

Session 13-04 A Worksession of the Water and Sewer Rate Task Force was called to order at 5:20 pm on February 19, 2013 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: BETH WYTHE, BEAU BURGESS

ABSENT: SHARON MINSCH, LLOYD MOORE, KEN CASTNER, BOB HOWARD (EXCUSED)

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I

APPROVAL OF THE AGENDA

Chair Wythe called for approval of the agenda as presented.

BURGESS/WYTHE – MOVED TO APPROVE THE AGENDA

The agenda was approved by consensus of the Task Force.

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

Chair Wythe explained that due to prior commitments this meeting was changed to a worksession there will be public comment period on items on the agenda only.

Mr. Faulkner, city resident, Owner of Land's End Resort, opened his comments requesting the Task Force to extending the Public Comment period. As a business they have had a difficult time keeping up with the changes. He also believes that inaccurate information has been provided to the Public; he specifically noted the article that was in the Homer News, February 14, 2013; he doesn't believes that people have any idea of what is being proposed by the Task Force.

Mr. Faulkner stated that his bills for water & sewer using the proposed rates as calculated by the Finance Director and his staff received at 3:00 p.m. today, would double, a 100% increase. He asked how the Task Force could look at these numbers with a straight face and say they are open for business because they are closing his business. He is one of the largest if not the largest purely private sector employer; He stated that the proposed rates were more than onerous, they were beyond pale and the impact needs to be more fully understood by this Task Force.

Mr. Slone, city resident, the cost of the water & sewer operation in this town is extremely high and he doesn't need to go over it again with those present. That information has been available to the public; his cost will probably be 5 times higher than any other place. He is not sure there is any way around it; it has been reviewed and gone over multiple times. It may be a deal breaker for some businesses, he doesn't want to pay more but there are few choices; either pay it or socialize it through the system. The Task Force is trying to keep politics out of it; he hopes that they continue in the vein they have been progressing. He doesn't believe more public meetings are necessary. The information is available online but if the Task Force decides he has no problem with more public meetings, but did not feel it was necessary.

Mr. Mike Dye, appreciated the prior comments regarding more time but the point he made regarding the impact of the new fees on him was incorrect with the new proposal. He would love to talk to the Task Force regarding the use of trained people in rate systems or experts to come up with a fairer rate system. He is just arguing now not to change it any further. Proposing to add fees will only exasperate the problems. Their total water & sewer bill in increasing 100%.

Chair Wythe responded to Mr. Dye's question regarding the timeline to present to Council being next month to allow Council ample review time. This Task Force is only making a recommendation to council. She informed him that he could ask questions and she would answer them after the discussion. Mr Dye asked the following questions:

- Why wasn't the city staff that is trained in rate making working on this?

- Why if you are not using the City Staff that has been trained in rate making that you have not considered hiring an expert in the field?

Mr. Dye stated that he was disappointed in seeing the burden that the proposed rates would be placing on their business and he was hoping they were not aware of that burden.

There were no further comments.

RECONSIDERATION

There were no items for reconsideration.

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

Since this was a worksession there are no minutes for approval.

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 at this meeting.

PENDING BUSINESS

Chair Wythe proceeded to explain how the meeting would proceed from this point regarding the next items on the agenda.

A. Discussion and Recommendations on FINAL Draft Rate Model, Customer Matrix and Presentation to City Council

Chair Wythe and Mr. Burgess discussed editing the document. Chair Wythe stated that she put the document together with generalized comments or notations in the various sections to enable the entire Task Force to work on it together.

Chair Wythe requested Mr. Burgess to review Mrs. Howard's notes regarding the Overhead costs related to the number of employees required and the expense related and the reasons why it is needed. This information is needed prior to the next Public Hearing.

Mr. Burgess noted that the format was fine but when it is presented to Council that a populating document should be designed to be straight forward. The central message is switching from a more privilege or connection system to a commodity system which affects the high end users. This is what the Council will need to address and focus on. Chair Wythe commented on the information submitted by Mr. Faulkner from Ms. Mauras; to be able to identify how she ran what is being proposed through the existing rate model.

Mr. Burgess speaking against what has been pointed out tonight, would be interested in knowing what the current rate model is compared to the proposed rate model; the fact that the water & sewer costs in the other cities when half of these have sub-standard water/sewer systems and as he understands it they are getting ready to pass on those costs to their users or taxpayers. Homer's system is unique to its geography and new rates are not what is needed but infilling – more users connecting to the system is what is needed.

Ms. Krause departed to get information from Mrs. Mauras on what was provided.

During Ms. Krause's absence Chair Wythe explained that the Task Force was not permitted to see individual accounts. Chair Wythe confirmed the author of the news article that Mr. Faulkner provided was Michael Armstrong.

Mr. Burgess requested that under "Other Considerations" they specifically bring Council's attention to address the larger issue of infill is a huge part of addressing the overall cost of the system and accurately examining and justifying the administrative costs which was beyond what the Task Force was asked to do.

Chair Wythe stated she is hoping that between former Task Member Howard's notes and hers they will be able to include all previously noted recommendations.

Ms. Krause requested to speak with Mr. Faulkner and Mr. Dye regarding release of the information obtained from Ms. Mauras. Mr. Faulkner signed his consent to release Land's End Resort account information.

Chair Wythe commented on the demand fee, inspections, etc., that had come up during the meetings; noting that she was planning to come over on Tuesday, February 26, 2013 to work with Ms. Krause on finalizing the draft documents for Council. She requested Mr. Burgess to submit his specific recommendations and changes to Ms. Krause so that she could incorporate them into the documents before that date. Mr. Burgess requested the word document to be emailed to him.

Chair Wythe stated that she may have her submit the document to the other members of the Task Force.

There was no further discussion.

B. Memorandum to Task Force dated February 12, 2013 Re: Review of Proposed Rates by City Manager and Finance Director

Chair Wythe stated that she thought this has been had been addressed.

BURGESS/WYTHE – MOVED TO REQUEST STAFF TO SUBMIT THE DRAFT RATE MODEL TO THE CITY MANAGER AND FINANCE DIRECTOR.

There was no further discussion.

The motion was approved by consensus of Task Force.

NEW BUSINESS

There was no new business on this agenda.

INFORMATIONAL MATERIALS

There were no informational items.

COMMENTS OF THE AUDIENCE

Jon Faulkner, this is really important business and he believes that the members of the Task Force should maintain a certain level of attendance. He has attended five of these meetings and he hasn't seen one member at any of these meetings. He believes that it should not be tolerated. With respect to Mr. Slone's point they have presented a graph that shows the relative rate that their business is facing comparable to other cities and

he would ask this task force to produce a similar graph for residences. If a point is going to be made that he as a resident is being negatively impacted or unfairly treated he would like to see that supported by this task force and he would like to see those residential rates compared to other residential rates throughout the state. On that point, Mr. Burgess he believed it was inappropriate to dismiss completely the concept of comparing the rate structure to other communities in the state. He said you pick your five; if you think there are five out there aren't subject to these ethereal situations where this might happen; or they have deferred maintenance that will come back to haunt them; then by all means present it, because he doesn't agree with that; he absolutely thinks that Mr. Burgess as a public official, trying to do the right thing, have to look at benchmarking and what other communities are doing, and if you are pointing to a community whose rates are about to come and haunt the public, then Mr. Burgess you should tell them what community it is, because he heard that then he is concerned about the here and now not about the what ifs scenario down the road because those you are not accountable for; Mr. Faulkner is also concerned about the BOD rates, its out there, there has been no information distributed to the public on what constitutes High BOD.

Mr. Burgess responded that the BOD rate was changed and Mr. Faulkner was basing his comment on a previous model. There is now a fixed fee not per gallon fee.

Mr. Faulkner stated that this proves that the Task Force needs to extend the Public Hearings because clearly there are individuals probably public and private sector that have no idea what the Task Force is doing here. There was no intent to trick anybody.

Mr. Faulkner, in fact he's heard this term a lot, he hopes that he represents the very customer that they are trying to attract, he develops, that's what he does, there are other developers in this town, ask them how favorable these rates are to the kind of activity that they are trying to attract, you say the solution is infill, and we are saying that as developers and private sector people that develop properties that build this town that these rates are the problem the up they drive the rates the less likely you are to have infill.

Mr. Slone, seconded Mr. Faulkner's initial comments on the lack of attendance of some of the members, it is extremely discourteous, as well as the other reasons Mr. Faulkner stated. They volunteered to do the public's business and have a basic obligation to be there and unless there is some radical reason they cannot attend and does not believe that there have been so many situations that have come up that they cannot make the predetermined meeting schedule. He strongly seconds Mr. Faulkner's concern regarding that; also the proposed change effecting the water rates, his rates have been radically higher since the current rates went into effect a year ago, it is 40% higher than what he believes he should be paying. The point he was trying to make with all the rate changes there has been a sector of the populace that has been taken advantage of, this past year he has paid more than his fair share.

Mr. Dye questioned which rates that were incorrect in the print out of the rates currently paid by Land's End and the proposed rates according to the Finance Director. He made a comment that they thought city personnel would be more knowledgeable than they were.

Mr. Burgess responded that the city personnel did not have the most current figures and according to his knowledge they were not going to distribute the information out to the public but use it for their own internal purposes, that said, the BOD rate was agreed at the last meeting to represent a fixed fee not a per gallon charge and the city staff has included both the fixed fee and the per gallon charge on the information they provided to Land's End. He noted that the document that was prepared showed the cumulative rates. Which is incorrect.

Between Mr. Burgess and Chair Wythe they reviewed the proposed rates providing the correct application of the rates as they should be applied to the Land's End account thereby reducing the figure substantially that was represented on the information provided by the Finance Department. They assured Mr. Dye that they were 98% positive of these rates as shown.

Mr. Dye asked about the timeline to present the information to Council; if this Task Force has the ability at this point to reconsider these key points -

1. At whether the Task Force is looking at a budget issue where they are looking to recoup a certain amount of dollars from everyone in the community.
2. The Task Force talked about infill, something that doesn't exist, which is de-fill, it is easier to retain clients then to get new ones.

3. Can you talk about a different model at this point instead of this one what with the impacts of shifting costs from one sector putting all that burden on somebody else.

Joshua Garvey, CFO, Land's End Resort, had a few questions regarding data provided. On the copy of what was provided by the Finance Director using the draft rate model spreadsheets he requested clarification on the what the correct rates should reflect. He questioned the application of the rates as shown on the spreadsheets submitted by city personnel. Chair Wythe explained that these rates are not cumulative, rates apply separately if the criteria is met, such as if you have a lift station on your line the rate would be 0.023 or if you are not in a lift station zone then the rate would be 0.013. Mr. Garvey noted that to make a note to that respect would make that clearer.

Alisha Mahoney, recently purchased a multi-plex in city limits and expressed concerns on how the new rates would affect them compared to the current rates. She stated time it takes her to create the billing for her tenants pass on the extra fees and the amount she has to charge to cover her billing time. She questioned the additional service fees for each unit when only one line comes into the property. She asked how the city can charge for a lift station when these are costs for the property owners. She expressed that it is cost prohibitive to the property owners in her understanding with the higher cost for usage. She asked why the rates were higher for commercial and residential.

Mr. Burgess and Chair Wythe provided clarification on the differences in the cost per usage will increase, the service fee will substantially less, there is no fees or costs for private lift stations. The rates are for the lift stations within the city's water & sewer system. It was further explained that the current rates have those differences but the new rate model is the same for everyone. They did acknowledge that a fee of \$5.00 was being imposed in recognition that a multi residential building has a higher impact on the system by pressure. It is a perception. It was noted on the testimony in creating the rate model that the administrative cost to the system for a multi-family dwelling is greater than single family dwelling. The service fee is per connection with a \$5.00 fee per unit.

Chair Wythe stated that the \$45 dollar fees were the reason that this Task Force was created. She then noted that the next meeting will have the rate model again in full along with the draft report to Council. When this committee is done the deliverable will walk Council through each step, what actions were taken and the results. This will provide the thought processes of the Task Force.

The final date is June 25, 2013, but Council needs time to fully go through the rate making processing and have public hearings also.

This will be purely a recommendation from this Task Force to City Council. Council will take the recommendation and any other additional information and determine a rate.

There was a brief explanation on the reasons for choosing the commodity rate model as follows:

- There are rate models that are inverse which reflects the more volume the lesser the rate.
- They chose a pure commodity rate model to cover a set amount of expenses.
- There are as many rate models as there are people to think about them
- The Task Force that this rate model was the most equitable to everyone

COMMENTS OF THE CITY STAFF

There were no comments.

COMMENTS OF THE CHAIR

Chair Wythe thanked the audience for coming out and spending the evening. She addressed the following comments and questions:

- Staff was initially involved at the beginning, collecting data and assisting the Task Force but the function of the Rate Review was tasked to this group of people by the City Council and there was no provision to provide other than cursory Staff support.

The objective was to look at this independent of any staff influence.

The existing rate model was developed and presented by staff and accepted by Council and the public was not happy. In response Council came forward to create a committee that included members of the public to review the rates and bring back a recommendation on how these can be better applied. That is why there was no consideration for a contracted service.

- The last time the city did contract this out the company did come back with a similar rate model that was not a total commodity based rate, it survived the ying and yang of the Council for a number of years until public outcry on the way the rates were increasing.

- the due date to Council was stated earlier as June 25, 2013 but the Task Force wanted to submit their recommendations to Council with ample time for Council to review the entire process and work through the rate model themselves before having to make a decision on setting the new rate for 2013-2014.

- She spoke on the review of personal billing information, they review random samplings of usage and members of the Task Force brought personal information forward to assist in evaluation

- the Council directed that the Task Force to review and bring back a recommendation on how it can be made more equitable

- the city code dictates on the installation of water and sewer services in new neighborhoods

- there is consideration for the years between the construction of the infrastructure and when residents hook up to the system

- this will be a huge issue financially for the City in the future

- addressing the cost of a high end system

- this brings the quality to required standards and beyond

- in speaking about communities upgrading their systems, Kenai and Soldotna have spoken to her regarding the required upgrades to their systems; they have an advantage over Homer in that their communities are tightly established and do not have to worry about infilling. The costs can be spread over the larger user base and they can do percentage increases over time to lessen the burden on their customers.

- adding more infrastructure adds more costs, adding more customers spreads the cost over the many instead of the few.

- there has never been a time when the rates have been changed that the users being affected felt those rates are unfair and they will look at it that they subsidize the others whose rates were lowered

- the task force decided to wipe the slate clean and identify the costs to the system, such as fire service to a building those are charged a specific fee since exact costs cannot be determined

- there are costs associated with higher BOD in a system without the ability to determine exact costs they agreed to a nominal charge to specific users

COMMENTS OF THE TASK FORCE

Mr. Burgess appreciates the public comment and if people look back at the process that most of their concerns had been addressed by this Task Force, specifically the lowering of the lift stations and BOD, many considerations have been addressed, and would like them to keep that in mind; he appreciates the points on comparison but we have a world class quality system that serves only 1400-1600 users and has high fixed costs; if they do not want the system subsidized by the taxpayer at large, the personal choices of residents should not directly subsidize residents with services of the system; he believes the rest of the community benefits, this is a good system, cost payer-cost causer, larger issue of infill; expanding access to better dividing those costs is the issue and is not what this Task Force was charged with; he recommended getting familiar with the model that is being recommended he further encouraged city staff without the caveat that the rates are based on a previous model and may have been updated. Without this disclaimer he believes that it only causes more issues and problems.

There was a brief discussion on the next meeting date. Due to Ms. Krause having a prior commitment the meeting will start at 6:30 p.m. on March 5, 2013 instead of 5:30 p.m.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 6:45 p.m. The next **REGULAR MEETING AND PUBLIC HEARING IS SCHEDULED FOR MARCH 5, 2013** at 6:30 p.m. at Cowles Council chambers, City Hall 491 E. Pioneer Avenue Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved: _____