

Session 13-06 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 6:32 pm on March 19, 2013 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: BETH WYTHE, BEAU BURGESS, SHARON MINSCH, LLOYD MOORE, KEN CASTNER,
AND BOB HOWARD

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
LAURIE MOORE, ACCOUNTING SUPERVISOR

APPROVAL OF THE AGENDA

Chair Wythe called for approval of the agenda as presented.

HOWARD/MINSCH – MOVED TO APPROVE THE AGENDA 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)*

Chair Wythe requested comments on the agenda and stated that no comments could be made on the Draft Rate Model which was under Public Hearing.

Mr. Mike Dye, CEO, Land's End Resort read from a prepared statement commenting on the Task Force providing leadership, rate setting that will not be anti-business; citing the absences of Task Force members, resignation of Task members and a lawsuit filed against the City by another Task Force member; their business will have to absorb another \$30,000 a year and cannot do this; he will implore City Council stay with the current system; and not using the fully trained City staff to create a rate model...
At this point Mr. Dye's statement was not being recorded and the clerk was unable to transcribe.

Larry Slone, city resident, commended Ms. Krause on the compilation of information that has been presented and provided to the Task Force; he believed that the rate Model was clear and concise; he believed it was a good product and recommended that the Task Force present it to Council in its present format. He further commented that he would be present to help support the document.

Josh Garvey, CFO, Land's End Resort, commented he very disappointed that the Task Force was preparing to recommend a Rate Model that has not clearly been explained or updated in a timely manner over the course of the public hearings; that is so complex that most business owners have no idea how it will actually affect them; he has been tasked to analyze the impact this proposed rate structure will be on their business; this task has been a monumental task; it is an extremely complex rate model that has not presented clearly to the general public; he has a master in accounting and the City of Homer has paid Regina, the Finance Director to go to school specifically for training in rate modeling for city utilities; even with all their combined training and intensive study of the information neither of them fully understands the proposal. Best case scenario this will increase their water and sewer bill by \$30,000 or it could be a lot more. Either way their business will not be able to withstand this increase; in his mind it is a tragedy that the publicly elected officials would recommend something like this that will destroy business and employment opportunities in this community and not take the time to present the information clearly or research the financial consequences that this will have on the business community.

There were no further comments.

RECONSIDERATION

There were no items for reconsideration.

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

A. Minutes for January 22, 2013

Chair Wythe requested a motion to approve the minutes.

CASTNER/MOORE - MOVED TO APPROVE THE MINUTES FROM THE JANUARY 22, 2013 MEETING.

There was no discussion.

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)*

A. Draft Water & Sewer Rate Model

Chair Wythe opened the Public Hearing. There was no testimony offered by the audience.

Chair Wythe closed the Public Hearing.

PENDING BUSINESS

A. Discussion, Review and Revisions of the FINAL Draft Rate Model and Customer Matrix

Chair Wythe introduced the item into the record. She noted that it was on the screen or in the packet. Mr. Castner distributed a copy of a definition he was proposing to include in the presentation. Chair Wythe then noted the report and asked for any additional comments or recommendations.

Chair Wythe asked Mr. Castner the reason for inclusion of the definition.

CASTNER/MINSCH – MOVED TO INCLUDE THE AS A DEFINITION FOR THE PROPOSED TENANT FEE APPLIED TO THOSE APARTMENTS, RENTAL UNITS OR MULTI-UNIT BUILDINGS WHERE EACH UNIT WOULD HAVE 1 OR MORE BATHROOMS. THIS CHARGE APPLIES TO ALL UNITS WHETHER COMMERCIAL OR RESIDENTIAL.

There was a brief discussion if there was a definition within Homer City Code that would apply to the intent of not just targeting residential for tenant fees.

Action was postponed on this motion until information was provided by staff on the definitions available within City Code and how the Finance department delineates commercial and residential within the existing water and sewer rates.

Further discussion ensued regarding including the comparison information that was included in the first presentation of January 22, 2013 regarding rates; lift station costs and the prior decision to socialize those costs between all customers that require the aid of a lift station including Kachemak City.

Ms. Minsch did not support the additional fees to the customer due to a requirement of the system.

Mr. Moore specified he did not support the additional fee for lift station, he went on to elaborate that he did not support the proposed rate model or any part of the proposed recommendations due to the pendulum swinging to the far extreme and impacting the businesses. He acknowledged that they are almost at a direct allocation of costs and strongly encouraged the Task Force that they should just do that, it's simple; Mr. Moore continued by stating that the current proposed model impacts his business by \$90,000 and that's not fair; he realizes the system must be paid for, but there are swings he doesn't believe in; Mr. Moore further advocated using the model provided in 2000 by Montgomery Watson; he continued by saying this model was fair, you could teach someone how to use that model, it was put together well by professional; this recommendation has been put together poorly, by few people and he cannot support it.

Mr. Castner responded that he and Sam wrote that model that Mr. Moore referenced and Montgomery did nothing more that apply their engineers stamps to the document.

Ms. Minsch inquired if the city staff who would be dealing with this have a chance to review this rate model and provide feedback before they submit it to Council. Chair Wythe responded that this can be done. She further commented that while she has no formal rate model experience this proposed rate model is easy, she noted that there is nothing complicated if you can work with an excel spreadsheet you can read the formula, the question will be changing the information within the current billing system. She further elaborated that this rate model.

Further discussion regarding a straight commodity rate system and the current proposed rate model between the members of the Task Force, providing examples of what the ramifications would be if you remove or change numbers, assurance was provided that the City Council will have plenty of time to dissect and question the rate model, this Task Force will be presenting the recommendations only Council will not be making a decision at that meeting.

Chair Wythe advised the members that this was not straight commodity since they have a monthly fee; Mr. Moore questioned why not use a straight commodity; Chair Wythe reviewed steps that the Task Force has taken and it has gone around a few times and this is what the committee voted on in response to Mr. Moore. She additionally encouraged him to make a motion for a full commodity rate.

MOORE/CASTNER – MOVED TO RECOMMEND USING A FULL COMMODITY RATE MODEL FOR WATER AND SEWER.

There was a discussion on how this would be processed and figured; that is includes bulk water sales. It was pointed out that the guiding principle was he who causes the cost pays the cost; if you use the water you pay the cost; even if you do not use water the system still has to be paid for; the new commodity rate would be \$0.162 per gallon; all additional revenue resources are removed; then multiplying by the average of 3500 gallons the average water bill would be \$567; the overhead for finance could not be debated and it was noted that 40% of finance overhead would be allocated which came to the \$18.00; additional comments that testimony was provided to Council on the overhead costs being a problem. Further comments regarding the pros and cons of socializing costs over the entire system and paying a fair share if you are hooked up to the system continued. Task Members argued that lift stations should be considered a cost to operate the system and not charging individuals additional costs if it requires a lift station to bring their sewage back to the plant. Chair Wythe explained in detail the difference between infill and new infrastructure and the impact on the system as a whole.

VOTE. YES. MOORE

VOTE. NO. HOWARD, MINSCH, CASTNER, WYTHE

Motion failed.

HOWARD/CASTNER - MOVED TO FORWARD THE RATE MODEL WITH THE CLARIFICATION OF DEFINITIONS.

Chair Wythe stated that the members will still be able to make changes or additions at the next meeting; her intent is that each member has time to review the work that has been accomplished in their absences. It was noted that there has been only three changes that was known and that regarded the reduction in the lift station fee, flat fee for the high BOD, and a reduction in the conservation percentage. Chair Wythe requested Mr. Howard to come up with an explanation for the rate model and where the figures came from or the formula that was used to come up with the number they did using the rate model. Additional comments on customers having already taken conservation measures, users rates going down so there would be no reason to conserve and having enough revenue to pay for the system.

Further questions regarding previous discussions on the determination on the BOD which prior was tied to volume and now it is a flat fee. This was determined that there were several factors within the business besides a kitchen. This fee recognizes that there is an expense to the system but it is not easily separable in a business that has multiple uses. Mr. Castner provided a further detailed information on determining a nominal fee to track the expense.

VOTE. YES. WYTHE, CASTNER, MINSCH, HOWARD

VOTE. NO. MOORE.

Motion carried.

NEW BUSINESS

A. Scheduling Additional Meetings

Chair Wythe introduced the item for discussion and asked if everyone would be available for Friday April 2, 2013 at 2:00 p.m. This meeting will be upstairs.

Mr. Castner explained he had jury duty for March and he would only have a problem if he was selected for an upcoming case.

Mr. Moore stated he is currently scheduled to be in town but he was not sure. Chair Wythe offered friendly reminder that he would be here since he would be absent his lead guy. She further stated that they will finalize the presentation and memorandum to Council.

INFORMATIONAL MATERIALS

A. Updated Timeline

B. Updated Meeting Calendar

COMMENTS OF THE AUDIENCE

Mr. Slone commented that once again he supports the rate model that the Task Force has proposed. Almost exactly one year ago he proposed a straight commodity rate to Council; subsequently he realized that was too simplistic after listening to the discussions held by the folks present. If you want to be politically neutral, that it should be a rate model based on cost causer cost payer, then what the Task Force has developed addresses that. He noted that there are identifiable costs and he supports the system that has been developed to address

those costs. Mr. Slone stated that once this is presented to Council the input from individuals directly affected by the proposed rate model would be appropriate. He suggested they stick to it and just perform the fine tuning that is required. It was made clear to him that he was wrong.

Mr. Slone also noted that there has been minimal members present and performing all the work and that the group has met on a regular basis and at this meeting there were questions on things that were agreed upon at previous meetings.

COMMENTS OF THE CITY STAFF

There were no comments.

COMMENTS OF THE CHAIR

Chair Wythe requested every member to carefully read through the information on the memorandum and presentation, and the first presentation in January and have all comments into Renee no later than March 29, 2013. She thanked everyone for their time and energy. Ms. Wythe understands that it is not always easy to get things done over an 8-12 month spread of time. She also stated that she would also include a memorandum from any members who are not agreeable to what is being proposed. That way they get the sense of what was the personal issues and sticking points were.

COMMENTS OF THE TASK FORCE

Mr. Castner commented that this was a lot different than what they did 20 years ago since the system is completely different than 20 years ago. They tried sort things into the most logical slots and if he was asked to do it over again he doesn't believe it he would do anything much differently; he believes it is a fair and understandable; he wishes they did have more political power so they could adjust some of the costs but that was not their balliwick.

Mr. Moore and Ms. Minsch had no comments.

Mr. Howard acknowledged his absence the last three months but felt it was advanced enough when he left to be fully supportive of the proposed recommendations and that it is very defensible. It is a very good piece of work.

ADJOURNED

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 7:56 P.M. The next **REGULAR MEETING is SCHEDULED FOR APRIL 5, 2013** at 5:15 p.m. at Cowles Council chambers, City Hall 491 E. Pioneer Avenue Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved: _____