

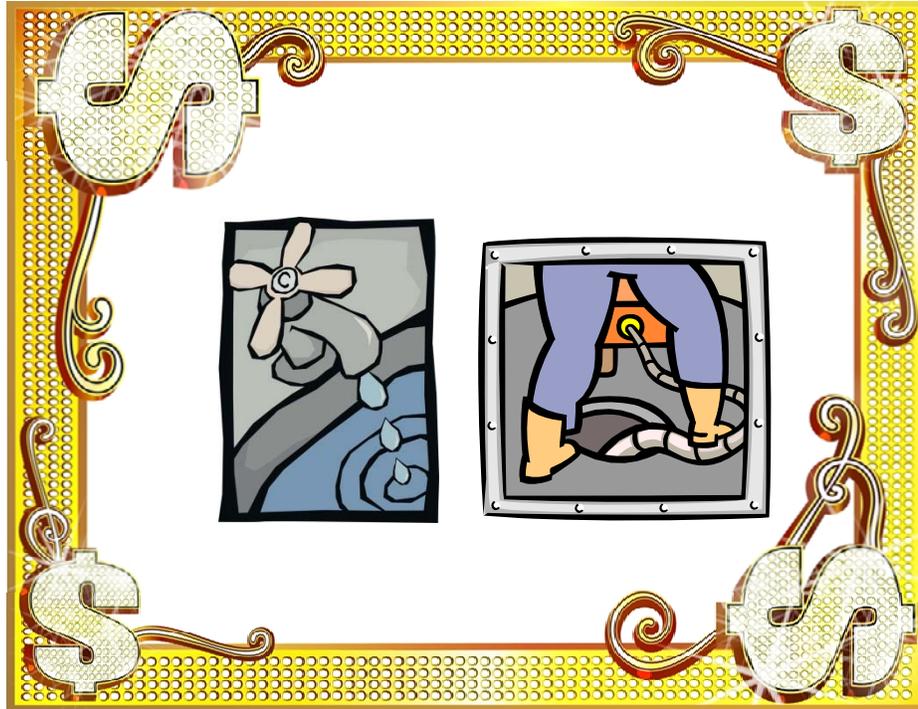
# *Water & Sewer Rate Task Force*

Tuesday

January 8, 2013

Worksession

5:15 p.m.



City Hall Conference Room - Upstairs  
491 E. Pioneer Avenue  
Homer, Alaska 99603



**NOTICE OF MEETING  
WORKSESSION**

- 1. CALL TO ORDER**
- 2. APPROVAL OF THE AGENDA**
- 3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**
- 4. RECONSIDERATION**
- 5. APPROVAL OF MINUTES** (*Minutes are not approved during worksessions*)
- 6. VISITORS**
- 7. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS**
- 8. PUBLIC HEARING**
- 9. PENDING BUSINESS**
  - A. Review and Discussion on Working Draft Rate Model revised November 20, 2012
    - a. Draft Models printed from Working Spreadsheets - for reference only
- 10. NEW BUSINESS**
  - A. Draft Letter/Presentation to Mayor and City Council
  - B. Discussion and Planning the January 8, 2013 Scheduled Public Hearing
- 11. INFORMATIONAL ITEMS**
- 12. COMMENTS OF THE AUDIENCE**
- 13. COMMENTS OF THE CITY STAFF**
- 14. COMMENTS OF THE CHAIR**
- 15. COMMENTS OF THE TASK FORCE**
- 16. ADJOURNMENT** the next **REGULAR MEETING & PUBLIC HEARING** is scheduled for **JANUARY 22, 2013** at 5:15 p.m. in the Cowles Council Chambers, City Hall, a **WORKSESSION IS SCHEDULED FOR FEBRUARY 5, 2013** in Conference Room Upstairs in City Hall located at 491 E. Pioneer Avenue, Homer Alaska.

City of Homer Water and Sewer Rate Study Draft Rate Model			
Updated November 20, 2012 by KC			
Sewer Rates		Version 7 - Working	
	Revenue Assumptions (dollars):		Source:
1	2014 Total Revenue Requirement=		1,680,279 Annual Budget
2	Spit Differential Sewer (.86*50% of Lift Stations) =		78,223 Spit Users
3	High BOD Generator Sewage Differential (10%) =		21,980 New Fee
4	Customer Fee from KC/Tennants (\$5/mo) =		53,160 Reduced Fee
7	Kachemak City Fees (less pumping) =		81,270
8	Summer Metered Gallons (Septic Reduction) =		(400.00)
9	Adjusted Revenue Requirements=		1,446,046
	Usage Assumptions (gallons):		
10	Discharge Sales Projection (gross metered) =		125,000,000
11	13% Commodity Reduction due to Conservation =		(16,250,000)
12	Metered Spit w/o entering Treatment Line=		(9,150,000)
13	Adjusted Discharge Sales Projection =		99,600,000
	Informational:		
14	Spit Sewer Discharge (gallons)=		7,225,000 Prior Year
15	Lift Station Costs=		181,915 Annual Budget
16	Single Connection Multi-Tenant Units=		886 Prior Year
17	Public Facilities Contribution =		46,918 Annual Budget
18	High BOD Generator Sewage (gallons) =		15,700,000
19	Dumping Station Fees =		10,500 Annual Budget
	All Customers - Sewer Base Rate /gal		
	0.015		
	Spit Customer - Sewer Rate /gal (Base plus Differential)		
	0.025		
	Spit Customer - Sewer Rate /gal (High BOD = .004)		
	0.029		
	High BOD Rate		
	0.0183		



City of Homer Water and Sewer Rate Study Draft Rate Model				
Version 7 - Working				
Updated November 5, 2012 by KC				
Water Rates				
Revenue Assumptions (dollars):				Source:
1	Total Water Revenue Requirements (2014)=		1,890,265	annual budget
2	Deduct Water portion collected through Service Fee		310,077	annual budget
2	Hydrant Rents (10% of E6) =		189,027	annual budget
4	Sprinkler Differential (20 buildings - \$5/mo)=		1,200	Building Customer
6	Surplus Water Sales (Bulk) surcharge only =		98,750	Bulk Sales
8	Adjusted Revenue Requirements =		1,291,211	Calculated
9	Usage Assumptions (gallons):			
10	Metered Sales Projection (gallons) =		125,000,000	Prior Year
11	Commodity Reduction due to Conservation =		13%	Number to be tested
12	Adjusted Sales Projection (gallons) =		108,750,000	Calculated
	<b>Informational:</b>			
13	Spit Water Sales =		17,921,000	Prior Year
14	Surplus (Bulk) Water Sales =		23,072,500	Prior Year
15	Number of Meters =		1,472	Prior Year
16	City Hall Finance Department O/H=		775,192	annual budget
17	Public Facilities Water Usage (value)=		134,904	annual budget
	All Customers	Water Rate	Metered Service Fee	
		0.0119	17.55	

DATE

Homer City Council

Attached is the Water & Sewer Rates Task Force's ("the Task Force") recommendation regarding the rate-setting model for the City of Homer Water & Sewer services. The Task Force was established in accordance with the provisions of Resolution 12-027(A), consisting of five City of Homer residents (Ken Castner, Bob Howard, Sharon Minsch, Lloyd Moore and Terry Yager) and two City Council members (Barbara Howard and Beth Wythe), appointed by Mayor James Hornaday through Memorandum 12-056. Subsequent to the original appointments, community member Terry Yager submitted his resignation from the Task Force and the seat remained unfilled for the duration of the review process. Also, following the October elections, Beth Wythe was authorized to continue on the Task Force through Resolution 12-094 following her election as Mayor. Barbara Howard resigned from the Task Force in November and was replaced by Council Member Beau Burgess through Memorandum 12-161(A). Copies of all Resolutions and Memoranda are included in the appendix of this report as supporting documentation.

Following the establishment of the Task Force the initial meeting was held May 9, 2012. At this meeting the Task Force established the framework for a meeting schedule for meeting the first and third Tuesday of each month with the first Tuesday being a work session and the third Tuesday being a regular meeting. All work sessions and meetings were scheduled in the conference room. The schedule was adjusted from time-to-time to accommodate holidays and scheduling conflicts for members of the Task Force.

The initial meetings of the Task Force were primarily focused on determining the types and sources of information that would be required to allow the Task Force to more fully understand rate making concepts and the nature of the City of Homer's current rate design. This process included:

- Reviewing the 1991 Water and Wastewater Utilities Rate Study conducted by KPMG Peat Marwick.
- Reviewing the 1997 Utility Rate Study prepared by Montgomery Watson. Task Force Members Castner and Moore were participants in that rate study as well and were able to provide valuable insight into the resulting rate model which was successfully used by the City until recent history.
- Reviewing budget documents from several prior years, as well as more current information included in the proposed 2013 budget.

- Reviewing the areas served by the Water & Sewer Enterprise and discussions related to potential users that have a disproportionate impact on the existing infrastructure. These include the requirements of the system specific to providing fire hydrant services, commercial building sprinkler services, and the expense of delivering water and returning sewage to the Spit.
- The requirements for certified staff and the staffing plan for the water and sewer treatment plants were reviewed, as was the allocation of other staff services to the Water & Sewer Enterprise.
- The loss of large volumes of treated water as a result of dead-ended lines.
- Rates from other nearby communities were reviewed and the reasons for the difference in operating costs as well as coming impacts for new regulations on these systems as compared to the Homer system were discussed.
- User data was reviewed to develop a sense of the “average” user, and again to develop a better understanding of the disproportionate users.
- Staff provided an overview of both the water system from treatment to return, and the sewer treatment from return to treatment.
- Fire protection expenses.

Following the collection and review of this volume of information the Task Force considered a variety of ratemaking formulas with consideration for fairness and consumer satisfaction.


(NOTE: Get the comparison table from M54 Book, Regina)

Upon considering the various rate design options, the Task Force determined that focusing its energy on designing a commodity based rate structure that took into consideration expenses that were not directly related to the delivery of service to consumers, such as system size due to fire hydrants (improve list)\_\_\_\_\_, and also considered extraordinary expenses on the sewer side (BOD?)\_\_\_\_\_. The recommendations of this report are based on these presumptions and result in the Water & Sewer Enterprise collecting the needed funds, but distributing the expense for the system more equitably based on a cost-causer, cost-payer foundation.

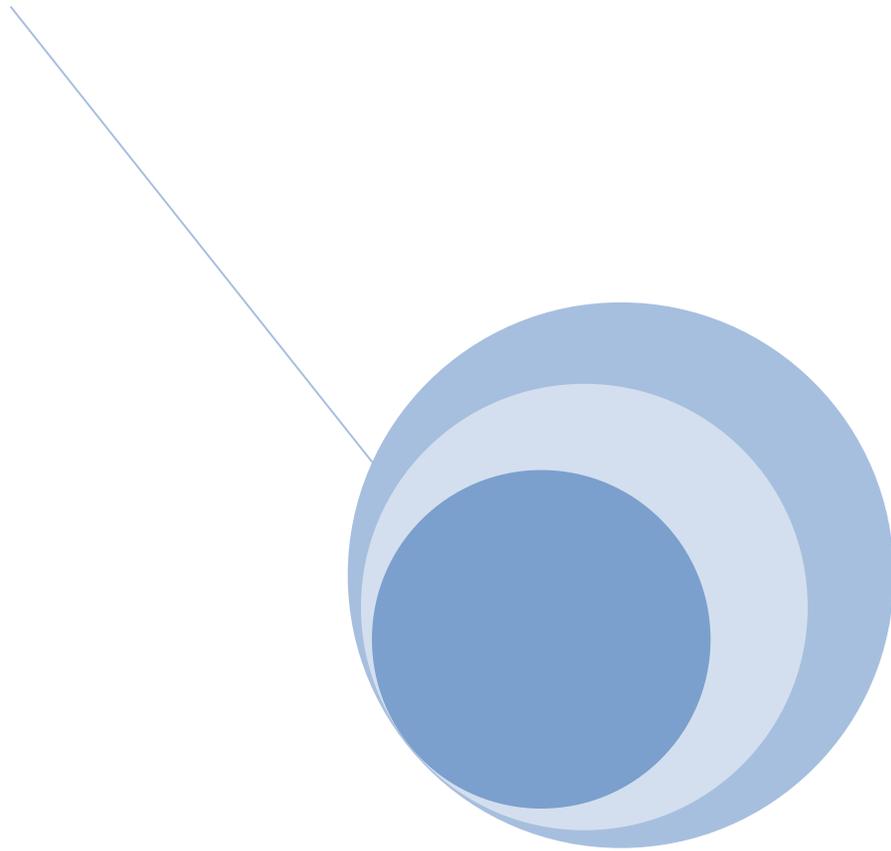
Respectfully submitted,

**HOMER WATER & SEWER TASK FORCE**

Chair: Mayor Wythe

Vice Chair: Beauregard Burgess

Current Members: Ken Castner, Robert Howard, Sharon Minch, and Lloyd Moore



# **Water & Sewer Task Force Rate Review Recommendation Report – Draft**

Fair and equitable distribution of system expenses based on cost-causer.

This document contains a review of findings of the 2012 Water & Sewer Task Force and a recommendation for a commodity based rate structure.

**Contributing Task Force Members:**

**Beauregard Burgess, Ken Castner, Barbara Howard, Robert Howard, Sharron Minch, Lloyd Moore, Terry Yager, Beth Wythe**

**(DATE SUBMITTED TO COUNCIL)**

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## **INTRODUCTION:**

(This section will provide an explanation of what lead to the development of the Task Force.

What our commission was and briefly what the recommendation is.)

## **CURRENT RATE STRUCTURE:**

This section will review what the billing system is currently and the resulting rates using three categories (residential, small volume commercial, and large volume commercial), etc.

## **FAIR AND EQUITABLE RATES:**

This section will provide discussion on what makes a fair and equitable rate design.

## **SYSTEM REQUIREMENTS:**

This section will provide an overview of why the system is sized the way it is and the resulting financial impact to the consumers.

## **DISPROPORTIONATE IMPACTS:**

This section will review wasted water, the cost of sewage return due to lift stations, and BOD impacts.

## **OPTIONS FOR DISTRIBUTING COSTS TO CAUSERS:**

This section will discuss the proposed reallocation of costs. The user fees proposed, the reallocation of expense to fire hydrants, etc.

## **CRITERIA FOR EVALUATING THE SOLUTIONS:**

This section will discuss how we arrived at the use of a commodities based rate structure.

## **OTHER CONSIDERATIONS:**

This section can include other items that we wanted to educate the community on. (staffing certification requirements, EPA regulation changes, etc.)

## **CONCLUSIONS:**

This will be our recommendations list and supporting statements. Remember we need to include such things as “it is proposed that the rate model, if adopted, be managed without consideration of political influence and public out-cry”, etc.

## **WORKS CITED**

We should include a list of publications that were considered throughout the information gathering process.

## **APPENDIX**

We need to include the resolutions and memorandums and any the documents that support our recommendation.