# MEMORANDUM 19-063

TO: HOMER CITY COUNCIL

**CITY MANAGER KATIE KOESTER** 

FROM: HOLLY C. WELLS

RE: ORDINANCE 19-23: PUBLIC UTILITY SYSTEM AND SPECIAL

**ASSESSMENTS ORDINANCE** 

**CLIENT: CITY OF HOMER** 

FILE NO.: 506,742.27

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### Introduction

In early 2018 City Council Member Lord and City administration requested a review of the public utility provisions in the Homer City Code and City practices and procedures regarding public utilities to ensure they were up to date, clear, and consistent. As a result of the substantive review, Ordinance 19-23 proposes substantial changes to the Code's public utility provisions to address the current inconsistencies and outdated procedures enumerated in the Code. The purpose of this memorandum is to provide a blueprint to Council and the public regarding the revisions proposed in Ordinance 19-23. This ordinance was designed to accomplish several goals:

- 1. Place all Homer City Code provisions that require property owners to pay for public utilities or improvements into one area in the Code so property owners know what to expect.
- 2. Create clear public utility and improvement assessment procedures that can be consistently applied and anticipated by property owners and future purchasers and investors.
- 3. Ensure that local laws reflect local practice, obligations, and needs.

To this end, this memorandum provides a summary of the proposed substantial changes and the reasons for these changes. It includes tables specifically enumerating most of the changes made to ensure Council focuses on these changes during its consideration of the Ordinance. Of course, in light of the significant changes, this memo should be supplemented with public hearings and Council work sessions to ensure that all of the changes, and the effects of these changes, are understood.

## The Reasons Behind the Rewrite

In order to understand the proposed changes, it is helpful to understand the current relevant titles of the Code.

#### Current Title 14

Currently, Title 14 entitled "Public Services" regulates both the water and sewer systems within the City but has separate sections governing both. While many of the processes related to management of the Homer sewer and water systems are the same, the Code provisions were adopted and apply to each system separately. Additional provisions were adopted or changed sporadically over the last 50 years, with enactment in the late 1960s and the latest amendment in 2013. As a result of the disjointed evolution of HCC Title 14, utility users must be familiar with Code provisions in different Code locations in order to understand their obligations. The inclusion of water and sewer management provisions in multiple Code titles increases the potential for unintended violations of the City Code and leads to frustration among those attempting to comply with local law.

The most substantial changes to Title 14 involve:

- 1) consolidating common terms and provisions that apply to all Homer's public utility systems into a single "general provisions" section;
- 2) integrating Code provisions from Title 13, namely Chapters 13.24 and 13.28, governing the management of the public utility systems into Title 14 so individuals connecting into the systems and users of the system have one place in the Code to look for all the relevant regulations;
- 3) removing conflicting or inconsistent terminology and requirements in order to ensure that the laws governing the systems are user-friendly; and
- 4) consolidating the permit and appeals procedures to the greatest extent possible to encourage compliance and ensure the public knows its rights, remedies, and responsibilities.

See Ordinance 13-30(A), which amended HCC 14.08.080 and 14.04.040 to adopt the respective water and sewer rate schedules annually via resolution. Ordinance 90-24(A) repealed and reenacted HCC 14.04, 14.05, and 14.08 to add the industrial wastewater treatment regulations required by the Environmental Protection Agency and the Clean Water Act and to create a mechanism to bill fish processors separately for their water since they use large amounts of water but that water does not enter the City sewer system.

The Ordinance also removes the highly technical and lengthy industrial pretreatment and sewage system regulations in HCC Chapter 14.05 and places them in procedures and regulations approved by Council. To this end, Council will have a resolution approving the industrial waste management policy manual and the proposed manual before it for review in June. The removal of the industrial waste management provisions from the Code and the placement of these requirements into a policy manual prevents the average user of City utilities from being confused or misdirected by the industrial waste requirements.

#### Current Title 17

Unlike HCC Title 14, HCC Title 17, entitled "Improvement Districts," has been recently updated and the current special assessment procedure provides a fairly straightforward, albeit in-depth, process for creating a special assessment district. However, additional provisions regarding assessment for public utilities are located in Title 14 and in other areas of the Code. Exceptions to the assessment districts or programs such as the developer reimbursement program are codified in separate titles or, in some cases, by agreement. This inconsistency in process does not provide for a user-friendly assessment process.

The Ordinance consolidates all public assessment processes in Title 17 and incorporates the developer reimbursement program into the special assessment district procedure. The assessment procedures were also changed to adopt a presumed "benefited area" method of assessment while preserving the ability for different methodologies to be used when more appropriate in a particular district. The proposed Title requires a subdividing lot owner to pay the subdivision connection fee in assessment districts where the assessment was equally apportioned between the existing lots but it limits imposition of the assessment fee on subdivided lots to those created before the original assessment amount is paid in full.

Given the unique terrain in Homer, affording flexibility in the assessment methodology provides the City more options to ensure fair and tailored cost distribution in a given district. The Ordinance also directs the Public Works Director rather than Council, to review and approve hardship deferral requests, which provides greater confidentiality to those seeking such a deferment.

Other Relevant Current Code Provisions: HCC 9.08, 11.30, 13.24, AND 13.28

In addition to Title 14 and 17, it is also helpful to examine HCC 9.08, 11.30, 13.24, and 13.28. While these provisions are being repealed, the content of these provisions has been updated and incorporated into the proposed provisions in the Ordinance.

Chapter 9.08 entitled "Enforcement of Local Improvement District Assessments" was codified in the late 1960s. It appears that these provisions properly reflect the process for collecting delinquent assessments under Alaska Statutes. However, Alaska statutes are ever changing and HCC 9.08 does not ensure that the City's lien enforcement

procedure will change with the statutory requirements. Accordingly, HCC 9.08 was repealed and the identification of delinquent assessment payments as liens and the incorporation of the state process for enforcing and foreclosing on such liens using the property tax procedure was incorporated into HCC 17.03. This ensures that all the provisions regarding public assessments are in one title and easy to locate.

Similarly, HCC Chapter 13.24 entitled "Sanitary Systems" and HCC 13.28 entitled "Water Systems" were both relocated to ensure a user-friendly Code. These provisions were also adopted decades ago as part of a City project to update its construction design manual. The focus of the Council at the time of adoption was to ensure uniform construction practices within City right-of-ways. However, the interplay between the construction practice requirements with management and operation of City water and sewer systems was not anticipated. As a result, many of the definitions and expectations are inconsistent or disjointed. To this end, the Ordinance removes these provisions from the "Standard Construction Practices" title and places them in the respective sections governing the water and sewer systems. The Ordinance also removes many of the specific technical requirements addressed in HCC 13.24 and 13.28 and places those in a permit application process. The permit applications will be presented to Council for review and approval alongside the industrial waste management manual referenced above.

While the majority of Code provisions governing public projects and assessments have been addressed in the Ordinance, HCC 11.30 entitled "Street Extension Cost Reimbursement Plan," which addresses reimbursement of developers for road projects that benefit adjacent property owners, has not. Although I recommend Council eventually review and update Chapter 11.30 and relocate it if warranted, a review of the road improvement practices will require pointed and independent consideration by Council and the administration and would be difficult to do alongside the Title 14 revisions. For now, Title 11 governs construction of streets, sidewalks, and driveways and thus a developer intending to construct a road will likely turn to Title 11 before beginning road construction and will be aware of the reimbursement program detailed in HCC 11.30. Consequently, HCC 11.30 has not been revised or relocated at this time.

### **Understanding the Proposed Changes**

While the above provides an overview of the most substantial changes in the Ordinance, the following tables present a more detailed summary of the differences between the governing law in this area and the Code provisions proposed in the Ordinance. The first table shows the differences between existing Code Title 14 and Title 14 as proposed in the Ordinance. The second table shows the differences between existing Code Title 17 and Title 17 as proposed in the Ordinance. For ease of reference, the current code is referred to as HCC but proposed sections are identified as PHCC.

Table 1: Title 14 Comparison

Current HCC Title 14	The Ordinance
No Chapter 14.01	PHCC Chapter 14.01 was added to consolidate general provisions that apply to all utilities. It includes a definition of the "service area," the City Manager's rulemaking authority, City immunity, and contractor licensure requirements. It also incorporates the appeal and violation procedures that apply to all violations of Title 14 and all Title 14 permit appeals. PHCC 14.01.045 provides the process for setting both water and sewer rate schedules.
No purpose section in HCC 14.04	PHCC 14.04.010 "Purpose" added. This section provides a formal name for the City's system, namely, the "Homer Sanitary Wastewater and Sewage System" and recognizes the general purpose of the Code to ensure that all properties are eventually connected to the City's system.
HCC 14.04.010 Definitions	PHCC 14.04.010 is the purpose section and definitions are in PHCC 14.04.015. "Definitions" have been revised to remove definitions not referenced in Title 14 and adds definitions for important terms such as "directly adjacent," "onsite sewer connection line," "off-site sewer connection line," "sewer connection line," and "spaghetti line." The Ordinance revises the Code to ensure these defined terms are consistently and uniformly used throughout.
No HCC 14.04.018	PHCC 14.04.018 "Service Connection Charges" consolidates numerous sections regarding fees and costs surrounding connection in one user-friendly location.
HCC 14.04.020 "Connection-Required"  Exempts "alternative sanitary facilities" in one subsection but requires all properties to connect to the system when available in another subsection.	PHCC 14.04.020 "Connection-Required" provides property owners three years instead of just one to connect to the City System and provides an exemption from connection for those with compliant and fully-functioning septic systems until those systems require replacement or substantial repair.

HCC 14.04.050 "Sewer service connections and extensions"	PHCC 14.04.050 "Sewer Service connections and extensions permits" removes the lengthy references to the standards and specifications needed to install a connection or extension and instead creates a permit process. This allows the property owner to access the permit application and have clearly-delineated requirements applicable to that process. It also allows the City to update the permit criteria as needed.
HCC 14.04.060 "Disposition of Revenue"	Removed: Provision requiring 100% of funds deposited into "central treasury" of the City and the "sewer utility fund" referred to requirements that are no longer necessary.
HCC 14.04.070 "Destruction of private sewage disposal systems"  Requires destruction of private sewage facilities within 60 days of connection to City System.	PHCC 14.04.070 "Destruction/Abandonment of private sewage disposal systems" removes the 60-day restriction because in practice it may be too strict but instead requires compliance with the Alaska Department of Environmental Conservation.
HCC 14.04.080 "Sewage or waste disposal permit requirements"	PHCC 14.04.080 "Commercial waste disposal permit"
Grants a "permit" to one family existing or "future" dwellings connecting to the system and requires all others to have a permit, except for "significant industrial users." There is no notice provision.	Incorporates as-built and survey requirements unless the specific lease agreement provides otherwise. Simplifies language but adds protections for permit applicants, such as requiring notice before revocation or modification of a permit, except in cases of emergency.
HCC 14.04.090 "Discharge of Surface Drainage into City Sewer"	Moved to PHCC 14.04.100 "Discharge of surface drainage into HSWS Illegal." Simplified and clarified language.
HCC 14.04.100 "Board of Appeals"	Moved to PHCC 14.01.070 and changed from permitting an appeal to the "Board of Appeals," which was Council and the Mayor to the City Manager or a designated hearing officer.
HCC 14.04.105 "Appeals Procedure"	Moved to PHCC 14.01.070 "Utility Permits-Appeal Procedure." Provides less extensive appeal procedures because briefing schedules and process can be tailored to the needs of each case. Different permits will have differing levels of complexity.
HCC 14.04.110 "Appeal to Superior Court"	Moved to PHCC 14.01.080 "Utility Permit Appeals-Superior Court."
HCC 14.04.115 "Extraterritorial services"	Moved to PHCC 14.01.010 "Water and sewer service area." Removes lengthy extraterritorial services application procedure for sewage and provides for a uniform policy for water and sewer, both of which will require Council approval by ordinance before property outside the City will be approved to connect to the System.

HCC 14.04.120 "Rulemaking Authority"	Moved to PHCC 14.01.020 "City manager rulemaking authority."
HCC 14.04.130 "Violation"	Moved to PHCC 14.01.040 "Violation Penalty" and PHCC 14.01.045 "Violation right to appeal." Adopts uniform appeal procedures and rights to appeal for all Title 14 violations.
Chapter 14.05 "Sewage-Industrial Pretreatment and Discharge"	Chapter 14.05 repealed. Inserted PHCC 14.04.090 "Industrial waste disposal permit requirements." HCC 14.05 incorporated through a separate policy and procedure manual adopted and/or revised by Council via resolution.
HCC Chapter 14.08 "Water Rules and Regulations"	PHCC Chapter 14.08 renames the chapter "Homer Public Water System." HCC Chapter 13.28 is repealed and its provisions incorporated into PHCC 14.08.
HCC 14.08.010 "Purpose"	PHCC 14.08.010 "Purpose" revises the purpose to include reference to the intent to provide for the financial management of the Water System and to include a formal name for the system, namely "The Homer Public Water System."
HCC 14.08.020 "Definitions"	PHCC 14.08.020 provides a consistent definition of "directly adjacent," defines "surplus water," "water connection line," "water extension," "spaghetti line," "water filling station," "on-site water connection line," "off-site water connection line," and provides a definition of "multiple-family dwelling." It removes the definition for "certified service area" since the service area boundaries and limitations were incorporated into PHCC 14.01.010.
HCC 14.08.030 "Water connections and extensions"	PHCC 14.08.030 "Operation of water valves, fire hydrants, and curb stops" incorporates the basic requirement in HCC 13.28.040 "Operation of water valves, fire hydrants, and curb stops" that only City personnel may operate these things.
HCC 14.08.040 "Private water systems-Connection Permits-Fees.	PHCC 14.08.040 "Water meter installations" incorporates the core components of HCC 13.28.050. The more specific criteria regarding water meter installation are now placed in "Water Meter Installation Instructions" adopted by the Public Works Director and approved by Council.
HCC 14.08.037 "Water meters"	Removed.
HCC 14.08.050 "Water connections and extensions."	PHCC 14.08.050 "Water connections and extension permit."
HCC 14.08.060 "Frozen Pipes-City not liable."	Moved to PHCC 14.08.070 "Frozen Pipes-City not liable." No substantial changes.

HCC 14.08.070 "Discontinuance of supply"	Moved to PHCC 14.08.080 and renamed "discontinuance of water". No substantial changes.
HCC 14.08.072 "Priority use of water."	Moved to PHCC 14.008.090 "Priority use of water." No substantial changes.
HCC 14.08.074 "Surplus water-Sale."	Moved to PHCC 14.08.100 "Surplus water-Sale" simplified but not substantially changed.
HCC 14.08.076 "Water shortage or emergency declaration"	Moved to PHCC 14.08.110 "Water shortage or emergency declaration" simplified the water shortage declaration process and requires a resolution by Council but does not require the hearing and other procedures that may derail a response to a water shortage.
HCC 14.08.077 "Water shortage or emergency- Interruption of sale of surplus water-Other measures."	Moved to HCC 14.08.120 and simplified to provide the City Manager with the flexibility to react swiftly to a water shortage but ensure public awareness and notice.
HCC 14.08.078 "Water Shortage or emergency-Appeal"	Moved to PHCC 14.08.130. No substantial changes.
HCC 14.08.079 "Immunity for discretionary acts."	Moved to PHCC 14.01.030 to apply to all public utility systems.
HCC 14.08.080 "Schedule of rates-Rules and regulations and HCC 14.08.090 "Schedule of Rates Outside of the City Limits"	Moved to PHCC 14.01.090 "Sewer and water rate schedule," which consolidates the rate provisions for sewer and water and provides that rates will be in a schedule adopted by Council.
HCC 14.08.091 "Service deposits."	Moved to PHCC 14.08.150 "Service deposits." No substantial changes but language was simplified to identify clear criteria for refund.
HCC 14.08.100 "Bulk Water Sales"	Moved to PHCC 14.08.160; No substantial changes.
HCC 14.08105 "Resale of water"	Repealed.
HCC 14.08.110 "Permit for resale of water"	Moved to PHCC 14.08.170 "Water filling station permit." Requires a permit application but moves the technical criteria for the permit into the permit application itself. It does identify some of the types of criteria that will be included in the application to ensure applicants have notice of the nature and scope of the permit criteria.
HCC 14.08.130 "Permit suspension, revocation"	Moved to PHCC 14.01.040 "Violation";
HCC 14.08.140 "Board of appeals-Notice of appeal"	PHCC 14.01.065 "Permit suspension, revocation"; PHCC 14.01.070 "Utility permits-Appeal procedure"; and PHCC 14.01.080 "Utility permit
HCC 14.08.150 "Appeals-procedure"	appeals-Superior Court" and applied to all
HCC 14.08.160 "Appeal to superior court"	City\public utility systems.
HCC 14.08.170 "Violation-penalty."	

HCC Chapter 14.12 "Water and Sewer Zone	Repealed. This fee has not been charged and is
Connection Fee"	not administered. The Code was adopted to
	reflect longstanding practice.

HCC Chapter 14.16 "Sewer Contractors State Registration"	Moved to PHCC 14.01.060 "State contractor required" and applied to all City public utility systems.
HCC Chapter 14.20 "Sewer Contractors Bond"	Moved to PHCC 14.01.050 "State contractor required" and applied to all contractors installing, constructing, maintaining or repairing public utility systems.
HCC Chapter 14.30 "Water and Sewer Extension Cost Reimbursement Plan"	Moved to PHCC Chapter 17.18 "Developer Reimbursement Plan." This new chapter applies to all developers expanding access to public utilities and capital improvements within the City. The new chapter provides a clear procedure by which a developer may trigger a special assessment district process by requesting a resolution from Council. A developer agreement must be submitted with all the terms of the district and the utility or capital improvement installation proposed by the developer and it must be approved by Council. Once an approved agreement is in place and the special assessment district process complete, the City will transfer payments to the developer within 90 days of receipt of those payments. The Code clarifies, however, that the City is not required to collect payments and has no liability to the developer if it does not do so. This is necessary given the fluctuation in municipal resources necessary for enforcement.

Table 2: Title 17 Comparison

Title 17	The Ordinance
HCC Title 17 "Improvement Districts" Chapters	PHCC Title 17 "Public Assessments." Changed title to reflect greater scope.
17.04 Special Assessment Districts	PHCC 17 Chapters
17.08 Repealed	17.01 General Provisions
17.16 Assessment Fund	HCC 17.14 moved to PHCC 17.02 "Special Assessment Districts"
	PHCC 17.03 "Enforcement of Public Assessments" added.
	HCC 17.16 "Assessment fund" moved and renamed to 17.05 Homer Public Water System Assessment Fund
	17.15 Water and Sewer Connection Assessments
	17.20 Developer Reimbursement Plans
No Title definition section.	PHCC 17.01.010 "Definitions" provides a definition of "benefited area method" that identifies a method of assessment by which each parcel's share of an assessment is determined, by dividing the total cost of the improvements on which the assessment is based by the total square footage of land benefitted by the improvement and allocating a portion of the cost of the assessment to each parcel based on that parcel's square footage of the land benefited by the improvement. This definition gives the Public Works Director discretion to calculate and apply the benefited area method. This method was proposed because it balances flexibility with oversight. While the Public Works Director uses his discretion, his methodology will be subject to review by Council in the special assessment district process under PHCC 17.02.
	A definition is also added for "developable land," which also provides the Public Works Director discretion to determine what property can be reasonably developed for uses permitted within the property's zoning district to ensure the most accurate proportion of an assessment. Definitions for "Public Works Director" and "Special Assessment Application Fee" were also added.

HCC Chapter 17.02 "Special Assessment Districts" HCC 17.04.040 "Initiation of district."	PHCC 17.02.040 "Initiation of district" revised to permit a special assessment district to be requested by a developer through a written request form to Council for resolution. This permits a developer to trigger the assessment district process but ensures that all assessments and the obligations that accompany them follow the same notice and hearing procedures. The petition process was not substantially changed but the language was simplified and the contents of the petition required by the Clerk were removed. The Clerk's petition forms will include that information as a matter of course and under State law. Referral of all proposed districts now go to the Public Works Director rather than the City Manager in order to reflect longstanding practice.
HCC 9.08 "Enforcement of Local Improvement District Assessments" repealed	HPCC 17.03 "Enforcement of Public Assessments" incorporates the essential and current provisions from HCC 9.08. PHCC 17.03.010 declares that assessments create a lien and requires that foreclosure of an assessment lien be done in accordance with the procedures required under Alaska Statute for property taxes, as required by State law. PHCC 17.03.020 acknowledges that a lien under Title 17 has priority.
HCC 17.02.050 "Creation of district."	Moved to PHCC 17.02.050 "Creation of a special assessment district." No substantial changes, just clarification of language.
HCC 17.04.060 "Approval of increased costs."	Moved to PHCC 17.02.060 without substantial changes to the requirements but significant changes to clarify the language.
HCC 17.04.070 "Assessment roll."	Moved to PHCC 17.02.070 and language simplified.
HCC 17.04.100 "Subdivision after levy of assessments."	Moved to PHCC 17.02.100 and limited to property that is assessed by a method other than the benefited area method. The connection fee is identified as the amount of the original assessment

connection for water and sewer assessments was

The time for

assessment has been paid in full.

Moved to PHCC 17.02.170.

extended from one to three years.

adjusted by the increase in the number of parcels but does not require an adjustment for CPI. It removes the allocation of assessment amounts among property owners because of the difficulty of administering this provision and limits the duty to pay a subdivided property connection fee to lot subdivisions that occur before the original

required."

HCC 17.04.170 "Water and sewer connection

HCC 17.04.190 "Deferment of assessment payments for low income residents"	Moved and renamed to PHCC 17.02.190 "Hardship deferrals." Increased the qualifying income to 200% instead of just 125% of U.S. Poverty Guidelines for Alaska. Under this change, more people will qualify for a hardship deferral but the percentage used mirrors that adopted by the Kenai Peninsula Borough for other deferral and exemption programs. Removed the application to a person with "life tenancy" as the record owner bears the payment obligation. Removed the requirement that a deferral be approved by Council and changed the submission of the applications to the Finance Director rather than Council to protect confidentiality of the deferral process.
HCC 17.04.200 "In lieu of assessment"	Moved to PHCC 17.02.200 "Payment in lieu of assessment." Payments in lieu of assessment were substantially changed to provide a clear process for parcel owners outside an assessment district to request to join a district. The terms require a written request that may or may not be granted by the Public Works Director and only allow an outside parcel owner to participate if he, she or it pays all costs for extending the improvement onto their property and the pro-rated share of the improvement for which the assessment district was formed.
No HCC 17.18	Added PHCC 17.18 "Developer Reimbursement Plan," which applies to all developers expanding access to public utilities and capital improvements within the City. It provides a clear procedure by which a developer may trigger a special assessment district process by requesting a resolution from Council. A developer agreement must be submitted with all the terms of the district and the utility or capital improvement installation proposed by the developer and it must be approved by Council. Once an approved agreement is in place and the special assessment district process complete, the City will transfer payments to the developer within 90 days of receipt of those payments. The Code clarifies, however, that the City is not required to collect payments and has no liability to the developer if it does not do so. This is necessary given the fluctuation in municipal resources necessary for enforcement

## **What Comes Next?**

Upon introduction of the Ordinance, the sponsors and the administration will begin preparing several documents that are necessary to complete the revisions proposed in the Ordinance. These documents include:

- 1) The industrial waste management policy manual and a proposed resolution approving the manual:
- 2) Permit applications for the following permits:
  - A. Sewer System extension and connection permit
  - B. Water System extension and connection permit
  - C. Waste Disposal permit
  - D. Water filling station permit
  - E. Commercial waste disposal permit
  - F. Industrial waste disposal permit
- 3) An ordinance updating HCC 1.16.040 "Disposition of scheduled offenses-Fine schedule."
- 4) A resolution updating the City fee schedule to include the permit application and appeal fees imposed under Titles 14 and 17.
- 5) A resolution updating HART and HAWSP manuals and the accompanying updated manuals.

Finally, in addition to the documents identified above, the City administration and Council will need to educate the public regarding the substantial changes to the water and sewer system management and public assessment processes.

## <u>Conclusion</u>

While this memorandum attempts to identify the changes between existing Code and the Ordinance, the Ordinance presents significant changes to the structure of the City's process that is not easily captured in a memo. For this reason, I have also attached copies of the current HCC Chapters 9.08, 13.24, and 13.28 and Titles 14 and 17 for easy comparison and reference. In addition, I am prepared to walk Council and the public through the changes in a presentation and any other medium that Council deems helpful.

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