



AGENDA

City Council Committee of the Whole

Monday, May 22, 2022 at 4:00 PM

City Hall Cowles Council Chambers In-Person & Via Zoom Webinar

Homer City Hall

491 E. Pioneer Avenue
Homer, Alaska 99603
www.cityofhomer-ak.gov

Zoom Webinar ID: 953 097 829 Password: 234969

<https://cityofhomer.zoom.us>
Dial: 346-248-7799 or 669-900-6833;
(Toll Free) 888-788-0099 or 877-853-5247

1. **CALL TO ORDER, 4:00 P.M.**
2. **AGENDA APPROVAL** (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual)
3. **CONSENT AGENDA**
4. **REGULAR MEETING AGENDA**
5. **DISCUSSION TOPIC(S)**
 - 5.A. Revised Water and Sewer Utility Financial/Rate Setting Policies Page 2
 - 5.B. FY24/25 Operating and Capital Budget Page 16
6. **COMMENTS OF THE AUDIENCE** (3 minute time limit)
7. **ADJOURNMENT NO LATER THAN 4:50 PM** Next Regular Meeting is Monday, June 12, 2023 at 6:00 p.m., Work Session at 4:00 p.m. Committee of the Whole at 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.



MEMORANDUM

**Resolution 23-048(S), A Resolution of the City Council of Homer, Alaska Amending the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan.
City Manager/Public Works Director/Finance Director.**

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Meeting Date: 17 May 2023
From: Elizabeth Walton, Finance Director
Through: Rob Dumouchel, City Manager

The purpose of this memo is to outline the changes that have been proposed to the Water and Sewer Utility Financial/Rate Setting Policies.

Proposed Changes:

- Line 18
 - Remove; the Utility Fund is a Special Revenue Fund and as such is not able to bond; all references to bonding has been proposed to be removed
- Line 62
 - Added “Fund” to correct the CARMA reference
- Lines 71-72
 - Added language to make reference to the HAWSP fund and explaining that HAWSP will not be incorporated in this particular policy, as HAWSP has its own dedicated policy manual. Review of the HAWSP policy manual should be done to verify that those financial policies are still appropriate.
- Lines 73-94
 - Remove; HAWSP has its own dedicated policy manual
- Line 95
 - Added “Fund” to correct the CARMA reference
- Lines 100-105
 - Added language to mention incorporation of the 15% reserve transfer in the utility rate model. Also included in this additional language is references to balance minimums and maximums.
- Line 106-107
 - Remove; individual projects are no longer funded directly through rate model
- Lines 118-122
 - Remove; the Utility Fund is a Special Revenue Fund and as such is not able to bond; all references to bonding has been proposed to be removed

- Lines 123-167
 - Remove; this section is connected to HAWSP and is therefore recommended from removal from this policy document. It is also recommended that this section be incorporated into the HAWSP policy manual.
- Line 170
 - Added “expenditures” to follow operating and removed capital expenditures. Direct capital expenditures are no longer funded through the rate model.
- Lines 191-195
 - Section was added to provide a clearer definition of fund balance and its potential role in rate setting and capital funding.
- Lines 207-209
 - Language amended to align policy document with current rate setting practice, which is to develop the rate through the budget process.
- Lines 211-213
 - Added “and” to correct sentence structure after removal of references to debt and capital improvements. These pieces were removed, as debt service is within HAWSP and the direct funding of capital projects is not connected with the rate model.
- Lines 224-225
 - Language added to state City’s goal of future financial planning.

Recommendation: Review the Utility Financial/Rate Setting Policies as proposed and approve Resolution 23-048 amending and adopting the Utility Financial Plan.

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 City Manager
4 Public Works Director

5 **RESOLUTION 23-048**

6
7 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA,
8 ADOPTING THE 2023 AMENDMENTS TO THE WATER AND SEWER
9 UTILITY FINANCIAL AND RATE SETTING POLICIES AND UTILITY
10 FINANCIAL PLAN, VERSION 2021- 01.

11
12 WHEREAS, With the passage of Resolution 21-066, the City Council adopted the Water
13 and Sewer Utility Financial and Rate Setting Policies (“Financial Policies”) to guide the
14 development of water and sewer rates, reserve funds and other utility financial matters,
15 including:

- 16 a. Operating Reserves
17 b. Capital Reserves
18 c. Bond Reserves
19 d. Rate Stabilization Reserves
20 e. Debt Issuance and Debt Management
21 f. Balancing the Operating Budget
22 g. Establishing Rates & Fees

23
24 WHEREAS, In the course of developing the FY24/25 water/sewer rates, the City Council
25 recognized the need to make certain amendments to the Financial Policies. These
26 amendments address:

- 27 • How the Utility Capital Asset Repair and Maintenance Allowance (CARMA) Fund is
28 funded and administered
29 • How loans for larger projects can be used to manage cash flow
30 • Defining the Fund Balance and describing how it can be used.

31 WHEREAS, Adopting the Policies and the Utility Financial Plan do not, by themselves,
32 establish rates for water/sewer services as establishing rates is a function of analyzing
33 expenses and revenues as part of the City Council’s annual rate-setting exercise.

34 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, does hereby
35 adopt the 2023 Amendments to the Water and Sewer Utility Financial and Rate Setting Policies
36 and Utility Financial Plan.

37
38 PASSED AND ADOPTED by the Homer City Council this 22nd day of May, 2023.
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CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal note: N/A

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 City Manager
4 Public Works Director
5 **Finance Director**

6 **RESOLUTION 23-048(S)**

7
8 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA,
9 ADOPTING THE 2023 AMENDMENTS TO THE WATER AND SEWER
10 UTILITY FINANCIAL AND RATE SETTING POLICIES AND UTILITY
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15 development of water and sewer rates, reserve funds and other utility financial matters,
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- 17 a. Operating Reserves
18 b. Capital Reserves
19 ~~c. Bond Reserves~~
20 d. Rate Stabilization Reserves
21 e. Debt Issuance and Debt Management
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23 g. Establishing Rates & Fees
24

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26 recognized the need to make certain amendments to the Financial Policies. These
27 amendments address:

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29 funded and administered
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32 WHEREAS, Adopting the Policies and the Utility Financial Plan do not, by themselves,
33 establish rates for water/sewer services as establishing rates is a function of analyzing
34 expenses and revenues as part of the City Council’s annual rate-setting exercise.

35 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, does hereby
36 adopt the 2023 Amendments to the Water and Sewer Utility Financial and Rate Setting Policies
37 and Utility Financial Plan.
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39 PASSED AND ADOPTED by the Homer City Council this 8th day of May, 2023.
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CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal note: N/A

1 **City of Homer Water and Sewer**
2 **Water and Sewer Utility**
3 **Financial/Rate Setting Policies**
4 **(AMENDED 2023)**

5
6
7 **Introduction**

8 Financial policies are an important tool for maintaining a financially healthy and sustainable
9 utilities while also maintaining required and/or mandated measures. The Government Finance
10 Officers Association (GFOA), bond rating agencies, and other industry organizations (e.g., the
11 American Water Works Association (AWWA), the Water Environment Federation (WEF))
12 recommend written financial/rate setting policies to provide clear policy direction and guidance.
13

14 The establishment of written financial policies is intended to:

- 15 • Institutionalize sound financial practices
 - 16 • Clarify strategic intent
 - 17 • Define boundaries
 - 18 • ~~Support bond ratings~~
 - 19 • Promote long range strategic thinking
 - 20 • Manage risk
 - 21 • Adhere to established best practices
- 22

23 **Financial Policy Goals and Objectives**

24 The goals of the City’s financial policies are to:

- 25 1. Maintain sufficient revenues for operating and capital needs,
- 26 2. Maintain sufficient reserves, and,
- 27 3. Provide rate stability. Notwithstanding (1) and (2) above, rates will be set to provide
28 rate/revenue stability and avoid major periodic increases.

29 A detailed set of financial policies have been adopted to establish consistency in utility financial
30 planning and rate setting decision-making for the City Council and City management team.
31

32 This framework provides recommendations that take into consideration the typical or median
33 reserve levels for a “AAA” versus a “AA” rated utility. This framework will also enable the City
34 Council to make more informed decisions in establishing the financial targets contained within
35 the financial policies.
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Review and Discussion of the City's Financial/Rate Setting Policies

The Utility Financial Plan will take into consideration the following financial policies. The financial planning period will be for a minimum of five years to determine overall trends and impacts to reserves and rates over a long-term horizon. The Utility Financial Plan is an integral component of the City's approach to effectively managing the utilities at a sustainable level to support the service levels of the community.

1. Reserve Funds

Reserve funds shall be established for the City to properly account for the City's funds, but to also provide adequate reserve levels to address the different types of funding requirements of the City. The City's reserve policies shall be as follows:

- 1.1 **Operating Reserve** – The City's operating reserve is an unrestricted reserve. The minimum operating reserve shall be established at 90 Days of annual O&M expenses (approximately 25% of annual O&M for both the Water and Sewer Funds) as outlined in Exhibits 4 and 6 in the Utility Financial Planning models for water and sewer.
- 1.2 **Capital Reserve** – The City currently has two different capital reserves for the water and sewer utilities. The first is the Homer Accelerated Water and Sewer Program (HAWSP). HAWSP is funded through a portion of the voter approved sales tax and assessments levied on benefited properties. The second is the Capital Asset Repair and Maintenance Allowance (CARMA) **Fund**. CARMA is funded annually through a rate surcharge equal to 15% of water and sewer costs and collected through the water and sewer rates.

In general, HAWSP is intended to provide seed money to support expanded access to the City water and sewer system while CARMA is intended to support improvements, repairs, and replacements of the City's existing infrastructure, and may also be used for Capital Contingencies or Infrastructure Replacement. CARMA and HAWSP funds may be used jointly to fund a project where applicable. The development of the projection of CARMA and HAWSP funds is provided in Exhibits 8 and 9 respectively of the Utility Financial Plan.

1.2.1 Homer Accelerated Water and Sewer Program (HAWSP) – HAWSP will not be incorporated into this financial policy, as HAWSP has its own dedicated policy manual. ~~Voters in the City of Homer established the HAWSP fund to improve the Health and Welfare of the community by funding capital improvements to the City's water and sewer system. The HAWSP is funded by a voter approved dedicated sales tax, and assessments levied on benefited properties. (See HCC 9.16.010(b).) Specifically, the HAWSP Fund is built from a levy of ¾ of a percent on the retail sales tax. This tax was established by voters and can only be modified through another ballot measure. The key objectives of the HAWSP fund are as follows:~~

- ~~• Provide for water/sewer improvements without placing a heavy financial burden on individual property owners. (Resolution 99-53.)~~



- 82 • ~~Increase the number of users to the system(s), thereby increasing revenues to~~
- 83 ~~the Water and Sewer Enterprise Funds. (Resolution 99-53.)~~
- 84 • ~~Promote construction of additional improvements to the City water and sewer~~
- 85 ~~systems. (See Ordinance 99-14(S)(A).)~~
- 86 • ~~Protect public health. (2016 HAWSP Policy Manual.)~~

87 The HAWSP is generally intended to provide “Seed Money” for major projects (projects

88 that exceed \$1.1 million). The target HAWSP fund value is to be maintained at a level to

89 ~~provide sufficient funding for current long-term debt obligations and annual funding~~

90 ~~needs as outlined in the Utility Financial Plan. The HAWSP fund may additionally be used~~

91 ~~to pay off HAWSP project debt, subject to City Council approval, and may furthermore~~

92 ~~be used in conjunction with CARMA for project funding, especially where an element of~~

93 ~~the project involves extension of service, expansion of capacity, or promotion of public~~

94 ~~health.~~

95 **1.2.2 Capital Asset Repair and Maintenance Allowance (CARMA) Fund** – The CARMA

96 reserve was established to fund improvements, repairs, and replacements to the City’s

97 existing water and sewer systems. The level of CARMA funding can be adjusted by the

98 City Council. “The amount of the CARMA funds shall be established by City Council in

99 the biennial budget based on the projected maintenance and repair needs of the City.”

100 (Ordinance 19-35(S)(A)). **CARMA is funded annually through a rate surcharge equal to**

101 **15% of water and sewer costs and collected through the water and sewer rates.**

102 **Balance minimums and maximums are as follows: Water CARMA - minimum of**

103 **\$500,000 and a maximum of \$1,500,000; Sewer CARMA - minimum of \$500,000 and a**

104 **maximum of \$1,500,000. Additionally, the CARMA accounts may be supplemented**

105 **by transfers from the Utility Operations Fund Balance (with Council**

106 **appropriation).**

107 ~~CARMA shall be funded as an element of the rates at a sufficient level to fund capital~~

108 ~~improvements as identified in the Utility Financial Plan.~~

109 The intent of the City of Homer Water and Sewer CARMA Fund is “for appropriation and

110 expenditure for equipment replacement, fleet replacement, engineering or planning

111 services, major maintenance of city facilities, or any other purpose as identified and

112 recommended by the City Manager and authorized by the City Council...and to extend

113 the life and use of taxpayer funded assets, facilities and infrastructure.” (See Ordinance

114 19-35(S)(A)). The Water and Sewer Utilities - which operate independently - use CARMA

115 Funds for improvements, repairs, and replacements to the City’s existing water and

116 sewer systems. CARMA Funds may additionally be used for capital contingencies or

117 infrastructure replacement and can be used in conjunction with HAWSP to jointly fund

118 a project.

119 ~~**1.3 Bond Reserve** – A bond reserve fund is a restricted reserve. A bond reserve fund shall~~

120 ~~be established, as required and in accordance with anticipated bond covenants for~~

121 ~~specified projects where the City Council intends to pursue bond funding. The minimum~~

122 ~~fund balance of the bond reserve shall be equal to bond reserve requirements set by~~

123 ~~applicable bond covenants.~~

124 ~~2. Debt Issuance and Debt Management~~

125 The City, during the course of normal operations, may issue long-term debt to fund certain capital
126 projects. The establishment of policies related to debt issuance and debt management are
127 intended to minimize the overall long-term costs of the City and utilize long-term debt to the
128 benefit of the City's customers. Provided below are the debt issuance and debt management
129 policies.

130 **2.1 — Funding of Annual Renewal and Replacement Capital Projects** — The City will not need
131 to issue long-term debt to fund annual renewal and replacement capital projects, as it
132 will use rate funding, through CARMA, to properly and adequately fund the City's
133 annual renewal and replacement capital projects. Accordingly, the minimum annual
134 funding from rates shall be at least equal to or greater than the City's annual renewal
135 and replacement needs as determined in the Utility Financial Plan.

136 **2.2 — Long-Term Debt as a Funding Mechanism for Capital Projects** — The City can consider
137 the use of long-term debt to fund significant non-reoccurring capital projects. The
138 policy objective when issuing long-term debt is to minimize the financial and rate
139 impacts of significant non-reoccurring capital projects, **particularly projects with an**
140 **estimated cost of at least \$300,000.** When structuring such long-term debt, the City
141 shall consider the following factors as:

- 142 ● Current interest rates (costs)
- 143 ● Current amount of the utility's outstanding debt levels
- 144 ● Consistency with the City's debt policy and overall debt level

145 The City shall avoid an over-reliance upon debt by considering the debt service coverage
146 ratios of rating agencies to measure whether the City's debt to capitalization or debt to
147 operating revenue ratios are appropriate. Specifically, the City should maintain a
148 debt/equity ratio which is less than 50% for utility financial planning. In certain
149 circumstances the City may need to exceed this target to fund critical infrastructure
150 projects. In these cases, the City Council will provide guidance on the appropriate target
151 debt/equity ratio. For each debt issuance, the City will identify the funding source for
152 annual principal and interest payments, prior to the approval issuing the debt.

153 **2.3 — Types of Long-Term Debt** — To minimize the overall costs of debt, the City shall strive,
154 at all times, to utilize the lowest and best available cost option for issuing debt.

155 **2.4 — Bond Covenants** — The City, at all times, shall adhere to and meet any bond covenants
156 put forth by bonds issued by the City. Bond covenants are legal obligations placed upon
157 the City. If the City is not in compliance with bond covenants, the City's management
158 team shall inform the City Council and appropriate action will be taken.

159 **2.5 — Debt Service Coverage Ratio** — At all times, the City shall meet the minimum debt
160 service coverage (DSC) requirements associated with bond covenants. For financial
161 planning and rate-setting purposes, the City shall target a minimum DSC of 1.25 times
162 annual debt service on all outstanding debt.

163 **2.6 — Debt Funding Through Assessment Revenues** — For certain capital improvements the
164 City may use Assessment District's to fund improvements to provide service to these
165 areas. In these circumstances the City will establish specific criteria for each assessment
166 to ensure the adequate repayment of the assessment to reimburse the funding of the
167 infrastructure providing service. When structuring debt the funding sources will be

168 identified prior to approving the Assessment District.

169 3. Balanced Operating Budget

170 3.1 **Self-Supporting** – The water and sewer utility shall be self-supporting, where current
171 revenue fully funds current operating expenditures and ~~capital expenditures~~ on an
172 annual basis.

173 3.2 **Adequate Funding to Preserve System Assets** – The City’s assets shall be properly
174 operated and maintained to provide for a long life. Annual operating expenditures will
175 be budgeted and funded at a level that promotes the efficient operation of and
176 preservation of assets through the asset’s useful life.

177 3.3 **Evaluation and Monitoring of Cost** – Costs will be monitored monthly to ensure the
178 utility is operated in a cost effective and economically prudent manner and reported to
179 the City Council on a quarterly basis.

180 3.4 **Positive Annual Net Income** – The City shall plan for annual net income (total revenue
181 less O&M, taxes or transfers, debt service, and capital projects funded from rates)
182 greater than or equal to zero (positive balance of funds).

183 3.5 **Strive for Rate Stability** – The City’s rates should be stable over time while generating
184 sufficient revenue. As a part of the annual budgeting process, the City shall review the
185 rates to confirm the adequacy of the current rates.

186 3.6 **Disposition of “One-Time” Revenue** – In instances of large one-time revenues (e.g.,
187 legal settlement), if not specifically earmarked, the funds will be transferred to an
188 appropriate reserve(s) (operating, capital, or rate stabilization).

189 3.7 **Alternative Funding/Revenue Diversification** – To minimize overall rates, the City
190 should explore alternative revenue sources such as grants and direct developer
191 contributions.

192 **3.8 Fund Balance – the Fund Balance is an accumulation of fiscal year net activity**
193 **(revenues over expenditures). The Utility Operating Fund Balance is used when**
194 **purchasing inventory items. These items will be expensed (pulled out of inventory)**
195 **when utilized. It may also be used to replenish the CARMA accounts or “buy down”**
196 **rates.**

197 4. Establishing Rates and Fees

198 The City shall establish rates utilizing industry recognized “generally accepted” rate setting
199 methodologies. This will provide the City with consistency in their ratemaking process, while also
200 establishing rates which are legally defensible. The City’s policies on establishing the water and
201 sewer rates and fees, and the general methodologies to be utilized, are as follows:

202 4.1 **Revenue Requirement Analysis**

203 The revenue requirement analysis provides a projection of the City’s revenues and
204 expenditures for a defined time period. The revenue requirement analysis shall provide
205 the City Council with the information and cost-basis to determine the size and timing of
206 any proposed rate adjustments. The City’s revenue requirement analysis methodology
207 shall consider the following:

- 208 4.1.1 The revenue requirement (financial plan) analysis will be developed **from the**
209 **current year's budget, as part of the budget process.** ~~for a minimum projected~~
210 ~~five-year time period.~~
- 211 4.1.2 Revenue requirements will be established using the “cash basis” methodology.
212 The “cash basis” methodology includes O&M expenses, **and** taxes/transfer
213 payments, ~~debt service (P+I) and capital improvements (renewal and~~
214 ~~replacement) funded from rates.~~ The revenue requirements may include a
215 component for change in working capital/rate stabilization funds to manage
216 reserve balances and mitigate rate impacts.
- 217 4.1.3 Costs shared across utilities shall be allocated to each utility based an equitable
218 allocation method. These may include, but not be limited to, labor ratios,
219 number of customers, revenues, usage etc. The allocation method should be
220 whichever method most equitably allocates the specific cost.
- 221 4.1.4 Any wholesale increases imposed upon the City by a water supplier or
222 wastewater treatment agency will be reviewed for financial/rate impacts.
- 223 4.1.5 The City's revenue requirement analysis shall fully incorporate the City's
224 reserve, ~~debt~~ and budgeting policies.
- 225 **4.1.6 The City's goal is to project revenue requirements for a minimum of five years**
226 **into the future.**

227 4.2 Cost of Service Analysis

228 A cost of service analysis provides an equitable method to allocate the City's water and
229 sewer revenue requirements to the customers utilizing the service. The City's cost of
230 service analysis for the water utility shall use generally accepted cost of service
231 methodologies as defined by the American Water Works Association (AWWA) and the
232 analysis developed for the City's sewer utility shall use cost of service methodologies as
233 defined by the Water Environment Federation (WEF). The City's water and sewer cost
234 of service shall be developed to provide an equitable allocation of costs by taking into
235 consideration a customer group's (e.g. residential, commercial) facility requirements
236 and usage characteristics. The City's specific cost of service policies are as follows:

- 237 4.2.1 The cost of service shall be developed for a projected one-year time period or
238 the period over which rates will be set, utilizing the revenue requirements as
239 developed in 4.1.
- 240 4.2.2 The cost of service analysis shall be designed and developed to consider the
241 unique and specific circumstances of the City's water and sewer system.
- 242 4.2.3 The City shall allocate costs to customer class of service based upon facility
243 requirements and usage characteristics.
- 244 4.2.4 When necessary, the City may phase-in the cost of service results to transition
245 to fully-cost based rates.

246 4.3 Rate Design Analysis

247 The development of cost-based rate designs concludes the City's rate setting process.
248 The development of rate designs utilizes the results from the revenue requirement and
249 cost of service analysis to establish the target level of revenues for each customer class
250 of service (rate schedule). The City's rate design analysis is primarily focused on the

- 251 structure of the rates. The City’s rate design analysis policies are as follows:
- 252 4.3.1 The City shall utilize the results of the revenue requirement analysis and cost of
- 253 service analysis in the development of final proposed rate designs.
- 254 4.3.2 Rates shall be designed to collect the overall target level of revenues for each
- 255 customer class of service.
- 256 4.3.3 The City’s rate designs shall be reflective of the City Council’s rate design goals
- 257 and objectives, while also being reflective of the greater public purpose (e.g.,
- 258 economic development, conservation, etc.).
- 259 4.3.4 The City shall take into consideration both fixed and variable costs in the
- 260 development of final proposed rates. The average unit costs calculated within
- 261 the cost of service analysis provides the cost-information related to fixed and
- 262 variable costs.
- 263 4.3.4 Bill comparisons shall be developed for all proposed rate designs to illustrate the
- 264 general impacts to customers across a range of consumption.
- 265 4.3.5 In establishing the final water and sewer rates, the City’s Council may take into
- 266 consideration neighboring utility rates, but not to the financial detriment of the
- 267 City.

268 **4.4 Other Rate Setting Considerations**

269 Provided below are other policies related to the City’s rate setting process.

- 270 4.4.1 At a minimum, the City shall conduct a comprehensive rate study every five (5)
- 271 years to update assumptions and determine financial sustainability.
- 272



AGENDA ITEM REPORT

**Resolution 23-048, A Resolution of the City Council of Homer, Alaska Amending the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan.
City Manager/Public Works Director.**

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Meeting Date: 08 May 2023
From: Janette Keiser, PE, Director of Public Works/City Engineer
Through: Rob Dumouchel, City Manager

Issue: The purpose of proposed Resolution is to amend the City’s Water and Sewer Utility Financial/Rate Setting Policies so said policies can be memorialized when the FY 24/25 water and sewer rates are established.

Background:

With the passage of Resolution 21-066, the City Council adopted the Water and Sewer Utility Financial and Rate Setting Policies (“Financial Policies”) to guide the development of water and sewer rates, reserve funds and other utility financial matters, including:

- a. Operating Reserves
- b. Capital Reserves
- c. Bond Reserves
- d. Rate Stabilization Reserves
- e. Debt Issuance and Debt Management
- f. Balancing the Operating Budget
- g. Establishing Rates & Fees

In the course of developing the FY24/25 water/sewer rates, the City Council recognized the need to make certain amendments to the Financial Policies. These amendments address:

- How CARMA is funded and administered
- How loans for larger projects can be used to manage cash flow
- Defining the Fund Balance and describing how it can be used.

RECOMMENDATION:

That the City Council adopt the 2023 Amendments to the Water and Sewer Utility Financial Policies.

Operating Budget Amendments - FY24/25

Request Name	Sponsor	FY24	FY25	Funding Source	Status
		Amount	Amount		
Increased Funding - Homer Chamber	Davis	\$ 24,000	\$ 24,000	General Fund Unassigned Fund Balance	Passed
Homer Business Advisor (AKSBDC)	Venuti	\$ 15,000	\$ 15,000		Failed
Community Recreation Software	Venuti	\$ 11,000	\$ 7,000	General Fund Unassigned Fund Balance	Passed
Sign Repair at Library	Mayor	\$ 1,800		General Fund Unassigned Fund Balance	Passed
Sister City Advertising & Gifts	Mayor	\$ 4,000		General Fund Unassigned Fund Balance	Passed
Community Recreation FTE	Erickson	\$ 43,000	\$ 45,000	General Fund Unassigned Fund Balance	Passed
Reduction - Planning Food and Staples	Erickson	\$ (8,000)	\$ (8,000)		Passed
Reduction - Planning Advertising	Erickson	\$ (7,000)	\$ (7,000)		Passed
Reduction - Professional Services and Employee Training	Erickson	TBD	TBD		

Capital Budget Amendments - FY24/25

Request Name	Sponsor	FY24	FY25	Funding Source	Status
		Amount	Amount		
ADA Accessibility Equipment	Aderhold	\$ 9,739		General Fund CARMA	Passed
New Comprehensive Plan Development	Aderhold	\$ 400,000		General Fund CARMA	Passed
Town Center Plan Revision	Davis	\$ 250,000		General Fund CARMA	Failed
Jack Gist Park - Water/Sewer Extension	Mayor	\$ 120,000		\$42,500 HAWSP; \$77,500 General Fund Unassigned Fund Balance	Passed
Karen Hornaday Park - Water/Sewer Extension	Mayor	\$ 30,000	\$ 500,000	FY24 - \$10,000 HAWSP; \$20,000 GF Unassigned Fund Balance FY25 - \$150,000 HAWSP; \$350,000 General Fund Unassigned Fund Balance	Passed
Grid Repair/Replacement Design	Erickson	\$ 25,000	\$ 100,000	Port Reserves	Failed
Remove - Wayfinding and Streetscape Implementation	Erickson	\$ (50,000)		Remove capital project and return funds back to HART Trails	Failed
Remove - Pumper/Tanker Contingency	Erickson	\$ (25,000)		Remove capital project and return funds back to General Fund Fleet CARMA	Failed
Remove - Fuel Island Replacement	Erickson	\$ (190,000)		Remove capital project and return funds back to HART Roads	Passed
Remove - Personnel Regulations and Salary Schedule Overhaul	Erickson	\$ (75,000)		Remove capital project and return funds back to General Fund CARMA	Postponed 6/12/23
Remove - Trail Design Criteria Manual Update	Erickson	\$ (50,000)		Remove capital project and return funds back to HART Trails	
Future Rec Center	Mayor	\$ 1,000,000	\$ 1,000,000	FY24 - \$1,000,000 Future General Fund Unassigned Fund Balance FY25 - \$1,000,000 Future General Fund Unassigned Fund Balance	
Lane Dividers for West Fairview/Eric Lane	Davis	\$ 6,000		HART Roads	

**CITY OF HOMER
HOMER, ALASKA**

City Manager

ORDINANCE 23-20(A)

AN ORDINANCE OF THE HOMER CITY COUNCIL APPROPRIATING FUNDS FOR THE FISCAL YEARS 2024 and 2025 FOR THE GENERAL FUND, THE WATER FUND, THE SEWER FUND, THE PORT/HARBOR FUND, AND INTERNAL SERVICE FUNDS.

THE CITY OF HOMER ORDAINS:

Section 1. Pursuant to the authority of Alaska Statutes Title 29, the following appropriations are made for the fiscal year ending June 2024:

General Fund	\$16,122,999 <u>16,179,131</u>
Water Fund	\$ 2,370,842 <u>2,369,005</u>
Sewer Fund	\$ 1,949,879 <u>1,948,388</u>
Port/Harbor Fund	<u>\$ 5,786,422</u>
Total Expenditures	\$26,230,142 <u>26,282,946</u>
Internal Service Funds	\$2,735,926

Section 2. Pursuant to the authority of Alaska Statutes Title 29, the following appropriations are made for the fiscal year ending June 2025:

General Fund	\$16,421,394 <u>16,468,685</u>
Water Fund	\$ 2,429,922 <u>2,428,003</u>
Sewer Fund	\$ 2,085,485 <u>2,083,925</u>
Port/Harbor Fund	<u>\$ 5,870,925</u>
Total Expenditures	\$26,807,726 <u>26,851,538</u>
Internal Service Funds	\$2,940,129

Section 3. The amounts appropriated by this ordinance are appropriated to the objects and purposes stated in the adopted budget.

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Section 4. Grant funds.

(a) If grant funds that are received during the fiscal year exceed the amounts of such funds appropriated by this ordinance by not more than \$25,000, the affected appropriation is increased by the amount of the increase in receipts.

(b) If grant funds that are received during the fiscal year exceed the amounts appropriated by this ordinance by not more than \$25,000, the appropriation from city funds for the affected program may be reduced by the excess if the reduction is consistent with applicable federal and state statutes.

(c) If grant funds that are received during the fiscal year fall short of the amounts appropriated by this ordinance, the affected appropriation is reduced by the amount of the shortfall in receipts.

Section 5. Donations or charitable contributions. If donations or contributions are received during the fiscal year that exceed the amounts of such funds appropriated by this ordinance by not more than \$5,000, the affected appropriation is increased by the amount of the increase in receipts.

Section 6. A copy of the adopted budget shall be certified by the City Clerk and filed in the office of the City Clerk.

Section 7. The supporting Line Item Budget detail as presented by the Administration and reviewed by the City Council is incorporated as part of this Budget Ordinance.

Section 8. The property tax mill levy is set at 4.5 mills for 2024.

Section 9. This Ordinance is limited to approval of the budget and appropriations for Fiscal Year 2024 and 2025, is a non code Ordinance and shall become effective July 1, 2023.

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this ___ day of _____, 2023.

CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

- 85 YES:
- 86 NO:
- 87 ABSTAIN:
- 88 ABSENT:
- 89
- 90 First Reading:
- 91 Public Hearing:
- 92 Second Reading:
- 93 Effective Date:

CITY OF HOMER
HOMER, ALASKA

City Manager

ORDINANCE 23-23

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA
APPROPRIATING THE FUNDS FOR THE FISCAL YEARS 2024 AND
2025 CAPITAL BUDGET.

THE CITY OF HOMER ORDAINS:

Section 1. Pursuant to the authority of Alaska Statutes Title 29, the following appropriations are made for the fiscal year ending June 2024:

Capital Projects Funds:

General Fund Fleet CARMA (152)	\$ 165,000
General Fund CARMA (156)	\$ 627,397
Utility CARMA (256)	\$ 1,163,834
Port Fleet Reserves (452)	\$ 115,000
Port Reserves (456)	\$ 335,000
HART Roads (160)	\$ 3,070,667
HART Trails (165)	\$ 386,000
HAWSP (205)	\$ 0
Total Capital Expenditures	\$ 5,862,898

Section 2. Pursuant to the authority of Alaska Statutes Title 29, the following appropriations are made for the fiscal year ending June 2025:

Capital Projects Funds:

General Fund Fleet CARMA (152)	\$ 0
General Fund CARMA (156)	\$ 0
Utility CARMA (256)	\$ 80,000
Port Fleet Reserves (452)	\$ 0
Port Reserves (456)	\$ 0
HART Roads (160)	\$ 0
HART Trails (165)	\$ 0
HAWSP (205)	\$ 0
Total Capital Expenditures	\$ 80,000

42 Section 3. The amounts appropriated by this ordinance are appropriated to the
43 purposes stated in the adopted budget.

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45 Section 4. This Ordinance is limited to approval of the Budget and appropriations for
46 Fiscal Year 2024 and 2025, is a non code Ordinance and shall become effective July 1, 2023.

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48 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this ____ day of _____,
49 2023.

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51 CITY OF HOMER

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54 _____
55 KEN CASTNER, MAYOR

56 ATTEST:
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59 _____
60 MELISSA JACOBSEN, MMC, CITY CLERK

61
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63 AYES:
64 NOES:
65 ABSTAIN:
66 ABSENT:
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69 First Reading:
70 Public Hearing:
71 Second Reading:
72 Effective Date: