

Water and Sewer Rates Discussion

Worksession 5/13/24



Talking Points

- Defining Fee Types
- User Fee / Multi-Unit Fee Comparison
- Key Take-Aways – User Fee and Multi-Unit Fee
- Questions Pertaining to Flow Meter Discrepancies
- Homer's Rate Comparison to Other Communities
- National Trend for Utility Bills
- Fund Balance Reports: Utility Fund (Operations, CARMA)
- Water and Sewer Rates: Preliminary Analysis (4 Scenarios)
- FY25 Rate Setting Guidance

Defining Fee Types

- Connection Fee – Typically reserved for establishing service or re-establishing service to a user
- User Fee/Service Fee/Utility Fee – Typically used for a monthly charge for service. These fees are intended to cover the cost of infrastructure (pipes, lift stations, pressure reducing stations, treatment plants, etc).
- Consumption Fee – Typically used for billing costs associated with the production of drinking water, or treatment of wastewater.
- Multiple Unit Fee – Typically used to level the field between Single Family Dwelling User Fee versus Multiple Occupancy Units.

User Fee / Multi-Unit Fee Comparison



2-Unit Duplex style Apartment

- User Fee = \$20 (2 units) = \$10 per unit/month
- User Fee / Multi Unit Fee combined fee of \$5 for water and Sewer = $(\$20/2) + (2 \text{ units} \times \$5) = \$15$ per unit/month
- User Fee / Multi Unit Fee separate \$5 Fee for Water and Sewer = $(\$20/2) + (2 \times (\$5+\$5)) = \20 per unit/month



Single Family Home

- Monthly User Fee = \$20/month



10-Unit Apartment

- User Fee = \$20 (10 units) = \$2 per unit/month
- User Fee / Multi Unit Fee combined fee of \$5 for water and Sewer = $(\$20/10) + (10 \text{ units} \times \$5) = \$7$ per unit/month
- User Fee / Multi Unit Fee separate \$5 Fee for Water and Sewer = $(\$20/10) + (10 \times (\$5+\$5)) = \12 per unit/month

Key Take-Aways for User Fee and Multi-Unit Fee

- User Fee's are intended to provide the City the money to build new infrastructure and maintain existing infrastructure.
- A factor supporting a User Fee, is a customer receives benefit of fire protection whether they use any water or not.
- A User Fee in Combination with a Multi-Unit Fee can level the fixed cost burden of the infrastructure more evenly between individual users.



Questions Pertaining to Flow Meter Discrepancies

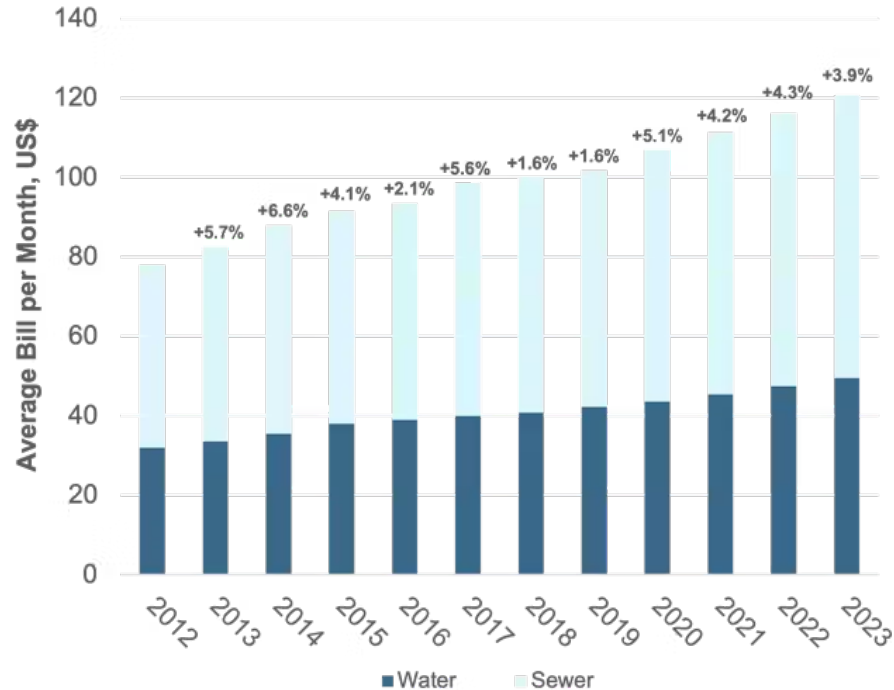
- Industry standard is to use the Individual Household Water Meters to determine both Water consumption and Wastewater discharge by property
- All flow meters have a minor percentage of error or variance.
 - Typically around 1-5%
- We have 2,200 customer water meters in system. The variance of all 2,200 water meters is additive and therefore cannot directly relate to the Single Water Meter at the Water Treatment Plant, nor at the Wastewater Treatment Plant, not including external sources of variance, such as:
 - Fire Department Exercises,
 - Flushing Watermains,
 - Water leaks,
 - Sewer Inflow and Infiltration (I/I), etc.

City of Homer Rate Comparison

Average Rates:

- Alaska – Water: \$89.00; Sewer: \$73.00 = Total \$162.00/month
 - Anchorage – Water: \$48.19; Sewer: \$53.91 = Total \$102.10/month
 - Fairbanks – Water: \$63.73; Sewer: \$88.38 = Total \$152.11/month
 - **Homer – Water: \$59.89; Sewer: \$72.80 = Total \$132.69/month**
 - National – Water: \$49.53; Sewer: \$71.16 = Total \$120.69/month
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- National Minimum/Maximum for Water & Sewer Bills
 - Water: San Antonio, TX - \$19.51/month; San Francisco, CA - \$114.25/month
 - Sewer: Long Beach, CA - \$11.24/month; Seattle, WA - \$170.40/month

National Trend for Utility Bills



Conducted by Bluefield for 50 US Cities

Any Questions?



Fund Balance Report, Actuals through Quarter Ending March 2024

Fund Name	Fund #	FY22 Actual	FY23 Actual	FY24 YTD	Obligated	Available
Utility Operations	200	1,129,109	652,486	1,106,412	775,999	330,413
Utility CARMA	256	3,533,412	4,146,188	3,035,327	1,675,800	1,359,527

Utility Operations

- Obligated includes: Emergency (\$208,716), Inventory (\$555,418), and Budget Appropriations (\$11,865)

Utility Capital Asset Repair and Maintenance Allowance (CARMA) Fund

- Water CARMA
 - FY24 YTD Balance: \$1,929,973
 - Obligated Balance: \$1,084,373
 - **Total Available: \$845,600**
- Sewer CARMA
 - FY24 YTD Balance: \$1,105,354
 - Obligated Balance: \$591,427
 - **Total Available: \$513,927**



Any Questions?



Water and Sewer Rates: Preliminary Analysis



Keep in Mind

- The following rate models are preliminary and are subject to change once a mid-biennium budget amendment is brought forward
 - The rate model and accompanying ordinance will “ride” with the budget ordinance and will be adjusted accordingly

Scenario 1 – No Monthly Service Fee

- No structural changes to the model compared to FY24
- CARMA transfer is funded in the commodity rate

Rate Analysis:

Current Rates

These rates are preliminary and will update accordingly with the amended budget

Water Rates:

Commodity (per gal): \$0.0161

Bulk (per gal): \$0.0201

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0167

Lift Station: \$0.0275

Proposed Rates – Scenario 1 (No Monthly Service Fee)

Water Rates:

Commodity (per gal): \$0.0167

Bulk (per gal): \$0.0207

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0160

Lift Station: \$0.0257



Scenario 1 – No Monthly Service Fee

This rate model is preliminary and will update accordingly with the amended budget

WATER Rate Model		SEWER Rate Model	
Revenues		Revenues	
FY25 Operating Revenue Required - Water	\$ 2,115,777	FY25 Operating Revenue Required - Sewer	\$ 1,816,580
CARMA Transfer Requirement	316,696	CARMA Transfer Requirement	271,816
Deduct Operating Fund Balance - Rate Buydown	0	Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(55,904)	Deduct Portion Collected through Other Revenues	(18,509)
Deduct Portion Collected through Service Fee		Lift Stations Costs	(222,860)
Hydrant Rents (10% of Total)	(105,565)	Pumping Fee	(10,125)
Multi-Units (\$5/unit/mo.)	(38,400)	Dumping Station Fees	(6,024)
Surplus Water Sales (Bulk) surcharge only	(83,851)	Multi-Units (\$5/unit/mo.)	(38,400)
Revenue Required for Commodity Rate Calculation	\$ 2,148,753	Revenue Required for Commodity Rate Calculation	\$ 1,792,478
Water Consumption (Gallons)		Sewer Usage (Gallons)	
Gross Meters Water Sales	129,126,600	Projected Billable Volume	89,000,000
Total Estimated Water Sales	129,000,000	Projected Billable Volume - Lift Zone Only	23,000,000
		Total Projected Billable Volume	112,000,000
Water Rates:		Sewer Rate	
Commodity Rate (per gal)	\$ 0.0167	Non-Lift Station Rate	\$ 0.0160
Bulk Rate (per gal)	\$ 0.0207	Lift Station Rate	\$ 0.0257
Monthly Service Fees	\$ -		
Consumption Additional Information:		Lift Station Additional Information:	
CY23 Gross Meters Water Sales (Gallons)	129,126,600	CY23 Actually Billed Gallons (Lift-Station Zone Only)	22,687,300



Scenario 2 – No Monthly Service Fee / Multi-Unit Fee

- No structural changes to FY24 model, other than bringing forward monthly fee
- CARMA transfer is funded by monthly fee and is removed from commodity rate

Rate Analysis:

Current Rates

These rates are preliminary and will update accordingly with the amended budget

Water Rates:

Commodity (per gal): \$0.0161

Bulk (per gal): \$0.0201

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0167

Lift Station: \$0.0275

Proposed Rates – Scenario 2 (No Monthly Service Fee / Multi-Unit Fee)

Water Rates:

Commodity (per gal): \$0.0170

Bulk (per gal): \$0.0210

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0163

Lift Station: \$0.0260



Scenario 2 - No Monthly Service Fee / Multi-Unit Fee

This rate model is preliminary and will update accordingly with the amended budget

WATER Rate Model	
Revenues	
FY25 Operating Revenue Required - Water	\$ 2,115,777
CARMA Transfer Requirement	316,696
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(55,904)
Deduct Portion Collected through Service Fee	
Hydrant Rents (10% of Total)	(105,565)
Multi-Units (\$5/unit/mo.)	
Surplus Water Sales (Bulk) surcharge only	(83,851)
Revenue Required for Commodity Rate Calculation	\$ 2,187,153
Water Consumption (Gallons)	
Gross Meters Water Sales	129,126,600
Total Estimated Water Sales	129,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0170
Bulk Rate (per gal)	\$ 0.0210
Monthly Service Fees	\$ -
Consumption Additional Information:	
CY23 Gross Meters Water Sales (Gallons)	129,126,600

SEWER Rate Model	
Revenues	
FY25 Operating Revenue Required - Sewer	\$ 1,816,580
CARMA Transfer Requirement	271,816
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(18,509)
Lift Stations Costs	(222,860)
Pumping Fee	(10,125)
Dumping Station Fees	(6,024)
Multi-Units (\$5/unit/mo.)	
Revenue Required for Commodity Rate Calculation	\$ 1,830,878
Sewer Usage (Gallons)	
Projected Billable Volume	89,000,000
Projected Billable Volume - Lift Zone Only	23,000,000
Total Projected Billable Volume	112,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0163
Lift Station Rate	\$ 0.0260
Lift Station Additional Information:	
CY23 Actually Billed Gallons (Lift-Station Zone Only)	22,687,300

Scenario 3 – Monthly Service Fee

- No structural changes to FY24 model, other than bringing forward monthly fee
- CARMA transfer is funded by monthly fee and is removed from commodity rate

Rate Analysis:

Current Rates

These rates are preliminary and will update accordingly with the amended budget

Water Rates:

Commodity (per gal): \$0.0161

Bulk (per gal): \$0.0201

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0167

Lift Station: \$0.0275

Proposed Rates – Scenario 3 (Monthly Service Fee)

Water Rates:

Commodity (per gal): \$0.0142

Bulk (per gal): \$0.0182

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0136

Lift Station: \$0.0233

Monthly Fees: \$11

Scenario 3 – Monthly Service Fee

This rate model is preliminary and will update accordingly with the amended budget

WATER Rate Model		SEWER Rate Model	
Revenues		Revenues	
FY25 Operating Revenue Required - Water	\$ 2,115,777	FY25 Operating Revenue Required - Sewer	\$ 1,816,580
CARMA Transfer Requirement	316,696	CARMA Transfer Requirement	271,816
Deduct Operating Fund Balance - Rate Buydown	0	Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(55,904)	Deduct Portion Collected through Other Revenues	(18,509)
Deduct Portion Collected through Service Fee	(316,696)	Deduct Portion Collected through Service Fee	(271,816)
Hydrant Rents (10% of Total)	(105,565)	Lift Stations Costs	(222,860)
Multi-Units (\$5/unit/mo.)	(38,400)	Pumping Fee	(10,125)
Surplus Water Sales (Bulk) surcharge only	(83,851)	Dumping Station Fees	(6,024)
		Multi-Units (\$5/unit/mo.)	(38,400)
Revenue Required for Commodity Rate Calculation	\$ 1,832,057	Revenue Required for Commodity Rate Calculation	\$ 1,520,662
Water Consumption (Gallons)		Sewer Usage (Gallons)	
Gross Meters Water Sales	129,126,600	Projected Billable Volume	89,000,000
Total Estimated Water Sales	129,000,000	Projected Billable Volume - Lift Zone Only	23,000,000
		Total Projected Billable Volume	112,000,000
Water Rates:		Sewer Rate	
Commodity Rate (per gal)	\$ 0.0142	Non-Lift Station Rate	\$ 0.0136
Bulk Rate (per gal)	\$ 0.0182	Lift Station Rate	\$ 0.0233
Monthly Fees	\$ 13	Monthly Fees	\$ 11
Consumption Additional Information:		Lift Station Additional Information:	
CY23 Gross Meters Water Sales (Gallons)	129,126,600	CY23 Actually Billed Gallons (Lift-Station Zone Only)	22,687,300

Scenario 4 – Monthly Service Fee / No Multi-Unit Fee

- No structural changes to FY24 model, other than bringing forward monthly fee
- CARMA transfer is funded by monthly fee and is removed from commodity rate

Rate Analysis:

Current Rates

These rates are preliminary and will update accordingly with the amended budget

Water Rates:

Commodity (per gal): \$0.0161

Bulk (per gal): \$0.0201

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0167

Lift Station: \$0.0275

Proposed Rates – Scenario 4 (Monthly Service Fee and No Multi-Unit Fee)

Water Rates:

Commodity (per gal): \$0.0145

Bulk (per gal): \$0.0185

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0139

Lift Station: \$0.0236

Monthly Fees: \$11

Scenario 4 - Monthly Service Fee / No Multi-Unit Fee

This rate model is preliminary and will update accordingly with the amended budget

WATER Rate Model		SEWER Rate Model	
Revenues		Revenues	
FY25 Operating Revenue Required - Water	\$ 2,115,777	FY25 Operating Revenue Required - Sewer	\$ 1,816,580
CARMA Transfer Requirement	316,696	CARMA Transfer Requirement	271,816
Deduct Operating Fund Balance - Rate Buydown	0	Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(55,904)	Deduct Portion Collected through Other Revenues	(18,509)
Deduct Portion Collected through Service Fee	(316,696)	Deduct Portion Collected through Service Fee	(271,816)
Hydrant Rents (10% of Total)	(105,565)	Lift Stations Costs	(222,860)
Multi-Units (\$5/unit/mo.)		Pumping Fee	(10,125)
Surplus Water Sales (Bulk) surcharge only	(83,851)	Dumping Station Fees	(6,024)
		Multi-Units (\$5/unit/mo.)	
Revenue Required for Commodity Rate Calculation	\$ 1,870,457	Revenue Required for Commodity Rate Calculation	\$ 1,559,062
Water Consumption (Gallons)		Sewer Usage (Gallons)	
Gross Meters Water Sales	129,126,600	Projected Billable Volume	89,000,000
Total Estimated Water Sales	129,000,000	Projected Billable Volume - Lift Zone Only	23,000,000
		Total Projected Billable Volume	112,000,000
Water Rates:		Sewer Rate	
Commodity Rate (per gal)	\$ 0.0145	Non-Lift Station Rate	\$ 0.0139
Bulk Rate (per gal)	\$ 0.0185	Lift Station Rate	\$ 0.0236
Monthly Fees	\$ 13	Monthly Fees	\$ 11
Consumption Additional Information:		Lift Station Additional Information:	
CY23 Gross Meters Water Sales (Gallons)	129,126,600	CY23 Actually Billed Gallons (Lift-Station Zone Only)	22,687,300

In Lieu of Monthly Service Fee - Establishing Minimum Payment

- Difficult to assess rate impacts with set minimum payment while keeping rate model structure intact
- Tight time constraints for public notice and rate implementation limits our ability to accommodate rate structure changes
- Staff Recommendation: Explore further at the next Utility Rate review to allow for thorough analysis of impacts to rate model

Rate Comparisons

These rates are preliminary and will update accordingly with the amended budget

5/13/2024

Average Volume					
City Hall					
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Consumption	3800	3800	3800	3800	3800
Water Rate	0.0161	0.0167	0.0170	0.0142	0.0145
Sewer Rate	0.0167	0.0160	0.0163	0.0136	0.0139
Charges:					
Water	61.18	63.46	64.60	53.96	55.10
Sewer	63.46	60.80	61.94	51.68	52.82
Service	0	0	0	24	24
Total Bill	\$124.64	\$ 124.26	\$ 126.54	\$ 129.64	\$ 131.92
Impact		\$ (0.38)	\$ 1.90	\$ 5.00	\$ 7.28

High Volume					
Library					
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Consumption	6600	6600	6600	6600	6600
Water Rate	0.0161	0.0167	0.0170	0.0142	0.0145
Sewer Rate	0.0167	0.0160	0.0163	0.0136	0.0139
Charges:					
Water	106.26	110.22	112.20	93.72	95.70
Sewer	110.22	105.60	107.58	89.76	91.74
Service	0	0	0	24	24
Total Bill	\$216.48	\$ 215.82	\$ 219.78	\$ 207.48	\$ 211.44
Impact		\$ (0.66)	\$ 3.30	\$ (9.00)	\$ (5.04)

Lift-Station (Year-Round)					
Port & Harbor - Maintenance					
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Consumption	1800	1800	1800	1800	1800
Water Rate	0.0161	0.0167	0.0170	0.0142	0.0145
Sewer Rate	0.0275	0.0257	0.0260	0.0233	0.0236
Charges:					
Water	28.98	30.06	30.60	25.56	26.10
Sewer	49.50	46.26	46.80	41.94	42.48
Service	0	0	0	24	24
Total Bill	\$78.48	\$ 76.32	\$ 77.40	\$ 91.50	\$ 92.58
Impact		\$ (2.16)	\$ (1.08)	\$ 13.02	\$ 14.10

Scenario 1: Water model corrected to include multi-unit fee, otherwise no structural changes to model compared to FY24. CARMA transfer is funded in the commodity rate.

Scenario 2: Same setup as Scenario 1, but multi-unit fee is removed from model.

Scenario 3: Water model corrected to include multi-unit fee and monthly service fee is introduced, otherwise no structural changes to model compared to FY24. CARMA transfer is funded by service fee and removed from commodity rate.

Scenario 4: Same setup as Scenario 3, but multi-unit fee is removed from model.



FY25 Rate Setting Guidance

- Staff Recommendation - Scenario 3 (Monthly Service Fee and Multi-Unit Fee)
- Water and Sewer Rate Model and accompanying rate setting ordinance will follow the structure of Scenario 3
 - Remember: Rates will likely changes accordingly with proposed mid-biennium budget amendments
- Council discussion on this path forward?

Any Questions?

