



City of Homer

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TO: MAYOR ZAK AND HOMER CITY COUNCIL
THROUGH: KATIE KOESTER, CITY MANAGER
FROM: RICK ABOUD, CITY PLANNER
DATE: November 30, 2016
SUBJECT: HAWSP Recommendations

Introduction

The Planning Commission was asked to review the HAWSP and make recommendations regarding the application of a 1.25 debt service ratio.

Recommendation:

The Planning Commission has developed recommendations regarding the HAWSP policies in consideration of the following:

- How the City should apply the debt service ratio?
- When the debt service ratio should be calculated?
- When pending HAWSP projects should be inputted into the debt service ratio calculation?
- A process for keeping track of and prioritizing special assessment district requests that occur while a moratorium on new districts is in effect.
- A process for lifting and implementing a moratorium on water and sewer special assessment district projects.

These concerns are interrelated and the answers are dependent on thought of the entire process and are not easily broken down in response to each individual question. Staff Report PL16-47 contains the thought that the Commission supported. Specific recommendations include:

- The Finance Department should report the debt service ratio quarterly to the City Council and City Manager.
- Increase the application fee to \$1000.00.

1. How and when should the debt service be applied and calculated:

- Current fiscal experience should be used for calculations and application.
- It can be calculated at any time. It was recommended to provide quarterly updates and have some discussion at time of budget adoption. A moratorium may be lifted by the City Council at any time the debt ratio has room for a project.

2. The consideration for the input of projects.

- The projects are recommended to be considered on a first come basis. The City Clerk can take applications and track them.

3. Input of projects into the debt service ratio.

- Projects should be inputted into the ratio as soon as an estimate is available.

These policy guidelines are general in nature and all come with policy implications. The Commission feels that the City Council will need to have the latitude to evaluate the particular concerns that apply to the specific proposals they may see.

Policy implications.

1. A more detailed report of the effect of the various loan terms may allow the Council to plan better for the future.

While the recommendation is to make decisions based on the real-time debt service ratio, several elements of the figure could give a clearer picture of the future. The lion's share of our tax revenue is collected in the third quarter and drives the trend in collection experience, so it is useful to have the current figure. A breakdown of debt retirement would also be a useful planning tool. This program has generally been used to cover the financing of long-term debt. Projects started in 1998 may still be on the books. A table displaying the impact of debt retirement on the debt ratio would help in getting a better vision of the future of the fund.

2. The first come policy regarding project consideration has some concerns in particular scenarios.

Many think of the projects as citizen initiated SAD's, but the fund is also used for what some may think of as maintenance or general system upgrades (think water plant and tank, even Kachemak Drive Phase Three). There is a competition between these two different types of projects, which have priority? We should build a projected needs list for the maintenance and system upgrades that include at least a rough estimate. These needs with timeline should be part of the debt service ratio analysis.

A subcategory of the concern listed above is what I call the large verses small. We may have to wait a long time for the debt service ratio to accept a project of several million dollars; in the meantime, we may have requests for a project costing a hundred thousand. Should the fund sit idle, waiting to fund a large project that has a considerable impact on the debt service ratio and forego consideration of other smaller projects? I believe the answer is, 'it depends'. This is where a value judgement by the Council will be necessary.

It is very difficult to prescribe a particular policy procedure

3. Input into debt service ratio.

It can take up to four months to get results of petitions to show interest and developing a rough cost estimate. It would be best to consider a project 'encumbered' as soon as it is considered. An estimate should be inputted into the ratio when initially determining the probable lots to be served. It would only be withdrawn at the time that the project has become unfeasible.

Technical implications

1. We may need legal guidance to create the process to lift a moratorium. It could be accomplished many ways, including just following standards for project queueing in regards to acceptable debt service ratios. In consideration of the current and forecasted ratio, we may have a list of projects waiting for a favorable debt ratio.
2. We may want to declare our project list in order of priority. This might be done annually and would provide the debt service ratio goal needed in order commence with a project.
3. A policy needs to be developed regarding the timing of the charge for initiating a project. If there is an unfavorable debt service ratio, a project might be on hold for some time. We could consider some sort of deposit to get it on the list and then an expectation of collecting the full amount prior to commencing a project.

Concerns with current understanding of policy and process.

Attachments
Draft Ordinance