Review of 2009 – 2010 Rates: How are we doing?

WATER / SEWER - CALCULATION OF REVENUE REQUIREMENTS	2009 Actual	2009 Budget	2010 Actual	2010 Budget
OPERATING EXPENSES:				
Personnel	1,846,907	1,719,991	1,714,974	1,636,708
Operations & Maintenance	1,091,714	912,104	874,338	862,656
Other Charges	467,317	467,317	476,861	476,861
Operating Expenses	3,405,938	3,099,412	3,066,172	2,976,225
		9.89%		3.02%
OPERATING REVENUE	3,030,322	3,277,986	3,315,937	3,543,501
		-7.56%		-6.42%
	(375,616)	178,574	249,765	567,276
	132,265	44,077	63,216	44,959
	3,038	46,264		23,132
	100,000	100,000	500,000	500,000
	37,439	33,965	30,849	30,849
	(8,212)	(136,152)	(467,633)	(509,022)
	(383,828)	42,422	(217,869)	58,254

Review of 2009 – 2010 Rates: How are we doing?

WATER / SEWER - CALCULATION OF REVENUE REQUIREMENTS	2009	2009	2010	2010
	Actual	Budget	Actual	Budget
OPERATING EXPENSES:				
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Operations & Maintenance	1,091,714	912,104	874,338	862,656
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		9.89%		3.02%
OPERATING REVENUE	3,030,322	3,277,986	3,315,937	3,543,501
		-7.56%		-6.42%
REVENUES FROM OPERATIONS	(375,616)	178,574	249,765	567,276
NON-OPERATING REVENUE/EXPENSE				
[illegible]	132,265	44,077	63,216	44,959
[illegible]	3,038	46,264		23,132
[illegible]	100,000	100,000	500,000	500,000
[illegible]	37,439	33,965	30,849	30,849
[illegible]	(8,212)	(136,152)	(467,633)	(509,022)
[illegible]	(383,828)	42,422	(217,869)	58,254

Review of 2009 – 2010 Rates: How are we doing?

WATER / SEWER - CALCULATION OF REVENUE REQUIREMENTS

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	(383,828)	42,422	(217,869)	58,254

Review of 2009 – 2010 Rates: How are we doing?

WATER / SEWER - CALCULATION OF REVENUE REQUIREMENTS

	2009	2009	2010	2010
	Actual	Budget	Actual	Budget
Gallonage Budgeted / Used				
Single Family Dwelling	30,819,200	37,651,450	33,084,800	37,651,450
Other	73,027,500	88,668,461	68,130,900	88,668,461
Bulk	19,363,800	17,249,236	19,963,500	17,249,236
Total Gallonage	123,210,500	143,569,147	121,179,200	143,569,147
Users:				
Single Family Dwelling	897	1,035	1,023	1,035
[illegible]	472	422	496	422
[illegible]	2	4	2	4
[illegible]	134	134	134	134
[illegible]	1,505	1,595	1,655	1,595

Review of 2009 – 2010 Rates: How are we doing?

- **What happened in 2009???**
  - Only ½ year with new rates and to get LID custom[illegible] system,
  - Customers who had a business, multi-fami[illegible] classifications other than "Single Family [illegible] consumption, by 15.6 million gallons, a[illegible] grew by 50!
  - Fuel prices drove an [illegible]

Review of 2009 – 2010 Rates: How are we doing?

WATER / SEWER - CALCULATION OF REVENUE REQUIREMENTS	2009 Actual	2009 Budget	2010 Actual	2010 Budget
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	(383,828)	42,422	(217,869)	58,254

Review of 2009 – 2010 Rates: How are we doing?

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	Actual	Budget	Actual	Budget
Gallonage Budgeted / Used				
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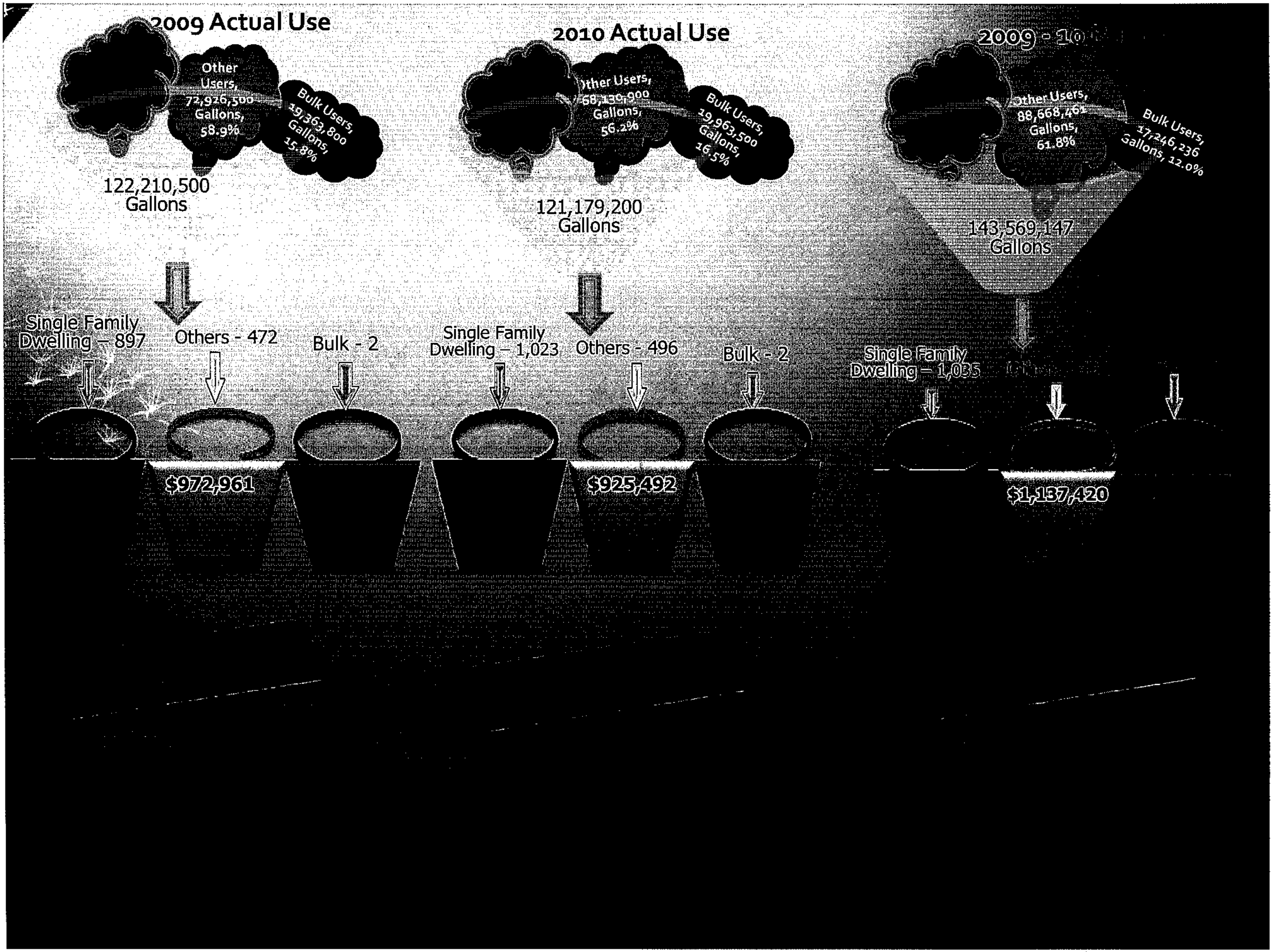
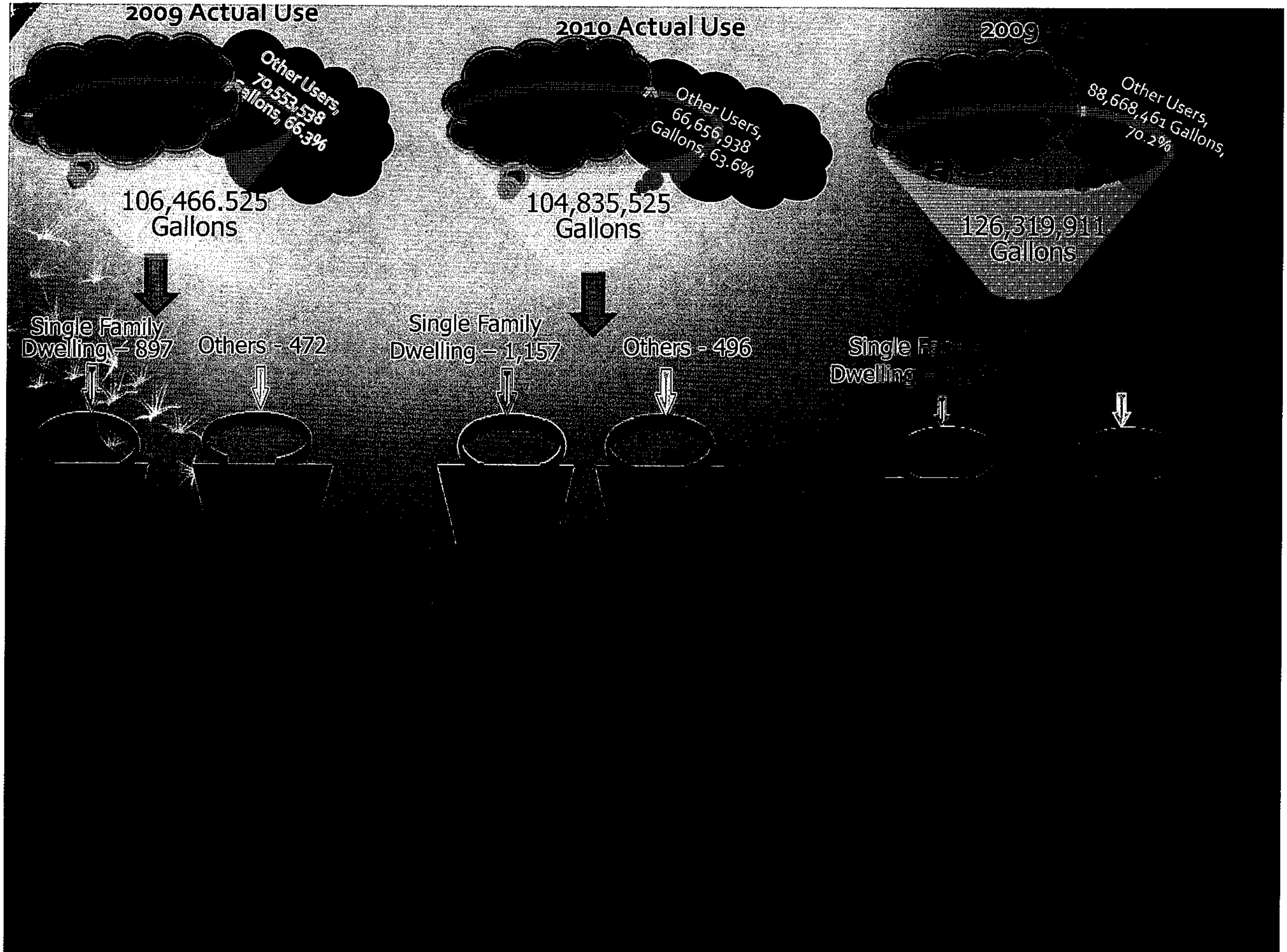
Bulk	19,363,800	17,249,236	19,963,500	17,249,236
Total Gallonage	123,210,500	143,569,147	121,179,200	143,569,147
Users				
Single Family Dwelling	897	1,035	1,023	1,035
[illegible]	472	422	496	422
[illegible]	2	4	2	4
[illegible]	134	134	134	134
[illegible]	1,505	1,595	1,655	1,595

Review of 2009 – 2010 Rates: How are we doing?

- **What happened in 2010???**
  - LID customers are in system,
  - Customers who had a business, multi-famil classifications other than "Single Family D consumption, by 20.5 million gallons, alth grew by 74!
  - Inflated costs of doing business


2009 Actual Use
Other Users, 72,926,500 Gallons, 58.9%
Bulk Users, 19,363,800 Gallons, 15.8%
122,210,500 Gallons
2010 Actual Use
Other Users, 68,130,900 Gallons, 56.2%
Bulk Users, 19,963,500 Gallons, 16.5%
121,179,200 Gallons
2009 - 10
Other Users, 88,668,461 Gallons, 61.8%
Bulk Users, 17,246,236 Gallons, 12.0%
143,569,147 Gallons
Single Family Dwelling – 897
Others - 472
Bulk - 2
$972,961
Single Family Dwelling – 1,023
Others - 496
Bulk - 2
$925,492
Single Family Dwelling – 1,035
$1,137,420



2009 Actual Use
Other Users, 70,553,538 Gallons, 66.3%
106,466.525 Gallons
Single Family Dwelling – 897
Others - 472
2010 Actual Use
Other Users, 66,656,938 Gallons, 63.6%
104,835,525 Gallons
Single Family Dwelling – 1,157
Others - 496
2009
Other Users, 88,668,461 Gallons, 70.2%
126,319,911 Gallons

UTILITY - 2011 BUDGET

	WATER	SEWER	To[illegible]
	2011	2011	[illegible]
EXPENDITURES TO BE COVERED BY USER FEES:			
Personnel	868,276	729,802	[illegible]
Operations & Maintenance	446,833	467,395	[illegible]
Other Charges	200,968	279,01[illegible]	[illegible]
Depreciation Reserves	250,000	[illegible]	[illegible]
Leave Cash Outs	16,211	[illegible]	[illegible]
Total Expenditures to be covered	1,782,288	[illegible]	[illegible]
Anticipated Revenue, Based on 2010 Actual Usage			

In Summary -

- **During the 2009 – 2010 years,**
  - There has been an increase in customers by about 60 users.
  - Water usage decreased significantly by 22 million gallons.
  - Although there was a significant drop in consumption, there was not a corre[illegible] expenditures. This signifies that the bulk of expenditures for the utility a[illegible]
  - In 2009 the net loss for the Utility was $383,828, in 2010 the loss was [illegible] depletes the fund balance for these two years by $601,697.
- **Direction from Council needed:**
  - Options:
    1. Decrease Expenditures;

City of Homer – Finance Department

491 East Pioneer Avenue
Homer, Alaska 99603-7645

Telephone *(907) 235-8121*
Fax *(907) 235-3140*
E-mail *Finance@ci.homer.ak.us*
Web Site *www.ci.homer.ak.us*

The Water and Sewer Rate Model was modified by City Council as part of a water/sewer study it conducted during the first half of 2009. The rate model was modified for several reasons. First, the Council wanted to address the ability to cover at least a portion of the depreciation expense incurred by the Water/Sewer Enterprise Fund. Depreciation funds pay for repair and replacement of equipment and infrastructure.

Second, Council wanted to simplify the model that the City currently uses. The new model is less complicated as it offers:

- The same monthly customer charge for all users;
- Rate increases are spread over a two year period;
- The bill is now based on how much the user consumes;
- The use per gallon is varied only by customer classification.

This model was adopted to be used for a two year period to take effect with the first full month of service after July 1, 2009. This will be your August bill.

This model breaks down the rate structure into three user groups for water (residential, commercial, and bulk users). All user groups will pay a flat monthly customer charge of $25 a month. The charge per gallon is .00442 per gallon or $4.42 per 1,000 gallons for residential users. The charge per gallon is .01140 per gallon or $11.40 per 1,000 gallons for commercial users. And the charge per gallon for bulk water haulers is .01269 per gallon or $12.69 per 1,000 gallons. The amount each user group pays per gallon reflects the percentage of all water consumed in that user group.

For sewer charges the model breaks down the rate structure into two user groups residential and commercial. All user groups will pay a flat monthly customer charge of $20 a month. The charge per gallon is .00997 per gallon, or $9.97 per 1,000 gallons for residential users. The charge per gallon is .01264 per gallon or $12.64 per 1,000 gallons for commercial users.

Following is a summary of the new Water and Sewer Rates:

Water Connection and Extension Permit Fee

- Single Family/Duplex $300
- Multi-Family/Commercial/Industrial $375

Water		
User Type	**Monthly Customer**	**Charge per Gallon**
Residential	$25	.00442
Commercial	$25	.01140
Bulk	$25	.01269

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Sewer Connection and extension Permit Fees

- Single Family/Duplex $255
- Multi/Family/Commercial/Industrial $330

Sewer		
User Type	**Monthly Customer**	**Charge per Gallon**
Residential	$20	.00997
Commercial	$20	.01264

- Sewer System Discharges who are not water system - $54.90 a month
- Sewer System Dischargers who are members of Kachemak City LID - $ 60.90 a month.

Connect /Disconnect Fee $75
Seasonal Meter Fee $211.97

Utility Deposits

Meter Size	Residential Users	Nonresidential Users
5/8"	$ 75	$ 220
¾"	$ 80	$ 230
1"	$ 90	$ 250
1-1/2"	$115	$ 310
2"	$150	$ 370
3"	$220	$ 525
4"	$310	$ 730
6"	$520	$1,225

Fund 200
400 Water & 500 Sewer Fund Revenues

		FY2008 Actual	FY 2009 Actual	FY 2010 Amended Budget	FY 2011 Adopted Budget	Difference Between 2010 Amended & 2011 Adopted	
Water Revenue							
Operating Revenue:							
4616	Metered Sales Residential	$ 438,428	$ 455,712	$ 555,884	$ 455,712		
4617	Metered Sales Commercial	982,847	1,035,770	1,080,056	1,035,770		
4618	Metered Sales Industrial	18,442	23,503	-	20,000		
4661	Connection Fees	17,120	15,600	17,000	17,000		
4662	Services & Meters	18,729	20,912	19,000	19,000		
Total Operating Revenue		**1,475,565**	**1,551,497**	**1,671,940**	**1,547,482**	**(124,458)**	**-7.44%**
Non- Operating Revenue							
4801	Interest on Investments	44,791	23,846	25,000	25,000		
4802	Penalty & Interest (Utilities)	5,676	9,069	6,000	6,000		
4527	PERS Revenue	94,230	93,758	-	-		
4902	Other Revenue	249,667	5,592	-	-		
-Operating Revenue		**394,364**	**132,265**	**31,000**	**31,000**	**-**	**0.00%**
Total Water Revenue		**$ 1,869,929**	**$ 1,683,762**	**$ 1,702,940**	**$ 1,578,482**	**(124,458)**	**-7.31%**
Operating Revenue							
4616	Metered Sales	537,430	589,008	711,237	711,237		
4617	Meter Sales Commercial	884,075	846,763	1,144,323	1,144,323		
4618	Meter sales Industrial	20,954	26,030	-	-		
4619	Inspection Fees	-	-	-	-		
4662	Services & Meters	12,055	13,770	13,000	13,000		
4701	RV Dump Station	2,840	3,253	3,000	3,000		
	Total Operating Revenue	**1,457,354**	**1,478,825**	**1,871,561**	**1,871,561**	**-**	**0.00%**
	NON-OPERATING REVENUE:						
4801	Interest on Investments	-	-	-	-		
	Total Non-Operating Reven	-	-	-	-		
Total Sewer Revenue		**$ 1,457,354**	**$ 1,478,825**	**$ 1,871,561**	**$ 1,871,561**	**-**	**0.00%**
Operating Transfers							
	Total Operating Revenue	$ 2,932,919	$ 3,030,321	$ 3,543,501	$ 3,419,043		
	Total Non-Operating Rever	$ 394,364	$ 132,265	$ 31,000	$ 31,000		
	Total Water & Sewer Rever	**$ 3,327,283**	**$ 3,162,586**	**$ 3,574,501**	**$ 3,450,043**	**(124,458)**	**-3.48%**

EXPENDITURE SUMMARY BY LINE ITEM

WATER	FY2008 Actual	FY 2009 Actual	FY 2010 Amended Budget	FY 2011 Adopted Budget	Difference Between 2010 Amended & 2011 Adopted	
Salaries and Benefits						
5101 Permanent Employees	537,268	528,422	508,226	517,702	9,476	1.86%
5102 Fringe Benefits	399,529	413,459	349,786	318,601	(31,185)	-8.92%
5103 Part Time Employees	2,106	8,299	4,909	4,909	0	0.00%
5104 P/T Fringe Benefits	-	857	663	663	-	0.00%
5105 Overtime	26,328	36,760	26,000	26,400	400	1.54%
5107 Part Time Overtime	-	30	-	-	-	0.00%
Total Salaries and Benefits	**965,231**	**987,827**	**889,584**	**868,276**	**$ (21,308)**	**-2.40%**
Maintenance and Operations						
5201 Office Supplies	732	242	1,350	1,200	(150)	-11.11%
5202 Operating Supplies	67,707	95,369	41,250	41,200	(50)	-0.12%
5203 Fuel/Lube	25,019	25,746	35,879	35,000	(879)	-2.45%
5204 Chemicals	26,094	44,398	29,000	32,000	3,000	10.34%
5207 Vehicle/Boat Maintenance	-	-	1,200	1,200	-	0.00%
5208 Equipment Maintenance	30,401	35,014	43,200	42,500	(700)	-1.62%
5209 Building & Grounds Maintenanc	2,343	101,675	12,750	12,500	(250)	-1.96%
5210 Earnings before transfers	29,915	23,422	37,100	28,600	(8,500)	-22.91%
5211 Accounting/Auditing	9,059	6,715	8,365	9,342	977	11.68%
5213 Survey/Appraisal	750	-	1,200	1,200	-	0.00%
5214 Rents & Leases	-	-	2,000	2,000	-	0.00%
5215 Communications	6,017	4,119	4,500	4,200	(300)	-6.67%
5216 Postage/Freight	2,200	1,684	1,800	1,500	(300)	-16.67%
5217 Electricity	108,417	143,794	121,442	127,000	5,558	4.58%
5220 Refuse/Disposal	-	270	-	-		0.00%
5221 Property Insurance	11,567	11,108	11,583	15,349	3,766	32.51%
5222 Auto Insurance	12,299	14,086	12,672	11,140	(1,532)	-12.09%
5223 Liability Insurance	19,145	21,695	24,320	17,602	(6,718)	-27.62%
5226 Testing/Analysis	12,480	14,444	8,000	16,000	8,000	100.00%
5227 Advertising	-	-	700	700	-	0.00%
5231 Tools/Equipment	6,845	6,985	10,200	9,200	(1,000)	-9.80%
5233 Computer Related Items	-	-	-	1,000	1,000	0.00%
5234 Recording/Permit Fees	-	235	1,000	1,000	-	0.00%
5235 Memberships/Dues	276	724	1,375	1,000	(375)	-27.27%
5252 Credit Card Expense	19,761	23,043	-	24,000	24,000	0.00%
5602 Safety Equipment	2,120	2,426	2,000	2,000	-	0.00%
5603 Employee Training	8,766	5,123	8,250	8,400	150	1.82%
5606 Bad Debt Expense	(5,907)	12,164	-	-	-	0.00%
Total Maintenance & Operatio	**396,003**	**594,480**	**421,136**	**446,833**	**25,697**	**6.10%**
Capital Outlay, Transfers and Reserves						
5990 Transfers To Reserves	50,000	50,000	250,000	250,000	-	0.00%
Leave Cash Out Bank Transfer	14,893	15,901	12,785	16,211	3,426	26.80%
Total Capital Outlay, Transfers & Rese	**64,893**	**65,901**	**262,785**	**266,211**	**3,426**	**1.30%**
5607 Debt Payment	-	-	11,324	-	(11,324)	-100.00%
5608 Interest Expense	653	1,673	242	-	(242)	-100.00%
Total Debt Service	**653**	**1,673**	**11,566**	**-**	**(11,566)**	**-100.00%**
5241 G/F Admin Services	208,205	183,822	195,392	200,968	5,576	2.85%
Total Other Charges	**208,205**	**183,822**	**195,392**	**200,968**	**5,576**	**2.85%**
TOTAL	**$ 1,634,986**	**$ 1,833,703**	**$ 1,780,463**	**$ 1,782,287**	**1,824**	**0.10%**

City of Homer
2011 Operating Budget

FUND 200 SEWER
EXPENDITURE SUMMARY BY LINE ITEM

		FY2008 Actual	FY 2009 Actual	FY 2010 Amended Budget	FY 2011 Adopted Budget	Difference Between 2010 Amended & 2011 Adopted	
5101	Regular Employees	$ 476,732	$ 460,688	$ 429,777	$ 438,625	8,848	2.06%
5102	Fringe Benefits	353,028	362,256	294,490	268,319	(26,171)	-8.89%
5103	Part Time Employees	3,612	10,264	7,364	7,364	(0)	0.00%
5104	P/T Fringe Benefits	-	1,274	994	994	0	0.01%
5105	Overtime	19,251	24,552	14,500	14,500	-	0.00%
	Total Salaries and Benefits	**852,623**	**859,079**	**747,125**	**729,802**	**(17,323)**	**-2.32%**
Maintenance and Operations							
5201	Office Supplies	460	571	-	-	-	0.00%
5202	Operating Supplies	20,035	29,954	25,065	24,300	(765)	-3.05%
5203	Fuel/Lube	39,201	33,339	45,000	45,000	-	0.00%
5204	Chemicals	55,068	34,121	24,500	25,000	500	2.04%
5208	Equipment Maintenance	34,011	22,666	30,275	29,200	(1,075)	-3.55%
5209	Building & Grounds Maintenance	1,175	2,462	3,900	3,500	(400)	-10.26%
5210	Professional & Special Services	28,503	43,839	21,100	41,100	20,000	94.79%
5211	Earnings before transfers	7,060	6,715	8,364	9,341	977	11.68%
5214	Rents & Leases	1,063	250	1,500	1,500	-	0.00%
5216	Postage/Freight	2,146	1,645	4,940	2,500	(2,440)	-49.39%
5217	Electricity	174,610	210,521	190,542	189,700	(842)	-0.44%
5218	Water	11,092	16,541	11,104	15,000	3,896	35.09%
5219	Sewer	906	796	931	900	(31)	-3.36%
5221	Property Insurance	18,464	17,279	17,661	9,314	(8,347)	-47.26%
5222	Auto Insurance	12,299	12,585	12,672	11,140	(1,532)	-12.09%
5223	Liability Insurance	18,740	23,174	24,516	15,149	(9,367)	-38.21%
5226	Testing/Analysis	1,810	3,974	3,000	4,000	1,000	33.33%
5227	Advertising	-	338	500	500	-	0.00%
5231	Tools/Equipment	2,421	3,290	4,500	4,500	-	0.00%
5235	Memberships/Dues	90	50	1,500	1,500	-	0.00%
5252	Credit Card Expense	18,726	23,043	-	24,000	24,000	100.00%
5601	Clothing/Uniforms	93	-	250	250	-	0.00%
5602	Safety Equipment	1,341	1,895	1,500	1,500	-	0.00%
5603	Employee Training	4,906	1,143	2,700	4,000	1,300	48.15%
5606	Bad Debt Expense	(4,300)	6,756	-	-	-	0.00%
Total Operations & Maintenance		**453,244**	**497,234**	**441,520**	**467,395**	**25,875**	**5.86%**
Capital Outlay, Transfers and Reserves							
5990	Transfer to Reserves	50,000	50,000	250,000	250,000	-	0.00%
5106	Leave Cash Out Bank Transfer	39,944	21,538	18,064	20,412	2,348	13.00%
Total Capital Outlay, Transfers and Reserves		**89,944**	**71,538**	**268,064**	**270,412**	**2,348**	**0.88%**
5607	Debt Payment	-	-	11,324	-	(11,324)	-100.00%
5608	Interest Expense	229	1,365	242	-	(242)	-100.00%
	Total Debt Service	**229**	**1,365**	**11,566**	**-**	**(11,566)**	**-100.00%**
5241	G/F Admin Services	289,489	283,494	281,469	279,013	(2,456)	-0.87%
	Total Other Charges	**289,489**	**283,494**	**281,469**	**279,013**	**(2,456)**	**-0.87%**
	Totals	**$ 1,685,529**	**$ 1,712,711**	**$ 1,749,744**	**$ 1,746,621**	**(3,123)**	**-0.18%**