

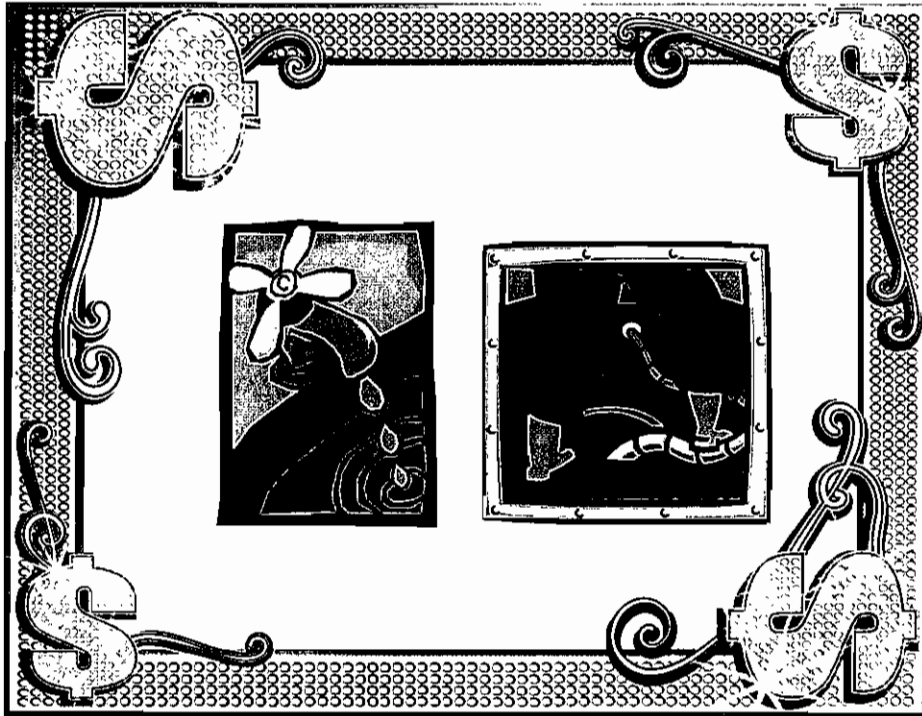
Water & Sewer Rate Task Force

Tuesday

February 19, 2013

Worksession

5:15p.m.



City Hall Conference Room - Upstairs
491 E. Pioneer Avenue
Homer, Alaska 99603



**NOTICE OF MEETING
WORKSESSION**

- 1. CALL TO ORDER**
- 2. APPROVAL OF THE AGENDA**
- 3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA**
- 4. RECONSIDERATION**
- 5. APPROVAL OF MINUTES** (*Minutes are not approved during worksessions*)
- 6. VISITORS**
- 7. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS**
- 8. PUBLIC HEARING**
- 9. PENDING BUSINESS**
 - A. Discussion and Recommendations on FINAL Draft Rate Model, Customer Matrix and Letter and Presentation to City Council Page 5
 - B. Memorandum to Task Force dated February 12, 2013 Re: Review of Proposed Rates by City Manager and Finance Director Page 51
- 10. NEW BUSINESS**
- 11. INFORMATIONAL ITEMS**
- 12. COMMENTS OF THE AUDIENCE**
- 13. COMMENTS OF THE CITY STAFF**
- 14. COMMENTS OF THE CHAIR**
- 15. COMMENTS OF THE TASK FORCE**
- 16. ADJOURNMENT** the next **REGULAR MEETING** with **PUBLIC HEARING ON FINAL DRAFT RATE MODEL** is scheduled for **MARCH 5, 2013** at 5:30 p.m. in the Cowles Council Chambers, City Hall, located at 491 E. Pioneer Avenue, Homer Alaska.

City of Homer Water and Sewer Rate Study Draft Rate Model					
Version 1 - Working Feb - FIRST FINAL for 2nd Public Hearing					
Updated February 5, 2012 by Task Force					
Water Rates					
	Revenue Assumptions (dollars):				Source:
1	Total Water Revenue Requirements (2014)=			1,890,265	Annual Budget
2	Deduct Portion Collected through Service Fee=			310,077	Annual Budget
2	Hydrant Rents (10% of E6) =			189,027	Annual Budget
4	Sprinkler Differential (20 buildings - \$5/mo)=			1,200	Building Customer
6	Surplus Water Sales (Bulk) surcharge only =			92,290	Bulk Sales
8	Adjusted Revenue Requirements =			1,297,672	Calculated
9	Usage Assumptions (gallons):				
10	Metered Sales Projection (gallons) =			125,000,000	Prior Year
**11	6.5% Commodity Reduction due to Conservation =			8,125,000	Number to be tested
12	Adjusted Sales Projection (gallons) =			116,875,000	Calculated
	Informational:				
13	Spit Water Sales =			17,921,000	Prior Year
14	Surplus (Bulk) Water Sales =			23,072,500	Prior Year
15	Number of Meters =			1,472	Prior Year
16	City Hall Finance Department O/H=			775,192	Annual Budget
17	Public Facilities Water Usage (value)=			134,904	Annual Budget
	All Customers	Water Rate	Metered Service Fee		
		0.0111	17.55		Rounded up to \$18
	Bulk Water =	.015/gallon			
** Changes to Rates following Public Hearing					

	City of Homer Water and Sewer Rate Study Draft Rate Model						
Updated February 5, 2013 by Task Force							
Sewer Rates			Version 12 - Working Febuary	FIRST FINAL - Second Public Hearing			
	Revenue Assumptions (dollars):				Source:		
1	2014 Total Revenue Requirement=			1,680,279	Annual Budget		
**2	Sewer Differential (.86*84% of Lift Stations) =			156,447	All Lift Station Users		
**3	High BOD Generator Sewage Differential (\$10/mo) =			5,760	New Fee		
4	Customer Fee from KC/Tennants (\$5/mo) =			53,160	Reduced Fee		
7	Kachemak City Fees (less pumping) =			81,270	Prior Year		
8			Dumping Station Fees	10,500	Prior Year		
9	Summer Metered Gallons (Septic Reduction) =			(400.00)	From Accounting		
10	Adjusted Revenue Requirements=			1,373,542			
	Usage Assumptions (gallons):						
11	Discharge Sales Projection (gross metered) =			125,000,000	Water Sales		
**12	6.5% Commodity Reduction due to Conservation =			(8,125,000)			
13	Metered Spit w/o entering Treatment Line=			(9,150,000)			
14	Adjusted Discharge Sales Projection =			107,725,000			
	Informational:						
15	Spit Sewer Discharge (gallons)=			7,225,000	Prior Year		
16	Lift Station Costs=			181,915	Annual Budget		
17	Single Connection Multi-Tenant Units=			886	Prior Year		
18	Public Facilities Contribution =			46,918	Annual Budget		
**19	High BOD Generator Sewage (gallons) =			48	From Page 2		
20	Dumping Station Fees =			10,500	Annual Budget		
	All Customers - Sewer Base Rate /gal						
21	0.013						
**	Lift Station Zones - Sewer Rate /gal						
22	0.023						
	Differential for High BOD Rate						
23		0.0013					

	** Changes to Rates following Public Hearing							
		High BOD Users						
		Restaurants	24					
		Hotels w/ Rest & Hosp	4					
		Clubs, Seniors, Schools	12					
		Laundromats	3					
		Car Wash	2					
		Service Stations	3					
		Total High BOD	48					

Type of User	\$18/mo Service Fee	1.11¢ gal Water Fee	1.5¢ gal Bulk Water	1.3¢ gal Sewer Fee	2.3¢ gal Sewer Fee	\$5/mo Customer Fee	\$10/month BOD Fee	\$5/mo Fire Demand
BASE FEES:								
Bulk Water Purchaser			✓					
Residential/ Commercial *	✓	✓		✓				
Residential/Commercial - Lift Zones	✓	✓			✓			
Residential/Com - Kachemak City						✓		
ADDITIONAL FEES:								
Commercial/Institutional Kitchens							✓	
Multi-unit Customer Fee**						✓		
Car Washes							✓	
Hotels/Motels							✓	
Processing Facilities							✓	
Campground/RV Parks							✓	
Laundromat							✓	
Service Stations							✓	
Buildings w/ Sprinkler Systems								✓
* Includes:								
B & B's								
Businesses								
Churches w/o DEC Kitchens								
Cocktail Lounges								
Groceries w/o DEC Kitchens								
Private Club w/o DEC Kitchens								
Public Authority w/o DEC Kitchens								
** Includes:								
Apartment/Housing Complexes								
Malls & Other Multi-unit Commercial								

Trailer Parks on Shared Meter(s)								
----------------------------------	--	--	--	--	--	--	--	--

WATER & SEWER RATE TASK FORCE

Second Public
Hearing

March 5, 2013

Water and Sewer Rate Task Force Purpose:

**TO EXAMINE THE
EXISTING RATES AND
RATE STRUCTURE
TO PREPARE A
RECOMMENDATION TO
COUNCIL ON A RATE AND
RATE STRUCTURE FOR
2013.**



The Assignment

- Established by Resolution 12-027(A), Tasked with reviewing the existing rates and rate structure
 - Provide proposed rates for 2013
 - Provide written report to City Council no later than June 25, 2013



How Did the Task Force Prepare

- ❖ Reviewed a variety of data
 - ❖ The last rate study - 1997
 - ❖ Reviewed the Current Rate Structure as Established by Resolution 11-094(S)
 - ❖ Compared Rate Structures from Other Cities
- ❖ Determined what knowledge was required in order to make an informed recommendation
 - ❖ Consulted Manuals, Documents and information supplied by Staff
- ❖ Considered previous changes and determine the reasons supporting those changes



Why is our system so expensive

- The number one question on everyone's mind
 - Contributing factors :
 - Regulatory Compliance & Staffing
 - Expenses besides usage
 - Lack of System Density
 - Unconnected properties
 - Cost of treating water and waste
 - Flushing water
 - Water lost on docks
 - Seasonal users
 - Fire Hydrants



Rates Comparison



Considered Rate Design Options

OBJECTIVES	INCREASING RATE MODEL	UNIFORM RATE MODEL	SEASONAL RATE MODEL	FLAT RATE MODEL
FAIRNESS				
CONSERVATION				
EQUITY				
COST OF SERVICE BASED				
UNDERSTANDABLE				
FEASIBLE				
DEFENDABLE				
REVENUE STABILITY				
COST RECOVERY				
LEGAL				

Low	Satisfactory	High
-----	--------------	------



City of Homer Water and Sewer Rate Study Draft Rate Model
Version 1 Equal Commodity Charge plus Small Service Fee

Assumptions:

1	Hydrant Rents =	
2	Commodity Reduction due to	
3	Historic Metered Sales	136,000,000
4	Adjusted Sales Projection	
5	Total Revenue Requirements	1,624,471
6	Total Revenue Requirements	1,473,602
7	Total Services (meters) =	1,500
8	Total Customers (billings) =	
9	Total Revenue Requirements	324,000
10	Spit Differential =	
11	Sprinkler Differential =	
12	Commercial Differential =	
	Monthly Demand Fee =	

Sloan = Line 5/Line 3 = Commodity Rate (\$/gal)

Sloan = Line 8/Line 6/12 = Monthly Service Fee

Sloan= Line 6/Line 3

All Customers	Water Rate	Service Fee	Sewer Rate
	0.01194	18	0.0108



Equal Commodity Charge Low Service Fee

Total Water and Sewer

Monthly Bill

1 to 150	25.36
151 to 300	41.53
301 to 450	55.27
451 to 600	66.45
601 to 750	77.07
751 to 900	89.37
901 to 1050	102.49
1051 to 1200	123.40
1201 to 1350	169.46
Top 10%	985.46

Points in Favor:

- A) Simple
- B) Removes multi-tenant charges
- C) Encourages conservation

Points Against:

- Case 1 No Hydrant Rents
- Case 2 Reduced Sales through conservation
- Case 3 Cost-causers subsidized by others (Spit water)
- Case 4 Cost-causers subsidized by others (Sprinkler water)
- Case 5 Cost-causers subsidized by others (Spit sewer)
- Case 6 Cost-causers subsidized by others (Heavy Commercial sewer)



City of Homer Water and Sewer Rate Study Draft Rate Model
Version 1.1 Case 1 using Equal Commodity Rate Approach
with Hydrant Rents Paid by General Fund)

Assumptions:

1	Hydrant Rents =	178,647
	Commodity Reduction due to	
2	Conservation =	
	Historic Metered Sales	
3	Projection (gallons) =	136,000,000
	Adjusted Sales Projection	
4	(gallons) =	
	Total Revenue Requirements for	
5	Commodity =	1,445,824
	Total Revenue Requirements for	
6	Disposal =	1,473,602
7	Total Services (meters) =	1,500
8	Total Customers (billings) =	
	Total Revenue Requirements for	
9	Service =	324,000
10	Spit Differential =	
11	Sprinkler Differential =	
12	Commercial Differential =	
	Monthly Demand Fee =	

Sloan = Line 5/Line 3 = Commodity Rate (\$/gal)

Sloan = Line 8/Line 6/12 = Monthly Service Fee

Sloan= Line 6/Line 3

All	Water	Service	Sewer
Customers	Rate	Fee	Rate
	0.01063	18	0.0108



Equal Commodity Charge, Low Service Fee, Hydrant Rents Covered by General Fund

Total Water and Sewer	Monthly Bill
1 to 150	24.93
151 to 300	40.17
301 to 450	53.12
451 to 600	63.66
601 to 750	73.66
751 to 900	85.25
901 to 1050	97.62
1051 to 1200	117.32
1201 to 1350	160.73
Top 10%	929.68

Points in Favor:

- A) Simple
- B) Removes multi-tenant charges
- C) Encourages conservation

Points Against:

- Case 2 Reduced Sales through conservation
- Case 3 Cost-causers subsidized by others (Spit water)
- Case 4 Cost-causers subsidized by others (Sprinkler water)
- Case 5 Cost-causers subsidized by others (Spit sewer)
- Case 6 Cost-causers subsidized by others (Heavy Commercial sewer)



City of Homer Water and Sewer Rate Study Draft Model
Version 1.1 (Case 1 using Equal Commodity Rate with Hydrant Rents
Paid by the General Fund, Conservation Adjustment

Assumptions:

1	Hydrant Rents =	178,647
2	Commodity Reduction due to Conservation =	13%
3	Historic Metered Sales Projection (gallons) =	136,000,000
4	Adjusted Sales Projection (gallons) =	
5	Total Revenue Requirements for Commodity =	1,633,781
6	Total Revenue Requirements for Disposal =	1,665,170
7	Total Services (meters) =	1,500
8	Total Customers (billings) =	
9	Total Revenue Requirements for Service =	324,000
10	Spit Differential =	24,480
11	Sprinkler Differential =	
12	Commercial Differential =	
13	Monthly Demand Fee =	

Sloan = Line 5/Line 3 = Commodity Rate (\$/gal)

Sloan = Line 8/Line 6/12 = Monthly Service Fee

Sloan= Line 6/Line 3

All			Sewer
Customers	Water Rate	Service Fee	Rate
	0.01201	18	0.0122

Water Total Revenue:

Commodity	1,633,781	
Service		324,000
Total:		1,957,781



Equal Rate Low Service Fee Conservation Consideration

Total Water and Sewer	Monthly Bill
1 to 150	25.84
151 to 300	43.06
301 to 450	57.68
451 to 600	69.59
601 to 750	80.90
751 to 900	84.12
901 to 1050	96.27
1051 to 1200	115.65
1201 to 1350	158.32
Top 10%	914.27

Points in
Favor:

- A) Simple
 - Removes multi-tenant
- B) charges
- C) Encourages conservation

Points
Against:

Cost-causers subsidized by others
Case 3 (Spit water)

Cost-causers subsidized by others
Case 4 (Sprinkler water)

Cost-causers subsidized by others
Case 5 (Spit sewer)

Cost-causers subsidized by others (Heavy
Case 6 Commercial sewer)



Flat Rate Model

City of Homer Water and Sewer Rate Study Draft Rate Model
Version 1.1 (Case 1 using Equal Commodity Rate with Hydrant Rents
Paid by General Fund)

Assumptions:

1 Hydrant Rents =	178,647
2 Commodity Reduction due to Conservation =	
3 Historic Metered Sales Projection (gallons) =	
4 Adjusted Sales Projection (gallons) =	
5 Total Revenue Requirements for Commodity =	1,607,824
6 Total Revenue Requirements for Disposal =	1,635,602
7 Total Services (meters) =	1,500
8 Total Customers (billings) =	
9 Total Revenue Requirements for Service =	
10 Spit Differential =	
11 Sprinkler Differential =	
12 Commercial Differential =	
13 Monthly Demand Fee =	

Flat Rate = (Sum Line 5 + Line 6)/Line 7/12 months

All Customers One Bill for Water and Sewer
180.19



Flat Rate Model

Points in Favor:

A) Simple

Points Against:

Cost-causers subsidized by others

Discourages conservation

Multi-fold increase to residential users



Proposed Water Rates



Commodity Rate Model Water Rates

	City of Homer Water and Sewer Rate Study Draft Rate Model				
	Version 1 - Working Feb - FIRST FINAL for 2nd Public Hearing				
Updated February 5, 2012 by Task Force					
Water Rates					
	Revenue Assumptions (dollars):				Source:
1	Total Water Revenue Requirements (2014)=		1,890,265	Annual Budget	
2	Deduct Portion Collected through Service Fee=		310,077	Annual Budget	
2	Hydrant Rents (10% of E6) =		189,027	Annual Budget	
4	Sprinkler Differential (20 buildings - \$5/mo)=		1,200	Building Customer	
6	Surplus Water Sales (Bulk) surcharge only =		92,290	Bulk Sales	
8	Adjusted Revenue Requirements =		1,297,672	Calculated	
9	Usage Assumptions (gallons):				
10	Metered Sales Projection (gallons) =		125,000,000	Prior Year	
**11	6.5% Commodity Reduction due to Conservation =		8,125,000	Number to be tested	
12	Adjusted Sales Projection (gallons) =		116,875,000	Calculated	
	Informational:				
13	Spit Water Sales =		17,921,000	Prior Year	
14	Surplus (Bulk) Water Sales =		23,072,500	Prior Year	
15	Number of Meters =		1,472	Prior Year	
16	City Hall Finance Department O/H=		775,192	Annual Budget	
17	Public Facilities Water Usage (value)=		134,904	Annual Budget	
	All Customers	Water Rate	Metered Service Fee		
		0.0111	17.55		Rounded up to \$18
	Bulk Water = .015/gallon				
** Changes to Rates following Public Hearing					





Proposed Sewer Rates

Commodity Rate Model Sewer Rates

City of Homer Water and Sewer Rate Study Draft Rate Model				
Updated February 5, 2013 by Task Force				
Sewer Rates		Version 12 - Working Febuary	FIRST FINAL - Second Public Hear	
	Revenue Assumptions (dollars):		Source:	
1	2014 Total Revenue Requirement=	1,680,279	Annual Budget	
**2	Sewer Differential (.86*84% of Lift Stations) =	156,447	All Lift Station Users	
**3	High BOD Generator Sewage Differential (\$10/mo) =	5,760	New Fee	
4	Customer Fee from KC/Tennants (\$5/mo) =	53,160	Reduced Fee	
7	Kachemak City Fees (less pumping) =	81,270	Prior Year	
8	Dumping Station Fees	10,500	Prior Year	
9	Summer Metered Gallons (Septic Reduction) =	(400.00)	From Accounting	
10	Adjusted Revenue Requirements=	1,373,542		
	Usage Assumptions (gallons):			
11	Discharge Sales Projection (gross metered) =	125,000,000	Water Sales	
**12	6.5% Commodity Reduction due to Conservation =	(8,125,000)		
13	Metered Spit w/o entering Treatment Line=	(9,150,000)		
14	Adjusted Discharge Sales Projection =	107,725,000		
	Informational:			
15	Spit Sewer Discharge (gallons)=	7,225,000	Prior Year	
16	Lift Station Costs=	181,915	Annual Budget	
17	Single Connection Multi-Tenant Units=	886	Prior Year	
18	Public Facilities Contribution =	46,918	Annual Budget	
**19	High BOD Generator Sewage (gallons) =	48	From Page 2	
20	Dumping Station Fees =	10,500	Annual Budget	

Commodity Rate Model

Sewer Rates

	All Customers - Sewer Base Rate /gal							
21		0.013						
**	Lift Station Zones - Sewer Rate /gal							
22		0.023						
	Differential for High BOD Rate							
23		0.0013						
	** Changes to Rates following Public Hearing							
		High BOD Users						
		Restaurants	24					
		Hotels w/ Rest & Hosp	4					
		Clubs, Seniors, Schools	12					
		Laundromats	3					
		Car Wash	2					
		Service Stations	3					
		Total High BOD	48					

Customer Matrix Developed

Type of User	\$18/mo Service Fee	1.11¢ gal Water Fee	1.5¢ gal Bulk Water	1.3¢ gal Sewer Fee	2.3¢ gal Sewer Fee	\$5/mo Customer Fee	\$10/month BOD Fee	\$5/mo Fire Demand
BASE FEES:								
Bulk Water Purchaser			✓					
Residential/ Commercial *	✓	✓		✓				
Residential/Commercial - Lift Zones	✓	✓			✓			
Residential/Com - Kachemak City						✓		
ADDITIONAL FEES:								
Commercial/Institutional Kitchens							✓	
Multi-unit Customer Fee**						✓		
Car Washes							✓	
Hotels/Motels							✓	
Processing Facilities							✓	
Campground/RV Parks							✓	
Laundromat							✓	
Service Stations							✓	
Buildings w/ Sprinkler Systems								✓
* Includes:								
B & B's								
Businesses								
Churches w/o DEC Kitchens								
Cocktail Lounges								
Groceries w/o DEC Kitchens								
Private Club w/o DEC Kitchens								
Public Authority w/o DEC Kitchens								
** Includes:								
Apartment/Housing Complexes								
Malls & Other Multi-unit Commercial								
Trailer Parks on Shared Meter(s)								

The first line on your bill is the Customer Service Charge for Water:

It is a flat fee for both water and sewer \$ 18.00

The second line on your bill is for water per 100 gallons

Multiply your consumption by 1.19

Example: $35 \times 1.19 = \$ 41.65$

The third line on your bill is the Customer Service Charge for Sewer

There is just one service fee \$ -

The fourth line on your bill is the septage per 100 gallons

Multiply your consumption by 1.5

Example: $35 \times 1.50 = \$ 52.50$

Total for this example using 3500 gallons: \$112.15

So for *most* customers you simply multiply your metered water by \$2.69

and add the \$18 service fee

Example: $35 \times 2.69 = \$ 94.15$ then add $18.00 = \$ 112.15$

Multiply that number by 7.5% for the tax \$112.15 x 0.075 = \$ 8.41

Add them together = \$ 120.56

HOW MANY GALLONS DO YOU USE EACH MONTH?

For *most* residential and commercial users:

Gallons Used: Your Total Bill:*

1000	48.27
2000	77.19
3000	106.10
4000	135.02
5000	163.94
6000	192.86
7000	221.77
8000	250.69
10000	308.53
12000	366.36
15000	453.11
20000	597.70
30000	886.88
40000	1176.05
60000	1754.40
100000	2911.10

If you have multiple units:**

Your Total Bill:*

2 unit	3 unit	4 unit	6 unit	8 unit
53.64	59.02	69.77	80.52	91.27
82.56	87.94	98.69	109.44	120.19
111.48	116.85	127.60	138.35	149.10
140.40	145.77	156.52	167.27	178.02
169.31	174.69	185.44	196.19	206.94
198.23	203.61	214.36	225.11	235.86
227.15	232.52	243.27	254.02	264.77
256.07	261.44	272.19	282.94	293.69
313.90	319.28	330.03	340.78	351.53
371.74	377.11	387.86	398.61	409.36
458.49	463.86	474.61	485.36	496.11
603.08	608.45	619.20	629.95	640.70
892.25	897.63	908.38	919.13	929.88

* City sales tax included

** Applies to both residential and commercial

Reference Resources

- Rate Setting for Small Water Systems, Texas Cooperative Extension Service, Texas A & M University System
- Excerpt from Basic Guide to Water Rates, www.lwua.gov.ph/water_rates_08/rates_two.html
- Chart Table 2-1 Annual Funds Required
- Anchorage Water & Sewer Rates 2012 www.awwu.biz/website/Customar_Service/water_tariff13-2.htm
- Intergovernmental Agreement for Kachemak /Homer Wastewater System Between Kachemak City and City of Homer , dated August 10, 1988
- KPMG Peat Marwick, Water and Wastewater Utilities Rate Study, February 11, 1991
- Montgomery Watson, Utility Rate Study, August 11, 1997
- City of Homer 2000 Rate Model Matrix – Water & Sewer
- 2008 Rates Analysis Water & Sewer Enterprise Fund

Reference Resources

- City of Kenai Water & Sewer Rate Study
Prepared by Kurt Playstead, CH2M HILL,
February 7, 2011
- M54: Developing Rates for Small Systems,
American Water Works Association, Copyright
2004
- City of Soldotna Water & Sewer Rate Study
Prepared by HDR
Engineering Completed in Late 2011/Early 2012

Reference Resources

- Resolution 12-027(A), Establishing a Water & Sewer Rate Task Force
- Resolution 11-094(S), Maintaining the City of Homer Fee Schedule at the Current Rates and Amending Customer Classifications in the Water & Sewer Rate Schedules
- Ordinance 11-43, Amending HCC 14.08.037, Water Meters Regarding Number of Meters Per Lot
- Resolution 11-062(A) Maintaining the City of Homer Fee Schedule Under Water and Sewer Fees.

Reference Resources

- Resolution 04-94(S)(A), Amending Homer Fee Schedule Regarding Water Rates
- Resolution 04-95, Amending Homer Fee Schedule Regarding Sewer Rates
- Excerpt from City Council Minutes regarding Resolution 04-94(S) & Resolution 04-95
- Resolution 05-121(A), Amending the City of Homer Fee Schedule Regarding Water Rates
- Resolution 05-122, Amending the City of Homer Fee Schedule Regarding Sewer Rates

Reference Resources

Information Provided by Finance Department

- City of Homer Year End 2011 Utility Special Revenue Fund
- 2011 Balance Sheet
- Classifications & Average Monthly Usage for 2011
- Actual Random Sample Invoices depicting various gallonage used for comparison
- Depreciation Reserves Requirements
- 2012 Operating Budget Water & Sewer
- Staff time to produce Invoice
- How Budget Numbers are calculated
- Year to Date figures Water & Sewer June 2012
- Year to Date figures Water & Sewer August 2012
- City of Homer 2012 Operating Budget
 - Fund 200 – Water & Sewer Special Revenue Fund
 - Fund 400 - Water Fund Administration
 - Fund 400 Water & Fund 500 Sewer Fund Revenues

Reference Resources

Provided by the Finance Department
continued-

- Fund 200 – 401 Water Treatment Plant
 - 402 Water Treatment Plant Testing
 - 403 water Pump Stations
 - 404 Water Distribution Systems
 - 405 Water Reservoir
 - 406 Water Meters
 - 407 Water Hydrants

Reference Resources

Information Provided by Public Works

- How Fire Protection Affects the Water System – Public Works
- Spit Water Overhead & Maintenance Costs
- Flushing Fire Hydrants & Water Mains
- 2011 Average Water Usage By Classification
- Water Treatment Plant Flows in Millions of Gallons
- Maps Indicating Lift Station Locations and Areas Served
- Number of Gallons of Water delivered to the spit Annually
- Approximate Amounts returned to Water Treatment Plant
- Meter Sizes & Number of Each Size
- Gallonage in the Harbor

Your Turn! We Want to Hear From You

- What are your thoughts?
 - Is it fair?
 - Is it reasonable?
 - What would you change?

TO: MAYOR WYTHE & HOMER CITY COUNCIL

FROM: WATER & SEWER RATE TASK FORCE

DATE: MARCH , 2013

RE: PROPOSED WATER & SEWER RATES AND ADDITIONAL RECOMMENDATIONS

BACKGROUND

Attached is the Water & Sewer Rate Task Force's ("the Task Force") recommendations regarding the rate-setting model for the City of Homer Water & Sewer services. The Task Force was established in accordance with the provisions of Resolution 12-027(A), consisting of five City of Homer residents (Ken Castner, Bob Howard, Sharon Minsch, Lloyd Moore and Terry Yager) and two City Council members (Barbara Howard and Beth Wythe), appointed by Mayor James Hornaday through Memorandum 12-056. Subsequent to the original appointments, community member Terry Yager submitted his resignation from the Task Force and the seat remained unfilled for the duration of the review process. Also, following the October elections, Beth Wythe was authorized to continue on the Task Force through Resolution 12-094 following her election as Mayor. Barbara Howard resigned from the Task Force in November and was replaced by Council Member Beau Burgess through Memorandum 12-161(A). Copies of all Resolutions and Memoranda are included in the appendix of this report as supporting documentation.

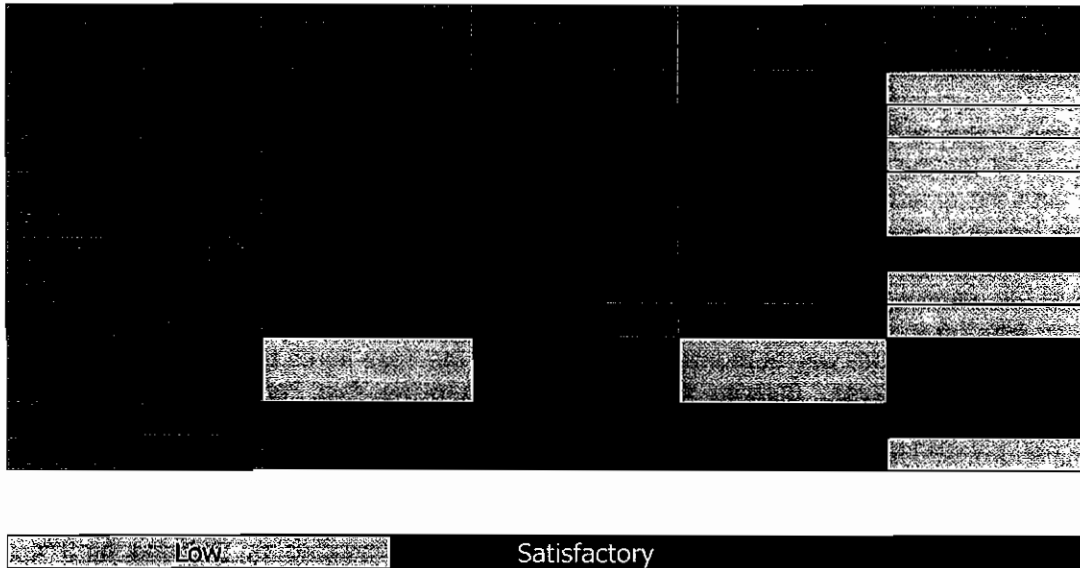
Following the establishment of the Task Force the initial meeting was held May 9, 2012. At this meeting the Task Force established the framework for a meeting schedule for meeting the first and third Tuesday of each month with the first Tuesday being a work session and the third Tuesday being a regular meeting. All work sessions and meetings were scheduled in the conference room. The schedule was adjusted from time-to-time to accommodate holidays and scheduling conflicts for members of the Task Force.

The initial meetings of the Task Force were primarily focused on determining the types and sources of information that would be required to allow the Task Force to more fully understand rate making concepts and the nature of the City of Homer's current rate design. This process included:

- Reviewing the 1991 Water and Wastewater Utilities Rate Study conducted by KPMG Peat Marwick.
- Reviewing the 1997 Utility Rate Study prepared by Montgomery Watson. Task Force Members Castner and Moore were participants in that rate study as well and were able to provide valuable insight into the resulting rate model which was successfully used by the City until recent history.
- Reviewing budget documents from several prior years, as well as more current information included in the proposed 2013 budget.
- Reviewing the areas served by the Water & Sewer Enterprise and discussions related to potential users that have a disproportionate impact on the existing infrastructure. These include the requirements of the system specific to providing fire hydrant services, commercial building sprinkler services, and the expense of delivering water and returning sewage to the Spit.
- The requirements for certified staff and the staffing plan for the water and sewer treatment plants were reviewed, as was the allocation of other staff services to the Water & Sewer Enterprise.
- The loss of large volumes of treated water as a result of dead-ended lines.
- Rates from other nearby communities were reviewed and the reasons for the difference in operating costs as well as coming impacts for new regulations on these systems as compared to the Homer system were discussed.
- User data was reviewed to develop a sense of the "average" user, and again to develop a better understanding of the disproportionate users.

- Staff provided an overview of both the water system from treatment to return, and the sewer treatment from return to treatment.
- Fire protection expenses.

Following the collection and review of this volume of information the Task Force considered a variety of ratemaking formulas with consideration for fairness and consumer satisfaction.



Upon considering the various rate design options, the Task Force determined that focusing its energy on designing a commodity based rate structure that took into consideration expenses that were not directly related to the delivery of service to consumers, such as system size due to fire hydrants, bringing water to the Spit, **(improve list)**_____, and also considered extraordinary expenses on the sewer side (BOD?)_____.

The recommendations of this report are based on these presumptions and result in the Water & Sewer Enterprise collecting the needed funds, but distributing the expense for the system more equitably based on a cost-causer, cost-payer foundation.

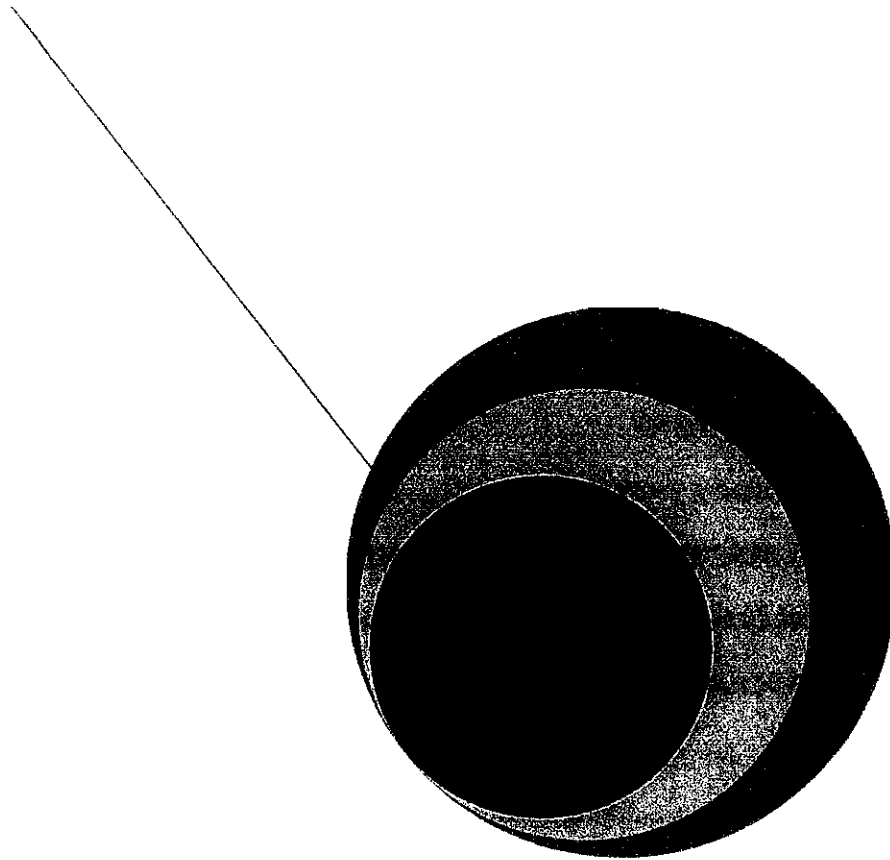
Respectfully submitted,

HOMER WATER & SEWER TASK FORCE

Chair: Mayor Wythe

Vice Chair: Beauregard Burgess

Current Members: Ken Castner, Robert Howard, Sharon Minch, and Lloyd Moore



Water & Sewer Rate Task Force Rate Review Recommendation Report – Draft

Fair and equitable distribution of system expenses based on cost-causer.

This document contains a review of findings of the 2012 Water & Sewer Task Force and a recommendation for a commodity based rate structure.

Contributing Task Force Members:

Beauregard Burgess, Ken Castner, Barbara Howard, Robert Howard, Sharon Minsch, Lloyd Moore, Terry Yager, Beth Wythe

(DATE SUBMITTED TO COUNCIL) MARCH , 2013

TABLE OF CONTENTS

INTRODUCTION:5

CURRENT RATE STRUCTURE:5

FAIR AND EQUITABLE RATES:.....5

SYSTEM REQUIREMENTS:6

DISPROPORTIONATE IMPACTS:6

OPTIONS FOR DISTRIBUTING COSTS TO CAUSERS:6

CRITERIA FOR EVALUATING THE SOLUTIONS:6

OTHER CONSIDERATIONS:6

CONCLUSIONS:6

WORKS CITEDError! Bookmark not defined.

INTRODUCTION:

(This section will provide an explanation of what lead to the development of the Task Force. What our commission was and briefly what the recommendation is.)

The City Council approved the creation of a Task Force after numerous Public Comments and complaints on the increase in the fees related to the Water & Sewer Rates.

The Water & Sewer Rate Task Force resolved to try and reach decisions that were not colored by sentiment or popularity. The City Council will be the final decider of any rate changes, and political decisions should be left to elected officials.

CURRENT RATE STRUCTURE:

This section will review what the billing system is currently and the resulting rates using three categories (residential, small volume commercial, and large volume commercial), etc.

The Task Force believes that a gallon of water or a gallon of waste should be of an equal base cost to all users, and when a class or location of users is found to be more costly, a surcharge is added.

Public Works states that the City's water system is designed to primarily handle the fire protection needs of the City. The current City contribution to the annual water budget does not meet the attributed costs that should be recovered through "hydrant rents".

The Task Force believes the service charge should reflect the actual cost of customer billing, banking and accounting.

FAIR AND EQUITABLE RATES:

This section will provide discussion on what makes a fair and equitable rate design.

The Task Force established that there were costs associated that were derived from the population in general (fire protection, City owned buildings, public rest rooms, fish cleaning stations and support of other services that use water in their day-to-day activities). Those costs should be borne by the City through its general fund.

General Fund tariffs should be the same as any other user.

There is an inherent fairness in charging all customers hooked into the system(s) the same rate for an indistinct commodity. A gallon of water is the same no matter what its use. A uniform rate provides leads to easy and automatic rate changes as the calculations are simple and transparent.

Fairness also requires that users that demand service beyond the normal, or create additional costs, be charged for those expectations and/or costs. Two examples of the former would be the small surcharge placed on those buildings with un-metered fire protection service lines and multi-unit complexes using a single meter. Two examples of the latter would be the additional cost of treating "hot" (high BOD) sewage and the costs of maintaining and powering the sewer lift stations.

SYSTEM REQUIREMENTS:

This section will provide an overview of why the system is sized the way it is and the resulting financial impact to the consumers.

DISPROPORTIONATE IMPACTS:

This section will review wasted water, the cost of sewage return due to lift stations, and BOD impacts.

OPTIONS FOR DISTRIBUTING COSTS TO CAUSERS:

This section will discuss the proposed reallocation of costs. The user fees proposed, the reallocation of expense to fire hydrants, etc.

CRITERIA FOR EVALUATING THE SOLUTIONS:

This section will discuss how we arrived at the use of a commodities based rate structure.

OTHER CONSIDERATIONS:

This section can include other items that we wanted to educate the community on. (staffing certification requirements, EPA regulation changes, etc.)

In establishing these new rates, the Task Force accepted the costs that had been promulgated by the City Administration and approved by the City Council.

Eighty percent of the combined budgets are costs necessary for the treatment and delivery of water for the City and its customers, together with the cost of collection and treatment of the produced effluent. The remainder is the allocated cost of administrative service.

The decision as to the size and appropriateness of that allocation, and the decision to use City employees to provide those services, rests with the City Council.

CONCLUSIONS:

This will be our recommendations list and supporting statements. Remember we need to include such things as "it is proposed that the rate model, if adopted, be managed without consideration of political influence and public out-cry", etc.

Excerpts from minutes:

5-22-12

"Some items to consider when determining rates and can be included in their recommendation and can be discussed later in their agendas:

- demand fee*
- leakage*
- theft*
- costs allocation*
- inspection of meters*

Establishing a permanent Water & Sewer Board that is advisory to the Council.

Recommendation may include hiring a qualified consultant to review the system to see where savings can be implemented

6/19/12

- the recommendation to council focusing on the requirements of the system not political influences ensued.

References and Resources

Rate Setting for Small Water Systems, Texas Cooperative Extension Service, Texas A & M University System
Excerpt from Basic Guide to Water Rates, www.lwua.gov.ph/water_rates_08/rates_two.html
Chart Table 2-1 Annual Funds Required – Unknown Source
Anchorage Water & Sewer Rates 2012 www.awwu.biz/website/Customer_Service/water_tariff13-2.htm
Intergovernmental Agreement for Kachemak /Homer Wastewater System Between Kachemak City and City of Homer, dated August 10, 1988
KPMG Peat Marwick, Water and Wastewater Utilities Rate Study, February 11, 1991
Montgomery Watson, Utility Rate Study, August 11, 1997
City of Homer 2000 Rate Model Matrix – Water & Sewer
2008 Rates Analysis Water & Sewer Enterprise Fund
City of Kenai Water & Sewer Rate Study Prepared by Kurt Playstead, CH2M HILL, February 7, 2011
M54: Developing Rates for Small Systems, The American Water Works Association, Copyright 2004
City of Soldotna Water & Sewer Rate Study Prepared by HDR Engineering (No date)

APPENDIX

We need to include the resolutions and memorandums and any the documents that support our recommendation.

Resolution 12-027(A), Establishing a Water & Sewer Rate Task Force
Resolution 11-094(S), Maintaining the City of Homer Fee Schedule at the Current Rates and Amending Customer Classifications in the Water & Sewer Rate Schedules
Ordinance 11-43, Amending HCC 14.08.037, Water Meters Regarding Number of Meters Per Lot
Resolution 11-062(A) Maintaining the City of Homer Fee Schedule Under Water and Sewer Fees.
Resolution 04-94(S)(A), Amending Homer Fee Schedule Regarding Water Rates
Resolution 04-95, Amending Homer Fee Schedule Regarding Sewer Rates
Excerpt from City Council Minutes regarding Resolution 04-94(S) & Resolution 04-95
Resolution 05-121(A), Amending the City of Homer Fee Schedule Regarding Water Rates
Resolution 05-122, Amending the City of Homer Fee Schedule Regarding Sewer Rates

Information Provided by Finance Department
City of Homer Year End 2011 Utility Special Revenue Fund
2011 Balance Sheet
Classifications & Average Monthly Usage for 2011
Actual Random Sample Invoices depicting various gallonage used for comparison
Depreciation Reserves Requirements
2012 Operating Budget Water & Sewer
Staff time to produce Invoice
How Budget Numbers are calculated
Year to Date figures Water & Sewer June 2012
Year to Date figures Water & Sewer August 2012
City of Homer 2012 Operating Budget Fund 200 – Water & Sewer Special Revenue Fund
Fund 400 - Water Fund Administration, Fund 400 Water & Fund 500 Sewer Fund Revenues

Information Provided by Public Works
How Fire Protection Affects the Water System – Public Works
Spit Water Overhead & Maintenance Costs
Flushing Fire Hydrants & Water Mains
2011 Average Water Usage By Classification
Water Treatment Plant Flows in Millions of Gallons
Maps Indicating Lift Station Locations and Areas Served
Number of Gallons of Water delivered to the spit Annually
Approximate Amounts returned to Water Treatment Plant
Meter Sizes & Number of Each Size
Gallonage in the Harbor

Office of the City Clerk

Jo Johnson, CMC, City Clerk

Melissa Jacobsen, CMC, Deputy City Clerk II
Renee Krause, CMC, Deputy City Clerk I



491 E. Pioneer Avenue
Homer, Alaska 99603-7624
(907) 235-3130

(907) 235-8121
Extension: 2227
Extension: 2224

Fax: (907) 235-3143
Email: clerk@ci.homer.ak.us

MEMORANDUM

TO: WATER AND SEWER RATE TASK FORCE

FROM: RENEE KRAUSE, CMC, DEPUTY CITY CLERK

SUBJECT: DRAFT RATE MODELS

DATE: FEBRUARY 12, 2013

Background

This item was not address at the last meeting.

The City Manager and Finance Director has requested the right to review the proposed rates for Water & Sewer before submittal to City Council to verify that they are in compliance with the Homer City Code, compatible with the Billing Software that the City uses and does not go against any Federal or State Regulations. This will allow them to formulate their Recommendation to City Council also.

RECOMMENDATION

Please notify Staff when to submit Proposed Rate Model to City Manager and Finance Director for review.

