

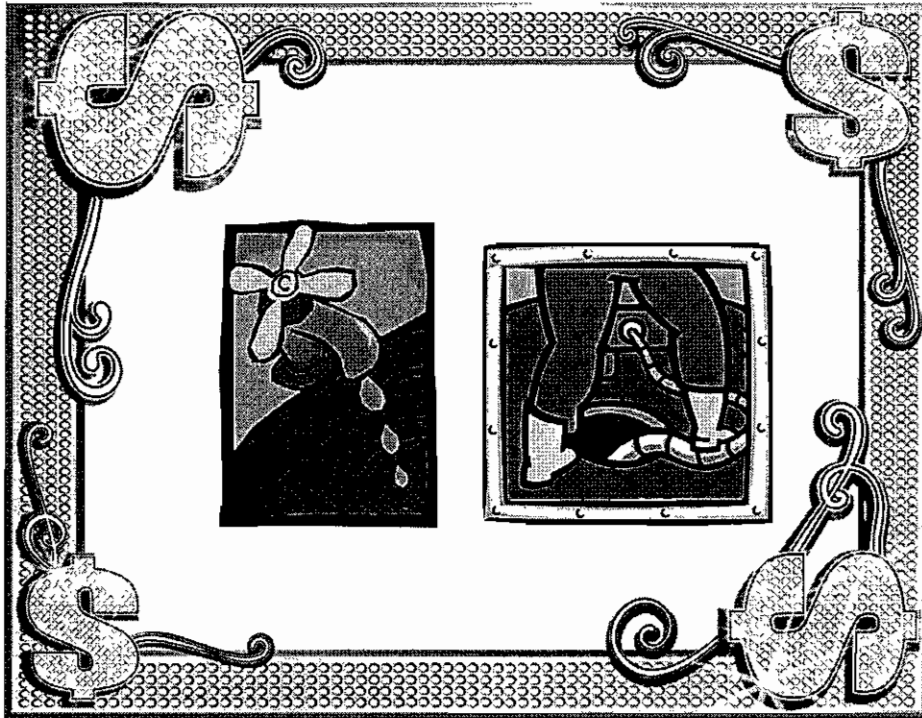
Water & Sewer Rate Task Force

Tuesday

March 19, 2013

Regular Meeting

6:30 p.m.



City Hall Cowles Council Chambers
491 E. Pioneer Avenue
Homer, Alaska 99603



**NOTICE OF MEETING
REGULAR MEETING**

1. CALL TO ORDER

2. APPROVAL OF THE AGENDA

3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA *(Except for Items on the Agenda under Public Hearing)*

4. RECONSIDERATION

5. APPROVAL OF MINUTES *(Minutes are not approved during worksessions)*

A. Meeting Minutes for January 22, 2013

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6. VISITORS

7. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

8. PUBLIC HEARING

A. Draft Water & Sewer Rate Model

Page 13

9. PENDING BUSINESS

A. Discussion, Review and Revision of the FINAL Draft Water & Sewer Rate Model and Customer Matrix

Page 15

B. Discussion, Review and Revision of the Memorandum and Presentation to City Council

Page 25

10. NEW BUSINESS

A. Scheduling of Additional Meetings

Page 53

11. INFORMATIONAL ITEMS

A. Updated Timeline

Page 55

B. Updated Meeting Calendar

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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 **TENTATIVE WORKSESSION** is scheduled for **TUESDAY, APRIL 2, 2013** at 5:15 P.M.. in the CONFERENCE ROOM UPSTAIRS, City Hall, located at 491 E. Pioneer Avenue, Homer Alaska.

Water and Sewer Rate Task Force Purpose:

TO EXAMINE THE EXISTING RATES AND RATE STRUCTURE

TO PREPARE A RECOMMENDATION TO COUNCIL ON A RATE AND RATE STRUCTURE FOR 2013.

Session 13-01 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 5:35 pm on January 22, 2013 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: KEN CASTNER, BETH WYTHE, BEAU BURGESS AND LLOYD MOORE

ABSENT: SHARON MINSCH, BOB HOWARD (EXCUSED)

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

Ms. Krause notified the Task Force that Ms. Mauras was available if needed but she would be in her office.

APPROVAL OF THE AGENDA

Chair Wythe called for approval of the agenda as presented.

BURGESS/CASTNER – SO MOVED.

The agenda was approved by consensus of the Task Force.

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

Larry Slone, city resident, complimented the compilation of the background information on what the Task Force has been working on and whoever put that together did a good job; he provided in email the comparison of the current rates versus the proposed rates and wanted the Task Force aware of a minor change to his figures for multiplexes, the model rate would be \$10 more and the residential would be a couple dollars differential.

Mike Dye, city resident, commenting on the draft rate model stated it appears that the City of Homer will recuperate the proportionate sewer costs that the Spit users generate without this proposal to single out the Spit users with a 2.7 surcharge for sewage. Mr. Dye proceeded to quote figures and percentages on what the projected costs and revenue would be if the Spit users were not singled out as a basis for his statement. He further went on to comment on the water rates using a commodity rate. Mr. Dye commented that they are creating a rate system that's taxing the high end users on the water side with a commodity rate that doesn't have any value reduction based on usage and on the sewer side singling out specific areas to charge more fees.

Mr. Faulkner, city resident and proprietor of Land's End, opened his comments that the proposed model is grossly unfair, especially to Spit users; he will provide information to them later with respect to the differential cost; he believes that this is fundamentally flawed; they have no basis to assume that 50% of the total cost of all lift stations is due to Spit activity; by far the most expensive lift station in the flow chain is Beluga Lake which picks up three times the number of businesses and residences that are on the Spit; of the lift stations on the Spit, 2 out of 7 are servicing commercial businesses, the rest are servicing leased property or private residences; these lift stations are not more expensive to maintain than any other lift stations; the Task Force has overlooked assessing others who use lift stations and singled out Spit users for an unknown and unjustified reason; only 23% of lift station costs for 2012 were direct costs according to the information he received from Public Works; 77% is overhead; there is zero basis for burdening the Spit users with this level of overhead for just the lift stations; overhead is not generated by the few users on the Spit; additionally Mr. Faulkner stated that a 13% drop in usage as a WAG is an overestimation admitted to by the Task Force; the cost of any conservation should be socialized; Mr. Faulkner proceeded to comment on the efforts and expense that Land's End made to install and conserve water 3-4 years ago; he believes that they will be penalized if this model is enacted; they are going to have to pay again; it is bad public policy; he showed them a graph and stated he would provide a copy to the Task Force and be delivering this information to City Council comparing the water and sewer costs for 3 months average in summer versus 3 months in winter average for 2012 at Land's End

against the randomly selected cities of Sitka, Palmer, Kodiak and Kenai. He stated that Homer has the perception of being anti-business, these are facts. This is not fiction. Mr. Faulkner listed the costs for each municipality. He then stated that the problem here is Homer is not competitive. Mr. Faulkner suggested the following solutions: the city should examine its overhead and ask itself if the overhead for a city this size and the burden being placed on the residents appropriate for the size of this community; and the city should deduct 10 percent additional overhead from the finance depart budget and allocate it to each resident to cover a shortfall.

Chair Wythe explained that this is the first draft presented for public comments and the City Council will not be addressing this issue for some time. There will be a few more reviews and the Task Force will be taking the comments made tonight under consideration and requested that Mr. Faulkner provide them with a copy of his information instead of City Council.

RECONSIDERATION

There were no items for reconsideration.

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

A. Regular Meeting Minutes for November 20, 2012

Chair Wythe requested a motion to approve the minutes.

CASTNER/BURGESS –MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 20, 2012 MEETING AS PRESENTED.

The minutes were approved 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 reports included for this meeting.

PUBLIC HEARING *(3 minute time limit)*

Chair Wythe stated that the Public Hearing process and requested Mr. Castner to provide a brief report on the Draft Rate Model. Then they will address questions and comments.

Chair Wythe suggested going through a brief description on the steps taken to create the model then the rates themselves.

Mr. Castner proceeded to explain the Draft Model as a self-writing model which could be changed according to the revenue requirements. Mr. Castner noted the following aspects in the development of the Draft Rate Model:

- Commercial rates are almost the same
 - Task Force reviewed the costs to the system including the City/Municipal uses
 - Costs affecting the system
 - Fairly apportioning the costs
 - The customer base is one user group; the entire tax base is another user group
 - Costs should be borne by the general fund and some costs apportioned to the users within the system
- Mr. Castner then went through the Draft Water Rate Model line item by line item noting the figures that were budgetary in nature; the process to determine the proposed fee for a service charge and that this is based on 40% of the budgeted amount; he provided further clarification on who is charged the current service charge; he noted that the entire system is established around fire protection for the entire town thus the increase to

the line item of Hydrant Rents and delegated 10% of the water costs; it was further determined that the citizens should cover this expense and not the utility; Mr. Castner noted that every time they add something to the City's budget means that they will have to find the revenues to cover the expense; he further stated that the fee charged to businesses that are plumbed for Fire protection is a reasonable fee to cover that demand which offers a benefit to the consumer; Mr. Castner went on to explain the amounts that are produced and sold; it was consensus that there will be some conservation but they do not want to raise rates in the second year because they came up short in the water sales.

Chair Wythe recommended explaining the Draft Sewer Rate Model then they can entertain questions and comments on the Rate Model as a whole.

Mr. Castner employing the same approach explained the process the Task Force used to develop the Draft Sewer Rate Model. He proceeded to note that sewage has some costs that water does not; staff provided information verbally that costs were approximately \$200,000 to run the lift stations; the Task Force has requested this information on how it was apportioned to the cost and staff provided minimal information on the electricity for each of the stations; he noted the locations and service route of the lift stations that service Kachemak City and Kachemak Drive; staff has provided information that 50% of the lift stations cost is generated by the Spit users; Mr. Castner stated they applied the same percentage of water conservation to sewer.

Chair Wythe opened the period for comment or questions. She also stated that she would be reviewing the draft presentation to Council.

Mr. Faulkner inquired why the Task Force decided to make a philosophical decision not socializing the 13% conservation but placing that burden on the commodity side so that larger users pay a greater share of the WAG? Mr. Castner responding for the Task Force stated that they did not believe it was disproportionate penalization to any user, when it was corrected the following year the user would then receive a proportionate benefit. The Task Force is open to recommendations of an appropriate number for conservation.

Chair Wythe explained the meaning of conservation as it applies to this draft rate model and is included as a preventative measure on how much they will lose by the consumer reducing their usage.

Mr. Burgess further explained how the commodity rate model would provide incentive for the larger user to conserve more and stated that a smaller user would not be able to see on a system based largely on usage fees as opposed to the amount of usage.

Mr. Faulkner indicated he did not believe the Task Force thought through the charges for BOD. He continued by stating he believed the BOD from a residence was no different than BOD from his hotel. He stated a substantial portion of their water is no different and but it all is charged at the higher rate and questioned what is high BOD; he also believes there should be more disclosure to the public as the Task Force develops these proposals, such as to what constitutes high BOD as that in itself is controversial.

Mr. Castner responded that he was not sure what formula could be entertained for mixed use customers such as Land's End. He agreed that it would be unfair to charge everything like it is filthy, high BOD water; but every city with a water system is dealing with plugged up systems at the intersection of a restaurant and a city system.

Mr. Burgess stated that in previous testimony from Mr. Faulkner he indicated that it was unfair to penalize a customer that has taken measures and he would be very amenable to include that if provided proof of measure to counteract grease, etc., from entering the system to waiving the proposed BOD fees or charges. Mr. Castner went on the further state that other options had been considered but a case was made that it should be a rate associated with gallonage.

Mr. Faulkner went on the further state that before the Task Force proposes new policy they should disclose the basis these recommendations are being made; the public needs the information in order to determine if the recommendations are fair. He feels that it is important for the Public to be able to judge.

The next item that Mr. Faulkner questioned was the comment of "We were told that 40% of the overhead from the Finance Department, who told you and is it, documented somewhere?"

Chair Wythe responded that the budget breaks out the allocation. Mr. Faulkner inquired if Council has assessed that 40% of Finance's time is on the water and sewer.

Chair Wythe continued to explain that information comes from the Finance Director and the Council approves the allocation when they approve the budget. Mr. Castner noted that given Finance's other duties it is plausible that the staff spends that amount of time.

Deputy City Clerk Krause noted that all materials used or reviewed by the Task Force have been compiled in the notebooks on the table. Each notebook contains the same information but that the public is free to review that information.

Mr. Faulkner stated that he obtained information from the Public Works Director, through proper channels, regarding the costs of maintaining the lift stations are itemized for the review of the Task Force and he does not believe since he obtained this information that it would not be readily available to the Task Force and should have been consulted before the recommendation to add a surcharge to the Spit customers. He believed that this information proved how low the maintenance cost is at least for the lift stations on the Spit.

Mr. Dye remarked on the conservation aspect of the rate model, he believes that the hospital currently outsources the washing of their linens as Land's End does and he disagrees with the argument proposed by the Task Force. He asked for clarification on the Spit Rate for Sewer and Water Service. Chair Wythe and Mr. Castner responded. He then asked what number the Task Force was using for cost recovery for the Spit. Mr. Dye expressed concern for the amount that was being collected from the Spit users for sewer services. Mr. Castner noted that the rate was the same as everyone else, 1.5 cents per gallon; he additionally expressed that the Task Force was provided a number that it costs to run the lift stations. He continued that if those are not the correct numbers they will get to those numbers. Mr. Dye believed the Spit was already paying its portion if the percentage of use was reviewed. Mr. Castner explained that most of the system is gravity feed and by attributing costs directly related to specific areas they are directing costs to cost causers. Mr. Burgess entered into the dialog to provide further clarification on the process. Mr. Dye remarked that he hoped they did further review of the proposed rate for the Spit users and see that they Spit users did pay their fair share of costs.

Mr. Moore voiced that he disagreed with the direction the Task Force is going. He questioned if Mr. Dye was satisfied with the proposed water rates since he has not presented any testimony against the proposed water rate. Mr. Dye stated that Mr. Faulkner address the concerns with the water rates.

Mr. Moore additionally commented on the high water rates; costs to run the system; overhead more than it should be; taxing the high end commercial users; there won't be money for the Library; now the pendulum has swung way too far in the other direction. There must be a happy medium.

Chair Wythe reviewed the draft presentation to City Council. She explained the reasons the Task Force was created; what the Task Force was directed to do - review existing rates, propose rates and submit a recommendation. Chair Wythe noted that the Task Force reviewed rate structures from other cities; the basic concept of rate setting - consulted information from manuals and the internet; tried to answer the question why is our system so expensive; the regulatory requirements; staff requirements and certifications; community sense - there was never and probably never will be a water rate that will make everyone happy, the system is very expensive and is unique to the system; the City of Homer is one of the only systems that is compliant with regard to Federal regulatory requirements. Kenai and Soldotna are currently in the throes of bringing their systems up to grade and will be looking at higher rates when they do this; Chair Wythe touched on the fact that they have few users and it is not very dense; the cost of serving the very few users on the Spit; services provided to Kachemak City reviewed and ensuing recommendations for that area also.

Chair Wythe continued by stating that the Task Force examined different Rate Models before choosing what they believed was fair to the majority. She acknowledged the rolls of Mr. Castner and Mr. Howard for going through the various rate models. She believes that the Task Force has put their best foot forward on this Rate Model and tried to keep the political aspects removed from the process and the resulting model.

There was a brief discourse on the perception of fairness, large commercial revenue providers versus residential in regards to administrative costs, and the opportunity and appointment of a Spit resident or business owner to sit on a Water Sewer Task Force.

There was no further comments, questions or discussion Chair Wythe closed the Public Hearing.

PENDING BUSINESS

A. Review and Discussion on Working Draft Rate Model

a. Draft Models printed from Working Spreadsheets - for reference only

Chair Wythe stated although they did not individually touch on these next items she believed these have been covered under the previous agenda item.

NEW BUSINESS

A. Incorporating Public Comments or Suggestions into the Draft Rate Model

Chair Wythe stated that they would be addressing this item at the next meeting as she did not believe there was time for that now.

B. Discussion and Recommendations on Draft Presentation to City Council

INFORMATIONAL MATERIALS

A. Public Comment received January 18, 2013 Re: Proposed Water & Sewer Rates submitted by Mr. Slone, resident.

There was no discussion or comment on the informational items.

COMMENTS OF THE AUDIENCE

Mr. Sloan, city resident, stated that he supports the proposed rate model. He further stated that cost causer-cost payer - there was nothing more fairer than this; there are fixed costs to running this system and there is no way around it; all additional costs have been identified such as spit users, BOD, fire and bulk; all other costs are essentially identical for 90% of the users; cannot identify how many feet of pipe individuals use; Mr. Meyer has stated that the costs are indistinguishable; Mr. Slone asked, "if users pay on what they use how much fairer than that can you get?" He commented on how you could differentiate between the users with higher BOD generation; he is sure that it could be refined a bit more. He then commented that the general concept of the lift stations is appropriate but it too can be refined. The administration costs are high and works out that each user is paying \$18 a month and the rest is spread out among the rest of the users. If someone can come up with a better system then they should do so.

Mr. Faulkner, in closing, he would say that his water and sewer bills after conservation have doubled. He does not know any business that can sustain the kind of increases that are being proposed and there will be consequences, real consequences. He does not think people appreciate how tough it is to do business in this town; he does not think the Task Force appreciates the seasonality. It is time to cut, because that is what he has to do... and he has done it; and if he has to march the people he has cut in front of City Council so they can afford to hire people, extend their hours and benefits of people within government, then that's what he will do; because it has consequences. These rates...the best measure of fairness...there is a process, it is called benchmarking, when he decides what to charge for a hamburger, he has to look at what all the businesses in the area are charging for their hamburgers. The comments about what other communities are facing due to increases, the reality is when he compares what he would have to pay in the exact similar situation in another community, we are twice the amount in some cases, there's no excuse for that and that is what the Task Force should be focusing on, not burdening businesses more, they should focus on burdening businesses less.

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

Mr. Moore commented on the rate Land's End will pay to get the sewage off the Spit and he can almost truck it off in a semi-truck. There is something wrong with that costing so much. He went on that the cost being almost equal to the expense of running a truck there is something wrong with that. That is what the Task Force needs to look at. You put it in a line you don't have the labor or the fuel costs and wear and tear on a truck. He sees a problem with that.

Mr. Castner commented that Mr. Faulkner was given different information than the Task Force and they will look into those numbers. But whatever the cost of the lift stations are if it is less which Mr. Faulkner stated was a lot less, those numbers will go down. He was glad that they had the Public Hearing tonight. He believes that most of the work will be focused on this one area for the next meetings; he would like to come up with a formula for businesses that have kitchens or similar situation such as regards to the senior citizens. But he is glad they had the Public Hearing. Thanks.

Mr. Burgess stated that in regards to Mr. Faulkner comments, the extremely relative high cost of the system in Homer just brings us back to the larger subject of a very expensive core infrastructure utilized by a relatively small number of users. He noted that although an important issue, the Task Force wasn't tasked to address that issue. He believes there are certain things that can be done but they need to address infilling and getting more people to participate in the larger system. There is a system that can serve the large portion of the city and there is a small core. He resents a little bit being called insensitive or discriminating towards businesses being a business owner. This is not about being a business or an individual or anything else. It is about cost causers being cost payers. We are doing our best to achieve that goal. The simple reality is when you put a cost into a unit of commodity and people, who use more of the commodity, pay more. The alternative would be to put that cost onto smaller amount user, or having everyone subsidize the system. The only answer is to get more users.

Mr. Castner requested a motion to be made to create a subcommittee to draft the presentation to Council.

Chair Wythe was not sure that a motion was proper during closing arguments. Ms. Krause noted that it has been done, but is not proper process. Ms. Krause would leave it to the Chair's discretion.

CASTNER/BURGESS - MOVED TO APPOINT A SUBCOMMITTEE TO DRAFT THE PRESENTATION TO COUNCIL.

A brief discussion on the purpose of the motion and clarification on the Task Force requirement to submit a recommendation to City Council and what the Task Force has so far drafted followed. Chair Wythe noted that the timeline is running out and they need to get things completed.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Chair Wythe requested that item to be on the next agenda. She noted that it would be a good time to work on that issue. She thanked everyone for attending and acknowledged that this has not been the easiest task.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 7:00 p.m. The next **WORKSESSIONS are scheduled for FEBRUARY 5 and 19, 2013** at 5:15 P.M. All meetings are scheduled in the **UPSTAIRS CONFERENCE ROOM** at City Hall. The next **REGULAR MEETING AND PUBLIC HEARING IS SCHEDULED FOR MARCH 5, 2013** at 5:30 p.m. at Cowles Council chambers, City Hall 491 E. Pioneer Avenue Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved:_____

PUBLIC NOTICE

Public notice is hereby given that the City of Homer will hold a public hearing by the Water and Sewer Rate Task Force on Tuesday, March 19, 2013 at 6:30 p.m. at Homer City Hall, 491 East Pioneer Avenue, Homer, Alaska on the following matters:

Draft Water and Sewer Rate Model

Anyone wishing to present testimony concerning these matters may do so at the meeting or by submitting a written statement to the Water and Sewer Rate Task Force, 491 East Pioneer Avenue, Homer, Alaska 99603, by 4:00 p.m. on the day of the meeting.

For additional information, please contact Renee Krause in the City Clerk's Office at 235-8121, ext. 2224.

PLEASE PUBLISH ONCE

ACCOUNT 100.101.5227

Office of the City Clerk

Jo Johnson, CMC, City Clerk

Melissa Jacobsen, CMC, Deputy City Clerk II
Renee Krause, CMC, Deputy City Clerk I



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(907) 235-3130

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MEMORANDUM

TO: WATER AND SEWER RATE TASK FORCE

FROM: RENEE KRAUSE, CMC, DEPUTY CITY CLERK

SUBJECT: DISCUSSION, REVIEW AND FINAL REVISION TO THE
WATER & SEWER RATE MODEL

DATE: FEBRUARY 28, 2013

Background

Please review the recommendations submitted by the public and if determined by consensus of the Task Force incorporate those recommendations into the draft rate model.

RECOMMENDATION

Make a Motion to Approve the Commodity Rate Model for Water & Sewer Rates as presented or amended and Forward to Council for Approval.

	City of Homer						
	Version 1 - Working Feb - FIRST FINAL for 2nd Public Hearing						
Updated February 5, 2012 by Task Force							
Water Rates							
	Revenue Assumptions (dollars):					Source:	
1	Total Water Revenue Requirements (2014)=				1,890,265	Annual Budget	
2	Deduct 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 =				92,290	Bulk Sales	
8	Adjusted Revenue Requirements =				1,297,672	Calculated	
9	Usage Assumptions (gallons):						
10	Metered Sales Projection (gallons) =				125,000,000	Prior Year	
**11	6.5% Commodity Reduction due to Conservation =				8,125,000	Number to be tested	
12	Adjusted Sales Projection (gallons) =				116,875,000	Calculated	
	Informational:						
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				
		0.0111	17.55			Rounded up to \$18	
	Bulk Water =	.015/gallon					
** Changes to Rates following Public Hearing							

	** Changes to Rates following Public Hearing						
		High BOD Users					
		Restaurants	24				
		Hotels w/ Rest & Hosp	4				
		Clubs, Seniors, Schools	12				
		Laundromats	3				
		Car Wash	2				
		Service Stations	3				
		Total High BOD	48				

Type of User	\$18/mo Service Fee	1.11¢ gal Water Fee	1.5¢ gal Bulk Water	1.3¢ gal Sewer Fee	2.3¢ gal Sewer Fee	\$5/mo Customer Fee	\$10/month BOD Fee	\$5/mo Fire Demand
BASE FEES:								
Bulk Water Purchaser			✓					
Residential/ Commercial *	✓	✓		✓				
Residential/Commercial - Lift Zones	✓	✓			✓			
Residential/Com - Kachemak City						✓		
ADDITIONAL FEES:								
Commercial/Institutional Kitchens							✓	
Multi-unit Customer Fee**						✓		
Car Washes							✓	
Hotels/Motels							✓	
Processing Facilities							✓	
Campground/RV Parks							✓	
Laundromat							✓	
Service Stations							✓	
Buildings w/ Sprinkler Systems								✓
* Includes:								
B & B's								
Businesses								
Churches w/o DEC Kitchens								
Cocktail Lounges								
Groceries w/o DEC Kitchens								
Private Club w/o DEC Kitchens								
Public Authority w/o DEC Kitchens								
** Includes:								
Apartment/Housing Complexes								
Malls & Other Multi-unit Commercial								
Trailer Parks on Shared Meter(s)								

Office of the City Clerk

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MEMORANDUM

TO: WATER AND SEWER RATE TASK FORCE

FROM: RENEE KRAUSE, CMC, DEPUTY CITY CLERK

SUBJECT: DISCUSSION, REVIEW AND FINAL REVISION TO THE
MEMORANDUM AND PRESENTATION TO COUNCIL

DATE: FEBRUARY 28, 2013

Background

Please review the recommendations submitted by the members of this Task Force and if determined by consensus of the Task Force incorporate those recommendations into the draft presentation.

RECOMMENDATION

Make a Motion to Approve the Memorandum and Presentation as presented or amended and Forward to Council for Approval.

Office of the City Clerk

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Renee Krause, CMC, Deputy City Clerk I



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MEMORANDUM

TO: MAYOR WYTHE & HOMER CITY COUNCIL
FROM: WATER & SEWER RATE TASK FORCE
THRU: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
DATE: MARCH 5, 2013
RE: PROPOSED WATER & SEWER RATES AND ADDITIONAL RECOMMENDATIONS

Attached is the Water & Sewer Rate 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; the first Tuesday being a work session and the third Tuesday being a regular meeting. Work sessions and meetings were scheduled in the conference room with the exception of public hearings which were held in the Council Chambers.. The schedule was adjusted from time-to-time to accommodate holidays and scheduling conflicts for members of the Task Force.

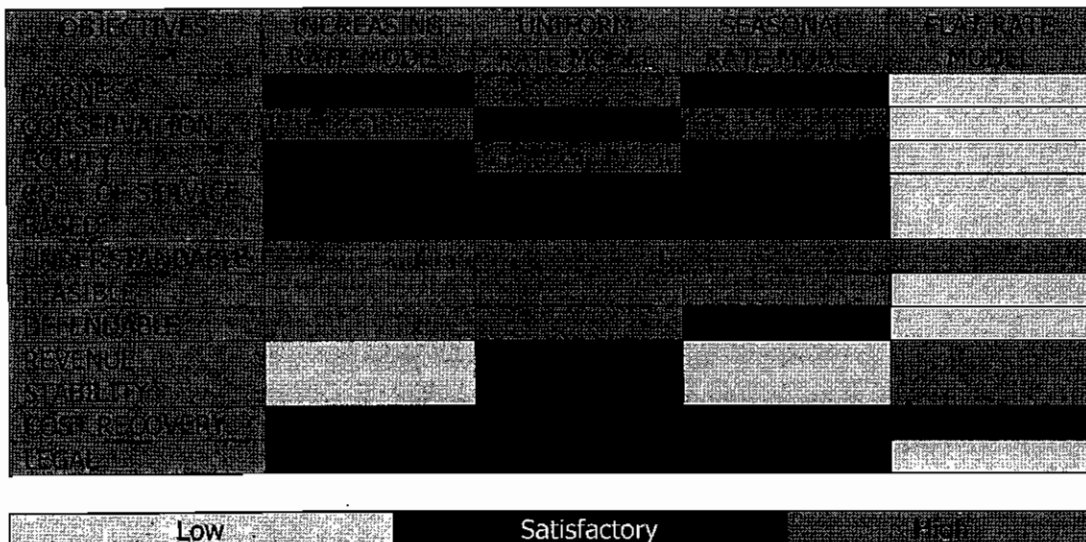
The initial meetings of the Task Force were primarily focused on determining the types and sources of information that would be required to allow the Task Force to more fully understand rate making concepts and the nature of the City of Homer's current rate design. This process included:

- 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 to, and returning sewage from 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 were a major concern and were considered regularly throughout the process as this appeared to be a substantial expense to the system as a whole.
 - Rates from other nearby communities were reviewed and the reasons for the difference in operating costs, as well as anticipated impacts of 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 system from return to treatment.
 - Fire protection expenses were also discussed periodically as a substantial contributor to the expense of the system that was not adequately or properly allocated.

Following the collection and review of this information the Task Force considered a variety of ratemaking formulas giving consideration to fairness and consumer satisfaction. The following rate evaluation illustration was provided in the American Water Works Association manual M54, Developing Rates for Small Systems (2004, p. 38).



Upon considering the various rate design options, the Task Force determined that focusing its energy on designing a commodity based, uniform rate structure that considered expenses that were not directly related to the delivery of service to all consumers, such as system size due to fire hydrants, delivering water to the Spit, water used to flush dead-end lines, and water leakage in the harbor. The Task Force also considered extraordinary expenses on the sewer system including the impact of high biochemical oxygen demand (BOD) waste which increases the cost of waste processing and the requirement in some areas for lift-stations to deliver waste to the treatment plant.

The recommendations of this report are based on this information and result in a balanced budget for the Water & Sewer Enterprise Fund. The recommendations also provide a new rate model that will ensure the collection of the required funding into the future. Distributing the expense for the system more equitably based on a cost-causer, cost-payer is the foundation of the proposed rate model.

The recommendations of the Task Force include:

- Replacing the current rate model with the proposed commodity based model found on page ##.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
- Confirm that ALL City of Homer facilities receiving water and sewer services are being properly metered and billed.
- Consider alternatives for refreshing the water in deadened lines that does not result in the waste of large volumes of treated water.
- Renew the contract with Kachemak City and ensure that the rates adequately reflect the cost of this area on the system as a whole, including any added administrative expenses.
- Consider methods for rate-setting that will not allow political influences to result in the under collection of rates in the future.

While this review may not have fully exhausted the rate design possibilities available to a rates consulting firm, it is the belief of the Task Force that the information and recommendations found in this report have met the fundamental review requirements that the Task Force was requested to consider in the development of their recommendations.

Respectfully submitted,

HOMER WATER & SEWER TASK FORCE

Chair: Beth Wythe

Vice Chair: Beauregard Burgess

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

Water and Sewer Rate Review and Recommendations

Report of the Water & Sewer Rate Task Force

4/8/2013

Contributing Task Force Members Beauregard Burgess, Ken Castner, Barbara Howard, Terry Yager, Bob Howard, Sharon Minsch, Lloyd Moore, Beth Wythe

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INTRODUCTION:

The Water & Sewer Rate Task Force (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 Appendix # of this report as supporting documentation.

The City Council approved the creation of a Task Force after numerous public comments and complaints about the 2012 increase in Water & Sewer Rates and fees.

From the beginning, the Task Force resolved to reach decisions that were not colored by sentiment or popularity. The Task Force began its work of developing a recommendation for the City Council by considering who the benefactors were of the water and sewer systems. In addition to the residential and business customers there are large commercial users such as South Peninsula Hospital and the Port & Harbor. There are also incidental benefits that the system was designed to provide including providing both fire hydrants and sufficient water for buildings that house sprinkler fire suppression equipment. While the City Council will make the final decision regarding any rate changes, the Task Force has included recommendations for allocating the additional expenses related to these specifically identifiable cost centers in an equitable manner.

CURRENT RATE STRUCTURE:

Currently water and sewer rates differentiate between various water usage and sewage returns based on whether they are delivered to or derived from residential customers, or small or large commercial customers. The Task Force believes that a gallon of water or a gallon of waste should be of an equal base cost to all users, and when a class or location of users is found to be more costly, a surcharge should be added.

Public Works states that the size of the City's water system is primarily designed to handle the delivery volume required for the fire protection needs of the City. The current City contribution to the annual water budget does not fully reflect the attributed costs that should be recovered through "hydrant rents".

FAIR AND EQUITABLE RATES:

The Task Force believes the basic service charge for water and sewer customers should accurately reflect the cost of customer billing, banking and accounting expenses. Other system maintenance and treatment expenses should be billed in accordance with the customers' actual usage. There is an inherent fairness in charging all customers hooked into the system(s) the same rate for an indistinct commodity. A gallon of water is the same no matter what its use. A uniform rate lends itself to easy rate adjustments using calculations that are simple and transparent.

The Task Force identified costs associated with the water and sewer system that are derived from the population in general (fire protection, City owned buildings, public rest rooms, fish cleaning stations and support of other community facilities that use water in their day-to-day activities). These costs should be borne by the City as general fund expenses using the same tariff basis as any other user.

Fairness also requires that users that require services beyond the normal, or create additional costs, be charged for those expectations and/or costs. Two examples of the former would be those buildings with un-metered fire protection service lines and multi-unit complexes using a single meter. Two examples of the latter would be the additional cost of treating "hot" (high BOD) sewage, and the costs of maintaining and powering the sewer lift stations. In order to address these non-standard users a small surcharge has been recommended.

SYSTEM REQUIREMENTS:

The water and sewer system in Homer has some unique characteristics that increase the cost of operations and maintenance. The first is the location of our water source and another is the elevation of many users relative to the sewer treatment plant.

Having water come from the top of the hill may at first appear to be a great asset since many water systems are challenged with pumping water to higher elevation customers. However, reducing the pressure in the delivery system as a result of the gravity fed nature of Homer's system presents its own costly challenges. The construction and maintenance of the pressure reducing valves that are required to safely deliver water into the system and then into the residents and businesses receiving services is a substantial contributor to the cost of Homer's water system over other similarly sized systems across the state.

In addition to these challenges, having a surface source of water increases the volume of treatment required to make the water potable. As a result, Homer has been required to maintain a state-of-the-art water treatment facility for years and has recently built a new treatment facility with the capacity to meet current and anticipated water quality standards for years to come.

The water delivery system has also been sized to provide adequate pressure and flows for a variety of special services including fire sprinkler systems and hydrants. Hydrants benefit all City property owners whether they are connected to the delivery system or not. Therefore the Task Force believes that a portion of the additional system costs related to system size should be shared by property owners independently from the rates charged to water and sewer customers.

There are many service locations on the sewer system that pass through elevations that will not allow for gravity to deliver sewage all the way to the sewer treatment plant. In order to provide service to these areas lift stations are required to pump sewage to a higher elevation in the system so it can continue to the treatment plant by gravity delivery. Just as the pressure reducing valves required on the water system create an additional maintenance expense, these lift stations create an additional maintenance expense for the sewer system. Unlike the pressure reducing stations that benefit all customers, the lift stations only provide benefit to those that are in areas where they are required. For this reason, the Task Force has included a nominal monthly fee to the billing for customers that live in areas served by lift stations.

DISPROPORTIONATE IMPACTS:

In addition to the above expenses specific to Homer's water delivery and sewer collection systems, other costs of operating the systems which the Task Force determined to be identifiable to specific users included:

High BOD waste; and
Water required for flushing dead-end lines.

A nominal fee is recommended for the purposes of identifying the existence of high BOD waste contributors and to marginally off-set additional expenses related to treatment.

The water loss related to dead-end lines is considered a cost of the system in general and no fee was recommended in association with this impact.

Another potentially disproportionate impact that was identified but not quantifiable was the presence of facilities that have water delivered, but return sewage through the sewer without being billed.

OPTIONS FOR DISTRIBUTING COSTS TO CAUSERS:

The proposed rate model provides a spreadsheet for the calculation of water rates independent of the spreadsheet for calculating sewer rates, although the proposed structure continues the practice of billing sewage based on water usage. The singular acceptance to this was in reducing the volume of projected sewage from the Spit due to the large volume of water used at the Port that is not returned as sewage.

When reviewing the proposed water model you will observe first that the model begins with the required revenue in mind. The required revenue is then reduced by a variety of alternative revenue sources including:

- Service fees (finance fees/number of customers);
- Hydrant Rents (10% of required revenues);
- Sprinkler Differential (\$5/month/identified user);
- Surplus (Bulk) Water sales (estimated sales X \$0.004);

This identifies the amount of revenues that need to be collected through the commodity (usage) rates. In the projection provided, consideration is also given for the potential reduction in water use that may result from the commodity based fee schedule (conservation).

Using this model, rate reductions are as easy as updating the "Total Water Revenue Requirements", the "Metered Sales Projections"; the "Number of Meters"; and the "Finance Department O/H" cells. Updating these cells will generate the "Water Rate" which is the commodity fee, and the "Metered Service Fee" which is rounded up to the next highest dollar amount and becomes the monthly base rate for water services.

The use and maintenance of the proposed sewer rates is very similar. Beginning with the projected annual revenue assumption reduced by:

Lift Station Charge (lift station maintenance costs/users);
High BOD fees (\$10/month/identified user);
Multi-residential facility & Kachemak City fees (\$5/month/identified facility);
Kachemak City Fees (less pumping);
Dumping Station Fees; and
Water Only Meters (no septic returned).

Resulting in the total revenue required through rates. Rates are allocated based on historic usage allocated to those meters that are in sewer return areas that require a lift station and those that are not to generate two rates; Non-lift zone customers – sewer rate/gal, and Lift Station Zones – Sewer Rate/gal.

Again, with the adjustment of the key cells, new rate projections become simple.

CRITERIA FOR EVALUATING THE SOLUTIONS:

Because the primary complaint regarding the current rate structure has consistently been the perception of unfairly allocating costs, the Task Force was assigned the responsibility of reviewing the current rate model and recommending new rates for the 2013 rates review process. Through reviewing not only the current rate model, but also the components of the water and sewer system and identifying not only the billed users, but also others that benefit from the system, the Task Force believes that the proposed commodity based, uniform rate structure provides the most fair distribution of the expenses for operations and maintenance of the water and sewer system.

In addition to the current rate model that is "class" based, with a large base rate, the Task Force considered rate structures designed to encourage conservation (increasing rates when usage increased); structures that encouraged usage (reduced rates as usage increased); and rates that were fully commodity based (a flat fee per gallon, regardless of base expenses and extraordinary expenses). Ultimately, it was determined that the proposed rate model would best meet the test of "fairness".

By distributing the administrative costs of billing between all customers and then charging the same rate per delivered gallon of water, water users can take control of their bill and no customer is subsidizing the use of another customer. By separating expenses related to making water available for non-standard uses such as fire protection and bulk water sales the model removes subsidies. Customers are merely being charged for the service they are receiving.

Similarly, on the sewer side subsidies are being removed by allocating extraordinary expenses related to lift stations and high BOD waste to the users that benefit from them, and multi-family dwellings are contributing proportionally to the cost of maintaining a larger system to accommodate sewage generated by more than one customer using the same metering system.

OTHER CONSIDERATIONS:

In developing the proposed rate structure, the Task Force accepted the costs that had been promulgated by the City Administration and approved by the City Council.

Eighty percent of the combined budgets are costs necessary for the treatment and delivery of water for the City and its customers, together with the cost of collection and treatment of the produced effluent. The remainder is the allocated cost of administrative service. The decision as to the size and appropriateness of that allocation, and the decision to use City employees to provide those services, rests with the City Council.

The Task Force does not believe that the proposed rate model will resolve all of the complaints regarding fairness in the allocation of the expenses for maintenance and operation of the water and sewer program, but we do feel that the concerns identified and those brought before us through public comment have been appropriately addressed through this model. Additionally, the model provides an ease of administration and future rate setting that if properly applied will help the City continue to adequately fund the program for years to come.

CONCLUSIONS:

In conclusion the Task Force is pleased to provide the City Council with the following recommendations with the anticipation of improved rate stability in the water and sewer program.

- Replacing the current rate model with the proposed commodity based model found on page A-1 and A-2.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
- Confirm that ALL City of Homer facilities receiving water and sewer services are being properly metered and billed.
- Consider alternatives for refreshing the water in deadened lines that does not result in the waste of large volumes of treated water.
- Renew the contract with Kachemak City and ensure that the rates adequately reflect the cost of this area on the system as a whole, including any added administrative expenses.
- Conduct rate-setting in a manner that will not allow political influences to result in the under collection of rates in the future.
- Establish a periodic meter inspection program to ensure that all meters are properly installed and reading.
- Consider hiring a qualified consulting firm to review the rate structure and/or establish a Water & Sewer Board that is advisory to the Council.

REFERENCES AND RESOURCES

Rate Setting for Small Water Systems, Texas Cooperative Extension Service, Texas A & M University System
Excerpt from Basic Guide to Water Rates, www.lwua.gov.ph/water_rates_08/rates_two.html
Chart Table 2-1 Annual Funds Required – Unknown Source
Anchorage Water & Sewer Rates 2012 www.awwu.biz/website/Customer_Service/water_tariff13-2.htm
Intergovernmental Agreement for Kachemak /Homer Wastewater System Between Kachemak City and City of Homer, dated August 10, 1988
KPMG Peat Marwick, Water and Wastewater Utilities Rate Study, February 11, 1991
Montgomery Watson, Utility Rate Study, August 11, 1997
City of Homer 2000 Rate Model Matrix – Water & Sewer 2008 Rates Analysis Water & Sewer Enterprise Fund
City of Kenai Water & Sewer Rate Study Prepared by Kurt Playstead, CH2M HILL, February 7, 2011
MS4: Developing Rates for Small Systems, The American Water Works Association, Copyright 2004
City of Soldotna Water & Sewer Rate Study Prepared by HDR Engineering (No date)

APPENDIX

Resolution 12-027(A), Establishing a Water & Sewer Rate Task Force
Resolution 11-094(S), Maintaining the City of Homer Fee Schedule at the Current Rates and Amending Customer Classifications in the Water & Sewer Rate Schedules
Ordinance 11-43, Amending HCC 14.08.037, Water Meters Regarding Number of Meters Per Lot
Resolution 11-062(A) Maintaining the City of Homer Fee Schedule Under Water and Sewer Fees.
Resolution 04-94(S)(A), Amending Homer Fee Schedule Regarding Water Rates
Resolution 04-95, Amending Homer Fee Schedule Regarding Sewer Rates
Excerpt from City Council Minutes regarding Resolution 04-94(S) & Resolution 04-95
Resolution 05-121(A), Amending the City of Homer Fee Schedule Regarding Water Rates
Resolution 05-122, Amending the City of Homer Fee Schedule Regarding Sewer Rates

Information Provided by Finance Department
City of Homer Year End 2011 Utility Special Revenue Fund
2011 Balance Sheet
Classifications & Average Monthly Usage for 2011
Actual Random Sample Invoices depicting various gallonage used for comparison
Depreciation Reserves Requirements
2012 Operating Budget Water & Sewer
Staff time to produce Invoice
How Budget Numbers are calculated
Year to Date figures Water & Sewer June 2012
Year to Date figures Water & Sewer August 2012
City of Homer 2012 Operating Budget Fund 200 – Water & Sewer Special Revenue Fund
Fund 400 - Water Fund Administration, Fund 400 Water & Fund 500 Sewer Fund Revenues

Information Provided by Public Works
How Fire Protection Affects the Water System – Public Works
Spit Water Overhead & Maintenance Costs
Flushing Fire Hydrants & Water Mains
2011 Average Water Usage By Classification
Water Treatment Plant Flows in Millions of Gallons
Maps Indicating Lift Station Locations and Areas Served
Number of Gallons of Water delivered to the spit Annually
Approximate Amounts returned to Water Treatment Plant
Meter Sizes & Number of Each Size
Gallonage in the Harbor

Water & Sewer Task Force

Second Public Hearing

March 5, 2013

Task Force Purpose

- Resolution 12-027(A)
- Duty
 - Review the current rates
 - Propose rates for 2013

Review Process

- Current Rate Model & Prior Rate Study
- Potential Rate Designs
 - Developing Rates for Small Systems (M54)

OBJECTIVES	INCREASING RATE MODEL	UNIFORM RATE MODEL	SEASONAL RATE MODEL	FLAT RATE MODEL
FAIRNESS				
CONSERVATION				
EQUITY				
COST OF SERVICE BASED				
UNDERSTANDABLE				
FEASIBLE				
DEFENDABLE				
REVENUE STABILITY				
COST RECOVERY				
LEGAL				

Low
 Moderate
 High

Specific Costs Reviewed

- Staffing
 - Required certification for treatment plant operators
 - Required number of staff
- Administrative Costs
 - Finance
 - Other Support
- Water “waste”
 - Port & Harbor
 - Dead-end line flushing
- Meter accuracy

Other Considerations

- Rates in other communities
 - Not really an apples-to-apples comparison
 - Well water vs. surface water treatment requirements
 - Pressure reducing valves (water system)
 - Lift stations (waste system)
 - Low customer density
 - State-of-the-art treatment facilities
- Kachemak City Service Contract
 - Out dated

Proposed Model - Water

City of Homer - Water and Sewer Rate Study - Draft Rate Model			
Version 1 - Working Feb - FIRST FINAL for 2nd Public Hearing			
Updated February 5, 2012 by Task Force			
Water Rates			
Revenue Assumptions (dollars):			Source
1	Total Water Revenue Requirements (2014) =	1,890,265	Annual Budget
2	Deduct Portion Collected through Service Fee =	310,077	Annual Budget
2	Hydrant Rents (10% of EG) =	189,027	Annual Budget
4	Sprinkler Differential (20 buildings - \$5/mo) =	1,200	Building Customer
6	Surplus Water Sales (Bulk) surcharge only =	92,290	Bulk Sales
8	Adjusted Revenue Requirements =	1,297,672	Calculated
Usage Assumptions (gallons):			
10	Metered Sales Projection (gallons) =	125,000,000	Prior Year
**11	6.5% Commodity Reduction due to Conservation =	8,125,000	Number to be tested
12	Adjusted Sales Projection (gallons) =	116,875,000	Calculated
Informational:			
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	
	0.0111	17.55	Rounded up to \$18
Bulk Water	0.15/gallon		

Proposed Model - Sewer

City of Homer - Water and Sewer Rate Study - Draft Rate Model				
Updated February 5, 2013 by Task Force				
Sewer Rates	Version 12 - Working	February	FIRST FINAL	Second Public Hearing
Revenue Assumptions (dollars)		Source		
1	2014 Total Revenue Requirement	1,680,279	Annual Budget	
**2	Sewer Differential (.86*.84% of Lift Stations)	156,447	All Lift Station Users	
**3	High BOD Generator Sewage Differential (\$10/mo)	5,760	New Fee	
4	Customer Fee from KC/Tenants (\$5/mo)	53,160	Reduced Fee	
7	Kachemak City Fees (less pumping)	81,270	Prior Year	
8	Dumping Station Fees	10,500	Prior Year	
9	Summer Metered Gallons (Septic Reduction)	(400.00)	From Accounting	
10	Adjusted Revenue Requirements	1,373,542		
Usage Assumptions (gallons)				
11	Discharge Sales Projection (gross metered)	125,000,000	Water Sales	
**12	6.5% Commodity Reduction due to Conservation	(8,125,000)		
13	Metered Spill w/o entering Treatment Line	(9,150,000)		
14	Adjusted Discharge Sales Projection	107,725,000		
Informational				
15	Spill Sewer Discharge (gallons)	7,225,000	Prior Year	
16	Lift Station Costs	181,915	Annual Budget	
17	Single Connection Multi-Tenant Units	886	Prior Year	
18	Public Facilities Contribution	46,918	Annual Budget	
**19	High BOD Generator Sewage (gallons)	48	From Page 2	
20	Dumping Station Fees	10,500	Annual Budget	
NON-Lift Zone Customers - Sewer Rate /gal				
21	0.013			
Lift Station Zones - Sewer Rate /gal				
**22	0.023			

Recommendations

- Replacing the current rate model with the proposed commodity based model.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
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- Establish a periodic meter inspection program to ensure that all meters are properly installed and reading.
- Consider hiring a qualified consulting firm to review the rate structure and/or establish a Water & Sewer Board that is advisory to the Council.

Questions



Office of the City Clerk

Jo Johnson, CMC, City Clerk

Melissa Jacobsen, CMC, Deputy City Clerk II
Renee Krause, CMC, Deputy City Clerk I



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MEMORANDUM

TO: WATER AND SEWER RATE TASK FORCE

FROM: RENEE KRAUSE, CMC, DEPUTY CITY CLERK

SUBJECT: SCHEDULING ADDITIONAL MEETING DATE

DATE: MARCH 14, 2013

Background

Currently this meeting is the last scheduled meeting for the Water & Sewer Rate Task Force. Depending on the progress of this meeting it may be necessary to schedule one or two more meetings.

If the Task Force determines that more meetings are needed the following must be considered:

Staff has meetings scheduled on April 2nd at 5:00 p.m., this date follows the standard meeting schedule that has been established by this Task Force.

Setting an additional meeting would still get this to City Council for the meeting scheduled on April 22, 2013. Allowing Council May and June for review.

RECOMMENDATION

Make a Motion to Schedule Additional Worksession or Meeting if required.

MEETING DATES	LEGEND											
TASKS												
Alaska Open Meetings Act Nomenclature												Task Completed
Creating a Project Time Line												Task Ongoing
Water & Sewer 101 The Basics of the System Source to Customer												Task Dropped
Rates & information from 2000												Task Not Started
Creating a Project Time Line												
Rate Study 2000-2001												
Seasonal Use Number of Gallons Used												
Flow Rates												
Random Sampling of Water Sewer Bills												
Review & Discussion on Percentage of Loss from Flushing												
Review of Rate Sheet and Update of Water Meter Information												
Projected Revenue and Amount of Revenue to Date for Reso. 11-94(S)												
City of Homer Water & Sewer Systems Map												
2000 Rate Model using Current Rate - Comparisons												
How Does Fire Protection Affect the City Water System												
Discussion on Water & Sewer Service on the Homer Spit												
Discussion on the City of Homer Sewer System 101 Customer to Treatment Plant												

SUN	MON	TUES	WED	THURS	FRI	SAT
		1	2	3	4	5
6	7		9	10	11	12
13	14	15	16	17	18	19
20	21		23	24	25	26
27	28	29	30	31		
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3	4		6	7	8	9
10	11	12	13	14	15	16
17	18		20	21	22	23
24	25	26	27	28		
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3	4		6	7	8	9
10	11	12	13	14	15	16
17	18		20	21	22	23
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31						
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

JANUARY

FEBRUARY

MARCH

APRIL

LEGEND

-  Public Hearing First Draft
-  Tentative Public Hearing Final Draft
-  COUNCIL MEETINGS
-  WSTF MEETINGS
-  KPB MEETING
-  TENTATIVE MEETING DATES
-  ROOM AVAILABLE
-  HOLIDAY
-  SCHEDULE CONFLICT
-  ELECTION NIGHT

