

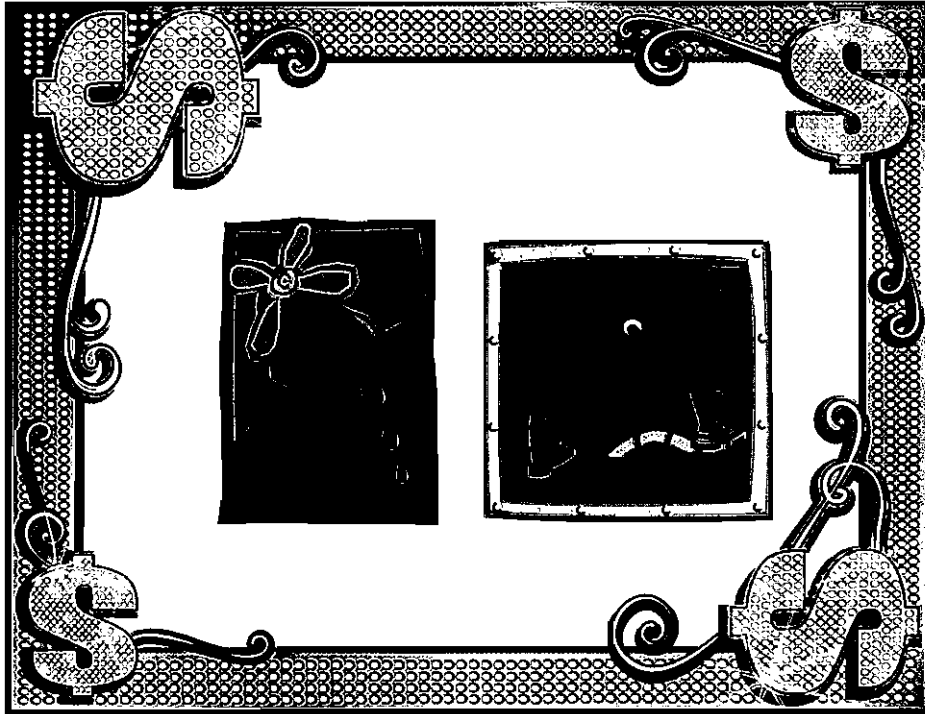
Water & Sewer Rate Task Force

Friday

April 5, 2013

Regular Meeting

2:00 p.m.



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



**NOTICE OF MEETING
REGULAR MEETING**

1. CALL TO ORDER

2. APPROVAL OF THE AGENDA

3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA *(Except for Items on the Agenda under Public Hearing)*

4. RECONSIDERATION

5. APPROVAL OF MINUTES *(Minutes are not approved during worksessions)*

A. Meeting Minutes for March 19, 2013

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6. VISITORS

7. STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

8. PUBLIC HEARING

9. PENDING BUSINESS

A. Memorandum from Renee Krause, CMC, Deputy City Clerk dated March 29, 2013 re:
Definitions

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1. Handout from Ken Castner, March 19, 2013

2. Email from Mr. Castner dated March 20, 2013

3. Resolution 11-094(S) regarding terminology in Water & Sewer Rates from Laurie Moore,
Accounting Supervisor

B. Final Review of the Proposed Water & Sewer Rate Model and Customer Matrix

Page 21

C. Final Reviews and Approval of the Memorandum and Presentation to City Council

Page 27

10. NEW BUSINESS

11. INFORMATIONAL ITEMS

A. Updated Timeline

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B. Updated Meeting Calendar

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12. COMMENTS OF THE AUDIENCE

13. COMMENTS OF THE CITY STAFF

14. COMMENTS OF THE CHAIR

15. COMMENTS OF THE TASK FORCE

16. ADJOURNMENT

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.

Session 13-06 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 6:32 pm on March 19, 2013 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: BETH WYTHER, BEAU BURGESS, SHARON MINSCH, LLOYD MOORE, KEN CASTNER,
AND BOB HOWARD

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
LAURIE MOORE, ACCOUNTING SUPERVISOR

APPROVAL OF THE AGENDA

Chair Wythe called for approval of the agenda as presented.

HOWARD/MINSCH – MOVED TO APPROVE THE AGENDA AS PRESENTED

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)*

Chair Wythe requested comments on the agenda and stated that no comments could be made on the Draft Rate Model which was under Public Hearing.

Mr. Mike Dye, CEO, Land's End Resort read from a prepared statement commenting on the Task Force providing leadership, rate setting that will not be anti-business; citing the absences of Task Force members, resignation of Task members and a lawsuit filed against the City by another Task Force member; their business will have to absorb another \$30,000 a year and cannot do this; he will implore City Council stay with the current system; and not using the fully trained City staff to create a rate model...

At this point Mr. Dye's statement was not being recorded and the clerk was unable to transcribe.

Larry Slone, city resident, commended Ms. Krause on the compilation of information that has been presented and provided to the Task Force; he believed that the rate Model was clear and concise; he believed it was a good product and recommended that the Task Force present it to Council in its present format. He further commented that he would be present to help support the document.

Josh Garvey, CFO, Land's End Resort, commented he very disappointed that the Task Force was preparing to recommend a Rate Model that has not clearly been explained or updated in a timely manner over the course of the public hearings; that is so complex that most business owners have no idea how it will actually affect them; he has been tasked to analyze the impact this proposed rate structure will be on their business; this task has been a monumental task; it is an extremely complex rate model that has not presented clearly to the general public; he has a master in accounting and the City of Homer has paid Regina, the Finance Director to go to school specifically for training in rate modeling for city utilities; even with all their combined training and intensive study of the information neither of them fully understands the proposal. Best case scenario this will increase their water and sewer bill by \$30,000 or it could be a lot more. Either way their business will not be able to withstand this increase; in his mind it is a tragedy that the publicly elected officials would recommend something like this that will destroy business and employment opportunities in this community and not take the time to present the information clearly or research the financial consequences that this will have on the business community.

There were no further comments.

RECONSIDERATION

There were no items for reconsideration.

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

A. Minutes for January 22, 2013

Chair Wythe requested a motion to approve the minutes.

CASTNER/MOORE - MOVED TO APPROVE THE MINUTES FROM THE JANUARY 22, 2013 MEETING.

There was no discussion.

The Minutes 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)*

A. Draft Water & Sewer Rate Model

Chair Wythe opened the Public Hearing. There was no testimony offered by the audience.

Chair Wythe closed the Public Hearing.

PENDING BUSINESS

A. Discussion, Review and Revisions of the FINAL Draft Rate Model and Customer Matrix

Chair Wythe introduced the item into the record. She noted that it was on the screen or in the packet. Mr. Castner distributed a copy of a definition he was proposing to include in the presentation. Chair Wythe then noted the report and asked for any additional comments or recommendations.

Chair Wythe asked Mr. Castner the reason for inclusion of the definition.

CASTNER/MINSCH – MOVED TO INCLUDE THE AS A DEFINITION FOR THE PROPOSED TENANT FEE APPLIED TO THOSE APARTMENTS, RENTAL UNITS OR MULTI-UNIT BUILDINGS WHERE EACH UNIT WOULD HAVE 1 OR MORE BATHROOMS. THIS CHARGE APPLIES TO ALL UNITS WHETHER COMMERCIAL OR RESIDENTIAL.

There was a brief discussion if there was a definition within Homer City Code that would apply to the intent of not just targeting residential for tenant fees.

Action was postponed on this motion until information was provided by staff on the definitions available within City Code and how the Finance department delineates commercial and residential within the existing water and sewer rates.

Further discussion ensued regarding including the comparison information that was included in the first presentation of January 22, 2013 regarding rates; lift station costs and the prior decision to socialize those costs between all customers that require the aid of a lift station including Kachemak City.

Ms. Minsch did not support the additional fees to the customer due to a requirement of the system.

Mr. Moore specified he did not support the additional fee for lift station, he went on to elaborate that he did not support the proposed rate model or any part of the proposed recommendations due to the pendulum swinging to the far extreme and impacting the businesses. He acknowledged that they are almost at a direct allocation of costs and strongly encouraged the Task Force that they should just do that, it's simple; Mr. Moore continued by stating that the current proposed model impacts his business by \$90,000 and that's not fair; he realizes the system must be paid for, but there are swings he doesn't believe in; Mr. Moore further advocated using the model provided in 2000 by Montgomery Watson; he continued by saying this model was fair, you could teach someone how to use that model, it was put together well by professional; this recommendation has been put together poorly, by few people and he cannot support it.

Mr. Castner responded that he and Sam wrote that model that Mr. Moore referenced and Montgomery did nothing more than apply their engineers stamps to the document.

Ms. Minsch inquired if the city staff who would be dealing with this have a chance to review this rate model and provide feedback before they submit it to Council. Chair Wythe responded that this can be done. She further commented that while she has no formal rate model experience this proposed rate model is easy, she noted that there is nothing complicated if you can work with an excel spreadsheet you can read the formula, the question will be changing the information within the current billing system. She further elaborated that this rate model.

Further discussion regarding a straight commodity rate system and the current proposed rate model between the members of the Task Force, providing examples of what the ramifications would be if you remove or change numbers, assurance was provided that the City Council will have plenty of time to dissect and question the rate model, this Task Force will be presenting the recommendations only Council will not be making a decision at that meeting.

Chair Wythe advised the members that this was not straight commodity since they have a monthly fee; Mr. Moore questioned why not use a straight commodity; Chair Wythe reviewed steps that the Task Force has taken and it has gone around a few times and this is what the committee voted on in response to Mr. Moore. She additionally encouraged him to make a motion for a full commodity rate.

MOORE/CASTNER – MOVED TO RECOMMEND USING A FULL COMMODITY RATE MODEL FOR WATER AND SEWER.

There was a discussion on how this would be processed and figured; that is includes bulk water sales. It was pointed out that the guiding principle was he who causes the cost pays the cost; if you use the water you pay the cost; even if you do not use water the system still has to be paid for; the new commodity rate would be \$0.162 per gallon; all additional revenue resources are removed; then multiplying by the average of 3500 gallons the average water bill would be \$567; the overhead for finance could not be debated and it was noted that 40% of finance overhead would be allocated which came to the \$18.00; additional comments that testimony was provided to Council on the overhead costs being a problem. Further comments regarding the pros and cons of socializing costs over the entire system and paying a fair share if you are hooked up to the system continued. Task Members argued that lift stations should be considered a cost to operate the system and not charging individuals additional costs if it requires a lift station to bring their sewage back to the plant. Chair Wythe explained in detail the difference between infill and new infrastructure and the impact on the system as a whole.

VOTE. YES. MOORE
VOTE. NO. HOWARD, MINSCH, CASTNER, WYTHE

Motion failed.

HOWARD/CASTNER - MOVED TO FORWARD THE RATE MODEL WITH THE CLARIFICATION OF DEFINITIONS.

Chair Wythe stated that the members will still be able to make changes or additions at the next meeting; her intent is that each member has time to review the work that has been accomplished in their absences. It was noted that there has been only three changes that was known and that regarded the reduction in the lift station fee, flat fee for the high BOD, and a reduction in the conservation percentage. Chair Wythe requested Mr. Howard to come up with an explanation for the rate model and where the figures came from or the formula that was used to come up with the number they did using the rate model. Additional comments on customers having already taken conservation measures, users rates going down so there would be no reason to conserve and having enough revenue to pay for the system.

Further questions regarding previous discussions on the determination on the BOD which prior was tied to volume and now it is a flat fee. This was determined that there were several factors within the business besides a kitchen. This fee recognizes that there is an expense to the system but it is not easily separable in a business that has multiple uses. Mr. Castner provided a further detailed information on determining a nominal fee to track the expense.

VOTE. YES. WYTHE, CASTNER, MINSCH, HOWARD
VOTE. NO. MOORE.

Motion carried.

NEW BUSINESS

A. Scheduling Additional Meetings

Chair Wythe introduced the item for discussion and asked if everyone would be available for Friday April 2, 2013 at 2:00 p.m. This meeting will be upstairs.

Mr. Castner explained he had jury duty for March and he would only have a problem if he was selected for an upcoming case.

Mr. Moore stated he is currently scheduled to be in town but he was not sure. Chair Wythe offered friendly reminder that he would be here since he would be absent his lead guy. She further stated that they will finalize the presentation and memorandum to Council.

INFORMATIONAL MATERIALS

- A. Updated Timeline
- B. Updated Meeting Calendar

COMMENTS OF THE AUDIENCE

Mr. Slone commented that once again he supports the rate model that the Task Force has proposed. Almost exactly one year ago he proposed a straight commodity rate to Council; subsequently he realized that was too simplistic after listening to the discussions held by the folks present. If you want to be politically neutral, that it should be a rate model based on cost causer cost payer, then what the Task Force has developed addresses that. He noted that there are identifiable costs and he supports the system that has been developed to address

those costs. Mr. Slone stated that once this is presented to Council the input from individuals directly affected by the proposed rate model would be appropriate. He suggested they stick to it and just perform the fine tuning that is required. It was made clear to him that he was wrong.

Mr. Slone also noted that there has been minimal members present and performing all the work and that the group has met on a regular basis and at this meeting there were questions on things that were agreed upon at previous meetings.

COMMENTS OF THE CITY STAFF

There were no comments.

COMMENTS OF THE CHAIR

Chair Wythe requested every member to carefully read through the information on the memorandum and presentation, and the first presentation in January and have all comments into Renee no later than March 29, 2013. She thanked everyone for their time and energy. Ms. Wythe understands that it is not always easy to get things done over an 8-12 month spread of time. She also stated that she would also include a memorandum from any members who are not agreeable to what is being proposed. That way they get the sense of what was the personal issues and sticking points were.

COMMENTS OF THE TASK FORCE

Mr. Castner commented that this was a lot different than what they did 20 years ago since the system is completely different than 20 years ago. They tried sort things into the most logical slots and if he was asked to do it over again he doesn't believe it he would do anything much differently; he believes it is a fair and understandable; he wishes they did have more political power so they could adjust some of the costs but that was not their balliwick.

Mr. Moore and Ms. Minsch had no comments.

Mr. Howard acknowledged his absence the last three months but felt it was advanced enough when he left to be fully supportive of the proposed recommendations and that it is very defensible. It is a very good piece of work.

ADJOURNED

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 7:56 P.M. The next **REGULAR MEETING is SCHEDULED FOR APRIL 5, 2013** at 5:15 p.m. at Cowles Council chambers, City Hall 491 E. Pioneer Avenue Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved: _____

Office of the City Clerk

Jo Johnson, CMC, City Clerk

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



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MEMORANDUM

TO: WATER AND SEWER RATE TASK FORCE

FROM: RENEE KRAUSE, CMC, DEPUTY CITY CLERK

SUBJECT: DEFINITIONS

DATE: MARCH 29, 2013

Background

At the March 19, 2023 meeting the Task Force made a recommendation to forward the Draft Rate Model upon clarification of definitions presented for use in the Draft Rate model.

The definition presented for Tenant Fees by Mr. Castner was presented to Planning personnel. Ms. Engebretsen requested that the Task Force use the term "Dwelling" in the definition as this would comply with terminology already in place in the Homer City Code and terminology used in current permitting practices.

Definitions:

Tenant Fees are for those apartments, rental units, or multi-unit buildings where each unit would have 1 or more bathrooms. This charge applies to all units, whether commercial or residential.

The fee in Kachemak City is for each building.

Renee Krause

From: Ken Castner <KCastner@tonsina.biz>
Sent: Wednesday, March 20, 2013 2:19 PM
To: Renee Krause
Subject: Definition of Rental Units

There was another element to the definition that I just remembered: These are units that are rented by the month, not by the day. Daily or weekly renters would not constitute a customer of the City. A daily renter would have immediate recourse to a fully staffed hotel or motel, where other landlords (the monthly type) do not provide that immediate response and a phone call could well be directed at the City.

As I type this, I also remember that this element (the \$5 customer fee) is one that I find distasteful and was a compromise position.

Sharon's reference to "kitchens" would not work for many (if any) commercial rentals, which provide a sink and a toilet, but not a kitchen. Examples are the Hillas Building, the various shed rentals, the Pioneer Building, the Fat Olive Building, and most of the boardwalk complexes out on the Spit. I support this because we decided that the rental provisions would be applied to commercial and residential properties alike.

Ken Castner

CITY OF HOMER
HOMER, ALASKA

City Clerk

RESOLUTION 11-094(S)

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, MAINTAINING THE CITY OF HOMER FEE SCHEDULE AT THE CURRENT RATES, AND AMENDING CUSTOMER CLASSIFICATIONS IN THE WATER AND SEWER RATE SCHEDULES.

WHEREAS, Fees are reviewed annually during the budget cycle; and

WHEREAS, Ordinance 11-43 amends HCC 14.08.037 regarding the number of water meters per lot; and

WHEREAS, It was determined that there were no rate adjustments to the City of Homer Fee Schedule needed at this time.

NOW, THEREFORE, BE IT RESOLVED by the City Council of Homer, Alaska, that the City of Homer Fee Schedule is amended as follows:

SEWER FEES:

Sewer Connection and Extension Permit Fee

Single Family/Duplex \$255

Multi-Family/Commercial/Industrial \$330

Sewer Rate Schedule.

All sewer utility services shall be billed according to the following schedule. This schedule is for monthly sewer services and is in addition to any charges for connecting or disconnecting the service, installation of the service or any assessment of the improvements.

Customer Classification*	Monthly Customer Charge	Charge per Gallon	Usage Charge per 1,000 Gallons of Water
Single Family Residential	\$20	\$0.00997	\$ 9.97
Multi-Family Residential	\$20 (per unit)	\$0.00997	\$ 9.97
Commercial	\$20	\$0.01264	\$12.64

*-Customer classification definitions for determining water rates:

Single Family Residential - A unit providing housing for one household; with less than 25% of the building area used for business or commercial purposes.

Multi-Family Residential - A building or lot occupied by more than one household; contained within one building or several building within one complex. Examples of multi-family units include duplexes, four-plexes and up, apartments, condominiums, co-

45 housing projects, and multiple structures on one lot (where units are normally rented or
46 occupied for longer than one month at a time). Examples of units not considered as
47 multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units are
48 routinely rented or occupied for less than one month at a time.)
49

50 **Commercial - Any user not defined as Residential.**

51
52 **Sewer System Residential or Residential Equivalent Dischargers Who Are Not Water System**
53 **Users:**
54

55 Sewer system dischargers who are not water system users shall be charged at the rate of
56 \$54.90. Variable rate \$34.90 based on 3,500 gallons per month plus monthly customer charge
57 \$20. The City reserves the right to adjust this rate based on the characteristics of the service
58 for non-residential or non-residential equivalent users. Customers who receive septic service
59 shall be charged an additional \$6.00* per month.
60

61 **Sewer System Dischargers Who Are Members of Kachemak City LID:**

62 Kachemak City Local Improvement District (LID) members have contributed to the initial cost
63 of the sewer treatment plant and the collection system. Kachemak City LID dischargers
64 connected within the LID and the City of Homer shall bill Kachemak City in one lump sum at
65 the rate of \$60.90. Variable rate \$34.90 based on 3,500 gallons per month plus monthly
66 customer charge of \$20 plus septage cost \$6.00* per month for each residential or residential
67 equivalent discharger. Kachemak City shall be responsible for payment to the City of Homer.
68

69 Domestic sewer service customers who use large quantities of City water in addition to their
70 domestic use shall be allowed, with the Public Works Director's approval, to install an
71 additional water meter on the domestic water use line for the purpose of metering and charging
72 for domestic sewer system use. Sewer system use will be billed monthly.
73

74 The City will allow, upon approval by Public Works and a permit from the Public Works
75 Department, a second water usage meter – called a seasonal sewer meter – for each customer
76 that desires to measure the flow of City water that is not discharged to the sewer system during
77 the summer growing season, June 15 through September 15. Rates noted above do not apply.
78

79 Seasonal Sewer Meter Fee is \$211.97.
80

81
82 **WATER FEES:**

83 **Water Connection Fee**

84
85 Single Family/Duplex \$300

86 Multi-Family/Commercial/Industrial \$375
87

88 **Water Rate Schedule.**
89

90 All water utility services shall be billed according to the following schedule. This schedule is for
91 monthly water service and is in addition to any charges for connecting or disconnecting the
92 service, installation of the service or any assessment of the improvements.
93
94
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97
98

Customer Classification*	Monthly Customer Charge	Charge per Gallon	Usage Charge per 1,000 Gallons of Water
Single Family Residential	\$25	\$0.00442	\$ 4.42
Multi-Family Residential	\$25 (per unit)	\$0.00442	\$ 4.42
Commercial	\$25	\$0.01140	\$11.40
Bulk	\$25	\$0.01269	\$12.69

*-Customer classification definitions for determining water rates:

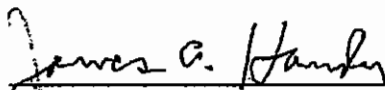
Single Family Residential - A unit providing housing for one household; with less than 25% of the building area used for business or commercial purposes.

Multi-Family Residential - A building or lot occupied by more than one household: contained within one building or several building within one complex. Examples of multi-family units include duplexes, four-plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one lot (where units are normally rented or occupied for longer than one month at a time). Examples of units not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units are routinely rented or occupied for less than one month at a time.)

Commercial - Any user not defined as Residential.

PASSED AND ADOPTED by the City Council of Homer, Alaska, this 12th day of December, 2011.

CITY OF HOMER



JAMES C. HORNADAY, MAYOR

ATTEST:



JO JOHNSON, CMC, CITY CLERK

Fiscal Note: Revenue amounts not defined in CY2012 budget.

	City of Homer					
	Final Draft Rate Model - April 5, 2013					
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					
	Draft Rate Model - April 5, 2013					
Sewer Rates						
	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	
	NON-Lift Zone Customers - Sewer Rate /gal					
21	0.013					
**	Lift Station Zones - Sewer Rate /gal					
22	0.023					
23						

** 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)								

Office of the City Clerk

Jo Johnson, CMC, City Clerk

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



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MEMORANDUM

TO: MAYOR WYTHER & HOMER CITY COUNCIL
FROM: WATER & SEWER RATE TASK FORCE
THRU: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
DATE: APRIL 5, 2013
RE: PROPOSED WATER & SEWER RATES AND ADDITIONAL RECOMMENDATIONS

Attached is the Water & Sewer Rate Task Force's ("the Task Force") recommendation 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; the first Tuesday being a work session and the third Tuesday being a regular meeting. Work sessions and meetings were scheduled in the conference room with the exception of public hearings which were held in the Council Chambers.. The schedule was adjusted from time-to-time to accommodate holidays and scheduling conflicts for members of the Task Force.

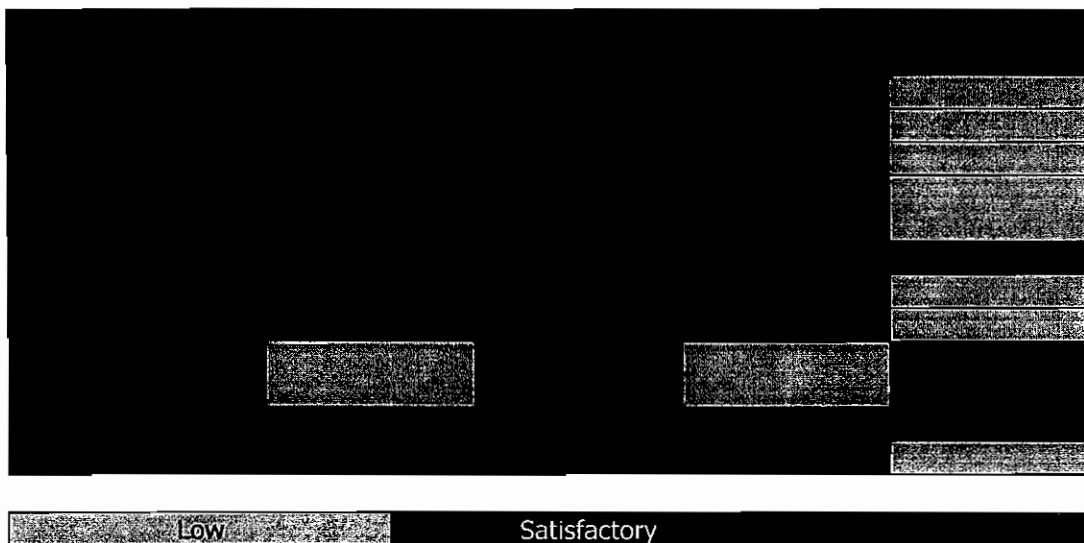
The initial meetings of the Task Force were primarily focused on determining the types and sources of information that would be required to allow the Task Force to more fully understand rate making concepts and the nature of the City of Homer's current rate design. This process included:

- 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 to, and returning sewage from 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 were a major concern and were considered regularly throughout the process as this appeared to be a substantial expense to the system as a whole.
 - Rates from other nearby communities were reviewed and the reasons for the difference in operating costs, as well as anticipated impacts of 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 system from return to treatment.
 - Fire protection expenses were also discussed periodically as a substantial contributor to the expense of the system that was not adequately or properly allocated.

Following the collection and review of this information the Task Force considered a variety of ratemaking formulas giving consideration to fairness and consumer satisfaction. The following rate evaluation illustration was provided in the American Water Works Association manual M54, Developing Rates for Small Systems (2004, p. 38).



Upon considering the various rate design options, the Task Force determined that focusing its energy on designing a commodity based, uniform rate structure that considered expenses that were not directly related to the delivery of service to all consumers, such as system size due to fire hydrants, delivering water to the Spit, water used to flush dead-end lines, and water leakage in the harbor. The Task Force also considered extraordinary expenses on the sewer system including the impact of high biochemical oxygen demand (BOD) waste which increases the cost of waste processing and the requirement in some areas for lift-stations to deliver waste to the treatment plant.

The recommendations of this report are based on this information and result in a balanced budget for the Water & Sewer Enterprise Fund. The recommendations also provide a new rate model that will ensure the collection of the required funding into the future. Distributing the expense for the system more equitably based on a cost-causer, cost-payer is the foundation of the proposed rate model.

The recommendations of the Task Force include:

- Replacing the current rate model with the proposed commodity based model found on page ##.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
- Confirm that ALL City of Homer facilities receiving water and sewer services are being properly metered and billed.
- Consider alternatives for refreshing the water in deadened lines that does not result in the waste of large volumes of treated water.
- Renew the contract with Kachemak City and ensure that the rates adequately reflect the cost of this area on the system as a whole, including any added administrative expenses.
- Consider methods for rate-setting that will not allow political influences to result in the under collection of rates in the future.

While this review may not have fully exhausted the rate design possibilities available to a rates consulting firm, it is the belief of the Task Force that the information and recommendations found in this report have met the fundamental review requirements that the Task Force was requested to consider in the development of their recommendations.

Respectfully submitted,

HOMER WATER & SEWER TASK FORCE

Chair: Beth Wythe
Vice Chair: Beauregard Burgess
Current Members: Ken Castner, Robert Howard, Sharon Minch, and Lloyd Moore

Water and Sewer Rate Review and Recommendations

Report of the Water & Sewer Rate Task Force

4/8/2013

Contributing Task Force Members: Beauregard Burgess, Ken Castner, Barbara Howard, Terry Yager, Bob Howard, Sharon Minsch, Lloyd Moore, Beth Wythe

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INTRODUCTION:

The Water & Sewer Rate Task Force (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 Appendix # of this report as supporting documentation.

The City Council approved the creation of a Task Force after numerous public comments and complaints about the 2012 increase in Water & Sewer Rates and fees.

From the beginning, the Task Force resolved to reach decisions that were not colored by sentiment or popularity. The Task Force began its work of developing a recommendation for the City Council by considering who the benefactors were of the water and sewer systems. In addition to the residential and business customers there are large commercial users such as South Peninsula Hospital and the Port & Harbor. There are also incidental benefits that the system was designed to provide including providing both fire hydrants and sufficient water for buildings that house sprinkler fire suppression equipment. While the City Council will make the final decision regarding any rate changes, the Task Force has included recommendations for allocating the additional expenses related to these specifically identifiable cost centers in an equitable manner.

CURRENT RATE STRUCTURE:

Currently water and sewer rates differentiate between various water usage and sewage returns based on whether they are delivered to or derived from residential customers, or small or large commercial customers. 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 should be added.

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

FAIR AND EQUITABLE RATES:

The Task Force believes the basic service charge for water and sewer customers should accurately reflect the cost of customer billing, banking and accounting expenses. Other system maintenance and treatment expenses should be billed in accordance with the customers' actual usage. 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 lends itself to easy rate adjustments using calculations that are simple and transparent.

The Task Force identified costs associated with the water and sewer system that are derived from the population in general (fire protection, City owned buildings, public rest rooms, fish cleaning stations and support of other community facilities that use water in their day-to-day activities). These costs should be borne by the City as general fund expenses using the same tariff basis as any other user.

Fairness also requires that users that require services beyond the normal, or create additional costs, be charged for those expectations and/or costs. Two examples of the former would be 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. In order to address these non-standard users a small surcharge has been recommended.

SYSTEM REQUIREMENTS:

The water and sewer system in Homer has some unique characteristics that increase the cost of operations and maintenance. The first is the location of our water source and another is the elevation of many users relative to the sewer treatment plant.

Having water come from the top of the hill may at first appear to be a great asset since many water systems are challenged with pumping water to higher elevation customers. However, reducing the pressure in the delivery system as a result of the gravity fed nature of Homer's system presents its own costly challenges. The construction and maintenance of the pressure reducing valves that are required to safely deliver water into the system and then into the residents and businesses receiving services is a substantial contributor to the cost of Homer's water system over other similarly sized systems across the state.

In addition to these challenges, having a surface source of water increases the volume of treatment required to make the water potable. As a result, Homer has been required to maintain a state-of-the-art water treatment facility for years and has recently built a new treatment facility with the capacity to meet current and anticipated water quality standards for years to come.

The water delivery system has also been sized to provide adequate pressure and flows for a variety of special services including fire sprinkler systems and hydrants. Hydrants benefit all City property owners whether they are connected to the delivery system or not. Therefore the Task Force believes that a portion of the additional system costs related to system size should be shared by property owners independently from the rates charged to water and sewer customers.

There are many service locations on the sewer system that pass through elevations that will not allow for gravity to deliver sewage all the way to the sewer treatment plant. In order to provide service to these areas lift stations are required to pump sewage to a higher elevation in the system so it can continue to the treatment plant by gravity delivery. Just as the pressure reducing valves required on the water system create an additional maintenance expense, these lift stations create an additional maintenance expense for the sewer system. Unlike the pressure reducing stations that benefit all customers, the lift stations only provide benefit to those that are in areas where they are required. For this reason, the Task Force has included a nominal monthly fee to the billing for customers that live in areas served by lift stations.

DISPROPORTIONATE IMPACTS:

In addition to the above expenses specific to Homer's water delivery and sewer collection systems, other costs of operating the systems which the Task Force determined to be identifiable to specific users included:

High BOD waste; and
Water required for flushing dead-end lines.

A nominal fee is recommended for the purposes of identifying the existence of high BOD waste contributors and to marginally off-set additional expenses related to treatment.

The water loss related to dead-end lines is considered a cost of the system in general and no fee was recommended in association with this impact.

Another potentially disproportionate impact that was identified but not quantifiable was the presence of facilities that have water delivered, but return sewage through the sewer without being billed.

OPTIONS FOR DISTRIBUTING COSTS TO CAUSERS:

The proposed rate model provides a spreadsheet for the calculation of water rates independent of the spreadsheet for calculating sewer rates, although the proposed structure continues the practice of billing sewage based on water usage. The singular acceptance to this was in reducing the volume of projected sewage from the Spit due to the large volume of water used at the Port that is not returned as sewage.

When reviewing the proposed water model you will observe first that the model begins with the required revenue in mind. The required revenue is then reduced by a variety of alternative revenue sources including:

- Service fees (finance fees/number of customers);
- Hydrant Rents (10% of required revenues);
- Sprinkler Differential (\$5/month/identified user);
- Surplus (Bulk) Water sales (estimated sales X \$0.004);

This identifies the amount of revenues that need to be collected through the commodity (usage) rates. In the projection provided, consideration is also given for the potential reduction in water use that may result from the commodity based fee schedule (conservation).

Using this model, rate reductions are as easy as updating the "Total Water Revenue Requirements", the "Metered Sales Projections"; the "Number of Meters"; and the "Finance Department O/H" cells. Updating these cells will generate the "Water Rate" which is the commodity fee, and the "Metered Service Fee" which is rounded up to the next highest dollar amount and becomes the monthly base rate for water services.

The use and maintenance of the proposed sewer rates is very similar. Beginning with the projected annual revenue assumption reduced by:

Lift Station Charge (lift station maintenance costs/users);
High BOD fees (\$10/month/identified user);
Multi-residential facility & Kachemak City fees (\$5/month/Identified facility);
Kachemak City Fees (less pumping);
Dumping Station Fees; and
Water Only Meters (no septic returned).

Resulting in the total revenue required through rates. Rates are allocated based on historic usage allocated to those meters that are in sewer return areas that require a lift station and those that are not to generate two rates; Non-lift zone customers – sewer rate/gal, and Lift Station Zones – Sewer Rate/gal.

Again, with the adjustment of the key cells, new rate projections become simple.

CRITERIA FOR EVALUATING THE SOLUTIONS:

Because the primary complaint regarding the current rate structure has consistently been the perception of unfairly allocating costs, the Task Force was assigned the responsibility of reviewing the current rate model and recommending new rates for the 2013 rates review process. Through reviewing not only the current rate model, but also the components of the water and sewer system and identifying not only the billed users, but also others that benefit from the system, the Task Force believes that the proposed commodity based, uniform rate structure provides the most fair distribution of the expenses for operations and maintenance of the water and sewer system.

In addition to the current rate model that is "class" based, with a large base rate, the Task Force considered rate structures designed to encourage conservation (increasing rates when usage increased); structures that encouraged usage (reduced rates as usage increased); and rates that were fully commodity based (a flat fee per gallon, regardless of base expenses and extraordinary expenses). Ultimately, it was determined that the proposed rate model would best meet the test of "fairness".

By distributing the administrative costs of billing between all customers and then charging the same rate per delivered gallon of water, water users can take control of their bill and no customer is subsidizing the use of another customer. By separating expenses related to making water available for non-standard uses such as fire protection and bulk water sales the model removes subsidies. Customers are merely being charged for the service they are receiving.

Similarly, on the sewer side subsidies are being removed by allocating extraordinary expenses related to lift stations and high BOD waste to the users that benefit from them, and multi-family dwellings are contributing proportionally to the cost of maintaining a larger system to accommodate sewage generated by more than one customer using the same metering system.

OTHER CONSIDERATIONS:

In developing the proposed rate structure, 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.

The Task Force does not believe that the proposed rate model will resolve all of the complaints regarding fairness in the allocation of the expenses for maintenance and operation of the water and sewer program, but we do feel that the concerns identified and those brought before us through public comment have been appropriately addressed through this model. Additionally, the model provides an ease of administration and future rate setting that if properly applied will help the City continue to adequately fund the program for years to come.

CONCLUSIONS:

In conclusion the Task Force is pleased to provide the City Council with the following recommendations with the anticipation of improved rate stability in the water and sewer program.

- Replacing the current rate model with the proposed commodity based model found on page A-1 and A-2.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
- Confirm that ALL City of Homer facilities receiving water and sewer services are being properly metered and billed.
- Consider alternatives for refreshing the water in deadened lines that does not result in the waste of large volumes of treated water.
- Renew the contract with Kachemak City and ensure that the rates adequately reflect the cost of this area on the system as a whole, including any added administrative expenses.
- Conduct rate-setting in a manner that will not allow political influences to result in the under collection of rates in the future.
- Establish a periodic meter inspection program to ensure that all meters are properly installed and reading.
- Consider hiring a qualified consulting firm to review the rate structure and/or establish a Water & Sewer Board that is advisory to the Council.

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/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

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



Water & Sewer Rate Task Force

April 5, 2013

Task Force Purpose

- Resolution 12-027(A)
- Duty
 - Review the Current Rates
 - Propose Rates for 2013

Review Process

- Current Rate Model & Prior Rate Study
- Potential Rate Designs
 - Developing Rates for Small Systems (M54)

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
-----	--------------	------

Specific Costs Reviewed

- Staffing
 - Required certification for treatment plant operators
 - Required number of staff
- Administrative Costs
 - Finance
 - Other Support
- Water “waste”
 - Port & Harbor
 - Dead-end line flushing
- Meter accuracy



Other Considerations

- Rates in other communities
 - Not really an apples-to-apples comparison
 - Well water vs. surface water treatment requirements
 - Pressure reducing valves (water system)
 - Lift stations (waste system)
 - Low customer density
 - State-of-the-art treatment facilities
 - Kachemak City Service Contract
 - Out dated



Model Comparisons

Water and Sewer Rate Study Draft Rate Model

Assumptions:

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

Charge Plus A Small Service Fee

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

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

	Water	Service	Sewer
All Customers	Rate	Fee	Rate
	0.01194	18	0.0108

Sloan= Line 6/Line 3

Water Total Revenue:

Commodity	1,624,471
Service	324,000
Total:	1,948,471

Expanding Community

Charge Plus A Small 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)

Rate Approach 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) =	136,000,000		
4	Adjusted Sales Projection (gallons) =		All Customers	Water Rate
5	Total Revenue Requirements for Commodity =	1,445,824		Service Fee
6	Total Revenue Requirements for Disposal =	1,473,602		Sewer Rate
7	Total Services (meters) =	1,500		
8	Total Customers (billings) =			
9	Total Revenue Requirements for Service =	324,000		
10	Spit Differential =			
11	Sprinkler Differential =		Sloan = Line 5/Line 3 = Commodity Rate (\$/gal)	
12	Commercial Differential =		Sloan = Line 8/Line 6/12 = Monthly Service Fee	
	Monthly Demand Fee =		Sloan = Line 6/Line 3	

Water Total Revenue:	
Commodity	1,445,824
Service	324,000
Total:	1,769,824

Rate Approach with Hydrant Rents Paid by General Fund

Points in Favor:	Total Water and Sewer	Monthly Bill
A) Simple	1 to 150	24.93
B) Removes multi-tenant charges	151 to 300	40.17
C) Encourages conservation	301 to 450	53.12
	451 to 600	63.66
	601 to 750	73.66
	751 to 900	85.25
Points Against:	901 to 1050	97.62
Case 2 Reduced Sales through conservation	1051 to 1200	117.32
Case 3 Cost-causers subsidized by others (Spit water)	1201 to 1350	160.73
Case 4 Cost-causers subsidized by others (Sprinkler water)	Top 10%	929.68
Case 5 Cost-causers subsidized by others (Spit sewer)		
Case 6 Cost-causers subsidized by others (Heavy Commercial sewer)		

Assumptions:

1	Hydrant Rents =	178,647
	Commodity Reduction due to Conservation	
2	=	13%
	Historic Metered Sales Projection (gallons)	
3	=	136,000,000
4	Adjusted Sales Projection (gallons) =	
	Total Revenue Requirements for	
5	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 =	

Hydrant Rents Paid by General Fund , Includes Conservation Adjustment

Line 5/Line 3 = Commodity Rate (\$/gal)
Line 8/Line 6/12 = Monthly Service Fee
Line 6/Line 3

All Customers	Water Rate	Service Fee	Sewer Rate
	0.01201	18	0.0122

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

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

Hydrant Rents Paid by General Fund , Includes Conservation Adjustment

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)


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



Points in Favor:

A) Simple

Points Against:

Cost-causers subsidized by others

Discourages conservation

Multi-fold increase to residential users

Proposed Model - Water

Version 12 Working Feb - 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 Pans (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			

Proposed Model - Sewer

Updated February 5, 2013 by Task Force				
Sewer Rates		Version 12 - Working February	FINAL - Second Public Hearing	
	Revenue Assumptions (dollars)			Source:
1	2014 Total Revenue Requirements	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/Tenants (\$6/mo)	53,160		Reduced Fee
7	Kachemak City Fees (No pumping)	81,270		Prior Year
8	Dumping Station Fees	10,500		Prior Year
9	Summer Metered Gallons (50% reduction)	(400,000)		From Accounting
10	Adjusted Revenue Requirements	1,373,542		
	Usage Assumptions (gallons)			
11	Discharge Sales Projection (no metered)	125,000,000		Water Sales
**12	6.5% Commodity Reduction due to conservation	(8,125,000)		
13	Metered Spilt w/o entering treatment line	(9,150,000)		
14	Adjusted Discharge Sales Projection	107,725,000		
	Informational			
15	Spilt Sewer Discharge (gallons)	7,225,000		Prior Year
16	Lift Station Costs	181,915		Annual Budget
17	Single Connection Multiple 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
	NON-Lift Zone Customers - Sewer Rate /gal			
21	0.013			
**	Lift Station Zones - Sewer Rate /gal			
22	0.023			

Rates

Avg Gallons Used	Water Bill w/Service Fee	Sewer	Total Water & Sewer Bill	Lift Station Adj.	Adjusted Total Billing	B.O.D Fee	Tenant Fee	Fire Sprinkler Service	POSSIBLE TOTAL BILLING
323	\$ 18	\$ 21.59	\$ 4.20	\$ 25.79	3.23	\$ 29.02	\$10	\$5	\$ 49.02
1,033	\$	\$ 29.47	\$ 13.43	\$ 42.90	10.33	\$ 53.23			\$ 73.23
1,636	\$	\$ 36.16	\$ 21.27	\$ 57.43	16.36	\$ 73.79			\$ 93.79
2,127	\$	\$ 41.62	\$ 27.65	\$ 69.27	21.27	\$ 90.54			\$ 110.54
2,593	\$	\$ 46.79	\$ 33.71	\$ 80.50	25.93	\$ 106.43			\$ 126.43
3,133	\$	\$ 52.79	\$ 40.73	\$ 93.51	31.33	\$ 124.84			\$ 144.84
3,709	\$	\$ 59.18	\$ 48.22	\$ 107.40	37.09	\$ 144.49			\$ 164.49
4,627	\$	\$ 69.37	\$ 60.15	\$ 129.52	46.27	\$ 175.79			\$ 195.79
6,649	\$	\$ 91.82	\$ 86.44	\$ 178.26	66.49	\$ 244.75			\$ 264.75
42,470	\$	\$ 489.55	\$ 552.11	\$ 1,041.66	424.7	\$1,466.36			\$ 1,486.36

Recommendations

- Replacing the current rate model with the proposed commodity based model.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to W & S.
- Clearly delineate water and sewer rates, by location, in future budget documents (i.e., revenue from City facilities and related expense lines in Port & Harbor, Water & Sewer, and other administrative budgets.)
- Confirm that ALL City of Homer facilities receiving water and sewer services are being properly metered and billed.
- Consider alternatives for refreshing the water in dead-end lines.
- Renew the contract with Kachemak City and ensure that the rates adequately reflect the cost of this area on the system as a whole, including any added administrative expenses.
- Conduct rate-setting in a manner that will not allow political influences to result in the under collection of rates in the future.
- Establish a periodic meter inspection program to ensure that all meters are properly installed and reading.
- Consider hiring a qualified consulting firm to review the rate structure and/or establish a Water & Sewer Board that is advisory to the Council.



Questions



SUN	MON	TUES	WED	THURS	FRI	SAT
		1	2	3	4	5
6	7		9	10	11	12
13		15	16	17	18	19
20	21		23	24	25	26
27		29	30	31		
					1	2
3	4		6	7	8	9
10		12	13	14	15	16
17	18		20	21	22	23
24		26	27	28		
					1	2
3	4		6	7	8	9
10		12	13	14	15	16
17	18		20	21	22	23
24	25		27	28	29	30
31						
	1	2	3	4	5	6
7		9	10	11	12	13
14	15	16	17	18	19	20
21		23	24	25	26	27
28	29	30				






JANUARY

FEBRUARY

MARCH

APRIL

LEGEND

-  Public Hearing First Draft
-  Tentative Public Hearing Final Draft
-  COUNCIL MEETINGS
-  WSTF MEETINGS
-  KPB MEETING
-  TENTATIVE MEETING DATES
-  ROOM AVAILABLE
-  HOLIDAY
-  SCHEDULE CONFLICT
-  ELECTION NIGHT

MEETING DATES													LEGEND	
TASKS														
Alaska Open Meetings Act Nomenclature														Task Completed
Creating a Project Time Line														Task Ongoing
Water & Sewer 101 The Basics of the System Source to Customer														Task Dropped
Rates & information from 2000														Task Not Started
Creating a Project Time Line														
Rate Study 2000-2001														
Seasonal Use Number of Gallons Used														
Flow Rates														
Random Sampling of Water Sewer Bills														
Review & Discussion on Percentage of Loss from Flushing														
Review of Rate Sheet and Update of Water Meter Information														
Projected Revenue and Amount of Revenue to Date for Reso. 11-94(S)														
City of Homer Water & Sewer Systems Map														
2000 Rate Model using Current Rate - Comparisons														
How Does Fire Protection Affect the City Water System														
Discussion on Water & Sewer Service on the Homer Spit														
Discussion on the City of Homer Sewer System 101 Customer to Treatment Plant														

MEETING DATES													LEGEND
Review and Discussion on M54 Document/Book													
Reviewing the Different Options in Rate Models													
Why a Rate Model Would Not be in the Best Interests for the City to Implement													
Establishing a Sub Committee													
Narrowing the Options for Proposed Rate Models													
Draft Rate Model													Task Completed
Plugging Current Numbers into Draft Rate Model													Task Ongoing
Final Draft of Proposed Rate Model													Task Dropped
Public Hearing													Task Not Started
Inputing Public Recommendations into Proposed Rate Model													
Public Hearing													
Inputing Public Comments into Proposed Rate Model Final Draft													
Submittal to City Council with Summary of Action													

