

Session 12-06 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 5:15 pm on August 21, 2012 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: LLOYD MOORE, KEN CASTNER, BETH WYTHE
BARBARA HOWARD AND BOB HOWARD

ABSENT: SHARON MINSCH (EXCUSED)

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
CAREY MEYER, DIRECTOR OF PUBLIC WORKS

Ms. Krause noted that Finance Staff was available if the Task Force had any questions or needed Ms. Moore to attend but that she was busy working on the budget. Ms. Krause noted that there was a discrepancy on the meeting date available it should read the 12th, not the 11th and that a color copy is available regarding the meetings.

APPROVAL OF THE AGENDA

Chair Wythe requested a motion to approve the agenda.

HOWARD/HOWARD – MOVED TO APPROVE AS PRESENTED.

There was no discussion.

The agenda was approved by consensus of the Task Force.

PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA *(3 Minute Time Limit)*

Justin Arnold, city resident, owner of a tri-plex. He stated that his classification was changed from commercial to multi-family residential with three service charges. He provided information on what the past month's water service with the old rate and the new rate. He stated that he is irritated on his water costs since it now costs him more than his heating bill. He pointed out that a converted tri-plex down the street was billed as a single family. He stated it has the same identical system and they pay substantially less than he does. He was told he could not have multiple meters because of only one shut off at the curb but if he has to pay multiple service charges he should be able to have multiple meters. He wanted to know why he has to pay more when other tri-plexes have the exact same system. He wanted to voice that he still also has to pay a service fee when the unit is empty or the tenant is not paying their rent.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES *(Minutes are approved during Regular Meetings only)*

- A. Regular Meeting Minutes for June 19, 2012
- B. Special Meeting Minutes for July 24, 2012

Chair Wythe requested a motion to approve the minutes of June 19, 2012 and July 24, 2012.

HOWARD/CASTNER – SO MOVED.

There was no discussion.

The minutes were approved as presented by consensus of the Task Force.

VISITORS

There were no visitors scheduled.

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

(Chair set time limit not to exceed 5 minutes)

There were no written reports submitted by staff.

PUBLIC HEARING *(3 minute time limit)*

There were no items for public hearing.

PENDING BUSINESS

A. Discussion - How Does Fire Protection Affect the City Water System?

1. The ability to monitor hydrant flows for flushing

Carey Meyer, Public Works Director spoke about the effects of Fire Protection on the City Water System. He commented that fire protection has minimal effect to the treatment plant; the tanks are significantly over-sized to accommodate for the need of fire protection. The bulk of the tank is for the demand when fire protection is needed and peak customer demand. The mains are 8" in diameter specifically because they offer fire protection. If this was not offered then presumably 4" mains would be adequate. When figuring the depreciation you need a higher number because you are providing fire protection; the mains are the most cost for replacement.

The cost for fire hydrants is a line item in the budget and for 2012 it was comprised mostly of labor costs; in the winter the hydrants must be steamed so they don't pop out of the ground; the budgeted amount is \$83,600. It would be nice to be able to charge the labor directly on the time sheets.

He noted that the City of Anchorage has transferred to maintenance and costs of the hydrants to the fire department. The costs were pulled from the Utility Budget.

In response to a question from Mr. Howard regarding the extent of the costs he was reluctant to quote a price and offered to bring those numbers to the September meeting of the Task Force.

Mr. Meyer noted that there would be a significant reduction in labor costs if they did not offer fire protection.

Mr. Castner commented on a "Stale Water Issue" which could be hung on the excess water needed for fire protection.

Mr. Meyer cited for example the needs of the residents for Kachemak Drive could be 3" but due to fire protection and the distances it needed to be 12 inch line.

Mr. Castner cited the fact that SBS has 6" service for fire protection and if Mr. Meyer knew what other buildings had the same needs around town. Mr. Meyer went on to explain the reasons for the 6" main and that all the schools and hospital have that 6" main.

It is believed that no one pays for this service specifically. It was noted that some may pay in their property taxes which goes into the general fund.

Mr. Castner restated his question of if there is any way to know how many have this 6 inch service on the system. Mr. Meyer stated they should be able to figure it out and may be able to provide this at the next meeting. Mr. Moore stated he recently purchased a building with a six in line to it but that is as far as it went. Mr. Castner questioned whether the Utility budget is outside the enterprise budget?

Questions were asked regarding figuring the costs and would be requested from Finance. Mr. Meyer will try to provide the information on the larger diameter fire lines for the next meeting.

Mr. Meyer addressed Chair Wythe's questions regarding flushing and the flow rates and the actual number of gallons used in flushing. He stated that if you put a meter on the hydrant and it is possible with a stop watch to get a pretty close estimate; Mr. Castner opined that a meter could be installed at the end of the spit permanently for flushing. Mr. Meyer commented that he could meter the flow but not when flushing; Chair Wythe stated that even if it costs a penny but we are using a million gallons we need to be able to account for that costs in figuring a rate; Mr. Moore requested clarification on flushing or bleeding; flushing is too high a flow to meter but bleeding could be metered and that's where we are losing a lot of water.

B. Discussion on Services Provided to Kachemak City

1. Confirmation on the amounts billed
2. Renewing the contract to provide services

Chair Wythe provided a summary of the agenda item.

Finance has provided the information that there are 127 customers from Kachemak City that are being pumped. @ \$57.40 per month for a total of \$7,289.80 and three customer who do not get pumped are being charged \$51.40 per month for and Additional charge of \$154.20 a month.

There was a brief discussion and clarification made on the City of Homer collecting enough to cover the actual costs of the pumping then a question was posed why they were not pumping three customers. What were the circumstances regarding this; also why the contract is not renewed and technically the City is not responsible to provide the services in the agreement since there is no agreement; City of Homer did take ownership of the system. The agreement was initiated in 1988 and when the City of Homer adjusts the rates those rates apply to the same classification of customers in Kachemak City.

Information on why the three are not pumped was asked to be provided at the September meeting. The task force requested a better breakdown or detailed breakdown on the rates charged to Kachemak City.

Comment was made by Mr. Moore regarding the systems that are not maintained properly and are failing and would have to be replaced. Discussion continued on the contract is carried by the City of Homer and unless the contract is renewed it is Kachemak City's responsibility. Questions posed by the members

Determining a rate for Kachemak City should be included in the recommendation to City Council.

C. Discussion on the Various Rate Models

Chair Wythe requested this item on the agenda. She noted that they did not really discuss rate models at the last meeting.

Chair Wythe outlined the following models:

- Blended rate – everyone pays the same amount
- Block rate – everyone pays a certain fee until they reach a certain level
- Size of system rating drives the rate fee that is charged

She noted that they have been talking around the subject but not really saying if they had a position one way or the other and wanted to know if they were at a place that could be discussed.

Mr. Castner stated that it is easy to set up variables in the rate matrix and easy to predict when you move things into a commodity rate or block rate. Using the computer you can plug in the rates and budgets; plug in gallonage. He personally favored the blended rate model with some demand feature within the rate structure. He will need to play with numbers.

Chair Wythe stated that they did a quick review of the book M54 regarding rate structures.

Discussion encompassed seasonal rates; bring back a spit differential fee; concerns regarding the cost of living in Homer; different rate schedule for a year round user; charging tourists for the maintenance of the facilities they enjoy such as establishing a bed tax; charging based on the user class; modeling each of the rate scenarios to test the system; direct allocation of costs models may hurt some people in the community; the necessity to keep an open mind and not pre-suppose the outcome.

D. Reviewing and Revising the Existing Meeting Schedule

1. Addressing meeting date change for September

Chair Wythe opened the next item for discussion and noted that the Clerk has presented some options for the September meeting.

Discussion ensued on the dates members were available. It was determined that September 19, 2012 would be the next meeting.

The normal meeting dates in October the first Tuesday is the City election night and the Library Advisory Board meets on that date so will be rescheduled to the conference room. Ms. Krause recommended shifting the dates a week to October 9 and 23rd.

November is a scheduling conflict and then Holiday week. The Task Force discussed availability in November and determined that November 13th and tentatively scheduled a regular meeting for November 27th; it was noted that Sharon would have to be available for there to be a quorum.

The dates for December 4, 18, 2012 were okay and the regular worksession and meeting.

The first Public Hearing is being scheduled for January 8, 2013, with a regular meeting tentatively scheduled for January 22, 2013.

E. Water & Sewer Rates and Surcharge Removal for Spit Customers

1. Minutes and Resolutions from 2004-2005

Chair Wythe read the title into the record. She noted that she was present and read the minutes and does not remember the content on why it was dropped. There was no motion or notation in the minutes to show the removal of the Spit Surcharge.

Ms. Krause will look into the retention period on the recordings for those meetings.

A brief discussion on the rates and the process that was used to remove the Spit differential and how there should have been a more formal action and the minutes; there were definitely some procedural differences. If the recordings were available the Chair volunteered to listen to those recordings and report back to the Task Force. Additional comments were made on some hand written changes to resolutions instead of being formally changed.

NEW BUSINESS

A. Sealing City Water Meters to Prevent Tampering

Mr. Meyer spoke at length on the meters that are installed are tamper resistant but not tamper proof; putting a seal would not prevent tampering; once meters are installed they do not go back or monitor them; they get changed out every ten years; HEA seals their meters; water meters can be done the same way and that it is being done; the meters are removed a few days a months since they are consistently read the same day each month; it would not cost much to randomly test meters; this may be happening to larger consumption customers; this could be included in their recommendation to council.

B. City of Homer Sewer System 101 – Customer to Waste Water Treatment Plant

1. How does this system work?
2. What is the specific impact to the system from large customer or restaurants?
3. What is the specific impact regarding various contaminants?

Chair Wythe introduced the next item and inquired if there are other things that maybe the Task Force should be considering in their recommendation to Council.

Discussion ensued on whether there was some differentiation between a residential user and a restaurant and the reason for the differentiation. Mr. Meyer stated an impact is the sump pump usage; sometimes exceeding the DEC recommendation on limits; the digesters are not used to the fullest capacity; is there a fee that these higher users should be paying; it was recommended to inquire from five or six different municipalities to come up with a general guideline; adding oxygen to treat the sewage adds to the cost of electricity.

C. Creating a Sub-Committee to Focus on Rate Models

Chair Wythe provided a summary of the item on creating a committee. It can be established but there are requirements of providing synopsis and agendas. This would be an unstaffed committee.

CASTNER/- MOVED TO ESTABLISH A SUB-COMMITTEE TO WORK SOLELY ON RATE MODELING.

There was no second.

The motion died for lack of a second.

Chair Wythe next brought up the recommendation of the Clerk to appoint tasks to members of the Task Force to address the concern expressed by Mr. Castner in getting the rate models tested in a timely manner. She added that this was his reason for requesting a sub-committee be established.

There were no recommendations or suggestion from the task force and Chair Wythe stated they would build the rate models into the current meeting schedule.

Mr. Howard stated he agreed that they did need to start developing some rate models but did not feel that the Task Force has come to an agreement on what they are trying to achieve with any rate structure other than an equitable rate that covers the costs of the system. He asked what would be the parameters of the rate models be to achieve these rate models. He inquired if they needed many classes to divide the costs; are the four classes they currently have adequate; do they need more classes: what are we trying to achieve when they work within a class; percentage of the costs are they going to incur; are they structuring rates that do not have subsidies; afforded to a senior housing project; these are all part of a rate structure; what is important when developing the rates.

Mr. Moore opined that when looking at rates and direct allocation of costs you need to consider the benefits to having water service and fire protection to your house.

The Task Force needs to identify if this extends to people not on the system when allocating to the general fund to pay for it which means everyone is contributing to the system; whether they have benefit is always arguable; if there is a desire to assign a portion of the system for fire protection and the general fund should be picking it up; this should be more; asking the general public to pay and need to identify the benefit to substantiate the costs.

A brief discussion on putting in an opinion piece or letter to the editor developed regarding input from the public.

Chair Wythe noted the long break between meetings and would like everyone to be prepared to have a list of specifics regarding considerations on the rate models such as benefits, subsidies, who benefits

from fire service water service in your community. This should help develop a list a priorities. She would welcome a draft rate model and the reasons why you are recommending that model.

Mr. Howard stated it was reasonable if they do it.

Mrs. Howard requested this to be ready for the packet deadline of September 12, 2012. No laydowns. This would afford time for proper review.

Mr. Castner did not feel that this would be appropriate since these models are spreadsheet and computer driven. Chair Wythe stated that these could be forwarded to the clerk and explained the difficulty in reviewing something that is presented at the meeting as a laydown. Mr. Castner questioned putting the spreadsheets on a screen at a meeting who would build the matrix to view those numbers? Mrs. Howard then explained her reasoning for not supporting the formation of a rate model committee previously. She did not feel that she was ready for that so how could she give him any marching orders.

Chair Wythe explained that if Mr. Castner has a specific rate model structure that he would like to develop he could do that and present it to the group. Mr. Castner stated he did not and added that adding and taking away is easy but he feels strongly that they need to build the matrix outside of a meeting. It takes hours to build each matrix.

HOWARD/CASTNER – MOVED FOR AN IMMEDIATE RECONSIDERATION OF ESTABLISHING A SUB-COMMITTEE.

There was no discussion.

The motion to reconsider was carried by consensus of the Task Force.

HOWARD/CASTNER - MOVED TO ESTABLISH A SUB COMMITTEE TO CREATE RATE MODELS.

There was a brief discussion on the benefits of establishing a sub-committee to focus on creating rate models.

HOWARD/CASTNER - MOVE TO HAVE THE SUB-COMMITTEE CONSIST OF TWO TASK FORCE MEMBERS.

There was no discussion.

VOTE. (Amendment) YES. NON-OBJECTION. UNANIMOUS CONSENT.

VOTE. (Main). YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Ms. Krause explained the process for appointing members to the Rate Model Committee.

Mr. Castner and Mr. Howard were appointed to the committee after indicating they wished to serve on it.

INFORMATIONAL MATERIALS

A. Updated Timeline

B. Reformatted Fixed Assets listing from the August 7, 2012 Worksession

Ms. Krause explained that to carry the columns over to the next page was a difficult process since the information was pulled from Clarity in response to a query from Chair Wythe.

Mr. Castner requested clarification on the class that Mr. Arnold, earlier audience member, belonged to so he could verify the charges in the information Mr. Arnold provided to the Task Force.

COMMENTS OF THE AUDIENCE

There was no audience present to comment.

COMMENTS OF THE CITY STAFF

There were no additional comments from staff present.

COMMENTS OF THE CHAIR

Chair Wythe had no comments.

COMMENTS OF THE TASK FORCE

Mrs. Howard and Mr. Howard had no comments.

Mr. Moore thanked Mr. Howard and Mr. Castner for volunteering to work on the rate models. He also commented on the comment made tonight regarding a conflict of interest. He requested the other members to let him know if they feel he has a conflict; he noted that he needs to keep track of what is going on in the system it is not his intent to direct the rates away from him; if the rates go up he raises his rates and if they go to high he finds another source; he doesn't believe that he has tried to lean to discussion towards his benefit he has just tried to inform the other members on his experience or perspective.

Mr. Castner commented that a Task Force is comprised of stakeholders and Mr. Moore is a stakeholder.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 7:20 p.m. **A SPECIAL MEETING IS SCHEDULED FOR WEDNESDAY, SEPTEMBER 19, 2012 AT 5:15 P.M. A WORKSESSION** is scheduled for **TUESDAY, OCTOBER 9, 2012 AT 5:15 p.m.** The next **REGULAR MEETING is OCTOBER 23, 2012** at 5:15 P.M. All meetings are scheduled in the **UPSTAIRS CONFERENCE ROOM** at City Hall, 491 E. Pioneer Avenue, Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved:_____