

Session 12-09 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 5:15 pm on October 23, 2012 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

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

ABSENT: LLOYD MOORE (EXCUSED)

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I

Ms. Krause notified the Task Force that Ms. Mauras was available if needed but she would be in her office working on the budget.

APPROVAL OF THE AGENDA

Chair Wythe called for approval of the agenda.

CASTNER/MINSCH – SO MOVED.

There was no discussion.

The agenda was approved by consensus of the Task Force.

PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA *(3 Minute Time Limit)*

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

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

- A. Regular Meeting Minutes for August 21, 2012
- B. Special Meeting Minutes for September 19, 2012

HOWARD/MINSCH – MOVED TO APPROVE THE AUGUST 21, 2012 AS PRESENTED.

There was no discussion.

The minutes of August 21, 2012 Regular meeting were approved by consensus of the Task Force.

HOWARD/MINSCH – MOVED TO APPROVE THE MINUTES OF SEPTEMBER 19, 2012.

MINSCH/HOWARD – MOVED TO CORRECT THE MINUTES SHOWING MS. MINSCH WAS PRESENT.

There was no discussion.

The amendment was approved by consensus of the Task Force.

The amended minutes for September 19, 2012 were approved by consensus of the Task Force.

VISITORS

There were no visitors scheduled.

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS *(Chair set time limit not to exceed 5 minutes)*

There were no reports included for this meeting.

PUBLIC HEARING *(3 minute time limit)*

There were no items for public hearing.

PENDING BUSINESS

A. Requested Information on the Cost to Create an Invoice and Percentage of Water from the Spit Used for Flushing or Bleeding Lines AND Estimated amount of Sewage created on the Spit.

Mr. Castner opened discussion on generating a bill by offering the opinion that in the budget it shows the revenues for metered sales residential and commercial industrial and connection fees and service meters. Not included is the money that the City pays for services provided elsewhere such as the Harbor buys water and this is not reflected as a line item in the revenue budget. Everything else is tracked and listed as a line item in the budget but what the city pays. He opined that for transparency sake it should be shown in the budget as a City of Homer usage and is tracked.

There is no proof that this is paid and this is the reason for the account codes that was provided by Ms. Mauras.

Mr. Castner noted the expenses for various funds and line items. He noted that this is not in the same ratios as seen otherwise in the budget. He was going to insert these figures in the model then subtract it out.

Discussion ensued on the various numbers and budget line items ensued regarding the City of Homer contributions. It was noted that even it washed with the overhead costs it should be shown since it is a public use account.

The Task Force questioned the document provided by the Public Works department noting that it was not titled or labeled properly and who the 39 private accounts. The Task Force stated that when staff provides documents to support information they need to identify it properly.

A detailed and lengthy discussion on the overhead costs charged to the system, the actual usage by the City of Homer, and the service charged for Administrative services.

The next discussion was on the figures behind what it takes to create an invoice for water and sewer services. It was pointed out that no funds were taken from the general funds at this point in creating the rate model. It was agreed that this was for a bill that would be sent out each and every month whether they received water or not; Chair Wythe reminded the Task Force on the ultimate goal with this spreadsheet. Mr. Howard recommended rounding up on the figure for water whatever it comes out to be.

Further points noted or addressed were the service fee rate; the commodity rate reduction for conservation; the commodity rate fee; a formula to use for the draft rate model.

The Task Force Members then addressed the rate model line by line as follows:

Service Fee = # of Meters (M)

Variable Function based on the Two End Put Constants which is number of meters (m) monthly meters service fee sub-function $F / m / 12 =$ gives the monthly bill service amounts. This can be adjusted monthly by the number of active meters.

Sub-function F = Finance number from the budget from page 42 of the Budget

Chair Wythe questioned where she would come up the number. Mr. Burgess explained that the finance number, on page 42, divided by 12 divided by the number of meters divided by 12 gives the service fee. Chair Wythe wanted to give a line number since they were not the people struggling through this in two years. She wanted to provide a system that takes the politics out of it and give a mathematical formula to be applied. Mr. Howard wanted to make sure that they are collecting enough money and not find

themselves in the same position where they have to implement large increases. He recommended multiplying the number by 105.

CASTNER/MINSCH - MOVED THAT THE S5 FUNCTION EQUALS 40% OF THE FINANCE OVERHEAD.

Discussion ensued regarding the use of this figure. This results in \$310,077.00. $.4 \times 775192 = 310077/1472/12=17.55 \times 1.05$ to hold it for increased costs not accounted for. The discussion included having a model that someone else could run. Mr. Castner updated the model. Mr. Castner noted that this model is a subtractive model. So it does not show the 5%. He noted that they would have to adjust the revenue component side of the model. Mr. Howard wanted to remind the group that they had to consider including the depreciation. It was noted that they needed to agree upon some numbers to create formulas to input into the rate formula and currently the budget included a set amount. It was questioned that this figure will hold the same at 40% over time.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

BURGESS/MINSCH - MOVED TO CALCULATE THE MONTHLY METERED SERVICE FEE, SF AS DESCRIBED, CELL E12 DIVIDED BY M, WHERE M IS THE TOTAL NUMBER OF METERS, CELL E21, DIVIDED BY 12 MONTHS.

BURGESS/ HOWARD – MOVED TO ADD FRIENDLY AMENDMENT TO ADD A MULTIPLIER OF 1.05 TO THE CALCULATION.

The group discussed adding transparency, adjusting the revenue stream, the cost to produce the bill will remain the same, keep it more in alignment for the actual numbers; the current model is a subtractive model; the 5% does not necessarily needed; this creates a new model. If this is important just revisit the previous motion and increase the .40 to .42. Clarification on if you want to recover costs to provide a separate line instead of each separate line in the model; building a plug and play model using constants that will come out in the budgetary process.

VOTE. (Amendment). NO. NON-OBJECTION. UNANIMOUS CONSENT.

Motion Failed.

Chair Wythe repeated the motion on the floor for the record.

VOTE. (Main) NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

She noted that Mr. Castner had earlier stated he support a motion to round to the highest dollar if anyone wanted to make that motion now.

HOWARD/MINSCH - MOVED TO ROUND THE METERED SERVICE FEE UP TO THE NEAREST DOLLAR.

There was no discussion.

VOTE. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

CASTNER/HOWARD – MOVED TO HAVE A COMMODITY BASED FEE ON THE WATER SIDE OF THE UTILITY.

There was a brief discussion on everyone is charged the same for a gallon of water with two exceptions, Spit Customers will be charged a differential and Bulk Users will be charged a higher fee. There was more discussion on charging the Spit Differential. There was a brief discussion on the sewer side is different and there can be additional considerations on the sewer side. It is okay to say that they are in disagreement with the current plan. There was concern that they are paying for the system now and there is no room to increase revenue basing it on meters. It was noted that they could look at the fact they are selling a commodity.

Mr. Castner called for the question.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

HOWARD/CASTNER - MOVED TO TASK STAFF WITH EVALUATING THE COST OF DELIVERING WATER TO THE SPIT TO ASCERTAIN THE DIFFERENTIAL FOR SPIT WATER DELIVERY.

Discussion on the fairness of charging a spit differential and the spit being an important economic engine. It was noted that they do not know what the differential will be until staff evaluates and provides the information on the cost to provide water. This is separate from the costs to bring the sewage back from the spit. It was also noted that there was no direct action to remove the differential in the first place.

VOTE. NO. MINSCH. CASTNER. WYTHE.

VOTE. YES. HOWARD. BURGESS.

Motion failed.

CASTNER/MINSCH – MOVED TO PLACE A 5% SPIT DIFFERENTIAL TO THE COST OF WATER.

Further discussion on employing a differential to Spit customers and the various places where the water was metered but were not return sewer items and would come off the sewer side. The water used for flushing is not metered and not counted. It was noted that the differential should reflect the reality as close as possible otherwise it did not justify the cost of a different billing structure. It was further noted that this question was asked three different ways and we haven't received an answer.

VOTE. NO. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Chair Wythe confirmed that the Spit Differential remains at 15%.

CASTNER/MINSCH – MOVED TO DELETE THE 15% DIFFENTIAL FROM THE WATER SIDE.

Discussion on the purpose of this task force; discover the real costs; who uses water and who doesn't; who is billed for the water used by the Ferry; the largest user or use of water is Ramp Four Cleaning Tables; increase fees in the Harbor; how can you apply a differential without having the actual numbers.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Mr. Castner deleted this from the draft model and noted that the commodity rate rose from .114 to .119 by removing the spit differential.

The next topic of discussion was the Fire Hydrants. Mr. Castner pointed out that they currently take about 10% of the amount for fire protection.

CASTNER/HOWARD - MOVED THAT 10% OF THE WATER REVENUE REQUIREMENTS, SHOWN AS FUND 100, 200 AND 400 IN THE BUDGET, TO BE ALLOCATED TO HYDRANTS RENTS.

There was a question if they can ask Staff to have the budget reflect this information separately for public water usage, industrial, residential and commercial. Chair Wythe noted that they could include in their final recommendation that expenditures for water and sewer be broken out as separate line items for water and sewer in the budget. When they denote these specific numbers they can be taken directly from the budget. Further points noted were that water dispensed to maintain the system is unmetered water. Only water that is metered is counted.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Mr. Castner adjusted the draft rate model to reflect this change. It was noted that it brought it down to \$10.70 per thousand. This has brought down the costs by approximately a penny which reflects the City paying its portion of the costs.

Mr. Castner explained for Mr. Burgess's benefit the reason for applying a \$5.00 per month per six inch service meter. This is applied to any building which currently is numbered at twenty. Mr. Meyer was requested to provide the number of six inch meters at a previous meter.

CASTNER/MINSCH -MOVED TO ADD A 40% SURCHARGE TO SURPLUS WATER SALES.

Mr. Burgess would prefer to see a percentage over the standard rate instead of a set dollar amount. The current rate is .0147. They are recommending adding a 40% increasing rather than have it something to change every time with inflation. The customers are getting really good water and a really good rate on this water. They discussed the rates for water bought by a large vessel.

Chair Wythe recessed the meeting at 7:15 p.m. to get a Fee Schedule. The meeting was called back to order at 7:20 p.m.

Further discussion on if a large vessel comes in to port and is sold a million dollars; there was a tariff that directly affects those purchases in the harbor; they are trying to make the rates meet costs; it was considered that bulk water sales were more than water being sold across the dock. Currently they pay \$12.69 per thousand gallons.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

There was a brief discussion on how to insert the formula into the current rate model.

Chair Wythe noted the changes made and stated the rate would then be \$10.60 per thousand or .0106. This number then is divided by 1,800,750 gallons. The next conversation will be on the reduction for conservation percentage. Mr. Castner noted that in one section of the Rate Model he was not changing the formula at this meeting. He noted they agreed to round up the service fee previously. He will have to make adjustments to the formulas after the meeting.

There was a brief discussion on the use of 13% and how the percentage was calculated. Chair Wythe asked if Mr. Castner would like to make a motion on that.

CASTNER/HOWARD - MOVED TO USE A 13% CALCULATION FOR THE ANTICIPATED COMMODITY RATE REDUCTION FOR CONSERVATION EFFORTS.

There was a brief discussion on using this as an estimated amount; not building on anticipated reduction but should be described so they speak for themselves; this model is being built for overtime not just the next budget cycle; they have a much easier time determining costs; the benefits of having conservation anticipated using a commodity rate model to ensure collection of funds to maintain a system; the difference in usage in smaller effects such as a rainy summer; is there any other way to account for this aspect in another format; projection numbers; the public and staff concern that this task force is building a model that will fail in the first year.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

CASTNER/HOWARD - MOVED THE DRAFT RATE MODEL FOR THE WATER AS AMENDED IS TAKEN TO PUBLIC HEARING.

Discussion on having one last review of the final clean-up version of the Rate Model before submitting for Public Hearing; Mr. Burgess requested that they refine the model to describe all the constants somewhere on the spreadsheet and agrees in principle with the percentages and wanted to offer a friendly amendment to define the constants; some of the items were incomplete but the formulas or numbers were intact. Ms. Minsch proposed waiting to review the final draft rate model before agreeing to submit for public hearing.

VOTE. YES. HOWARD. CASTNER. BURGESS, WYTHE.

VOTE. NO. MINSCH.

Motion carried.

Chair Wythe noted that they will bring this forward as the Public Hearing Draft.

Ms. Minsch requested a copy of the revised updated draft Rate model after the changes. It was determined that the Clerk can forward a copy of the updated spreadsheet.

Chair Wythe proposed the due to the late hour and they have finished the business on the agenda and Mr. Castner has requested to address one item on the Sewer side of the Rate Model.

Mr. Castner stated that they have a 30% Spit Differential on the Sewer and since the next meeting is a month away it would be a good time to request some information from Public Works now is the time to make that motion. Chair Wythe opined that they requested that information before and asked if they have not received the total volume of dollars associated with Spit expenses compared to the other.

Mr. Howard stated that they received pieces, we know how much sewage we bring off the spit and we know how much the lift stations cost, and it would be appropriate for the staff to analyze the impact the lift stations have on that little amount of sewage off the spit. That is where the differential will come from; Mr. Howard went to report that Carey Meyer has reported previously was that 50% of the lift station costs are attributed to the Spit. It would seem to him that staff would be in a position to analyze the quantities of sewage associated with that cost compared to the rest of the community and come up

with the Spit Differential. Mr. Howard's recollection was around \$85,000 dollars and when you use the figure of 8,000,000 gallons of sewage there is a significant increase.

There was a further notation that the spit differential was removed on the water side what would not stop it from being removed on the sewer side and it was noted that there were the additional costs of having the lift stations, it was pointed out they have lift stations in other locations. The lift station costs were in the budget.

HOWARD/CASTNER - MOVED TO TASK STAFF TO IDENTIFY THE SPIT DIFFERENTIAL FOR SEWAGE FEES BASED ON THE VOLUME OF SEWAGE THAT COMES OFF THE SPIT AND THE ADDITIONAL COSTS ASSOCIATED WITH OPERATING THE LIFT STATIONS SPECIFIC TO BRINGING THE SEWAGE OFF THE SPIT.

There was a brief discussion on the request being specific enough for staff.

Mr. Burgess offered a friendly amendment to add the specific costs to operating the lift stations used for bringing the sewage off the spit.

It was requested to get the costs to operate the other lift stations. The other lift stations manage 92% sewage according to the plant and then 8% of the sewage that causes this expense. It is very definable. It was noted that there was a line item in the budget last year that was \$170,000, but staff knows the numbers and figuring the costs should be easy for them.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Chair Wythe stated that the next meeting is November 20, 2012. Mr. Howard commented that he will be out of town. There was a brief discussion regarding the meeting being changed due to an error on one of the documents not being updated and why there will be no meeting earlier in the meeting. The Clerk explained that temporary committees usually do not have conference calls. The same process will be conducted on the sewer side. The Clerk could email Mr. Howard the Draft model that will be used and follow along over the phone. Mr. Howard made some further comments on the sewage charges, BOD loading for various commercial accounts. He noted the concern expressed for multi-family domestic sewage and small business sewage.

The Clerk confirmed that four members present make a quorum.

- B. Review and Discussion on Working Draft Rate Model October 9, 2012
 - a. Draft Models printed from Working Spreadsheets - for reference only

There was no discussion it was included in the above topic.

NEW BUSINESS

There was no new business on the agenda.

INFORMATIONAL MATERIALS

- A. Timeline as of October 9, 2012
- B. Meeting Calendar as of October 9, 2012
- C. Memorandum Re: Changes to Membership of the Task Force
- D. Resolution 12-094, Retain Mayor Wythe

COMMENTS OF THE AUDIENCE

Mr. Sloan, city resident, always advocated that this Task Force be non-political and was sorry to see the 15% spit differential on the water side go away especially since they are tasking staff to come up with a Spit differential figure for the sewer side. He thought it would be appropriate for staff to do the water side; the conservation percentage due to reduction part should be easy to explain especially to the larger users; he opined that assigning 10% of the water budget to hydrants is still too low according to the discussion and information provided by Carey Meyer at the August 21, 2012 meeting. He feels that this area should be revisited before its ready for prime time public.

COMMENTS OF THE CITY STAFF

There were no additional comments from staff present.

COMMENTS OF THE CHAIR

Chair Wythe confirmed that yes they will be reviewing in December voting on the whole model. She will try to carve out some time to do some drafting of recommendations before that too.

COMMENTS OF THE TASK FORCE

Mr. Howard had no comments.

Mr. Castner stated he wasn't done with the overhead thing he wanted to revisit that has that number needs to be fixed.

Ms. Minsch clarified that they will still revisit the amended rate model before going to public hearing.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 8:00 p.m. The next **REGULAR MEETING is NOVEMBER 20, 2012** at 5:15 P.M. All meetings are scheduled in the **UPSTAIRS CONFERENCE ROOM** at City Hall, 491 E. Pioneer Avenue, Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved:_____