulations are included in the Single Audit Section of this report.

THE REPORTING ENTITY AND ITS SERVICES

The City of Homer is a first class General Law City incorporated in 1964 under Title 29 of the Alaska State Statute. City Code establishes a December 31 year-end.

The City includes all funds and account groups in this report. A wide range of services are provided by the City for the citizens of Homer and surrounding areas. Some of the services are planning and zoning, docks and small boat harbor, airport facility, water and wastewater services, library, parks and recreation, police protection, jail facilities, fire and emergency medical services and general administrative services. In addition to general governmental activities, the City provides financial support to certain community service organizations that promote education, health, recreation and economic stability for the citizens of the community.

ECONOMIC CONDITION AND OUTLOOK

Tourism

Homer, "*Where the Land Ends and the Sea Begins*", overlooks majestic Kachemak Bay and has a lot to offer in the way of tourism. Many of our visitors continue to come from the Anchorage and Mat-Su areas of Alaska, Alaskans wanting to get away from the City and visit the real Alaska. Many others come from locations worldwide.

Tourism in the Homer area has diversified over the past few years, from fishing charters to offering many environmentally sensitive tour options. These include ecotours, hiking, kayaking, natural history and environmental tours around Kachemak Bay, which is one of the richest ecosystems in the world. We've seen an increase in the number of lodges and bed and breakfasts in Homer and the

Kachemak Bay area, and have started to attract a more diverse type of clientele to our community.

Many marine science organizations are located in Homer. These include, Kachemak Bay National Estuaries Research and Reserve (KBNERRS), Alaska Maritime National Wildlife Refuge Headquarters and over the next couple of years we will see the construction of the U.S. Fish and Wildlife Marine Science Center.

This past year the Chamber of Commerce constructed the new Kachemak Bay Visitor and Business Resource Center to assist visitors to the Homer area and provide business counseling and resources to local small businesses.

Each year the City of Homer hosts the Kachemak Bay Shorebird Festival to celebrate the annual migration of birds through Homer. This is one of the largest wildlife festivals held in the State of Alaska. During the first two weeks in May of each year, approximately 100,000 shorebirds pass through Mud Bay; one of the largest migration points on Alaska's road system. In addition, bald eagles can be seen year round with a winter concentration sometimes of more than 100 eagles on the Homer Spit.

Homer is home to many fine artists whose works are on display and for sale at the many art galleries around town and at the world-renowned Pratt Museum. We're growing as a destination for in-depth art workshops and instructional programs for performing and visual arts.

Fishing

The Kenai Peninsula supports about 40 percent of the recreational fishing in Alaska, and much of that activity is centered in the Homer area. The sport fishing industry around Homer continues to grow each year. The number of charter operators has stabilized over the last few years but they have diversified and offer different charter options, from halibut to salmon, from half day to full day or even two day charters. Through this diversification they continue to bring more and more people to Homer.

Homer is referred to by many as the "*Halibut Capital of the World.*" Sports fishing really kicks off when the halibut start biting in May of each year. The first fresh halibut of the year always seems the best. Memorial Day weekend marks the opening of the summer king salmon fishing and brings out the anglers. For the last few years we have had a special Winter King Salmon Tournament in March.

Salmon has declined as the main fish sold in the commercial fishing industry in Homer since the Icicle Seafood fire in 1998. In this same time period the City has seen an increase of approximately 30% in the landings of Black and Pacific Cod. The end result is a net increase in the total tonnage of fish over the Homer dock. 2000 was the sixth year of the IFQ fishery for halibut. Although down slightly from 1999, Homer was again the number one port in Alaska for commercial halibut landings with approximately 10.5 million pounds landed.

Deep Water and Pioneer Docks

Presently the City of Homer has a deep-water dock and a main dock. The main dock is home to the Alaska Marine Highway System and the U.S. Coast Guard. A new dock will soon surround the old 'main' dock. Designed to replace the aging timber main/ferry dock, the new facility was bid in the fall of 2000 and the contract was awarded in spring 2001. Construction is targeted for completion no later than June 2002. This facility will provide preferential berthing for a new, larger Coast Guard buoy tender and the Alaska Marine Highway System's ocean class ferries (Tustumena and Kennicott), as well as general cargo capability.

The main export over the deep-water dock has been wood chips and logs. Over the last year there has been a drastic drop in the price of these exports and now that Russia has entered this market, there is even less demand for wood products. Because of this, activity at the deep-water dock was down in 2000 compared to 1999. Wood chips loading decreased in 2000 from 89,524 bone dry units [9 ships] to 20,507 bone dry units [3 ships], and log loadouts decreased by 34%, from 19 vessels [26.8 million board feet] to 13 vessels [17.7 million board feet].

In the fall of 1999 the wood chip company closed due to financial difficulties. The facilities and operations have been purchased by another local company and reopened in the spring of 2000 under the new management.

Harbor Project

As a result of an agreement with the State of Alaska, the City of Homer has assumed complete responsibility for the operation of the Harbor. The State made limited funding available to the City to partially deal with years of deferred State harbor maintenance which, with City funding, should permit a major overhaul of the harbor. The scope of the project includes replacing E, F, G, H & I floats,

rebuilding the wooden grid, adding berthing for approximately 130 - 24'to 40' vessels, an additional 500 feet of transient space and an additional 500 feet of large vessel berthing. This project has been designed, bid and the contract calls for construction to start in the late summer/early fall of 2001.

Environmental

The spruce bark beetle is changing the landscape in Homer and the surrounding areas. Spruce trees are being destroyed at an alarming rate by the beetle. The infested/dead trees are either cut down and harvested or burned. This infestation reached epidemic proportions about eleven years ago and is becoming visible in Homer because of the change in the local scenery. The fire danger is extremely high with the numerous dead or dying trees in the area. The Kenai Peninsula Borough received a \$7 million dollar grant for a spruce bark beetle project of which a portion of the funds will be spent in the Homer area.

Parks

The past year has brought additions to parks and recreational opportunities in the Homer area. New playground equipment was installed in the Bayview Park as part of the continued effort to upgrade the City's parks facilities. And in the downtown area the City's trail system was extended with the addition of Poopdeck Trail. The Fishing Lagoon Park and RV parking were expanded on the Homer Spit.

During the next couple of years, the existing 3.5 mile bike path on the Homer Spit will be expanded from Pier 1 Theater, along the west edge of the harbor to the end of the Spit at End of the Road Park. Construction has started on the adult softball complex at Jack Gist Park and should be completed during the summer/fall of next year. The City of Homer is working with the Skateboard Association and Hockey Association in hopes of assisting in the creation of adequate facilities for those activities.

MAJOR INITIATIVES

For the Year

Rate models were developed for the Port and Harbor and the Water and Sewer funds. This will allow the rates to be adjusted annually, during the budget

process. Annual adjustments will permit the City to recover the cost of the services and allow planned growth.

The new budget format developed in the fall of 1999 and implemented on January 1, 2000 has been a success. The budget is now easier to read and understand. This permits more comprehensive planning by the Council.

The Council adopted a new method of providing funding to area non-profits by establishing and funding accounts with the Homer Foundation. While these grants are designed for operation expense, a portion of the funding must be used as an endowment.

The City is aggressively moving forward with a new management team, due to retirements under the State of Alaska retirement incentive program. In the past two years the City has hired a City Manager, Port & Harbor Director, Fire Chief, Police Chief, and Library Director. The Finance Director has been on board since 1998.

The voters approved the indefinite extension of a 3/4% sales tax and expanded its use from sewer debt payments to be used in the Homer Accelerated Water Sewer Project (HASWP) Program. This program is designed to accelerate the completion of water/sewer projects currently on the books and any future water/sewer expansion projects. A new HASWP funding formula has been adopted by the Council which will permit the actual completion of water and sewer projects that have been approved, but unfunded, for several years.

After years of work by the Planning department and many public meetings, the City completed a major update to its comprehensive plan.

Every computer in the City is now networked providing file sharing, internet access and e-mail services. Our network system is recognized as a model for other cities our size.

Permitting, inspections and code enforcement is now being done by the Public Works Department. Through a joint effort of Planning, Public Works and the System Manager's Office, a GIS system should be operation in 2001. The GIS system will be a welcomed addition to the City's long range planning ability and should permit more projects to be completed 'in house' and at a lower cost.

Road projects in the area abound, largely because of initiatives by the City of Homer. These projects do not just happen, but are the result of a tremendous amount of follow up work and project monitoring. These projects include the repaving of East and West Hill Roads, the extension of pavement on West Hill Road through Skyline Drive to East Hill Road, Kachemak Drive, East End Road to Kachemak Drive, rebuilding and repaving of Bartlett and Hohe Streets, and the paving of Ohlson Lane and Bunnell Street. Freight Dock Road will also be rebuilt this spring.

FINANCIAL INFORMATION

Internal Controls

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of 'reasonable assurance' recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits require estimates and judgements by management.

Single Audit

As a recipient of federal and state assistance, the City is responsible for providing an independent audit to ensure compliance with applicable laws and regulations related to these programs. The reporting entity that is included in our Comprehensive Annual Financial Report is determined by the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standard, Section 2100. The criteria deals with the City's responsibility over a governmental organization and the scope of public service. Based on these criteria, the various funds and account groups (being all the funds and account groups of the City) shown in the Table of Contents are included in this report and there are no component units for which the City has responsibility.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

Formal budgetary integration is employed as a management control device during the year for the General Fund. Capital projects are budgeted on a project

length basis. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Homer City Council. The legal level of control (that is, the level at which expenditures cannot legally exceed the appropriation) is at the fund level. The City Council may pass subsequent supplemental appropriations. Activities of the General Fund and Enterprise Funds are included in the annual appropriating budget. Appropriations lapse at the end of the year.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Open encumbrances are reported as reservations of the fund balances and are charged to subsequent year appropriations.

The City's financial records for governmental fund types are maintained on a modified accrual basis. Revenues and other financial resource increments are recognized when they become susceptible to accrual. Expenditures are recognized when the fund liability is incurred except for inventories of materials and supplies, prepaid insurance, and similar items that may be considered expenditures when consumed. The City's Proprietary Funds are accounted for on the accrual basis. The accrual basis means that financial records are affected when the revenues are earned and expenses are incurred.

Cash Management

All idle funds are invested according to the investment guidelines established by the City Council. The City Council is given a monthly report concerning the current investments of the City.

General Governmental Functions

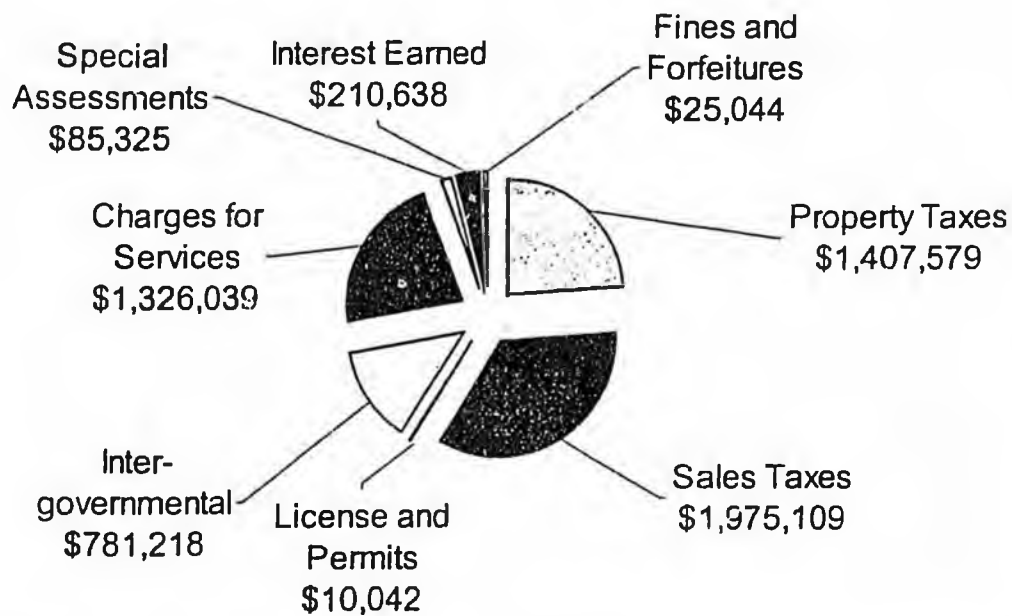
The following schedule presents a summary of General Fund and Debt Service Fund revenues for the fiscal year ended December 31, 2000 compared to the fiscal year ended December 31, 1999, and the amount of percentage of increases and decreases in relation to the prior year.

Table 1

	1999	2000	Percent of total	Increase (decrease) from 1999	% Increase (decrease)
Property Taxes	\$ 1,347,712	\$ 1,407,579	24.19%	\$ 59,867	4.44%
Sales Taxes	1,983,089	1,975,109	33.94	(7,980)	-0.40
Licenses and Permits	6,887	10,042	0.17	3,155	45.81
Inter-governmental	838,007	781,218	13.42	(56,789)	-6.78
Charges for Services	1,161,524	1,326,039	22.78	164,515	14.16
Special Assessments	99,873	85,325	1.46	(14,548)	-14.56
Interest Earned	224,492	210,638	3.61	(13,854)	-6.17
Fines and Forfeitures	<u>17,108</u>	<u>25,044</u>	<u>0.43</u>	<u>7,936</u>	46.39
	<u>\$ 5,678,692</u>	<u>\$ 5,820,994</u>	<u>100.00%</u>	<u>\$ 142,302</u>	<u>2.50%</u>

Governmental Revenues

General and Debt Service Funds



Property taxes reflect the increase in construction and assessed values. The last few years have seen a definite increase in the building of homes and businesses. This is now being reflected in the collection of property taxes. With increased enforcement and the Borough's upward adjustment of property appraisals in the fall of 1998, 1999 and 2000, an increase in property tax revenue was realized.

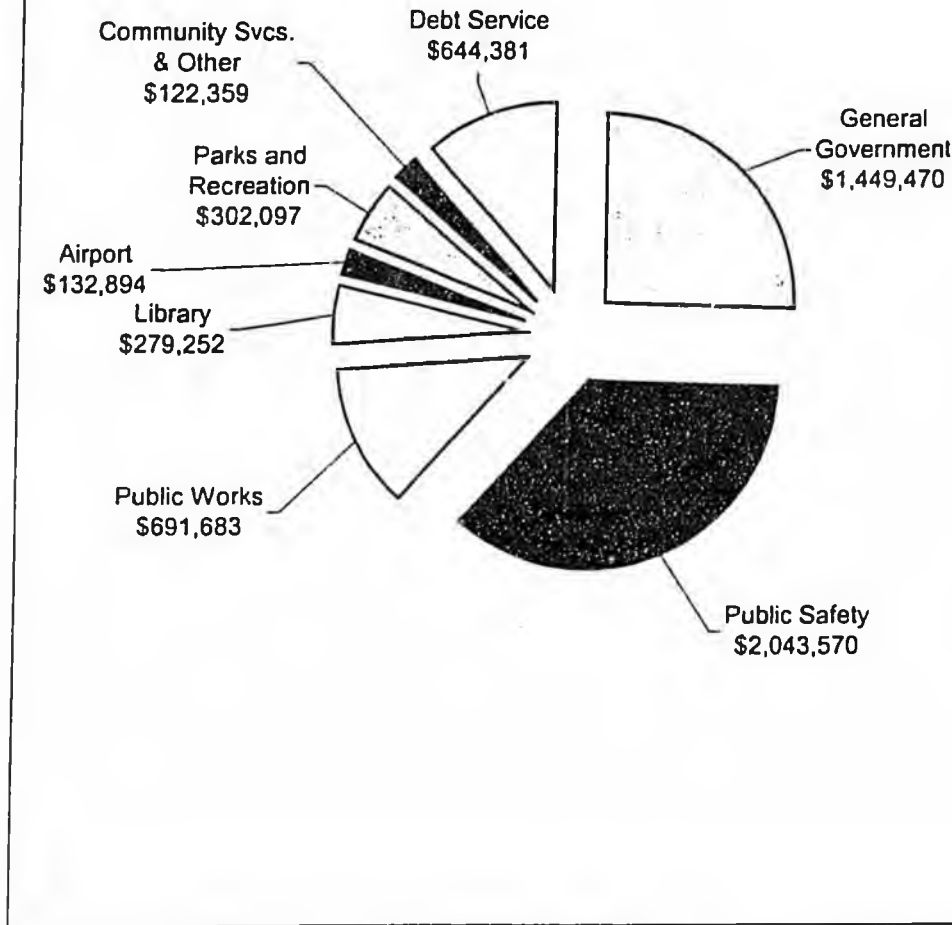
Each year the City of Homer receives less from the State of Alaska in the form of revenue sharing. As the State dealt with its budget shortfalls, some legislators voted to reduce revenue sharing with municipalities to balance their budget. The impact has hit the local property owner hardest. However, for the first time in many years the level of funding for the coming year has not been reduced.

Expenditures for governmental purposes totaled \$5,665,706 for the year ended December 31, 2000. The level of expenditures for the year ended December 31, 2000, for major functions of the City of Homer is shown in the following table and graphs, compared to the year ended December 31, 1999.

	1999	2000	Percent of total	Increase (decrease) from 1999	% Increase (decrease)
General Government	\$ 1,421,672	\$ 1,449,470	25.58%	\$ 27,798	1.96%
Public Safety	2,608,205	2,043,570	36.07	(564,635)	-21.65
Public Works	773,563	691,683	12.21	(81,880)	-10.58
Library	284,742	279,252	4.93	(5,490)	-1.93
Airport	134,262	132,894	2.35	(1,368)	-1.02
Parks and Recreation	217,261	302,097	5.33	84,836	39.05
Community Services - Other	161,884	122,359	2.16	(39,525)	-24.42
Debt Service	<u>619,284</u>	<u>644,381</u>	<u>11.37</u>	<u>25,097</u>	4.05
	<u>\$ 6,220,873</u>	<u>\$ 5,665,706</u>	<u>100.00%</u>	<u>(\$ 555,167)</u>	<u>-8.92%</u>

Governmental Expenditures

General And Debt Service Funds



Like most cities, the City of Homer is involved in extensive and expensive litigation over several issues.

There was a substantial change in public safety expenses due to the following; a one time charge in 1999 of approximately \$265,000 for the purchase of a new rescue vehicle, a reduction in police salaries of \$37,423 due to the COPS grant being discontinued, a one time charge of approximately \$93,000 in capital expense in the jail, a savings of approximately \$99,000 due to retirement under the State's RIP (retirement incentive program) and realignment of the fire department

salaries, and another savings in salaries in the Jail of \$25,977 due to the State's RIP.

Contributions to service organizations is comprised of two parts. The first is a contribution from the City's General Fund to the Homer Foundation for distribution to various non-profit organizations of \$100,920 and the second is pass through funds from the State of Alaska of \$8,939 and other donations of \$12,500. Debt service increased due to the payment schedule of some bond payments.

Risk Management

The City undertakes a comprehensive program of risk management including evaluation of potential risks and exposures on an ongoing basis, establishment of employee safety programs and maintenance of appropriate levels of insurance coverage. New OSHA requirements are being met by employee training programs. Employee training continues both with outside institutions and in-house programs.

Debt Administration

New debt requires the approval of the City Council. No new bonded debt was requested. At the end of 2000 indebtedness for all City funds was \$8,810,608 as follows: General Obligation Bonds \$2,760,000; Revenue Bonds \$2,150,000; Special Assessment Bonds \$36,927; Capital Lease Obligations \$432,063; and Notes Payable \$3,431,618.

Proprietary Funds

The City of Homer operates enterprise funds to provide services to the community. These funds are as follows: water, wastewater and port/harbor.

Internal Service Fund

The self-insurance of health benefits has proved to be beneficial to both the employees and the City. In 1996 the insurance premiums were lowered 20% and remained so through 1999. 1998 saw a large increase in medical claims. In 1999 the council returned \$126,400 to the insurance reserve fund that was removed from it in 1995. This allowed the City to hold off a rate increase until FY2000 at which

time the premiums were increased between 2-3%. In January 2000, a new 2-year contract with our stop loss carrier and claims administrator went into effect. This new contract included approximately a 15% increase.

General Fixed Assets

The general fixed assets of the City include all public buildings, real property and the personal property inventory. It should be noted that governmental accounting for fixed assets is different than that in the private sector. In the General Fund, depreciation of general fixed assets is not recognized in the City's accounting system. The fixed assets are updated and reviewed on a regular basis. This will change in the future.

OTHER INFORMATION

Independent Audit

State Statutes require an annual audit by independent public accountants. The accounting firm of Mikunda, Cottrell & Co was selected. The auditor's report on the general purpose financial statements, combining and individual fund statements, and schedules are included in the Financial Section of this report.

Certification of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Homer for its comprehensive annual financial report for the fiscal year ended December 31, 1999.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

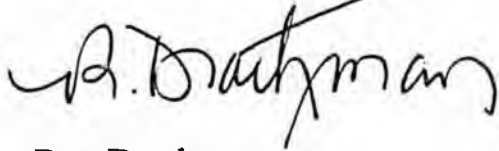
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the City of Homer. We would like to particularly express our appreciation to Jean Mack, Laurel Moore, Michele McCandlish, Joanne Perret, Jo Earls and Lori Sorrows of the Finance Department. We appreciate the contributions of John Bost, Audit Partner and the staff of Mikunda, Cottrell & Co. and their professional manner, patience and communication skills in dealing with our audit.

We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Ron Drathman
City Manager



Dean W. Baugh
Finance Director

CITY OF HOMER

Principal City Officials

Mayor
Jack Cushing

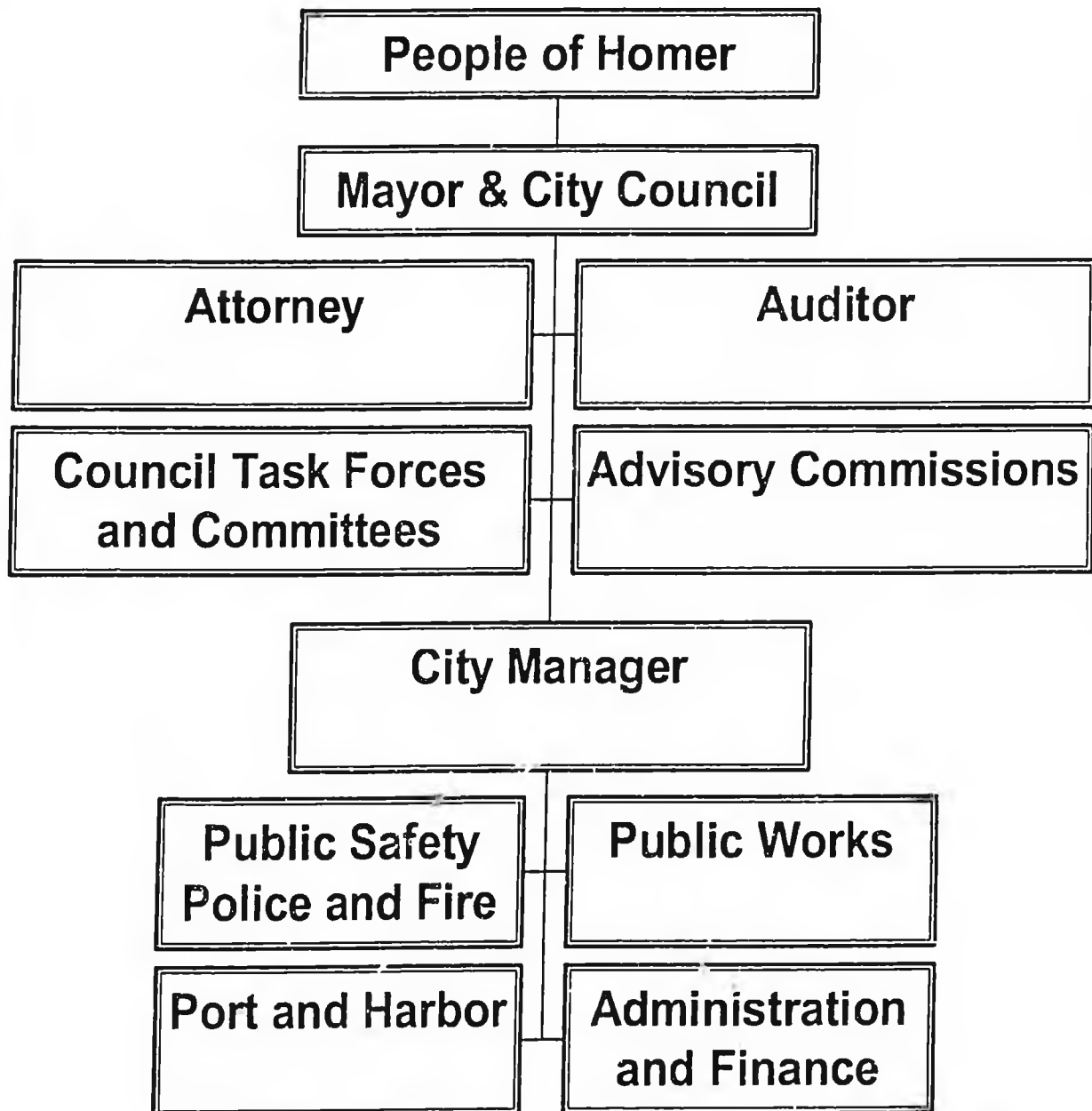
City Council

Pat Cue	Rick Ladd
John Fenske	Kurt Marquardt
Ray Kranich	Michael Yourkowski

City Administration

City Manager	Ronald Wm. Drathman
City Attorney.....	Gordon Tans
City Clerk	Mary Calhoun
Finance Director	Dean W. Baugh
Fire Chief	Robert Painter
Library Director	Marlene Helm
Planning Director	Eileen Bechtol
Police Chief	Mark Robl
Harbormaster	William Abbott
Public Works Director ...	Carey Meyer

City of Homer Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Homer,
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinsey
President

Jeffrey L. Esser
Executive Director

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.micc-cpa.com

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Homer, Alaska

We have audited the accompanying general purpose financial statements of City of Homer, Alaska, as of and for the year ended December 31, 2000 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Homer, Alaska, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2001, on our consideration of City of Homer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance, and the combining, individual fund, and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Homer, Alaska. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the State of Alaska Office of Management and Budget. *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report, designated as the "statistical section" in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Mikunda, Cottrell & Co.

April 10, 2001



GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF HOMER, ALASKA
Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2000
(With Comparative Totals for 1999)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		
	General	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
Assets and Other Debits										
Equity in central treasury	\$ 1,688,398	211,496	3,203,198	1,063,028	78,859	100,430	-	-	6,345,409	4,391,664
Receivables, net:										
Taxes	450,207	-	130,827	130,827	-	-	-	-	711,861	742,470
Accounts	-	-	-	269,224	-	-	-	-	269,224	376,525
Assessments	103,361	72,900	-	283,704	-	-	-	-	459,965	564,978
Accrued interest	15,981	-	17,123	96,581	-	-	-	-	129,685	97,497
Other governments	972	-	99,737	273,582	-	-	-	-	374,291	101,517
Other	82,007	-	-	-	-	-	-	-	82,007	65,336
Due from other funds	368,169	-	-	-	-	-	-	-	368,169	445,910
Inventory	46,044	-	-	123,725	-	-	-	-	169,769	157,363
Prepaid items	103,988	-	-	45,089	-	-	-	-	149,077	137,093
Other assets	16,414	-	-	75,250	-	-	-	-	91,664	91,664
Restricted assets - equity in central treasury	-	-	-	5,818,603	-	-	-	-	5,818,603	7,075,503
Bond issuance costs, net	-	-	-	74,567	-	-	-	-	74,567	84,996
Note receivable	-	-	-	77,859	-	-	-	-	77,859	116,788
Litigation receivable, net	-	-	-	680,170	-	-	-	-	680,170	736,009
General fixed assets	-	-	-	-	-	-	16,247,897	-	16,247,897	13,031,201
Property, plant and equipment, net	-	-	-	58,785,065	-	-	-	-	58,785,065	60,146,934
Amount available in Debt Service Funds	-	-	-	-	-	-	-	209,678	209,678	568,170
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-	3,335,181	3,335,181	3,483,273
Total assets and other debits	\$ 2,875,541	284,396	3,450,885	67,797,274	78,859	100,430	16,247,897	3,544,859	94,380,141	92,414,891

CITY OF HOMER, ALASKA
 Combined Balance Sheet - All Fund Types and Account Groups, continued

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals		
	General	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
									2000	1999
Liabilities, Fund Equity, and Other Credits										
Liabilities:										
Accounts payable	\$ 79,361	1,818	180	237,537	56,213	-	-	-	375,109	266,368
Accrued liabilities	172,753	-	93	224,399	-	-	-	223,880	621,125	653,646
Deferred revenues, prepaid rentals and deposits	315,219	72,900	69,311	4,260,780	-	-	-	-	4,718,210	5,059,106
Due to local agencies	-	-	-	-	-	25,049	-	-	25,049	19,476
Due to other funds	-	-	-	368,169	-	-	-	-	368,169	445,910
General obligation bonds	-	-	-	-	-	-	-	2,760,000	2,760,000	3,060,000
Revenue bonds, net	-	-	-	2,070,815	-	-	-	-	2,070,815	2,315,106
Special assessment bonds	-	-	-	-	-	-	-	36,927	36,927	58,457
Capital lease obligations	-	-	-	-	-	-	-	432,063	432,063	591,927
Retirement incentive program	-	-	-	31,270	-	-	-	91,989	123,259	206,990
Notes payable	-	-	-	3,431,618	-	-	-	-	3,431,618	3,698,167
Total liabilities	567,333	74,718	69,584	10,624,588	56,213	25,049	-	3,544,859	14,962,344	16,375,153
Fund equity and other credits:										
Contributed capital, net	-	-	-	50,356,241	-	-	-	-	50,356,241	51,702,140
Investment in general fixed assets	-	-	-	-	-	-	16,247,897	-	16,247,897	13,031,201
Retained earnings:										
Reserved:										
Bond redemption	-	-	-	367,450	-	-	-	-	367,450	367,450
Debt service and water/sewer construction	-	-	-	-	-	-	-	-	-	1,504,637
Unreserved	-	-	-	6,448,995	22,646	-	-	-	6,471,641	5,281,821
Fund balances:										
Reserved:										
Endowments	-	-	-	-	-	70,995	-	-	70,995	69,916
Debt service	-	209,678	-	-	-	-	-	-	209,678	568,170
Inventory, prepaid items and other assets	166,446	-	-	-	-	4,386	-	-	170,832	146,356
Unreserved:										
Designated for capital projects	-	-	3,381,301	-	-	-	-	-	3,381,301	1,631,493
Undesignated	2,141,762	-	-	-	-	-	-	-	2,141,762	1,736,554
Total fund equity and other credits	2,308,208	209,678	3,381,301	57,172,686	22,646	75,381	16,247,897	-	79,417,797	76,039,738
Total liabilities, fund equity, and other credits	\$ 2,875,541	284,396	3,450,885	67,797,274	78,859	100,430	16,247,897	3,544,859	94,380,141	92,414,891

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	Governmental Fund Types			Fiduciary	Totals	
	General	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)	
					2000	1999
Revenues:						
Taxes	\$ 3,382,688	-	741,102	-	4,123,790	4,073,334
Licenses and permits	10,042	-	-	-	10,042	6,887
Intergovernmental	781,218	-	337,959	-	1,119,177	968,815
Charges for services	1,326,039	-	-	-	1,326,039	1,161,524
Special assessments	49,289	36,036	-	-	85,325	99,873
Investment income	174,395	36,243	243,225	-	453,863	318,366
Fines and forfeitures	25,044	-	-	-	25,044	17,108
Other	-	-	29,116	3,604	32,720	4,654
Total revenues	5,748,715	72,279	1,351,402	3,604	7,176,000	6,650,561
Expenditures:						
Current:						
General government	1,449,470	-	-	-	1,449,470	1,421,672
Public safety	2,043,570	-	-	-	2,043,570	2,609,205
Public works	691,683	-	-	-	691,683	773,563
Library	279,252	-	-	-	279,252	284,742
Airport	132,894	-	-	-	132,894	134,262
Parks and recreation	302,097	-	-	-	302,097	217,261
Community service contributions	122,359	-	-	-	122,359	161,884
Debt service:						
Principal retirement	159,864	321,530	-	-	481,394	434,081
Interest	32,746	130,241	-	-	162,987	185,203
Capital projects	-	-	1,050,805	-	1,050,805	401,237
Total expenditures	5,213,935	451,771	1,050,805	-	6,716,511	6,623,110
Excess of revenues over (under) expenditures	534,780	(379,492)	300,597	3,604	459,489	27,451
Other financing sources (uses):						
Proceeds from capital lease	-	-	-	-	-	264,945
Operating transfers from other funds	-	21,000	102,125	-	123,125	219,347
Operating transfers to other funds	(108,700)	-	(64,425)	-	(173,125)	(395,747)
Net other financing sources (uses)	(108,700)	21,000	37,700	-	(50,000)	88,545
Excess of revenues and other financing sources over (under) expenditures and other uses	426,080	(358,492)	338,297	3,604	409,489	115,996
Beginning fund balances	1,882,128	568,170	1,631,493	782	4,082,573	3,966,577
Residual equity transfer from other fund	-	-	1,411,511	-	1,411,511	-
Ending fund balances	\$ 2,308,208	209,678	3,381,301	4,386	5,903,573	4,082,573

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual - General Fund
 Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Taxes	\$ 3,314,491	3,382,688	68,197
Licenses and permits	5,700	10,042	4,342
Intergovernmental	772,080	781,218	9,138
Charges for services	1,459,007	1,326,039	(132,968)
Special assessments	-	49,289	49,289
Investment income	80,000	174,395	94,395
Fines and forfeitures	25,600	25,044	(556)
Total revenues	<u>5,656,878</u>	<u>5,748,715</u>	<u>91,837</u>
Expenditures:			
Current:			
General government	1,499,072	1,449,470	49,602
Public safety	2,103,890	2,043,570	60,320
Public works	706,822	691,683	15,139
Library	278,785	279,252	(467)
Airport	130,030	132,894	(2,864)
Parks and recreation	314,136	302,097	12,039
Community service contributions	119,805	122,359	(2,554)
Debt service:			
Principal retirement	158,780	159,864	(1,084)
Interest	30,000	32,746	(2,746)
Total expenditures	<u>5,341,320</u>	<u>5,213,935</u>	<u>127,385</u>
Excess of revenues over expenditures	315,558	534,780	219,222
Other uses - operating transfers to other funds	<u>(140,000)</u>	<u>(108,700)</u>	<u>31,300</u>
Excess of revenues over expenditures and other uses	\$ <u>175,558</u>	426,080	<u>250,522</u>
Fund balance at beginning of year		<u>1,882,128</u>	
Fund balance at end of year		\$ <u>2,308,208</u>	

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
Combined Statement of Revenues, Expenses and Changes in
Retained Earnings/Fund Balance -All Proprietary Fund Types
and Nonexpendable Trust Fund
Year Ended December 31, 2000
(With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	
				2000	1999
Operating revenues:					
Charges for services	\$ 4,231,366	390,609	-	4,621,975	4,621,178
Investment income and other	-	-	1,079	1,079	37,088
Total operating revenues	<u>4,231,366</u>	<u>390,609</u>	<u>1,079</u>	<u>4,623,054</u>	<u>4,658,266</u>
Operating expenses:					
Operations	2,157,739	525,574	-	2,683,313	2,767,450
Administration	1,279,968	36,259	-	1,316,227	1,448,863
Depreciation	<u>2,612,133</u>	-	-	<u>2,612,133</u>	<u>2,499,374</u>
Total operating expenses	<u>6,049,840</u>	<u>561,833</u>	<u>-</u>	<u>6,611,673</u>	<u>6,715,687</u>
Operating income (loss)	(1,818,474)	(171,224)	1,079	(1,988,619)	(2,057,421)
Nonoperating revenues (expenses):					
Investment income	394,670	7,000	-	401,670	371,502
Penalties and interest	31,646	-	-	31,646	40,979
Loss on disposal of property and equipment	-	-	-	-	(4,168)
Interest expense	(380,603)	-	-	(380,603)	(502,093)
Sales tax	741,101	-	-	741,101	742,534
Miscellaneous	<u>103,558</u>	-	-	<u>103,558</u>	<u>48,005</u>
Net nonoperating revenues (expenses)	<u>890,372</u>	<u>7,000</u>	<u>-</u>	<u>897,372</u>	<u>696,759</u>
Income (loss) before operating transfers	(928,102)	(164,224)	1,079	(1,091,247)	(1,360,662)
Operating transfers from other funds	50,000	-	-	50,000	186,400
Operating transfers to other funds	-	-	-	-	(10,000)
Net operating transfers	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>176,400</u>
Net income (loss)	(878,102)	(164,224)	1,079	(1,041,247)	(1,184,262)
Credit arising from transfer of depreciation to contributed capital	<u>2,139,020</u>	-	-	<u>2,139,020</u>	<u>2,017,182</u>
Income (loss) transferred to retained earnings/fund balance	1,260,918	(164,224)	1,079	1,097,773	832,920
Retained earnings/fund balance at beginning of year	6,967,038	186,870	69,916	7,223,824	6,390,904
Residual equity transfer to other fund	<u>(1,411,511)</u>	-	-	<u>(1,411,511)</u>	-
Retained earnings/fund balance at end of year	\$ <u>6,816,445</u>	<u>22,646</u>	<u>70,995</u>	<u>6,910,086</u>	<u>7,223,824</u>

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Combined Statement of Cash Flows - All Proprietary Fund Types
 and Nonexpendable Trust Fund
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Non- expendable Trust		
				2000	1999
Cash flows from operating activities:					
Operating income (loss)	\$ (1,818,474)	(171,224)	1,079	(1,988,619)	(2,057,421)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	2,612,133	-	-	2,612,133	2,499,374
Increase (decrease) in allowance for doubtful accounts	9,536	-	-	9,536	(9,581)
Amortization of deferred lease revenue	(18,000)	-	-	(18,000)	(18,000)
Investment income	-	-	-	-	(1,812)
Litigation settlement	44,161	-	-	44,161	48,406
Miscellaneous nonoperating revenue	90,471	-	-	90,471	26,149
Miscellaneous nonoperating expenses	(11,755)	-	-	(11,755)	(1,288)
(Increase) decrease in assets:					
Receivables	(139,118)	-	-	(139,118)	171,332
Inventory	(10,780)	-	-	(10,780)	(7,830)
Prepaid items	7,262	-	-	7,262	(2,446)
Litigation settlement receivable	55,839	-	-	55,839	52,679
Increase (decrease) in liabilities:					
Accounts payable	122,409	26,043	-	148,452	24,363
Accrued liabilities	4,385	-	-	4,385	(35,562)
Prepaid rentals and deposits	13,899	-	-	13,899	39,451
Retirement incentive program	(22,508)	-	-	(22,508)	53,779
Net cash flows from operating activities	<u>939,460</u>	<u>(145,181)</u>	<u>1,079</u>	<u>795,358</u>	<u>781,593</u>
Cash flows from noncapital financing activities:					
Operating transfers from other funds	50,000	-	-	50,000	186,400
Operating transfers to other funds	-	-	-	-	(10,000)
Residual equity transfers to other funds	(1,411,511)	-	-	(1,411,511)	-
Net cash flows from noncapital financing activities	<u>(1,361,511)</u>	<u>-</u>	<u>-</u>	<u>(1,361,511)</u>	<u>176,400</u>
Cash flows from capital and related financing activities:					
Principal payments on long-term debt	(521,550)	-	-	(521,550)	(562,373)
Interest payments on long-term debt and interfund borrowing	(383,229)	-	-	(383,229)	(482,072)
Acquisition of property, plant and equipment	(1,250,264)	-	-	(1,250,264)	(316,584)
Decrease in due to other funds	(77,741)	-	-	(77,741)	(217,703)
Increase (decrease) in deferred revenue	(261,737)	-	-	(261,737)	3,596,001
Increase in contributed capital	793,121	-	-	793,121	176,203
Principal collections on special assessments	43,497	-	-	43,497	70,273
Penalties and interest on special assessments	22,756	-	-	22,756	25,871
Sales tax revenue received	747,448	-	-	747,448	724,962
Net cash flows from capital and related financing activities	<u>(887,699)</u>	<u>-</u>	<u>-</u>	<u>(887,699)</u>	<u>3,014,578</u>
Cash flows from investing activities:					
Investment income received	388,542	7,000	-	395,542	292,881
Payments received on note	38,929	-	-	38,929	38,929
Net cash flows from investing activities	<u>427,471</u>	<u>7,000</u>	<u>-</u>	<u>434,471</u>	<u>331,810</u>
Net increase (decrease) in cash and cash equivalents	(882,279)	(138,181)	1,079	(1,019,381)	4,304,381
Cash and cash equivalents at beginning of year	7,763,910	217,040	69,916	8,050,866	3,746,485
Cash and cash equivalents at end of year	\$ 6,881,631	78,859	70,995	7,031,485	8,050,866
Cash and cash equivalents at end of year:					
Equity in central treasury	1,063,028	78,859	100,430	1,242,317	995,621
Less that which relates to Agency Funds and Expendable Trust Funds	-	-	(29,435)	(29,435)	(20,258)
Equity in central treasury restricted for debt service and capital projects	5,818,603	-	-	5,818,603	7,075,503
	\$ 6,881,631	78,859	70,995	7,031,485	8,050,866

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements

December 31, 2000

(1) **Summary of Significant Accounting Policies**

Organization and Services Provided

The City of Homer, Alaska was incorporated March 31, 1964 as a first-class city. The City operates under a Council-Manager form of government.

The City provides the full range of municipal services as provided for by Alaska Statute. This includes police and fire protection, ambulance and emergency medical service, water and wastewater service, library, parks and recreation, public improvements, planning and zoning, port and harbor, airport facilities, and general administrative services.

Scope and Presentation

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The City has reviewed the standards established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and determined that the City has no component units as defined in that statement.

The Combined Financial Statements included in this report provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds.

Total columns in the general purpose financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Basis of Accounting

The accounts of the City are maintained in accordance with the balanced-fund principle of accounting, whereby all related assets, liabilities, reserves and equities are segregated into self-balancing groups for the purpose of accounting for specific activities or attaining certain objectives in accordance with special resolutions or restrictions.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Proprietary Funds and Fiduciary Fund Type

Proprietary fund types and the Nonexpendable Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Fiduciary fund types are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a Nonexpendable Trust Fund or an Expendable Trust Fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency Funds generally are used to account for assets that the government holds on behalf of others as their agent.

The general purpose financial statements of the governmental fund types, Expendable Trust Fund, and Agency Funds have been presented on the modified-accrual basis of accounting. Under this method, expenditures or liabilities, other than interest on general obligation bonds and certain other expenditures are recorded when made or a fund liability is incurred. Interest on general obligation bonds is recognized when due. Revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to pay current liabilities. Most major revenue sources are considered susceptible to accrual.

The general purpose financial statements of the proprietary fund types and Nonexpendable Trust Fund are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Fund Accounting

Various funds and account groups are grouped in the general purpose financial statements in this report as follows:

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Accounting, continued

Governmental Fund Types, continued

Capital Project Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Fund Types).

Proprietary Fund Types

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund – The Internal Service Fund accounts for operations that provide services to other departments of the City or to other governments on a cost-reimbursement basis.

Fiduciary Fund Types – Trust and Agency Funds

The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for private organizations and other governments. The Nonexpendable Trust Fund is accounted for in essentially the same manner as Proprietary Fund Types since capital maintenance is critical. The Expendable Trust Fund is accounted for on the modified accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

Account Groups are used to establish accounting control over the City's general fixed assets and general long-term debt. The City uses the following account groups:

General Fixed Assets Account Group

This accounts for all fixed assets of the City other than those accounted for in the Proprietary Fund Types.

General Long-Term Debt Account Group

This accounts for all long-term debt of the City other than that accounted for in the Proprietary Fund Types.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting

The City Council is required to pass an appropriation ordinance for the General Fund which becomes the expenditure budget for the fiscal year. The City Council may pass subsequent supplemental appropriations which are added to the expenditure budget. Expenditures may not legally exceed the fund appropriations. The City Manager may transfer amounts between departments within a fund or between cost centers within a department's budget classification. Appropriations on annual budgets lapse at year-end. The City's legally prescribed budgetary basis of accounting is consistent with generally accepted accounting principles and, accordingly, where budgetary data are presented, the budget and actual information conform to the same basis of accounting.

Encumbrance accounting is employed during the year under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and are charged to the subsequent year appropriations.

During 2000, the Council approved budget revisions which increased the General Fund total appropriation level from \$5,263,838 to \$5,481,320.

Proprietary Fund Type Accounting

Statement Number 20 of the GASB, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, requires following GASB guidance but also allows Proprietary Fund Types to elect either to follow or not to follow Financial Accounting Standards Board (FASB) statements which are not in conflict with GASB statements and have been issued subsequent to November 30, 1989. The City has elected to follow only GASB guidance subsequent to November 30, 1989.

Cash and Investments

A central treasury is used to account for all the City's cash and investments to maximize interest income. Investment earnings are allocated to various funds based on average central treasury balances.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the central treasury, regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account.

Investments are recorded at fair value.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Property Taxes

Property taxes are a lien on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute, Title 29.45.240, the City establishes the mill rate levy by June 15. The City is located within the Kenai Peninsula Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills for one-half of the taxes are mailed prior to July 1 and are payable on August 15; tax bills for the second half of the taxes are mailed by October 1 and are payable on November 15. City property tax revenues are recognized in the fiscal year in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the fiscal period.

At December 31, the delinquent real and personal taxes not currently available are reflected as deferred revenues of the General Fund.

Unbilled Service Revenues

Utility revenues are based on cycle billings rendered monthly to customers. As a result of this cycle billing method, the utilities do not accrue revenues at the end of any fiscal period for services sold but not billed at such date. The Port of Homer bills annual moorage charges in advance, which are deferred as unearned revenue at year-end.

Inventory

Inventory of Enterprise Funds are carried at average cost and are charged to expense in accordance with the consumption method of accounting for inventory.

Supplies or materials acquired by Governmental Fund Types are recorded at cost (specific identification) and are charged as expenditures as used in accordance with the consumption method of accounting for inventory. Accordingly, reported inventory for governmental fund types are equally offset by a fund balance reserve.

Prepaid Items

Prepaid items primarily represent costs of insurance and similar services allocated to succeeding periods and rents paid in advance of the period to which they apply. The City's policy is to charge such costs to the period benefited. Accordingly, reported prepaid items for governmental fund types are equally offset by a fund balance reserve.

Property, Plant, and Equipment – Proprietary Fund Types

Property, plant, and equipment are carried at cost. The cost of current repairs and maintenance is charged to expense, while the cost of betterments is capitalized.

Depreciation is computed on the straight-line method over the estimated economic life of the assets ranging from three to fifty years.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fixed Assets

Fixed assets acquired for governmental purposes are accounted for in the General Fixed Asset Account Group. Public domain "infrastructure" general fixed assets consisting of certain improvements other than buildings, including roads, are not reflected in the City's General Fixed Asset Account Group. Assets contributed or received as gifts are recorded at their fair market value at the date of receipt. All other general fixed assets are carried at historical cost. No depreciation is taken on general fixed assets.

Long-Term Debt

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental fund types. Long-term liabilities, including special assessment bonds used to finance utility extensions expected to be financed from proprietary fund type operations, are accounted for in the Proprietary Funds.

Risk Management

The City is exposed to various risks of loss including (a) damage to and loss of buildings and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) workers' compensation; i.e., employee injuries, and (e) medical insurance costs of employees.

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. The JIA provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, and public officials, law enforcement professional liability, auto liability and employee benefit liability; and workers' compensation, including employer's liability. In addition, commercial insurance policies are purchased that transfer the risk of loss, except for relatively low deductibles for marina keepers legal liability, and underground tank liability. The City has no coverage for potential losses from environmental damages.

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2000.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Risk Management, continued

The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The Finance Director coordinates risk management activities with the other City Directors and City Manager. The General Fund Balance is sufficient to meet potential losses related to the JIA basic core coverage and coverage deductibles.

Accounting for Health Self-Insurance

The City provides health insurance on a self-insured basis up to \$15,000 each occurrence or \$335,470 in aggregate for all medical claims during the year. Coverage in excess of these amounts is insured by a private carrier up to lifetime claims of \$985,000 per each individual. The City contracts with a third-party administrator for health claims servicing. The City charges each department a premium based on the employees and their selected coverage. This premium is based on actual claims paid by the City. An equal amount is recorded as revenue by the Risk Management Internal Service Fund which is then responsible for paying all claims. The City accrues a liability for claims incurred but not reported at year-end. A schedule of the changes in the claims liability for the years ended December 31, 1999 and 2000 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
1999 health insurance	\$ <u>27,546</u>	<u>287,660</u>	<u>285,036</u>	<u>30,170</u>
2000 health insurance	\$ <u>30,170</u>	<u>425,292</u>	<u>399,249</u>	<u>56,213</u>

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements since their inclusion would make the statements unduly complex and difficult to understand.

Reclassifications

Certain reclassifications have been made to the 1999 financial statements to make them comparable with the 2000 presentation.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(2) **Stewardship, Compliance and Accountability**

A schedule of operating transfers for the year ended December 31, 2000, follows:

	<u>From Other Funds</u>	<u>To Other Funds</u>
Operating transfers:		
General Fund:		
Debt Service Fund	\$ -	21,000
Reserve Allocation Capital Project Fund	<u>-</u>	<u>87,700</u>
Total	<u>-</u>	<u>108,700</u>
Debt Service Funds from		
General Fund	<u>21,000</u>	<u>-</u>
City Facilities Capital Project Fund:		
Sewer Utility Enterprise Fund	-	50,000
Reserve Allocation Capital Project Fund	<u>14,425</u>	<u>-</u>
Total	<u>14,425</u>	<u>50,000</u>
Reserve Allocation Capital Project Fund:		
General Fund	87,700	-
City Facilities Capital Project Fund	<u>-</u>	<u>14,425</u>
Total	<u>87,700</u>	<u>14,425</u>
Sewer Utility Enterprise Fund from		
City Facilities Capital Project Fund	<u>50,000</u>	<u>-</u>
	\$ <u>173,125</u>	<u>173,125</u>

(3) **Cash and Investments**

The City maintains a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "Equity in central treasury" or included in "Due to other funds."

Deposits are categorized below to give an indication of the level of risk assumed by the City at year end.

Category 1 – Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Cash and Investments, continued

Category 3 – Uncollateralized, including bank balances collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name.

At December 31, 2000, the City's deposits are categorized as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Petty cash	\$ -	-	-	-	2,000
Checking accounts	31,760	-	-	31,760	(39,746)
Certificates of deposit	168,240	15,412	-	183,652	183,652
Money market account	<u>72,485</u>	<u>56,270</u>	<u>-</u>	<u>128,755</u>	<u>128,755</u>
 Totals	 \$ <u>272,485</u>	 <u>71,682</u>	 <u>-</u>	 <u>344,167</u>	 <u>274,661</u>

The City's investment policy authorizes investment in the following:

1. U.S. Treasury securities;
2. Other obligations of the U.S. Government, its agencies and instrumentalities;
3. Repurchase agreements of acceptable securities listed in (1) or (2) above which meet a margin requirement of 102%;
4. Units of the Alaska Municipal League Investment Pool;
5. Certificates of deposit;
6. Uncollateralized deposits to the extent that the deposits are insured by the FDIC or FSLIC;
7. Taxable bonds or notes;
8. Commercial paper;
9. Bankers' acceptances, and
10. Money market mutual funds.

Investments in taxable bonds and notes, commercial paper, or bankers' acceptances must meet a minimum rating as determined by Moody's Investor Services or Standard and Poor's.

The Alaska Municipal League Investment Pool is an external investment pool which is not SEC registered. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. At December 31, 2000, the share value of investments in the AML pool is approximately equal to fair value.

Investments which are carried at fair value are categorized below to give an indication of the level of credit risk assumed by the City at year end.

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Cash and Investments, continued

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

At December 31, 2000, the City's investments are categorized as follows:

	Category			<u>Fair Value</u>
	1	2	3	
Fixed income	\$ 5,127,989	-	-	5,127,989
Commercial paper	355,879	-	-	355,879
Government securities	3,715,221	-	-	3,715,221
Overnight repurchase agreement	-	156,118	-	156,118
Totals	\$ <u>9,199,089</u>	<u>156,118</u>	<u>-</u>	9,355,207
Alaska Municipal League Investment Pool				<u>2,534,144</u>
Total investments				<u>\$ 11,889,351</u>

Restricted Cash

The City maintains bond redemption and reserve accounts as required by the bond covenants and City ordinances. The City has also restricted funds that are earmarked for capital projects. The balances in these accounts at December 31, 2000 totaled \$5,818,603 and is included in the central treasury.

A reconciliation of cash and investments as shown on the combined balance sheet follows:

Equity in central treasury	\$ 6,345,409
Restricted assets – equity in central treasury	<u>5,818,603</u>
	<u>\$ 12,164,012</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(4) **Accounts Receivable and Valuation Allowances**

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2000, the City's allowance for doubtful accounts by fund type were as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>
Receivable account:		
Taxes	\$ 478,356	-
Accounts	-	300,421
Allowance for doubtful accounts	<u>(28,149)</u>	<u>(31,197)</u>
Net receivables	<u>\$ 450,207</u>	<u>269,224</u>

(5) **Fixed Assets**

A summary of changes in general fixed assets follows:

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2000</u>
Land and buildings	\$ 7,277,072	3,228,324	-	10,505,396
Improvements other than buildings	1,799,960	22,709	-	1,822,669
Machinery and equipment	<u>3,948,419</u>	<u>114,478</u>	<u>148,815</u>	<u>3,914,082</u>
Fixed assets in service	13,025,451	3,365,511	148,815	16,242,147
Construction work in progress	<u>5.750</u>	<u>-</u>	<u>-</u>	<u>5.750</u>
	<u>\$ 13,031,201</u>	<u>3,365,511</u>	<u>148,815</u>	<u>16,247,897</u>

A summary of Enterprise Fund property, plant and equipment as of December 31, 2000 follows:

Land and land improvements	\$ 15,361,280
Equipment and vehicles	4,070,279
Unclassified plant	<u>72,325,544</u>
Total plant in service	91,757,103
Less accumulated depreciation	<u>(34,510,430)</u>
Net plant in service	57,246,673
Construction work in progress	<u>1,538,392</u>
Total property, plant and equipment	<u>\$ 58,785,065</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Fixed Assets, continued

The Port of Homer Enterprise Fund received a building from the State of Alaska during 1993 in exchange for the use of land by the State Ferry System until the year 2031. The building houses the Port Maintenance Shop. The value of the building and related deferred revenue is as follows:

Original cost assigned to building	\$ 630,000
Revenue recognized	<u>(126,000)</u>
	\$ <u>504,000</u>
Current deferred revenue	\$ 18,000
Noncurrent deferred revenue	<u>486,000</u>
	\$ <u>504,000</u>

Depreciation of Enterprise Fund property, plant and equipment is calculated over the estimated service lives of the assets which range as follows:

	<u>Service Life In Years</u>
Water and sewer utility system	40-50
Homer airport terminal building	40
Dock and harbor structures	20-50
Equipment	3-33

No interest was capitalized to construction in 2000.

(6) **Changes in Contributed Capital**

A summary of changes in contributed capital of the Enterprise Funds for the year ended December 31, 2000 follows:

	Balance at January 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2000</u>
Port of Homer	\$ 37,246,134	478,104	-	37,724,238
Water Utility	12,479,509	1,093	-	12,480,602
Sewer Utility	<u>24,461,545</u>	<u>313,924</u>	-	<u>24,775,469</u>
Total contributed capital	\$ <u>74,187,188</u>	<u>793,121</u>	-	<u>74,980,309</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Changes in Contributed Capital, continued

A summary of changes in accumulated amortization of contributed capital follows:

	Balance at January 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2000</u>
Port of Homer	\$ 8,114,825	812,428	-	8,927,253
Water Utility	3,231,052	189,884	-	3,420,936
Sewer Utility	<u>11,139,171</u>	<u>1,136,708</u>	<u>-</u>	<u>12,275,879</u>
 Total accumulated amortization	 \$ <u>22,485,048</u>	 <u>2,139,020</u>	 <u>-</u>	 <u>24,624,068</u>

(7) **Long-Term Obligations**

The following is a summary of long-term obligation transactions of the City for the year ended December 31, 2000:

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2000</u>
General obligation bonds:				
\$3,095,000 1998 street and sidewalk general obligation refunding bonds, due in annual installments of \$320,000 to \$475,000 plus interest at 4% to 4.375% through January 1, 2008	\$ <u>3,060,000</u>	<u>-</u>	<u>300,000</u>	<u>2,760,000</u>
Revenue bonds:				
\$1,595,000 1998 port revenue refunding bonds, due in annual installments of \$135,000 to \$185,000 plus interest at 4% to 4.5% through October 1, 2009	\$ 1,555,000	-	130,000	1,425,000

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligations, continued

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2000</u>
Revenue bonds, continued:				
\$225,000 1998 water revenue refunding bonds, due in annual installments of \$55,000 to \$60,000 plus interest at 4% through October 1, 2003	\$ 225,000	-	55,000	170,000
\$705,000 1998 sewer revenue refunding bonds, due in annual installments of \$70,000 to \$85,000 plus interest at 4% to 4.3% through October 1, 2007	<u>625,000</u>	<u>-</u>	<u>70,000</u>	<u>555,000</u>
Total revenue bonds	\$ <u>2,405,000</u>	<u>-</u>	<u>255,000</u>	<u>2,150,000</u>
Special assessment bonds:				
\$105,567 1987 street special assessment bonds, due in annual installments of \$5,280 plus interest at 6.375% through 2006, with the balance of \$5,247 due in 2007	\$ 42,207	-	5,280	36,927
\$325,000 1990 street and sidewalk special assessment bonds, due in semiannual installments of \$16,250 plus interest at 7.8% through 2000	<u>16,250</u>	<u>-</u>	<u>16,250</u>	<u>-</u>
Total special assessment bonds	\$ <u>58,457</u>	<u>-</u>	<u>21,530</u>	<u>36,927</u>
Capital lease obligations:				
Capital lease obligation payable in various monthly amounts through 2002, including interest at 5.82%	\$ 264,462	-	112,765	151,697
Capital lease obligation payable in various monthly amounts including interest at 6.21%	<u>327,465</u>	<u>-</u>	<u>47,099</u>	<u>280,366</u>
Total capital lease obligations	\$ <u>591,927</u>	<u>-</u>	<u>159,864</u>	<u>432,063</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligations, continued

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2000</u>
Notes payable:				
\$5,064,500 1989 Sewer Alaska Clean Water loan, due in annual installments of \$353,433 including interest at 2.5% through September 30, 2011	\$ 3,581,379	-	227,620	3,353,759
 \$117,015 note payable from Water Enterprise Fund to Sewer Enterprise Fund, due in annual installments of \$23,403 plus interest at 5.5% through January 1, 2002	 70,209	 -	 23,403	 46,806
 \$77,631 note payable from Water Enterprise Fund to Sewer Enterprise Fund, due in annual installments of \$15,526 plus interest at 5.5% through January 1, 2002	 <u>46,579</u>	 <u>-</u>	 <u>15,526</u>	 <u>31,053</u>
 Total notes payable	 <u>\$ 3,698,167</u>	 <u>-</u>	 <u>266,549</u>	 <u>3,431,618</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligations, continued

The debt service requirements on all of the above obligations follow:

Year Ending December 31,	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Capital Lease Obligations	Notes Payable	Total
2001	\$ 435,054	349,284	7,634	189,536	406,340	1,387,848
2002	447,254	348,884	7,297	94,420	394,503	1,292,358
2003	453,454	353,084	6,961	33,162	353,433	1,200,094
2004	463,854	286,684	6,624	33,162	353,433	1,143,757
2005	477,866	282,484	6,288	33,162	353,433	1,153,233
2006-2011	<u>980,698</u>	<u>954,481</u>	<u>11,532</u>	<u>107,776</u>	<u>2,120,598</u>	<u>4,180,085</u>
	3,258,180	2,579,901	46,336	491,218	3,981,740	10,357,375
Less amount representing interest	<u>498.180</u>	<u>429.901</u>	<u>9.409</u>	<u>59.155</u>	<u>550.122</u>	<u>1,546.767</u>
	\$ <u>2,760,000</u>	<u>2,150,000</u>	<u>36,927</u>	<u>432,063</u>	<u>3,431,618</u>	<u>8,810,608</u>

A summary of changes in the General Long-Term Debt Account Group follows:

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
Accrued leave	\$ 187,848	36,032	-	223,880
Capital lease obligations	591,927	-	159,864	432,063
General obligation bonds	3,060,000	-	300,000	2,760,000
Special assessment bonds	58,457	-	21,530	36,927
Retirement incentive program	<u>153,211</u>	<u>-</u>	<u>61,222</u>	<u>91,989</u>
	\$ <u>4,051,443</u>	<u>36,032</u>	<u>542,616</u>	<u>3,544,859</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligation, continued

The following reconciles total Enterprise Fund debt:

	<u>Port of Homer</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
Revenue bonds:				
1998 sewer revenue refunding bonds	\$ -	-	555,000	555,000
1998 water revenue refunding bonds	-	170,000	-	170,000
1998 port revenue refunding bonds	<u>1,425,000</u>	<u>-</u>	<u>-</u>	<u>1,425,000</u>
Total revenue bonds	1,425,000	170,000	555,000	2,150,000
Less unamortized portion of deferred loss				
Net revenue bonds	<u>(54,964)</u>	<u>(5,999)</u>	<u>(18,222)</u>	<u>(79,185)</u>
	<u>1,370,036</u>	<u>164,001</u>	<u>536,778</u>	<u>2,070,815</u>
Notes payable:				
Alaska Clean Water loan	-	-	3,353,759	3,353,759
Notes payable to Sewer Enterprise Fund	<u>-</u>	<u>77,859</u>	<u>-</u>	<u>77,859</u>
Total notes payable	<u>-</u>	<u>77,859</u>	<u>3,353,759</u>	<u>3,431,618</u>
Retirement incentive program	<u>31,270</u>	<u>-</u>	<u>-</u>	<u>31,270</u>
Total Enterprise Fund debt	<u>\$ 1,401,306</u>	<u>241,860</u>	<u>3,890,537</u>	<u>5,533,703</u>

(8) **Revenue Bond Requirements**

Certain covenants of the revenue bonds require establishment of bond redemption and bond reserve accounts. The balances in these accounts are included as restricted cash in the financial statements.

The Water Utility and Port of Homer revenue bonds require that rates be maintained at a level that will produce net revenues before depreciation equal to at least 1.25 times the maximum debt service coming due.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Revenue Bond Requirements, continued

The Sewer Utility revenue bonds require that rates be maintained at a level that will produce net revenues before depreciation equal to at least 1.35 times the maximum debt service coming due.

	<u>Port of Homer</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Operating income before depreciation	\$ 299,790	420,342	73,527
Add sales tax revenue dedicated for debt service	-	-	<u>741,101</u>
Available for debt requirement	299,790	420,342	814,628
Requirement	<u>(243,645)</u>	<u>(80,000)</u>	<u>(129,016)</u>
Excess of revenue over requirement	\$ <u>56,145</u>	<u>340,342</u>	<u>685,612</u>

(9) **Segment Information**

The City maintains three Enterprise Funds which provide port and harbor, water, and sewer services. Selected segment information for the year ended December 31, 2000, follows:

	<u>Port of Homer</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Operating revenues	\$ 2,173,072	1,160,476	897,818
Operating expenses before depreciation	1,873,282	740,134	824,291
Depreciation	990,039	349,819	1,272,275
Operating income (loss)	(690,249)	70,523	(1,198,748)
Net income (loss)	(481,572)	58,098	(454,628)
Current capital contributions	478,104	1,093	313,924
Property, plant and equipment additions	525,809	179,804	544,651
Working capital (deficiency)	(4,099,385)	581,013	585,126
Total assets	39,144,729	10,123,165	18,529,380
Long-term debt	1,425,000	247,859	3,908,759
Total equity	32,875,175	9,740,645	14,556,866

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(10) Defined Benefit Pension Plan

Description of Plan

The City participates in the Public Employees' Retirement System (PERS), an agent multiple employer plan which covers eligible State and local government employees. The plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Funding Policy

For PERS, employees are required to contribute 6.75% (7.5% for peace officers and firefighters) of their annual covered salary. Under the plan, the funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due. The City's contribution rate for PERS for 2000 follows:

	<u>January 1 to June 30</u>	<u>July 1 to December 31</u>
Pension	1.46%	3.35%
Postemployment healthcare	<u>.57%</u>	<u>1.31%</u>
Total contribution rate	<u>2.03%</u>	<u>4.66%</u>

Under the plan, employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The plan uses the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Funding surpluses are amortized over five years.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension Cost

For the year ended December 31, 2000, the City's annual pension cost of \$121,762 for PERS was equal to its required and actual contributions.

The required contribution was determined as part of the June 30, 1997 actuarial valuation. The significant actuarial assumptions used in the valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first five years of employment and 4.5% per year thereafter;
3. Health cost inflation of 6.5% in 1998, decreasing to 5.5% in 1999 and thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 4% annually; and
5. Asset valuation - assets are valued at fair value; the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years.

Three-year trend information for PERS follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 1998	\$ 114,084	100%	\$ -
1999	66,163	100%	-
2000	121,762	100%	-

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Defined Benefit Pension Plan, continued

A schedule of funding progress for PERS follows:

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Assets in Excess of) Liability	Funded Ratio	Covered Payroll	Unfunded (Assets in Excess of) Liability as Percentage of Covered Payroll
June 30, 1997:							
Pension	\$ 11,257,000	\$ 9,210,000	\$ (2,047,000)	122%	\$ 3,085,000	(66%)	
Postemployment healthcare	4,195,000	3,433,000	(762,000)	122%	3,085,000	(25%)	
June 30, 1998:							
Pension	11,981,000	10,337,000	(1,644,000)	116%	3,339,000	(49%)	
Postemployment healthcare	4,449,000	3,839,000	(610,000)	116%	3,339,000	(18%)	
June 30, 1999:							
Pension	13,256,000	11,433,000	(1,823,000)	116%	3,225,000	(57%)	
Postemployment healthcare	5,374,000	4,636,000	(738,000)	116%	3,225,000	(23%)	

(11) **Accrued Leave**

Accrued leave is recorded in the year earned in the Enterprise Funds. Accrued leave estimated to be paid with current available resources is recorded in the General Fund. The portion to be paid from future resources of the General Fund is recorded in the General Long-Term Debt Account Group. The City's policy is to make no distinction between vacation and sick leave as accrued leave includes both types of leave.

A summary of the change in long-term accrued annual leave follows:

Balance at January 1, 2000	\$ 187,848
Increase	<u>36,032</u>
Balance at December 31, 2000	\$ <u>223,880</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(12) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan permits all employees to defer a portion of their salary. The deferred compensation is not available for distribution to employees until termination, retirement, death or unforeseeable emergency.

The City has amended its deferred compensation plan in accordance with changes in the Internal Revenue Code. These new provisions require that all assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries.

(13) **Retirement Incentive Program**

The City has elected to participate in the Public Employees' Retirement System retirement incentive program. The total payable to the State of Alaska at December 31, 2000 is \$123,259 and is payable over the next two years.

(14) **Contingencies**

Litigation

On January 14, 2000, a stevedoring company sued the City of Homer, the City Manger, and the City Harbormaster. The complaint seeks declaratory relief concerning rights under a port terminal use permit issued by the City of Homer, and further seeks damages and a refund of certain payments made to the City pursuant to that permit. The plaintiff's complaint alleges damages in excess of \$100,000. The City of Homer counterclaimed for breach of contract and breach of the covenant of good faith and fair dealing, alleging damages in excess of \$200,000. Subsequently, in discovery, the stevedoring company increased its claim for alleged damages against the City to \$1,000,000 or more. Regardless, the City's management intends to vigorously contest the matter. The suit is set for trial in Anchorage on November 19, 2001.

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

Grants

Amounts received or receivable from grantors are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the General Fund or other applicable fund.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(15) **Litigation Settlement**

On January 25, 1988, the City agreed on a settlement of the Tippetts-Abbott-McCarthy-Stratton (TAMS) litigation with the following terms:

1. The City paid TAMS \$300,000 for engineering services provided to the City. The final payment was made for their services in 1999.
2. TAMS paid the City \$500,000 upon execution of the settlement and is paying \$100,000 per year for twenty-one years.

(16) **Port of Homer Enterprise Fund**

During 1999, the State of Alaska transferred all of its remaining interest in harbor assets to the City of Homer. The estimated fair value of these assets at the time of the transfer was \$1,606,450 and has been included in the Port of Homer Enterprise Fund property, plant and equipment and contributed capital.

In addition, the City received a grant of \$3,587,373 from the State to perform repairs and renovations to the facilities. At December 31, 2000, \$3,334,264 of the amount remained unexpended and is included in deferred revenue in the Enterprise Fund.

(17) **Commitments**

On March 12, 2001, the City accepted a \$10,880,000 bid from a construction company for the Kachemak Bay Multipurpose Ocean Dock project. Work is scheduled to start in the summer of 2001.

COMBINING, INDIVIDUAL FUND
AND ACCOUNT GROUP FINANCIAL STATEMENTS
AND SCHEDULES

GENERAL FUND

The General Fund accounts for the financial operations of the City of Homer which are not accounted for in any other fund. Principal sources of revenues are sales tax, property taxes, charges for services, and intergovernmental revenues. Primary expenditures in the General Fund are for general government, public safety, and public works.

CITY OF HOMER, ALASKA
 General Fund
 Balance Sheet
 December 31, 2000
 (With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ 1,688,398	1,272,271
Receivables:		
Property taxes - delinquent	126,401	129,177
Less allowance for doubtful accounts	<u>(28,149)</u>	<u>(32,553)</u>
Net property taxes receivable	98,252	96,624
Sales tax	351,955	371,498
Assessments	103,361	127,262
Accrued interest	15,981	7,044
State of Alaska	972	53,277
Other	<u>82,007</u>	<u>65,336</u>
Total receivables	<u>652,528</u>	<u>721,041</u>
Due from other funds	368,169	445,910
Inventory	46,044	44,418
Prepaid items	103,988	84,742
Other asset	<u>16,414</u>	<u>16,414</u>
Total assets	\$ <u>2,875,541</u>	<u>2,584,796</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	79,361	115,861
Accrued payroll and employee benefits	147,356	161,109
Accrued leave	25,397	69,249
Deferred revenue	309,646	349,830
Deposits	<u>5,573</u>	<u>6,619</u>
Total liabilities	<u>567,333</u>	<u>702,668</u>
Fund balance:		
Reserved for inventory, prepaid items and other asset	166,446	145,574
Unreserved and undesignated	<u>2,141,762</u>	<u>1,736,554</u>
Total fund balance	<u>2,308,208</u>	<u>1,882,128</u>
Total liabilities and fund balance	\$ <u>2,875,541</u>	<u>2,584,796</u>

CITY OF HOMER, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2000

(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Revenues:		
Taxes	\$ 3,382,688	3,330,801
Licenses and permits	10,042	6,887
Intergovernmental	781,218	838,007
Charges for services	1,326,039	1,161,524
Special assessments	49,289	29,889
Investment income	174,395	160,919
Fines and forfeitures	25,044	17,108
Total revenues	<u>5,748,715</u>	<u>5,545,135</u>
Expenditures:		
Current:		
General government	1,449,470	1,421,672
Public safety	2,043,570	2,608,205
Public works	691,683	773,563
Library	279,252	284,742
Airport	132,894	134,262
Parks and recreation	302,097	217,261
Community service contributions	122,359	161,884
Debt service on capital leases:		
Principal retirement	159,844	131,301
Interest	32,746	26,528
Total expenditures	<u>5,213,935</u>	<u>5,759,418</u>
Excess of revenues over (under) expenditures	<u>534,780</u>	<u>(214,283)</u>
Other financing sources (uses):		
Proceeds from capital lease	-	264,945
Operating transfers from other funds	-	10,000
Operating transfers to other funds	(108,700)	(373,022)
Net other financing sources (uses)	<u>(108,700)</u>	<u>(98,077)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	426,080	(312,360)
Fund balance at beginning of year	<u>1,882,128</u>	<u>2,194,488</u>
Fund balance at end of year	\$ <u>2,308,208</u>	<u>1,882,128</u>

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property tax	\$ 1,403,739	1,399,921	(3,818)	1,339,835
Sales tax	1,900,752	1,975,109	74,357	1,983,089
Penalties and interest	10,000	7,658	(2,342)	7,877
Total taxes	<u>3,314,491</u>	<u>3,382,688</u>	<u>68,197</u>	<u>3,330,801</u>
Licenses and permits	<u>5,700</u>	<u>10,042</u>	<u>4,342</u>	<u>6,887</u>
Intergovernmental:				
Shared revenue	57,039	57,039	-	62,447
Safe communities	113,381	113,381	-	170,289
Utility cooperative	23,000	23,011	11	22,487
Alcohol beverage license	30,000	20,550	(9,450)	13,100
Public safety	456,500	456,503	3	456,503
Library grant	14,416	18,316	3,900	3,209
Public works	34,000	34,000	-	34,000
Reimbursements	6,130	40,250	34,120	26,182
Other grants	37,614	18,168	(19,446)	49,790
Total intergovernmental	<u>772,080</u>	<u>781,218</u>	<u>9,138</u>	<u>838,007</u>
Charges for services:				
Administrative services	689,309	689,309	-	807,165
Ambulance services	55,000	67,973	12,973	86,177
Fire contract	24,500	38,941	14,441	29,691
Camping fees	135,000	123,878	(11,122)	77,744
Rents and leases	430,124	267,530	(162,594)	8,679
Donations	12,500	12,500	-	-
Airport services	74,274	73,309	(965)	77,438
Miscellaneous services	38,300	52,599	14,299	74,630
Total charges for services	<u>1,459,007</u>	<u>1,326,039</u>	<u>(132,968)</u>	<u>1,161,524</u>
Special assessments	<u>-</u>	<u>49,289</u>	<u>49,289</u>	<u>29,889</u>
Investment income	<u>80,000</u>	<u>174,395</u>	<u>94,395</u>	<u>160,919</u>
Fines and forfeitures	<u>25,600</u>	<u>25,044</u>	<u>(556)</u>	<u>17,108</u>
Total revenues	<u>5,656,878</u>	<u>5,748,715</u>	<u>91,837</u>	<u>5,545,135</u>

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
Expenditures:				
General government:				
City council/mayor:				
Salaries and benefits	\$ 4,600	4,719	(119)	4,186
Supplies	5,500	4,156	1,344	9,048
Other services and charges	197,100	209,736	(12,636)	189,576
Capital outlay	-	-	-	693
Total City council/mayor	207,200	218,611	(11,411)	203,503
City clerk:				
Salaries and benefits	117,950	122,884	(4,934)	112,762
Supplies	1,900	1,843	57	3,227
Other services and charges	17,146	14,461	2,685	25,591
Capital outlay	-	-	-	4,684
Total City clerk	136,996	139,188	(2,192)	146,264
City manager:				
Salaries and benefits	224,964	198,345	26,619	235,056
Supplies	4,500	4,563	(63)	3,043
Other services and charges	20,044	15,783	4,261	20,118
Capital outlay	8,300	4,514	3,786	10,808
Total City manager	257,808	223,205	34,603	269,025
Financial services:				
Salaries and benefits	501,820	486,838	14,982	397,546
Supplies	15,267	14,263	1,004	22,520
Other services and charges	74,628	63,931	10,697	41,660
Capital outlay	-	-	-	7,609
Total financial services	591,715	565,032	26,683	469,335
Planning and zoning/property management:				
Salaries and benefits	135,578	111,955	23,623	136,668
Supplies	3,000	2,434	566	1,711
Other services and charges	14,600	12,999	1,601	14,228
Total planning and zoning/ property management	153,178	127,388	25,790	152,607

CITY OF HOMER, ALASKA
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual, continued

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
City hall complex:				
Supplies	\$ 13,000	8,094	4,906	19,262
Other services and charges	139,175	167,952	(28,777)	156,884
Capital outlay	-	-	-	4,792
Total City hall complex	<u>152,175</u>	<u>176,046</u>	<u>(23,871)</u>	<u>180,938</u>
Total general government	<u>1,499,072</u>	<u>1,449,470</u>	<u>49,602</u>	<u>1,421,672</u>
Public safety:				
Police department:				
Salaries and benefits	1,037,636	1,013,605	24,031	1,018,595
Supplies	28,800	25,443	3,357	36,651
Other services and charges	145,570	148,441	(2,871)	176,311
Capital outlay	-	223	(223)	93,013
Total police department	<u>1,212,006</u>	<u>1,187,712</u>	<u>24,294</u>	<u>1,324,570</u>
DWI enforcement grant:				
Salaries and benefits	26,053	20,564	5,489	12,400
Capital outlay	3,389	2,737	652	344
Total DWI enforcement grant	<u>29,442</u>	<u>23,301</u>	<u>6,141</u>	<u>12,744</u>
COPS grant - salaries and benefits	-	-	-	37,423
Law enforcement block grant - salaries and benefits	-	-	-	1,634
Jail:				
Salaries and benefits	261,002	275,643	(14,641)	302,400
Supplies	21,440	14,822	6,618	18,588
Other services and charges	23,850	26,105	(2,255)	21,559
Total jail	<u>306,292</u>	<u>316,570</u>	<u>(10,278)</u>	<u>342,547</u>

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Supplies	\$ 5,000	4,401	599	6,942
Other services and charges	42,642	43,911	(1,269)	48,332
Total animal control	<u>47,642</u>	<u>48,312</u>	<u>(670)</u>	<u>55,274</u>
Emergency services:				
Salaries and benefits	307,548	250,652	56,896	349,717
Supplies	35,795	34,827	968	37,006
Other services and charges	161,665	178,704	(17,039)	170,823
Capital outlay	3,500	3,492	8	276,467
Total emergency services	<u>508,508</u>	<u>467,675</u>	<u>40,833</u>	<u>834,013</u>
Total public safety	<u>2,103,890</u>	<u>2,043,570</u>	<u>60,320</u>	<u>2,608,205</u>
Public works:				
Administration:				
Salaries and benefits	124,367	95,711	28,656	94,339
Supplies	4,500	4,572	(72)	3,871
Other services and charges	38,920	41,901	(2,981)	42,253
Capital outlay	2,500	2,642	(142)	2,773
Less amounts allocated to other departments	(29,000)	-	(29,000)	-
Total administration	<u>141,287</u>	<u>144,826</u>	<u>(3,539)</u>	<u>143,236</u>
Maintenance:				
Salaries and benefits	106,878	98,135	8,743	158,036
Supplies	11,800	12,372	(572)	19,884
Other services and charges	69,550	52,034	17,516	59,880
Capital outlay	13,000	12,962	38	5,020
Less amounts allocated to other departments	(81,000)	(56,136)	(24,864)	(62,926)
Total maintenance	<u>120,228</u>	<u>119,367</u>	<u>861</u>	<u>179,894</u>

CITY OF HOMER, ALASKA
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual, continued

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries and benefits	\$ 145,949	146,481	(532)	133,161
Supplies	68,500	58,699	9,801	77,800
Other services and charges	30,700	27,183	3,517	41,678
Capital outlay	7,500	5,933	1,567	4,921
Total streets	<u>252,649</u>	<u>238,296</u>	<u>14,353</u>	<u>257,560</u>
Motor pool:				
Salaries and benefits	95,515	111,728	(16,213)	84,916
Supplies	25,500	31,993	(6,493)	27,757
Other services and charges	58,200	60,008	(1,808)	79,246
Capital outlay	-	-	-	1,550
Less amounts allocated to other departments	(34,000)	(52,390)	18,390	(32,534)
Total motor pool	<u>145,215</u>	<u>151,339</u>	<u>(6,124)</u>	<u>160,935</u>
Engineer/inspector:				
Salaries and benefits	40,893	33,127	7,766	23,906
Supplies	1,650	4,180	(2,530)	2,971
Other services and charges	4,900	548	4,352	5,061
Total engineer/inspector	<u>47,443</u>	<u>37,855</u>	<u>9,588</u>	<u>31,938</u>
Total public works	<u>706,822</u>	<u>691,683</u>	<u>15,139</u>	<u>773,563</u>
Library:				
Salaries and benefits	222,379	220,014	2,365	205,563
Supplies	13,200	13,586	(386)	12,556
Other services and charges	40,706	43,814	(3,108)	45,867
Capital outlay	2,500	1,838	662	20,756
Total library	<u>278,785</u>	<u>279,252</u>	<u>(467)</u>	<u>284,742</u>
Airport:				
Supplies	8,500	13,266	(4,766)	260
Other services and charges	121,530	119,628	1,902	134,002
Total airport	<u>130,030</u>	<u>132,894</u>	<u>(2,864)</u>	<u>134,262</u>

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
Expenditures, continued:				
Parks and recreation:				
Salaries and benefits	\$ 141,206	145,933	(4,727)	113,508
Supplies	22,900	16,024	6,876	4,127
Other services and charges	146,530	139,260	7,270	65,641
Capital outlay	3,500	880	2,620	33,985
Total parks and recreation	<u>314,136</u>	<u>302,097</u>	<u>12,039</u>	<u>217,261</u>
Community service contributions:				
Hospice of Homer	-	1,277	(1,277)	1,436
Council on Alcoholism	1,277	1,277	-	1,436
Mental health program	-	1,277	(1,277)	1,436
South Peninsula Women's Services	1,277	1,277	-	1,436
Kachemak Bay Family Planning	1,277	1,277	-	1,436
Museum	5,000	5,000	-	108,300
Homer Senior Citizens	1,277	1,277	-	1,436
Homer Friendship Center	1,277	1,277	-	-
South Peninsula Hospital	2,500	2,500	-	-
Homer Foundation Non-Profit	100,920	100,920	-	-
Homer Head Start	5,000	5,000	-	5,000
Chamber of Commerce	-	-	-	25,000
Friendship Center	-	-	-	1,436
Art Council	-	-	-	4,500
Kachemak Ski Club	-	-	-	1,532
Bunnell Street Gallery	-	-	-	1,500
Homer Food Pantry	-	-	-	2,000
Snowmads Snowmachine Club	-	-	-	1,500
Nordic Ski Club	-	-	-	2,500
Total community service contributions	<u>119,805</u>	<u>122,359</u>	<u>(2,554)</u>	<u>161,884</u>
Debt service on capital leases:				
Principal	158,780	159,864	(1,084)	131,301
Interest	30,000	32,746	(2,746)	26,528
Total debt service	<u>188,780</u>	<u>192,610</u>	<u>(3,830)</u>	<u>157,829</u>
Total expenditures	<u>5,341,320</u>	<u>5,213,935</u>	<u>127,385</u>	<u>5,759,418</u>
Excess of revenues over (under) expenditures	315,558	534,780	219,222	(214,283)

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
Other financing sources (uses):				
Proceeds from capital lease	\$ -	-	-	264,945
Operating transfers from other funds	-	-	-	10,000
Operating transfers to other funds	<u>(140,000)</u>	<u>(108,700)</u>	<u>31,300</u>	<u>(373,022)</u>
Net other financing sources (uses)	<u>(140,000)</u>	<u>(108,700)</u>	<u>31,300</u>	<u>(98,077)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ <u>175,558</u>	426,080	<u>250,522</u>	(312,360)
Fund balance at beginning of year		<u>1,882,128</u>		<u>2,194,488</u>
Fund balance at end of year		\$ <u>2,308,208</u>		<u>1,882,128</u>

DEBT SERVICE FUNDS

These funds are established to account for the accumulation and disbursements of monies needed to comply with the interest and principal redemption requirements of general obligation and special assessment bonds.

1987 Rangeview Special Assessment Bonds – This fund accounts for the 1987 street special assessment bonds. Financing is provided by special assessments levied against benefited property.

General Obligation Bonds and 1990 Special Assessment Bonds – This fund accounts for the following bond issues:

1990 Special Assessment Bonds

1998 General Obligation Refunding Bonds

CITY OF HOMER, ALASKA
 Debt Service Funds
 Combining Balance Sheet
 December 31, 2000
 (With Comparative Totals for 1999)

<u>Assets</u>	1987 Rangeview Special Assessment <u>Bonds</u>	General Obligation Bonds and 1990 Special Assessment <u>Bonds</u>	<u>Totals</u>	
			<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ 22,884	188,612	211,496	568,825
Assessments receivable:				
Current	3,394	20,820	24,214	28,904
Deferred	<u>12,865</u>	<u>35,821</u>	<u>48,686</u>	<u>81,611</u>
 Total assets	 \$ <u>39,143</u>	 <u>245,253</u>	 <u>284,396</u>	 <u>679,340</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	1,818	1,818	655
Deferred revenues	<u>16,259</u>	<u>56,641</u>	<u>72,900</u>	<u>110,515</u>
Total liabilities	16,259	58,459	74,718	111,170
 Fund balances - reserved for debt service	 <u>22,884</u>	 <u>186,794</u>	 <u>209,678</u>	 <u>568,170</u>
 Total liabilities and fund balances	 \$ <u>39,143</u>	 <u>245,253</u>	 <u>284,396</u>	 <u>679,340</u>

CITY OF HOMER, ALASKA
 Debt Service Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	<u>Totals</u>	
			<u>2000</u>	<u>1999</u>
Revenues:				
Special assessments	\$ 1,318	34,718	36,036	69,984
Interest	<u>771</u>	<u>35,472</u>	<u>36,243</u>	<u>63,573</u>
Total revenues	<u>2,089</u>	<u>70,190</u>	<u>72,279</u>	<u>133,557</u>
Expenditures:				
Debt service:				
Principal retirement	5,280	316,250	321,530	302,780
Interest	<u>2,691</u>	<u>127,550</u>	<u>130,241</u>	<u>158,675</u>
Total expenditures	<u>7,971</u>	<u>443,800</u>	<u>451,771</u>	<u>461,455</u>
Excess of revenues over (under) expenditures	(5,882)	(373,610)	(379,492)	(327,898)
Other financing sources - operating transfers from other funds	<u>-</u>	<u>21,000</u>	<u>21,000</u>	<u>35,709</u>
Excess of revenues and other financing sources over (under) expenditures	(5,882)	(352,610)	(358,492)	(292,189)
Fund balances at beginning of year	<u>28,766</u>	<u>539,404</u>	<u>568,170</u>	<u>860,359</u>
Fund balances at end of year	\$ <u>22,884</u>	<u>186,794</u>	<u>209,678</u>	<u>568,170</u>

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for the financial resources expended to acquire or construct major capital assets of a relatively permanent nature. Such financial resources include grants, contributions, bond proceeds, and operating transfers from other funds.

Capital Project Funds provide a formal mechanism to ensure that revenues dedicated to a certain project are used only for that project and enable the City administration to report to grantors of Capital Project Fund revenue that their requirements regarding the use of the revenues are fully satisfied.

City Facilities – This fund accounts for capital improvement projects for buildings and other facilities.

Streets and Sidewalks – This fund accounts for capital improvement projects for streets and sidewalks.

Reserve Allocation – This fund accounts for the accumulation of capital to purchase equipment.

CITY OF HOMER, ALASKA
Capital Project Funds
Combining Balance Sheet
December 31, 2000
(With Comparative Totals for 1999)

<u>Assets</u>	<u>City Facilities</u>	<u>Streets and Sidewalks</u>	<u>Reserve Allocation</u>	<u>Totals</u>	
				<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ 1,548,489	1,062,651	592,058	3,203,198	1,554,947
Sales tax receivable	-	130,827	-	130,827	137,174
Accounts receivable:					
Federal government	79,661	-	-	79,661	7,674
State of Alaska	20,076	-	-	20,076	3,867
Accrued interest	<u>12,557</u>	<u>-</u>	<u>4,566</u>	<u>17,123</u>	<u>-</u>
 Total assets	 \$ <u>1,660,783</u>	 <u>1,193,478</u>	 <u>596,624</u>	 <u>3,450,885</u>	 <u>1,703,662</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	-	104	76	180	4,554
Accrued liabilities	37	56	-	93	2,091
Deferred revenue	<u>69,311</u>	<u>-</u>	<u>-</u>	<u>69,311</u>	<u>65,524</u>
Total liabilities	69,348	160	76	69,584	72,169
 Fund balances - unreserved - designated for capital projects	 <u>1,591,435</u>	 <u>1,193,318</u>	 <u>596,548</u>	 <u>3,381,301</u>	 <u>1,631,493</u>
 Total liabilities and fund balances	 \$ <u>1,660,783</u>	 <u>1,193,478</u>	 <u>596,624</u>	 <u>3,450,885</u>	 <u>1,703,662</u>

CITY OF HOMER, ALASKA
Capital Project Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended December 31, 2000
(With Comparative Totals for 1999)

	City Facilities	Streets and Sidewalks	Reserve Allocation	Totals	
				2000	1999
Revenues:					
Sales tax	\$ -	741,102	-	741,102	742,533
Intergovernmental	337,959	-	-	337,959	130,808
Investment income	119,229	84,870	39,126	243,225	93,874
Other	29,116	-	-	29,116	3,011
Total revenues	486,304	825,972	39,126	1,351,402	970,226
Expenditures - capital projects	391,637	567,656	91,512	1,050,805	401,237
Excess of revenues over (under) expenditures	94,667	258,316	(52,386)	300,597	568,989
Other financing sources (uses):					
Operating transfers from other funds	14,425	-	87,700	102,125	173,638
Operating transfers to other funds	(50,000)	-	(14,425)	(64,425)	(22,725)
Net other financing sources (uses)	(35,575)	-	73,275	37,700	150,913
Excess of revenues and other financing sources over expenditures and other uses	59,092	258,316	20,889	338,297	719,902
Fund balances at beginning of year	120,832	935,002	575,659	1,631,493	911,591
Residual equity transfer from Sewer Utility Enterprise Fund	1,411,511	-	-	1,411,511	-
Fund balances at end of year	\$ 1,591,435	1,193,318	596,548	3,381,301	1,631,493

CITY OF HOMER, ALASKA
 Capital Project Funds
 Combining Schedule of Expenditures by Project
 Year Ended December 31, 2000

	<u>City</u> <u>Facilities</u>	<u>Streets</u> <u>and</u> <u>Sidewalks</u>	<u>Reserve</u> <u>Allocation</u>	<u>Totals</u>
Census 2000	\$ 2,810	-	968	3,778
Computer upgrades	33,220	-	-	33,220
Homer Comprehensive Plan	2,364	-	-	2,364
East Road utility upgrade	6,674	-	-	6,674
Tobacco enforcement program	10,380	-	-	10,380
Drug eradication	1,721	-	-	1,721
Mariner Park habitat	17,340	-	-	17,340
Jack Gist Park	688	-	-	688
Chamber of Commerce Visitor Center	270,243	-	-	270,243
Kachemak Ski Club	7,000	-	-	7,000
South Peninsula Women's Shelter	6,750	-	-	6,750
Fishing Lagoon Park	2,913	-	-	2,913
Poopdeck Trail	22,709	-	-	22,709
Commercial vehicle inspection	4,535	-	-	4,535
Homer library	2,290	-	-	2,290
Police vehicles	-	-	32,795	32,795
Public works vehicles	-	-	53,777	53,777
Parks and recreation improvements	-	-	3,972	3,972
Poopdeck/Hazel reconstruction and paving	-	498,016	-	498,016
Jenny Way	-	398	-	398
Allocated administrative services	-	69,242	-	69,242
	\$ <u>391,637</u>	<u>567,656</u>	<u>91,512</u>	<u>1,050,805</u>

ENTERPRISE FUNDS

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business operations. The City of Homer utilizes three Enterprise Funds.

Port of Homer – This fund accounts for the operations of the port and harbor.

Water Utility – This fund accounts for the operations of the water utility providing services to the residents of the City.

Sewer Utility – This fund accounts for the operations of the sewer utility providing services to the residents of the City.

CITY OF HOMER, ALASKA
Enterprise Funds
Combining Balance Sheet
December 31, 2000
(With Comparative Totals for 1999)

Assets	Port of Homer	Water Utility	Sewer Utility	Totals	
				2000	1999
Current assets:					
Equity in central treasury	\$ -	552,442	510,586	1,063,028	688,407
Receivables, net of allowance for doubtful accounts:					
Accounts	118,536	64,605	86,083	269,224	376,525
Sales tax	-	-	130,827	130,827	137,174
Assessments due within one year	-	12,755	24,581	37,336	38,682
Litigation settlement	100,000	-	-	100,000	100,000
Federal government	9,499	-	-	9,499	2,262
State of Alaska	102,750	763	154,570	264,083	34,437
Accrued interest	67,725	6,788	22,068	96,581	90,453
Inventory	13,368	92,405	17,952	123,725	112,945
Prepaid items	22,493	10,594	12,002	45,089	52,351
Current portion of note receivable	-	-	38,929	38,929	38,929
Deferred charges	-	75,250	-	75,250	75,250
Total current assets	<u>440,371</u>	<u>815,602</u>	<u>997,598</u>	<u>2,253,571</u>	<u>1,747,415</u>
Restricted assets- equity in central treasury restricted for debt service and capital projects					
	3,933,302	96,567	1,788,734	5,818,603	7,075,503
Assessments due after one year	-	73,030	173,338	246,368	288,519
Bond issuance costs, net of accumulated amortization	47,978	6,824	19,765	74,567	84,996
Note receivable, net of current portion	-	-	38,930	38,930	77,859
Property, plant and equipment, net of accumulated depreciation	34,142,908	9,131,142	15,511,015	58,785,065	60,146,934
Long-term portion of litigation receivable, net of 6% discount	580,170	-	-	580,170	636,009
Total assets	<u>\$ 39,144,729</u>	<u>10,123,165</u>	<u>18,529,380</u>	<u>67,797,274</u>	<u>70,057,235</u>
Liabilities and Fund Equity					
Liabilities:					
Current liabilities:					
Accounts payable	142,299	87,118	8,120	237,537	115,128
Accrued liabilities	38,811	14,503	15,805	69,119	65,318
Accrued leave	64,729	11,588	26,701	103,018	102,434
Accrued interest	14,929	5,982	31,351	52,262	65,597
Current portion of long-term debt	157,508	93,929	330,495	581,932	544,057
Prepaid rentals and deposits	401,047	21,469	-	422,516	408,617
Due to other funds	368,169	-	-	368,169	445,910
Deferred revenue	3,352,264	-	-	3,352,264	3,614,001
Total current liabilities	<u>4,539,756</u>	<u>234,589</u>	<u>412,472</u>	<u>5,186,817</u>	<u>5,361,062</u>
Noncurrent liabilities:					
Deferred lease revenue	486,000	-	-	486,000	504,000
Long-term debt, net of current portion:					
Notes payable	-	38,930	3,093,264	3,132,194	3,431,619
Retirement incentive program	8,762	-	-	8,762	31,270
Revenue bonds payable, net of deferred loss	1,235,036	109,001	466,778	1,810,815	2,060,106
Total liabilities	<u>6,269,554</u>	<u>382,520</u>	<u>3,972,514</u>	<u>10,624,588</u>	<u>11,388,057</u>
Fund equity:					
Contributed capital, net of accumulated amortization	28,796,985	9,059,666	12,499,590	50,356,241	51,702,140
Retained earnings:					
Reserved for bond redemption	191,500	72,950	103,000	367,450	367,450
Reserved for debt service and water/sewer construction	-	-	-	-	1,504,637
Unreserved	3,886,690	608,029	1,954,276	6,448,995	5,094,951
Total fund equity	<u>32,875,175</u>	<u>9,740,645</u>	<u>14,556,866</u>	<u>57,172,686</u>	<u>58,669,178</u>
Total liabilities and fund equity	<u>\$ 39,144,729</u>	<u>10,123,165</u>	<u>18,529,380</u>	<u>67,797,274</u>	<u>70,057,235</u>

CITY OF HOMER, ALASKA
Enterprise Funds
Combining Statement of Revenues, Expenses
and Changes in Retained Earnings
Year Ended December 31, 2000
(With Comparative Totals for 1999)

	Port of Homer	Water Utility	Sewer Utility	Totals	
				2000	1999
Operating revenues - charges for services	\$ 2,173,072	1,160,476	897,818	4,231,366	4,257,839
Operating expenses:					
Operations	1,259,465	426,509	471,765	2,157,739	2,389,755
Administration	613,817	313,625	352,526	1,279,968	1,421,852
Depreciation	990,039	349,819	1,272,275	2,612,133	2,499,374
Total operating expenses	<u>2,863,321</u>	<u>1,089,953</u>	<u>2,096,566</u>	<u>6,049,840</u>	<u>6,310,981</u>
Operating income (loss)	(690,249)	70,523	(1,198,748)	(1,818,474)	(2,053,142)
Nonoperating revenues (expenses):					
Investment income	250,854	18,230	125,586	394,670	363,429
Penalties and interest	8,890	9,331	13,425	31,646	40,979
Loss on disposal of property and equipment	-	-	-	-	(4,168)
Interest expense	(159,723)	(37,711)	(183,169)	(380,603)	(502,093)
Sales tax	-	-	741,101	741,101	742,534
Miscellaneous	108,656	(2,275)	(2,823)	103,558	48,005
Net nonoperating revenues (expenses)	<u>208,677</u>	<u>(12,425)</u>	<u>694,120</u>	<u>890,372</u>	<u>688,686</u>
Income (loss) before operating transfers	(481,572)	58,098	(504,628)	(928,102)	(1,364,456)
Operating transfers from other funds	-	-	50,000	50,000	60,000
Operating transfers to other funds	-	-	-	-	(10,000)
Net operating transfers	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Net income (loss)	(481,572)	58,098	(454,628)	(878,102)	(1,314,456)
Credit arising from transfer of depreciation to contributed capital	<u>812,428</u>	<u>189,884</u>	<u>1,136,708</u>	<u>2,139,020</u>	<u>2,017,182</u>
Income transferred to retained earnings	330,856	247,982	682,080	1,260,918	702,726
Retained earnings at beginning of year	3,747,334	432,997	2,786,707	6,967,038	6,264,312
Residual equity transfer to City Facilities Capital Project Fund	-	-	(1,411,511)	(1,411,511)	-
Retained earnings at end of year	\$ <u>4,078,190</u>	<u>680,979</u>	<u>2,057,276</u>	<u>6,816,445</u>	<u>6,967,038</u>

CITY OF HOMER, ALASKA
 Enterprise Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	Port of Homer	Water Utility	Sewer Utility	Totals	
				2000	1999
Cash flows from operating activities:					
Operating income (loss)	\$ (690,249)	70,523	(1,198,748)	(1,818,474)	(2,053,142)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	990,039	349,819	1,272,275	2,612,133	2,499,374
Increase (decrease) in allowance for doubtful accounts	8,658	509	369	9,536	(9,581)
Amortization of deferred lease revenue	(18,000)	-	-	(18,000)	(18,000)
Litigation settlement	44,161	-	-	44,161	48,406
Miscellaneous nonoperating revenues	90,471	-	-	90,471	26,149
Miscellaneous nonoperating expenses	(11,755)	-	-	(11,755)	(1,288)
(Increase) decrease in assets:					
Receivables	(31,752)	31,005	(138,371)	(139,118)	144,447
Inventory	(13,368)	(1,750)	4,338	(10,780)	(7,830)
Prepaid items	5,372	1,079	811	7,262	(2,446)
Litigation settlement receivable	55,839	-	-	55,839	52,679
Increase (decrease) in liabilities:					
Accounts payable	80,365	42,047	(3)	122,409	21,739
Accrued liabilities	4,450	(6,708)	6,059	3,801	(16,279)
Accrued leave	545	(4,870)	4,909	584	(19,283)
Prepaid rentals and deposits	16,120	(2,221)	-	13,899	39,451
Retirement incentive program	(22,508)	-	-	(22,508)	53,779
Net cash flows from operating activities	<u>508,388</u>	<u>479,433</u>	<u>(48,361)</u>	<u>939,460</u>	<u>758,175</u>
Cash flows from noncapital financing activities:					
Operating transfers from other funds	-	-	50,000	50,000	60,000
Operating transfers to other funds	-	-	-	-	(10,000)
Residual equity transfers to other funds	-	-	(1,411,511)	(1,411,511)	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>(1,361,511)</u>	<u>(1,361,511)</u>	<u>50,000</u>
Cash flows from capital and related financing activities:					
Principal payments on long-term debt	(130,001)	(93,929)	(297,620)	(521,550)	(562,373)
Interest payments on long-term debt and interfund borrowing	(154,916)	(29,730)	(198,583)	(383,229)	(482,072)
Acquisition of property, plant and equipment	(525,809)	(179,804)	(544,651)	(1,250,264)	(316,584)
Decrease in due to other funds	(77,741)	-	-	(77,741)	(217,703)
Increase (decrease) in deferred revenue	(261,737)	-	-	(261,737)	3,596,001
Increase in contributed capital	478,104	1,093	313,924	793,121	176,203
Principal collections on special assessments	-	11,343	32,154	43,497	70,273
Penalties and interest on special assessments	-	9,331	13,425	22,756	25,871
Sales tax revenue received	-	-	747,448	747,448	724,962
Net cash flows from capital and related financing activities	<u>(672,100)</u>	<u>(281,696)</u>	<u>66,097</u>	<u>(887,699)</u>	<u>3,014,578</u>
Cash flows from investing activities:					
Investment income received	241,529	19,016	127,997	388,542	282,996
Payments received on note	-	-	38,929	38,929	38,929
Net cash flows from investing activities	<u>241,529</u>	<u>19,016</u>	<u>166,926</u>	<u>427,471</u>	<u>321,925</u>
Net increase (decrease) in cash and cash equivalents	77,817	216,753	(1,176,849)	(882,279)	4,144,678
Cash and cash equivalents at beginning of year	<u>3,855,485</u>	<u>432,256</u>	<u>3,476,169</u>	<u>7,763,910</u>	<u>3,619,237</u>
Cash and cash equivalents at end of year	\$ <u>3,933,302</u>	<u>649,009</u>	<u>2,299,320</u>	<u>6,881,631</u>	<u>7,763,910</u>
Cash and cash equivalents at end of year:					
Equity in central treasury	-	552,442	510,586	1,063,028	688,407
Equity in central treasury restricted for debt service and capital projects	<u>3,933,302</u>	<u>96,567</u>	<u>1,788,734</u>	<u>5,818,603</u>	<u>7,075,503</u>
	\$ <u>3,933,302</u>	<u>649,009</u>	<u>2,299,320</u>	<u>6,881,631</u>	<u>7,763,910</u>

CITY OF HOMER, ALASKA
 Port of Homer Enterprise Fund
 Balance Sheet
 December 31, 2000
 (With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Current assets:		
Receivables:		
Accounts, net of allowance for doubtful accounts of \$28,183 in 2000 and \$19,525 in 1999	\$ 118,536	206,332
Federal government	9,499	2,262
State of Alaska	108,750	5,097
Litigation settlement - current	100,000	100,000
Accrued interest	67,725	58,400
Net receivables	<u>404,510</u>	<u>372,091</u>
Inventory	13,368	-
Prepaid items	22,493	27,865
Total current assets	<u>440,371</u>	<u>399,956</u>
Restricted assets- equity in central treasury restricted for debt service and harbor deferred maintenance and construction	<u>3,933,302</u>	<u>3,855,485</u>
Bond issuance costs, net of accumulated amortization of \$10,662 in 2000 and \$5,331 in 1999	<u>47,978</u>	<u>53,309</u>
Property, plant and equipment:		
Property, plant and equipment in service	31,685,519	31,625,263
Land and land improvements	15,254,041	15,254,041
Construction work in progress	908,056	442,503
Less accumulated depreciation	<u>(13,704,708)</u>	<u>(12,714,669)</u>
Net property, plant and equipment	<u>34,142,908</u>	<u>34,607,138</u>
Long-term portion of litigation receivable, net of 6% discount of \$219,830 in 2000 and \$263,991 in 1999	<u>580,170</u>	<u>636,009</u>
Total assets	\$ <u>39,144,729</u>	<u>39,551,897</u>
<u>Liabilities and Fund Equity</u>		
Liabilities:		
Current liabilities:		
Accounts payable	142,299	61,934
Accrued liabilities	38,811	34,361
Accrued leave	64,729	64,184
Accrued interest	14,929	16,229
Current portion of long-term debt	157,508	152,509
Prepaid berth rentals and deposits	401,047	384,927
Due to other funds	368,169	445,910
Deferred revenue	<u>3,352,264</u>	<u>3,614,001</u>
Total current liabilities	<u>4,539,756</u>	<u>4,774,055</u>
Deferred lease revenue	486,000	504,000
Long-term debt, net of current portion:		
Retirement incentive program	8,762	31,270
Revenue bonds payable, net of deferred loss of \$54,964 in 2000 and \$61,071 in 1999	<u>1,235,036</u>	<u>1,363,929</u>
Total liabilities	<u>6,269,554</u>	<u>6,673,254</u>
Fund equity:		
Contributed capital	37,724,238	37,246,134
Less accumulated amortization	<u>(8,927,253)</u>	<u>(8,114,825)</u>
Net contributed capital	<u>28,796,985</u>	<u>29,131,309</u>
Retained earnings:		
Reserved for bond redemption	191,500	191,500
Unreserved	<u>3,886,690</u>	<u>3,555,834</u>
Total retained earnings	<u>4,078,190</u>	<u>3,747,334</u>
Total fund equity	<u>32,875,175</u>	<u>32,878,643</u>
Total liabilities and fund equity	\$ <u>39,144,729</u>	<u>39,551,897</u>

CITY OF HOMER, ALASKA

Port of Homer Enterprise Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Harbor	\$ 1,012,139	928,943
Main dock	139,881	122,743
Fish dock	666,335	586,969
Deep water dock	118,791	267,089
Uplands	235,926	453,489
Recreation facilities	-	1,097
Total operating revenues	<u>2,173,072</u>	<u>2,360,330</u>
Operating expenses, excluding depreciation:		
Harbor	760,337	857,229
Main dock	35,975	44,663
Fish dock	428,495	369,863
Deep water dock	34,624	54,792
Uplands	34	78,286
Recreation facilities	-	66,577
Administration	613,817	695,367
Total operating expenses, excluding depreciation	<u>1,873,282</u>	<u>2,166,777</u>
Operating income before depreciation	299,790	193,553
Depreciation	<u>990,039</u>	<u>901,715</u>
Operating loss	(690,249)	(708,162)
Nonoperating revenues (expenses):		
Investment income	250,854	125,017
Penalties and late fees	8,890	15,108
Loss on disposal of property and equipment	-	(3,557)
Interest expense:		
Bonds	(69,723)	(78,636)
Interfund borrowing	(90,000)	(93,450)
Litigation settlement	44,161	48,406
Amortization of bond issuance costs	(5,331)	(5,331)
State of Alaska	8,346	-
Other income	73,235	43,541
Other expense	(11,755)	(32,500)
Net nonoperating revenues (expenses)	<u>208,677</u>	<u>18,598</u>
Loss before operating transfers	(481,572)	(689,564)
Operating transfers from (to) other funds:		
General Fund	-	(10,000)
General Fund	<u>-</u>	<u>60,000</u>
Net operating transfers from (to) other funds	<u>-</u>	<u>50,000</u>
Net loss	(481,572)	(639,564)
Credit arising from transfer of depreciation to contributed capital	<u>812,428</u>	<u>780,435</u>
Income transferred to retained earnings	330,856	140,871
Retained earnings at beginning of year	<u>3,747,334</u>	<u>3,606,463</u>
Retained earnings at end of year	\$ <u>4,078,190</u>	<u>3,747,334</u>

CITY OF HOMER, ALASKA
 Port of Homer Enterprise Fund
 Statement of Cash Flows
 Year Ended December 31, 2000
 (With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating loss	\$ (690,249)	(708,162)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	990,039	901,717
Increase (decrease) in allowance for doubtful accounts	8,658	(9,800)
Amortization of deferred lease revenue	(18,000)	(18,000)
Litigation settlement	44,161	48,406
Miscellaneous nonoperating revenues	90,471	58,649
Miscellaneous nonoperating expenses	(11,755)	(32,500)
(Increase) decrease in assets:		
Receivables	(31,752)	114,879
Inventory	(13,368)	-
Prepaid items	5,372	(666)
Litigation settlement receivable	55,839	52,679
Increase (decrease) in liabilities:		
Accounts payable	80,365	28,250
Accrued liabilities	4,450	(20,431)
Accrued leave	545	(25,923)
Prepaid berth rentals and deposits	16,120	36,714
Retirement incentive program	(22,508)	53,779
Net cash flows from operating activities	<u>508,388</u>	<u>479,589</u>
Cash flows from noncapital financing activities:		
Operating transfers from other funds	-	60,000
Operating transfers to other funds	-	(10,000)
Net cash flows from noncapital financing activities	<u>-</u>	<u>50,000</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(130,001)	(171,250)
Interest payments on long-term debt and interfund borrowing	(154,916)	(157,991)
Acquisition of property, plant and equipment	(525,809)	(227,435)
Decrease in due to other funds	(77,741)	(217,703)
Increase (decrease) in deferred revenue	(261,737)	3,596,001
Increase in contributed capital	478,104	168,045
Net cash flows from capital and related financing activities	<u>(672,100)</u>	<u>2,989,667</u>
Cash flows from investing activities - investment income received	<u>241,529</u>	<u>66,617</u>
Net increase in cash and cash equivalents	77,817	3,585,873
Cash and cash equivalents at beginning of year	<u>3,855,485</u>	<u>269,612</u>
Cash and cash equivalents at end of year	\$ <u>3,933,302</u>	<u>3,855,485</u>
Cash and cash equivalents at end of year:		
Equity in central treasury	-	-
Equity in central treasury restricted for debt service and harbor deferred maintenance and construction	<u>3,933,302</u>	<u>3,855,485</u>
	\$ <u>3,933,302</u>	<u>3,855,485</u>

CITY OF HOMER, ALASKA
 Port of Homer Enterprise Fund
 Schedule of Changes in Contributed Capital
 Year Ended December 31, 2000
 (With Comparative Amounts for 1999)

	State and Federal <u>Sources</u>	Accumulated Depreciation on Contributed <u>Plant</u>	Net State and Federal <u>Sources</u>	City of <u>Homer</u>	Net Contributed <u>Capital</u>
Balances at January 1, 1999	\$ 35,239,982	(7,334,390)	27,905,592	231,657	28,137,249
Contributions for capital improvements	1,774,495	-	1,774,495	-	1,774,495
Depreciation closed to contributed capital	<u>-</u>	<u>(780,435)</u>	<u>(780,435)</u>	<u>-</u>	<u>(780,435)</u>
Balances at December 31, 1999	37,014,477	(8,114,825)	28,899,652	231,657	29,131,309
Contributions for capital improvements	478,104	-	478,104	-	478,104
Depreciation closed to contributed capital	<u>-</u>	<u>(812,428)</u>	<u>(812,428)</u>	<u>-</u>	<u>(812,428)</u>
Balances at December 31, 2000	\$ <u>37,492,581</u>	<u>(8,927,253)</u>	<u>28,565,328</u>	<u>231,657</u>	<u>28,796,985</u>

CITY OF HOMER, ALASKA
 Port of Homer Enterprise Fund
 Combining Schedule of Port of Homer Capital Projects
 Year Ended December 31, 2000

	Kachemak						Totals
	Bay Pioneer <u>Dock</u>	Boat Harbor <u>TORA</u>	Waste <u>Oil</u>	Ramp <u>Repair</u>	Fish Cleaning <u>Station</u>	Evaporative <u>Condensor</u>	
Funding sources:							
State grants	\$ -	251,608	94,660	34,756	84,345	-	465,369
Federal grants	12,735	-	-	-	-	-	12,735
Port of Homer funds	-	-	22,204	9,575	-	15,926	47,705
Total funding sources	\$ <u>12,735</u>	<u>251,608</u>	<u>116,864</u>	<u>44,331</u>	<u>84,345</u>	<u>15,926</u>	<u>525,809</u>
Expenditures:							
Salaries and benefits	2,496	10,960	33,259	8,014	13,718	-	68,447
Supplies	27	621	1,093	849	-	-	2,590
Other services and charges	10,212	235,777	6,981	35,468	4,375	-	292,813
Equipment	-	4,250	75,531	-	66,252	15,926	161,959
Total expenditures	\$ <u>12,735</u>	<u>251,608</u>	<u>116,864</u>	<u>44,331</u>	<u>84,345</u>	<u>15,926</u>	<u>525,809</u>

CITY OF HOMER, ALASKA
 Water Utility Enterprise Fund
 Balance Sheet
 December 31, 2000
 (With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Current assets:		
Equity in central treasury	\$ 552,442	335,689
Receivables:		
Accounts, net of allowance for doubtful accounts of \$1,748 in 2000 and \$1,239 in 1999	64,605	78,148
Assessments due within one year	12,755	12,825
State of Alaska	763	18,734
Accrued interest	6,788	7,574
Net receivables	<u>84,911</u>	<u>117,281</u>
Inventory	92,405	90,655
Prepaid items	10,594	11,673
Deferred charges	75,250	75,250
Total current assets	<u>815,602</u>	<u>630,548</u>
Restricted assets - equity in central treasury restricted for debt service	96,567	96,567
Assessments due after one year	73,030	84,303
Bond issuance costs, net of accumulated amortization of \$4,549 in 2000 and \$2,274 in 1999	6,824	9,099
Property, plant and equipment:		
Property, plant and equipment in service	14,901,701	14,722,988
Land	26,561	26,561
Construction work in progress	52,645	51,554
Less accumulated depreciation	<u>(5,849,765)</u>	<u>(5,499,946)</u>
Net property, plant and equipment	<u>9,131,142</u>	<u>9,301,157</u>
Total assets	\$ <u>10,123,165</u>	<u>10,121,674</u>
<u>Liabilities and Fund Equity</u>		
Liabilities:		
Current liabilities:		
Accounts payable	87,113	45,071
Accrued liabilities	14,503	21,211
Accrued leave	11,588	16,458
Accrued interest	5,982	-
Current portion of long-term debt	93,929	93,929
Customer utility deposits	<u>21,469</u>	<u>23,690</u>
Total current liabilities	234,589	200,359
Long-term debt, net of current portion:		
Note payable to Sewer Enterprise Fund	38,930	77,859
Revenue bonds payable, net of deferred loss of \$5,999 in 2000 and \$7,998 in 1999	<u>109,001</u>	<u>162,002</u>
Total liabilities	<u>382,520</u>	<u>440,220</u>
Fund equity:		
Contributed capital	12,480,602	12,479,509
Less accumulated amortization	<u>(3,420,936)</u>	<u>(3,231,052)</u>
Net contributed capital	<u>9,059,666</u>	<u>9,248,457</u>
Retained earnings:		
Reserved for bond redemption	72,950	72,950
Unreserved	<u>608,029</u>	<u>360,047</u>
Total retained earnings	<u>680,979</u>	<u>432,997</u>
Total fund equity	<u>9,740,645</u>	<u>9,681,454</u>
Total liabilities and fund equity	\$ <u>10,123,165</u>	<u>10,121,674</u>

CITY OF HOMER, ALASKA
Water Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Operating revenues - user charges and connection fees	\$ <u>1,160,476</u>	<u>1,071,004</u>
Operating expenses, excluding depreciation:		
Treatment plant operations and testing	192,749	211,665
Pumping system	44,891	48,798
Distribution system and reservoir	105,212	153,266
Maintenance	1,453	44,466
Water meters	40,563	56,341
Water hydrants	41,641	30,405
Administration	<u>313,625</u>	<u>345,938</u>
Total operating expenses, excluding depreciation	<u>740,134</u>	<u>890,879</u>
Operating income before depreciation	420,342	180,125
Depreciation	<u>349,819</u>	<u>317,362</u>
Operating income (loss)	70,523	(137,237)
Nonoperating revenues (expenses):		
Investment income	18,230	20,284
Penalties and interest on assessments	9,331	9,487
Interest expense	(37,711)	(64,077)
Amortization of bond issuance costs	<u>(2,275)</u>	<u>(2,000)</u>
Net nonoperating revenues (expenses)	<u>(12,425)</u>	<u>(36,306)</u>
Net income (loss)	58,098	(173,543)
Credit arising from transfer of depreciation to contributed capital	<u>189,884</u>	<u>186,924</u>
Income transferred to retained earnings	247,982	13,381
Beginning retained earnings	<u>432,997</u>	<u>419,616</u>
Ending retained earnings	\$ <u>680,979</u>	<u>432,997</u>

CITY OF HOMER, ALASKA
 Water Utility Enterprise Fund
 Statement of Cash Flows
 Year Ended December 31, 2000
 (With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating income (loss)	\$ 70,523	(137,237)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	349,819	317,362
Increase (decrease) in allowance for doubtful accounts	509	(69)
(Increase) decrease in assets:		
Receivables	31,005	55,871
Inventory	(1,750)	(17,037)
Prepaid items	1,079	(989)
Increase (decrease) in liabilities:		
Accounts payable	42,047	22,264
Accrued liabilities	(6,708)	2,242
Accrued leave	(4,870)	3,987
Deposits	(2,221)	2,737
Net cash flows from operating activities	<u>479,433</u>	<u>249,131</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(93,929)	(93,929)
Interest payments on long-term debt	(29,730)	(61,803)
Acquisition of property, plant and equipment	(179,804)	(46,706)
Increase (decrease) in contributed capital	1,093	(2,448)
Principal collections on special assessments	11,343	26,373
Penalties and interest on special assessments	9,331	9,487
Net cash flows from capital and related financing activities	<u>(281,696)</u>	<u>(169,026)</u>
Cash flows from investing activities - investment income received	<u>19,016</u>	<u>15,899</u>
Increase in cash and cash equivalents	216,753	96,004
Cash and cash equivalents at beginning of year	<u>432,256</u>	<u>336,252</u>
Cash and cash equivalents at end of year	\$ <u>649,009</u>	<u>432,256</u>
Cash and cash equivalents at end of year:		
Equity in central treasury	552,442	335,689
Equity in central treasury restricted for debt service	<u>96,567</u>	<u>96,567</u>
	\$ <u>649,009</u>	<u>432,256</u>

CITY OF HOMER, ALASKA
 Water Utility Enterprise Fund
 Schedule of Changes in Contributed Capital
 Year Ended December 31, 2000
 (With Comparative Amounts for 1999)

	Utility Customers	State and Federal Sources	Accumulated Depreciation on Contributed Plant	Net Utility Customers and State and Federal Sources	City of Homer			Net Contributed Capital
					General Obligation Bonds	Other	Total	
Balances at January 1, 1999	\$ 3,175,992	6,319,824	(3,044,128)	6,451,688	2,233,700	752,441	2,986,141	9,437,829
Adjustment to contributed capital	-	(2,448)	-	(2,448)	-	-	-	(2,448)
Depreciation closed to contributed capital	-	-	(186,924)	(186,924)	-	-	-	(186,924)
Balances at December 31, 1999	3,175,992	6,317,376	(3,231,052)	6,262,316	2,233,700	752,441	2,986,141	9,248,457
Contributions for capital improvements	-	763	-	763	-	-	-	763
Adjustment to contributed capital	-	-	-	-	-	330	330	330
Depreciation closed to contributed capital	-	-	(189,884)	(189,884)	-	-	-	(189,884)
Balances at December 31, 2000	\$ <u>3,175,992</u>	<u>6,318,139</u>	<u>(3,420,936)</u>	<u>6,073,195</u>	<u>2,233,700</u>	<u>752,771</u>	<u>2,986,471</u>	<u>9,059,666</u>

CITY OF HOMER, ALASKA
Water Utility Enterprise Fund
Combining Schedule of Water Utility Capital Projects
Year Ended December 31, 2000

	Waterline				Chlorination System	Filter Replacement	A-Frame		Totals
	Fleet Purchase	Spit Pathway	Poopdeck Waterline	Water Storage			PR Station	Telemetry Phase II	
Funding sources:									
State grant	\$ -	-	-	763	-	-	-	-	763
Water Utility funds	<u>23,445</u>	<u>67,110</u>	<u>1,500</u>	<u>327</u>	<u>58,868</u>	<u>9,680</u>	<u>8,174</u>	<u>5,253</u>	<u>174,357</u>
Total funding sources	\$ <u>23,445</u>	<u>67,110</u>	<u>1,500</u>	<u>1,090</u>	<u>58,868</u>	<u>9,680</u>	<u>8,174</u>	<u>5,253</u>	<u>175,120</u>
Expenditures:									
Salaries and benefits	-	-	-	630	-	-	6,163	46	6,839
Supplies	-	-	-	143	-	-	-	5,207	5,350
Other services and charges	-	67,110	1,500	317	58,868	9,680	2,011	-	139,486
Equipment	<u>23,445</u>	-	-	-	-	-	-	-	<u>23,445</u>
Total expenditures	\$ <u>23,445</u>	<u>67,110</u>	<u>1,500</u>	<u>1,090</u>	<u>58,868</u>	<u>9,680</u>	<u>8,174</u>	<u>5,253</u>	<u>175,120</u>

CITY OF HOMER, ALASKA
Sewer Utility Enterprise Fund
Balance Sheet
December 31, 2000
(With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Current assets:		
Equity in central treasury	\$ 510,586	352,718
Receivables:		
Sales tax	130,827	137,174
Accounts, net of allowance for doubtful accounts of \$1,266 in 2000 and \$897 in 1999	86,083	92,045
Assessments due within one year	24,581	25,857
State of Alaska	154,570	10,606
Accrued interest	22,068	24,479
Net receivables	<u>418,129</u>	<u>290,161</u>
Inventory	17,952	22,290
Prepaid items	12,002	12,813
Current portion of note receivable	38,929	38,929
Total current assets	<u>997,598</u>	<u>716,911</u>
Restricted assets - equity in central treasury restricted for debt service and capital projects	1,788,734	3,123,451
Assessments due after one year	173,338	204,216
Bond issuance costs, net of accumulated amortization of \$5,646 in 2000 and \$2,823 in 1999	19,765	22,588
Note receivable, net of current portion	38,930	77,859
Property, plant and equipment		
Property, plant and equipment in service	29,808,603	29,750,804
Land	80,678	42,289
Construction work in progress	577,691	129,228
Less accumulated depreciation	<u>(14,955,957)</u>	<u>(13,683,682)</u>
Net property, plant and equipment	<u>15,511,015</u>	<u>16,238,639</u>
Total assets	<u>\$ 18,529,380</u>	<u>20,383,664</u>
<u>Liabilities and Fund Equity</u>		
Liabilities:		
Current liabilities:		
Accounts payable	8,120	8,123
Accrued liabilities	15,805	9,746
Accrued leave	26,701	21,792
Accrued interest	31,351	49,368
Current portion of long-term debt	330,495	297,619
Total current liabilities	<u>412,472</u>	<u>386,648</u>
Long-term debt, net of current portion:		
Revenue bonds payable, net of deferred loss of \$18,222 in 2000 and \$20,825 in 1999	466,778	534,175
Note payable	<u>3,093,264</u>	<u>3,353,760</u>
Total liabilities	<u>3,972,514</u>	<u>4,274,583</u>
Fund equity:		
Contributed capital	24,775,469	24,461,545
Less accumulated amortization	<u>(12,275,879)</u>	<u>(11,139,171)</u>
Net contributed capital	<u>12,499,590</u>	<u>13,322,374</u>
Retained earnings:		
Reserved for bond redemption	103,000	103,000
Reserved for debt service and water/sewer construction	-	1,504,637
Unreserved	<u>1,954,276</u>	<u>1,179,070</u>
Total retained earnings	<u>2,057,276</u>	<u>2,786,707</u>
Total fund equity	<u>14,556,866</u>	<u>16,109,081</u>
Total liabilities and fund equity	<u>\$ 18,529,380</u>	<u>20,383,664</u>

CITY OF HOMER, ALASKA
Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Operating revenues:		
User charges	\$ 888,195	826,435
Inspection fees	5,023	70
Connection fees	4,600	-
Total operating revenues	<u>897,818</u>	<u>826,505</u>
Operating expenses, excluding depreciation:		
Treatment plant	268,900	271,300
Collection system	132,203	60,485
Pump station	70,662	41,619
Administration	352,526	380,547
Total operating expenses, excluding depreciation	<u>824,291</u>	<u>753,951</u>
Operating income before depreciation	73,527	72,554
Depreciation	<u>1,272,275</u>	<u>1,280,297</u>
Operating loss	(1,198,748)	(1,207,743)
Nonoperating revenues (expenses):		
Investment income	125,586	218,128
Penalties and interest on assessments	13,425	16,384
Loss on disposal of property and equipment	-	(611)
Interest expense	(183,169)	(265,930)
Sales tax	741,101	742,534
Amortization of debt issuance costs	(2,823)	(2,823)
Other	-	(1,288)
Net nonoperating revenues (expenses)	<u>694,120</u>	<u>706,394</u>
Loss before operating transfers	(504,628)	(501,349)
Operating transfer from City Facilities Capital Project Fund	<u>50,000</u>	<u>-</u>
Net loss	(454,628)	(501,349)
Credit arising from transfer of depreciation to contributed capital	<u>1,136,708</u>	<u>1,049,823</u>
Income transferred to retained earnings	682,080	548,474
Beginning retained earnings	2,786,707	2,238,233
Residual equity transfer to City Facilities Capital Project Fund	<u>(1,411,511)</u>	<u>-</u>
Ending retained earnings	\$ <u>2,057,276</u>	<u>2,786,707</u>

CITY OF HOMER, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Cash Flows
 Year Ended December 31, 2000
 (With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating loss	\$ (1,198,748)	(1,207,743)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,272,275	1,280,297
Increase in allowance for doubtful accounts	369	288
Miscellaneous nonoperating expenses	-	(1,288)
(Increase) decrease in assets:		
Receivables	(138,371)	(26,303)
Inventory	4,338	9,207
Prepaid items	811	(791)
Increase (decrease) in liabilities:		
Accounts payable	(3)	(28,775)
Accrued liabilities	6,059	1,910
Accrued leave	4,909	2,653
Net cash flows from operating activities	<u>(48,361)</u>	<u>29,455</u>
Cash flows from noncapital financing activities:		
Operating transfer from other fund	50,000	-
Residual equity transfer to other fund	<u>(1,411,511)</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(1,361,511)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(297,620)	(297,194)
Interest payments on long-term debt and interfund borrowing	(198,583)	(262,278)
Acquisition of property, plant and equipment	(544,651)	(42,443)
Increase in contributed capital	313,924	10,606
Principal collections on special assessments	32,154	43,900
Penalties and interest on special assessments	13,425	16,384
Sales tax revenue received	<u>747,448</u>	<u>724,962</u>
Net cash flows from capital and related financing activities	<u>66,097</u>	<u>193,937</u>
Cash flows from investing activities:		
Investment income received	127,997	200,480
Payments received on note	<u>38,929</u>	<u>18,929</u>
Net cash flows from investing activities	<u>166,926</u>	<u>239,409</u>
Net increase (decrease) in cash and cash equivalents	(1,176,849)	462,801
Cash and cash equivalents at beginning of year	<u>3,476,169</u>	<u>3,013,368</u>
Cash and cash equivalents at end of year	\$ <u>2,299,320</u>	<u>3,476,169</u>
Cash and cash equivalents at end of year:		
Equity in central treasury	\$ 510,586	352,718
Equity in central treasury restricted to debt service and special projects	<u>1,788,734</u>	<u>3,123,451</u>
	\$ <u>2,299,320</u>	<u>3,476,169</u>

CITY OF HOMER, ALASKA
Sewer Utility Enterprise Fund
Schedule of Changes in Contributed Capital
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	<u>Utility Customers</u>	<u>State and Federal Sources</u>	<u>Accumulated Depreciation on Contributed Plant</u>	<u>Net Utility Customers and State and Federal Sources</u>	<u>City of Homer</u>	<u>Net Contributed Capital</u>
Balances at January 1, 1999	\$ 3,901,559	20,494,089	(10,089,348)	14,306,300	55,291	14,361,591
Contributions for capital improvements	-	10,606	-	10,606	-	10,606
Depreciation closed to contributed capital	-	-	(1,049,823)	(1,049,823)	-	(1,049,823)
Balances at December 31, 1999	3,901,559	20,504,695	(11,139,171)	13,267,083	55,291	13,322,374
Contributions for capital improvements	-	313,924	-	313,924	-	313,924
Depreciation closed to contributed capital	-	-	(1,136,708)	(1,136,708)	-	(1,136,708)
Balances at December 31, 2000	\$ <u>3,901,559</u>	<u>20,818,619</u>	<u>(12,275,879)</u>	<u>12,444,299</u>	<u>55,291</u>	<u>12,499,590</u>

CITY OF HOMER, ALASKA
Sewer Utility Enterprise Fund
Combining Schedule of Sewer Utility Capital Projects
Year Ended December 31, 2000

	<u>Fleet</u>	<u>Bypass</u>		<u>Grill</u>	<u>Poopdeck</u>		<u>Totals</u>
	<u>Purchase</u>	<u>Sewer</u>	<u>Camera</u>	<u>System</u>	<u>Sewer</u>	<u>Land</u>	
		<u>Main</u>		<u>Grinder</u>	<u>Line</u>		
		<u>Upgrade</u>					
Funding sources:							
State grant	\$ -	313,924	-	-	-	-	313,924
Sewer Utility funds	<u>23,445</u>	<u>134,539</u>	<u>9,585</u>	<u>6,500</u>	<u>18,269</u>	<u>38,389</u>	<u>230,727</u>
Total funding sources	\$ <u>23,445</u>	<u>448,463</u>	<u>9,585</u>	<u>6,500</u>	<u>18,269</u>	<u>38,389</u>	<u>544,651</u>
Expenditures:							
Salaries and benefits	-	13,178	-	-	-	-	13,178
Supplies	-	337	-	-	-	-	337
Other services and charges	-	434,948	9,585	-	18,269	-	462,802
Equipment	23,445	-	-	6,500	-	-	29,945
Land	-	-	-	-	-	38,389	38,389
Total expenditures	\$ <u>23,445</u>	<u>448,463</u>	<u>9,585</u>	<u>6,500</u>	<u>18,269</u>	<u>38,389</u>	<u>544,651</u>

INTERNAL SERVICE FUND

The Internal Service Fund accounts for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis.

Risk Management Fund – This fund accounts for money received from other City funds to pay for the cost of medical, dental, vision and weekly income benefits self-insurance claims.

CITY OF HOMER, ALASKA
 Risk Management Internal Service Fund
 Balance Sheet
 December 31, 2000
 (With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ <u>78,859</u>	<u>217,040</u>
 <u>Liabilities and Fund Equity</u>		
Liabilities - accounts payable	56,213	30,170
Retained earnings - unreserved	<u>22,646</u>	<u>186,870</u>
Total liabilities and fund equity	\$ <u>78,859</u>	<u>217,040</u>

CITY OF HOMER, ALASKA
Risk Management Internal Service Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Operating revenues - intergovernmental billings	\$ <u>390,609</u>	<u>363,339</u>
Operating expenses:		
Claims	425,292	287,660
Insurance premiums	100,282	90,035
Administration	<u>36,259</u>	<u>27,011</u>
Total operating expenses	<u>561,833</u>	<u>404,706</u>
Operating loss	(171,224)	(41,367)
Nonoperating revenues - investment income	<u>7,000</u>	<u>8,073</u>
Loss before operating transfers	(164,224)	(33,294)
Operating transfer from other funds	<u>-</u>	<u>126,400</u>
Net income (loss)	(164,224)	93,106
Retained earnings at beginning of year	<u>186,870</u>	<u>93,764</u>
Retained earnings at end of year	\$ <u>22,646</u>	<u>186,870</u>

CITY OF HOMER, ALASKA
 Risk Management Internal Service Fund
 Statement of Cash Flows
 Year Ended December 31, 2000
 (With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating loss	\$ (171,224)	(41,367)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Decrease in accounts receivable	-	26,885
Increase in accounts payable	<u>26,043</u>	<u>2,624</u>
Net cash flows from operating activities	(145,181)	(11,858)
 Cash flows from noncapital financing activities - operating transfer from other funds	 -	 126,400
 Cash flows from investing activities - investment income received	 <u>7,000</u>	 <u>8,073</u>
 Net increase (decrease) in cash and cash equivalents	 (138,181)	 122,615
 Cash and cash equivalents at beginning of year	 <u>217,040</u>	 <u>94,425</u>
 Cash and cash equivalents at end of year	 \$ <u>78,859</u>	 <u>217,040</u>

TRUST AND AGENCY FUNDS

Trust and Agency Funds are established to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Expendable Trust Fund – Fire Department Donations – The fund accounts for monies provided by contributions to the fire department. The principal and interest amount of the contributions are used for the acquisition of supplies for the fire department.

Nonexpendable Trust Fund – Library Endowment – This fund accounts for monies provided by Homer Public Library, Inc. The principal amount of the gift is to be maintained intact and invested, while the investment earnings are to be used for the acquisition of books and equipment for the Homer Library.

Library Agency Fund – This fund accounts for gifts to be used by the Homer Public Library, Inc. until such time as disbursements from the Library are requested.

CITY OF HOMER, ALASKA
 Trust and Agency Funds
 Combining Balance Sheet
 December 31, 2000
 (With Comparative Totals for 1999)

<u>Assets</u>	<u>Expendable Trust Fund</u>	<u>Non- expendable Trust Fund</u>	<u>Agency Fund</u>	<u>Totals</u>	
	<u>Fire Department Donations</u>	<u>Library Endowment</u>	<u>Library</u>	<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ <u>4,386</u>	<u>70,995</u>	<u>25,049</u>	<u>100,430</u>	<u>90,174</u>
<u>Liabilities and Fund Balances</u>					
Liabilities- due to local agencies	<u>-</u>	<u>-</u>	<u>25,049</u>	<u>25,049</u>	<u>19,476</u>
Fund balances:					
Reserved for supplies	4,386	-	-	4,386	782
Reserved for endowments	<u>-</u>	<u>70,995</u>	<u>-</u>	<u>70,995</u>	<u>69,916</u>
Total fund balances	<u>4,386</u>	<u>70,995</u>	<u>-</u>	<u>75,381</u>	<u>70,698</u>
Total liabilities and fund balances	\$ <u>4,386</u>	<u>70,995</u>	<u>25,049</u>	<u>100,430</u>	<u>90,174</u>

CITY OF HOMER, ALASKA
 Fire Department Donations Expendable Trust Fund
 Balance Sheet
 December 31, 2000
 (With Comparative Amounts for 1999)

	<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in central treasury		\$ <u>4,386</u>	<u>782</u>
<u>Fund Balance</u>			
Fund balance - reserved for supplies		\$ <u>4,386</u>	<u>782</u>

CITY OF HOMER, ALASKA
Fire Department Donations Expendable Trust Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Revenues - contributions	\$ 3,604	1,643
Expenditures - supplies	<u>-</u>	<u>1,000</u>
Excess of revenues over expenditures	3,604	643
Fund balance at beginning of year	<u>782</u>	<u>139</u>
Fund balance at end of year	\$ <u>4,386</u>	<u>782</u>

CITY OF HOMER, ALASKA
 Library Endowment Nonexpendable Trust Fund
 Balance Sheet
 December 31, 2000
 (With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ <u>70,995</u>	<u>69,916</u>
<u>Fund Balance</u>		
Fund balance - reserved for endowments	\$ <u>70,995</u>	<u>69,916</u>

CITY OF HOMER, ALASKA
Library Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended December 31, 2000

<u>Assets</u>	Balance January 1, 2000	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2000
Equity in central treasury	\$ <u>19,476</u>	<u>7,856</u>	<u>2,283</u>	<u>25,049</u>
 <u>Liabilities</u>				
Due to local agencies	\$ <u>19,476</u>	<u>7,856</u>	<u>2,283</u>	<u>25,049</u>

ACCOUNT GROUP – GENERAL FIXED ASSETS

The General Fixed Assets Account Group is a self-balancing group of accounts used to account for the fixed assets of the City of Homer. These are tangible assets of significant value having a life which extends beyond one year, other than those recorded in the Enterprise Funds.

CITY OF HOMER, ALASKA
 General Fixed Assets Account Group
 Schedule of General Fixed Assets by Sources
 December 31, 2000
 (With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
General fixed assets:		
Land	\$ 1,830,179	1,126,979
Buildings	8,675,217	6,150,093
Improvements other than buildings	1,822,669	1,799,960
Machinery and equipment	3,914,082	3,948,419
Construction work in progress	<u>5,750</u>	<u>5,750</u>
Total general fixed assets	\$ <u>16,247,897</u>	<u>13,031,201</u>
Investment in general fixed assets:		
Bonds	960,000	960,000
Other funds	3,501,836	3,540,224
Grants from other governments	5,109,333	5,086,624
Assets acquired under capital lease	3,430,797	3,245,932
Other	<u>3,245,931</u>	<u>198,421</u>
Total investment in general fixed assets	\$ <u>16,247,897</u>	<u>13,031,201</u>

CITY OF HOMER, ALASKA
 General Fixed Assets Account Group
 Schedule of General Fixed Assets by Function and Activity
 December 31, 2000

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
General government:	\$				
City council/mayor	-	-	-	14,775	14,775
City manager	-	-	-	16,083	16,083
City clerk	-	8,368	-	43,282	51,650
Finance	-	-	-	21,151	21,151
Planning and administration	-	-	-	11,698	11,698
Nondepartmental	<u>1,247,629</u>	<u>3,490,956</u>	<u>47,834</u>	<u>174,138</u>	<u>4,960,557</u>
Total general government	<u>1,247,629</u>	<u>3,499,324</u>	<u>47,834</u>	<u>281,127</u>	<u>5,075,914</u>
Public safety:					
Police	14,265	1,065,607	6,774	524,618	1,611,264
Jail	-	4,823	34,088	40,237	79,148
Animal control	-	15,702	3,416	17,532	36,650
Emergency services	<u>60,000</u>	<u>519,197</u>	<u>530,430</u>	<u>1,141,148</u>	<u>2,250,775</u>
Total public safety	<u>74,265</u>	<u>1,605,329</u>	<u>574,708</u>	<u>1,723,535</u>	<u>3,977,837</u>
Public works:					
Streets	20,818	841,830	66,752	911,675	1,841,075
Motor pool	-	-	28,370	517,982	546,352
Total public works	<u>20,818</u>	<u>841,830</u>	<u>95,122</u>	<u>1,429,657</u>	<u>2,387,427</u>
Cemetery	-	823	27,076	-	27,899
Parks and recreation	274,485	95,887	930,209	-	1,300,581
Library	212,982	258,779	125,970	479,763	1,077,494
Airport terminal	-	<u>2,373,245</u>	<u>21,750</u>	-	<u>2,394,995</u>
Total general fixed assets allocated to functions	\$ <u>1,830,179</u>	<u>8,675,217</u>	<u>1,822,669</u>	<u>3,914,082</u>	<u>16,242,147</u>

CITY OF HOMER, ALASKA
 General Fixed Assets Account Group
 Schedule of Changes in General Fixed Assets by Function and Activity
 Year Ended December 31, 2000

<u>Function and Activity</u>	General Fixed Assets at January 1, 2000	<u>Additions</u>	<u>Deletions</u>	General Fixed Assets at December 31, 2000
General government:				
City council/mayor	\$ 61,311	-	46,536	14,775
City manager	32,687	-	16,604	16,083
City clerk	51,650	-	-	51,650
Finance	31,507	-	10,356	21,151
Planning and administration	58,923	-	47,225	11,698
Nondepartmental	<u>1,665,822</u>	<u>3,296,085</u>	<u>1,350</u>	<u>4,960,557</u>
Total general government	<u>1,901,900</u>	<u>3,296,085</u>	<u>122,071</u>	<u>5,075,914</u>
Public safety:				
Police	1,659,414	32,795	80,945	1,611,264
Jail	79,148	-	-	79,148
Animal control	36,650	-	-	36,650
Emergency services	<u>2,253,773</u>	<u>-</u>	<u>2,998</u>	<u>2,250,775</u>
Total public safety	<u>4,028,985</u>	<u>32,795</u>	<u>83,943</u>	<u>3,977,837</u>
Public works:				
Streets	1,516,286	347,090	22,301	1,841,075
Motor pool	546,352	-	-	546,352
Engineer	32,724	-	32,724	-
Administration	<u>260,951</u>	<u>-</u>	<u>260,951</u>	<u>-</u>
Total public works	<u>2,356,313</u>	<u>347,090</u>	<u>315,976</u>	<u>2,387,427</u>
Cemetery	27,899	-	-	27,899
Parks and recreation	1,257,447	43,134	-	1,300,581
Library	1,057,912	19,582	-	1,077,494
Airport terminal	2,394,995	-	-	2,394,995
Construction in progress	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>5,750</u>
Total general fixed assets	<u>\$ 13,031,201</u>	<u>3,738,686</u>	<u>521,990</u>	<u>16,247,897</u>

ACCOUNT GROUP – GENERAL LONG-TERM DEBT

The General Long-Term Debt Account Group is a self-balancing group of accounts used to account for the general long-term debt payable from general revenues and backed by the full faith and credit of the City of Homer.

CITY OF HOMER, ALASKA
General Long-Term Debt Account Group
Schedule of General Long-Term Debt
December 31, 2000
(With Comparative Amounts for 1999)

<u>Amount Available and to be Provided for the Payment of General Long-Term Debt</u>	<u>2000</u>	<u>1999</u>
Amount available in Debt Service Funds:		
Rangeview special assessment bonds	\$ 22,884	28,766
General obligation bonds and 1990 special assessment bonds	<u>186,794</u>	<u>539,404</u>
Total amount available in Debt Service Funds	<u>209,678</u>	<u>568,170</u>
Amount to be provided for retirement of long-term debt:		
Accrued leave	223,880	187,848
Retirement incentive program	91,989	153,211
Capitalized leases	432,063	591,927
General obligations bonds and 1990 special assessment bonds	2,573,206	2,536,846
Special assessment bonds - Rangeview	<u>14,043</u>	<u>13,441</u>
Total amount to be provided for retirement of long-term debt	<u>3,335,181</u>	<u>3,483,273</u>
Total amount available and to be provided for retirement of long-term debt	\$ <u>3,544,859</u>	<u>4,051,443</u>
 <u>General Long-Term Debt Payable</u>		
Accrued leave	223,880	187,848
Retirement incentive program	91,989	153,211
Capitalized lease obligations	432,063	591,927
1998 general obligation refunding bonds	2,760,000	3,060,000
Special assessment bonds payable:		
Rangeview	36,927	42,207
1990 road	<u>-</u>	<u>16,250</u>
Total general long-term debt payable	\$ <u>3,544,859</u>	<u>4,051,443</u>

CITY OF HOMER, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2000

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>January 1, 2000 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>December 31, 2000 Receivable (Deferred)</u>
DEPARTMENT OF AGRICULTURE							
Kachemak Nordic Ski Club Passed Through the State of Alaska	00DG11100000208	10.670	\$ 7,000	-	7,000	7,000	-
Department of Health and Social Services - FDA Tobacco Grant	99-0054	10.xxx	32,800	6,973	3,000	9,973	-
Total Department of Health and Human Services				<u>6,973</u>	<u>10,000</u>	<u>16,973</u>	<u>-</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Passed Through the State of Alaska Department of Military and Veteran Affairs - Homer Harbor Winter Storm (75% Federal)	1316-DK-AK	83.544	13,095	-	13,095	13,095	-
DEPARTMENT OF COMMERCE							
*Kachemak Bay Visitor Center Dock Demolition and Pile Purchase Passed Through the State of Alaska	07-01-03891 07-01-04741	11.300 11.xxx	300,000 1,300,000	- -	202,682 707	123,709 -	78,973 707
Department of Community & Economic Development - Design/Engineering for Shelter Renovation	800573	11.xxx	7,500	700	6,750	7,450	-
Total Department of Commerce				<u>700</u>	<u>210,139</u>	<u>131,159</u>	<u>79,680</u>
DEPARTMENT OF INTERIOR							
Passed Through the State of Alaska Department of Natural Resources - Jack Gist Recreational Park	02-00369	15.916	169,792	-	688	-	688
Department of Fish and Game - Fish Waste Disposal System (75% Federal)	Co-op 00-035	15.605	66,000	-	63,258	35,314	27,944
Total Department of Interior				<u>-</u>	<u>63,946</u>	<u>35,314</u>	<u>28,632</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT -							
Kachemak Bay Multi-Purpose Ocean Dock	B-99-SP-AK-0003	14.xxx	500,000	2,262	12,029	10,595	3,696
DEPARTMENT OF TRANSPORTATION							
Passed Through the State of Alaska Department of Public Safety - Traffic Safety Saturation Patrols	PT000513	20.600	14,664	-	11,322	11,322	-
Total Federal Financial Assistance			\$	<u>9,935</u>	<u>320,531</u>	<u>218,458</u>	<u>112,008</u>

Major Program

CITY OF HOMER, ALASKA
 Schedule of State Financial Assistance
 Year Ended December 31, 2000

Name of Award	Grant Number	Total Grant Award	January 1, 2000 Receivable (Deferred)	State Share of Expenditures	State Receipts	December 31, 2000 Receivable (Deferred)
DEPARTMENT OF REVENUE:						
Raw Fish Tax	-	\$ 21,340	-	21,340	21,340	-
Electric and Telephone Sharing	-	23,011	-	23,011	23,011	-
Liquor License	-	20,550	-	20,550	20,550	-
Total Department of Revenue				<u>64,901</u>	<u>64,901</u>	
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT:						
* State Revenue Sharing	-	57,039	-	57,039	57,039	-
Safe Communities FY00	-	101,073	-	-	101,073	(101,073)
* Safe Communities FY99	-	113,381	(113,381)	113,381	-	-
* Waste Oil Receiving Station	96/569-4-001	130,240	(10,128)	94,660	24,393	60,139
Homer Visitor Center Construction	01-MG-065	49,689	-	41,236	41,236	-
University of Alaska, Kachemak Bay Consortium Library	97/569-1-001	103,655	(20,731)	-	-	(20,731)
New Animal Shelter	00/569-9-001	102,500	(20,500)	-	-	(20,500)
Shared Fisheries Business Tax	-	4,862	-	4,862	4,862	-
Community Recreation Facility	99/569-9-001	101,862	(20,372)	1,983	-	(18,389)
Fish. Resource Landing Tax	-	87	-	87	87	-
Harbor Ramp Repair	00/569-0-002	35,069	-	34,756	23,404	11,352
Total Department of Community And Economic Development			<u>(185,112)</u>	<u>348,004</u>	<u>252,094</u>	<u>(89,202)</u>
DEPARTMENT OF EDUCATION:						
Public Library Assistance	PLA-00-738-35	6,300	(6,300)	6,300	-	-
Public Library Assistance	PLA-01-738-34	6,300	-	-	6,300	(6,300)
Meetings Interlibrary Cooperation Grant	ILC-01-738-102	1,250	-	1,250	1,250	-
Total Department of Education			<u>(6,300)</u>	<u>7,550</u>	<u>7,550</u>	<u>(6,300)</u>
DEPARTMENT OF ENVIRONMENTAL CONSERVATION:						
Water Storage Reservoir Design	40902	72,000	-	763	-	763
* Bypass Sewer / Lift Station Upgrade	40901	348,124	10,606	313,924	169,960	154,570
Barrels of Boom	MOA-1406060/01	8,346	-	8,346	8,346	-
Total Department of Environmental Conservation			<u>10,606</u>	<u>323,033</u>	<u>178,306</u>	<u>155,333</u>
DEPARTMENT OF NATURAL RESOURCES:						
Mariner Park Habitat Restoration	-	93,000	(3,921)	39,921	36,000	-
Poopdeck Trail	10795211	16,370	-	16,370	-	16,370
Volunteer Fire Assistance	-	5,000	-	5,000	5,000	-
Total Department of Natural Resources			<u>(3,921)</u>	<u>61,291</u>	<u>41,000</u>	<u>16,370</u>
DEPARTMENT OF ADMINISTRATION:						
Senior Employment Program	205141	9,672	1,152	7,463	8,615	-
Senior Employment Program	215141	8,116	-	4,554	3,582	972
Total Department of Administration			<u>1,152</u>	<u>12,017</u>	<u>12,197</u>	<u>972</u>
DEPARTMENT OF FISH AND GAME -						
Fish Waste Disposal System Facilities (25% State)	Co-op 00-035	22,000	-	21,086	11,771	9,315
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES -						
*Homer Small Boat Harbor Transfer	-	3,587,373	(3,585,873)	251,609	-	(3,334,264)
DEPARTMENT OF HEALTH AND SOCIAL SERVICES -						
Tobacco Sales to Minors	0601-049	10,000	-	7,381	7,381	-
DEPARTMENT OF MILITARY AND VETERAN AFFAIRS -						
Homer Harbor Winter Storm (25% State)	1316.0002	4,365	-	4,365	4,365	-
Total State Financial Assistance		\$	<u>(3,769,448)</u>	<u>1,101,237</u>	<u>579,565</u>	<u>(3,247,776)</u>

* Major program



Table 1

CITY OF HOMER, ALASKA
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years

<u>Year Ended</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Other</u>	<u>Debt Service</u>	<u>Total</u>
1991	\$ 836,998	\$ 1,752,359	\$ 789,810	\$ 203,540	\$ 74,583	\$ -	\$ 280,138	\$ 1,060,107	\$ 4,997,535
1992	868,546	1,709,314	824,763	202,670	53,866	-	300,504	1,862,337	5,822,000
1993	1,563,150	1,794,808	563,719	221,988	88,009	-	191,891	644,916	5,068,481
1994	1,514,196	1,790,708	693,080	228,955	99,816	-	201,691	641,471	5,169,917
1995	1,214,321	2,090,374	706,829	223,189	62,887	-	184,948	615,976	5,098,524
1996	1,581,176	2,133,053	741,293	242,421	62,793	130,733	177,671	602,327	5,671,467
1997	1,376,588	2,210,412	736,465	255,315	103,671	112,490	205,523	608,050	5,608,514
1998	1,534,640	2,198,709	709,758	259,443	172,243	114,317	185,765	596,270	5,771,145
1999	1,421,672	2,608,205	773,563	284,742	217,261	134,262	161,884	619,284	6,220,873
2000	1,449,470	2,043,570	691,683	279,252	302,097	132,894	122,359	644,381	5,665,706

(1) Includes General Fund and Debt Service Funds

CITY OF HOMER, ALASKA
 General Governmental Revenues by Source (1)
 Last Ten Fiscal Years

<u>Year Ended</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines</u>	<u>Investment Income</u>	<u>Special Assessments</u>	<u>Total</u>
1991	\$ 3,214,854	\$ 7,243	\$ 988,705	\$ 616,015	\$ 11,809	\$ 331,047	\$ 80,691	\$ 5,250,364
1992	3,118,334	4,129	864,467	836,457	10,880	143,624	187,336	5,165,227
1993	3,198,991	4,556	624,583	1,195,998	12,456	132,252	79,726	5,248,562
1994	3,349,574	5,634	867,477	825,613	11,466	152,339	170,568	5,382,671
1995	3,178,743	5,763	880,413	990,031	28,647	274,439	115,324	5,473,360
1996	2,979,162	8,994	1,011,222	1,027,391	28,419	237,933	98,011	5,391,132
1997	3,426,714	8,437	895,283	1,076,242	42,202	226,365	89,242	5,764,485
1998	3,042,702	7,745	912,538	1,077,224	33,343	296,095	103,462	5,473,109
1999	3,327,801	6,740	931,248	1,071,430	17,108	224,492	99,873	5,678,692
2000	3,382,688	10,042	781,218	1,326,039	25,044	210,638	85,325	5,820,994

(1) Includes General Fund and Debt Service Funds

CITY OF HOMER, ALASKA

Tax Revenues by Source
Last Ten Fiscal Years

<u>Year Ended</u>	(1) Property <u>Tax</u>	(2) Sales <u>Tax</u>	Total <u>Taxes</u>
1991	\$ 1,105,207	\$ 2,283,879	\$ 3,389,086
1992	1,090,774	2,579,946	3,670,720
1993	1,107,099	2,695,852	3,802,951
1994	1,143,158	2,733,420	3,876,578
1995	1,162,195	2,971,413	4,133,608
1996	1,212,370	3,079,629	4,291,999
1997	1,280,563	3,145,130	4,425,693
1998	1,240,627	3,162,119	4,402,746
1999	1,347,712	3,465,156	4,812,868
2000	1,407,579	3,457,312	4,864,891

(1) Property tax for all years is recorded in the General Fund.

(2) In 1991, 1992, 1993 and 1997, sales tax revenues were recorded in the General Fund, Debt Service Funds and Sewer Enterprise Fund. In 1994 and 1995, sales tax revenues were recorded in the General Fund, Debt Service Funds, Capital Projects Funds and Sewer Enterprise Fund. In 1996, 1998, 1999 and 2000, sales tax revenues were recorded in the General Fund, Capital Projects Funds and Sewer Enterprise Fund.

Table 4

CITY OF HOMER, ALASKA

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Year Ended</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Total Taxes</u>
1991	\$ 1,118,522	\$ 987,468	88.28%	\$ 83,647	\$ 1,071,115	95.76%	\$ 139,066	12.43%
1992	1,068,169	969,432	90.78	106,711	1,076,143	100.75	152,004	14.23
1993	1,067,013	988,267	92.62	98,452	1,086,719	101.85	96,682	08.90
1994	1,116,945	1,033,867	92.56	86,869	1,120,736	100.34	81,336	07.26
1995	1,153,306	1,058,018	91.74	79,487	1,137,505	98.63	99,658	08.76
1996	1,198,613	1,101,388	91.89	93,663	1,195,051	99.70	77,326	06.22
1997	1,228,016	1,128,456	91.89	106,653	1,235,109	100.58	46,454	03.76
1998	1,184,204	1,119,732	94.56	89,848	1,209,580	102.15	48,046	04.06
1999	1,290,547	1,190,679	92.26	60,385	1,251,064	96.94	46,784	03.63
2000	1,328,213	1,245,592	93.78	90,071	1,335,663	100.56	46,617	03.51

CITY OF HOMER, ALASKA
 Assessed Value of Taxable Property (1)
 Last Ten Fiscal Years

<u>Year Ended</u>	<u>Real Property</u>	<u>Personal Property (2)</u>	<u>Total</u>
1991	\$ 150,650,550	\$ 38,499,060	\$ 189,149,610
1992	158,253,500	35,959,118	194,212,618
1993	160,792,600	34,560,457	195,353,057
1994	166,210,870	36,870,116	203,080,986
1995	171,671,589	38,020,359	209,691,948
1996	177,061,261	40,868,391	217,929,652
1997	182,460,650	40,815,022	223,275,672
1998	191,928,412	23,381,415	215,309,827
1999	218,639,912	16,005,042	234,644,954
2000	223,830,212	17,663,028	241,493,240

(1) Kenai Peninsula Borough (assessed at 100% of value).

(2) In 1998, the Kenai Peninsula Borough adopted Borough Ordinance 97-73 that created a flat tax for watercraft, creating a \$100,000 personal property tax exemption, and increasing the motor vehicle tax.

CITY OF HOMER, ALASKA
 Property Tax Rates and Tax Levies -
 All Direct and Overlapping Governments
 Last Ten Fiscal Years

<u>Year Ended</u>	<u>City of Homer</u>	<u>Tax Rates (Mills)</u>			<u>Total</u>
		<u>Kenai Peninsula Borough</u>	<u>South Peninsula Hospital Service Area (a component unit of Kenai Peninsula Borough)</u>	<u>Kenai Peninsula College</u>	
1991	5.50	7.55	2.75	-	15.80
1992	5.50	8.55	2.00	-	16.05
1993	5.50	8.55	2.00	-	16.05
1994	5.50	8.59	2.00	0.03	16.12
1995	5.50	8.59	2.00	0.03	16.12
1996	5.50	8.30	2.00	0.04	15.84
1997	5.50	8.30	2.00	0.08	15.88
1998	5.50	8.30	2.00	0.08	15.88
1999	5.50	8.00	2.00	0.10	15.60
2000	5.50	7.50	2.00	0.10	15.10

<u>Year Ended</u>	<u>Tax Levies</u>				
1991	\$ 1,118,522	\$ 1,087,610	\$ 425,586	\$ -	\$ 2,631,718
1992	1,068,169	1,660,518	388,425	-	3,117,112
1993	1,067,013	1,670,269	390,706	-	3,127,988
1994	1,116,945	1,661,599	388,678	6,092	3,173,314
1995	1,153,306	1,801,254	419,384	6,291	3,380,235
1996	1,198,613	1,808,816	435,859	8,717	3,452,005
1997	1,228,016	1,853,188	446,551	17,862	3,545,617
1998	1,184,204	1,787,072	430,620	17,225	3,419,121
1999	1,290,547	1,877,160	469,290	23,464	3,660,461
2000	1,328,213	1,811,199	482,986	24,149	3,646,548

CITY OF HOMER, ALASKA

Special Assessment Collections (1)
Last Ten Fiscal Years

<u>Year Ended</u>	<u>Current Assessment Billed</u>	<u>Total Assessments Collected in Current Year</u>	<u>Ratio of Collections to Amount Billed</u>	<u>Total Outstanding Assessments at Year End</u>
1991	\$ 129,089	\$ 265,860	205.95%	\$ 1,582,869
1992	137,771	414,913	301.16	1,404,360
1993	109,181	304,539	278.93	1,536,678
1994	151,033	302,227	200.11	1,277,388
1995	126,379	233,366	184.66	1,044,021
1996	113,525	216,008	190.27	828,013
1997	110,004	143,901	130.81	816,681
1998	130,614	169,889	130.07	646,792
1999	100,649	170,615	169.51	547,792
2000	91,980	132,738	144.31	415,243

(1) Includes special assessments recorded in the General Fund, Debt Service Funds, Water Enterprise Fund and Sewer Enterprise Fund.

Table 8

CITY OF HOMER, ALASKA
 Ratio of Net General Bonded Debt to
 Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years

<u>Year Ended</u>	<u>(1) Population</u>	<u>Assessed Value</u>	<u>(2) Gross Bonded Debt</u>	<u>Debt Service Moneys Available</u>	<u>(3) Debt Payable From Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1991	3937	\$ 189,149,610	\$ 5,413,000	\$ 1,947,914	\$ 143,000	\$ 3,322,086	1.76%	\$ 844
1992	3937	194,212,618	4,160,000	884,331	60,000	3,215,669	1.66	817
1993	4349	195,353,057	4,026,000	1,021,400	41,000	2,963,600	1.52	681
1994	4349	203,080,986	3,876,000	1,389,091	21,000	2,465,909	1.21	567
1995	4133	209,691,948	3,705,000	1,480,376	-	2,224,624	1.06	538
1996	4030	217,929,652	3,540,000	1,223,784	-	2,316,216	1.06	575
1997	4126	223,275,672	3,355,000	1,171,237	-	2,183,763	0.98	529
1998	4126	215,309,827	3,325,000	860,359	-	2,464,641	1.15	597
1999	4154	234,644,954	3,060,000	568,170	-	2,491,830	1.06	600
2000	4205	241,493,240	2,760,000	209,678	-	2,550,322	1.06	607

(1) Council determination.

(2) Includes all long-term general obligation bonded debt.

(3) Includes water obligation debt and port obligation debt. Data for 1994 includes water obligation debt only.

CITY OF HOMER, ALASKA

Legal Debt Margin
December 31, 2000

No debt limit is mandated by law.

CITY OF HOMER, ALASKA

Computation of Direct and Overlapping General Obligation Debt
December 31, 2000

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Government</u>	<u>City of Homer</u>
City of Homer	\$ 2,550,322	100.00%	\$ 2,550,322
Kenai Peninsula Borough	17,945,000	7.91%	<u>1,419,586</u>
			\$ <u>3,969,908</u>

CITY OF HOMER, ALASKA

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

<u>Year Ended</u>	<u>(1) Principal</u>	<u>(2) Interest</u>	<u>Total Debt Service</u>	<u>(2) Total General Expenditures</u>	<u>Percent of Debt Service to General Expenditures</u>
1991	\$ 248,000	\$ 582,162	\$ 830,162	\$ 4,997,535	16.61%
1992	1,202,500	356,221	1,558,721	5,822,000	26.77
1993	147,500	305,201	452,701	5,067,481	8.93
1994	162,500	299,357	461,857	5,169,917	8.93
1995	182,500	284,630	467,130	5,098,524	9.16
1996	197,500	272,431	469,931	5,671,467	8.29
1997	217,500	259,053	476,553	5,608,514	8.50
1998	205,000	220,981	425,981	5,771,145	7.39
1999	265,000	154,913	419,913	6,220,873	6.75
2000	300,000	127,054	427,054	5,665,706	7.54

(1) Does not include debt service paid by the Sewer, Water and Port Enterprise Funds.

(2) Includes General Fund and Debt Service Funds.

Table 12

CITY OF HOMER, ALASKA
 Revenue Bond Coverage - Port of Homer Enterprise Fund
 Last Ten Fiscal Years

Year Ended	Operating Revenues	(1) Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements			(2) Times Coverage
				Principal	Interest	Total	
1991	\$ 1,957,269	\$ 1,879,731	\$ 77,538	\$ 118,394	\$ 180,434	\$ 298,828	0.26
1992	1,986,500	1,679,827	306,673	118,394	172,545	290,939	1.05
1993	2,183,060	1,872,407	310,653	165,000	56,963	221,963	1.40
1994	2,342,746	1,917,132	425,614	165,000	56,963	221,963	1.92
1995	2,351,510	2,322,538	28,972	165,000	56,963	221,963	0.13
1996	2,471,376	2,180,824	290,552	165,000	56,963	221,963	1.31
1997	2,389,761	1,969,797	419,964	165,000	56,963	221,963	1.89
1998	2,386,190	2,172,193	213,997	275,000	23,230	298,230	0.73
1999	2,360,330	2,166,777	193,553	135,000	62,460	197,460	0.98
2000	2,173,072	1,873,282	299,790	130,000	64,916	194,916	1.54

(1) Excluding depreciation.

(2) Required minimum coverage is 1.25.

CITY OF HOMER, ALASKA
Revenue Bond Coverage - Water Utility Enterprise Fund
Last Ten Fiscal Years

Year Ended	Operating Revenues	(1) Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements			(2) Times Coverage
				Principal	Interest	Total	
1991	\$ 836,440	\$ 527,583	\$ 308,857	\$ 20,000	\$ 46,402	\$ 66,402	4.65
1992	930,071	606,849	323,222	35,000	44,923	79,923	4.04
1993	886,700	686,631	200,069	60,000	19,763	79,763	2.51
1994	914,020	765,702	148,318	60,000	19,763	79,763	1.86
1995	919,238	838,178	81,000	60,000	19,763	79,763	1.02
1996	1,043,996	870,296	173,701	60,000	19,763	79,763	2.18
1997	1,112,923	877,144	235,779	60,000	19,763	79,763	2.97
1998	1,056,071	863,884	192,187	55,000	11,570	66,570	2.89
1999	1,071,004	890,879	180,125	55,000	11,570	66,570	2.71
2000	1,160,476	740,134	420,342	55,000	9,000	64,000	6.57

(1) Excluding depreciation.

(2) Required minimum coverage is 1.30 for 1991 through 1997, and 1.25 for 1998 and thereafter.

CITY OF HOMER, ALASKA

Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Year Ended	Number of Commercial Permits Issued	Estimated Value	Number of Residential Permits Issued	Estimated Value	(1) Bank Deposits (in thousands)	(2) Property Values	
						Real	Personal
1991	14	\$ 1,579,999	26	\$ 1,535,775	\$ 76,098	\$ 15,650,550	\$ 38,499,060
1992	10	2,313,000	24	1,144,000	53,257	158,253,500	35,959,118
1993	16	2,714,500	18	1,209,500	82,108	160,792,600	34,560,459
1994	6	420,500	38	3,735,820	92,517	166,210,870	36,870,116
1995	14	2,187,000	33	2,766,500	81,739	171,671,589	38,020,359
1996	25	2,369,500	38	3,171,800	84,748	177,061,261	40,868,391
1997	12	3,934,000	42	3,730,265	64,731	182,460,650	40,815,022
1998	12	3,795,000	44	3,219,615	97,376	191,928,412	23,381,415
1999	7	2,060,000	20	3,646,000	N.A.	218,639,912	16,005,042
2000	6	1,030,000	23	2,611,040	N.A.	223,830,212	17,663,028

(1) Individual branch office.

(2) Kenai Peninsula Borough (property assessed at 100% of value).
In 1998, the Kenai Peninsula Borough adopted Borough Ordinance 97-73 that created a flat tax for watercraft, creating a \$100,000 personal property tax exemption, and increasing the motor vehicle tax.

CITY OF HOMER, ALASKA

Principal Taxpayers
December 31, 2000

<u>Taxpayer</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
Alaska Communications Systems	\$ -	\$ 9,471,883	\$ 9,471,883
Herndon & Thompson Leasing	3,713,800	-	3,713,800
Circle De Pacific Corporation	1,692,800	1,667,337	3,360,137
National Bank of Alaska	2,834,700	366,564	3,201,264
Lands End Acquisition Corporation/Development	3,037,800	121,560	3,159,360
Robert Hunt	3,153,500	-	3,153,500
Harbor Enterprises Inc./Terminal Oil Sales	2,869,000	192,158	3,061,158
CGF Properties Inc./Eagle Quality Centers	1,833,300	466,552	2,299,852
Spenard Builders Supply	1,983,400	202,422	2,185,822
Maritime Helicopters/Mike and Mary Fell	235,500	1,732,857	1,968,357

CITY OF HOMER, ALASKA
Miscellaneous Statistical Data
December 31, 2000

Date of Incorporation	March 31, 1964
Authority for incorporation	State of Alaska Borough Act of 1961
Form of government	Council/Manager
Area in square miles	10
Miles of City-maintained street	23.61
Emergency services:	
Number of stations	1
Number of employees, inclusive of volunteers	49
Police protection:	
Number of stations	1
Number of employees	24
Municipal water department:	
Number of consumers	1,205
Water usage (in millions of gallons)	130.1
Miles of water lines	36
Sewers:	
Number of customers	1,102
Miles of sewer lines	41
Building permits issued	58
Recreation and culture:	
Number of parks (46 acres)	6
Number of libraries	1
Number of volumes	33,898
City employees as of December 31, 2000 (full and part-time)	82
Elections:	
Number of registered voters	3,363
Number of voters who cast ballots in last general election	854
Percentage of registered voters voting in last general election	25.4%
Demographics:	
Median age (1)	32.4
Average annual wage per worker-borough-wide (2)	\$32,275
School enrollment, City of Homer (3)	1,311
Unemployment rate - borough-wide (2)	10.2%
Homeownership (1)	54.1%
Population (4)	4,205

(1) 1990 U.S. Census

(2) State of Alaska Department of Labor

(3) Kenai Peninsula Borough School District

(4) Alaska Department of Community and Economic Development

CITY OF HOMER, ALASKA

Demographic Statistics
Last Ten Fiscal Years

<u>Year Ended</u>	<u>(1) Population</u>	<u>(2) Annual Average Wage Per Worker</u>	<u>(3) Median Age</u>	<u>(4) School Enrollment</u>	<u>(2) Unemployment Rate</u>
1991	3,937	\$ 29,328	32.4	1,436	12.7%
1992	3,937	29,484	32.4	1,241	14.3
1993	4,349	29,508	32.4	1,486	12.3
1994	4,349	29,844	32.4	1,317	12.6
1995	4,133	29,704	32.4	1,341	12.4
1996	4,030	29,548	32.4	1,364	14.1
1997	4,126	30,091	32.4	1,412	13.6
1998	4,126	30,050	32.4	1,321	9.8
1999	4,154	30,523	32.4	1,343	10.5
2000	4,205	32,275	32.4	1,311	10.2

- (1) Alaska Department of Community and Economic Development
(2) State of Alaska, Department of Labor.
(3) 1990 U.S. Census.
(4) Kenai Peninsula Borough School District.



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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Homer, Alaska

We have audited the general purpose financial statements of City of Homer as of and for the year ended December 31, 2000, and have issued our report thereon dated April 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Homer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Homer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Homer in a separate letter dated April 10, 2001.

This report is intended solely for the information of City of Homer's management, Honorable Mayor and City Council, and appropriate federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

April 10, 2001

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Homer, Alaska

Compliance

We have audited the compliance of City of Homer with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. City of Homer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Homer's management. Our responsibility is to express an opinion on City of Homer's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Homer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Homer's compliance with those requirements.

In our opinion, City of Homer complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000.

Honorable Mayor and City Council
City of Homer, Alaska

Internal Control Over Compliance

The management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Homer's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of City of Homer's management, Honorable Mayor and City Council, and appropriate federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

April 10, 2001

CITY OF HOMER, ALASKA

Schedule of Findings and Questioned Costs

Year Ended December 31, 2000

AUDIT RESULT

I. Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified?

___yes x no

- Reportable conditions identified that are not considered to be material weaknesses?

___yes x none reported

Noncompliance material to financial statements noted?

___ yes x no

Federal Awards:

Internal control over major programs:

- Material weaknesses identified?

___yes x no

- Reportable conditions identified that are not considered to be material weaknesses?

___yes x none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

___yes x no

Major programs:

Agency

CFDA Number

Program

Department of Commerce

11.300

Kachemak Bay Visitor Center

Dollar threshold used to distinguish between Type A and B programs

\$300,000

Low-risk auditee

No

II. Financial Statement Findings

None noted

III. Federal Awards Findings and Questioned Costs

None noted

CITY OF HOMER, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2000

There were no prior year audit findings.

CITY OF HOMER, ALASKA

Corrective Action Plan

Year Ended December 31, 2000

There are no current year findings; therefore no corrective action plan is required.

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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Homer, Alaska

We have audited the general purpose financial statements of City of Homer as of and for the year ended December 31, 2000, and have issued our report thereon dated April 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Homer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Homer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of City of Homer in a separate letter dated April 10, 2001.

This report is intended solely for the information of the City of Homer's management, Honorable Mayor and City Council, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

April 10, 2001

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Homer, Alaska

Compliance

We have audited the compliance of City of Homer with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended December 31, 2000. City of Homer's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with the requirements of laws, regulations, contracts, and grants, general requirements, and the specific requirements applicable to each of its major state programs is the responsibility of City of Homer's management. Our responsibility is to express an opinion on City of Homer's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Homer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Homer's compliance with those requirements.

In our opinion, City of Homer complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2000.

Honorable Mayor and City Council
City of Homer, Alaska

Internal Control Over Compliance

The management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Homer's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the City of Homer's management, Honorable Mayor and City Council, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

April 10, 2001

STATE OF ALASKA
LOCAL BOUNDARY COMMISSION

IN THE MATTER OF THE MARCH 20,)
2000 PETITION BY THE CITY OF)
HOMER FOR ANNEXATION OF)
APPROXIMATELY 25.64 SQUARE)
MILES)
_____)

TRANSCRIPT OF MEETING,
CONTINUED (EXCERPT: DECISIONAL SESSION)

Held in Homer, Alaska - December 15, 2001

MEMBERS:

Kevin Waring, Chairperson At-Large
Kathleen Wasserman, Vice-Chairperson
Allan Tesche, Member, Third Judicial District
Ardith Lynch, Member, Fourth Judicial District

Dan Bockhorst, Staff

TRANSCRIPTS ONLY
1943 HILLCREST DRIVE
ANCHORAGE, ALASKA 99517
(907) 276-0306

2

1 (Requested portion begins:)

2 CHAIR WARING: That then concludes the public hearing part

3 of the agenda, and we are now at item VII on the agenda, which

4 is the point at which the Commission will decide whether to

5 proceed to a decisional session at that time -- at this time.

6 Let me ask the sense of the Commission about two things: first,

7 whether we are all prepared to proceed to a decisional session,

8 and then whether we would wish to continue on with -- with the

9 meeting at this time or recess -- it is 11:48 -- recess for

10 lunch and return afterwards. First, is there any member of the

11 Commission who would wish to defer proceeding to a decisional

12 session at this time? Apparently it is the -- the wish of the

13 Commission to -- to hold a decisional session.

14 What is the Commission's preference about continuing on

15 now or taking time out for lunch and returning after that?

16 UNIDENTIFIED SPEAKER: It's fine with me to go on.

17 CHAIR WARING: Pardon me?

18 UNIDENTIFIED SPEAKER: It's fine with me to go on.

19 CHAIR WARING: Commissioner Tesche? I think it is the --

20 the preference of the Commission to proceed right to decisional

21 session now.

22 Let me take a -- a moment to explain what our process is

23 during a decision session. At this point the -- the record is

24 concluded, including the record of the public hearing. Our

25 practice once we have a motion before the Commission to act on

3

1 the petition is to proceed through each of the -- in this case

2 14 -- standards that are applicable. These are the 14 standards

3 that were summarized in one of the handouts that was available

4 at the door. The Commission will proceed in turn through each

5 of the applicable standards. Typically we have one member of

6 the Commission -- we rotate through -- take the lead in

7 addressing in their view how the facts of the -- the record are

8 to be weighed in accord with the -- with the applicable

9 standard. Every commissioner has an opportunity to address, if

10 they wish -- if they wish, each of the -- of the 14 standards.

11 The -- a majority of the Commission is required to approve

12 any petition for annexation. In this case it will be -- it

13 would require a vote of three members of the Commission in favor

14 of a -- an annexation petition to approve it. Also, what the

15 Commission individually must -- the commissioners individually

16 must conclude that the petition that -- that is to be voted on

17 meets every one of the standards; that is, if -- if a

18 commissioner feels that one of the standards is not met

19 adequately, then -- then the -- the commissioner would vote

20 against the petition, and if a majority of the Commission, on

21 the other hand, did not feel that each of the standards was met,

22 then the -- the result would be that the petition would not

23 be -- would not be approved.

24 So we will then proceed to discuss in turn the 14

25 standards that apply. What I will do for aud-- for the benefit

4

1 of the audience is read each of the applicable standards, and

2 then, as I say, a commissioner will -- one commissioner will

3 begin the discussion and other commissioners add to it as they

4 see fit. The -- the first standard deals with the

5 compatibility -- pardon me. Before we begin I think we need to

6 stop and ask if there is a motion for Commission action on the

7 petition.

8 COMMISSIONER TESCHE: Mr. Chairman.

9 CHAIR WARING: Commissioner Tesche.

10 COMMISSIONER TESCHE: Yes. With respect to the -- the

11 application by the City of Homer to annex an estimated 24.64

12 square miles, I will -- 25.64 square miles -- I will move to

13 approve the application with the suggested boundaries as set

14 forth by staff in staff's final report, and I will get the page

15 for that -- as set forth on page 33 of staff's final report.

16 COMMISSIONER WASSERMAN: I'll second.

17 CHAIR WARING: Commissioner Tesche has moved and

18 Commissioner Wasserman seconded that the Commission approve the

19 petition for -- the City of Homer's petition for annexation in

20 the form as recommended by the -- with the boundaries -- I

21 presume you mean the boundaries, Commissioner Tesche.....

22 COMMISSIONER TESCHE: That is correct.

23 CHAIR WARING:as recommended by -- in the staff

24 report on pages 32 and with subsequent -- pardon me, that --

25 that -- on page 32 of the report with the boundary adjustments

5

1 as recommended by staff. Shall we pro-- are we prepared, then,

2 to move to discussion of the motion?

3 UNIDENTIFIED SPEAKER: Yes.

4 CHAIR WARING: Okay. The first applicable standard stems

5 from 3 AAC 110.100. The substance of that standard deals with

6 the compatibility of the territory proposed for annexation and

7 the existing city. Briefly, it reads: The territory must be

8 compatible in character with the annexing city. In this regard,

9 the Commission will, in its discretion, consider several

10 factors, and they are enumerated in the -- in the regulation,

11 and Commissioner Wasserman will -- will initiate discussion of

12 that standard and its application to -- to the petition.

13 COMMISSIONER WASSERMAN: The applications concerned land

14 use and subdivision platting, salability of land, population

15 density, cause of recent population changes, and suitability of

16 the territory for reasonably anticipated community purposes. In

17 reading all of the documentation that we received, and in

18 listening to testimony, it appears that sa-- taxable sales in

19 the proposed 25-plus square miles are more than \$14 million, and

20 it seems like most of that seems to be concentrated primarily in

21 the Millers Landing area. There appears to be substantial

22 commercial development along the Sterling Highway and -- as well

23 as a number of governmental sites: in the territory, including

24 borough, state and federal land, and much of the territory

25 with -- much of the territory land is vacant land.

6

1 So that shows a large diversification of different types
2 of land use within the territory proposed for annexation, but
3 those same diversities appear to be present within the City of
4 Homer, including larger tracts of vacant land, city, state and
5 federal holdings, and large and smaller parcels. The smaller
6 subdivisions that are closer to the north end of the present
7 boundary seem to have smaller lots than those, of course, up on
8 the northern end, and it seems like as you gradually get away
9 from the northern boundary of the City that the lots become a
10 bit larger on the whole, but the areas closer to the present
11 city boundaries have smaller lots interspersed with larger ones,
12 but the City of Homer also seems to have many smaller lots
13 interspersed with larger ones.

14 Also, the elevation in the territory: It seems with the
15 City the elevation goes to about 1400 feet from sea level, and I
16 know that was one of the arguments brought up was that, you
17 know, there's this large block in different geographic land --
18 the layout of the land, but it seems like there is quite a bit
19 of diversity within the City of Homer and with-- within the
20 territory in elevations and geographic features.

21 I think -- I -- I noticed one thing that -- one of the
22 applications for the standard is the significant development in
23 the territory, and many of the respondents said that the growth
24 within the territory was static. A couple of them said that the
25 growth within the territory was much larger than the growth

7

1 within the City, so there didn't seem to be agreement on that
2 even within -- according to the respondents themselves. So it
3 appears that there's a bit of diversity in that as well. So I
4 would say that you are never going to find two areas where the
5 diversity is -- or -- or -- or where the -- where the land use
6 is exactly the same. So I would say that the land within the
7 territory, which is predominantly residential and/or privately
8 owned, as within the City, all of this would -- would lead me to
9 say that the petition for annexation by the City satisfies the
10 compatible character standard set out in 3 AAC 110.100.

11 CHAIR WARING: Thank you, Commissioner Wasserman. Do
12 other members of the Commission have anything to add on -- on
13 that particular discussion?

14 I just wanted to -- to add that in -- I believe based on,
15 you know, information that is in the record and much of,
16 actually, the comment that we received, it is plain that -- to
17 me that this larger region is -- is an organic holding and -- in
18 the sense that it is a common area within which people move for
19 work, for trade, and that the -- by and large the area that --
20 even the extensive area that is proposed in the City's petition
21 is an organic part of the -- the city. I think that if -- if we
22 are addressing simply the -- the area that is recommended by
23 staff, which is a much more modest area and close to the city
24 and much more similar in density and development patterns to --
25 to the city itself, that there is very strong information in the

8

1 record that -- that these two areas, the lesser area that is
2 proposed by staff, that it is compatible with the existing city,
3 and so I would concur with Commissioner Wasserman in that
4 respect.

5 Are there further comments? Then we will move on to the
6 second standard, which is a fairly straightforward matter of
7 fact. The relevant regulation reads as follows: If a petition
8 for annexation describes boundaries overlapping the boundaries
9 of an existing organized borough, unified city -- pardon me --
10 unified municipality, or city, the petition for annexation must
11 also address and comply with the standards and procedures either
12 for annexation of the enlarged city to the existing borough, or
13 detachment of the overlapping region from the existing organized
14 borough, municipality or city. The -- the question at issue
15 here is whether there are overlapping boundaries affected by
16 this proposed annexation petition. Commissioner Tesche.

17 COMMISSIONER TESCHE: Thank you, Mr. Chairman. As you
18 stated, this is very straightforward. I concur in the comments
19 made by staff at 201-202 of its preliminary report. To me it's
20 uncontroverted that the proposed expanded jurisdictional area of
21 the City of Homer -- and, again, I refer to the smaller area on
22 the table -- lies entirely within the corporate limits of the
23 Kenai Peninsula Borough, and that although the proposed expanded
24 boundaries of the city adjoin the corporate limits of the City
25 of Kachemak, they do not overlap those boundaries or boundaries

9

1 of any other existing city government. So on this technical
2 stand there's no question in my mind or in the record that the
3 standard of 3 AAC 110.130(e) is satisfied. Thank you.

4 CHAIR WARING: Thank you, Commissioner Tesche. Is there
5 any further discussion of that standard?

6 Hearing none, then we will move on to the third applicable
7 standard, which again deals with a -- a matter of fact, and that
8 is the contiguity of the area proposed for annexation and the
9 existing city. That standard reads as follows: Absent a
10 specific and persuasive showing to the contrary, the Commission
11 will, in its discretion, presume that territory that is not
12 contiguous to the annexing city does not meet the minimal
13 standards required for annexation. Commissioner Lynch.

14 COMMISSIONER LYNCH: Clearly, the territory recommended by
15 DCED staff, as well as the territory in the original petition,
16 are geographically contiguous to the existing boundaries of the
17 City of Homer, as well as being connected by a network of
18 roadways, so this proposal clearly satisfies the proximity
19 standards of this regulation.

20 CHAIR WARING: Thank you, Commissioner Lynch. Is there
21 any further discussion on that standard?

22 Seeing none, then we will proceed to the fourth standard,
23 which deals with the civil and political rights of residents of
24 the affected area. The pertinent state standard reads as
25 follows: A petition will not be approved by the Commission if

<p style="text-align: right;">10</p> <p>1 the effect of the proposed change denies any person the 2 enjoyment of any civil or political right, including voting 3 rights, because of race, color, creed, sex, or national origin. 4 And I would mention that this particular standard in the state 5 regulations subsumes or essentially parallels a requirement in 6 federal law to the same effect, and I will first address -- 7 address this standard. 8 I -- based on the record, I think there has been no 9 showing that on that particular specified issue, that is, civil 10 or political rights, including voting rights, being denied 11 because of race, color, creed, sex, or national origin, that 12 there is no -- no information in the record that in any way 13 residents in the area that would -- is proposed for annexation 14 would be -- would be denied civil or political rights for those 15 reasons that are specified in the state regulations and in 16 the -- the federal law. So I think on -- on that count the 17 standard is -- is met. 18 There have been other issues raised in regard to voting 19 and civil rights in the course of presentations, testimony and 20 comments made to the Commission, and this seems a good point 21 to -- to address those. First, there is -- has been an alleged 22 constitutional issue raised that annexation without a vote of 23 the residents or property owners perhaps was in some manner an 24 infringement of constitutional rights of those parties affected. 25 This is, in fact, for the Commission and for the State of Alaska</p>	<p style="text-align: right;">12</p> <p>1 There is a -- a second important issue that has been 2 raised, and -- and that is this question of whether the 3 Commission should consider or require in some manner or 4 condition that the -- if -- if the petition is approved, that 5 the terms of those elected officials now in office in the City 6 of Homer be truncated, to allow in the -- the near future an 7 election at which all residents of the city -- and including the 8 area annexed would have an opportunity to vote afresh for all of 9 their elected representatives. There are a couple of aspects of 10 this that -- that I would like to address. 11 First, the Commission did request a -- an opinion from the 12 state attorney's -- attorney general's office as to whether the 13 Commission had the authority and could exercise the authority to 14 truncate the terms of city officials as a condition or a 15 recommendation of -- of the decision for -- to -- to approve any 16 part of the annexation petition. A copy of the attorney -- we 17 have a copy of the attorney general's opinion on that, and I 18 believe it has been made available to -- to respondents in 19 the -- the petition. 20 Basically, the attorney general's office advised us the 21 following: That the Commission does have, in the -- in the 22 opinion of the attorney general, does have the potential 23 authority to truncate terms of city officials were it to find 24 that is justified by the facts, and direct a new election. 25 That's only part of the story. The attorney general's office,</p>
<p style="text-align: right;">11</p> <p>1 a settled matter of constitutional law. The very first case, in 2 fact, involving the boundary commission -- a boundary commission 3 decision that was appealed to the state supreme court addressed 4 this issue specifically; that is, the rights of -- the question 5 of whether residents of an area that was affected by annexation 6 did have a vested constitutional right to vote on the 7 annexation, and I will simply take a moment and read from that 8 state constitutional decision what the language of the court was 9 on this issue. Again, it was addressing the question of whether 10 residents of an annexed area were entitled to a vote on the 11 annexation. 12 The words of the court were: Those who reside or own 13 property in an area to be annexed have no vested right to insist 14 that annexation take place only with their consent. The subject 15 of expansion of municipal boundaries is legitimately the concern 16 of the state as a whole, and not just that of the local 17 community. There has been no infringement or deprivation of 18 rights protected by the fourteenth amendment -- that is, the 19 fourteenth amendment of the federal constitution. In short, the 20 state supreme court has had this issue presented to it and has 21 made a decision affirming that -- that no -- there is no vested 22 constitutional right to a vote on an annexation, and the -- the 23 commission is -- is abiding by that decision of the state 24 supreme court. None of that speaks to the merits of the 25 proposal in -- in other respects.</p>	<p style="text-align: right;">13</p> <p>1 relying on another supreme court decision, also advised us that 2 in the absence of having adopted regulations, the finding -- 3 procedures and standards under which the Commission would make 4 such a finding and impose such a condition, the Commission did 5 not have the practical authority to do that; that is, to impose 6 a requirement for truncation of the terms of sitting city 7 officers. 8 The third case that went to the state supreme court 9 litigator -- decision of the Commission dealt with that issue. 10 There is state legislation that defines and -- the powers that 11 the Commission can exercise specifically mandates that the 12 Commission have adopted regulations to guide its -- the exercise 13 of its powers. In this case the Commission has not adopted such 14 regulations, and, therefore, the advice of the attorney general 15 is that were we to exercise such powers we probably would be -- 16 attempt to impose that sort of condition, we could not sustain 17 it in litigation. That is the legal advice of the attorney 18 general, and as a rule we are inclined as a commission to take 19 the advice of our lawyer. 20 There is a separate set of questions, two that are worth 21 addressing, and that is questions of fact, and the -- the 22 essential point I think that has been made is that residents who 23 were brought into the city by incorporation would for some 24 period of time be represented by elected officials for whom they 25 did not vote. This is as -- even at the reduced scale that we</p>

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1 are discussing now, that is, the area recommended by the staff,
2 this is a significant annexation and bringing within the city if
3 it is approved a substantial population, approximately 18 to 20
4 percent enlargement of the city's present population. So I
5 think it is -- it would be good to consider whether as a matter
6 of fact were there -- were the Commission in a position to
7 exercise this power, whether the Commission should, and so I ask
8 myself, given the facts, whether -- what -- what I would -- what
9 my finding would be.

10 I -- I guess in principle I would -- one point to make is
11 that -- and -- and I don't think that the -- the point is that
12 one individual finding themselves newly in a territory where
13 they have not in the past -- pardon me, in a city -- not in the
14 past have had an opportunity to vote for their representatives,
15 justifies a new election. In fact, wholly apart from
16 annexations, there is a lot of come and go in any municipality,
17 and for that reason there will always be residents who have not
18 had a chance to vote for the elected officials who for the
19 moment represent them. It's also the case that people come of
20 age and have -- newly enfranchised, and until they get their
21 first opportunity to vote they -- they are effectively not
22 represented by elected officials.

23 Actually, in -- and the point is made there is in the --
24 in the record that there is a significant amount of turnover as
25 a routine matter, not only in Homer, but in all municipalities,

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1 probably on the order of five or more percent a year, so that
2 over a course of a couple of years between any scheduled
3 elections there is -- there is always going to be a substantial
4 population that has not voted for the elected officials. This
5 is perhaps just a -- an instance of the same phenomenon at a --
6 at a numerically larger scale.

7 There are other attenuating factors that I think, you
8 know, are worth considering. First is that electing your public
9 officials is not the only way available to people to influence
10 public decisions. There are, you know, routinely public
11 meetings, public hearings, that deal with city business, and
12 hearings on budgets, on appropriations and levies, and -- and
13 other municipal decisions, so there is over time always
14 opportunities to participate in public business. Also, there is
15 the fact that once elected there is always another election
16 coming and representatives in office are accountable to the next
17 election, you know, by anticipation to the next election, as
18 well as to those who elected or voted for them in the past
19 election. It's a fact, too, that all of the elected seats, I
20 understand, in the municipal city council are at-large seats, so
21 that it is not as if there were -- they were -- represented some
22 areas of the city and -- exclusively, and, therefore, there
23 would be with annexation an area that was orphaned and had no --
24 no representative at all to -- to represent it.

25 A further fact is that there are, in fact, within the next

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1 seven months elections scheduled for three of the seven elected
2 officers of the city, two representatives and the mayor, and
3 that another year after that two more come up, and another year
4 after that the final two, so that in a relatively limited period
5 of time there will be opportunity to -- for all citizens of the
6 City of the Homer, voters in the City of Homer, regardless of
7 what its boundaries are, to participate.

8 The sum of this, I think, is that I -- I would be -- my --
9 my vote would be that even with the -- the facts of the case if
10 we do approve the -- something on the order of the lesser
11 petition, the facts don't add up to a compelling reason to -- to
12 take what would be for the Commission an unprecedented step,
13 to -- to truncate the terms of sitting officials. I think that
14 the scale of change that -- that would be -- result from -- from
15 approval of petition is -- is just not on the scale or the order
16 that would justify in my judgment for the Commission an action
17 of that sort. So I would find that not only does the -- the
18 petition satisfy that original standard that I met -- that I
19 read, but that if -- if we choose to address it, it would not
20 support truncation, a -- a condition or a motion to truncate the
21 terms of city officials and -- and prompt a new election. And I
22 will give other commissioners an opportunity to add to that.

23 Commissioner Tesche.

24 COMMISSIONER TESCHE: Thank you, Mr. Chairman. Briefly, a
25 concurring opinion on two points. First, as far as truncation

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1 of the terms of current members of the city council, there are
2 really two questions there. Number one, does the Commission
3 have the power at this time in the absence of regulatory or
4 statutory authority to truncate terms in connection with a -- an
5 application for an annexation, and then secondly, if it does, do
6 the facts warrant such an action, which I would agree is
7 unprecedented. I believe that particularly with respect to the
8 smaller annexation that is on the table at this time the facts
9 would not warrant the extraordinary and unusual step of
10 truncating terms of elected officials, and that for that reason
11 it's unnecessary to reach the issue or even decide whether the
12 Commission in the first instance has the power to do so in the
13 absence of regulation.

14 Secondly, with respect to the -- the political rights
15 issue, certainly, there is a -- a grave concern expressed by a
16 number of the respondents here that they should be afforded a --
17 a vote, and I -- I take that to mean a separate vote in the area
18 proposed for annexation on the question of whether or not city
19 services will be extended into that area. From my reading of
20 the same case law cited by you, but also the area G homeowners
21 case in Anchorage, I am convinced based on prior court decisions
22 that our court would not agree with the proposition espoused
23 here, that there is a constitutionally or statutorily recognized
24 right of vote in this area for what would amount to be a veto.

25 Parenthetically, I would also note that we have an attorney

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1 general's opinion on house bill 13, and I concur with the
 2 reasoning of that decision, inasmuch as the bill itself does not
 3 address separately-granted powers to the Local Boundary
 4 Commission for annexations.
 5 But to me the most significant effect of this application
 6 on political rights is to provide the approximately 898
 7 residents in the area -- in the new area proposed for annexation
 8 the right for the first time to participate in votes as they
 9 will come up in the future on city council seats. There are
 10 approximately 3,946 residents in the city itself. Those when
 11 added to the 898 will yield a new city population of 4,844. Any
 12 amateur or professional politician who sits on the city council
 13 at this time or who in the future might wish to sit on the city
 14 council must take these numbers to heart and realize that if
 15 approximately 50, 60 or 70 percent of all of those people will
 16 be registered voters, that several hundred new registered voters
 17 added to the mix, if you will, in local elections can and will
 18 most likely have a very decisive effect on local elections. So
 19 there is a new political right being extended by this
 20 application, so for that reason, certainly, I believe the
 21 standard has been met.
 22 CHAIR WARING: Thank you, Commissioner Tesche. Do other
 23 commissioners have anything to add?
 24 Forgive me, I'm going to take an opportunity, a brief
 25 opportunity, to supplement Mr. Tesche and my own remarks on --

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1 on this particular point, because I -- I feel with and think
 2 with many of you who spoke to the Commission and I would like
 3 this to be reflected in our decision record, that this issue of
 4 voting rights is in some form a very valid one, and I see it in
 5 a somewhat different light. I must say, than -- than I heard
 6 from -- from looking at the testimony or interpret
 7 (indiscernible). There is one revolutionary principle of
 8 longstanding appeal in our nation's history that I did not hear
 9 at this testimony at this -- at this hearing, and that is the
 10 principle of taxation without rep-- representation. I did hear
 11 lots of information to the effect that residents who lived
 12 outside of the city paid taxes, paid sales taxes on businesses
 13 in the city, but no complaints that they were in any fashion
 14 deprived of taxation without representation. The -- and I
 15 believe that the long-run effect of an annexation of this area
 16 will be -- to approve it would be to endow some of those
 17 residents with the opportunity to participate in government.
 18 One of the underlying principles, I think, of -- of the
 19 state constitution on local governmental matters was -- pardon
 20 me -- the -- it's been said that the Commission has a great deal
 21 of authority in -- in this matter, and actually the Commission's
 22 scope of authority is a -- significant, but fairly narrow, the
 23 main part of it being to define the governmental jur-- the
 24 jurisdictional areas within which the controversies and debates
 25 of local government occur. There is I think an important

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1 principle that governmental jurisdictions do encompass residents
 2 who share problems and share issues and share a government, in
 3 that rather than having fights between governments we have
 4 governments with territories sufficient to keep the local
 5 government debate, so to speak, within the family. I do think
 6 that the gentleman who spoke initially to the Commission this
 7 morning made -- made an excellent point on that regard. In
 8 substance, I think I will just repeat, I believe the -- this
 9 standard is satisfied by the -- the record.
 10 And hearing no further comment we'll move on to the -- the
 11 next standard, which reads as follows, and Commissioner
 12 Wasserman will address it: The proposed boundaries of the city
 13 must -- that is, with the annexation -- must not include entire
 14 geographical regions or large unpopulated areas, except when
 15 boundaries are justified by the application of standards in
 16 certain referenced parts of....
 17 (Tape changed to No. 13)
 18 COMMISSIONER WASSERMAN:the borough, like
 19 uninhabited areas, from being annexed. So as there are parts of
 20 this territory that seem to be uninhabited to a bit, they are
 21 just partially uninhabited. So I would say that the City of
 22 Homer's proposal that has been adjusted by DCED staff satisfies
 23 3 AAC 110.040 -- or .170(d). I'm sorry.
 24 CHAIR WARING: Thank you, Commissioner Wasserman. Are
 25 there any additions to Commissioner Wasserman's assessment of

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1 that standard?
 2 Hearing none, then we will move on to the sixth applicable
 3 standard dealing with the population size and stability of -- of
 4 the resulting city boundaries, and that reads as follows: The
 5 population within the proposed boundaries of the city must be
 6 sufficiently large and stable to support the extension of city
 7 government. And then the regulation enumerates certain factors
 8 that the Commission may consider. Mr. Tesche.
 9 COMMISSIONER TESCHE: Thank you, Mr. Chairman. First I
 10 want to remind the Commission and public that my comments are
 11 addressed to the 3.9 acres, approximately, recommended by staff
 12 in its -- its final recommendation. The standard issue here
 13 is population, found at 3 AAC 110.120. I believe the standard
 14 is easily met here. I would incorporate the more detailed staff
 15 analysis and findings at 219 to 226 of its report.
 16 There are basically two elements that have to be
 17 satisfied: first, that the population of the entire area, and
 18 that is the area that includes the city and the area to be
 19 annexed, is large enough to support city government. The
 20 analysis that we have suggests that with the new 3.9-acre
 21 annexation proposed added to the current area of the city we
 22 would have probably the seventh-most populous city government in
 23 Alaska. Clearly, that is a population that is large enough to
 24 support city government throughout the entire area. That
 25 portion of the standard is easily met.

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1 Somewhat more interesting is the second element of this,
 2 and that is stability. It is not enough to have sufficient
 3 people. There has to be a population that is stable, and by
 4 that the statute and the regulations require us to look at a
 5 number of issues. Looking at those briefly, the duration of
 6 residency is one factor that we can consider, and I would rely
 7 particularly on the testimony of the -- of the residents that
 8 was given to us here in finding that -- that by and large the
 9 population of Homer is a comparatively long-term -- long-term
 10 residents, perhaps more than many other cities in the state. I
 11 know that a number of people here with considerable pride
 12 testified as to how many years they'd lived in Alaska and lived
 13 in this borough, and indicating relatively long duration of
 14 residency.

15 Historic population changes: That I think shows steady
 16 growth, probably tied to Alaska's economy, perhaps most in
 17 fishing and tourism, but steady, clear growth over the last 40
 18 or 50 years, which indicates that, again, there's an element of
 19 stability in the population here.

20 Seasonal population changes: I think the concern there is
 21 that you could meet a lot of these other standards, but if you
 22 have large numbers of migrant workers moving into the area
 23 solely for the purpose of work and then people who leave as soon
 24 as the jobs are finished on a seasonal basis, that that type of
 25 population may not be as supportive as a population which I find

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1 exists in Homer, and that is a number of people or perhaps many
 2 people who, while they work seasonally in summer fishing and
 3 other businesses, tourism, remain here in Homer, and
 4 understandably so. This is a -- this is a very pleasant,
 5 cohesive community, and a -- I think a fine place for people to
 6 live, even though they may not technically be employed full time
 7 during the year.

8 Finally, the other consideration is the age distribution,
 9 and I suppose there if there was something unusual about the age
 10 distribution or the patterns of the population that would --
 11 that would again suggest that perhaps the population is not as
 12 stable or it has some quirks about it. I see nothing in the
 13 record to suggest that there's any unusual pattern of age
 14 distribution here in Homer that would call into question the
 15 ability of the population within the area to be annexed in the
 16 city to support municipal government. So for all of those
 17 reasons I would find this standard of 3 AAC 110.120 has been
 18 met.

19 CHAIR WARING: Thank you, Commissioner Tesche. Does any
 20 commissioner wish to add to Commissioner Tesche's analysis?
 21 Then we'll move on to the seventh standard, which deals
 22 with the resources of the proposed expanded city. The app-
 23 applicable standard reads as follows: The economy within the
 24 proposed boundaries of the city must include the human and
 25 financial resources necessary to provide essential city services

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1 on an efficient, cost-effective level, and then goes on to
 2 enumerate a series of 10 factors that -- that the Commission --
 3 specific factors that the Commission may -- may consider in
 4 applying that standard. Commissioner Lynch.

5 COMMISSIONER LYNCH: Thank you, Mr. Chairman. I think I'm
 6 going to discuss these 10 factors in order. The first one is
 7 the reasonably anticipated functions of the city and the
 8 territory being annexed, and those functions are listed in the
 9 petition. They include the -- the services that the city is
 10 providing now within its boundaries. I would also note that
 11 some of these services are available to residents outside the
 12 city boundaries. Some, of course, such as road services, are
 13 only provided within the city boundaries.

14 The next factor is the reasonably anticipated new expenses
 15 of the city, and I understand from the testimony that there's
 16 some question as to the City's ability to estimate those, but I
 17 think we need to recognize that although they're not necessarily
 18 cast in concrete, they are reasonable. The City's providing
 19 those services now and has a good basis for estimating those for
 20 the future.

21 The next factor is the actual income and the reasonably
 22 anticipated ability to collect local revenue and income from the
 23 territory. I think again the City has a good basis for knowing
 24 what the local property tax base is there, a fairly good
 25 estimate of the ability to collect sales tax in that area, and

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1 the analysis is that the -- the revenue in that area would
 2 exceed the expenses of providing the services.

3 That leads into the next factor, the feasibility and
 4 plausibility of the anticipated operating budget of the city,
 5 and I think that it can be reasonably anticipated that any
 6 increased costs that are associated with future growth in the
 7 area to be annexed would be offset by the increased property tax
 8 and sales tax revenue

9 The next factor is the economic base of the territory
 10 after annexation. I think the economic base in this -- in the
 11 territory is stable, with some -- some amount of growth. And
 12 the same is true for the property valuation: in the territory
 13 proposed for annexation, that there's probably likely to be some
 14 steady growth in that area, also.

15 That again leads into the next factor, which is the
 16 existing and reasonably anticipated industrial, commercial and
 17 resource development in the area. Some of the territory is
 18 residential; other is more suited for commercial and industrial
 19 development.

20 So for these reasons I believe that the standard set out
 21 in 3 AAC 110.110 is satisfied by the Homer annexation proposal,
 22 and specifically in the 3.9 miles in the staff's recommendation.

23 CHAIR WARING: Thank you, Commissioner Lynch. Do
 24 commissioners have anything to add to her discussion?
 25 Then we will move on to the eighth applicable standard,

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1 and that deals with a transition plan, and there are three
 2 parts, three pertinent parts, actually, of that standard that
 3 apply to this particular annexation. To deal with them in turn,
 4 the -- the first element reads as follows: A petition for
 5 incorporation -- a petition for annexation must include a
 6 practicable -- practical plan in which the municipal government
 7 demonstrates its intent and capability to extend essential city
 8 services into the territory proposed for annexation in the
 9 shortest practicable -- practicable time after the effective
 10 date of the proposed change. And let me take a moment to
 11 preface discussion of that standard with a brief explanation of,
 12 as I see it, what the intent of the requirement for a
 13 transitional plan is.

14 The Commission deals with a wide variety of municipal and
 15 borough governments across the state, some large, some small,
 16 some sophisticated, some very elementary. They have varying
 17 degrees of capability and financial and staff resources
 18 available to them. As I understand it, the intent of this --
 19 this standard is to put on the petitioner a burden of
 20 demonstrating that they have given forethought to the question
 21 of how it will act to extend services to the territory they
 22 propose to admit, annex, and show that it has some good faith
 23 intent to do that. Compared to many of the cities that we deal
 24 with, Homer -- the City of Homer does in fact -- is a
 25 substantial municipal government with superior resources and

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1 staff capabilities than many other municipalities -- city
 2 municipalities throughout the state.

3 I believe that in the information the City has provided
 4 and based on the analysis that the staff has done of -- of that
 5 information, that the -- the City has satisfied the intent of
 6 this requirement. The City has not presented a transition plan
 7 or practicable plan -- practical plan that includes an adopted
 8 budget or ordinances or a tax levy or anything of that sort, but
 9 that is not the requirement, that the City spell out in every
 10 jot and tittle what it will do, but to provide the Commission
 11 evidence that it has given foresight -- fore-- forethought to --
 12 to what it will need to do to provide services to the annexed
 13 area if the petition were approved, and I think it has done
 14 that, satisfied that standard for the -- the area proposed by
 15 staff for annexation.

16 The second element of this standard reads as follows: A
 17 petition for a proposed action by the Commission must include a
 18 practical plan for assumption of all relevant and appropriate
 19 powers, duties, rights, and functions presently exercised by an
 20 existing borough, city, service area, or other entity located in
 21 the territory proposed for -- for change. Again, we did have --
 22 we have the record and we do have the information, statement,
 23 provided by the representative of the Kenai Peninsula Borough
 24 and the City that they have discussed and expressed a confidence
 25 that they can resolve questions of assumption of -- by the City

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1 of fire and emergency services and road services from the
 2 Borough if -- if, indeed the -- the Commission approves the
 3 petition. Again, I think that as far as this standard requires,
 4 the -- the City and the record itself substantiate that -- that
 5 the requirement has been -- has been met.

6 Finally, the third element in this requirement is -- reads
 7 as follows: A petition for a proposed action by the Commission
 8 must include a practical plan for the transfer and integration
 9 of all relevant and appropriate assets and liabilities of an
 10 existing borough, city, service area, or other entity located in
 11 the territory proposed for change. Again, we heard statements
 12 from both the representative of the Borough, which is
 13 responsible ultimately for the services areas, and from the City
 14 that they are confident that they can resolve the issues, many
 15 of them enumerated, at least on the Borough's part, as it would
 16 affect them by the borough attorney. They both expressed
 17 confidence, that is, the Borough and the City, that they would
 18 be able to satisfactorily resolve all these transitional issues
 19 which she enumerated. Therefore, I believe that the petition
 20 also satisfies this third element of -- of this standard.

21 Finally, I think I heard the Borough representative say
 22 that there were no assets -- transfer of assets involved in
 23 the -- in the case -- expected in the case of the Kachemak
 24 emergency service area, and, again, concurrence by the City that
 25 they basically were in agreement with -- with the statement of

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1 the Borough. So I don't think that there is any obstacle in
 2 that element.

3 So, in sum, I believe that the record and the statements
 4 of the two affected local governments, the borough and the City,
 5 are adequate basis for finding that this -- the requirements of
 6 this particular standard are met. Do other commissioners wish
 7 to add anything on that -- that count?

8 Hearing none, we will then move on to the ninth standard,
 9 which reads as follows: The proposed boundaries of the city
 10 must include all land and water necessary to provide the full
 11 development of essential city services on an efficient, cost-
 12 effective level, and then goes on to enumerate five specific
 13 factors that the Commission may consider in applying this
 14 standard. Commissioner Wasserman.

15 COMMISSIONER WASSEMAN: Thank you, Mr. Chairman. The
 16 territory closest to the current bounty -- boundaries of the 3.9
 17 square miles that's been recommended by DCED seems to have a
 18 great deal of development for residential, commercial and many
 19 other purposes. The density of the 3.9 square miles is 230, and
 20 the average of all Alaskan cities is only 174, so once again it
 21 shows that the density is in keeping, if not higher than the
 22 average of other Alaskan cities.

23 As far as transportation, there are seven major roadways
 24 that seem to come into the area, and those roadways would -- do
 25 serve to link the area, and which would lead to the sharing of

<p style="text-align: right;">30</p> <p>1 cultural, economic and employment endeavors. And we heard much 2 testimony to the fact that everyone in the community seemed to 3 feel that this was one community, even though there seemed to be 4 corporate boundary lines that -- that not everyone was in favor 5 of. 6 The City has been authorized by the Borough to exercise 7 extraterritorial jurisdiction in the Bridge Creek watershed, and 8 those -- that extraterritorial jurisdiction is to protect the 9 City's water. 10 Also, it appears that the other provisions of service that 11 the City of Homer provides to people outside the boundaries 12 would include med-- emergency medical service, util-- water 13 utility service, sewer utility service, fire protection, and 14 while there -- I am sure are arguments as to how much is 15 provided and to exactly what areas, it still is -- the City is 16 still providing some services to people outside of the 17 boundaries, and I'm sure at a great cost. 18 There was -- there was also the change issue. Many people 19 brought up that they didn't feel that there was a need for 20 change, but the issue here is not just what some of the 21 respondents feel is the need for change. Obviously, the City 22 felt there was a need for change. So those two arguments I 23 think need to be -- to be balanced. Hopefully, in time, when 24 a -- as a city, any community, continues to grow their -- they 25 have more ability to provide better and more increased services,</p>	<p style="text-align: right;">32</p> <p>1 give us some guidance as to how you define community, and the 2 questions break down, are the residents in this area, and I mean 3 the city as well as the area proposed for annexation, do they 4 live permanently in close geographic proximity. Again, my 5 earlier comments on what appeared to be the -- the permanency of 6 residency here resolve this issue. There's no question about 7 the geographic proximity. Clearly, in the area proposed for 8 annexation these residents are within blocks of the city itself. 9 Allowing for frequent personal contacts character and -- 10 characterizing that of neighborhood living, I guess physically I 11 don't see how the residents in the area proposed for annexation 12 could avoid frequent personal contacts with people in the city, 13 even if they wanted to, and I don't think they do. So that 14 standard is easily met. 15 Characteristics of neighborhood living: I harken back to 16 testimony by several neighborhood organizations of the existence 17 of homeowners associations which do various things for people, 18 an indication to me that the patterns of development in the area 19 proposed for annexation have gone from remote and isolated 20 homesteads to more neighborhood living, whereby people live 21 closer to each other, they're more integrated in terms of their 22 daily needs, their daily contacts with -- with each other, such 23 that they're developing into a community. So for those reasons 24 I would find the standard is met. 25 To be sure, there are certain people who testified that</p>
<p style="text-align: right;">31</p> <p>1 and I think it sort of led me to realize that perhaps as the 2 area continues to grow the increased burden of the taxes cannot 3 fall on a group of people that -- that are being asked to 4 shoulder all of the tax burden, especially in light of the 5 growth that seems to be taking place outside of the current city 6 boundaries. 7 Based on those facts, I would say that the standard set 8 out in 3 AAC 110.130(a) is met. 9 CHAIR WARING: Thank you, Commissioner Wasserman. Any 10 further thoughts from commissioners on that standard? 11 Then we will move on to the tenth standard, which reads as 12 follows: The proposed boundaries of the city must include 13 only -- only that area comprising an existing local community, 14 plus reasonably predictable growth, development, and public 15 safety needs during the 10 years following the effective date of 16 annexation of that city. Commissioner Tesche. 17 COMMISSIONER TESCHE: Thank you, Mr. Chairman. This 18 standard breaks down into two different issues. The first is 19 whether the -- the boundaries encompass only an area 20 encompassing an existing community, and then a second standard 21 with respect to the foreseeable growth in the area. As to 22 whether the area proposed -- and, again, I refer to the new 23 recommended area by staff -- whether that constitutes an 24 existing community has to be made in light of a number of 25 factors in 3 AAC 110.920, and these are state regulations that</p>	<p style="text-align: right;">33</p> <p>1 disagree. I notice the testimony of Sallie Dodd Butters who 2 stated that they chose -- some people chose to live outside of 3 the city specifically to avoid its jurisdiction, and then there 4 was testimony by Pete Roberts that outsiders chose the area 5 outside of Homer because they wanted nothing to do with the 6 city. I certainly recognize that testimony and I certainly 7 understand their sentiments, but that's not the testimony that 8 in my view is credible here. Instead we have testimony of 9 Michael Kennedy, who said we all live here as one community, the 10 testimony as well of a Margaret Seelye who said we are all 11 members of one community -- virtually the same thing. The 12 geography of the area compels that the board give greater weight 13 to that latter testimony. 14 Moving on, the location has to be that of a discrete and 15 identifiable unit. Factors that are considered here are school 16 enrollment: Plainly, children that do go to school most likely 17 attend the Homer public schools. They do not attend schools to 18 any large degree outside of that -- those -- those boundaries. 19 Sources of employment: Again, primarily in the Homer area. 20 Voter registration: Voters are registered here. There's no 21 evidence suggesting voters are registered in any significant 22 degree elsewhere. Precinct boundaries: Same result. Permanent 23 versus temporary nature of the dwellings: Our on-site visit of 24 the area and much of the testimony here suggests that the 25 dwellings indeed are quite substantial and quite permanent in</p>

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1 the area to be annexed. The presence of commercial
 2 establishments: Probably not terribly well established. I
 3 suppose there are several, but, again, we're dealing primarily
 4 with a residential component to an existing community.
 5 And I guess finally on this standard I would rely on the
 6 testimony of a number of people here, especially those in
 7 opposition to the annexation, that they volunteer, and I think
 8 properly so, for the good of this community, volunteer in the
 9 Homer volunteer fire department and the animal control facility,
 10 the museum and the library. Their good words, their good deeds,
 11 their commitment to the community I think clearly shows that,
 12 indeed, they recognize by their actions that there is one
 13 community here, and that community clearly encompasses the --
 14 the city and the area proposed for annexation. So for those
 15 reasons I would find that the first standard, that is, that
 16 there be a community, is easily met.
 17 I do not find any reason to invoke the presumptions of
 18 3 AAC 110.920(b) that there is not a community, certainly
 19 because there is no evidence suggesting that public access to
 20 the population in the area proposed for annexation is blocked.
 21 There's no evidence to suggest that that area is itself
 22 contiguous or tied to some other community or social unit and
 23 dependent on that community, except, of course, the City of
 24 Homer. And, finally, that there's no evidence suggesting that
 25 the area proposed for annexation is populated by people who work

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1 in a remote site, namely, that area, and are there as a
 2 condition of employment, rather than a voluntary choice to live.
 3 So for those reasons that presumption, which is in my view
 4 largely technical, is not applicable here.
 5 The only other standard that has to be met, of course, is
 6 whether the petition -- petition area includes that area
 7 reasonably -- for reasonably predictable growth, development and
 8 public safety needs for the next 10 years, and, again, we
 9 respect the statute and the regulation, which speaks to a 10-
 10 year time frame from the date the annexation becomes effective.
 11 Again, I believe this standard is easily met. A review of
 12 aerial photographs, the testimony of residents as to development
 13 patterns, the proximity of this area to the original area of the
 14 city, suggests that a logical pattern of more intense urban
 15 development or suburban development is developing from the south
 16 to the north, moving upward as services are extended, certainly
 17 depending on property values and market conditions. So I -- I
 18 think that while this standard could be met by even a larger
 19 piece of property, I certainly think a conservative and cautious
 20 approach would easily encompass this area as meeting the
 21 standard for growth for 10 years.
 22 So for all of these reasons I would conclude that the
 23 reasonable growth standard of 3 AAC 110.130 is easily met here
 24 with the revised area. Thank you.
 25 CHAIR WARING: Thank you, Commissioner Tesche. Are there

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1 any further comment?
 2 I do want to concur particularly on one aspect of this,
 3 and that is the part that deals with whether the proposed
 4 annexation area includes only an area that meets reasonably
 5 predictable growth development and public safety needs during
 6 the 10 years following the effective date of annexation. The
 7 view I would take, and I ask myself a hypothetical, is that, if
 8 anything, this annexation initiative for that area is tardy
 9 rather than premature. I think if -- if there were no residents
 10 in that area at present and the City came with an annexation
 11 proposal that was based on a -- very firm information that --
 12 that said within 10 years we expect there would be perhaps 900
 13 residents in that area, developed at a density roughly
 14 approximating the existing City of Homer and settlement patterns
 15 very similar to the existing City of Homer, and would interact
 16 very much with services, job opportunities, available in the
 17 City of Homer, were there no residents living in that area, but
 18 an expectation that there would be 900 residents in that area
 19 within 10 years, I don't think there is any question but that
 20 the condition would be supportive of -- of an annexation
 21 petition of that sort. In fact, there are already 900
 22 residents, approximately, in that area, and an expectation of
 23 additional residents in the years to come. I think -- so I very
 24 much concur with Commissioner Tesche's finding on that count,
 25 and that, if anything, it is a very reasonable and conservative

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1 area to propose for -- for annexation.
 2 Are there any further comments? Commissioner Lynch.
 3 COMMISSIONER LYNCH: I concur with the statements of both
 4 Commissioner Waring and Commissioner Tesche. One message that
 5 came across to me loud and clear is that this is a community,
 6 and even people who live far outside the boundaries, the current
 7 city boundaries, feel themselves part of this community. If
 8 anything, I agree that this is probably a fairly conservative
 9 approach, this 3.9 square miles, because I doubt that most of
 10 the people in that area -- or let me put this another way -- I
 11 think that probably most of the people who live in that area
 12 come into the city boundaries on an almost daily basis,
 13 certainly a very regular basis, because it just can't really be
 14 avoided. You've got to come to the post office and take your
 15 kids to school and go grocery shopping, and, clearly, those
 16 people that live there do participate in community activities,
 17 the volunteer work that's already been mentioned, and -- and,
 18 clearly, the community expands far beyond that 3.9 square miles.
 19 CHAIR WARING: Thank you, Commissioner Lynch. Any further
 20 discussion of this standard? Then we will move on to the
 21 eleventh applicable standard, which reads as follows: A
 22 territory may not be annexed to a city if essential city
 23 services can be provided more efficiently and more effectively
 24 by another existing city or by an organized borough.
 25 Commissioner Lynch.

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1 COMMISSIONER LYNCH: Thank you, Mr. Chairman. In looking
2 at the standard we can look at the other municipalities that may
3 be in a position to provide services to this area. I don't
4 really think that either the City of Seldovia or the City of
5 Kachemak are reasonable alternatives. There was a lot of
6 testimony that people are very pleased with the level of service
7 that they get from the Kenai Peninsula Borough through service
8 areas, but I don't believe that that is actually a more
9 efficient or more effective method of providing services than
10 annexation to a city, especially one in such close proximity to
11 the current city boundaries. The constitution, I think, did not
12 contemplate that we would have multiple layers of service areas,
13 one providing emergency medical -- or emergency services, and
14 another one providing road service or road maintenance
15 powers. But it's -- and when you consider all the other
16 services that the City provides, it's clearly not reasonable or
17 practical for the Borough to provide those services, also, on a
18 service area basis.

19 So, in conclusion, I think it's the City of Homer that
20 possesses the greatest legal capacity to extend its services to
21 this territory proposed for annexation, although it's -- it's
22 possible that the City of Kachemak could -- could do so, but
23 it -- it -- clearly, the Kenai Peninsula Borough ranks last
24 among those three municipalities in its ability to provide the
25 services on an area-wide basis.

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1 CHAIR WARING: Thank you, Commissioner Lynch. We will
2 then, hearing no further comments from commissioners, move on to
3 the twelfth standard, which deals with the need for city
4 government in the territory proposed for annexation.

5 The applicable standard reads as follows: The territory
6 must exhibit a reasonable need for a city government. In this
7 regard, the Commission will, in its discretion, consider several
8 factors, and those listed are existing or reasonably anticipated
9 social or economic problems; existing or reasonably anticipated
10 health, safety, and general welfare problems; existing or
11 reasonably anticipated economic development; the adequacy of
12 existing services; and the extraterritorial powers of adjacent
13 municipalities.

14 In a sense, I -- the Commission usually approaches this
15 standard in relation to annexations of areas that are lightly
16 settled or in process of developing that -- and so we are
17 dealing with these questions on a prospective level, that is,
18 looking ahead to see what the dynamics of growth are in the
19 particular situation and whether, in fact, the petitioner has
20 demonstrated that there is a need for city government. I think
21 we've got a significantly different factual situation here in
22 the area that the staff has recommended that the Commissioner
23 consider for annexation. In fact, the question of whether local
24 governmental services are needed is pretty well settled.
25 Already local governmental services are provided in the form of

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1 roads, fire and emergency services, public safety in part of the
2 area and -- by local government, and in part by state troopers,
3 water supply to residents of -- many residents of the Homer area
4 in general, both inside and outside of the city -- not all, but
5 many. Water and sewer service, as opposed to simply water
6 supply is provided to some areas in the city and some areas
7 outside of the city. Parks and recreation services are
8 available for those who would wish to take advantage of them, as
9 are library services. Ports and harbors are provided, again, on
10 an enterprise basis, as is the water and sewer service.

11 But the -- the fact is that local governmental services
12 are already provided and enjoyed, whether from the City or the
13 Borough or borough service areas, throughout the city and much
14 of the area proposed for annexation. So this really comes down
15 to a question of not whether services are needed, they are
16 already there, but whether the City is the appropriate level of
17 government to be providing these services.

18 Commissioner Lynch in addressing the previous standard
19 really has essentially addressed that question, whether in fact
20 in light of the standards that govern the Commission the City is
21 the most appropriate governmental entity to providing -- to
22 provide these services in the territory proposed for annexation,
23 as well as within the city, and I concur her finding and -- and
24 her analysis and application of -- of that standard, so that I
25 do think that the -- the facts demonstrate that there is,

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1 indeed, and they're al-- already provided, extensive local
2 governmental services in the area proposed for annexation, and
3 concurring with Commissioner Lynch that the City is the -- the
4 most appropriate entity to be providing services within --
5 within the area proposed for annexation as well.

6 Is there any further discussion on that? Then we will
7 move on to the thirteenth standard, and this is the matter of
8 balanced best interests, and the appropriate standard reads as
9 follows: Territory that meets all of the annexation standards
10 specified in law must be -- may be annexed -- pardon me --
11 specified in certain -- let me start all over.

12 Territory that meets all of the annexation standards may
13 be annexed to a city by the legislative review process if the
14 Commission also determines that annexation will serve the
15 balanced best interests of the state, the territory to be
16 annexed, and all political subdivisions affected by the
17 annexation. In this regard the Commission will consider -- and
18 then a number of specific factors are enumerated. Commissioner
19 Wasserman.

20 COMMISSIONER WASSERMAN: Thank you....
21 CHAIR WARING: Any -- any....
22 COMMISSIONER WASSERMAN:Mr. Chairman.
23 CHAIR WARING:discussion on that?
24 COMMISSIONER WASSERMAN: Health and safety issues seem to
25 always be very important to most residents, and under the

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1 circumstances it -- it appears that as most boroughs have a
2 large area with which to affect -- either through their capital
3 improvement list, grants, whatever -- that the closer a
4 government is to home, the more able they are to affect the
5 health and safety of their residents in a positive way, and I
6 would think that the City of Homer could concentrate more on
7 either the sewer and water projects that might be necessary in
8 the area, probably more quickly, if -- if they so choose,
9 than -- than the Borough. The Borough has other communities to
10 look at also, and probably has a more expanded capital
11 improvement list than perhaps the City.

12 The commercial growth of -- of the entire Homer community
13 seems to be expanding quite a bit, and while -- while sales tax
14 probably will continue to grow, without some sort of annexation
15 proposal property tax will probably stay fairly static and will
16 inhibit the City of Homer to provide services in other areas. I
17 know user fees were brought up quite a bit, and where there may
18 be times when user fees are viable, there seem to be other times
19 when they are not. We have ballparks that little kids use
20 and -- and I think recreation areas, and if those are dependent
21 primarily on user fees, you can bet there probably won't be
22 anyplace for those activities to take place.

23 There seemed to also be quite a bit of discussion from the
24 respondents that they felt that they've paid their fair share of
25 taxes. While they talked about their volunteer projects and

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1 their sales tax, that -- I'm sure that is very true, but the
2 people within the city, I'm sure feel that they also pay those
3 things plus property tax. So there can be the argument that the
4 tax inequity problem is -- exists at the present time without
5 annexation.

6 Another -- the -- the City of Homer has listed some of the
7 provisions that they -- that they service now, and the
8 respondents have also listed things that are provided to them
9 from either the State or the Borough. One of those mentioned
10 was, of course, the Alaska state troopers, and I think under the
11 State's current budget woes that they have that it could be
12 argued that Alaska state troopers will be cut even more, and so
13 I think that's something that all people have to address,
14 whether they feel that their safety needs are met now; if met by
15 the State will they continue to be met. The City of Homer has
16 given some notice that they would increase police activity, and
17 some people I noticed said it wasn't nearly enough, but other
18 people said there was no crime anyway, so there was no need to
19 increase it, they didn't need anything more. So it seemed like
20 that was sort of a washout at the end, but I -- I think there
21 needs to be a proactive stance by the area to look at what their
22 requests might be in the future and how they can solve those
23 requests.

24 Again, I -- it -- it seems to me that the closest
25 government is the one that more people can take part in, and I

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1 would think as -- if I were a resident of the -- of the 3.9
2 acres that is under discussion now I would -- even if I were
3 unhappy with the current government, it would be a great
4 opportunity to get involved, and there's always the chance to,
5 you know, become what you are so against and to become part of
6 the government and to affect it in that way, where before there
7 was not as much opportunity to do that.

8 I noticed in the figures that Ms. Fuller gave that had to
9 do with sales tax she mentioned the fact that much of the sales
10 tax or a majority of the sales tax was paid by people that lived
11 outside of the city, but, you know, I -- I've always understood
12 that tourism is fairly large here in Homer, and I know that
13 those of us who come from outside the community also helped with
14 that. So I would assume that the sales tax is not being
15 shouldered by just the people that live outside the territory
16 close to the city of Homer, but by people from all over the
17 state, and all over the nation, for that matter.

18 So -- oh, and, also, Dr. Gerald (ph) mentioned that the
19 mayor of the Kenai Peninsula Borough had come out in opposition
20 to her, I would assume, against the annexation, but as I recall
21 the -- the Borough's attorney said that the borough government
22 had not taken a stand on the annexation as far as either being
23 against it or in opposition. So I would say the mayor's
24 comments were just as a individual member of the community.

25 With these things in mind, then, I would have to say that

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1 the balanced best interest of the State and the local residents
2 and the City of Homer has -- by the annexation of the 3.9 square
3 miles has been met. Thank you, Mr. Chairman.

4 CHAIR WARING: Thank you, Commissioner Wasserman. Do
5 commissioners have anything to add to Commissioner Wasserman's
6 analysis?

7 Hearing none, then we will move on to the final applicable
8 standard, which remains a standard in the Commission's
9 regulations, but has been superseded by other law, and our
10 regulations have not been.....

11 (Tape changed to No. 14)

12 CHAIR WARING:that, but Commissioner Tesche will
13 address this still-standing regulation, which reads as follows:
14 The Local Boundary Commission may consider any proposed
15 municipal boundary change. It may reject the proposed change,
16 accept the proposed change, or amend and accept the proposal. A
17 Local Boundary Commission decision under this subsection may be
18 appealed under the Administrative Procedure Act. Commissioner
19 Tesche.

20 COMMISSIONER TESCHE: Thank you, Mr. Chairman. This
21 standard is specifically the best interests of the State
22 standard, and I concur with staff that the same analysis that
23 was previously used by Ms. Wasserman on the balanced best
24 interests of the State standard would apply as well to the
25 standard that I'm addressing here, the best interests of the

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1 State, and to that end I would incorporate her comments and the
2 comments made by staff at pages -- I believe 333 of its
3 preliminary (indiscernible - tape malfunction) as well.
4 There is a state constitutional policy supporting maximum
5 local self-government in Alaska, and I think that's important
6 here and I think it applies here. The effect of this petition
7 with the new area to be annexed will be to extend a greater
8 measure of local control over local affairs to the citizens of
9 the area proposed for annexation, and by that I mean -- I would
10 give the example of land use planning. There was testimony that
11 decisions with respect to land use planning in the area outside
12 of the city of Homer are made in Soldotna. Soldotna is a city
13 relatively distant from Homer. The effect, however, of this
14 annexation will be to bring those land use decisions back to
15 Homer where, at least in my view, they belong, because they will
16 give the residents of area proposed for annexation direct access
17 to local elected officials and appointed officials of the
18 planning commission who are only blocks away and who live in the
19 same community. So we're extending greater local self-
20 government to the people of this area.
21 Another reason I think should be mentioned is that the
22 City of Homer by virtue of the special legal powers that it
23 enjoys over the Kenai Peninsula Borough has more flexibility in
24 terms of acquiring additional powers to provide additional
25 services as they become necessary to residents in the area

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1 proposed for annexation.
2 Finally, as I mentioned earlier, the annexation, if
3 approved, will enfranchise almost 900 new voters in the Homer
4 area, and will give those voters a direct say over governmental
5 decisions made by that city, which even today affect them and
6 their lives very -- very importantly. As I mentioned earlier,
7 the addition of those additional voters to the rolls will
8 necessarily change the political makeup of this community.
9 Finally, as far as the State's own financial or pecuniary
10 interests, I think the -- the biggest impact is most likely
11 going to be in the -- in the public safety area, as noted. As
12 the City moves into this area with its own police protection,
13 again, handled locally, that will allow the Alaska state
14 troopers to focus on more rural responsibilities are they're
15 probably better equipped to do.
16 So for all of those reasons, and incorporating the earlier
17 comments of Commissioner Wasserman, I would find that the
18 standard of 29.06.040(a) is met. Thank you.
19 CHAIR WARING: Thank you, Commissioner Tesche. Let me
20 make a clarification. My tongue got twisted around and put
21 things backward. The analysis that Commissioner Tesche has
22 provided of this section of law actually is the new statute that
23 the -- the effect of which is also encompassed by the preceding
24 regulation, and I just wanted to -- to make that -- clarify my
25 misstatement earlier.

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1 Thank you, Mr. Tesche. Is there any additional comment on
2 Commissioner Tesche's analysis?
3 COMMISSIONER LYNCH: Thank you.....
4 CHAIR WARING: Commissioner Lynch.
5 COMMISSIONER LYNCH:Mister -- thank you, Mr.
6 Chairman. I'd like to follow up on a comment by Commissioner
7 Tesche about the greater local self-government, because one of
8 the things that we kept hearing is that the city council did not
9 listen -- or probably more accurately said -- did not respond to
10 the issues that were brought before it by people who were
11 affected by the annexation but lived outside the city
12 boundaries, and -- and I agree that the people who reside in
13 this 3.9-square-mile area if this annexation is approved will
14 have more input into the decisions of city council because it is
15 incumbent upon the city council to act in the interests of the
16 residents and property owners of the city, and it's my belief
17 that that's what they believe that they were doing in filing
18 this petition. And -- and I think that that's one of the
19 strange dichotomies here is that this is a community and people
20 probably feel that that is their elected government, even
21 though, in fact, the jurisdiction is considerably smaller than
22 the size of the community.
23 CHAIR WARING: Thank you, Commissioner Lynch. Any further
24 comment? Then that concludes our review of the application of
25 the standards to the motion that is on the floor, and that is

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1 the -- a motion to approve the petition of the City of Homer for
2 annexation, revised to reflect the recommendations of the staff
3 in its -- the boundary recommendations of the staff in its
4 revised -- in its final report on page -- I believe 32.
5 COMMISSIONER TESCHE: 32-3.
6 CHAIR WARING: 32. Is there -- are there -- there further
7 discussion of that motion or any revisions that the Commissioner
8 would -- commissioners would care to make? Commissioner Tesche.
9 COMMISSIONER TESCHE: Yes, Mr. Chairman. I -- I think now
10 is a good time to address the issue of the Fowler and Lester
11 properties. If I recall the testimony correctly Mr. Fowler
12 stated that he would or was in concurrence in his property being
13 included in the area to be annexed, and did I understand that
14 comment from the City concurs in that? We've not heard anything
15 from Mr. Lester. I don't know if -- through the Chair -- if the
16 City could be asked if we've heard anything in addition to what
17 we've heard previously, perhaps, from Mr. Lester?
18 MR. TANS: Mr. Lester.....
19 CHAIR WARING: Mr. Tans.
20 MR. TANS:contacted (indiscernible -- away from
21 microphone).
22 CHAIR WARING: Well -- thank you.
23 MR. TANS: (Indiscernible).
24 CHAIR WARING: It appears that information will not be
25 available. There is a point of fact I would like perhaps

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1 Mr. Bockhorst to clarify with regard to that, and that is if for
2 the benefit of the Commission you could just go to the map there
3 and show us the configuration of Mr. Fowler's properties and the
4 relationship of Mr. Lester's to that area.
5 MR. BOCKHORST: The properties identified as owned by
6 Mr. Fowler yesterday were this parcel, this parcel, and
7 Mr. Lester owning this parcel.
8 CHAIR WARING: So that Mr. Lester's would be an in-
9 holding.....
10 MR. BOCKHORST: That's correct.
11 CHAIR WARING:were we to.....
12 MR. BOCKHORST: (Indiscernible).
13 CHAIR WARING:concur or -- or accept Mr. Fowler's
14 request without also incorporating Mr. Lester's. Yeah.
15 MR. BOCKHORST: Yeah.
16 (Whispered conversation)
17 COMMISSIONER TESCHE: Mr. Chairman.
18 CHAIR WARING: Yeah. Let me just share with the -- with
19 the listening audience and for the record what -- what we just
20 discussed. Mr. Bockhorst showed us the location on the map of
21 the two properties that Mr. Fowler requested that the Commission
22 consider including in any annexation to -- to the municipality -- to the
23 City of Homer. They are -- Mr. Fowler's two are adjacent to the
24 area that the staff has recommended, abutting the area that the
25 staff has recommended that the commissioner -- Commission

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1 approve for -- for annexation. Mr. Lester's property is
2 encircled by the -- would be encircled by Mr. Fowler's
3 properties and would essentially be a (indiscernible) in-holding
4 if the Commission were to proceed to honor Mr. Fowler's request.
5 As a -- as a rule, and one of the -- actually, the -- the
6 Commission does not and seeks to avoid creating any in-holdings
7 with -- with annexations or areas within city boundaries that
8 are not part of the -- the city. So I think that is a matter of
9 fact that the Commission might consider if -- if we were to --
10 if we wish to act on Mr. Fowler's request, or how we might also
11 treat Mr. Lester's property, whether or not he were here to
12 speak for -- to the Commission. Mr. Tesche.
13 COMMISSIONER TESCHE: Mr. Chairman, I will move to amend
14 the motion on the floor to include both the Lester and Fowler
15 properties.
16 CHAIR WARING: Commissioner Tesche has moved and
17 Commissioner Lynch seconded an amendment to the motion before
18 the Commission. The effect of the amendment would be to add the
19 properties that were identified as -- by Mr. Fowler and the
20 adjacent property owned by Mr. Lester, to include it in the area
21 proposed for incorporation.
22 I would like to take a moment to -- to invite
23 Mr. Bockhorst to make a clarification on a discrepancy in some
24 of the maps, so that -- in the area that the staff has proposed
25 for annexation, so that there is no confusion stemming from --

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1 from that map discrepancy as to what the Commission is
2 considering.
3 MR. BOCKHORST: Thank you, Mr. Chairman. In the
4 department's final report all of the analysis and the -- the
5 inventory of properties recommended for annexation by the
6 department is accurate. However, there -- in the publication of
7 the map in appendix G there was a very small portion of the
8 city-owned property at the reservoir off in the extreme
9 northeast part that was not colored in inadvertently, right.....
10 CHAIR WARING: This.....
11 MR. BOCKHORST:this parcel.
12 CHAIR WARING:is actually part of the area.
13 MR. BOCKHORST: This parcel.....
14 CHAIR WARING: Yeah.
15 MR. BOCKHORST:right there.
16 CHAIR WARING: Okay, do we need to move that.....
17 MR. BOCKHORST: It is accurately reflected on the map that
18 you just referred to in the back here.
19 UNIDENTIFIED SPEAKER: Which part?
20 MR. BOCKHORST: This -- this map accurately reflects.....
21 COMMISSIONER TESCHE: This is referred.....
22 MR. BOCKHORST:(indiscernible).
23 COMMISSIONER TESCHE:to on this.
24 CHAIR WARING: Right. This -- this is part of the -- in
25 word, part of the staff's recommendation. They.....

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1 UNIDENTIFIED SPEAKER: This parcel right here.
2 CHAIR WARING: This is.....
3 UNIDENTIFIED SPEAKER: Oh, got it.
4 COMMISSIONER TESCHE: So the only.....
5 CHAIR WARING: I (indiscernible).
6 COMMISSIONER TESCHE:the only discrepancy is that
7 it's not.....
8 UNIDENTIFIED SPEAKER: It's not on the property map.....
9 COMMISSIONER TESCHE:set out on the map.
10 UNIDENTIFIED SPEAKER:(indiscernible).....
11 MR. BOCKHORST: Right.
12 UNIDENTIFIED SPEAKER:this map.
13 COMMISSIONER TESCHE: Well, the motion that is on the
14 floor references page 33, so it's in.....
15 CHAIR WARING: That's fine.
16 COMMISSIONER TESCHE:in page 33.....
17 CHAIR WARING: I just wanted.....
18 COMMISSIONER TESCHE:so the motion (indiscernible).
19 CHAIR WARING:the record to be -- not be confused in
20 any way by an inaccurate map as to what the Commission was
21 considering. The motion on the -- before the Commission, then,
22 is that the Commission approve the petition for annexation with
23 the boundary changes recommended by the staff in its final
24 report, and further to include the properties that Mr. Fowler
25 and Mr. Lester own in -- as -- as previously identified. Are --

54	<p>1 is there any further discussion or amendments? Commissioner 2 Wasserman. 3 COMMISSIONER WASSERMAN: Yes, I'd also like to offer an 4 amendment. Due to the avoidance of confusion in jurisdiction on 5 testimony we heard concerning health and safety matters, I would 6 like to include the area south of the Sterling Highway along the 7 bluff area. 8 CHAIR WARING: For clarification let me ask if -- if you 9 are moving to add..... 10 COMMISSIONER WASSERMAN: Yes. 11 CHAIR WARING:the property identified -- the full 12 property identified..... 13 COMMISSIONER WASSERMAN: Yes. 14 CHAIR WARING:by the City in its request in that 15 vicinity south of the Sterling Highway..... 16 COMMISSIONER WASSERMAN: Yes. 17 CHAIR WARING:at the west end of town; that is, the 18 properties below the bluff of the..... 19 COMMISSIONER TESCHE: For discussion purposes, second the 20 motion. 21 CHAIR WARING: Commissioner Wasserman has moved and the -- 22 Commissioner Tesche seconded an amendment to add to the area 23 proposed for annexation the area identified in the preliminary 24 report on page 7 as the bluff point of Sterling Highway -- 25 Sterling Highway corridor, and shown and mapped on that page 7</p>	56	<p>1 MR. BOCKHORST: Commissioner Lynch. 2 COMMISSIONER LYNCH: Yes. 3 MR. BOCKHORST: Commissioner Wasserman. 4 COMMISSIONER WASSERMAN: Yes. 5 MR. BOCKHORST: Commissioner Waring. 6 CHAIR WARING: Yes. So we have approved that amendment to 7 the original motion, and now we'll move on to the amendment 8 proposed by Commissioner Wasserman, I believe, and seconded by 9 Commissioner Lynch. 10 MR. BOCKHORST: Tesche. 11 CHAIR WARING: Oh, seconded by Commissioner Tesche..... 12 COMMISSIONER TESCHE: Correct. 13 CHAIR WARING:to add the..... 14 COMMISSIONER TESCHE: Correct. 15 CHAIR WARING:buy -- the -- the property south of 16 the -- the bay -- bluff point and Sterling Highway -- property 17 south of the Sterling Highway as identified by the City and on 18 page 7 of the final report. Is there any further discussion of 19 that amendment? 20 COMMISSIONER WASSERMAN: Again, my purpose was to avoid 21 the confusion of jurisdiction pertaining to health and safety 22 matters that might occur along that bluff area. 23 CHAIR WARING: Thank you. Further discussion? Then we 24 will please call the roll on Commissioner Wasserman's amendment 25 to expand the area proposed for annexation to include the full</p>
55	<p>1 of the final report, to include all of the area that the City 2 identified in its recommendations to the Commission for -- to be 3 added to the staff's original recommendation. So that has been 4 moved and seconded. Is there..... 5 UNIDENTIFIED SPEAKER: Yes. 6 CHAIR WARING:discussion on that motion? 7 COMMISSIONER TESCHE: Do you want to speak? 8 COMMISSIONER WASSERMAN: No, I just -- I -- when we -- 9 okay, yes. When we flew over in the helicopter I was just -- I 10 remember thinking to myself, boy, there's -- there's a potential 11 for, you know, a lot of..... 12 CHAIR WARING: May I interrupt? 13 COMMISSIONER WASSERMAN:health and safety issues. 14 CHAIR WARING: I think I have made a parliamentary mistake 15 in not calling for a vote on Commissioner Tesche's previous..... 16 COMMISSIONER WASSERMAN: Okay. 17 CHAIR WARING:motion before..... 18 COMMISSIONER WASSERMAN: Go back to that. 19 CHAIR WARING:moving on to a second. So 20 Commissioner Tesche has moved that we do add the Fowler and 21 Lester parcels to the area proposed for annexation. If there's 22 no further discussion of that amendment, Mr. Bockhorst, could 23 you please call the roll on that amendment? 24 MR. BOCKHORST: Commissioner Tesche. 25 COMMISSIONER TESCHE: Yes.</p>	57	<p>1 bluff point and Sterling Highway corridor property at -- 2 proposed by the City for addition. 3 MR. BOCKHORST: Commissioner Wasserman. 4 COMMISSIONER WASSERMAN: Yes. 5 MR. BOCKHORST: Commissioner Tesche. 6 COMMISSIONER TESCHE: Yes. 7 MR. BOCKHORST: Commissioner Lynch. 8 COMMISSIONER LYNCH: Yes. 9 MR. BOCKHORST: Commissioner Waring. 10 CHAIR WARING: Yes. So we have amended the original 11 motion to include that property as well. Is there..... 12 COMMISSIONER TESCHE: Yes, I'll -- I'll move to -- yes, 13 Mr. Chairman, I'll -- I have one final motion. 14 CHAIR WARING: Mr. Tesche. 15 COMMISSIONER TESCHE: Thank you, Mr. Chairman. At page 35 16 of the final report there is a discussion and a recommendation 17 by staff with a recommendation that we ensure that the City of 18 Homer consents to the particular boundary determinations made by 19 the Commission here, and I would move that our decision 20 incorporate the second paragraph of that recommendation found on 21 page 35 and the specific process or wording as set out by staff. 22 CHAIR WARING: Is there a second for Commissioner Tesche's 23 motion? Is there a -- a need for that amendment? 24 COMMISSIONER TESCHE: Perhaps staff could elaborate on 25 that recommendation.</p>

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1 MR. BOCKHORST: Mr. Chairman, it was the department's
 2 intention to ensure that -- as indicated in the report, to
 3 ensure that whatever outcome of this proceeding, if the
 4 Commission were to modify in any fashion or to add conditions to
 5 the City's proposal, that an opportunity be given for the City
 6 to tacitly agree to or alternatively to withdraw its petition.
 7 It seems to me from the testimony and the discussion offered by
 8 the City officials that they have chosen the former, that they
 9 are in agreement with the -- with the outcome of -- of this as
 10 it has evolved here to the -- to the motion, but should the City
 11 have any different -- per-- perhaps you could inquire and just
 12 confirm, but it was the department's intention to make sure that
 13 some un-- undue proposal was not put upon the petitioner without
 14 having given them the opportunity to withdraw it if they felt it
 15 was not acceptable. I don't see that there is a need to put it
 16 in the motion, but just....
 17 CHAIR WARING: Yeah.
 18 MR. BOCKHORST:we wanted to ensure that that step
 19 was not overlooked.
 20 CHAIR WARING: With -- with -- without responding to
 21 Commissioner Tesche's motion, it is certainly an outcome that I
 22 think is sensible for the Commission, and perhaps it can be
 23 resolved simply by taking a moment to ask a -- the
 24 representative of the City whether the motion now pending before
 25 the Commission is objectionable to it in any way.

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1 UNIDENTIFIED SPEAKER: As far as we know, there is no
 2 objection.
 3 CHAIR WARING: Thank you. Commissioner Tesche, may I ask
 4 if that satisfactorily.....
 5 COMMISSIONER TESCHE: That's satisfactory, in light
 6 of.....
 7 CHAIR WARING: Okay.
 8 COMMISSIONER TESCHE:the fact that the City's made
 9 that comment.
 10 CHAIR WARING: I've also been presented by -- a letter --
 11 faxed letter that was presented to the City, and this is an item
 12 of information that the Commission has been asking about and is
 13 of relevance to its decision, so I will read it in -- accept it
 14 and read it into the record. It is a letter from Joseph and Des
 15 Lester to Ron Drathman, the city manager of Homer. The letter
 16 reads as follows:
 17 Dear Ron: We have just been made aware of the final
 18 annexation meeting on increasing the boundaries of the city of
 19 Homer. We would like our property to be included in the
 20 annexation into the city of Homer. It is our understanding that
 21 the city of Homer requirements for road construction will be
 22 under rural road construction requirements, and not more
 23 restrictive than the present grade standards for the Kenai
 24 Peninsula Borough. Please present this letter to the annexation
 25 board on our behalf. Thank you. Best regards. Signed, Joseph

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1 Lester and Des Lester.
 2 So that information requested by the Commission is now
 3 available to it, for the record. Are there any further
 4 amendments to the motion that Commission members would like to
 5 suggest?
 6 Hearing none, then we will call for a vote on the -- the
 7 motion. The motion is that the Commission approve the proposed
 8 annexation to the city of Homer of approximately --
 9 approximately 3.9 square miles. This is the proposed amendment
 10 as -- pardon me -- the proposed petition submitted by the City
 11 of Homer as amended to reflect the recommendations of the staff,
 12 the boundary recommendations of the staff in its preliminary
 13 report on page 32, further amended to include the bluff and --
 14 point and area south of the Sterling Highway, and to include the
 15 properties identified as owned by Mr. Lester and Mr. Fowler.
 16 Did.....
 17 MR. BOCKHORST: Could I ask for a point of clarification?
 18 CHAIR WARING: Yes.
 19 MR. BOCKHORST: On the -- in the department's final report
 20 on page 34, in the second full paragraph from the top, the
 21 department had included in its recommendation that the
 22 Commission expressly stipulate that annexation to the city of
 23 Homer of any territory that is within the Kenai Peninsula
 24 Borough road service area or the Kachemak emergency service
 25 area, that annexation of that territory would automatically

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1 result in the detachment of that territory with a boundary
 2 adjustment of those two service areas.
 3 CHAIR WARING: And.....
 4 MR. BOCKHORST: So I.....
 5 CHAIR WARING: I understood that to be included in the
 6 department's.....
 7 MR. BOCKHORST: Oh.....
 8 CHAIR WARING:recommendation.....
 9 MR. BOCKHORST:it is, and I.....
 10 CHAIR WARING:which I cited.
 11 MR. BOCKHORST: Okay.
 12 CHAIR WARING: Yes, thank you. If we are in understanding
 13 of what the -- the motion is before the Commission and there is
 14 no further discussion, Mr. Bockhorst, could you please call the
 15 roll? An affirmative vote is a vote to approve the petition as
 16 amended.
 17 MR. BOCKHORST: Commissioner Tesche.
 18 COMMISSIONER TESCHE: Yes.
 19 MR. BOCKHORST: Commissioner Wasserman.
 20 COMMISSIONER WASSERMAN: Yes.
 21 MR. BOCKHORST: Commissioner Lynch.
 22 COMMISSIONER LYNCH: Yes.
 23 MR. BOCKHORST: Commissioner Waring.
 24 CHAIR WARING: Yes. The Commission then has unanimously
 25 approved the annexation petition as amended.

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1 Mr. Bockhorst, will you -- find my copy of the agenda --
 2 will you please review briefly for the benefit of the audience
 3 what the schedule for the next steps of the Commission will be
 4 on -- on this petition?
 5 MR. BOCKHORST: Thank you, Mr. Chairman. The next step in
 6 the process is for the Commission to adopt a formal written
 7 decision setting out the basis for its -- its decision here, and
 8 the department would be prepared to issue a draft for
 9 consideration by the Commission at a meeting sometime upon
 10 December 26th or 27th, at the pleasure of the Commission. There
 11 would be -- after the adoption of that decisional statement it
 12 would be mailed to all of the petitioners -- the petitioner, the
 13 City of Homer, and to all of the respondents, and to anyone else
 14 that requests a copy of it. Individuals would then have a
 15 window of 20 days from the date of mailing during which they
 16 could ask for reconsideration, and as I indicated in my summary
 17 of the department's report and recommendation, there are
 18 specific circumstances under which the Commission would give
 19 reconsideration, and it is not a common factor absent those --
 20 the existence of some of those characteristics.
 21 If the Commission after the opportunity for
 22 reconsideration has still kept in place the decision it made
 23 today, the -- the Commission would then submit to the state
 24 legislature by January 23rd a recommendation for the annexation
 25 of this territory to the city of Homer. The state legislature

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1 areas most complex annexations that the Commission has had to
 2 consider, and I know that the staff has gone to extra and
 3 extraordinary lengths to put a record together for us that made
 4 sense, and I just wanted to recognize our staff for the hard
 5 work on this particular application.
 6 CHAIR WARING: Thank you, Commissioner Tesche. I
 7 certainly second your comments and commendation of staff. Other
 8 comments by commissioners? Mr. Bockhorst, is there
 9 anything.....
 10 MR. BOCKHORST: No, sir.
 11 CHAIR WARING:you need to inform the Commission of?
 12 Hearing none, then I will thank all of you for your patience and
 13 forbearance, and for the time you have committed to this
 14 significant public issue and for the information that you
 15 have -- those of you who spoke to the Commission have -- have
 16 provided. Thank you, and we are in adjournment.
 17 (End of recording)
 18 /
 19 /
 20 /
 21 /
 22 /
 23 /
 24 /
 25 /

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1 would then have a 45-day period during which it could review or
 2 would review the action of the Commission, and absent a dec--
 3 a -- an action by both the house and the senate to adopt a
 4 resolution rejecting the action of the Commission, it would
 5 become tacitly approved at the end of the 45-day period.
 6 CHAIR WARING: Thank you, Mr. Bockhorst. For the -- the
 7 short run, then, the immediate question the Commission needs to
 8 settle on is a date at which to meet after we've received the
 9 draft decisional statement and -- to review, revise and perhaps
 10 adopt the decisional statement. December 26th is the earliest
 11 opportunity we have for that. Let me ask if a -- an afternoon
 12 time on December 26th is generally agreeable. Let me try a
 13 time. 2:00 o'clock on the afternoon of December 26th?
 14 UNIDENTIFIED SPEAKER: 2:30.
 15 CHAIR WARING: 2:30? Then we will plan and Mr. Bockhorst
 16 will please -- proper advertisement for a Commission meeting at
 17 2:30 December 26th, and at that time the Commission will take up
 18 adoption of the decisional statement for our decision today.
 19 Let me move on to the final item on our agenda, which is
 20 item VIII, and that is an opportunity for commissioners or staff
 21 to make any comments. Are there any members of the Commission
 22 who have comments at this time? Mr. Tesche.
 23 COMMISSIONER TESCHE: Yes, Mr. Chair, briefly. I just
 24 wanted to thank and recognize the staff for the work they did on
 25 this. This is probably one of the most voluminous and in some

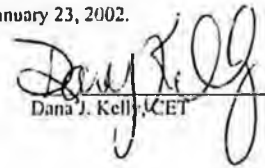
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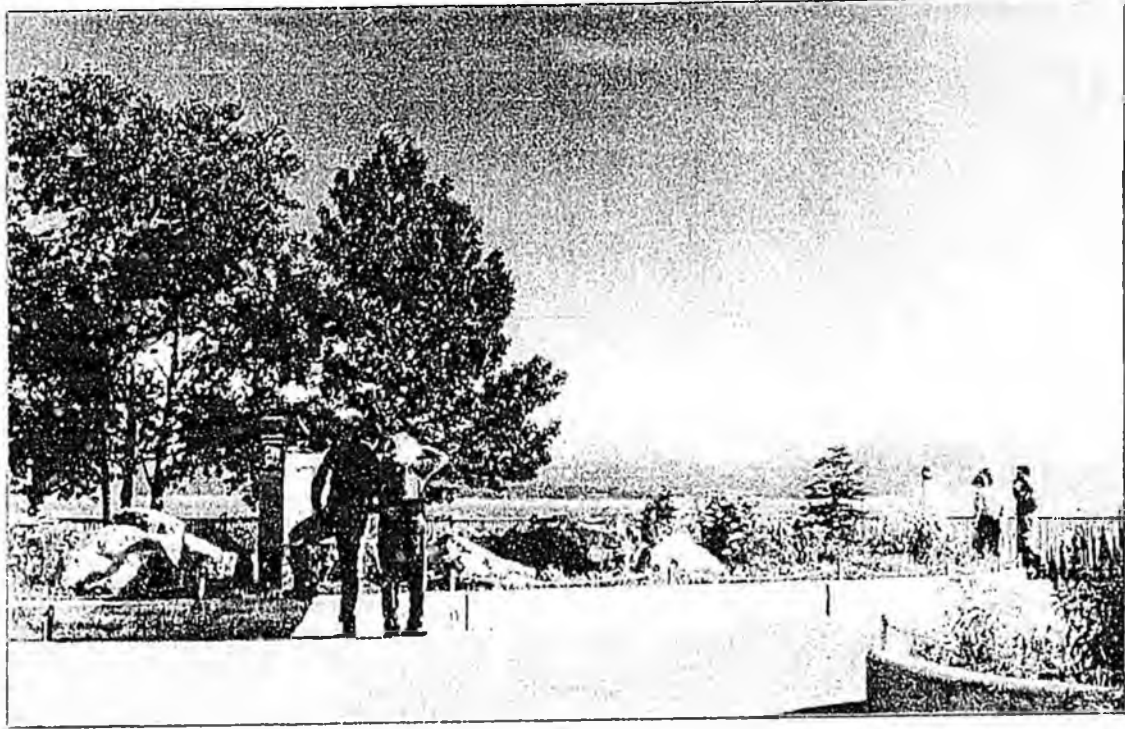
TRANSCRIBER'S CERTIFICATE

I, Dana J. Kelly, Certified Electronic Transcriber, hereby
 certify:

That the foregoing pages numbered 1 through 84 are a true,
 accurate and complete transcript of a meeting transcribed by me
 to the best of my knowledge and ability from two cassette tapes
 provided to me by Perkins Coie.

DATED: January 23, 2002.


 Dana J. Kelly, CET

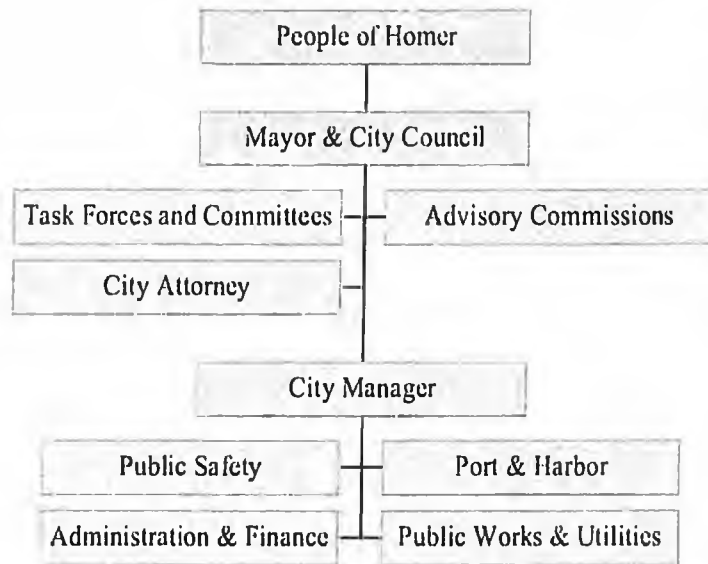


City of Homer Annual Report 2000



City of Homer

Organizational Chart



Coal was the impetus for the first settlement on the far end of the Homer Spit. Discovered by the Russians circa 1840, by the early 1890's coal was being mined by American companies. But when the demand for coal ceased, the Spit town was abandoned. Because the Spit lacked fresh water and protection from inclement weather, a community began in the uplands in the early 1900's. Slowly, a road system developed and by the 1940's, strong social organizations had been established. The Rural Electric Association brought power to Homer in the late 1940's. Residents made various attempts at self-government over the years, such as the Homer Civic League and the Public Utility District, but it wasn't until March 1964 that Homer incorporated as a 1st Class City with a Mayor, City Manager and City Council.

The Manager's Message

2000 was a remarkable year! Notable progress was made on major construction initiatives and an effort was begun by the City of Homer to 'share the benefits and share the costs' of many city services by annexation. Annexation, as it always does, has generated much controversy. The issue remained an open one before the Alaska Local Boundary Commission. Based on the merits of the proposal, the Commission will decide whether or not to recommend annexation to the Alaska Legislature during the 2002 session.

Design work was completed on the new Kachemak Bay Multi-Purpose Dock also known as the Pioneer Dock, and on major additions and improvements in the Homer Small Boat Harbor. Those projects will commence during 2001 and be completed by the following year. Also on the Spit: A fish carcass grinding facility was completed, which should benefit both sport and commercial fishermen, and a waste oil disposal facility was constructed. Both projects will enable the City to remain in compliance with all EPA/DEC requirements. Several ramps leading into the Small Boat Harbor were refurbished and Spit camping was expanded.

Off the Spit, a new sewer lift station was placed in operation on the Sterling Highway. The Poopdeck Trail, named after a colorful local personage, was completed. This trail, built by volunteers and City staff, connects downtown Homer with the Sterling Highway. Poopdeck Street and Hazel Avenue were put into service providing a new pedestrian and vehicle route between Heath Street and the western side of the Sterling Highway.

The 2000 Annual Report summarizes the results of the dreams, planning and work of an involved citizenry, elected policy-makers and a hardworking City staff. It contains an overview of the financial activities of the City of Homer, its Enterprise Funds and Capital Improvement Program, as well as City departmental reports on goals and accomplishments. A review of this year's report will confirm that the City of Homer remains not only a great place to live, but a great place to do business.

These are truly exciting times to be part of the City of Homer ... but the best is yet to come!



Homer City Manager
Ron Drathman

Mayor & Homer City Council

Steering the City That Works

The City of Homer is a 1st Class general law municipality. The legislative body is composed of a mayor and six council members, elected at-large, to serve the residents of the city and to utilize public funds to provide for the health, safety and welfare of the community.

The legislative power of the City is vested in the council, which sets policy, adopts ordinances, resolutions and determines funding for programs and services in the municipal budget. Commissions and boards are advisory to the council and members are appointed by the mayor and confirmed by the council.

Council members address a diverse set of issues in an effort to improve the lives of Homer's citizens, including community enhancements, economic development, tourism, parks and recreation, public safety and public works. With the assistance of advisory commissions, boards, staff and public input, council sets priorities for the six-year capital improvement program and annual legislative requests.

Regular council meetings are held the second and fourth Mondays of each month at 7:30 p.m. It is council's policy to either cancel or reschedule regular meetings that fall on holidays. Regular meetings are broadcast on KBBJ and GCI Cable. Public input is welcomed and encouraged.



Mayor Jack Cushing
Term 2002



Patricia Cue.
Term 2002



Ray Kranich
Term 2003



Kurt Marquardt
Term 2002



Luke Welles
Term 2000



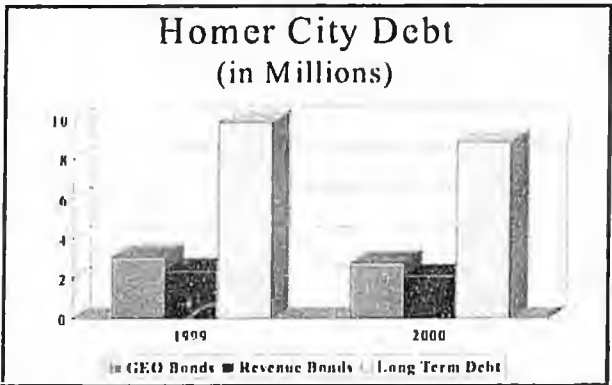
Michael Yourkowski
Term 2001



John Fenske
Term 2001

Homer Profile & Key Statistics

Date of Incorporation	March 31, 1964	Elections	
Form of Government	Council-Manager	Registered Voters	3,368
Area in Square Miles	21	Voters in last election	854
		Percent of Registered Voters	25.4
Public Safety		Demographics	
Fire Department Volunteers	40	Population	
Total Personnel Hours	8,908	In City Limits	3,946
Fire Calls	100	Kenai Peninsula Borough	49,691
EMS and Rescue Calls	311	Median Age	32.4
Police Personnel	24	Average Annual Wage	32,275
Request for Police Services	4,453	Average Unemployment Rate/Borough	10.2
Homer Jail:		Public School Enrollment (Homer)	1,311
Prisoners Booked	460	Public School Enrollment (Borough)	10,158
Days Served	1,113		
Animal Control Incidents	1,660	Taxes	
		City Mill Levy	5.5
Public Works		Borough Mill Levy	7.50
Miles of City Maintained Streets	21.91	Kenai Peninsula College Mill Levy	0.10
Miles of State Maintained Streets	21.50	South Peninsula Hospital Mill Levy	2.00
Water Utility Customers	1,218	City Sales Tax	3.5%
Water Usage (millions of gallons)	129.8	Borough Sales Tax	2.0%
Sewer Utility Customers	1,115	City Assessed Value	
Miles of Maintained Sewer Line	41.41	Real Property	\$223,830,212
Miles of Maintained Water Line	36.41	Personal Property	\$17,663,028
		Tax Receipts	
Recreation/Culture		Property Tax	\$1,407,597
Uptown City Campgrounds	1	Sales Tax	\$3,457,312
Spit Campgrounds	1		
Baseball Diamonds	4	City Long Term Debt	
Parks (267.43 acres total)	18	Net Bonded Debt	\$2,550,322
Library Volumes	33,810	Gen. Obligation Bonds Outstanding	\$2,760,000
Library Circulation	104,190	Revenue Bonds Outstanding	\$2,150,000
Library Volunteer Hours	64	Assessment Bonds Outstanding	\$36,927
Library Visitors	92,008	Capital Leases	\$432,063
Pratt Museum Visitors	30,257	Notes Payable	\$3,431,618
Pratt Museum Volunteer Hours	4,667		
Port & Harbor			
Stalls	772		
Transient Space (lineal feet)	4,000		
Moorage (vessels)	1,872		
Grid Use (tides on)	343		
Tons of Ice Sold	3,740		
Dockage (days on)	132		
General Government			
Building Permits Issued	58		



Finance Department

Putting Public Money To Work

In an effort to make a complex City budget easier for the general public to read and understand, the Homer Department of Finance continues working on an improved budget format. Helping to drive that effort are major changes for the presentation of financial information coming in the next few years. Financial statements for the year 2003 will be restated under the requirements of GASB 34, a new set of financial reporting guidelines. Those changes will make financial information easier for the public to understand.

In the past, the City has had to tap its General Fund balance, essentially its working savings account, in order to pay for annual City operations. We are trying to reverse that trend. During the last two years, Homer has attempted to maintain a status-quo budget.

The City of Homer has a new City Web page (www.ci.homer.ak.us) with a section available for each department. This year, the Finance department listed the entire budget on the web page, making it convenient for interested members of the public to review the document at their convenience. At the same time, it saved the City the cost of making numerous hard copies. You can find the website at (www.ci.homer.ak.us/Budget.htm).

Increases in the Water and Sewer Utility rates and the Port and Harbor Tariff have kept these enterprise funds from going deeper into debt.

The City launched several capital projects in 2000, including construction of the Waste Oil Disposal Building, and the Fish Grinder and its building. Other projects included the Homer Bypass sewer lift station and construction of a new building for the Homer Chamber of Commerce, both accomplished with grant money through the City of Homer. Poop-deck Trail was completed and Poodeck Street and Hazel Avenue were paved.



The City continued engineering and planning for two major Port and Harbor construction projects which will start in 2001. They are the Kachemak Bay Multi-Purpose Ocean Dock, also known as the Pioneer Dock, and reconstruction of harbor floats formerly owned by the state, as well as construction of new floats.

The City improved its computer systems in 2000, connecting all offices by email and installing a wireless communication system with the Port office. The Husky boat inventory system now is used at the Harbor for billing and information. These advances in technology have increased efficiency.



City Clerk's Office

Public Liaison



Homer City Clerk Mary Calhoun

The City Clerk is an official of the City of Homer, appointed by the City Manager and confirmed by the City Council. The City Clerk's duties are detailed in Title 29 of the Alaska Statutes and the Homer City Code, Chapter 1.30.

The City Clerk attends meetings of the governing body and keeps the journal; has custody of the municipal seal; assures regulations for public meetings are met, such as notice and other requirements, and assures that public records are available for public inspection as required by law.

The Clerk manages municipal records and develops retention schedules and procedures for inventory, storage, and destruction of records; maintains an indexed file of all permanent municipal records, provides for codification of ordinances and authenticates or certifies records; prepares agendas and packets for the governing body; administers oaths of office and takes affirmations and acknowledgments; acts as the parliamentary advisor to the governing body; and performs other duties required by law, the City Manager, and/or the Mayor or governing body.

Public notice and information are essential. The City Clerk's Office does a regular weekly informational segment on public radio station KBBI, and continues to maintain the City Informational Kiosks at Eagle Quality Center (Carr's), Lakeside Mall (Ulmers) and at City Hall. Council agendas are also delivered to the local coffee shops.

The Clerk's Office maintains a Website: (<http://clerk.ci.homer.ak.us>). This website contains the City annexation information; quarterly newsletter; special announcements; community survey; regular meeting dates and agendas for the City Council, Advisory Commissions, boards and committees. It also contains the City directory; activities for the current week; public notices including public hearings; project information including plan holders list; election information; street renaming/naming; sister City information; City code; and other links.

The City Clerk administers all municipal elections and coordinates with the Borough and State. The 2000 election year began with a Special Borough Election. The City and Borough General Municipal Elections were held Oct. 3rd. In the City election, Mayor Jack Cushing was re-elected for his third two-year term, Councilman Ray Kranich was re-elected for a three-year term and Rick Ladd was elected to a three-year term. In all, 854 out of 3,363 registered voters cast ballots, a turnout of 25.4%.

There was a state primary in August and the National and State General Elections were combined in November. Our Presidential Election went smoothly, aided by use of the Accuvote Ballot Tabulation System.

The Clerk's Office also works with area high school students who assist the City Clerk with multiple tasks.

In 2000, the City Clerk was a presenter at the Alaska Association of Municipal Clerk's Spring Institute held in Anchorage. The City Clerk received a national designation as Parliamentarian by the National Association of Parliamentarians.



The Homer Public Library

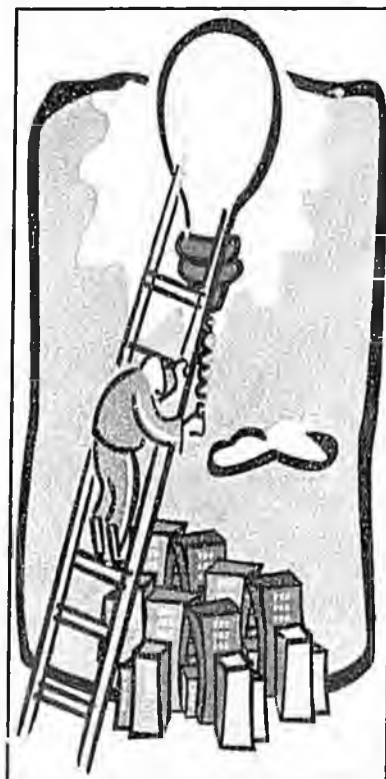
Quenching the Thirst for Knowledge

During 2000, the Homer Public Library updated and implemented policies, procedures and plans that resulted in improved services to the community of Homer. New and continuing grants enabled the library to continue services and programming, and buy books and equipment. The library received grant continuations for the Born to Read library program for newborn babies, and a staffed reading room for senior citizens at the Friendship Terrace Assisted Living Center. Staff began implementing the Library Technology Plan for 2000-2003, improving services to the public. Improvements included adding six public access computers with high speed Internet access — made possible by a grant from the federal E-Rate (educational) Program. Interlibrary loan (ILL) procedures were updated in 2000 and a new subscription to a bibliographic database (OCLC), used by libraries in Alaska as well as nationwide, resulted in improved ILL services. The library's Collection Development Policy was updated to improve book selection, as well as de-selection. The staff implemented an aggressive weeding program to insure the collection remained useful and vital, as well as to gain room on the shelves.

The Friends of the Homer Public Library won the 2000 Friends of Libraries USA/HarperCollins/Barbara Kingsolver Award for outstanding community and volunteer involvement. The honor, which included a \$10,000 prize for the purchase of library books, was bestowed upon the Homer Friends for their innovative Top Drawer project, which publishes and catalogs the works of local writers. The Homer Friends also raised money for the library through sales of their own book, a compilation of local reminiscences of the 1964 Good Friday earthquake. The Library Advisory Board and Friends of the Homer Public Library, Inc. continued to lobby and raise funds for a much needed new and larger facility.

Patrons used the Homer Public Library extensively in 2000. Circulation increased by 5,000 items for a total of over 104,000 and attendance increased by 5,000 for a total of over 92,000 visits. Over 1,200 children and adults attended the library's weekly pre-school story hour. The interlibrary loan program grew by one-third in 2000, with users requesting 745 interlibrary loans. The library loaned over 200 items to other libraries both in state and around the nation. Over 900 new library cards were issued. Library staff added nearly 2,100 new items to the collection and withdrew almost 1,900 older items that were either lost, damaged or contained outdated information.

The library staff continued to visit local schools and host school groups at the library. Literacy was promoted through joint programs with area health agencies. Finally, the ever-popular book readings by local and visiting authors continued during evening hours at the library.



Library	1999	2000
Circulation	99,018	104,000
Volumes	33,649	33,810
Visitors	87,453	92,000



Programs for young readers attract eager groups of children to the Homer Public Library.

Planning & Zoning

Making the Piece Fit



The magnificent view from Baycrest Park.

In July of 2000, Planning Director Eileen Bechtol left to pursue personal goals after more than ten years with the Homer Planning Department. The City began a search for a new director.

The Planning Department began work on a new chapter of the Homer City Code, Chapter 12.12, entitled Flood Damage Prevention. The Homer Advisory Planning and Zoning Commission held a public hearing on the proposed chapter. The Department also continued work on a Bridge Creek Watershed Ordinance, which would serve to protect the City's water supply.

The Commission reviewed and forwarded to the Homer City Council a proposed ordinance amending Chapter 21.60 Sign Regulations, restricting the size of freestanding signs on the Homer Spit and a section of the Sterling Highway

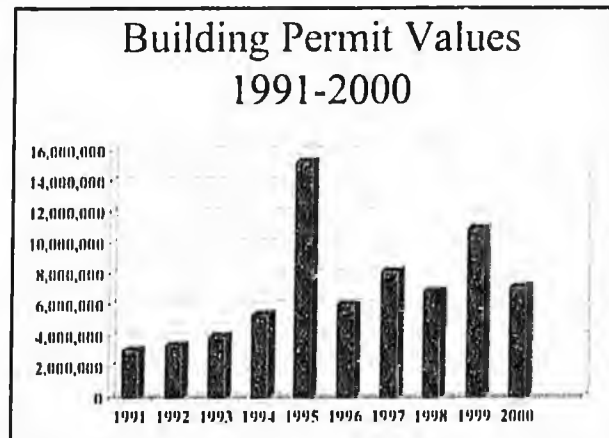
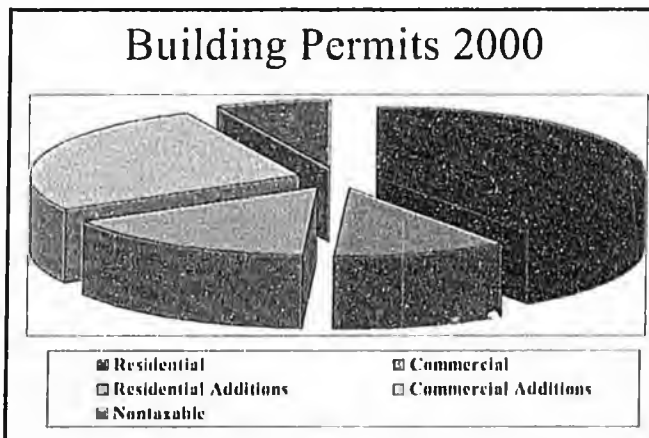
within the Central Business District to a ground sign only 36 square feet and no taller than 10 feet.

The Commission reviewed and held a public hearing on a proposed ordinance that would have regulated motor vehicles on City beaches. The proposed law was scrapped, but the debate resulted in creation of the Homer Beach Policy Task Force to further research and address public concerns expressed about the use of City beaches.

In other work during 2000, commissioners reviewed five conditional-use permits and 12 preliminary plats, reviewed and approved a request for a variance from the right-of-way setback due to continuing bank erosion, reviewed and approved nonconforming status for two homes on East Hill Road made nonconforming at the time the new road was developed, and approved one request for off-site parking.

The Planning Department issued 58 zoning permits, including 23 for new residences valued at \$2,611,040, six for \$1,030,000 worth of new commercial developments, 10 for residential remodels equaling \$278,060 and 15 for commercial remodels with a value of \$2,356,392, as well as four permits issued to \$853,480 worth of projects by non-taxable agencies.

Together the projects totaled \$7,128,972. The Department issued 71 permits for water and sewer installation, driveways, and work in wetlands or rights-of-way. The Commission's Bylaws and Procedures Manual was updated. Among the changes, the Commission reinstated a two-meetings-a-month schedule after a year of once-a-month meetings.



Capital Improvement Program

The following projects, completed or in progress, reflect the City's goals to provide the infrastructure needed to sustain economic growth while maintaining the highest quality of life for Homer residents. On Sept. 25, 2000, the Homer City Council adopted the Fiscal Year 2002 CIP legislative request list, showing projects for which the City is seeking funding through the State of Alaska.

Legislative request Projects For 2002

Projects Accomplished or In Progress in 2000

1. Water Reservoir	\$1,500,000	1. Poopdeck Trail
2. Homer Public Library	850,000	2. Poopdeck Street/Hazel Road LID
3. Homer Animal Shelter	400,000	3. Ramp Surfacing Replacement (2,3,4,6,7)
4. Mountain View/East Hill Water Main	350,000	4. Waste Oil Collection Improvements
5. Freight Dock Road Reconst/Paving	545,000	5. Spit Camping Expansion
6. Downtown Restrooms	180,000	6. Steel Boat Grid Access Platform Replacement
7. Kachemak Drive Separated Pathway	Support	7. Freight Dock Road Improvement Planning
8. DWD Fendering Upgrade Phase II	375,000	8. Kachemak Multi-Purpose Dock Design
9. Utilities-Water/Sewer Improvements	5,300,000	9. Triangle Park Planning
10. Harbor Pedestrian Ways	650,000	10. Mariner Park Conceptual Plan
11. South Peninsula Firearms Training Fac.	750,000	11. Small Boat Harbor Renovation Planning
12. Satellite Sewer Dump Stations	60,000	

On Sept. 25, 2000, the Homer City Council adopted a resolution advising the Alaska Department of Environmental Conservation of its water and sewer capital improvement priorities and a second resolution listing projects the City considers applying to the greater Homer area.

ADEC Capital Improvement Priorities

Water Reservoir
Bridg Creek Watershed land Acquisition
Mountain View to East Hill Water Main
Water and Sewer Utilities Improvements
Telemetry and Control Equipment-Phase II
Satellite Sewer Dump Stations (2)

Area-Wide Projects

Kachemak Bay Campus Facility
Pratt Museum Fire Alarm/Security
Homer Senior Center Independent Housing
North Pacific Volcano Learning Center

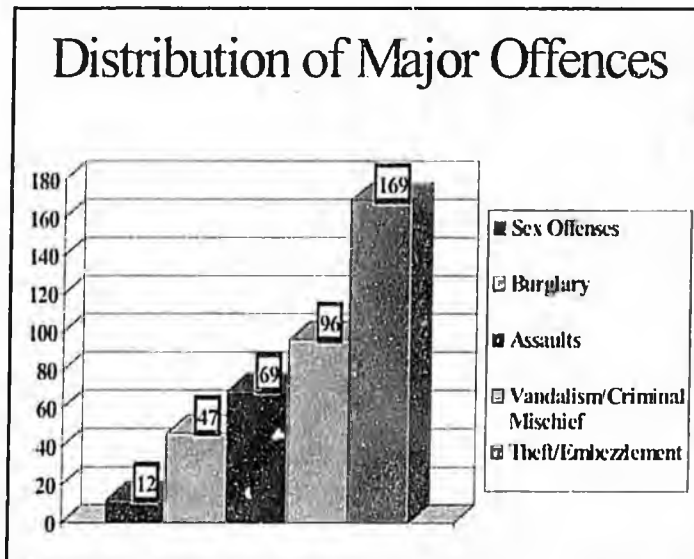
Summary of Project Categories by Year and Cost

Category/ Project	2001	2002	2003	2004	2005	2006	Totals
Roads	545,000	1,175,000	0	0	0	0	1,720,000
Trails	648,000	0	1,400,000	0	0	0	2,048,000
Utilities	9,900,000	3,250,000	300,000	500,000	0	0	13,950,000
Structure	20,932,000	15,240,000	5,500,000	0	0	0	41,672,000
Equipment	491,000	80,000	0	350,000	0	0	921,000
Totals	32,516,000	19,745,000	7,200,000	500,000	0	0	60,311,000

Homer Police Department

Keeping the Peace

Distribution of Major Offences



The Homer Police Department (HPD) utilizes community-based policing along with enforcement to keep Homer a safe and healthy community. The Police Department works with several community groups in promoting public safety. The Department has a DARE officer who provides education to our area youths on the harmful effects of drugs and alcohol. The Department participates in numerous community events to foster a close relationship with the community served.

The Department operates and maintains a seven-bed jail facility under a contract with the State of Alaska. Prisoners can be held up to ten days. The Alaska State Troopers and Fish & Wildlife Protection officers assigned to the Homer area contract with the City to maintain their offices at the Homer Police Department.

The Department's 9-1-1 service includes TDD for the hearing impaired. Homer 9-1-1 dispatches all emergency agencies such as police, Fish & Wildlife Protection, Alaska State Troopers, Search & Rescue Teams, Civil Defense, Alaska State Parks and Fire/Rescue/EMS south of Ninilchik including Seldovia, Port Graham, Nanwalek, Kachemak Bay Wilderness State Park and the outlying Russian villages from Anchor Point to the head of Kachemak Bay.

HPD is the designated emergency communications and operating center for the Southern Kenai Peninsula in the event of a natural or man-made disaster. The Department operates with the enhanced system which allows 9-1-1 emergency operators to have instant access to the addresses of the 9-1-1 callers. A police officer is assigned to the Homer Spit, on bicycle patrol, as a community liaison officer during the summer months to help provide a safe environment for both local residents and visitors.

The Police Department supervises the operation of the Homer Animal Shelter. This shelter is open three hours daily and is operated by a private contractor. In addition to the ten police officers there are seven community jail officers and seven civilian public safety dispatchers working at the Police Department.



Lt. Randy Rosencrans of the Homer Police Department.



Homer Volunteer Fire Department

Ready to Respond

General Information

The Homer Volunteer Fire Department is divided into three branches: Departmental Services, Fire Services and Emergency Medical Services. Departmental Services is the fire departments administrative branch, taking care of such tasks as departmental purchasing, public education and prevention of fires and injuries. The Fire Services encompass all phases of firefighting including training, response, and rescue practices. The Emergency Medical Services branch is responsible for medical training and response.

A full-time staff of four provides day-to-day consistency and a readily available emergency crew during business hours. This staff includes the Fire Chief, Assistant Chief, Departmental Services Coordinator, and an Emergency Service Specialist (EMT-III/Firefighter II). The staff provides assistance to the volunteer firefighters, EMT's, and Departmental Services staff.



Homer Volunteer Fire Department Firehall on Pioneer Avenue is the center of emergency services in Homer.

Departmental Services

Departmental Services provides administrative support to the chief of the Department and supports the activities of the volunteers. The Departmental Services personnel fill non-emergency rolls in the fire department, and provide a wide-range of fire prevention materials to the public, including both public and private schools in our response area. Departmental Services also supports injury prevention activities by co-sponsoring the annual Bike Rodeo in conjunction with the Safe Kids Fair, and works with the local Safe Kids Coalition with its bicycle helmet program, and child passenger safety program (car seats). The Department hosts numerous station tours each year for area children. In addition, Departmental Services assists the State of Alaska Division of Forestry in issuing burn permits each year.



Firefighters at a practice burn.

Fire Services

Response Summary

The Department responded to 102 fire-related incidents in 2000. Forty-six percent were classified as "fires/explosions," 6.8% were listed as "rescue" calls, 16.6% were classified as "hazardous condition" responses, 18.6% were categorized as "good intent" calls, and almost 5% were listed as false alarms.

Staffing

As of December 31, 2000 there were 21 State Certified firefighters on the department roster. The number of volunteers continues to decline for numerous reasons. This is not only a local trend but has seriously impacted emer-

gency services across the nation. A recruit class for additional firefighters is scheduled for early 2001.

A full-time Emergency Service Specialist was hired in 2000 to supplement the daytime staffing of the Department and to assist with training, response readiness and other daily activities.

Training/Education

The Department sponsored and instructed classes for a Fire Science Degree Program through the Kenai Peninsula College continued throughout 2000. All HVFD firefighters are trained and certified at either the Firefighter I or II levels prior to being permitted to respond to any type fire. The State of Alaska Fire Service Training Office accredits the Department's training program at both the Firefighter I and II levels. Monthly training is conducted each Tuesday to keep our firefighters up to date on the latest techniques and methods of fighting fire and rescue practices.

Emergency Medical Services

Response Summary

The Department responded to some 336 EMS calls in 2000. The vast majority of calls were to patient's residences (36%), followed by calls to the hospital (16%) to transport patients home or to the airport with an Anchorage based medical team. 13% of calls were to "Assisted Living" facilities (up from 7.9% in 1999 and 11% in 1998).

Staffing

At the end of 2000 there were a total of 25 emergency medical responders including EMT-I's, II's, III's, and 3 Mobile Intensive Care Paramedics (MICP's). As many of our EMS responders are cross-trained as firefighters, some of these responders pulled double duty during each weeklong shift. Also, since the vast majority (approximately 80%) of all Fire Department responses are EMS related, our EMT's remain quite busy throughout the year.

Training

All HVFD EMS responders are State of Alaska Certified providers at one of the four recognized certification levels. EMT-I's provide basic level life support functions including: CPR, bandaging, splinting, and assisting with patient prescribed medications administration and use of the External Automated Defibrillator (AED).

Department EMT-II's are trained in the use of advanced airway devices such as the endotracheal tube, and can initiate intravenous lines as well as administer a few physician prescribed medications.

EMT-III's are trained to render aid to patients suffering from heart problems and more advanced medical emergencies.

MICP's are licensed by the State Medical Board and are the highest level of prehospital care providers in the State. MICP's, working under the direction of a physician sponsor, are training in a wide variety of emergency procedures and advanced life support activities.



Fire and rescue crews provide coordinated emergency coverage in Homer and beyond.

Homer Public Works

The Finely Tuned Machine

The Public Works Department operates and maintains the City's roads, drainage, water and wastewater systems, cemeteries, parks, campgrounds and recreational facilities. Public Works also maintains public buildings, including City Hall, the Police Department, Fire Hall, Airport Terminal Water and Sewer Treatment Plants, Harbor Shop, Library and the Public Works complex. The Public Works building houses a maintenance shop and motor pool and services police, fire, ambulances, Port and Harbor, Animal Control, City Hall and Public Works construction and maintenance vehicles. Public Works operates the water and sewer treatment plants. The Department is responsible for maintaining Port and Harbor facilities and upland improvements on the Spit. Planning, engineering, construction management and inspection services for a wide range of capital improvements projects are provided.

The Sewer Treatment Plant, completed in 1991, utilizing Deep Shaft Technology, continues to operate in a highly effective manner.

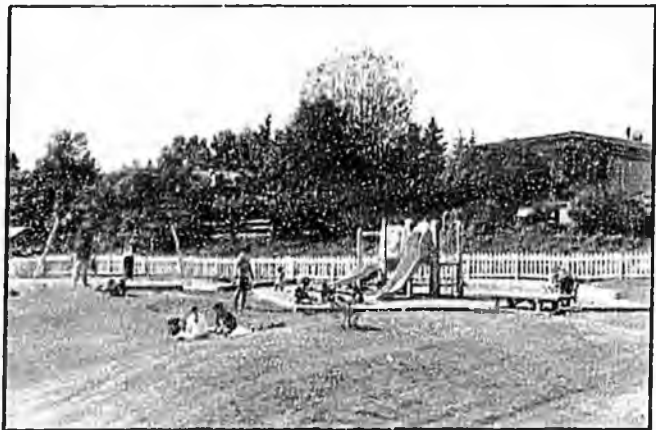
The on-going preventive maintenance program, managing 43 miles of wastewater collection lines, seven sewer lift stations, 17 water pressure reduction stations and 36 miles of water distribution lines, has minimized disruptions in service to customers. City crews are responsible for grading, snow plowing and snow removal, sanding and road maintenance on 22.56 miles of City

maintained roads; comprised of 13.21 miles of paved roads, 6.11 miles of gravel roads, and 3.24 miles of winter-only maintained roads. Public Works continued to complete street sweeping using our own sweeper. We were able to get the streets clean for the Kachemak Bay Shorebird Festival in May.

Other projects overseen by the Public Works Department were improvements to Poopdeck Street and Hazel Avenue and the construction of Poopdeck and Lucky Shot Trails. Public Works continued to coordinate design of the Small Boat Harbor repair and renovation project as well as that of the new \$10.8 million Multi-purpose Ocean Dock.



The U.S. Coast Guard Buoy Tender Sedge.



Toddlers and their parents enjoy the sunshine in one of several parks and campgrounds maintained by the Homer Public Works Department.

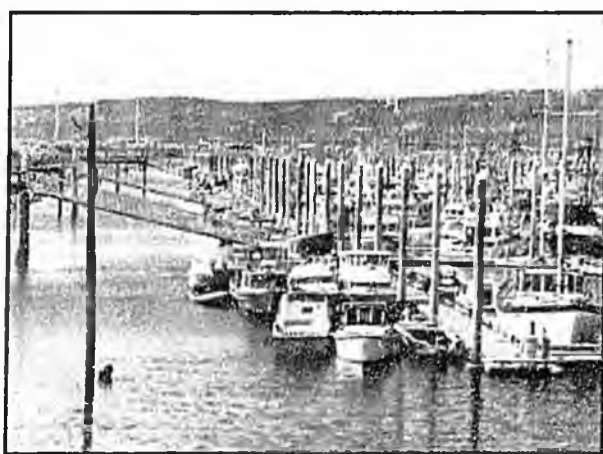
The Homer Bypass sewer main and Beluga Pump Station replacement projects were completed. A new campground was created near Pier One Theatre.

In 2000, the Public Works Department replaced the surfaces on Harbor Ramps 3, 4, 5 & 7 using a \$44,730 state Grant. That project was completed in-house.

Also completed by Public Works crews was construction of a waste-oil collection building which included acquisition of a new vacuum truck, as well as an upgrade to the System 5 collection site. Public Works crews also built the new Fish Grinding Building and installed its equipment.

Homer Port and Harbor

Where the Land Meets the Sea



Homer attracts vessels from across Alaska.

The staff of the Homer Port and Harbor Department operates, maintains and administers the largest single-basin boat harbor in Alaska, as well as the adjacent Deep Water Dock and the Main/Ferry Dock — and does it 24 hours a day.

Fishing Support & Activity:

Ice sales to the fishing fleet and fish packers at the Fish Dock Ice Plant decreased 28% from 1999 (down from 5,231 tons to 3,740 tons) reflecting a decrease in halibut landings compared to 1999. Approximately 9 million pounds of halibut were landed commercially in 2000. However, this total was sufficient to keep Homer the number one halibut port in Alaska during this sixth year of the IFQ fishery.

Small Boat Harbor (SBH):

The SBH consists of a 48-acre basin with 772 reserved slips, 4,000 lineal feet of transient floats, the Homer Fish Dock with 483' vessel berthing on sides and face, and eight (8) cranes, the Homer Ice Plant producing up to 100 tons of flake ice per day, a wood grid and a steel grid, five (5) lane boat launch ramp and barge/landing-craft loading ramp. The T.O.R.A. Harbor renovation project will add 140 new boat slips and 800 feet of transient moorage during 2001/2002.

Port:

The Port consists of the Deep Water Dock with a 324-feet of face plus three (3) mooring dolphins, two (2) mooring buoys, and 40-foot water depth (MLLW) at the face; and the Main (ferry) Dock with 410-feet of face, and 20-feet of water depth (MLLW). Activity at the Deep Water Dock was down in 2000 compared to 1999. Wood chip loading decreased by 77% (from 89,524 bone dry units to 20,507 bone dry units), and log load-outs decreased by 34% from 26.8 million board feet to 17.7 million board feet. The wood chip decrease was a result of approximately nine months with no wood chip exports following the bankruptcy of the former shipper.

The design package for the new Pioneer Dock (Multi-Purpose Ocean Dock) was completed and funding was finalized. The new dock will provide preferential berthing for a new, larger Coast Guard buoy tender and the Alaska Marine Highway System's ocean class ferries Tustumena and Kennicott, as well as general cargo capability.

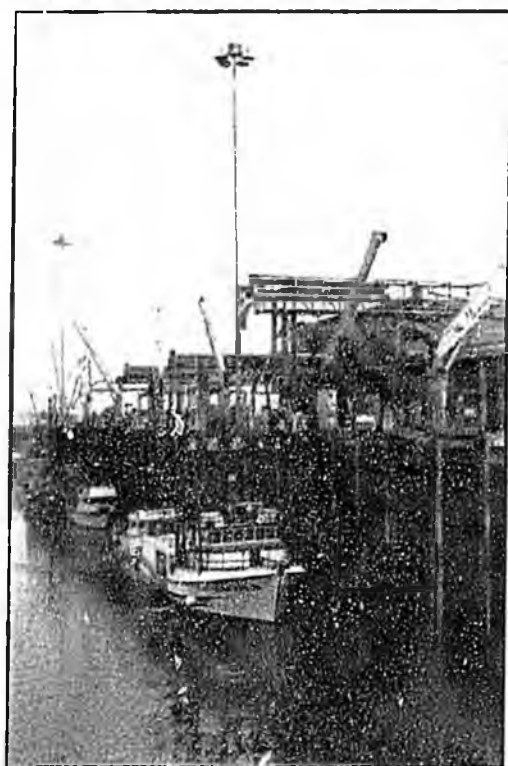
Designed to replace the aging timber Main (ferry) Dock, this new facility will be bid during Spring 2001 with construction commencing July 2001 and to be completed Summer 2002.



The Homer Deep Water Dock and the chip-loading conveyor superstructure used to load chip ships bound for overseas ports.



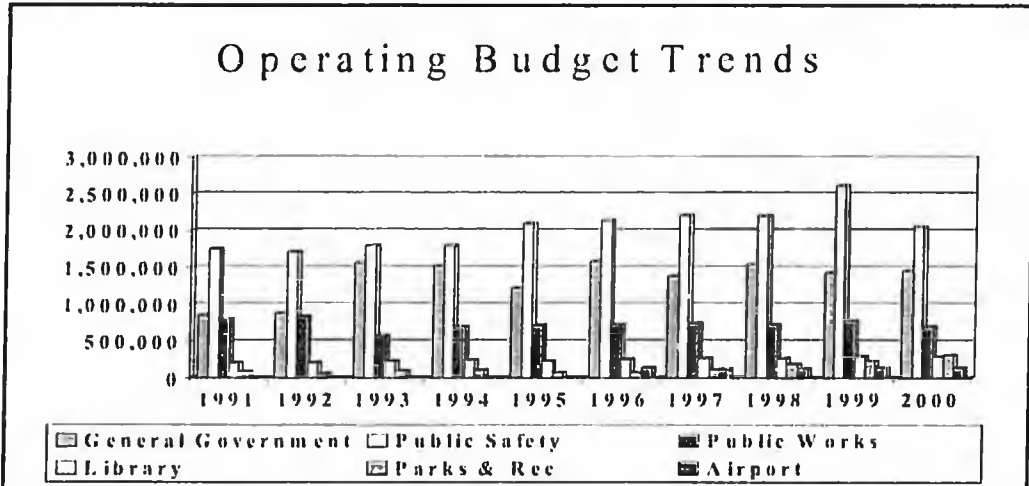
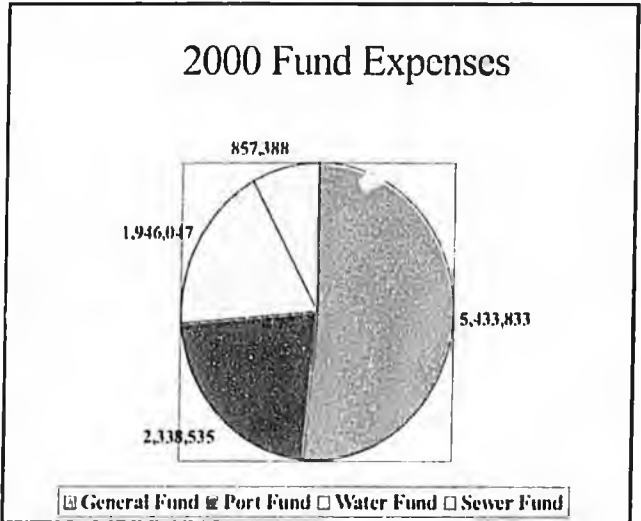
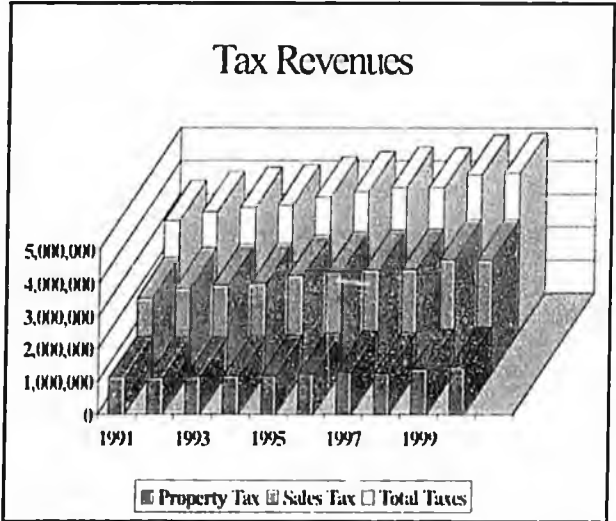
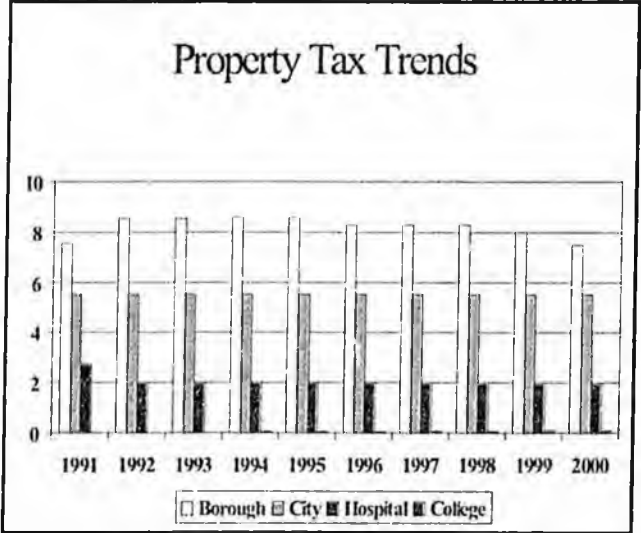
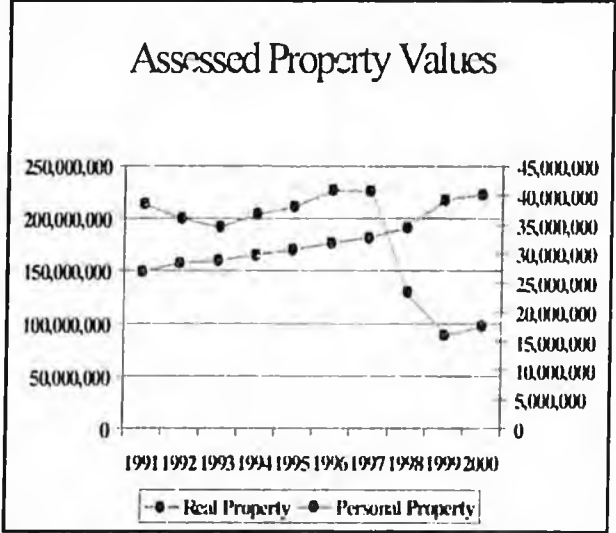
Views of Homer



The Spit and the Kenai Mountains, above, make Homer one of the most beautiful places on Earth. Homer's Fish Dock, left, helps make Homer the halibut capital of the world. Below, a view of Homer's inviting beaches.



Financial Indicators 1991-2000



City of Homer— Combined Balance Sheet — All Fund Types & Account Groups

Assets and Other Debits	Fund Types			
	Government			Proprietary
<u>Assets and Other Debits</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Equity in central treasury	\$ 1,688,398	211,496	3,203,198	1,063,028
Receivables, net:				
Taxes	450,207	-	130,827	130,827
Accounts	-	-	-	269,224
Assessments	103,361	72,900	-	283,704
Accrued interest	15,981	-	17,123	96,581
Other governments	972	-	99,737	273,582
Other	82,007	-	-	-
Due from other funds	368,169	-	-	-
Inventory	46,044	-	-	123,725
Prepaid items	103,988	-	-	45,089
Other assets	16,414	-	-	75,250
Restricted assets - equity in central treasury	-	-	-	5,818,603
Bond issuance costs, net	-	-	-	74,567
Note receivable	-	-	-	77,859
Litigation receivable, net	-	-	-	680,170
General fixed assets	-	-	-	-
Property, plant and equipment, net	-	-	-	58,785,065
Amount available in Debt Service Funds	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-
Total assets and other debits	\$ 2,875,541	284,396	3,450,885	67,797,274
<u>Liabilities, Fund Equity, and Other Credits</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Enterprise</u>
Liabilities:				
Accounts payable	\$ 79,361	1,818	180	237,537
Accrued liabilities	172,753	-	93	224,399
Deferred revenues, prepaid rentals and deposits	315,219	72,900	69,311	4,260,780
Due to local agencies	-	-	-	-
Due to other funds	-	-	-	368,169
General obligation bonds	-	-	-	-
Revenue bonds, net	-	-	-	2,070,815
Special assessment bonds	-	-	-	-
Capital lease obligations	-	-	-	-
Retirement incentive program	-	-	-	31,270
Notes payable	-	-	-	3,431,618
Total liabilities	567,333	74,718	69,584	10,624,588
Fund equity and other credits:				
Contributed capital, net	-	-	-	50,356,241
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved:				
Bond redemption	-	-	-	367,450
Debt service and water/sewer construction	-	-	-	-
Unreserved	-	-	-	6,448,995
Fund balances:				
Reserved:				
Endowments	-	-	-	-
Debt service	-	209,678	-	-
Inventory, prepaid items and other assets	166,446	-	-	-
Unreserved:				
Designated for capital projects	-	-	3,381,301	-
Undesignated	2,141,762	-	-	-
Total fund equity and other credits	2,308,208	209,678	3,381,301	57,172,686
Total liabilities, fund equity, and other credits	\$ 2,875,541	284,396	3,450,885	67,797,274

				<u>Totals</u> (Memorandum Only)	
<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>			
<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>2000</u>	<u>1999</u>
78,859	100,430			6,345,409	4,391,664
				711,861	742,470
				269,224	376,575
				459,925	161,510
				129,685	97,497
				374,291	101,517
				82,007	65,336
				360,149	445,910
				169,769	157,363
				149,077	137,093
				91,664	91,664
				5,818,603	4,755,003
				74,567	84,996
				77,859	116,788
				680,170	736,009
		16,247,897		16,247,897	13,031,201
			209,678	58,785,065	60,146,934
				209,678	568,170
			3,335,181	3,335,181	3,483,273
<u>78,859</u>	<u>100,430</u>	<u>16,247,897</u>	<u>3,544,859</u>	<u>94,380,141</u>	<u>92,414,891</u>

<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>2000</u>	<u>1999</u>
56,213				375,109	266,368
			223,880	621,125	653,646
				4,718,210	5,059,106
	25,049			25,049	19,476
				368,169	445,910
			2,760,000	2,760,000	3,060,000
				2,070,815	2,315,106
			36,927	36,927	58,457
			432,063	432,063	591,927
			91,989	123,259	206,990
				3,431,618	3,698,167
<u>56,213</u>	<u>25,049</u>		<u>3,544,859</u>	<u>14,962,344</u>	<u>16,375,153</u>
		16,247,897		50,356,711	51,702,140
				16,247,897	13,031,201
				367,450	367,450
22,646				6,471,641	1,504,637
				70,995	69,916
	70,995			209,678	568,170
	4,386			170,832	146,356
				3,381,301	1,631,490
				2,141,762	1,736,554
<u>22,646</u>	<u>75,381</u>	<u>16,247,897</u>		<u>79,417,797</u>	<u>76,039,730</u>
<u>78,859</u>	<u>100,430</u>	<u>16,247,897</u>	<u>3,544,859</u>	<u>94,380,141</u>	<u>92,414,891</u>

The Dedicated People Who Make Homer

"The City That Works!"

Administration

Ron Drathman
Rachel Livingston
Sheri Hobbs
Steve Bambakidis

City Clerk

Mary L. Calhoun
Carena Benson

Finance

Dean Baugh
Jo Earls
Jean Mack
Michele McCandlish
Laurie Moore
Joanne Perret
Lori Sorrows

Planning

Beverly Guyton

Library

Katherine George
Susan Gibson
Kathleen Pankratz
David Swarthout

Fire Department

Robert Painter
Elaine Grabowski
Scott Elmer
Steve Boyle

Police Department

Officers:

Mark Robl
Glenn Buchanan
Andy De Veaux
Joe Hamilton
William Hutt
Lary Kuhns
Randal Rosencrans
David Shealy
Aaron Parker

Jailers:

John Browning
Michael Prouty
Chuck Thorsrud
Barth Troughton
Steve Smith
Mark Kryzick
Wayne Stanley

Dispatchers:

Jane Stewart
Kelly Huddleston
Sandra Johnson
Greg McCullough
Bonnie Nesvick
Gall Teter
Patti Morris

Public Works

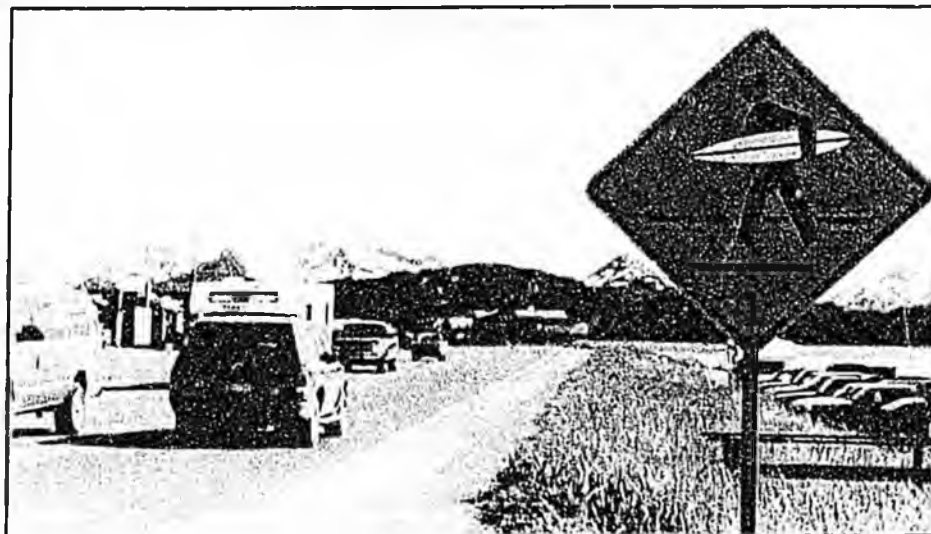
Carey Meyer
Ed Barcus
John Berelc
David Bolt
Russell Cheney
Don DeArmoun
Ken Frazier
Dan Gardner
Richard Gibson
Tammy Hagerty
Don Henry
Jim Hobbs
Diana Hutt
Patrick Johnson
Jan Jonker

Gerald Lawver

Barbara Logan
Steve Martin
Brian McCarthy
Jim Nelson
Terry Overton
Kurt Roe
Glenn Satterfield
John Wythe

Port and Harbor

Bill Abbot
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Wes Cannon
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