

**NOTICE OF MEETING
REGULAR AGENDA**

1. CALL TO ORDER/ROLL CALL
2. APPROVAL OF THE AGENDA
3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA
4. RECONSIDERATION
5. APPROVAL OF MINUTES of August 10, 2010 p. 1
6. VISITORS
7. STAFF AND COUNCIL REPORT
8. PUBLIC HEARING
9. PENDING BUSINESS
 - A. Proposed organization and structure for economic development p. 5
 - B. Comprehensive Economic Development Strategy (new draft) Separate document
10. NEW BUSINESS
 - A. Economic benefits/detriments of cruise ship visitors p. ---
11. INFORMATIONAL MATERIALS (for discussion only)
 - A. New York Times: "Though Leery of Washington, Alaska Feasts on Its Dollars" p. 9
 - C. Items of possible interest from recent City Council meeting packets p. 13
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 - E. Resolution 10-77(A) Amending the City of Homer Property Management Policy and Procedures Manual and Minutes excerpts of Council discussion p. 25
12. COMMENTS OF THE AUDIENCE
13. COMMENTS OF THE CITY STAFF
14. COMMENTS OF THE COUNCIL MEMBER
15. COMMENTS OF THE CHAIR
16. COMMENTS OF THE COMMISSION MEMBERS
17. ADJOURNMENT/NEXT MEETING DAY AND TIME

Next regular meeting is scheduled for November 9, 2010 at 6 p.m. in the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Session 10-05, a Regular Meeting of the Economic Development Advisory Commission was called to order at 6:05 p.m. by Vice Chair Ravin on August 10, 2010 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMISSIONER DAUPHINAIS, ERICKSON, NEECE, RAVIN

ABSENT: COMMISSIONER HOPPE, FAULKNER, SIMPSON (all excused)

STAFF: SPECIAL PROJECTS COORDINATOR HOLEN
DEPUTY CITY CLERK JACOBSEN

APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Commission.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES

A. Meeting Minutes of July 13, 2010

The minutes were approved by consensus of the Commission.

VISITORS

There were no visitors scheduled.

STAFF AND COUNCIL REPORT

Councilmember Wythe was absent.

Special Projects Coordinator Holen commented that the Spit Comp Plan schedule included is tentative and that the Alaska Economic Reports will be coming to an end as the subscription has been cancelled.

PUBLIC HEARING

There were no items for public hearing.

PENDING BUSINESS

A. Economic Development Compare and Contrast

ECONOMIC DEVELOPMENT ADVISORY COMMISSION
REGULAR MEETING
AUGUST 10, 2010

Commissioner Dauphinais reviewed the information he provided in the packet. He noted that it is important for the economic development organization and the Chamber to work together and he found that the successful groups have a structure worked out. Locally he has observed that there is not a structure between the Borough, City, and Chamber and he isn't sure how it would work. His perception is the EDD is a lone company who gets their money from what they fund. The Chamber works with other things and it is good to keep the associations they have because of the emphasis on tourism. In getting into other economic development issues, it needs to be determined who will be the spearhead, how it will be funded, who will do the lobbying and so forth.

The Commission discussed how they should proceed, ideas for the structure of the organization, and funding. It was suggested that this could be a section in the Community Economic Development Strategy and Commissioner Dauphinais offered to write up the information and pass it on to Ms. Holen.

Chair Erickson recalled Commissioner Simpson's previous suggestion of having the City's resume available on line on the City's website. It could be a temporary stop gap until this all gets fleshed out.

B. City of Homer Capital Improvement Plan

Commissioner Ravin asked to include the sterling highway reconstruction project as his fifth preference. The Commission agreed to forward their recommendations to City Council.

C. Comprehensive Economic Development Strategy (draft)

Special Projects Coordinator Holen reviewed the draft.

Comments for consideration included:

- Recommendations regarding promoting export and light manufacturing.
- Adding a rail line for the transportation sector.
- Recommendations regarding economic development structure, as discussed earlier.
- The Comprehensive Plan has significant information regarding tourism, how much should be included in the CEDS.
- Should information regarding large stores be included.
- Addressing hi tech internet business.
- Listing banking and finance under services.
- Clarification of the downtown revitalization. There is still confusion that both the new city hall and the town center were voted down.
- Bringing town square up into Pioneer Avenue.
- A permanent home for Farmer's Market.
- Accommodating full size RV's in Homer.
- Addressing specific improvements for Pioneer Avenue.

Chair Erickson requested the CEDS and also the information regarding the economic development organization be included on the next agenda.

NEW BUSINESS

ECONOMIC DEVELOPMENT ADVISORY COMMISSION
REGULAR MEETING
AUGUST 10, 2010

No new business items were scheduled.

INFORMATIONAL MATERIALS

- A. Memo to Planning Commission regarding Homer Spit Comprehensive Plan
- B. Homer News Article: Homer high-tech company
- C. Items of possible interest from recent City Council meeting packets
- D. Alaska Economic Development Reports

COMMENTS OF THE AUDIENCE

Doug Stark, city resident, said he would classify himself as an expert on large stores having been through the entire battle with Fred Meyer over a period of four years. One of the things he kept maintaining was the concept of the vocal minority and the silent majority. There were about 10 or 12 public hearings on the issue, 52 people that testified each time, and finally Ray Kranich got a petition together for a referendum. He said that Freddy had originally approved a 45,000 square foot store on the northern corner of Lake and Sterling. After the referendum to raise the size to 66,000 square feet passed by a percentage of 57 to 43, Freddy moved it to the town center area on CIRI property. CIRI is in favor of a large store there. Now Freddy wants to have at least 100,000 square feet and they are thinking about 75,000 because city code does provide for that size. In the process of going through the conditional use permit for the 66,000 square feet, they did all sorts of things for that permit, which is still in effect, so there is a possibility of that happening. He said the reason there was such an outpouring of opposition to the Council and pushing it to the Planning Commission, which he was kind of disgusted to find out that instead of going directly from the Economic Development Advisory Commission to the Planning Commission, you had to go through the City Council. They had the hearing which brought out all the opposition, just like at the Council hearings. Mr. Stark just wanted to express that it is not a dead issue.

COMMENTS OF CITY STAFF

Special Projects Coordinator Holen thanked the group for their input.

COMMENTS OF THE COUNCIL MEMBER

Councilmember Wythe was absent.

COMMENTS OF THE CHAIR

Chair Erickson thought they had a productive meeting. She updated the Commission that Council is looking at the lease policy again and she has been attending the meetings. It is to the point that they are looking at what the City Attorney, City Manager, and Port and Harbor Director think. She noted for the record that in the meetings we have used Kevin Hogan as an example and that is only because he has most recently gone through the whole process and is a great example of where the process works, where it doesn't, and where it breaks down. It has not for been for his gain that we did this. But for some reason some people have taken that attitude and she believes that was not the Commission's intention. Overall she thinks it is going rather well.

COMMENTS OF THE COMMISSION MEMBERS

ECONOMIC DEVELOPMENT ADVISORY COMMISSION
REGULAR MEETING
AUGUST 10, 2010

Commissioner Neece wants to discuss some kind of comprehensive economic development person at the next meeting.

Commissioner Ravin thanked Ms. Holen and Commissioner Dauphinais for their work.

Commissioner Dauphinais said he loves 58 minute meetings.

ADJOURN

There being no more business to come before the Commission the meeting was adjourned at 7:00 p.m. The next regular meeting is scheduled for September 14, 2010 at 6:00 p.m. in the City Hall Cowles Council Chambers.

MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: _____

1. Geographic Reach:

There are three options for geographic reach; from greatest to least these are a) south Kenai Peninsula, b) Homer area, and c) Homer City Limits.

- a) South Kenai Peninsula—largest reach following Chamber's service area from Anchor Point to Seldovia and Nanwalek. This would potentially require a splitting of Kenai EDD which could be opposed by the current EDD since it would siphon funding from that entity.
- b) Homer Area—Homer, Fritz Creek, Diamond Ridge, and Kachemak City. Most area-wide activities include these communities. Most services provided by Homer are offered to these areas as well. Would not require any reorganization, but would require inter-community cooperation and agreement.
- c) Homer City limits—this severely limits the impact and draw of any economic development activity.

Questions/Issues: Which area has the best opportunity to succeed? Can inter-community cooperation become a reality (okay, maybe a bit overstated)? Will this impact other funding sources such as EDD?

RECOMMENDATION: Homer Area—deals with area and businesses most affected.

2. Governing Organizational Structure:

There are three basic potential options for this as well; City Governed, Chamber Governed, or a third party organization.

- a) City Governed—the activity of the EDC is governed by the city as any employees are city employees. Any economic development activity is taken on behalf of the city and its constituents with city recognition within the structure of the city's CEDS. Current advisory council acts as a clearing house for issues that go to the city government/administration.
- b) Chamber Governed—in this case the city essentially contracts with the Chamber to provide economic development activity. Any employees are Chamber employees all work is done within the constructs of Chamber rules, by-laws, and policies. As a contractor the Chamber has considerable latitude and autonomy.
- c) Third Party Organization—a third party such as a 501c3 contracts with the city to provide economic development activity. This group functions as a contractor for the city, but is not governed by the city.

Questions/Issues: Who sets the priorities? Who provides management and oversight in these various situations? Under options b and c the current EDC has minimal input since the work is being given to a contractor.

RECOMMENDATION: City Governed—clear lines of authority and priority setting, all the money goes to one place and isn't split up.

3. Funding—Where does the money come from to operate this venture? There are some options here as well; a) a bed tax, b) a reallocation of current city funds; c) a new revenue stream.

- a) Bed Tax—A touchy subject. If we assume that there are 1,000 beds in the area's B&B's, hotels, rentals, etc (not counting RV stalls) at an average of \$150 per night, and we set a 2% bed tax that makes the area sales tax an aggregate 9.5% (make it 2.5% and you get to an even 10% sales/bed tax). At this rate a person pays an extra \$3.00 per night. With every bed full this means $\$3.00 \times 1,000 = \$3,000$; if we assume that every bed will be full for 100 nights then we have $\$3,000 \times 100 \text{ nights} = \$300,000$ dollars in revenue. A bed tax is nothing unusual in cities or in tourist areas. The issue here is inside or outside the city limits. Does it really hurt or favor anyone? At \$3.00 per night I would say no, but there are those who could make a real case for issues. \$300,000 per year would fund tourism and economic development and not come from local sources. This would require Chamber backing and considerable and early quiet campaigning to find enough supporters in the accommodations area before going public.
- b) City Reallocation—This assumes that funds are finite and work in a zero sum world. In this option the money would have to come at the expense of another city effort. I do not know enough about the city budget at this point to make a reasonable recommendation.
- c) New Revenue Stream—This would require some seed money to start with and have to get off the ground quickly. The revenue stream would need to be guaranteed for tourism and economic development. This stream could come from micro loans, services rendered, or some other effort of the group.

Questions/Issues: Tax, that dirty word. A reallocation would be cause for considerable public comment and be a potentially divisive action. Any new revenue stream would require seed money. Any of these actions would cause some consternation for some constituency. Can the revenue be guaranteed to be for tourism and economic development only and not be usurped by another activity/enterprise within the city government? None of these would be an easy sell to the local population.

Recommendation: Bed Tax since it is the easiest to estimate, is not paid by locals, and has the longest potential life of the others.

So, what the recommendations come to is a Homer Area Economic Development organization, governed by the City of Homer, funded by a bed tax.

The organization would require a director/manager of some sort at \$60,000 to \$75,000 per year to start and a budget for travel, office expense, and such (I have no idea how this compares with other city salaries/budgets). For comparison—Director, Riverside, CA \$125,000-\$150,000; Director, Loudoun County, VA \$125,000 to \$150,000; Deputy Dir, Worcester, MA \$68,000 to \$103,000; Director, Boca Raton, FL \$75,000 to \$116,000;

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Director, Wisconsin Rapids, WI \$68,000 starting. All of these positions are currently open and advertising. I did not read each advertisement closely, but most want a minimum of a 4 year degree with some indicating a preference for an advanced degree. All wanted 3-7 years experience in economic development of some type. As a point of comparison, Wisconsin Rapids is a town of 18,000 in central Wisconsin-pretty rural; Worcester, MA is the second largest city in New England; larger than Providence, RI, Hartford, CT, and Portland, ME, but smaller than Boston.

Activities: Market Homer to small businesses; work with existing local businesses to enable growth and expansion; seek funding opportunities (not just grants); organize an inventory of opportunities and sites for potential businesses; work with tourism related matters if requested/required (i.e. assumes that tourism will remain the function of the Chamber); work with legislature and other governmental bodies to forward Homer's Economic Development agenda; gently advocate by providing pro's and con's of various measures under consideration by delegation; coordinate efforts with SBDC, EDD, and others; refer to other organizations as appropriate; follow-up on opportunities as they present themselves.

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August 18, 2010

Though Leery of Washington, Alaska Feasts on Its Dollars

By MICHAEL POWELL

PALMER, Alaska — Backed by a blue row of saw-toothed mountain peaks, the Republican state lawmaker Carl Gatto finds himself on a fine roll.

Roll it back, he says, roll back this entire socialistic experiment in federal hegemony. Give us control of our land, let us drill and mine, and please don't let a few belugas get in the way of a perfectly good bridge.

"I've introduced legislation to roll back the federal government," he says. "They don't have solutions; they just have taxes."

And what of the federal stimulus, from which Alaska receives the most money per capita in the nation? Would he reject it?

Mr. Gatto, 72 and wiry, smiles and shakes his head: "I'll give the federal government credit: they sure give us a ton of money. For every \$1 we give them in taxes for highways, they give us back \$5.76."

He points to a newly graded and federally financed highway, stretching toward distant fir trees. "Man, beautiful, right?"

Alaskans tend to live with their contradictions in these recessionary times. No place benefits more from federal largess than this state, where the Republican governor decries "intrusive" Obama administration policies, officials sue to overturn the health care legislation and Senator Lisa Murkowski, a Republican, voted against the stimulus bill.

Although its unemployment rate sits at just 7.9 percent, about two percentage points below the national rate, Alaska has received \$3,145 per capita in federal stimulus dollars as of May, the most in the nation, according to figures compiled by Pro Publica, an investigative Web site. Nevada, by contrast, has an unemployment rate north of 14 percent and has received \$1,034 per capita in recovery aid. Florida's jobless rate is 11.4 percent, and the

state has obtained \$914 per capita.

Alaska has pension and budget woes, and, more perilously, oil production is slumping. But its problems are not mortal; last year, the ax fell on new police headquarters and replacement Zamboni blades rather than on teachers and libraries. And the state has avoided the unemployment devastation visited on the Lower 48 in part because federal dollars support a third of Alaskan jobs, according to a University of Alaska, Anchorage, study.

Not that this has assuaged the antigovernment rancor. The one congressman from Alaska, the Republican Don Young, denounced the stimulus as appalling, done under the cover of night and without full disclosure. He also promised Alaskans that "if there are earmarks, we will have our fingerprints on them."

(Curiously, that pattern also plays out in Louisiana, Wyoming and the Dakotas, states relatively low in unemployment but high in per capita stimulus, federal aid and growling antigovernment animus.)

Sitting in valleys rimmed by mountains, glaciers and a vast alluvial delta, Matanuska-Susitna Borough, with its 83,000 residents, is a sub-Arctic suburban district north of Anchorage. Its largest city, Wasilla, is home to Sarah Palin. A year ago, while still governor, she took a stab at rejecting \$28.6 million in federal stimulus for weatherization. As Alaska incurs a notable winter, Republican and Democratic state legislators overruled her and accepted the money.

Matanuska-Susitna Borough officials received about \$111 million in federal stimulus, according to Pro Publica. There was \$28 million for schools, \$25 million for highways and \$900,000 for a park-and-ride lot for commuters heading to Anchorage

(Wasillans have a practiced eye for federal dollars; when Ms. Palin was mayor, she hired a lobbying firm that reeled in \$25 million in federal earmarks for a city of fewer than 7,000 residents.)

Fairbanks, Alaska's second-biggest city behind Anchorage, pulled in more than \$4,000 per capita in stimulus aid, including tens of millions for schools. But Jay Ramras, a Republican state representative from Fairbanks who is seeking the nomination for lieutenant governor, says he feels a tug of suspicion as he looks at that cash.

"If you want to feed us federal money like it's a narcotic and make the state into a junkie of the U.S. Treasury, O.K.," he allows. "But we would like to be an Emersonian Alaska and just

get control of our resources.”

Here is the cognitive dissonance. More and more Alaskans, particularly of the Republican stripe, identify the federal government and pork-barrel spending as the enemy, although Alaska was built by both.

Alaska’s appetite for federal dollars has always been voracious and even today is not confined to the stimulus. A study by Prof. Scott Goldsmith of the Institute of Social and Economic Research at the University of Alaska, Anchorage, noted that an “extraordinary increase” in federal spending drove the state’s pile-driver growth of the last 15 years.

In 1996, Alaska’s share of federal spending was 38 percent above the national average. Thanks to the pork-barrel politics of the late Republican Senator Ted Stevens, who was chief of the Senate Appropriations Committee for several years, and to the military, which keeps expanding its bases here, Alaska’s share now is 71 percent higher than the national average.

Some of this owes to the expense of serving Alaska’s rural reaches. But much is bred in the bone. The federal government expended great amounts of money carving this young state out of the northern wilderness, and officials here learn to manipulate federal budget levers at a tender age.

Still, many in the state see strings attached. Lynn Gattis, a state Republican Party official, lives by a lake in Wasilla, surrounded by aspens. She is a sourdough Alaskan, meaning she was born here, and she is a pilot, which means she threads her way around those cloud-hugging peaks. She knows that the federal government paid for the port of Anchorage, the highway that leads to Wasilla and a portion of the sewers that allowed Target and Sports Authority to take root.

But she sees a government that delays oil exploration, as President Obama did recently; that regulates timber and salmon harvests and hydropower; and that, in her view, cares more about polar bears than about Alaskans. (The government lists as endangered the beluga whales of Cook Inlet, a vast gray expanse that stretches out from Anchorage. Some Alaskans argue that this could stall construction of a multimillion-dollar bridge, which as it happens would be paid for by the federal government.)

“It just feels like the federal government intrudes everywhere,” Ms. Gattis said. “Enough Ivy League lawyers — let’s get people who can dig a mine and run a business.”

This sentiment baffles Tony Knowles, a long drink of a man who worked on the North Slope

oil rigs before becoming the governor of Alaska in 1994 as a Democrat. He understands the frustration that comes with bumping into federal officials at each turn. But the trade-off is not so terrible, he notes, such as having the feds pay to put broadband in Alaskan villages.

"Nobody likes to have all their eggs in one basket, and so you do feel vulnerable," he said. "But Ted Stevens, who was a Republican and beloved, was never shy about bringing money in."

Some Alaskans have made a founding narrative of their sense of grievance. "Before statehood, when a distant federal bureaucracy managed our resources, Alaskans experienced devastating economic effects," Gov. Sean Parnell, a Republican, says on his Web site. Alaska became a state in 1959.

The historical record is a bit more complicated. Federal construction dollars, fishing and timber sustained Alaska until the discovery of oil in the 1960s. Victor Fischer, who helped write the state constitution in the 1950s, shrugs.

"There's all this verbiage that says we're the frontier, rough and ready," says Mr. Fischer, lithe and sardonic in his mid-80s. "The Feds paid for everything, but the conflict runs through our history."

Unemployment rose as the great recession blew through, although state residents still pay no sales or income tax. As an editorial in *The Anchorage Daily News* noted, Alaskans pride themselves on a libertarian ethos but the state makes so much money from the oil companies that it sends every man, woman and child a dividend check each autumn.

The check this year will be about \$1,300.

Still, uneasiness is palpable here, and perhaps it accounts for the political anger in the air. Oil production, the state's lifeblood, is winding down. Federal dollars of the nonstimulus variety have slowed, too.

All of which tends to reinforce that Alaska remains much as it was 50 years ago, dependent on drilling, mining and federal aid. The sense of history repeating itself is disquieting.

When Professor Goldsmith looks out his window, he sees more office buildings than in the past, a hint of high tech. But the landscape — the snow-capped volcanoes and vast waters of Cook Inlet — is overpowering.

"Californians wait for a new entrepreneurial wave to lift them," Mr. Goldsmith says. "For us, the traditional extraction economy still rules." *That is why, he adds, "historically, we take whatever largess comes our way. A federal dollar is a good dollar."*

MANAGERS REPORT
August 23, 2010

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

UPDATES / FOLLOW-UP

At the most recent Committee of the Whole Meeting, the Council was scheduled to discuss Council priorities for the upcoming FY 2011 Operating Budget. As you know, we never got to that topic because we spent the entire hour talking about fire mitigation in the Bridge Creek watershed. We could talk about this topic a little at this Committee of the Whole but we likely won't have much time because the Teshio delegation will be visiting with us.

So, in order to keep us on track, I thought it might be useful to devote the entire Manager's Report to this subject. If we don't discuss this at the Committee of the Whole, we can do so during the regular meeting (or both). This is an important discussion to have because it is very helpful to me to know Council budget priorities for the coming year as we begin developing the document. You will recall that last year, I incorporated most of the Council priorities into a set of guiding principles. That was very important in a year in which a tough budget decision had to be made.

I can also provide some updates on the gas line, the TORA Agreement, and the Fire Mitigation Program, among a myriad of other things if Council wishes. Enstar representatives will be there as a visitor so I think the gasline topic will be covered.

BUDGET PRIORITIES

At the last meeting, Regina provided a Treasurer's Report which showed that the City's revenues and expenditures are basically tracking with the adopted budget. It is really too early to make any projections that we can be confident in regarding revenues. We will have a much better picture of sales tax revenue at the end of the third quarter. And property taxes, while a little more predictable, also do not come in until later in the year.

We have anecdotal evidence that the economy has picked up a little over last year and the City hosted a number of special events. So, it seems reasonable to expect that sales tax revenues will be up over last year. So, I think one topic that would be good to think about now is what Council would want to do with any extra revenue if it arrives. While we might be in a position to add a few things back into the budget, I would urge caution because the economy in the next few years still seems uncertain, to say the least. I would think hard about adding things that might not be sustainable if the economy slumps.

You will recall that last year was a tough one and a lot of things were cut or simply not funded. Following is a partial list of those things. We would be really interested in hearing how Council would prioritize these items if extra funds were available.

- 8 vacant, full time equivalent positions
- No contribution to depreciation reserves

- No contributions to fleet reserves
- No capital equipment purchases
- No employee COLA
- Reductions in overtime, training, travel
- Reductions in contributions to NGOs

In addition to the above, Council may also want to discuss other budget topics such as tax policy, level and type of service delivery, increased efficiency, etc.

ATTACHMENTS

1. July and August Employee Anniversaries



City of Homer

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MEMORANDUM

FY 2011 DRAFT BUDGET SUMMARY

TO: Mayor Hornaday and Homer City Council

DATE: October 4, 2010

*W. Whele
10/5/10*

This Memorandum contains an outline and summary of the Draft FY 2011 Operating Budget. The draft budget was placed in your mail boxes on October 4, 2010. The budget will be posted on line and will be available in hard copy for public review at the Clerk's office. The Council is scheduled to receive a full briefing on the budget at the Committee of the Whole meeting on October 11. There is a public hearing scheduled on the draft at the regular meeting the same night. The budget ordinance along with all of the associated resolutions is scheduled to be introduced at the regular meeting on October 25. At that point, the Council will be able to make amendments as it sees necessary and appropriate.

Following is a summary of the draft budget for the General Fund and the two Enterprise Funds.

General Fund

At the regular meeting on September 27, I reported to the Council that revenues were projected to be down from 2010. The primary reasons for that included reduced property taxes, loss of rent for the old intermediate school, and a reduction in the special services contract with the Alaska State Troopers. In addition, revenue from sales taxes did not appear to be up as some had predicted. This reduction in revenue coupled with an increase in some fixed costs created an initial budget deficit of approximately \$300,000 before equipment and personnel requests were considered. By meeting time, the deficit had been reduced to just over \$200,000 but much work remained to be done.

The draft budget before you is balanced in the sense that expenditures do not exceed revenues. We were able to balance the budget by making additional cuts, slightly adjusting revenues based upon new information, and minimally raising fees (airport parking and administration overhead). We were very fortunate this year that insurance costs went down significantly. Property, auto, and liability insurance costs were reduced by \$70,000 in the General Fund alone because each department participated in AML/JIA risk reduction training. We were also able to reduce the contribution to the internal service fund by close to \$90,000 because the fund balance has grown to a comfortable level. These are one time reductions though and likely cannot be repeated next year.

Following is a outline of where the cuts were made, significant budget highlights, and some thoughts about the future.

The Additional Cuts / Where Did They Come From?

- 5% cut on average to each department budget
- A reduction in the contribution to the Internal Service Fund (self insured health plan)
- Funding for two parks seasonal employee positions
- Funding for one seasonal beach patrol / parking enforcement aid
- Deeper cuts in training, travel, and professional services line items across the board
- Reduction in snow removal budget
- Cuts to Council travel, subsistence, lobbying, and training budgets
- A myriad of additional cuts to supplies, materials
- Additional cuts to overtime budgets

Anticipated Impacts

The budget reductions noted above may not be too noticeable to the general public in the short term but the impacts will be felt over time, especially when you consider that many of these same areas have been already cut substantially over the past two years. For example, this budget reduces training funds to levels that should concern us all. For the City to provide a high level of service, it must have highly trained and professional employees. Eliminating training options for the Police, Fire, and Public Works Departments in particular can lead to unwanted costs and consequences later on.

The two seasonal parks positions are responsible for a wide variety of things including cleaning bathrooms and collecting trash. This will mean that the work will be spread to other employees and a reduced level of service overall can be expected for parks maintenance, camp fee collection, landscaping and beautification projects (especially on Pioneer Ave.) and public education on beach policies. The loss of a seasonal parking aid will mean elimination of beach patrols and a reduced parking enforcement presence at a time when the City is considering taking over parking responsibility for the entire Spit. Cuts to professional services means that we will likely have to seek a separate budget ordinance every time we need a surveyor or an assessor in the course of conducting normal City business.

Cuts to overtime budgets do not mean that there is less work to do. It just means that employees will pile up more compensation time. Although that does not cost the City cash, it does lower productivity because employees spend less time in the office. This is a particular problem for Planning and the Clerk's office as the number of committees continues to expand. Finally, there is only so much that you can reduce material and supply budgets before employees cannot do their jobs. We are getting very close to that now.

Draft Budget Highlights

- Operating Budget reduced by \$264,704 or about 2.8%
- No Employee COLA (2nd year in a row)
- No contributions to depreciation reserves
- No contributions to fleet reserves
- Vacant positions at Police, Fire, Public Works, Finance, and Clerks remain unfilled
- No vehicle or equipment purchases (with exception of a few computers, \$36,000 in fire department equipment, and new sliding glass doors at airport terminal)
- Fund Balance Grows very slightly
- 5% reduction in non-profit contribution

Discussion

My goal in preparing the budget this year was to come up with a short term, transitional budget that would for the most part avoid additional service cutbacks and cause as little turmoil in the community as possible. The idea was to prepare a budget that would provide the Council and the community with a little breathing room to thoughtfully discuss the level of services it is willing to pay for going forward. I think this budget does that but it is not sustainable for long. My hope is that this budget and budget message will serve as a wake-up call and will lead to good community dialog without the pressure of an immediate budget axe hovering overhead.

Unless the economy rebounds significantly or new revenue sources are identified, the budget problem is likely to be worse next year. The City cannot continue to defer transfers to its depreciation accounts or investments in its infrastructure. Sooner or later, the bill will come due. Additional cuts can be made to employee compensation packages and staffing levels but they must be weighed against reduced productivity, lowered qualifications and skill sets, and deteriorating morale. We have basically reached the bottom when it comes to cuts in supplies, materials, training, travel, overtime, and other "low hanging fruit".

In short, the City can no longer simply "cut the fat". Staffing levels are about as low as they can go and still provide something that resembles the same level of service. We continue to look for ways to operate more efficiently (energy consumption and procurement for example) but there are limits to how far that can take you. Future budget reductions will necessarily include elimination of entire programs or services. The Council will have to consider structural changes that fundamentally change the level and type of services provided. In addition to eliminating programs and services, these changes may include some of the things we see taking place in the Lower 48 (and Anchorage for that matter) such as reduced hours of operations, furloughs, layoffs, and outsourcing some functions.

Port and Harbor Enterprise Fund

The Port and Harbor Enterprise Fund is in relatively good shape, at least with respect to the short term and this year's budget. The Port and Harbor has no outstanding debt with the exception of a small equipment loan. Revenues are projected to increase slightly next year and will increase by over \$100,000 if a recommendation to increase fees by 3% is approved. Operating expenses are down from last year by over \$100,000, mostly due to decreases in insurance costs. The draft budget proposes that \$500,000 be transferred to depreciation and fleet reserves.

The draft budget contains no new employees and no COLA for existing employees. The same reductions in contributions to the internal service fund were applied. No new vehicles are included except for a ½ ton pick-up for Port Maintenance. Fortunately, the Port and Harbor is in a position to make some targeted investments in its infrastructure. The draft budget contains \$160,000 in capital improvements that includes upgrades to the harbor tug, a crane rebuild on the Fish Dock, an electrical conduit overhaul on the Fish Dock, upgrades to the ice delivery system, and replacement of the Wiggins forklift.

Discussion

As noted above, the Port and Harbor Enterprise Fund is in good shape overall, especially if the planning horizon is short term. However, the auditors have reminded us again this year that the fund needs to improve its cash balance situation and significantly enlarge its reserves. As many have noted, the port and harbor facilities are probably the most important economic engine we have in this community. The City should take a long term view in terms of investing in existing infrastructure there. The port and harbor contains upward of \$70 Million dollars of infrastructure but the City only has just over \$1

Million in reserves. Much of this infrastructure, such as the ice plant and the Fish Dock cranes is 25 years old. We have been treading water but not really maintaining and investing as we should. One large breakdown could wipe out the reserves in short order.

To that end, the administration is recommending a 3% increase in most fees. Fees have not been raised for several years and they remain low for the most part compared to other comparable harbors. The extra revenue would be used to grow the reserves and maintain the facilities that we have. Adequate reserves and a healthy revenue stream are also vital if bond sales or grant matching funds are needed in the future.

Water and Sewer Fund

As you know, the Council has decided to set water and sewer rates every other year at mid-year. Council will revisit the water and sewer budget and water and sewer rates later this spring. However, in the meantime, a water and sewer budget must be approved along with the rest of the operating budget so that operations can continue through the first part of FY 2011.

The Water and Sewer Enterprise Fund is in pretty good shape overall considering the fundamental problems it must overcome. Those problems include a very expensive and far flung infrastructure and relatively few customers to pay for it. The overall picture becomes more tenuous when debt is considered. Although debt payments are made by the Homer Accelerated Water and Sewer Program Fund, a separate fund supported by sales tax revenues, this still remains water and sewer debt and it is close to \$14 Million. When the two funds are combined, like the auditors like to do, the overall picture suggests caution and close monitoring.

This discussion is limited to the Water and Sewer Enterprise Fund. Total water and sewer fund revenues were down this year and are projected to be down next year as well. The dip in revenues was mostly on the water side and it has been suggested that it is due in part to a very wet summer season and to conservation efforts on the part of consumers. The draft budget contains operating expenses that are essentially flat. There are no COLAs for employees and contributions to the internal service fund were reduced similar to the other funds. The budget contains no new employees, no new vehicles, and transfers \$500,000 into the reserves. The Water and Sewer Fund has just under \$4 Million in reserves. The draft budget contains sewer capital project funding for polymer feed equipment replacement and a bio-solids treatment feasibility study. The purpose of the study is to increase efficiency, reduce energy costs, and prepare for the day that the Borough closes the landfill.

Discussion

Discussion this spring will likely center on several key topics:

- How do we promote in-filling, increase customers, and increase revenues so that the cost of maintenance and operations can be shouldered by more people?
- Should the Water and Sewer Enterprise Fund be subsidized in order to keep rates down? If so, how?
- Is the present fee schedule and cost apportionment between residential, commercial and bulk carrier classes fair and equitable? If not, how should it be adjusted?
- Are there ways to reduce costs we have not thought of yet?

TDR C UL



City of Homer

City Manager

491 East Pioneer Avenue

Homer, Alaska 99603

phone: 907-435-3102 fax: 907-235-3148

email: wwrede@ci.homer.ak.us

September 2, 2010

To Whom It May Concern:

I am writing on behalf of the City of Homer to express support for the application from Families First: A Best Beginnings Partnership for \$20,000 in grant funding to support the organization's work in the area of child and family health.

A healthy community is not possible without healthy families. We are impressed with the work and goals of Families First in regard to infant learning, early childhood education, reducing child abuse and domestic violence, providing stimulating play experiences for children, addressing the shortage of quality child care in the community, and working toward development of a community resource center.

\$20,000 is not a large grant but I have no doubt that those involved with Families First will stretch the dollars for maximum benefit in an area of great need. Your support will be greatly appreciated.

Sincerely,

CITY OF HOMER

Walt Wrede
City Manager

Alaska Economic Report

— *Tracking resource, business, industry
& construction issues since 1974*

Publishers: Mike & Tim Bradner (907) 440-6068
3037 South Circle, Anchorage, Ak. 99507

August 30, 2010
No. 13/2010

U.S. Senate: Alaskans shooting themselves in the foot?

Alaska voters may have tossed the state's clout in Congress to the winds in the August 24 Republican primary. Sen. Lisa Murkowski, ranking Republican on the Senate Energy and Natural Resources Committee and a member of Senate Appropriations may have been defeated by newcomer Joe Miller, a Fairbanks attorney. Miller held a narrow 1,668-vote lead as of Aug. 30. Thousands of absentee and questioned ballots are yet to be counted, so the numbers will change. The first absentee count is set for Tuesday, Aug. 31. The trends for both candidates will be seen. It could be clear then who the ultimate winner may be.

Miller rode an anti-incumbent wave among disgruntled Republican voters, and what was crucial was a surge of out-of-state Tea Party money, half a million dollars, dumped into TV

advertising and other media at the last minute. Other factors: A low voter turnout (28 percent), the closed primary in which only Republican-registered voters could cast ballots, and a ballot proposition on abortion that brought out Christian conservatives to the polls. All this didn't help Murkowski. There was also evidence that conservative Republican operatives were at work in organizing what amounted to a stealth campaign to defeat Murkowski, who is at heart a moderate.

- Continued on page 3

In this Issue:

- Akutan geothermal drilling Pg. 2
- Governor's race, no surprises Pg. 3
- Apache Oil in Cook Inlet Pg. 6
- A good salmon season Pg. 6

Resource Supplement published separately

State's economy: What's strong; what's muddling along

Fishing and mining are doing well in 2010; construction is okay, as is trucking; petroleum and aviation jobs are down; employment in eating and drinking establishments is up (this is an indicator of disposable income), an total job numbers are up. All the data is for June and is compared to June of 2009. So, what to make of this mixed bag? It's hard to see any clear patterns or worrisome trends other than

in oil and gas, where jobs are down about 1,300 comparing June with the year previous. The picture is one of a fairly stable economy, in terms of wage and salary jobs, the best indicator we have for Alaska. However, the drop in oil workers, as well as the decline in production, is something to be concerned with, in that petroleum underpins about a third of the state's economy one way or another.

Energy:

Akutan geothermal well: Good results

The first of two geothermal exploration wells being drilled by the City of Akutan encountered water at temperatures in excess of 360 degrees at shallow depths, managers of the project said. Drilling had been started in mid-July. The next step is design of a geothermal power system and estimation of costs. The city hopes to have geothermal power production underway in two years. Akutan has 850 residents and is a hub for regional fishing activity, with a large Trident Seafoods processing plant in the community.

AEA loan to Southeast hydro project

The Alaska Energy Authority board approved a \$9 million loan to Haida Energy Inc. for the 5 megawatt Reynolds Creek hydro project on Prince of Wales Island in Southeast Alaska. Haida Energy is a joint-venture of Haida Corp. and Alaska Power & Telephone Co. Inc. Total cost of the plant is \$17.2 million. The partners gave secured \$5.3 million in state and federal grants. Haida Corp. has \$2.9 million of its own money in the project.

State studies CNG conversion

The state Department of Transportation and Public Facilities requested proposals for a \$65,000 study of conversion of the state vehicle fleet to compressed natural gas. The study, mandated by recently-passed legislation, is due by the end of the year. The state owns about 7,500 vehicles.

General business: Home sales up?

Anchorage realtors say home sales may be picking up in 2010 after a gradual three-year slide, but it's still too early to know. The bump in first half of the year may be due to the one-time tax benefit for home purchases, they say.

Petroleum:

Apache wants to expand in Alaska

Senior Apache Corp. managers were in Alaska last week meeting with state officials on their plans for Cook Inlet. The company, a major U.S. independent, has purchased 238,000 acres of undeveloped state leases from several individuals in the Cook Inlet region and plans more acquisitions to expand that base, company officials told us. Most of Apache's new acreage is onshore, on both sides of Cook Inlet, with some offshore acreage on the west side, near the shore. Apache had made a tentative offer to Escopeta Oil and Gas to acquire a major stake in the offshore acreage this small independent holds, but the initiative has not progressed, so far, and Apache wouldn't comment on it. Exploration of Escopeta's leases would require a jack-up rig to be brought to Cook Inlet.

Apache may be looking at other prospects. Chevron Corp. is reportedly interested in selling its interests in several mature oil-producing fields and the aged platforms that serve them, so this might be another acquisition. Apache did talk with BP about buying part of the Prudhoe Bay field, but decided to purchase BP assets elsewhere that are near existing Apache holdings. The company basically wants to get its foothold in Cook Inlet before expanding to the slope.

Armstrong proceeding with gas wells

Armstrong Oil and Gas is engaged in new drilling and building a small gas pipeline from the North Fork gas field east of Anchor Point to that community, where it will join with an extension of the Kenai Kachemak Pipe Line being built by Enstar Natural Gas. The Denver-based company is drilling new production wells at the North Fork field and has moved a rig to the site. Armstrong will sell its gas to Enstar.

Governor's races, Legislature: Few surprises

Gov. Sean Parnell rode to easy victory over opponents Bill Walker and Ralph Samuels in the Aug 24 primary. Ethan Berkowitz bested Hollis French in the Democratic primary for governor. Both results were expected. The surprise was that Walker, essentially a one-issue candidate (the "All-Alaska" gas pipeline) netted far more votes than Samuels, who put forward a more nuanced campaign with criticism of Parnell's gas pipeline and oil tax initiatives. The result was disappointing for the state's business community, which had backed Samuels. It could be that Samuels' low-key style could not carry a complex argument, while Walker was more effective with what amounted to a bumper-sticker campaign. Through all this Parnell coasted, mainly because he hadn't made any mistakes. Berkowitz will continue the criticism on Parnell's policies, but Parnell may just continue to coast. The bottom line is that the voters may not care that much about the state's economy because things aren't bad here, at least yet. People may not understand the complexities of current state policies and the challenges of falling oil production. *Mead Treadwell's heavy victory over Jay Ramras for lieutenant governor was a surprise given that Ramras is a sitting legislator and has been cam-*

Miller-Murkowski: Another cliff-hanger election (Cont.)

- Continued from page 1

The insider talk is that the party's far-right didn't want Murkowski coming back to the Senate because she has demonstrated an ability to work across party lines and forge compromise. This group, or so the talk goes, want a more rigid hard-liner who would stand firm in defeating President Obama's programs, whatever they are. Oddly, since the election Miller has been on the talk-radio airwaves bashing the national Republican Party, which is surprising for someone who hopes to be the GOP standard bearer.

In any event, if Miller prevails the state will lose the advantages of Murkowski's seniority and her seat on Appropriations, which Miller will not get. Miller might get seats on Environment and Public Works and on Energy and Natural Resources but without the clout of Murkowski's seniority, we're told. Alaska does have Sen. Mark Begich among the Senate Democrats but Begich is in his first term and lacks seniority. In the House, Congressman Don Young has plenty of seniority but is still operating under a cloud from recent investigations. Those have now been dropped, but Young's position in the next Congress is unclear. The custom is that former chairmen are not named again to head major committees, we're told, but Young may wind up being ranking member on an influential subcommittee, which will be a good thing for Alaska.

But the bottom line is that with less clout in Congress Alaskans will have a tough time holding back environmental initiatives of the Obama administration. The recent push by NOAA for an aggressive cutback in offshore fishing in certain areas, despite criticism by the North Pacific Fisheries Management Council that the scientific basis is lacking, is an example of things to come. The last time NOAA attempted this, in the Clinton administration, former senator Ted Stevens used his considerable clout to force NOAA to do the science to justify the action.

Business Intelligence

Economic forecast: Steady, but slow, growth in Southcentral Alaska

Anchorage Economic Development Corp.'s three-year forecast projects slow but steady growth, with wage and salary employment expected to grow from 151,000 in 2009 to 153,900 in 2013 for Anchorage and Southcentral Alaska; personal income in Anchorage is projected to increase from \$13.8 billion in 2009 to \$15.2 billion in 2013. Population is on a similar steady growth-track, increasing from about 290,600 in 2009 to 296,400 in 2010. Activity at Anchorage's international airport and the Port of Anchorage also show increases this year, AEDC said in its report.

ECONOMY LOOKS OKAY, BUT INDIVIDUAL ALASKANS ARE EDGY: Alaska's unemployment rate dropped to 7.7 percent in July, dipping below the national rate of 9.9 percent. State economists say Alaska is faring better economically than the nation because most of Alaska's industries, like oil, mining, fisheries and government, have not been greatly affected by the recession. Individual Alaskans are still edgy about the state's economy, however. A survey conducted jointly by Northern Economics, Ivan Moore Research and Northwest Strategies, reported that for the second quarter of the year 60 percent of survey respondents felt conditions in their local communities were stable, a quarter of respondents felt things were getting worse, and that was an increase over results in the survey for the first quarter.

BLS CITES 2.9 PERCENT INFLATION FOR ANCHORAGE: The U.S. Bureau of Labor Statistics reported a 2.9 percent increase in consumer prices in Anchorage last year, an increase over the 1.2 percent inflation of the previous year but lower than inflation in six of the past 10 years. Housing costs were up 1 percent overall, BLS reported; medical care rose 6 percent; unleaded gasoline was up 32 percent; clothing costs rose 6 percent (this is up from several years in which competition among new big-box retailers brought clothing prices down). Some energy prices declined. Natural gas and electricity costs were both down 16 percent.

PERMANENT FUND NETS 11.8 PERCENT RETURN FOR FISCAL YEAR: Alaska's Permanent Fund earned 11.8 percent on its principal in Fiscal Year 2010, which concluded June 30, ending the fiscal year with a market value of \$33.3 billion. Earnings for the year were above the target of 9.8 percent, the Alaska Permanent Fund Corp. reported. Earnings were boosted by strong performance in financial markets for the first three months of the fiscal year, extending into spring 2010. A softening of the market in mid-2010 wasn't enough to dampen returns for the year. During the fiscal year the Fund's U.S. stock portfolio returned 15.9 percent; the non-U.S. stock portfolio 11.8 percent.

EPA SAYS IT WON'T PUSH GREENHOUSE GAS REGULATION: In her visit to Alaska, U.S. Environmental Protection Agency Administrator Lisa Jackson said her agency has temporarily backed away from an effort to regulate carbon emissions through the Clean Air Act. The Obama administration had pushed carbon regulation as a stop-gap until Congress enacts climate change

Petroleum:

Enstar affiliate files for gas storage

Enstar Natural Gas Co. parent SEMCO Energy has formed a joint-venture company, Cook Inlet Natural Gas Storage Alaska LLC with a partner, MidAmerican Energy Holdings Co., to pursue a \$180 million gas storage project in Southcentral Alaska. The joint-venture company has filed an application with the Regulatory Commission of Alaska for the facility, which will have a capacity of storing 11 billion cubic feet of gas and an ability to withdraw gas at 150 million cubic feet per day. Gas injection would begin in the summer of 2012 and the first withdrawals in the winter of 2012-13, according to the application.

State subsidy for bullet gas line?

State officials directing continued studies of an in-state gas pipeline system gave legislators an update in early August but there wasn't substantial new information presented. The study involves a stand-alone 800-mile pipeline bringing gas from the North Slope to Southcentral Alaska that could be built quicker than a proposed large-diameter gas pipeline, which will take 10 years to construct. If the large line moves forward the state instead may focus on a "spur" line to Southcentral from the big pipeline. Cost estimates for the 800-mile pipeline range to \$12 billion, and the state's team, being led by Alaska Housing Finance Corp. director Dan Fauske, is required to have a refined estimate and a development and finance plan by next July.

In his briefing Fauske was straight with legislators. He said it is likely that a major state subsidy for the project may be necessary for Southcentral consumers, utilities and industrial customers to afford gas moved through the system. The team is also considering possible industrial customers and has requested proposals for a gas-to-liquids feasibility assessment.

Fisheries:

It's a good salmon year!

A huge surge of pink salmon in Prince William Sound pushed the state's salmon harvest well beyond projections, fisheries writer Laine Welch is noting in weekly seafood columns. The total harvest so far is 157 million fish, well beyond the 137 million predicted for all of 2010. Ninety nine million of those caught so far are pink salmon. A pink harvest of 69 million had been predicted. Prince William Sound is having a record-breaking harvest of 65 million pinks so far, and Southeast fishermen are catching larger numbers of pinks than expected. Sockeye salmon, the species where fishermen make the most money, is a respectable 40.3 million harvest. A 45.8 million catch had been forecast.

The big news is prices, which are up, Welch writes. Prices have been trending up in recent years but there's a nice bump this year, she says. Pink salmon are fetching 30 cents to 35 cents per pound in some places, up from 22 cents last year. Sockeye prices are ranging between \$1.50 to \$2.40 per pound in Kodiak, Prince William Sound and Southeast, and in the big Bristol Bay sockeye fishery harvesters earned 99 cents a pound in initial payments which will probably wind up being \$1.20/pound in post-season adjustments when the fish are actually sold. The ex-vessel value of the 2010 season will far exceed last year's \$370 million.

The chum salmon run on the Yukon River may not meet expectations. Biologists had been hoping for a 600,000 run but the actual number may be half of that, they now say. The low number likely dooms the prospect for a commercial chum fishery this year and may threaten the subsistence harvest. A run of about 400,000 is needed to meet escapement goals and subsistence needs, fisheries managers said. If the run is above that a commercial fishery is allowed. Commercial harvests of chums are an importance source of cash for Yukon River villagers.

Minerals:

Another expansion for Fort Knox?

The Fort Knox Mine near Fairbanks anticipates boosting production to 339,000 ounces in 2010 thanks to the mine's new heap leach ore process facility, which was completed last year. Mine owner Kinross Gold invested \$103.6 million in the project along with another \$193 million in an expansion of the main pit at the mine. The mine now has enough reserves to continue mining through 2016, although gold production would continue from ore stacked on the heap leach for several years after that. However, Fort Knox has new exploration around the main pit underway this summer which could result in an extension the mine and mill operating life, company officials said. The expansion would be the 8th for the mine. Several years of exploration will be required before a decision on expansion can be made, company officials cautioned.

Gold prices exceeded \$1,200 per ounce in early August. The high prices have significantly boosted gold-related exploration as well as activity at existing mines. Avalon Development, an exploration services company, said it is having one of its best years ever. The company works with clients in managing potential mine development projects. *Miners have long memories, however, and recall \$300 per ounce gold prices a decade ago.*

Usibelli completes Wishbone drilling

Usibelli Coal Mine Inc. is completing 20 planned test holes at its Wishbone Hill coal leases north of Palmer and hopes to begin mining the deposit in cooperation with a Japanese customer. Local homeowners are still unhappy about the prospective mine and are urging borough officials to push the state for more controls. The company said homeowners should have known of the coal leases when they moved in, and that the area is an old mining district. Usibelli will

Usibelli's Wishbone Hill project (Cont.)

still be a good neighbor, however, and will mitigate local impacts of mining as much as possible, the company said,

BBNC gets active in opposing Pebble

Bristol Bay Native Corp. is now taking an active role in opposing the planned Pebble mine. BBNC joined with local tribes and fishing organizations to ask the U.S. Environmental Protection Agency to prohibit discharges of dredged or fill material on state lands at the headwaters of the Kvichak and Nushagak Rivers, where the large Pebble mine would be developed. Alaska Cong. Don Young has meanwhile introduced a bill in Congress that would strip EPA of its authority to block discharges of dredged and fill material, although Young said his bill isn't aimed particularly at Pebble.

The U.S. Army Corps of Engineers has primarily authority to regulate discharges of dredge and fill material but under the Clean Water Act the EPA can exercise a veto over a corps permit. Some of this was in play over the corps permit for the Kensington Mine near Juneau but in the end the EPA did not assert this power.

Election-year politicking over Pebble is in high gear. An opposition group, Alaska Wild Salmon Protection Inc., has been running radio spots urging listeners to vote for candidates opposing the project. Truth About Pebble, a support group, filed a complaint with the Alaska Public Offices Commission, the state's elections regulatory agency. APOC said it will launch a formal investigation.

The complaint is Alaska Wild Salmon Protection Inc. should register as a group attempting to influence the election and be required, under APOC procedures, to disclose sources of funding.

Business Intelligence (Cont.)

- Continued from page 5

UPS MAY FURLOUGH FEWER PILOTS: It appears United Parcel Service will furlough fewer of its Anchorage air cargo pilots than previously thought. Nationwide the company reduced its projected downsizing from 300 to 230 pilots, most of which are Anchorage-based, but who do not actually live in Alaska. The pilot's union originally estimated that about 80 pilots who also live in the city would be affected but this is now reduced to about 70.

Alaska Communications Systems, Inc. will acquire TekMate, an Alaska information services company, for \$2 million. The acquisition will expand ACS' information technology services. TekMate has about 40 employees and had \$5.5 million in revenues in 2009.

FOR WAINWRIGHT TROOPS TO DEPLOY AGAIN; ARMY BRASS VISIT: The Army's Stryker Brigade at Fort Wainwright, in Fairbanks, will likely receive new deployment orders in early 2011, senior defense department officials visiting Fairbanks said. The Army is attempting to give units two years at their home base for every third year deployed and hopes to stretch this to three years. The 4,000-strong brigade returned from deployment about a year and a half ago.

Army Secretary John McHugh, who led the visiting group, expressed confidence in the future of Fort Wainwright as the defense department considers spending cuts. McHugh noted the strategic location of the base in Alaska and major investments made in facilities there in recent years.

MAT-SU AUDIT FAULTS NPI FOR SITE CONTAMINATION: An environmental audit by the Matanuska-Susitna Borough on 22 acres of borough land at Port Mackenzie discovered oil contamination and other environmental problems including sedimentation in wetlands, trash accumulations and lack of secondary containment around oil storage facilities. Results were turned over to the state Dept. of Environmental Conservation. NPI, the lessee, has engaged in timber harvesting in the area and has used the port facility to load wood chips. The borough and NPI were also engaged in a dispute over leasing of borough lands for timber harvesting, with NPI arguing the borough had cancelled planned timber sales that caused it economic harm. A settlement reached has the borough paying NPI \$1.1 million in cash and \$1.3 million in credits for dock and wharf fees at the port. However, NPI lost its right of first refusal on leasing of borough lands in the port area.

LOCAL VEGETABLES POPULAR IN RESTAURANTS, BUT HARD TO GET: Anchorage restaurant operators say locally-grown vegetables are a popular but distribution problems have hampered deliveries this year from farms in the Matanuska Valley. More restaurants are turning to various farmer's markets that operate at certain days of the week. Although the regional farming is always unpredictable because of weather (this year's rainy summer in Southcentral hampered growth of certain crops) the trend basically points to a growing urban population outstripping the capacity of farmers that remain in "the valley" agricultural area. Agricultural land is shrinking, also, because farm land is gradually being converted to other uses, mainly for residential development.

CITY OF HOMER
HOMER, ALASKA

Howard/Roberts

RESOLUTION 10-77(A)

A RESOLUTION OF THE CITY COUNCIL OF HOMER,
ALASKA, AMENDING THE CITY OF HOMER PROPERTY
MANAGEMENT POLICY AND PROCEDURES MANUAL.

WHEREAS, Homer City Code Section 18.08.160 authorizes and directs the City Council to adopt a Property Management Policy and Procedures Manual by resolution; and

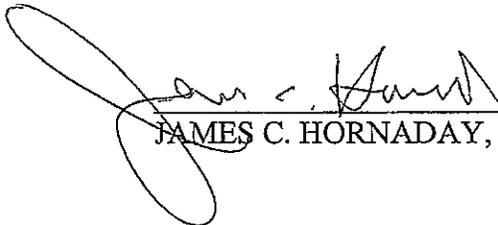
WHEREAS, The Economic Development Advisory Commission has recommended to the Council that certain provisions of the current edition of the Property Management Policy and Procedures Manual be amended; and

WHEREAS, The City Council has reviewed the recommendations of the Economic Development Advisory Commission, and as a result of that review has determined to adopt the amendments to the Property Management Policy and Procedures Manual that are incorporated in this resolution.

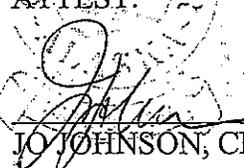
NOW, THEREFORE, BE IT RESOLVED that the Property Management Policy and Procedures Manual is amended as set forth in Exhibits A and B attached hereto and incorporated by reference herein.

PASSED AND ADOPTED by the Homer City Council this 27 day of September 2010.

CITY OF HOMER


JAMES C. HORNADAY, MAYOR

ATTEST:


JO JOHNSON, CMC, CITY CLERK

Fiscal Note: N/A

EXHIBIT A
AMENDMENTS TO PROPERTY MANAGEMENT
POLICIES AND PROCEDURES MANUAL

1. Amend Procedure 7.2.B to read as follows:
 - B. Rental Rate Determination: Lease rental rates shall be determined by periodic appraisals scheduled and paid for by the City.
2. Amend Procedure 10.2.by deleting paragraph 10.2.D.
3. Add Procedure 11.2.H to read as follows:
 - H. At the expiration or termination of a lease the City may negotiate to reimburse the lessee for improvements at fair market value, and then issue a request for proposals offering the lot and improvements as a package.
4. Amend Procedure 12.2.A to read as follows:
 - A. All leased properties shall be appraised every fifth year. The appraisal shall be conducted by an Alaska Certified General Real estate Appraiser. Appraisals shall be subject to the following:
 1. The lease rate shall be adjusted upward based upon increased property appraisal values. This periodic adjustment compensates for changing market conditions in the area by determining the fair rental value. In the event that an appraisal reveals that fair market rent has declined, the lessee may petition the City for an amendment to the lease and reduction in the lease rate. The City is under no obligation to do so. Any reduction in lease rates must be approved by the City Council and the motion to do so must include a statement regarding why the action is in the public interest.
 2. During the month of January each year, the City will contract with an Alaska Certified General Real Estate Appraiser to appraise all leased parcels which are due for their five year appraisals in that year. The appraisals will be bundled and conducted at the same time under the same contract in order to reduce costs. The City will select the appraiser and bear the cost of the appraisal.
 3. The newly adjusted lease rate determined by the appraisal will take effect on the anniversary date of the lease.
5. Add 14.4 Assignment with Sale of Business to read as follows:

14.4 ASSIGNMENT WITH SALE OF BUSINESS

Where a lessee intends to assign the lease as part of a sale of the business located on the lease lot, the person who intends to purchase the business may apply to extend the lease term to allow the continuation of the business and to secure financing for the purchase.

Exhibit B

Date: September 21, 2010
To: Mayor Hornaday and City Council Members
cc: City Manager and City Attorney
From: Barbara Howard
Subject: Proposed amendments to the Property Management Policy and Procedures document dated May 12, 2010 as recommended by the EDC.

Chapter 1: Lease Policies/Goals, Purpose and Responsibility

1.1 Goals and Purpose: 1.1d: No changes retain as originally written.

1.2(b) Responsibilities: No changes: retain as originally written.

Chapter 2: Lease Committee

2.2 Procedures: No changes: retain as originally written.

Chapter 3: Properties Available for Lease

3.2 Procedures: No changes: retain as originally written.

Chapter 7: Lease Rental Rates

7.2 Procedures:

(a) (1-4) No changes: retain as originally written.

(b) Recommendation: city responsible for scheduling and paying for appraisals.

Chapter 8: Reconsideration

8.1 Policy: No changes: retain as originally written

8.3 (5) No changes: retain as originally written

Chapter 10: Improvements

2 (c) Recommendation: *" the terms of the lease shall include provisions for the disposition of leasehold improvements upon the expiration or termination of the lease term. These provisions may require that the lessee remove the improvements, that the improvements become the property of the City, or another*

arrangement that is justified by the cost, useful life or alternative uses of the improvements”

Chapter 10: Improvements (continued)

2 (d) Recommend accepting proposed change.

Chapter 11: Length of Leases/options

11.2. (a) No changes: retain as originally written

11.2 (c) No changes: retain as originally written

11.2 (f) No changes: retain as originally written

11.2 (h) Recommend accepting proposed change

11.2 (l) Reject as written

11.3 Reject as written

Chapter 12: Lease Rate Adjustments

12.2 (a) (2) (3) Recommendation: delete existing

12.2 (a) (2) Recommend: *During the month of January each year, the City will contract with an Alaska Certified General Real Estate Appraiser to appraise all leased parcels which are due for their five year appraisals in that given year. The appraisals will be bundled and conducted at the same time under the same contract in order to reduce costs. The City will select the appraiser and bear the cost of the appraisal.*

12. (a) (3) Recommend: *The newly adjusted lease rate determined by the appraisal will take effect on the anniversary date of the lease.*

12.2 (b) No changes: retain as originally written

Chapter 13: Sub-Leases

No changes: retain as originally written

Chapter 14: Assignments:

14.4 Recommend accepting additional section. No suggestion for title of this new section

Chapter 15: Insurance:

Recommend: city insurance carrier and city attorney review and prepare recommendations.

Chapter 18: Conclusion of Lease

No changes: retain as originally written

City Manager Wrede reported the City and DOT are not ready. He suggested postponing to November or December and tabling the resolution until we are ready.

WYTHE/ROBERTS - MOVED TO TABLE UNTIL INTRODUCED BY STAFF AND THEY ARE PREPARED.

VOTE: YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Councilmember Hogan asked if he could go back to Committee Report.

Mayor Hornaday ruled Councilmember Hogan may go back to Committee Report to the Lease Committee.

Councilmember Hogan referenced the Lease Committee meeting on July 21 with three committee members and an alternate member present. He does not know of any provisions in code for alternate representation.

City Manager Wrede answered the Clerk informed us there are no provisions in code for alternate members. We were in error at the meeting.

Councilmember Howard asked if it was the alternate member who made the quorum.

City Manager Wrede answered affirmatively and one consideration at the time was there was not a real decision made other than to have a general discussion with the applicant to let them know how they could improve the application.

Councilmember Hogan stated he has no objection to amending code to provide for that. It is frustrating the rules are made up as we go along, hoping nobody notices.

B. **Resolution 10-29**, A Resolution of the City Council of Homer, Alaska, Amending the City Property Management Policy and Procedures Manual to Include the Amendments Submitted by the Economic Development Advisory Commission. Hogan. (Postponed from June 14, 2010)

Motion on the floor from March 22: MOTION FOR THE ADOPTION OF RESOLUTION 10-29 BY READING OF TITLE ONLY.

Councilmember Wythe will vote against Resolution 10-29, as from Council conversations we are not going to approve the changes as submitted by the EDC in their entirety.

HOGAN – MOVED TO AMEND CHAPTER 7 OF THE PROPERTY MANAGEMENT POLICY AND PROCEDURES AS PRESENTED BY THE EDC 7A TO READ AS FOLLOWS UNDER SECTION 1: PERCENTAGE OF VALUATION AND THE LEASE RATIO EQUAL

8% OF THE BOROUGH'S ASSESSED VALUATION OF RAW LAND AND/OR CITY OWNED IMPROVEMENTS BASED ON FEE SIMPLE BASIS OF THE RATING.

Mayor Hornaday stated we agreed not to have amendments at this stage.

Motion died for lack of a second.

Councilmember Hogan referenced the laydown from Brad Faulkner. It is frustrating that the EDC and Port and Harbor Advisory Commission spent over a year addressing the issue. At the last minute the Council was presented with an alternative set of changes offered by administration. He has been following the process for a number of years. It is not the first or second time it has happened. The EDC spent a great amount of time looking at lease policy regulations. Revisions were offered by the EDC in 2004 and were shot down by a different administration. In 2007 the same thing happened. From the May 14, 2007 City Council minutes: "Bob Howard, city resident and Chair of the Economic Development Advisory Commission (EDC) spoke on Memorandum 07-89. It criticizes the EDC's revisions in a strong negative manner. Recommendations provided in Memorandum 07-78 by the EDC were done in a thoughtful effort to create a more flexible Lease Policy." Mr. Howard was eloquent in his frustrations how a citizen's committee was blindsided and shot down by an administration and a Council that put the administration's view over that of the citizens. The Council's manner of addressing this is a slap in the face to the EDC. The last time this happened the EDC was done, they walked away and a whole new commission had to be started all over again. A lot of work and thought went into the policies. We can go ahead and do what the administration wants and we will see nothing happen on our city- owned lease property. It has been going on for decades.

Councilmember Wythe noted the proposed changes in Councilmember Howard and Roberts' resolution. They are not the staff's proposal. The items were brought forward as acceptable in light of all changes proposed. EDC is frustrated they have put time and energy into recommendations. Not having every proposal sent forward rubber stamped is not a measure of the worth of the commission. There are many things they brought forward that are being considered and will be brought into the review process; there are many things that are not. Bringing the proposals forward continues to bring it to the Council to give thoughtful consideration to altering the plan. The function of the Council is to determine what is in the best interest of the City. No one is making a decision based on not valuing the time, energy, and effort expended by the EDC. Some of the major changes introduced by Resolution 10-77 have to do with the valuation of the property and who stands the expense for the periodic review of the values of those properties. The EDC brought forward extremely valuable information and as a result we will come out with better product for the City of Homer.

Councilmember Howard noted as a lessee she would like to see the process as amended. Council was trying to hear both sides and bring something most to the center. It is not a perfect document, although there are step improvements along the way. In reading the recommendations from the EDC her recommendation would be to sell all the property and not stay in the leasing process.

Councilmember Hogan referenced the laydown from Mr. Faulkner, a lease holder on the Spit. It is very well written and points out a lot of the history. A lot of the history of dealing with City Hall boils down to there is a policy of reward and retaliation based around city leases. People are afraid to speak up due to retaliation. The EDC was trying to come up with a fair policy that was uniform. So much in the past is arbitrary and good ole boy politics that harms the reputation of the business community. Seafood businesses come and leave with a bad taste in their mouth. He would like people to realize and acknowledge what is going on.

Councilmember Howard is appreciative of the opportunity to discuss it and make resolution. Her concern of some amendments was reading the attorney's comments contrary to State code.

Councilmember Hogan recalled the memo the attorney wrote in regard to lease rental rates. His comments were made addressing a policy issue, not a legal issue. Rental rates have to affect fair market value. The attorney's comments were to affect a policy arena question. It is not the attorney's job to support the administration's view on policy. The City Attorney is to represent the Council. Rental rates could be determined by assessed valuation. The attorney's comments were used inappropriately.

VOTE: YES. ZAK, HOGAN, LEWIS

VOTE: NO. HOWARD, ROBERTS, WYTHE

Mayor Hornaday broke the tie vote with a NO vote.

Motion failed.

NEW BUSINESS

- A. **Memorandum 10-120**, From City Clerk Re: Request for Executive Session Pursuant to AS §44.62.310(C)(1 & 5), Matters, the Immediate Knowledge of Which Would Clearly Have an Adverse Effect Upon the Finances of the Government Unit and Attorney/Client Privilege. (Briefing on Atwater and Dietzman Cases by Attorney Frank Koziol).

Moved to be heard just prior to adjournment.

RESOLUTIONS

- A. **Resolution 10-75**, A Resolution of the City Council of Homer, Alaska, Establishing a Natural Gas Distribution Task Force. City Manager.

Memorandum 10-93 from City Manager as backup.

HOWARD/ZAK - MOTION FOR THE ADOPTION OF RESOLUTION 10-75 BY READING OF TITLE ONLY.

Councilmember Lewis expressed opposition until we know we have the money to build the gasline from Anchor Point to Homer. He sees no need to set up another committee.

City Manager Wrede said the committee was part of the legislative intent language. If the Council does plan to put Phase II of the gasline in the CIP list and try to get it in the State budget this year it would help Phase II get funded. He has no ownership in the make-up of the committee; Council can make the committee membership what it chooses.

Councilmember Hogan commented a few meetings ago the resolution forming the utilities commission was voted down since there may have been oversight on the City's utilities too.

Councilmember Roberts expressed support, as at the last meeting the City Manager was asked to come back with a resolution for citizens to make a decision about our gas future. If we don't pass the resolution it will be showing the Legislature we are not too interested. She asked if the five members of the committee are to be city or non-city residents.

City Manager Wrede answered it is desirable to have city residents with this level of experience.

Councilmember Wythe stated city residents would be given preference, but if someone in the outlying area has expertise we would certainly want to consider them.

Councilmember Howard expressed support for the resolution. When water and sewer rates were under discussion she had suggested a utility commission. Councilmember Hogan brought a resolution forward at that time, but she had hoped to bifurcate the gas out. She will encourage the resurgence of a utility commission.

VOTE: YES. WYTHE, ZAK, HOWARD, LEWIS, ROBERTS
VOTE: NO. HOGAN

Motion carried.

B. **Resolution 10-76**, A Resolution of the City Council of Homer, Alaska, Approving the Federal Express Corporation Cargo Area Sublease at the Homer Airport Terminal and Authorizing the City Manager to Sign. City Manager.

Memorandum 10-121 from Airport Terminal Manager as backup.

Mayor Hornaday called for a motion for the adoption of Resolution 10-76 by reading of title only.

WYTHE/LEWIS - SO MOVED

Councilmember Hogan referenced Memorandum 10-121 as to administrative leases since 1993. He stated there is no such thing as an administrative lease. We have a lease policy that covers city leases. If we want to have administrative leases we must amend the code.

City Manager Wrede answered in the past we have interpreted the lease policies as referring to ground leases. If Council does not agree we should make a change to say all leases are subject to

the lease policies. There are limited options. Fed Ex is a good customer and can only sign up for leases five years or less, a State DOT requirement.

Councilmember Hogan said Fed Ex is a great tenant. The lease is expired, it's a cumbersome policy, yet we need to follow the rules.

VOTE: YES. ROBERTS, LEWIS

VOTE: NO. WYTHE, ZAK, HOWARD, HOGAN

Motion failed.

(See Reconsideration under Comments of the City Council.)

C. **Resolution 10-77**, A Resolution of the City Council of Homer, Alaska, Amending the City of Homer Property Management Policy and Procedures Manual. Howard/Roberts.

Mayor Hornaday called for a motion for the adoption of Resolution 10-77 by reading of title only.

HOWARD/ROBERTS – SO MOVED.

HOWARD/ROBERTS - MOVED TO AMEND THE NOW THEREFORE TO INCLUDE EXHIBIT B AND MARK PAGE 263 AS EXHIBIT B.

There was no discussion.

VOTE: (amendment) YES. NON OBJECTION. UNANIMOUS CONSENT.

Motion carried.

WYTHE/ROBERTS - MOVED TO AMEND EXHIBIT A, ITEM 4-A-1 AND ADD ON THE END OF THAT "THAT IN NO INSTANCE SHALL THE RATE BE REDUCED BELOW THE ORIGINALLY CONTRACTED RATE".

Councilmember Wythe defended when you enter into the agreement there is an agreed upon rate of value for the lease. The City then makes revenue projections based on those agreements. If the rate goes down you still need the lease agreement as the value collected for the property.

Councilmember Hogan commented there are a lot of businesses and people with upside down mortgages. All across the country mortgages, real estate deals, and lease rates are being renegotiated to facilitate the survival of business. He can appreciate that the City wants everything it can get, but if it doesn't have anything it is not going to get anything. It is just another disincentive.

VOTE: (secondary amendment) YES. ROBERTS, WYTHE

VOTE: NO. LEWIS, ZAK, HOWARD, HOGAN

Motion failed.

City Manager Wrede referenced Chapter 14.4 Assignments with a clerical error. We talked about moving Section 13.2 numbers with assignments to Chapter 14.

VOTE: (main motion as amended) YES. HOGAN, LEWIS, ROBERTS, WYTHE, ZAK, HOWARD

Motion carried.

COMMENTS OF THE AUDIENCE

Dean Ravin, Homer resident and Economic Development Advisory Commissioner, told Council they just failed to renew the Fed Ex lease. They are a good customer and are not doing any harm to the City. The EDC just put in a lot of time rewriting lease policies; there is a seamless lease renewal for performing. Council was swept away by Resolution 10-77 instead of Resolution 10-29. People that sit on the EDC are all business owners, earn out a living, collect taxes, and put a lot of work into it. A lot of the work was flushed away. He is a little sorry to see it. Council needs to think a lot about making it business friendly for this town, as revenues are falling.

COMMENTS OF THE CITY ATTORNEY

City Attorney Klinkner was not present.

COMMENTS OF THE CITY CLERK

City Clerk Johnson reminded everyone of the upcoming October 5th election and absentee voting that is available now.

COMMENTS OF THE CITY MANAGER

City Manager Wrede had no comment.

COMMENTS OF THE MAYOR

Mayor Hornaday commented the City received a certificate of appreciation from the food pantry for their support. We received good information from the Homer Foundation on the City's funds they have invested. Joy will be following up with a more complete letter. The investments earned 19%.

COMMENTS OF THE CITY COUNCIL

Councilmember Wythe called for immediate reconsideration of Resolution 10-76. Resolution 10-76 was reconsidered and adopted. Councilmember Wythe commented the procedures for property management under 11.2 F under lease renewal allow Council after reviewing the recommendation from the Lease Committee to not require a competitive bid process.

Councilmember Hogan asked if there was a recommendation from the Lease Committee. City Manager Wrede answered there was not.

Councilmember Wythe reminded people to vote and thanked the EDC for the work they put into the Lease Policy. She asked that they not be discouraged as many recommendations are well founded.

Councilmember Hogan thanked the EDC for all their work. He hopes they will not be discouraged. He issued a challenge to his fellow councilmembers for United Way. He will be donating his council stipend and challenged others to match it.

Councilmember Roberts thanked the EDC folks for doing a good job. She reminded everyone we have been talking about lease renewals for two to three months and are not taking their suggestions lightly. We have spent a lot of time looking at the policies and working on it. We appreciate what they brought to us.

Councilmember Zak agrees with support for the EDC; Council does not take anything lightly. He appreciates the citizens' feedback, including a letter from Brad Faulkner and Councilmember Hogan's experience in this field. He puts a lot of faith in what Councilmember Hogan is communicating with his experience and background. He knows the results are forthcoming. He appreciates Council's support for making the gas line a possibility to Homer's future. He appreciates the visitor from the Pratt Museum who shared how much the Pratt contributes to the community. Their hire youth for summer activities and provide a great contribution to the community.

Councilmember Howard thanked Councilmember Lewis for honoring the concerns of the citizens in bringing forward the free ride vehicle issue and allowing the process of public hearing. She thanked Councilmember Hogan for bringing up the wetlands and trails issue. She agrees and wonders why Council goes through areas they should probably leave alone. In regard to the Federal Express lease, she would have appreciated a staff report in support of the resolution pointing out the section that authorized administration to extend the lease. She has noticed a lot of huge equipment and trucks parked on the Spit and wonders who is moving in or what is happening there. She thanked the folks for coming out tonight and having patience, and thanked the listening audience as well.

NEW BUSINESS

- A. **Memorandum 10-120**, From City Clerk Re: Request for Executive Session Pursuant to AS §44.62.310(C)(1 & 5), Matters, the Immediate Knowledge of Which Would Clearly Have an Adverse Effect Upon the Finances of the Government Unit and Attorney/Client Privilege. (Briefing on Atwater and Dietzman Cases by Attorney Frank Koziol).

Mayor Hornaday called for a motion for the approval of the recommendations of Memorandum 10-120.

WYTHE/LEWIS – SO MOVED.

There was no discussion.

VOTE: YES. WYTHE, HOWARD, HOGAN, LEWIS, ROBERTS (Councilmember Zak was not entitled to participate by phone in Executive Session.)

Motion carried.

Councilmember Zak ended his telephonic participation in the meeting at 8:16 p.m.

Council adjourned to Executive Session at 8:16 p.m. and reconvened the meeting at 8:51 p.m.

Mayor Pro Tempore Wythe stated Council met in Executive Session to receive a briefing from our insurance attorneys regarding the status of the Atwater and Dietzman cases.

ADJOURNMENT

There being no further business to come before the Council, Mayor Hornaday adjourned the meeting at 8:52 p.m. The next Regular Meeting is scheduled for Monday, October 11, 2010 at 6:00 p.m. The next Committee of the Whole is scheduled for Monday, October 11, 2010 at 5:00 p.m. A Worksession is scheduled for Monday, October 11, 2010 at 4:00 p.m. All meetings scheduled to be held in the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

JO JOHNSON, CMC, CITY CLERK

Approved: _____