



# City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

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## MEMORANDUM 13-073

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

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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).

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

Low	Satisfactory	High
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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 A1-A4.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to water & sewer.

- 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 Proposed Water & Sewer Rate Model 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, Memoranda and information provided by Staff are included in the Appendices to this report; all reference materials accessed or reviewed have been cited 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 residences 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 exemption 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 water system revenues)
- Sprinkler Differential (\$5/month/identified user)
- Surplus (Bulk) Water sales (estimated sales X \$0.004)
- Dwelling Fees (\$5/month/business or residence)

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 - A-4.
- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to Water & Sewer.
- 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 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.
- Customer/Tenant Fees as applied within the proposed rate model for Water and Sewer are defined as apartments, rental units, or multi-unit buildings where each unit has one or more restrooms. This fee applies to all units whether commercial or residential that is intended to be rented on a monthly basis or longer, excluding public or shared restroom facilities.

## **APPENDICES**

### *Appendix A – Creation of the Task Force*

- Resolution 12-027(A), Establishing a Water & Sewer Rate Task Force
- Resolution 12-094, Amending Resolution 12-027(A), The Composition of the Water and Sewer Rate Task Force to Allow Mayor Wythe to Continue to Serve
- Memorandum 12-161, Appointing of Councilmember Burgess to the Water & Sewer Rate Task Force

### *Appendix B – City of Homer Water & Sewer Rates*

- 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.

### *Appendix C - Budgets*

- 2012 Operating Budget Water & Sewer
- 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
- City of Homer Year End 2011 Utility Special Revenue Fund 2011 Balance Sheet
- Year to Date figures Water & Sewer June 2012
- Year to Date figures Water & Sewer August 2012

### *Appendix D – Classifications & Sample Invoices*

- Classifications & Average Monthly Usage for 2011
- Actual Random Sample Invoices depicting various gallonage used for comparison

### *Appendix E – Fire Protection, Flushing, Water Treatment Plant, Depreciation, Meter Sizes, Maps*

- How Fire Protection Affects the Water System – Public Works
- Flushing Fire Hydrants & Water Mains- Public Works
- Water Treatment Plant Flows in Millions of Gallons – Public Works
- Depreciation Reserves Requirements and 2012 Depreciation Reserves – Water & Sewer – Finance Dept
- Maps Indicating Lift Station Locations and Areas Served – Public Works
- Number of Gallons of Water delivered to the Spit Annually – Public Works
- Staff Response to Questions regarding Staff time to produce Invoice – Finance Dept.
- Staff response to Questions regarding How Budget Numbers are calculated – Finance Dept.
- Staff Response to Number of Meeting Sizes - Meter Sizes & Number of Each Size – Public Works
- Staff Response to Question regarding Gallonage Used in the Harbor – Public Works

### *Appendix F – Spit Surcharges*

- 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, 2004, 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
- Staff Response Analysis on Proposed Spit Surcharge – Public Works

### *Appendix G – Public Written Comments*

## **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](http://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](http://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)

City of Homer Water and Sewer Rate Study Draft Rate Model

April 5, 2013

PROPOSED 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
3	Hydrant Rents (10% of E6) =	189,027 Annual Budget
4	Sprinkler Differential (20 buildings - \$5/mo)=	1,200 Building Customer
5	Surplus Water Sales (Bulk) surcharge only =	92,290 Bulk Sales
6	Adjusted Revenue Requirements =	1,297,672 Calculated
<b>Usage Assumptions (gallons):</b>		
7	Metered Sales Projection (gallons) =	125,000,000 Prior Year
8	6.5% Commodity Reduction due to Conservation =	8,125,000 Number to be tested
9	Adjusted Sales Projection (gallons) =	116,875,000 Calculated
<b>Informational:</b>		
10	Spit Water Sales =	17,921,000 Prior Year
11	Surplus (Bulk) Water Sales =	23,072,500 Prior Year
12	Number of Meters =	1,472 Prior Year
13	City Hall Finance Department O/H=	775,192 Annual Budget
14	Public Facilities Water Usage (value)=	134,904 Annual Budget
<b>All Customers Water Rate Per Gallon</b>		<b>Metered Service Fee</b>
15	0.0111	\$18 Round up to Next \$
16	Bulk Water = .015/gallon	

**City of Homer Water and Sewer Rate Study Draft Rate Model**

April 5, 2013

**PROPOSED SEWER RATES**

<b>Revenue Assumptions (dollars)</b>		<b>Source:</b>	
1	2014 Total Revenue Requirement=	1,680,279	Annual Budget
2	Sewer Differential (.86*84% of Lift Stations) =	181,915	All Lift Station Users
3	High BOD Generator Sewage Differential (\$10/mo) =	5,760	New Fee
4	Customer Fee Kachemak City/Tenant Fee (\$5/mo) =	53,160	Reduced Fee
5	Kachemak City Fees (less pumping) =	81,270	Prior Year
6	Dumping Station Fees	10,500	Prior Year
7	Summer Metered Gallons (Septic Reduction) =	(400.00)	From Accounting
8	Adjusted Revenue Requirements=	1,348,074	
<b>Usage Assumptions (gallons):</b>			
9	Discharge Sales Projection (gross metered) =	125,000,000	Water Sales
10	6.5% Commodity Reduction due to Conservation =	(8,125,000)	
11	Metered Spit w/o entering Treatment Line=	(9,150,000)	
12	Adjusted Discharge Sales Projection =	107,725,000	
<b>Informational</b>			
13	Spit Sewer Discharge (gallons)=	7,225,000	Prior Year
14	Lift Station Costs=	181,915	Annual Budget
15	Single Connection Multi-Tenant Units=	886	Prior Year
16	Public Facilities Contribution =	46,918	Annual Budget
17	Number of High BOD Generators Sewage=	48	From Page 2
18	Dumping Station Fees =	10,500	Annual Budget
19	Lift Station Gallons=	46944000.0	PW Annual Pumping Rates Est
<b>NON-Lift Zone Customers - Sewer Rate /gal</b>			
20		0.013	
<b>** Lift Station Zones - Sewer Rate /gal</b>			
21		0.016	

**High B.O.D Users**

Restaurants	24
Hotels w/ Rest & Hosp	4
Clubs, Seniors, Schools	12
Laundromats	3
Car Wash	2
Service Stations	3
<b>Total High BOD Generators</b>	<b>48</b>

Type of User	\$18/mo Service Fee	1.11¢ gal Water Fee	1.5¢ gal Bulk Water	1.3¢ gal Sewer Fee Non-Lift Station	1.6¢ gal Sewer Fee Lift Station	\$5/mo Customer /Tenant Fee	\$10/month BOD Fee	\$5/mo Fire Demand
<b>BASE FEES:</b>								
Bulk Water Purchaser			✓					
Residential/ Commercial *	✓	✓		✓				
Residential/Commercial - Lift Zones	✓	✓			✓			
Residential/Com - Kachemak City						✓		
<b>ADDITIONAL FEES:</b>								
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	Apartment/Housing Complexes							
Businesses	Malls & Other Multi-unit Commercial							
Churches w/o DEC Kitchens	Trailer Parks on Shared Meter(s)							
Cocktail Lounges								
Groceries w/o DEC Kitchens								
Private Club w/o DEC Kitchens								
Public Authority w/o DEC Kitchens								

## CITY OF HOMER, ALASKA

## Utility Special Revenue Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
Year Ended December 31, 2012

	Utility Operations	HAWSP Debt Service	Utility Capital Projects	Utility Reserves	Total Utility Fund
<b>Revenues:</b>					
Sales tax	\$ -	1,174,683	-	-	1,174,683
<b>Intergovernmental:</b>					
Capital grants	-	-	46,370	-	46,370
State of Alaska PERS relief	130,004	-	-	-	130,004
Total intergovernmental	130,004	-	46,370	-	176,374
<b>Charges for services:</b>					
Water charges and connection fees	1,717,259	-	-	-	1,717,259
Sewer charges and connection fees	1,552,816	-	-	-	1,552,816
Total charges for services	3,270,075	-	-	-	3,270,075
Water and sewer special assessments	-	262,591	-	-	262,591
Other	-	-	-	10,900	10,900
Total revenues	3,400,079	1,437,274	46,370	10,900	4,894,623
<b>Expenditures:</b>					
<b>Water:</b>					
Pumping system	88,471	-	-	-	88,471
Treatment plant and operations testing	481,615	-	-	-	481,615
Distribution system and reservoir	354,459	-	-	-	354,459
Water meters	115,531	-	-	-	115,531
Water hydrants	92,038	-	-	-	92,038
Administration	680,152	138,797	-	-	818,949
Total water	1,812,266	138,797	-	-	1,951,063
<b>Sewer:</b>					
Pumping system	761,560	-	-	-	761,560
Collection system	173,131	-	-	-	173,131
Administration	672,471	138,797	-	-	811,268
Total sewer	1,607,162	138,797	-	-	1,745,959
<b>Debt service:</b>					
Principal	-	834,681	-	-	834,681
Interest	1,794	158,704	-	-	160,498
Total debt service	1,794	993,385	-	-	995,179
Capital outlay	-	-	1,633,463	255,372	1,888,835
Total expenditures	3,421,222	1,270,979	1,633,463	255,372	6,581,036
Excess of revenues over (under) expenditures	(21,143)	166,295	(1,587,093)	(244,472)	(1,686,413)
<b>Other financing sources (uses):</b>					
Issuance of long-term debt	-	1,565,730	-	-	1,565,730
Eliminating transfers	(213,181)	(1,532,027)	1,532,027	213,181	-
Transfers out	(20,300)	-	-	-	(20,300)
Net other financing sources (uses)	(233,481)	33,703	1,532,027	213,181	1,545,430
Change in fund balances	(254,624)	199,998	(55,066)	(31,291)	(140,983)
Beginning fund balances (deficits)	3,212,721	(3,199,283)	(1,005,612)	4,337,639	3,345,465
Ending fund balances (deficits)	\$ 2,958,097	(2,999,285)	(1,060,678)	4,306,348	3,204,482

**CITY OF HOMER  
2013 OPERATING BUDGET**

**Water Reserves**

**256 - 378**

Expenses thru 6/30/12

Acct #		2010	2011	2012	2013
		Actual	Budget	Budget	Budget
	Beginning Balance	2,104,794	2,129,479	2,133,390	2,206,440
4992	Annual Transfer	250,000	250,000	100,000	100,000
	Adjustment to Reserves			(3,124)	
	Loan Repayment for Energy Proj			12,395	12,395
4801	Interest Income	4,035			
5990	Energy Fund	(88,975)	(166,089)		
5xxx	Expenditures	(140,375)	(80,000)	(14,092)	
	Subtotal	2,129,479	2,133,390	2,228,569	2,318,835
	Encumbered			(22,129)	(25,000)
	Ending Balance	2,129,479	2,133,390	2,206,440	2,293,835

**Expenditure Detail**

Expenditure Detail	Ord #	2010	2011	2012	2013		
		Actual	Budget	Actual	Budget	Actual	Budget
Water Main Line Tapping Tool	Bud						
Watershed Land	09-08(A)						
Watershed Land		140,375					
Used Allman Light Tower	11-16(A)		10,000	10,000			
Land - Nancy Hillstrand	11-38		70,000	70,000			
<b>2012 Budget</b>							
Frost Ripper Attachment (1/2)					2,750		
Steamer Unit	Ord 12-09				9,092		
Badger Orion Meter	Ord 12-12				7,713		
Steam/Boiler Unit	Ord 12-33(A)(S)				16,667		
<b>2013 Budget</b>							
1/3 Vacuum Excavator							25,000
		<b>140,375</b>	<b>80,000</b>	<b>80,000</b>	<b>36,221</b>	<b>-</b>	<b>25,000</b>

**CITY OF HOMER  
2013 OPERATING BUDGET**

**Sewer Reserves**

**256 - 379**

Expenses thru 6/30/12

Acct #	Ord #	2010	2011	2012	2013
		Actual	Budget	Budget	Budget
		1,836,716	1,997,741	2,178,693	1,994,609
4992		250,000	250,000	100,000	100,000
	Ord 11-02(S)(A)			787	787
5xxx			(62,206)	(49,555)	
5990	Ord 10-14	(88,975)	(6,843)		
		1,997,741	2,178,693	2,229,925	2,095,396
				(235,316)	(365,000)
		<b>1,997,741</b>	<b>2,178,693</b>	<b>1,994,609</b>	<b>1,730,396</b>

**Expenditure Detail**

	Ord #	2010	2011	2012		2013	
		Actual	Budget	Actual	Budget	Actual	Budget
Aqua Tech Sewer Jet	Ord 06-61(S)						
Biosolid Treatment Feasibility Study			50,000	45,816			
Polymer Feed Equip Replacement	11-16(A)		35,000	7,390			
Dynapac Diesel Plate Compactor	ord 11-16(A)		10,000	9,000		21,925	
<b>2012 Budget</b>							
Frost Ripper Attachment (1/2)					2,750		
Beluga Lift Station Pump Replacement					20,000	18,538	
Campground Lift Station					9,500		
Siemens Mag Meter, Flow Meter & Totalizers					10,000		
Bock Oil Fired Water Heater					10,000		
Steam Sterilizer, Autoclave					10,999	9,092	
WWTP Odor Control Alternative					11,101		
WWTP Headworks Improvement Alternatives					17,967		
Polymer Equipment Replacement	Ord 12-02(A)				114,288		
Steamer Unit	Ord 12-09				9,092		
Badger Orion Meter	Ord 12-12				7,713		
Bald Mtn Air Sewer Service Replace	Ord 12-21				12,000		
Steam/Boiler Unit	Ord 12-33(A)(S)				16,667		
<b>2013 Budget</b>							
1/3 Vacuum Excavator							25,000
Beluga Lift Station							20,000
Odor Control/Bar Screen							250,000
Sewer Pipeline Inspection Equipment							10,000
Lift Stations SCADA Upgrade							60,000
		-	95,000	62,206	252,076	49,555	365,000

**City of Homer  
2013 Operating Budget**

**Fund 200**

**400 Water & 500 Sewer Fund Revenues**

	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>	<b>FY 2012 Adopted Budget</b>	<b>FY 2012 Amended Budget</b>	<b>FY 2013 Adopted Budget</b>	<b>Difference Between 2012 Amended &amp; 2013 Adopted Budget</b>	
<b>Water Revenue</b>							
<b>Operating Revenue:</b>							
4616 Metered Sales Residential	\$ 460,681	\$ 443,853	\$ 713,541	\$ 713,541	\$ 664,234		
4617 Metered Sales Commercial	1,154,757	1,230,033	932,560	932,560	1,107,241		
4618 Metered Sales Industrial	31,318	33,594	32,000	32,000	33,000		
4661 Connection Fees	14,813	15,516	15,000	15,000	15,000		
4662 Services & Meters	23,452	19,495	24,000	24,000	24,000		
<b>Total Operating Revenue</b>	<b>1,685,020</b>	<b>1,742,491</b>	<b>1,717,101</b>	<b>1,717,101</b>	<b>1,843,475</b>	<b>126,374</b>	<b>7.36%</b>
<b>Non- Operating Revenue</b>							
4801 Interest on Investments	4,566	4,668	5,000	5,000	5,000		
4802 Penalty & Interest (Utilities)	8,812	8,772	6,000	6,000	6,000		
4527 PERS Revenue	49,838	108,649	50,000	50,000	112,810		
4902 Other Revenue	147,493	12,371	-	-	-		
<b>Total Non-Operating Revenue</b>	<b>210,709</b>	<b>134,461</b>	<b>61,000</b>	<b>61,000</b>	<b>123,810</b>	<b>62,810</b>	<b>102.97%</b>
<b>Total Water Revenue</b>	<b>\$ 1,895,729</b>	<b>\$ 1,876,952</b>	<b>\$ 1,778,101</b>	<b>\$ 1,778,101</b>	<b>\$ 1,967,285</b>	<b>189,184</b>	<b>10.64%</b>
<b>Sewer Revenue</b>							
<b>Operating Revenue</b>							
4616 Metered Sales	634,165	600,522	953,785	953,785	824,821		
4617 Meter Sales Commercial	818,798	882,664	582,304	582,304	793,511		
4618 Meter sales Industrial	17,925	16,036	20,000	20,000	20,000		
4662 Services & Meters	9,609	5,220	13,000	13,000	6,000		
4701 RV Dump Station	2,924	3,010	3,000	3,000	3,000		
<b>Total Operating Revenue</b>	<b>1,483,423</b>	<b>1,507,452</b>	<b>1,572,089</b>	<b>1,572,089</b>	<b>1,647,332</b>	<b>75,243</b>	<b>4.79%</b>
<b>Total Sewer Revenue</b>	<b>\$ 1,483,423</b>	<b>\$ 1,507,452</b>	<b>\$ 1,572,089</b>	<b>\$ 1,572,089</b>	<b>\$ 1,647,332</b>	<b>75,243</b>	<b>4.79%</b>
<b>Operating Transfers</b>							
<b>Total Operating Revenue</b>	<b>\$ 3,168,443</b>	<b>\$ 3,249,942</b>	<b>\$ 3,289,190</b>	<b>\$ 3,289,190</b>	<b>\$ 3,490,807</b>		
<b>Total Non-Operating Revenue</b>	<b>\$ 210,709</b>	<b>\$ 134,461</b>	<b>\$ 61,000</b>	<b>\$ 61,000</b>	<b>\$ 123,810</b>		
<b>Total Water &amp; Sewer Revenue</b>	<b>\$ 3,379,152</b>	<b>\$ 3,384,403</b>	<b>\$ 3,350,190</b>	<b>\$ 3,350,190</b>	<b>\$ 3,614,617</b>	<b>264,427</b>	<b>7.89%</b>

**City of Homer  
2013 Operating Budget**

**FUND 200 WATER  
EXPENDITURE SUMMARY BY LINE ITEM**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2012 Amended Budget	FY 2013 Adopted Budget	Difference Between 2012 Amended & 2013 Adopted Budget	
<b>Salaries and Benefits</b>							
5101 Permanent Employees	509,706	504,172	516,317	516,317	526,291	9,974	1.93%
5102 Fringe Benefits	383,986	378,848	344,372	344,372	400,710	56,338	16.36%
5103 Part Time Employees	2,532	590	4,720	4,720	4,909	189	4.01%
5104 P/T Fringe Benefits	741	159	638	638	630	(8)	-1.21%
5105 Overtime	32,633	39,736	26,000	26,000	26,000	-	0.00%
5107 Part Time Overtime	2	-	-	-	-	-	0.00%
<b>Total Salaries and Benefits</b>	<b>929,599</b>	<b>923,505</b>	<b>892,047</b>	<b>892,047</b>	<b>958,539</b>	<b>\$ 66,493</b>	<b>7.45%</b>
<b>Maintenance and Operations</b>							
5201 Office Supplies	1,274	2,010	1,200	1,200	1,700	500	41.67%
5202 Operating Supplies	50,785	57,190	45,700	45,700	59,100	13,400	29.32%
5203 Fuel/Lube	34,490	49,307	36,000	36,000	51,000	15,000	41.67%
5204 Chemicals	43,714	122,401	32,000	32,000	100,000	68,000	212.50%
5207 Vehicle/Boat Maintenance	414	327	1,200	1,200	900	(300)	-25.00%
5208 Equipment Maintenance	15,203	16,994	42,500	42,500	38,750	(3,750)	-8.82%
5209 Building & Grounds Maintenance	12,088	2,628	12,500	12,500	10,500	(2,000)	-16.00%
5210 Professional & Spec Services	28,683	18,587	33,600	33,600	42,600	9,000	26.79%
5211 Accounting/Auditing	7,392	8,414	9,496	9,496	9,496	-	0.00%
5213 Survey/Appraisal	950	-	1,200	1,200	1,000	(200)	-16.67%
5214 Rents & Leases	394	-	2,000	2,000	-	(2,000)	-100.00%
5215 Communications	3,887	4,020	4,200	4,200	4,200	-	0.00%
5216 Postage/Freight	83	441	1,500	1,500	1,000	(500)	-33.33%
5217 Electricity	122,864	188,969	127,000	127,000	148,000	21,000	16.54%
5220 Refuse/Disposal	170	-	-	-	-	-	0.00%
5221 Property Insurance	12,243	13,088	13,444	13,444	14,750	1,306	9.71%
5222 Auto Insurance	11,808	11,033	11,439	11,439	11,473	34	0.30%
5223 Liability Insurance	19,274	14,996	17,777	17,777	11,670	(6,107)	-34.35%
5226 Testing/Analysis	19,009	17,024	16,000	16,000	16,000	-	0.00%
5227 Advertising	249	210	700	700	250	(450)	-64.29%
5231 Tools/Equipment	9,980	5,570	9,700	9,700	8,000	(1,700)	-17.53%
5234 Recording/Permit Fees	150	249	1,000	1,000	300	(700)	-70.00%
5235 Memberships/Dues	343	553	1,000	1,000	750	(250)	-25.00%
5236 Transportation	386	2,006	-	-	1,000	1,000	0.00%
5237 Subsistence	301	910	-	-	200	200	0.00%
5252 Credit Card Expense	24,712	25,699	15,000	15,000	15,000	-	0.00%
5261 Construction	6,072	59,463	-	-	-	-	0.00%
5602 Safety Equipment	1,508	1,863	2,000	2,000	1,500	(500)	-25.00%
5603 Employee Training	7,331	170	8,400	8,400	8,400	-	0.00%
5606 Bad Debt Expense	3,635	3,163	-	-	-	-	0.00%
<b>Total Maintenance &amp; Operations</b>	<b>439,390</b>	<b>627,285</b>	<b>446,556</b>	<b>446,556</b>	<b>557,539</b>	<b>110,983</b>	<b>24.85%</b>
<b>Capital Outlay, Transfers and Reserves</b>							
5990 Transfers To Reserves	250,000	250,000	100,000	100,000	100,000	-	0.00%
59901 Energy Projects - Repayment	-	-	-	12,864	12,864	0	0.00%
Leave Cash Out Bank Transfer	12,785	16,211	15,699	15,699	21,824	6,125	39.02%
<b>Total Capital Outlay, Transfers &amp; Rese</b>	<b>262,785</b>	<b>266,211</b>	<b>115,699</b>	<b>128,563</b>	<b>134,688</b>	<b>6,126</b>	<b>4.76%</b>
5607 Debt Payment	(909)	-	-	-	-	-	0.00%
5608 Interest Expense	1,354	523	-	-	-	-	0.00%
<b>Total Debt Service</b>	<b>445</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
5241 G/F Admin Services	195,392	200,968	226,432	226,432	241,203	14,771	6.52%
<b>Total Other Charges</b>	<b>195,392</b>	<b>200,968</b>	<b>226,432</b>	<b>226,432</b>	<b>241,203</b>	<b>14,771</b>	<b>6.52%</b>
<b>TOTAL</b>	<b>\$ 1,827,611</b>	<b>\$ 2,018,492</b>	<b>\$ 1,680,734</b>	<b>\$ 1,693,598</b>	<b>\$ 1,891,970</b>	<b>198,372</b>	<b>11.71%</b>

**City of Homer  
2013 Operating Budget**

**FUND 200 SEWER  
EXPENDITURE SUMMARY BY LINE ITEM**

		FY 2010	FY 2011	FY 2012	FY 2012	FY 2013	Difference Between 2012	
		Actual	Actual	Adopted	Amended	Adopted	Amended & 2013	
				Budget	Budget	Budget	Adopted Budget	
5101	Regular Employees	\$ 433,677	\$ 419,697	\$ 446,817	\$ 446,817	\$ 455,520	8,703	1.95%
5102	Fringe Benefits	323,334	323,441	299,072	299,072	343,869	44,798	14.98%
5103	Part Time Employees	3,419	590	7,080	7,080	7,364	284	4.01%
5104	P/T Fringe Benefits	1,329	159	956	956	945	(11)	-1.16%
5105	Overtime	23,618	22,406	14,500	14,500	14,500	-	0.00%
5107	Part Time Overtime	2	-	-	-	-	(46)	0.00%
<b>Total Salaries and Benefits</b>		<b>785,379</b>	<b>766,293</b>	<b>768,424</b>	<b>768,424</b>	<b>822,198</b>	<b>53,774</b>	<b>7.00%</b>
<b>Maintenance and Operations</b>								
5201	Office Supplies	105	1,143	-	-	1,000	1,000	0.00%
5202	Operating Supplies	23,324	26,022	26,800	26,800	27,800	1,000	3.73%
5203	Fuel/Lube	46,895	40,303	45,000	45,000	42,000	(3,000)	-6.67%
5204	Chemicals	29,654	76,390	25,000	25,000	25,000	-	0.00%
5207	Vehicle/Boat Maintenance	-	45	-	-	-	-	0.00%
5208	Equipment Maintenance	23,061	27,274	29,200	29,200	26,200	(3,000)	-10.27%
5209	Building & Grounds Maintenance	3,119	354	3,500	3,500	2,500	(1,000)	-28.57%
5210	Professional & Special Services	6,449	14,947	48,600	48,600	14,900	(33,700)	-69.34%
5211	Earnings before transfers	7,392	8,414	9,495	9,495	9,495	-	0.00%
5214	Rents & Leases	850	95	1,500	1,500	200	(1,300)	-86.67%
5215	Communications	75	-	4,500	4,500	500	(4,000)	-88.89%
5216	Postage/Freight	34	359	2,500	2,500	500	(2,000)	-80.00%
5217	Electricity	188,528	162,988	189,700	189,700	180,000	(9,700)	-5.11%
5218	Water	17,044	17,246	15,000	15,000	16,000	1,000	6.67%
5219	Sewer	598	661	900	900	750	(150)	-16.67%
5221	Property Insurance	12,262	7,743	7,719	7,719	8,433	713	9.24%
5222	Auto Insurance	11,808	11,033	11,439	11,439	11,473	34	0.30%
5223	Liability Insurance	18,311	13,805	17,447	17,447	11,582	(5,865)	-33.61%
5226	Testing/Analysis	3,300	5,729	4,000	4,000	4,000	-	0.00%
5227	Advertising	-	-	500	500	300	(200)	-40.00%
5231	Tools/Equipment	4,438	4,459	4,500	4,500	4,000	(500)	-11.11%
5232	Damage not covered by insurance	5,850	-	-	-	-	-	0.00%
5235	Memberships/Dues	1,926	515	1,500	1,500	750	(750)	-50.00%
5236	Transportation	124	276	-	-	450	450	0.00%
5237	Subsistence	375	892	-	-	150	150	0.00%
5252	Credit Card Expense	24,712	25,697	15,000	15,000	15,000	-	100.00%
5601	Clothing/Uniforms	470	313	250	250	400	150	60.00%
5602	Safety Equipment	1,592	1,451	1,500	1,500	1,950	450	30.00%
5603	Employee Training	1,892	986	4,000	4,000	9,000	5,000	125.00%
5606	Bad Debt Expense	980	2,137	-	-	2,500	2,500	0.00%
<b>Total Operations &amp; Maintenance</b>		<b>435,169</b>	<b>451,276</b>	<b>469,550</b>	<b>469,550</b>	<b>416,833</b>	<b>(52,717)</b>	<b>-11.23%</b>
<b>Capital Outlay, Transfers and Reserves</b>								
5990	Transfer to Reserves	250,000	250,000	100,000	100,000	100,000	-	0.00%
59901	Energy Projects - Repayment	-	-	-	20,618	20,618	0	0.00%
5106	Leave Cash Out Bank Transfer	18,064	20,412	20,093	20,093	25,574	5,481	27.28%
<b>Total Capital Outlay, Transfers and Reserves</b>		<b>268,064</b>	<b>270,412</b>	<b>120,093</b>	<b>140,711</b>	<b>146,192</b>	<b>5,481</b>	<b>3.90%</b>
5607	Debt Payment	(909)	-	-	-	-	-	0.00%
5608	Interest Expense	242	-	-	-	-	-	0.00%
<b>Total Debt Service</b>		<b>(667)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
524	G/F Admin Services	281,469	279,013	310,086	310,086	319,102	9,016	2.91%
<b>Total Other Charges</b>		<b>281,469</b>	<b>279,013</b>	<b>310,086</b>	<b>310,086</b>	<b>319,102</b>	<b>9,016</b>	<b>2.91%</b>
<b>Totals</b>		<b>\$ 1,769,414</b>	<b>\$ 1,766,994</b>	<b>\$ 1,668,154</b>	<b>\$ 1,688,771</b>	<b>\$ 1,704,325</b>	<b>15,554</b>	<b>0.92%</b>

CITY OF HOMER  
COUNCIL REPORT  
FOR THE 4 MONTHS ENDING APRIL 30, 2013

WATER / SEWER SPECIAL REVENUE

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	VARIANCE	PCNT
<u>WATER REVENUE</u>					
PERS REVENUE	.00	.00	112,810.00	112,810.00	.0%
METER SALES RES	223,957.44	223,957.44	664,234.00	440,276.56	34.0%
METER SALES COM	249,400.86	249,400.86	1,107,241.00	857,840.14	23.0%
METER SALE IND	7,366.54	7,366.54	33,000.00	25,633.46	22.0%
CONNECTION FEES	5,450.00	5,450.00	15,000.00	9,550.00	36.0%
SERVICE & METERS	4,033.63	4,033.63	24,000.00	19,966.37	17.0%
INTEREST INCOME	705.90	705.90	5,000.00	4,294.10	14.0%
PENALTY/INT	2,332.19	2,332.19	6,000.00	3,667.81	39.0%
	<u>493,246.56</u>	<u>493,246.56</u>	<u>1,967,285.00</u>	<u>1,474,038.44</u>	<u>25.0%</u>
<u>SEWER REVENUE</u>					
METER SALES RES	294,294.28	294,294.28	824,821.00	530,526.72	36.0%
METER SALES COM	181,799.56	181,799.56	793,511.00	611,711.44	23.0%
METER SALE IND	869.85	869.85	20,000.00	19,130.15	4.0%
SERVICE&METER	1,785.00	1,785.00	6,000.00	4,215.00	30.0%
RV DUMP STATION	.00	.00	3,000.00	3,000.00	.0%
	<u>478,748.69</u>	<u>478,748.69</u>	<u>1,647,332.00</u>	<u>1,168,583.31</u>	<u>29.0%</u>
	<u>971,995.25</u>	<u>971,995.25</u>	<u>3,614,617.00</u>	<u>2,642,621.75</u>	<u>27.0%</u>
<u>WATER EXPENDITURES</u>					
WATER SYSTEMS ADMINISTRATION	465,469.80	465,469.80	695,990.00	230,520.20	67.0%
TREATMENT PLANT	110,021.65	110,021.65	429,783.00	319,761.35	26.0%
TESTING	11,533.32	11,533.32	57,027.00	45,493.68	20.0%
PUMP STATIONS	31,102.60	31,102.60	99,313.00	68,210.40	31.0%
DISTRIBUTION SYSTEMS	88,849.20	88,849.20	309,299.00	220,449.80	29.0%
WATER RESERVOIR	18,941.29	18,941.29	72,389.00	53,447.71	26.0%
WATER METERS	29,235.28	29,235.28	136,407.00	107,171.72	21.0%
WATER HYDRANTS	27,256.67	27,256.67	91,761.00	64,504.33	30.0%
	<u>782,409.81</u>	<u>782,409.81</u>	<u>1,891,969.00</u>	<u>1,109,559.19</u>	<u>41.0%</u>
<u>SEWER EXPENDITURES</u>					
SEWER SYSTEMS ADMINISTRATION	583,295.19	583,295.19	771,137.00	187,841.81	76.0%
SEWER PLANT OPERATIONS	160,154.24	160,154.24	529,320.00	369,165.76	30.0%
SEWER SYSTEM TESTING	21,345.50	21,345.50	71,675.00	50,329.50	30.0%
SEWER LIFT STATIONS	52,592.83	52,592.83	181,914.00	129,321.17	29.0%
COLLECTION SYSTEM	44,804.33	44,804.33	150,279.00	105,474.67	30.0%
	<u>862,192.09</u>	<u>862,192.09</u>	<u>1,704,325.00</u>	<u>842,132.91</u>	<u>51.0%</u>

CITY OF HOMER  
 COUNCIL REPORT  
 FOR THE 4 MONTHS ENDING APRIL 30, 2013

{SEGTITLE[F FUND]}

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	VARIANCE	PCNT
	1,644,601.90	1,644,601.90	3,596,294.00	1,951,692.10	46.0%
NET REVENUE OVER EXPENDITURES	( 672,606.65)	( 672,606.65)	18,323.00	690,929.65	(3671.0)
TOTAL WATER, SEWER, HAWSP	( 672,606.65)	( 672,606.65)	18,323.00	690,929.65	(3671.0)

**CITY OF HOMER  
2013 OPERATING BUDGET**

**Water Reserves**

**256 - 378**

Expenses thru 6/30/12

Acct #		2010	2011	2012	2013
		Actual	Budget	Budget	Budget
	Beginning Balance	2,104,794	2,129,479	2,133,390	2,206,440
4992	Annual Transfer	250,000	250,000	100,000	100,000
	Adjustment to Reserves			(3,124)	
	Loan Repayment for Energy ProjeOrd 11-02(S)(A)			12,395	12,395
4801	Interest Income	4,035			
5990	Energy Fund	Ord 10-14 (88,975)	(166,089)		
5xxx	Expenditures	(140,375)	(80,000)	(14,092)	
	Subtotal	2,129,479	2,133,390	2,228,569	2,318,835
	Encumbered			(22,129)	(25,000)
	Ending Balance	2,129,479	2,133,390	2,206,440	2,293,835

**Expenditure Detail**

	Ord #	2010	2011	2012	2013	
		Actual	Budget	Actual	Budget	Actual
Water Main Line Tapping Tool	Bud					
Watershed Land	09-08(A)					
Watershed Land		140,375				
Used Allman Light Tower	11-16(A)		10,000	10,000		
Land - Nancy Hillstrand	11-38		70,000	70,000		
<b>2012 Budget</b>						
Frost Ripper Attachment (1/2)				2,750		
Steamer Unit	Ord 12-09			9,092		
Badger Orion Meter	Ord 12-12			7,713		
Steam/Boiler Unit	Ord 12-33(A)(S)			16,667		
<b>2013 Budget</b>						
1/3 Vacuum Excavator						25,000
		<b>140,375</b>	<b>80,000</b>	<b>80,000</b>	<b>36,221</b>	<b>- 25,000</b>

**CITY OF HOMER  
2013 OPERATING BUDGET**

**Sewer Reserves**

256 - 379

Expenses thru 6/30/12

Acct #	Ord #	2010	2011	2012	2013
		Actual	Budget	Budget	Budget
		1,836,716	1,997,741	2,178,693	1,994,609
4992		250,000	250,000	100,000	100,000
	Ord 11-02(S)(A)			787	787
5xxx			(62,206)	(49,555)	
5990	Ord 10-14	(88,975)	(6,843)		
		1,997,741	2,178,693	2,229,925	2,095,396
				(235,316)	(365,000)
		<b>1,997,741</b>	<b>2,178,693</b>	<b>1,994,609</b>	<b>1,730,396</b>

**Expenditure Detail**

	Ord #	2010	2011	2012		2013	
		Actual	Budget	Actual	Budget	Actual	Budget
Aqua Tech Sewer Jet	Ord 06-61(S)						
Biosolid Treatment Feasibility Study			50,000	45,816			
Polymer Feed Equip Replacement	11-16(A)		35,000	7,390		21,925	
Dynapac Diesel Plate Compactor	ord 11-16(A)		10,000	9,000			
<b>2012 Budget</b>							
Frost Ripper Attachment (1/2)					2,750		
Beluga Lift Station Pump Replacement					20,000	18,538	
Campground Lift Station					9,500		
Siemens Mag Meter, Flow Meter & Totalizers					10,000		
Bock Oil Fired Water Heater					10,000		
Steam Sterilizer, Autoclave					10,999	9,092	
WWTP Odor Control Alternative					11,101		
WWTP Headworks Improvement Alternatives					17,967		
Polymer Equipment Replacement	Ord 12-02(A)				114,288		
Steamer Unit	Ord 12-09				9,092		
Badger Orion Meter	Ord 12-12				7,713		
Bald Mtn Air Sewer Service Replace	Ord 12-21				12,000		
Steam/Boiler Unit	Ord 12-33(A)(S)				16,667		
<b>2013 Budget</b>							
1/3 Vacuum Excavator						25,000	
Beluga Lift Station						20,000	
Odor Control/Bar Screen						250,000	
Sewer Pipeline Inspection Equipment						10,000	
Lift Stations SCADA Upgrade						60,000	
		-	95,000	62,206	252,076	49,555	365,000
							-

## WATER AND SEWER FEES:

(The following fees have been set by the following legislative enactment HCC Title 14, new fees set forth in Ordinance 11-43, Resolution 11-062(A), Resolution 09-47(S)(A), Resolution 09-48(S)(A), Resolution 07-119 (A), Resolution 07-120(A), Ordinance 06-62(A), Resolution 06-04, Resolution 05-125, Resolution 05-122, Resolution 05-121(A), Resolution 05-09, Resolution 04-95, Resolution 04-94(S)(A), Resolution 03-159, Resolution 02-80, Resolution 01-80(A), Resolution 00-123, Resolution 00-34, Ordinance 00-02, Ordinance 97-17(A), amending the rates set forth in Ordinance 97-5(S)(A), with amendments by Ordinance 97-7, Ordinance 97-13 and Ordinance 97-14).

Public Works - 235-3170  
City Hall - 235-8121  
Billing - 235-8121 x2240

A 15% admin. fee for replacement parts for water/sewer services, functions, pressure reducing valves, sewer saddles, any Public Works Department stock item for resale to public.

Establishing service includes a one time disconnect - \$30  
Service calls, inspections, repairs not to exceed one hour - \$25 per employee plus equipment and materials.

Service calls, inspections and repairs during normal operating hours in excess of one hour labor: actual labor costs by City plus equipment and materials.

Service calls, inspections and repairs after normal operating hours or on weekends/holidays: \$50 minimum plus equipment and materials or actual cost incurred by City, whichever is greater.

## 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

Seasonal monthly sewer customer charge will be \$10.00 or one half off the regular monthly customer charge.

\*-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.

Sewer System Residential or Residential Equivalent Dischargers Who Are Not Water System Users:

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

Sewer System Dischargers Who Are Members of Kachemak City LID:

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

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

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

Seasonal Sewer Meter Fee is \$211.97.

**WATER FEES:**

Water Connection Fee

Single Family/Duplex \$300

Multi-Family/Commercial/Industrial \$375

Water Rate Schedule.

All water utility services shall be billed according to the following schedule. This schedule is for monthly water service 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	\$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
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Seasonal monthly water customer charge will be \$12.50 or one half off the regular monthly customer charge.

\*-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.

Meter Size Deposits.

<u>Size (inches)</u>	<u>Residential Users</u>	<u>Nonresidential Users</u>
5/8	\$75.00	\$220.00
3/4	\$80.00	\$230.00
1	\$90.00	\$250.00
1-1/2	\$115.00	\$310.00
2	\$150.00	\$370.00
3	\$220.00	\$525.00
4	\$310.00	\$730.00
6	\$520.00	\$1,225.00

\$750 meter deposit shall apply to metered fire hydrant connections. The deposit will be returned when the meter is returned undamaged. This deposit may be waived upon the recommendation of the Public Works Superintendent.

If a bulk water customer purchases a meter from the City for measuring the quantity of water purchased, it shall be exempt from the monthly meter service charge. It is the responsibility of the bulk water customer to maintain that meter so the City can accurately determine the amount of water being purchased. In the event the meter fails, it is the bulk water customer's responsibility, at its expense, to repair it or purchase a replacement meter from the City. The City may at any time test the meter for accuracy.

**RESIDENTIAL HOLDING TANK FEES**

(Resolution 02-23)

City of Homer will bill property owner/customer monthly for City service, not pumping contractor charge.

Each property owner/customer will be billed once each month, regardless of number of pumping, 1[one] Customer Charge \$3.98 + 1 [one] General Service Charge \$16.95 + Commodity Charge [\$12.00 per pumping]

Property owner/customer is responsible for payment to pumping contractor.

City of Homer monthly billing examples based on number of pumping per month:

<u>Type of Charge</u>	<u>No Pumping</u>	<u>1 mo.Pumping</u>	<u>3 mo. Pumping</u>
Customer Charge	\$3.98	\$3.98	\$3.98

Gen. Svs. Charge	\$16.95	\$16.95	\$16.95
Commodity Charge	\$0	\$12.00	\$36.00
Total Monthly Bill	\$20.93	\$32.93	\$56.93

**Jo Johnson**

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**From:** Larry Slone <larryslone222@yahoo.com>  
**Sent:** Friday, May 24, 2013 12:53 PM  
**To:** Jo Johnson  
**Subject:** Res 13-048, next council meeting

To Homer City Councilmembers  
ref: Resolution 13-048  
May 24, 2013

I support approval of Resolution 13-048, amending the water/sewer rate schedule.  
Larry Slone

**Jo Johnson**

---

**From:** Larry Slone <larryslone222@yahoo.com>  
**Sent:** Sunday, May 26, 2013 11:35 PM  
**To:** Jo Johnson  
**Subject:** Info for May 27th city council meeting

to: Homer City Council  
for May 27th council meeting  
from: Larry Slone

1. I support Resolution 13-056, making available 10,000 feet of NW corner of Pier One lot for non-profits at a discount.
2. I support Resolution 13-053, providing a small plaque at Karen Hornaday Park in honor of Mae Harrington.
3. I stongly support Resolution 13-048, modifying the Water/Sewer Fee Schedule.

Below are my examples of water/sewer fees changes, current schedule versus proposed Rate Model (taxes NOT included):

- a. Residential @ 1,000 gals/month: \$60/month vs. \$42/month
- b. Residential, no Lift-Station, @ 3,500 gals/month: \$95 vs. \$102
- c. Residential, with Lift-Station, @ 3,500 gals/month: \$95 vs. \$112
- d. Multiplex (Residential), no Lift-Station, with 4 units @ 15,000 gals/month: \$396 vs. \$380
- e. Multiplex (Residential), using Lift-Station, with 4 units @ 15,000 gals/month. Current: \$396 vs. \$425
- f. Commercial with Lift-Station and Kitchen using 50,000 gals/month: \$1247 vs. \$1383
- g. Bulk (no Lift-Station) using 100,000 gals/month: \$1295 vs. \$1500

Note 1: Bulk does not directly contribute to the cost of maintaining the sewer portion of the system.

Note 2: Fire protection benefits all, but the cost is currently borne only by water/sewer subscribers.

Larry Slone

# KACHEMAK CITY, ALASKA

P.O. BOX 958, (VIA) HOMER, ALASKA 99603

PH. (907) 235-8897 FAX (907)235-8854

kachemak@xyz.net

April 29, 2013

Dear Walt and Homer City Council Members:

I have reviewed the water and sewer rate review model and recommendations. First, let me say that I think the committee has done a remarkable job overall in getting back to a rate model mostly free of politics and based on a "cost causer-cost payer" basis.

I would, however, note that the proposal, relative to Kachemak City users, represents a 19.63% increase which is significant.

The increase in cost due to changing the accounting for lift station use and maintenance which directly affects nearly all Kachemak City residents is acceptable. The \$5.00 customer tenant fee which represents 40% of our increase seems hard to justify in our case. There are few if any apartments in Kachemak City. Other than a couple of duplexes and since most "connections" are single family residences and due to our system using septic tanks, virtually no solids enter the system from our area. The solids, which appear to be the rationale for the apartment surcharge are collected every three years at an additional cost of \$279 which we exclusively pay in our monthly septic pumping charge of \$7.75. The addition of the tenant fee appears to me to be double charging and inappropriate for those using the Kachemak City system. Other than this anomaly we support the excellent work of the committee and will continue to pay our fair share of the additional costs.

Thank you very much for your thoughtful consideration of our position on this matter. Recall that our position has always been one of a partner and our desire to be treated as any other customer:

Sincerely,



Philemon D. Morris

Mayor.

# Land's End

To: Homer City Council  
Fr: Josh Garvey, Land's End Resort  
Re: Water and Sewer Task Force, Proposed Rate Model  
Date: June 4, 2013

Dear City Council:

I would like to petition you to reconsider the proposed water and sewer rate model, because of the detrimental economical affects it will have on the closely tied together business and residential community here in Homer.

Having lived here all my life it has always saddened me that our city leadership has not been able to develop more employment opportunities and create a more stable economy to attract and retain those individuals and families that would love to make Homer their permanent home. I've heard the same old story hundreds of times where a young family will move to Homer and fall in love with our community, only to find out that there is no steady work for them and they simply can't afford to live here. After a couple years of forming relationships, getting involved in the community, and contributing greatly to our quality of life, they realize that they just can't make the finances work, so they finally have to give up and move away to find other cities with more prosperous employment opportunities. This is especially prevalent in my age group of younger families that are 25-35 years old. People don't care nearly as much about their utility bill as they do about whether they have a job and can count on getting a steady paycheck.

It really resonated with me when I first heard the task force talking about the city's need to "infill" and attract more people to Homer in order to spread out the cost of our large, expensive, and underutilized water and sewer system. I thought for sure that the task force would be devising some great plan to attract more people to Homer and encourage more development in our community. So you can imagine my disappointment when I heard them propose a rate model that would increase the cost of service to businesses and actually discourage future business development and investment in our community. How can we in one breath say that we want to grow our population base and in the next present a plan that will actively seek to destroy jobs and lead to people abandoning our community for work elsewhere? People won't leave Homer because their water bill goes up \$10, but they will move if one of their wage earners is laid off for the winter because the company they work for can't afford the rising costs of doing business.

As the CFO of Land's End Resort I hold a Bachelors degree in both Business Management and Economics, as well as a Masters degree in Accounting and Finance. Because of my education and experience, my company relies heavily on me to make recommendations about profitability and return on investment

scenarios. There are several reasons why I cannot support the implementation of the newly proposed rate model:

- 1) The new rate model offers no sustainable incentive or savings for resource conservation
- 2) The new rate model over burdens business operations to the point of making it even more unprofitable to operate during the off-season months
- 3) The administrative overhead that the new rate model seeks to fund is applied arbitrarily, without sufficient oversight, and is poorly managed
- 4) The new rate model is too complex and needs more disclosure, transparency, and discussion before any implementation occurs

### **Conservation & Savings**

In light of this new rate proposal, I cannot recommend that my company continue to invest in conservation measures and other facility improvements since any savings are simply too short-lived. The proposed rate model does NOT promote or reward conservation. Here's the entire summary devoted to this subject by the task force (page 5):

***"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)."***

The problem is that the city can't reduce expenses when demand drops. Conservation works against the interests of the city!

Several years ago, this task force decided the way to increase revenue was to increase the commodity rate and eliminate differential rates for Homer Spit. The goals then were to simplify the rate structure, create a level playing field and encourage conservation. At the time, the council was warned: "You cannot conserve your way out of a revenue problem" and the same is true today.

Land's End spent thousands on low gallon toilets, shower heads and sink valves. We acted responsibly, and instead of a reward that would amortize our investment, the goal post was moved. Rates went up—as did our total annual costs.

The simple fact is the city does not want conservation; they admit that in order to satisfy an ever-increasing need for more money, they need more USERS and more volume. Until this council figures out how to lower costs, as soon as consumption goes down, rates will need to go up in order to meet the revenue demand.

The task force recommendation of a 6% adjustment in usage from conservation is proof enough that:

- a) The task believes it's rates are so high they will discourage demand by 6%---the opposite of what it should be doing; and

b) That conservation (lower usage) is simply offset with increased commodity rates.

### **Operational Profitability**

Furthermore, I cannot recommend that my company continue to operate at the same level as we have in the past during our already unprofitable off-season months due to our rising costs. For a large user, Homer's water and sewer rates are far beyond any reasonable comparison. The current rates are overly burdensome enough when compared with any other like community. Here in Homer, Land's End pays four times more than the exact same property and usage would pay in Kenai—and more than triple what it would pay in Palmer, Kodiak or Sitka. This translates to roughly five lost jobs.

In many ways, Land's End reflects this council's commitment to serving the business community. We're local. We invest in the community; 100% of our revenue circulates here. And yet, we find that our competitive position is hindered by high costs such as those proposed.

Attached Exhibit A makes apples-to-apples comparisons between Homer and other Alaskan communities.

This information shows the reality faced by local businesses. Task Force members stated that "other communities are not fully compliant and are on the verge of increasing their rates." This argument is completely irresponsible, since it amounts to heresay and does nothing to address the real problem.

The proposed rate increases are nothing short of anti-business politics designed to stunt growth, discourage "infilling," and deprive this community of any long term opportunity to develop a flourishing and vibrant economy that would actually be able to effectively sustain our enormously expensive and greatly underutilized water treatment system.

### **Administrative Overhead**

As the CFO of Land's End I realize how overhead can affect things radically, and how important it is to base allocations on facts and real labor effort, and apportion them fairly so you know what's making money and what isn't. Yet at the city level our administrative overhead is applied in an arbitrary and capricious manner. The most expensive component of our water system—administrative overhead—is poorly managed.

When asked how overhead is determined, the answer from the task force was: "The finance director develops the percentage and it's then inserted as part of the budget process."

One person adjusts the number to make the budget balance, depending on how much money needs to be wrung from the enterprise fund. No council member has the information to challenge this number and so they never do, and the process is arbitrary. Does Homer impose disproportionately higher overhead costs to water & sewer administration (indirect, non-depreciation costs) than other communities and if so, what is the justification for it?

The answer is "yes" and yet there appears to be little justification for it in the public record. The city does not track administrative time spent on each revenue center, and the allocation of administrative overhead applied to the Water & Sewer Fund is never brought to the council and voted on as a number to be justified—a percentage based on reasonably supported facts. We need transparency so the true costs and sustainability of our current system can be analyzed.

### **Complexity, Disclosure, and Transparency**

Finally, I cannot support this proposed rate model as it is too complex and difficult to understand, especially when compared to the rate structures used in other similar communities. It's also too hard for the average citizen to get good solid info when trying to evaluate the rate model's assumptions and analyze its overall impact. The Council has made progress on simplifying the rate model and making it more transparent, but not nearly enough yet.

There also appears to be discrepancies between the rate model and the city budget. The draft rate model uses \$3,570,544 in total revenue versus \$3,350,190 in the current city budget. There is no explanation for this revenue in excess of the budget.

### **Closing Remarks**

With this proposed rate model on the table I cannot in good faith recommend that my company continue to invest in conservation projects that generate local work opportunities for contractors, or to maintain the same year-round operational plan that sustains much of our workforce through the Homer's difficult off-season months. This proposed rate plan will ERODE investment and job opportunity throughout our community and will exacerbate our water & sewer system's "infill" and budgetary problems even more. I urge the Council to slow down and take more time to fully investigate the ramifications of such a rate model. Independent firms that are experts in utility rate management should be consulted, the public should be given more time to examine the rate model and discuss its long term impact, and the entire philosophy and concept of how we fund and allocate the City's administrative overhead needs to be reevaluated. If the City really wants to see Homer grow and develop to the point of being able to effectively fund our water treatment system, then they have to maintain their commitment to show the State that Homer is "open for business." This proposed rate model sends the message loud and clear that our city officials are anti-business and that the City of Homer itself is closed to business development.

Sincerely,

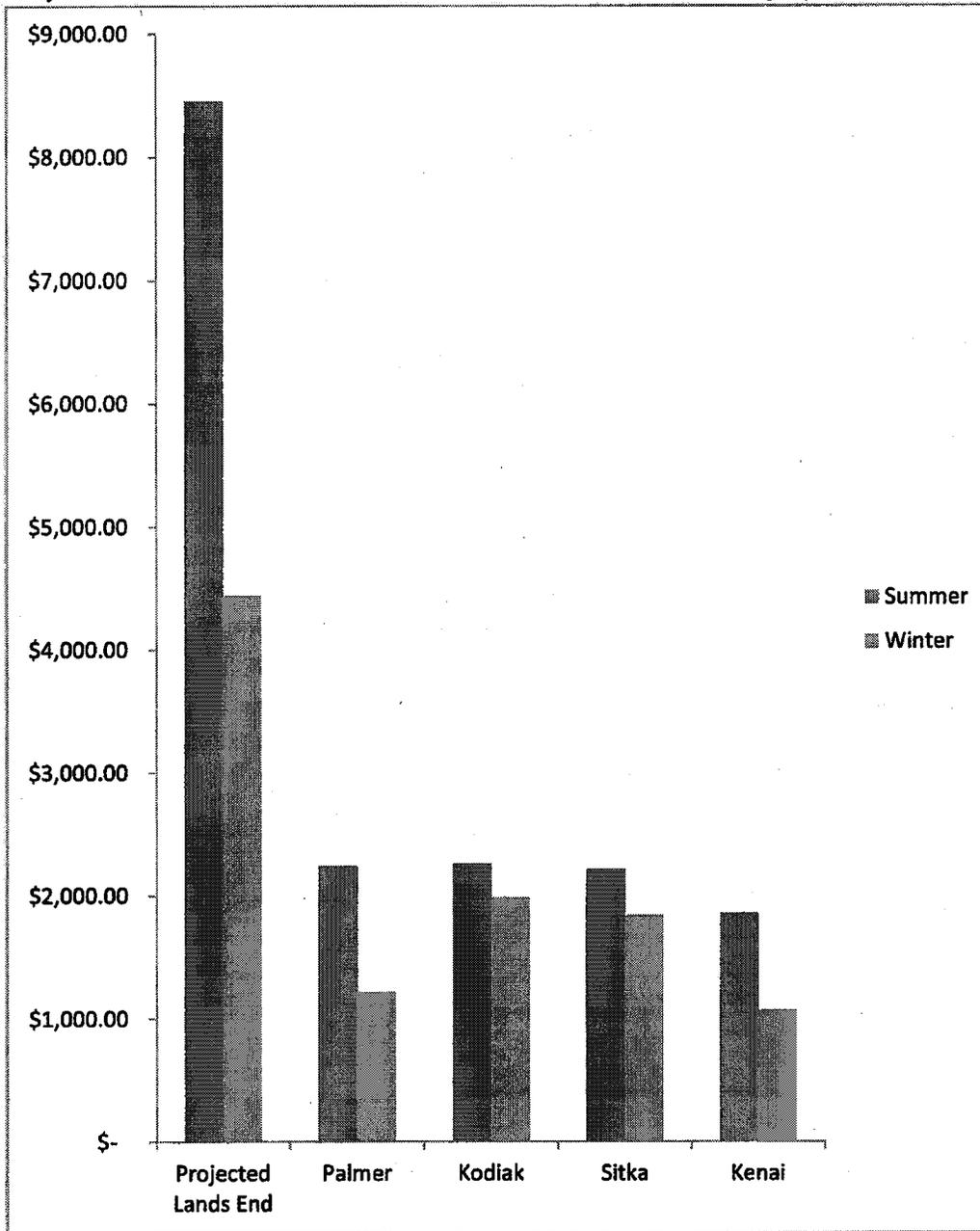


Josh Garvey – Land's End Resort  
907-299-4577

## Exhibit A

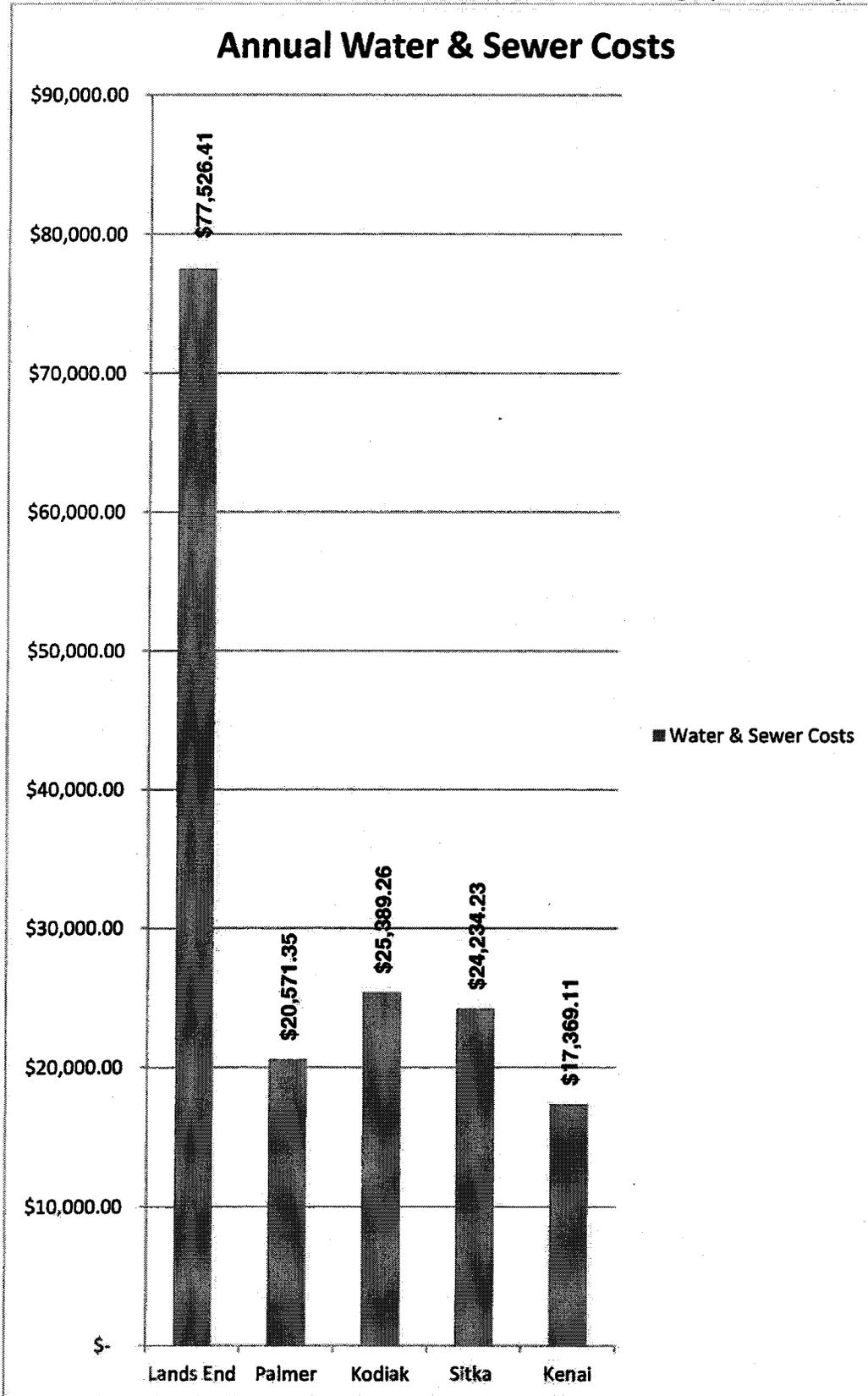
### Water and Sewer Rates: A Comparative Study

Projected water & sewer costs based on actual Land's End usage (monthly average for summer & winter)



	Summer Months	Winter Months
Projected Lands End	\$8,453.51	\$4,440.00
Palmer	\$2,239.91	\$1,219.52
Kodiak	\$2,254.62	\$1,985.08
Sitka	\$2,212.53	\$1,837.84
Kenai	\$1,854.04	\$1,064.69

Projected water & sewer costs based on actual Land's End usage (annualized)





June 4, 2013

To: Homer City Council  
From: Mike Dye, CEO  
Land's End Acquisition Corporation  
Re: Rate Model Proposed by Water and Sewer Task Force

Dear City Council:

**Beware of the Rhetoric:**

I urge you all to review critically the rhetoric that has dominated the discussions at the task force meetings.

First, proponents of this rate model love to tout this model as “free of politics” because it seems no one has been bullied or coerced by big business. Instead, this model lowers fixed monthly fees by 45% for residential customers and, as one council member pointed out, benefits the decision makers and 80% of the people who vote to elect you. The task force admits under “Criteria For Evaluating Solutions” that it was public complaints and the “perception of unfairly allocating costs” --not flawed logic--that prompted this effort. How is this not political; it's only when business interests are driving for change that “politics” is in play? This rate model places individual businesses at risk—both politically in the future, and economically immediately.

Second, proponents tout the seemingly unimpeachable policy of “cost causer, cost payer”. If you use it, you pay for it, and everyone pays the same! Please do not fall for this rhetoric because it's deceptive. Look deeper into the facts, such as the following statement by the task force.

***“By distributing the administrative costs of billing between all customers and then charging the same rate per delivered gallon of water...no customer is subsidizing the use of another customer...Customers are merely being charged for the service they are receiving.”***

Is this really true? What are the facts?

High volume users pay proportionately MORE of city overhead, but in reality cost the city LESS to administer. In other words, cost causers are NOT the cost payers. Under the proposed new model, high volume commercial businesses subsidize others. Here's the math:

Land's End consumed 2,827,100 gallons in 2012—equivalent to 94 customers using 2,500 gallons per month. The City allocates \$775,192 in accounting overhead to the system, which services 1,472 meters. If each cost causer is deemed to cost the city the same amount every month for accounting and billing (logical and easily proven) then each cost causer should pay \$526.62 a year (or \$43.88/month). Instead,

the task force proposes that volume users subsidize residential users by lowering their overhead cost to \$18/mo—costing the system a whopping \$457,144 a year! Meanwhile, under this new model, the overhead costs are shifted to high volume users such as Land's End, which pays 2.42% of overhead, or \$18,745 a year-- \$1,562 per month!

Coincidentally, residential customers now pay about \$44/mo---precisely because it was deemed fair the last time the task force decided what was "fair and equitable". So ask yourself, what's changed?

For every \$1 per month the city fails to charge each residential customer for overhead, it costs the system \$17,664 per year!

If you're still skeptical, consider this: If the high volume users ARE NOT subsidizing the system, then having them drop off the system entirely would NOT have a disproportionately larger effect on remaining users than having the equivalent volume of water in RESIDENTIAL customers drop off the system. But this is NOT the case. Do the math!

#### **Disproportionate Impacts:**

Under the heading "Disproportionate Impacts", the Task Force concluded:

***"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 its impact."***

The Task Force makes no effort to quantify this cost, but recognizes that it is substantial. They make little effort to identify the "cost causers". Instead, they simply call it a system-wide cost. Who then pays for it? Just like "overhead", the high volume users pay a disproportionately larger share of this cost—for no justifiable reason since it has nothing to do with "Cost Causers".

The costs of hydrant flushing is another significant "cost causer" that is passed along disproportionately to high volume users in this new model, and not to the specific beneficiaries of the hydrants. City Spit Lessees, "cost causers"—who the city permits to run a business without paying anything into the system, also disproportionately impact "cost payers".

The 6.5% "commodity reduction due to conservation" is a roughly \$90,000 hidden assessment on volume users. It cost Land's End about \$2,177 a year, whereas a typical 3,000 gpm customer pays about \$27.72 ( $36,000/116,875,000 \times 90,000$ ). One task force member thinks this is fair, and promotes a plan to fund depreciation through a similar "surcharge", reasoning that high volume users stand to gain the most from an expanded system. (On this point, he conveniently moves away from cost-causer rationale to a "who benefits" argument).

This "conservation surcharge" is arbitrary, and proves two things: conservation is not rewarded (those in a position to conserve the most are whacked by higher rates the following year), and high volume users pay once again a disproportionate share of this "slush fund" which is used to finance and pay for such things as new vehicles (fund transfers).

This model touts itself as “fair” through rhetoric, not facts. “Cost Causer, Cost Payer” sells well to the electorate, but there are too many exceptions and “loopholes” to make it a fair or factual representation of what’s really going on.

#### **Lack of Public Mandate**

LEAC attended five task force hearings, none of which contained a quorum, and at which cumulatively only one other person (Larry Sloan) commented on the proposed rate model. There is no testimony on record to justify this radical change. Furthermore, I assert that a very significant majority of the general public does not even understand the radical changes proposed in this rate model.

#### **Arbitrary Excess Revenue Collection from High Volume Users**

A significant drop in commodity usage should translate to lower overall system costs, but not here. Furthermore, the proposed 6% drop in expected usage is arbitrary—an admitted WAG resulting in a “cushion” of excess revenue. This might be justified if collected from everyone equally. But your model raises the commodity rate to absorb 100% of this “slush fund”, so large volume users once again pay disproportionately more. This “surcharge” has nothing to do with the costs of delivering water. As a common “reserve”, it should be collected from everyone equally, and refunded accordingly.

#### **Homer Spit Pays Its Way**

Analysis of the draft rate model indicates that “spit” users are projected to discharge 7,225,000 gallons per year; the total for the entire City of Homer system is projected at \$125,000,000. The “Spit” users represent 7.2% of the total usage, or 6.2% of the Adjusted Discharge gallons (\$99,600,000) after adjusting for conservation, and the adjustment line labeled “metered spit without entering treatment line.”

The total sewer revenue requirement for 2014 is budgeted at \$1,680,279 less \$53,160 from KC Tenant customer fees and \$81,270 for Kachemak City equals \$1,546,249. 6.2% of \$1,546,249 equals \$95,867. If “Spit” users are not singled-out unnecessarily, and charged the same rate of 1.4 cents per gallon like city residential users, then fees would total \$101,150—exceeding the \$95,867 required.

If 50% of the “Spit” sewer discharge is High BOD (1.83 cents) discharge and 50% is not (1.4 cents) then the average “Spit” gallon price would approximate 1.61 cents which would yield \$116,322 which far exceeds the \$95,867 required. This scenario assumes that the City does not increase the “Spit” rate to 2.7 cents per gallon and maintains a level playing field for “Spit” and “non-Spit” users.

There is no need for singling out the “Spit” users, and furthermore there is no need for a high BOD rate.

#### **Executive Summary**

The Homer City Council needs to demonstrate solid leadership at this critical time and make the difficult decision to terminate this proposed rate model. As business or civic leaders, we all occasionally find ourselves in a position of having invested significant time, resources and energy in a project that is

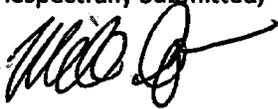
fraught with pitfalls, risk, and insufficient return. Making the correct decision to write-off a bad investment is often the most critical action a successful leader can take.

After terminating this plan, I urge the Council to invest in a review of the City's budget and gain an improved assessment of the need for modifying the rate model both in terms of the City budget, and in terms of the fairness of the current model. Is this water and sewer fund being asked to cover general fund expenses or expenses outside of water and sewer operations? What is unfair about the current rate model?

If the City Council then finds that a new rate model should be pursued then please engage professionals who are trained in water and sewer rate modeling. I assume that when approaching dock repairs, building repairs, etc. on a large public project involving \$1,000,000 + that the City Council ensures that the contractor is qualified – if for no other reason than to mitigate its risk if the project fails, incurs major cost overruns, or has the perception of not meeting the standard.

This rate model process is far too incomplete. There are too many cost areas unaccounted for, or swept under the rug, too many questions unanswered or answered with rhetoric that one moment focuses on the cost causer, and then the next moment shifts towards the beneficiary. Trained rate modelers have the tools to dig further and understand the underpinnings of varied rate model approaches, and just as important they have the time to dig rather than fall back to rhetoric because it is their profession and they are being paid for their efforts. There are too many jobs at stake to take the quick and dirty approach.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Mike Dye", with a long horizontal stroke extending to the right.

Mike Dye,

Land's End Acquisition Corporation

907.399.8118

To: Homer City Council  
Fr: Jon Faulkner, President, Land's End  
Re: Water and Sewer Task Force, Proposed Rate Model  
Date: June 4, 2013

Dear City Council:

Nothing that follows is intended to be critical; it's a business perspective which is solely lacking in Homer. It was noticeably missing from the Water & Sewer Task Force.

Until this council address the core problem of allocated overhead, a heavy and unjustified burden will continue to fall on businesses and high volume users, eroding job creation and the health of our local economy.

#### **Executive Summary**

The concept of "cost-causer—cost payer" has merit, although more time is required to realize its promise—and its effects.

This "Spit Differential" was initially a bold attempt to shift lift station costs onto volume users under a poorly supported pretense of "cost-causer, cost payer". In truth, very little attention has been paid to identification of significant and proven sources of cost to the system—let alone who is responsible for generating them. As evidence of this, until Land's End complained in February, 2013, the task force didn't even consider the idea of charging everyone on a lift station; its 11/20/12 rate model charged off fully 86% of 50% of all lift station costs city-wide just to Spit users! Almost ½ the total cost of lift station maintenance in line item 503 "Sewer Pumps and Lift Stations"—about \$60,000—is fringe benefits and PERS revenue offset alone. These costs are not attributable just to lift-station users, let alone Spit businesses!

Until better data is obtained, I urge you to maintain the current rate structure. In the meantime, any perceived unfairness in the current rate structure should be thoroughly and openly vetted. Broad, unsupported "assumptions", such as the added burden to the system of sprinklered buildings and what constitutes high BOD, need "findings of fact" and documentation to support them. Similarly, the true cost of lift stations needs more analysis. Any relief sought by residential customers should NOT be shifted to businesses and high volume users, as proposed, but rather through re-calculation of overhead or transfers from the general fund.

Bottom line: the council needs more time to gather facts relating to "cost-causers" and to apportion those costs in a manner that is fact-based and sustainable.

## History

While the Task Force should be recognized for their effort, their findings should be questioned by the council. The complexity of this work suggests that professionals are required, who follow more defined policy objectives from the council. There are solid reasons for this:

- a) **Consistency in the present:** Presently, the task force recommended model of “cost-causer, cost payer” runs counter to the adopted policy of the city administration and council with respect to the gas distribution model, which favors a framework of “we’re all in this together”, and purposely avoids itemizing cost / benefit differentials.
- b) **Consistency with the past:** The council should act consistently over time and not keep “second guessing” every prior decision about what is fair and equitable. Homer’s water and sewer rate history is NOT one of stability and minor adjustment. It is 20 years of radical shifts from one extreme to another, from one rate model to another, penalizing developers and investors who have made decisions based on one set of circumstances only to see them change on a whim. Every new model purports to correct an injustice, and this proposed model is no different. What was fair just a few years ago is now deemed too expensive by some. We need to spend less time debating what is fair and more time making our system more affordable!
- c) **Consistency within the model itself.** The Task Force recommends a new “cost causer, cost payer” framework. However, there are more examples of INCONSISTENCIES within their model—i.e. instances where their framework is NOT applied---than there are examples of where it IS consistent and IS applied.

## Sustainability

A sustainable model regenerates itself year after year without new energy injection-absorbing changes along the way as they can be assimilated without negative disruption. We talk a lot about the sustainability of our planet, and not enough about the sustainability of our budgets.

Not only should we avoid models that require ever-increasing amounts of revenue, we should build into our municipal models the ability to downsize. Things change, and sustainable models adapt to change as the ONE CONSTANT we all face. It is a reality that businesses must face and respond to. If we overbuilt our system, that is no reason to overburden volume users.

The idea of what is fair should also be a sustainable concept, not something subject to constant flux. Here’s a statement by the task force that I find on-point:

***“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-complexes using a single meter.”***

The first problem is that the Task Force does not make any effort to justify its concept of fairness by itemizing precisely what the “additional costs” are they want to recover. In other words, they do not

support their assumptions. As cost-causers are singled out by the council, findings of fact that reasonably support these conclusions need to be made in order to build credibility and stability. For example, is it really true that fire sprinklers require the city to increase the size of its supply lines? If this is true, what is the real cost? Furthermore, does it make sense to penalize a home or business for having sprinklers when the Borough offers tax exemptions for the same improvement? Don't we want to encourage residential sprinklers? The Task Force needs to explain to the public precisely how a multi-plex building using a single meter adds to the city's costs.

The second problem is the logic itself is not sustainable. For example, do businesses which can prove their burden on the system is LESS than normal, or that the business actually LOWERS the costs to others, deserve a break? Similarly, are there examples of people whose burden on the system is "beyond normal" or "creates additional costs" who are charged NOTHING at all? Is the Task Force recommending all these people pay-up, or just some?

Be aware of sweeping "fairness" statements. They often sound good, but fail the fact-check test.

#### **More Time is Needed to Gather Facts:**

The Task Force has inadequate information relative to the lift station costs and who on the system it will affect. Although this idea has merit, the city has only recently began to track such costs by individual lift station and needs more time to gather data and notify residents of this new assessment. Compare the cost of Kachemak City's lift station to other lift stations and ask yourself: does this cost sound realistic?

The most expensive lift station is Beluga Lake at roughly \$25,000 in direct cost in 2012. This lift station services Kachemak Drive, Ocean Drive, the Airport, the Landings, and the subdivision west of Beluga Lake Lodge. Until Land's End questioned the Task Force about why their "cost causer" model failed to consider others on this lift station, this important data was missing entirely from the dialogue.

The same is true for this new concept of high BOD, hydrant flushing, and the cost of flushing dead-end lines periodically. There is inadequate data or factual basis for assessing people who are believed to be "cost causers" and the council may not be prepared to carry this model to its logical conclusion---that all costs will be borne by those who cause them. Clearly the task force was not willing to go there.

Finally, from a cost modeling standpoint, there is little difference between electricity that runs a lift station and a revenue clerk. They both generate costs to the system that can be fairly apportioned. We all know a commercial customer does not cost the city more to administer and invoice monthly than a residential customer, and yet the task force easily manipulates the commodity rate so the net effect is Land's End pays over \$1,500 per month for billing and accounting services while a typical residential customer will pay \$18. Their model has less to do with cost-causers and more to do with cost-shifting.

**The Justification for a “High BOD” Fee is Unsupported.**

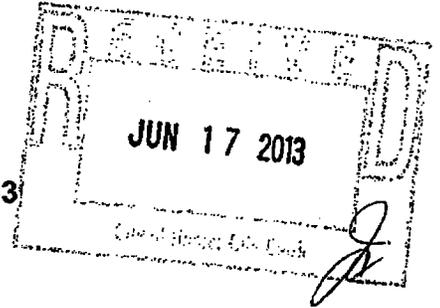
There is no public information on what constitutes “high BOD”, nor is there any documentation that costs are higher to process this waste within Homer’s Deep Shaft technology. If costs are higher, there is no documentation as to how much higher. Thus the rates associated with “High BOD” have no connection to actual costs. Businesses have been given zero information or data in order to comment or to question the basis for this policy change.

**The Council’s Fund Accounting and Revenue Target is Too Complex.**

How much money Homer’s system actually costs to operate must be more transparent. Direct and indirect costs should be easily identified. The council needs to make accessibility to information a higher priority. Within the Annual Water Quality Report should be an easy-to-understand annual accounting of where the money comes from and where it goes. The more the public understands the facts, the wiser and more supported our decisions will be.

As an example of this, initially the Task Force model appears to have overestimated revenue requirements by failing to account for non-operating revenues into the Enterprise Fund 200, such as interest, penalties and PERS contributions. And yet these revenues sources are in the City budget. The task force initially was given a revenue target of \$3,570,544 while the 2014 city budget has \$3,350,190 inserted. The city cannot treat this enterprise fund as a profit center designed to fund general fund expenditures!

**KACHEMAK, ALASKA**  
P.O. BOX 958, (VIA) HOMER, ALASKA 99603  
PH. (907) 235-8897 FAX (907)235-8854  
kachemak@xyz.net



June 14, 2013

Dear Homer Council Members:

The City of Kachemak strenuously objects to the proposed \$5 fee to be added to our sewer billing. As I mentioned in the Committee of the Whole meeting last Monday, we are fine with the adjusted cost per gallon of sewer usage relative to lift station costs and with the increased septic pumping charge of \$7.75 per month, but heard no rational justification for each Kachemak City lot to be lumped in with an Homer apartment house surcharge which has no merit when it comes to individual households in Kachemak City.

According to our original MOU with Homer, a copy of which is enclosed, we are to be equal partners with Homer in the sewer enterprise and should be treated as any other similar customer in Homer. If the extra \$5 surcharge for Kachemak is necessary to balance the books, then add it to the "commodity charge" for everybody equally and let's get on with it.

In addition, according to the MOU, Kachemak City should have had a representative on any rate study committee, and we are specifically asking that in the future we be included from the beginning, in these deliberations. Had we been included in this case, then the committee would have been better informed about Kachemak's relationship to Homer sewer service and the role we play in assisting Homer in offering this important public service.

Sincerely,

Philemon D. Morris  
Mayor

PDM: his

Enclosure

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MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE CITY OF KACHEMAK AND THE CITY OF HOMER  
FOR AN  
INTEGRATED WASTEWATER SYSTEM

This Memorandum of Understanding between the Kachemak City Council and the Homer City Council sets forth the basis for development of an Intergovernmental Agreement between the two cities, providing for a joint wastewater collection and treatment system serving both communities.

BACKGROUND

The City of Homer is currently expanding and improving its wastewater treatment and outfall facilities. Some of these improvements are funded and underway. Other improvements are in the planning stages and funding is needed to cover the capital cost of design and construction. Homer will benefit from this joint agreement by receiving 1) additional financial support from Kachemak for the planned expansion and 2) an expanded customer base providing economies of scale for its sewer utility operation.

Kachemak City does not have sewer service and its residents rely upon on site disposal of domestic wastewater. Problems exist with the continued use of on site systems and a community sewer system is needed to eliminate these problems. Kachemak will benefit from the joint agreement by providing the needed community sewer system in the most economical way possible.

Consummation of an Intergovernmental Agreement will provide:

1. A COMBINED EFFORT WITH KACHEMAK AND HOMER ACTING JOINTLY, INCREASING THE POLITICAL IMPACT OF LOBBYING FOR FINANCIAL ASSISTANCE AND AGENCY SUPPORT FOR THE PROPOSED EXPANSION OF WASTEWATER IMPROVEMENTS SERVING BOTH COMMUNITIES.

Speaking with a combined voice will clearly enhance the probability of securing legislative appropriations and/or State and Federal Grants-in-Aid needed for construction of Homer's planned "Wastewater Treatment Plant Expansion". The show of unity and desire to solve a common problem will also have a positive effect on the Alaska Department of Environmental Conservation (ADEC), the Environmental Protection Agency (EPA) and other regulatory agencies; particularly from the standpoint of a single wastewater plant and ocean discharge. This positive effect will improve coordination and facilitate the review and approval of submittals to the key agencies.

2. A SINGLE OPERATING ENTITY FOR WASTEWATER COLLECTION, TRANSPORT, TREATMENT AND DISPOSAL. THE MOST ECONOMICAL AND ENVIRONMENTALLY SOUND SOLUTION FOR ALL RESIDENCES OF KACHEMAK AND HOMER.

A single operating entity offers advantages for both cities. Homer currently operates a wastewater utility and has the capability to furnish this service on an expanded basis. Expansion of the customer base served by Homer will allow greater utilization of the specialized equipment and staff supporting the existing utility, providing a more economic and efficient operation. Kachemak City benefits by eliminating the need to develop a duplicate operating organization.

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### BASIS OF AGREEMENT

This Memorandum of Understanding and the forthcoming Intergovernmental Agreement are based on the following general points:

#### I. Allocation Method.

Both Cities will share in the local share of capital costs of future wastewater system improvements based on the projected total contributed flow from each community. Local share of capital costs is defined as the total capital costs less any and all EPA grants-in-aid of construction. Four categories of improvements exist, each described as follows:

- (1) Those improvements of the collection and transportation system which benefit only Kachemak City or only the City of Homer.
- (2) Those improvements of the collection and transportation system which benefit both Kachemak and Homer i.e. existing trunks in the east end area. [Note that capacity exists in the existing Cooper Subdivision Sewer System to meet the total projected flows from Kachemak at saturation development.] The capital costs will be prorated on an "area served" basis using the Zone Connection Fee policy established for the Cooper Subdivision Project.
- (3) Improvements to Homer's treatment facilities required by State and EPA compliance orders.
- (4) Improvements to Homer's treatment facilities required to provide additional capacity.

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Each city will provide one hundred percent (100%) of the funds required to complete the Category (1) improvements within its jurisdiction.

The total Category (2) allocation will be predicated on the current Zone Connection Fee policy developed for the Cooper Subdivision Expansion prorating the unassessed capital cost between Kachemak and the unserved portions of the original assessment district. Presently there is an unassessed capital cost of \$175,000 for the Cooper Subdivision Project. Homer has a contributing area of 196 acres in the original district, and Kachemak has a contributing area of 980 acres for a total contributing area of 1,176 acres. The total amount assessed to Kachemak for Category (2) costs is expressed by the following formula:

$$\text{Kachemak Assessment} = \frac{980}{1176} \times \$175,000 = \$145,833$$

Payment of the \$145,833 will become due upon the initial connection of a sewer system developed in Kachemak that connects to the Cooper Subdivision Trunk. Further, at the discretion of Kachemak City, payment of the Category (2) costs may be financed over a twenty (20) year period at the prevailing interest rate for tax exempt general obligation bonds available through the State Municipal Bond Bank at the time of connection or eight percent (8%) per annum which ever is greater.

## II. Derivation of Categories (3) and (4) Allocation Factors.

The Category (3) improvements benefit both existing and future system users. Consequently total system flow is the appropriate allocation method.

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Category (4) improvements benefit only future users of the system, therefore the added (incremental) flow from these future users is the appropriate allocation method.

The following parameters apply for the City of Homer (source: Homer Wastewater Facilities Planning Project, Phase I Progress Report dated January 20, 1987, Table 3 Revised January 30, 1987).

Current Average Daily Flow	
Peak Month into Plant	283,000 gal/day
1987 Sewered Population for Homer	2,480 persons
2007 Sewered Population for Homer	5,450 persons
Per Capita Rate including I & I	120 gal/cap/day

The following parameters apply for Kachemak City (same source as referenced above for the City of Homer).

1987 Population for Kachemak City	
Sewered Area	360 persons
2007 Population for Kachemak City	
Sewered Area	650 persons

From these values the following flow rates are calculated:

Incremental 2007 flow from Kachemak City:

$$650 \times 120 = 78,000 \text{ gal/day}$$

Incremental 2007 flow from the City of Homer:

$$5,450 - 2,480 \times 120 = 356,400 \text{ gal/day}$$

Total 2007 flow:

$$283,000 + 78,000 + 356,400 = 717,400 \text{ gal/day}$$

Total Incremental 2007 flow:

$$78,000 + 356,400 = 434,400 \text{ gal/day}$$

Consequently, the allocation factor to Kachemak City for Category (3) compliance improvements is:

$$\frac{78,000}{717,400} = 0.1087 \text{ (10.87\%)}$$

Similarly, the allocation factor to Kachemak City for additional capacity improvements for Category (4) is:

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$$\frac{78,000}{434,400} = 0.1796 \text{ (17.96\%)}$$

III. The City of Homer's Equity in Existing System.

Kachemak City will make a capital contribution to the City of Homer in recognition of Homer's equity in the now existing wastewater treatment system including the new outfall and influent pumping station presently being constructed. This contribution will be based on the Category (3) allocation factor and the City of Homer's net equity defined as the depreciated book value of the existing wastewater treatment facility including land plus the final construction cost of the outfall and the influent pumping station, including design costs and the City of Homer's construction overhead costs of 11.5% of the total construction cost.

From 1986 detailed accounting records, the depreciated value of the existing wastewater treatment facility including land is \$1,389,977. The old influent pumping station, the old outfall line, and the existing aeration system will not be incorporated into the new wastewater treatment facility. Accordingly, the depreciated value of these items (\$112,436) will be deducted from the total depreciated value of the existing wastewater treatment facility. The bid price for the outfall was \$413,999 plus \$85,000 for the pipe and the bid price for the influent pumping station was \$209,786. In addition, \$78,600 in change orders for the two projects are currently being processed. The design costs for the outfall were \$35,000 and for the influent pumping facility, \$43,050.

Consequently, Homer's estimated total equity for existing facilities is:

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Existing wastewater treatment facility including land	\$1,389,977
Less existing influent pumping station, outfall and aeration system	< 112,436 >
Outfall including pipe	498,999
Outfall design	35,000
Outfall Construction OH costs (11.5%)*	57,385
Influent pumping station	209,786
Influent pumping station design	43,050
Influent pumping station OH Costs (11.5%)*	24,125
Change Orders to date*	78,600
Construction OH costs on C.O.s (11.5%)*	<u>9,040</u>
Total Equity	\$2,233,526

\* The total value of change orders and the City of Homer's construction overhead costs shall be based on final construction costs and will be determined by the City of Homer on or before December 31, 1987.

Kachemak City's estimated capital contribution for the City of Homer's equity is:

$$\text{Contribution} = 0.1087 \times \$2,233,526 = \$242,784$$

Payment of the value established as Kachemak's capital contribution will become due upon the initial connection of a sewer system developed in Kachemak that connects to the Cooper Subdivision trunk. Further, at the discretion of Kachemak City, payment of the equity buy-in may be financed over a twenty (20) year period at the prevailing interest rate for tax exempt general obligation bonds available through the State Municipal Bond Bank at the time of connection or eight percent (8%) per annum which ever is greater.

IV Deposit.

Upon execution of the Intergovernmental Agreement, Kachemak City will place on deposit with the City of Homer \$50,000 as a good faith statement of Kachemak's intention to implement the Agreement. The deposit shall be refunded at such time that Kachemak City makes its initial payment for Category (3) or (4) improvements or upon connection to the Homer Sewer System. In the event that Kachemak City does not connect to the Homer sewer system within five years, the deposit shall be refunded if Kachemak is not able to connect to the Homer sewer system for reasons beyond Kachemak City's control. "Beyond Kachemak City's control" includes the inability to obtain sufficient capital funding to meet the obligations outlined in this MOU, including the rejection of indebtedness by the voters of Kachemak. However, if Kachemak is able to connect to the Homer sewer system but elects not to, then the deposit will be forfeited.

V. Responsibilities.

Each city will have definitive responsibilities throughout the life of the Intergovernmental Agreement. The responsibilities of each are discussed as follows:

Responsibilities of Kachemak City

1. General planning including, the sequence of development of all wastewater collection system improvements within the corporate boundaries of Kachemak.
2. Securing of funding for Kachemak's capital contribution for Category (1) through (4) improvements.

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3. Securing all easements and rights-of-way necessary to build, operate and maintain the wastewater collection system within Kachemak's corporate limits.
4. Cooperation with the City of Homer in all efforts to secure funding for the improvement and expansion of Homer's Wastewater Treatment Facilities.
5. The billing and collection of user charges for customers connected to the system within Kachemak's corporate boundaries.

#### Responsibilities of the City of Homer

1. Provide for the engineering, design, construction and construction surveillance of all system improvements, including those constructed within the corporate limits of Kachemak.
2. Securing of funding for Homer's capital contributions for Category (1) through (4) improvements.
3. The ownership, operation, maintenance, repair, replacement and general management of all existing and future wastewater facilities including those located within the corporate limits of Kachemak.
4. The provision of sufficient capacity to accept and treat wastewater flow from Kachemak City for an equivalent population of 650 persons.

#### POINTS OF AGREEMENT

The following general agreement is made by and between Kachemak City and the City of Homer in consideration of the points discussed in this Memorandum of Understanding.

Kachemak City Agrees To:

1. Continue negotiations in good faith with the City of Homer for the development of a comprehensive Intergovernmental Agreement providing for a joint wastewater collection and treatment system serving both communities.
2. Pay to the City of Homer, upon execution of this Memorandum of Understanding, twenty thousand dollars (\$20,000) as the initial payment of Kachemak's share of the 201 Facilities Plan currently under development. Additionally, pay to the City of Homer twenty-one thousand seven hundred dollars (\$21,700) as the final payment of Kachemak's share of the Plan upon execution of the Intergovernmental Agreement.
3. Provide capital funding for one hundred percent (100%) of the cost of all Category (1) improvements in Kachemak City.
4. Pay to the City of Homer one hundred forty-five thousand, eight hundred thirty-three (\$145,833) for the prorated Zone Connection Fee representing Kachemak's total Category (2) costs. Payment will become due upon the initial connection of the Kachemak Sewer System into the Cooper Subdivision sewer. At the discretion of Kachemak City, the payment may be financed over a twenty (20) year period at eight percent (8%) per annum or the prevailing general obligation tax exempt bond rate available from the Alaska Municipal Bond Bank, whichever is greater, at the time of connection.
5. Provide capital funding for ten and eighty-seventh one hundred percent (10.87%) of the local share cost of all Category (3) improvements. Kachemak will transfer

the capital funding to Homer on or before the award of the construction contract implementing the improvement. Should Kachemak be unable to provide it's prorated share of Category (3) improvement costs and Homer elects to proceed with the project, Kachemak's prorated cost, not paid, shall increase at the rate of eight percent (8%) per annum, or the prevailing general obligation tax exempt bond rate available from the Alaska Municipal Bond Bank, which ever is greater at the time of construction contract award, until such time that Kachemak does pay their prorata costs including the additional surcharge. The surcharge shall start the day following the construction contract award and shall be computed on a monthly basis.

6. Provide capital funding for seventeen and ninty-sixth one hundreds percent (17.96%) of the local share costs of all Category (4) improvements. Kachemak will transfer the capital funding to Homer on or before the award of the construction contract implementing the improvement. Should Kachemak be unable to provide it's prorated share of Category (4) improvement costs and Homer elects to proceed with the project, Kachemak's prorated costs, not paid, shall increase at the rate of eight percent (8%) per annum, or the prevailing general obligation tax exempt bond rate available from the Alaska Municipal Bond Bank, which ever is greater, at the time of construction contract award until such time that Kachemak does pay their prorata costs including the additional surcharge. The surcharge shall start the day following the construction contract award and shall be computed on a monthly basis.
7. Pay to the City of Homer an amount yet to be determined, based on completion of work currently in progress, as Kachemak's prorated share of Homer's

equity in the existing wastewater system. The current estimate of this amount is two hundred forty-two thousand seven hundred eighty-four dollars (\$242,784). Payment will become due upon the initial connection of the Kachemak sewer system into the Cooper Subdivision sewer. At the discretion of Kachemak City, the payment may be financed over a twenty (20) year period at eight (8%) percent per annum or the prevailing general obligation tax exempt bond rate available from the Alaska Municipal Bond Bank, which ever is greater, at the time of connection.

8. Provide as a good faith deposit fifty thousand dollars (\$50,000) upon execution of the Intergovernmental Agreement.
9. Adopt as City of Kachemak ordinances, the appropriate existing and future rules and regulations relating to sewer operations and use constraints that are contained in Title 14 of the City of Homer codes or ordinances.
10. Provide all easements and rights-of-way required to construct, operate and maintain sewer improvements within Kachemak's corporate boundaries.
11. Collect all user fees due to Homer from sewer utility customers within Kachemak's corporate boundaries.
12. Pay to Homer, monthly, user fees due to Homer collected from Kachemak customers.
13. Charge to Kachemak customers any additional fees necessary to cover administrative costs and debt service associated with Kachemak City's participation in installation and operation of the wastewater system.

Final  
9/14/87

14. Pay all debt service on funds borrowed by Kachemak to finance sewer improvements.
15. Prepare and provide to Homer annually a five-year capital improvement plan delineating all sewer improvements within Kachemak corporate boundaries which are to be financed with public funds.
16. Coordinate all privately funded sewer improvements within Kachemak City with the City of Homer and the developer.
17. Serve as a clearing house for all service connection requests, collecting all appropriate fees from customers requesting service and pay all fees due to Homer.
18. Seek appropriate legal remedies against any customer or user of the system residing in Kachemak that fails to pay for services provided or to comply with rules and conditions of service.

The City of Homer Agrees To:

1. Continue negotiations in good faith with Kachemak City for the development of a comprehensive Intergovernmental Agreement providing for a joint wastewater collection and treatment system serving both communities.
2. Support and assist Kachemak City in the development of any Innovative Alternative collection system that may be applicable to Kachemak. Further receive on behalf of Kachemak, if necessary, any state or federal grants that may be applicable for an innovative alternative system.

3. Plan, design and construct adequate capacity in the currently proposed wastewater treatment plant expansion and outfall improvements to accommodate the needs of Kachemak City.
4. Provide capacity in any future improvements to Homer's collection, transportation and treatment facilities to provide continued service for the existing and future needs of Kachemak, for an equivalent population of 650 persons.
5. Refund to the City of Kachemak the fifty thousand dollars (\$50,000) good faith deposit upon the initial payment of any monies for implementation required by the Intergovernmental Agreement or after five years from the date of the Intergovernmental Agreement (provided that Kachemak meets the test of beyond Kachemak's control) which ever comes first.
6. Charge to Kachemak City for any customer classification user fees that are equal to or less than the same fee charged to a Homer customer of the same class.
7. Reduce all user charges for Kachemak City customers to adjust for any debt service, sinking funds or any other means of financing capital improvements. (The result of this action is to charge Kachemak customers: for the administration, operation, maintenance and depreciation expense of the utility only.)
8. Provide the planning, engineering, design, contract for construction, construction administration and construction surveillance for all necessary improvements including those within Kachemak's corporate boundaries.

Final

9/14/87

9. Own, operate, maintain, repair, replace and keep whole all improvements required to serve Kachemak including those located within Kachemak's corporate boundaries.

These points of agreement are established as a basis to develop an Intergovernmental Agreement and generally will become effective upon the completion and execution of such a document.

Approved by the City of Kachemak 14<sup>th</sup> of September 1987.

City of Kachemak

Philemon D. Morris  
Philemon D. Morris, Mayor

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Approved by the City of Homer 14<sup>th</sup> of September 1987.

City of Homer

John V. Calhoun  
John Calhoun, Mayor



# Revenue & Customer Impact

- Calculated Revenue (Commodity rate & FY12 Billed Qty.)  
 minus FY12 Actual Revenue = \$138,874
- Calculated Revenue (Commodity rate & FY12 Billed Qty.)  
 minus FY14 Required Revenue = (\$168,275) \*\*

\*\* It would be offset by Fire Protection (Hydrant) revenue requirement (10% waster revenue)

## Current Model vs. Commodity Model

2012 Billed Qty.	2012 Actual		2014 Proj. Budget	Cal. Revenue		Revenue Impact	
	Current Rate	595,383		Commodity Rate	2012	2014	
Water Service	1,090,888	1,880,344	354,522	(240,861)	(119,473)		
Water Consumption	555,956	1,406,348	42,881	315,460			
Sewer Service	1,011,247	1,680,279	1,588,596	(513,074)	(48,801)		
Sewer Usage	3,253,475	3,560,623	3,392,348	577,349			
<b>Total</b>				<b>138,874</b>	<b>(168,275)</b>		

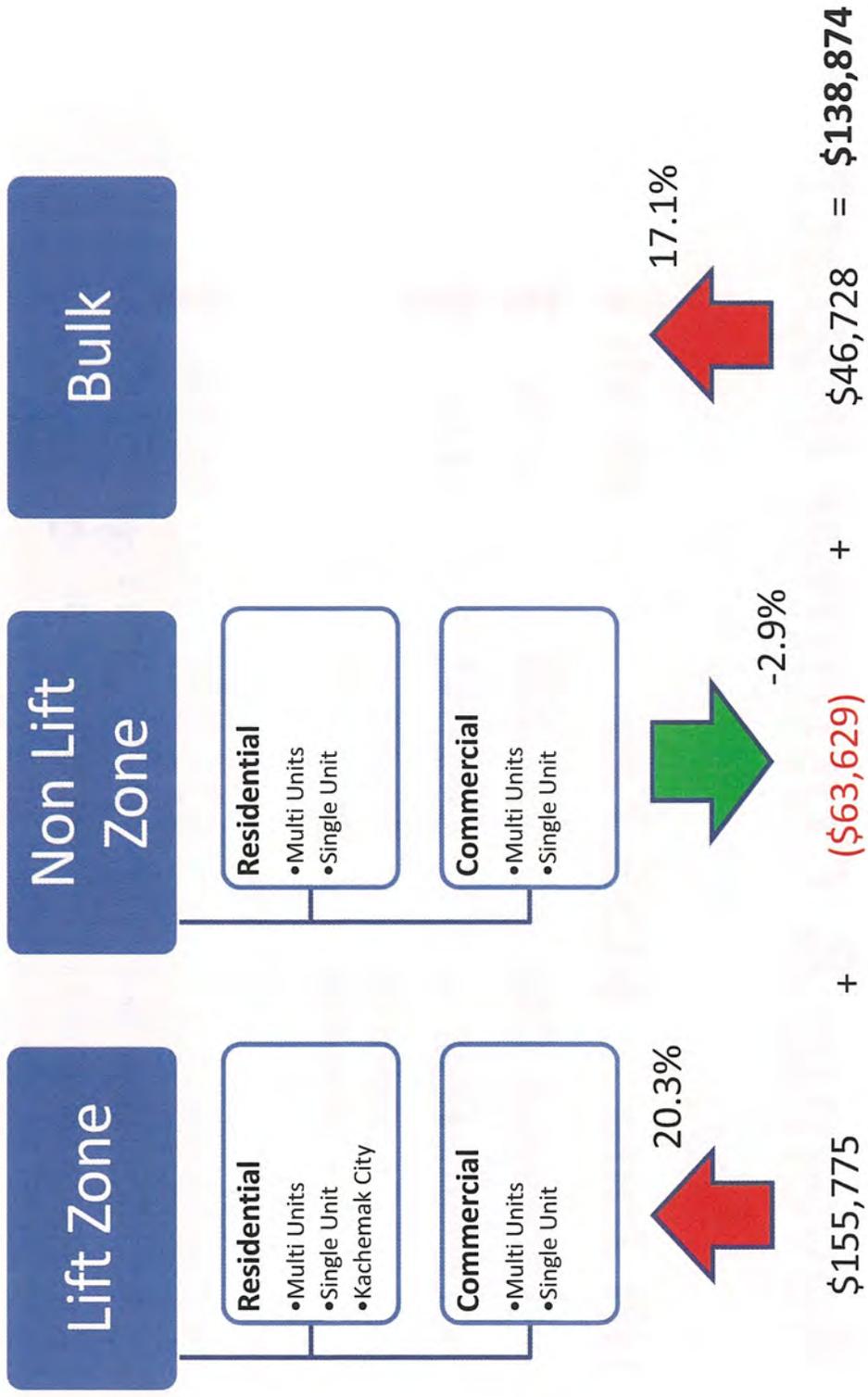
# Revenue & Customer Impact

- 56 % (1009) would pay less (**\$208,300**) (from \$1 to \$4,000, Avg. \$206)
- 44% (800) would pay more \$347,174 (from \$1 to \$37,000; Avg. \$434)
  - including Bulk Water buyers and Kachemak City

$$\text{\$347,174} - \text{\$208,300} = \text{\underline{\underline{\$138,874}}}$$

- Lift Zone, Non Lift Zone, & Bulk
    - Lift Zone \$155,775
    - Non-Lift Zone (**\$63,629**)
    - Bulk \$46,728
- \$138,874**

# Revenue & Customer Impact



# Revenue & Customer Impact

– Lift Zone	\$155,775	20.3%	↑
• Kachemak City	\$37,238	42.5%	↑
• Commercial	\$95,031	17.9%	↑
» Single Unit	\$95,031		
» Multi Units	\$0		
• Residential	\$23,505	15.9%	↑
» Single Unit	\$19,750	28.1%	↑
» Multi Units	\$3,755	4.9%	↑

# Revenue & Customer Impact

- **Non-Lift Zone (\$63,629)**  **-2.9%** 
- **Commercial** **(\$34,751)** 
  - » *Single Unit* **(\$34,584)**
  - » *Multi Units* **(\$167)**
  
- **Residential** **(\$28,879)** 
  - » *Single Unit* **\$40,436** **4.6%**  
  - » *Multi Units* **(\$69,314)** **-14.6%** 

# City Facilities \$9,575

– Lift Zone

\$12,435

– Non-Lift Zone

(\$2,860)

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**\$9,575**

# “Water & Sewer” Users

(exclude Bulk, K-City, Water Only, & Sewer Only)

<b>W &amp; S - Customers ONLY</b>		<u>Pay More</u>		<u>Pay Less</u>	
Commercial Single Unit	425	117	28%	308	72%
Commercial Multi Units	4	1	25%	3	75%
Residential Single Unit	<b>1092</b>	<b>568</b>	<b>52%</b>	<b>524</b>	<b>48%</b>
<b>Residential Multi Units</b>	152	41	27%	111	73%
	<b><u>1673</u></b>	<b><u>727</u></b>	<b><u>43%</u></b>	<b><u>946</u></b>	<b><u>57%</u></b>

# Break Even Analysis - volume

<b>Lift-Station</b>	<b>Current Model</b>				<b>Commodity Model</b>				<b>Break- Even/Mo.</b>	
	Water Service Fee/Mo.	Water Rate/Gal	Sewer Service Fee/Mo.	Sewer Rate/Gal	Water Service Fee/Mo.	Water Rate/Gal	Sewer Service Fee/Mo.	Sewer Rate/Gal	<b>Volume (Gal.)</b>	<b>Amount (\$)</b>
<b>Zone Customers</b>										
Commercial	25	0.0114	20	0.01264	19.00	0.0109	0	0.0218	<b>3,002</b>	\$117.18
Commercial (BOD)	25	0.0114	20	0.01264	19.00	0.0109	10	0.0218	<b>1,848</b>	\$89.42
Residential	25	0.00442	20	0.00997	19.00	0.0109	0	0.0218	<b>1,420</b>	\$65.43
<b>Non-Lift-Station</b>	<b>Current Model</b>				<b>Commodity Model</b>				<b>Break- Even</b>	
<b>Zone Customers</b>	Water Service Fee/Mo.	Water Rate/Gal	Sewer Service Fee/Mo.	Sewer Rate/Gal	Water Service Fee/Mo.	Water Rate/Gal	Sewer Service Fee/Mo.	Sewer Rate/Gal	<b>Volume (Gal.)</b>	<b>Amount (\$)</b>
Commercial	25	0.0114	20	0.01264	19.00	0.0109	0	0.0147	<b>16,667</b>	\$445.67
Commercial (BOD)	25	0.0114	20	0.01264	19.00	0.0109	10	0.0147	<b>10,256</b>	\$291.56
Residential	25	0.00442	20	0.00997	19.00	0.0109	0	0.0147	<b>2,319</b>	\$78.38

# Break Even Analysis – \$ Amount

## “Water & Sewer” Users

(exclude Bulk, K-City, Water Only, & Sewer Only)

Lift Zone Customers	Customers Would Pay <b>Less</b> in 2014				Customers Would Pay <b>More</b> in 2014			
	# of Customers	2012 Avg. Gal./mo.	Avg. 2012 Charges/mo.	Break-Even Gal.	# of Customers	2012 Avg. Gal./mo.	Avg. 2012 Charges/mo.	Break-Even Gal.
Commercial Single Unit	62	1217	\$74.26	1690	85	14679	\$397.88	11,587
Commercial Multi Units	0				0			
Residential Single Unit	27	607	\$53.73	1062	53	2947	\$87.41	2,092
<b>Residential Multi Units</b>	<b>6</b>	<b>1428</b>	<b>\$65.55</b>	<b>1690</b>	<b>11</b>	<b>2565</b>	<b>\$81.91</b>	<b>2,245</b>
	<u>95</u>				<u>149</u>			

21%

29%

12%

Non-Lift Zone Customers	Customers Would Pay <b>Less</b> in 2014				Customers Would Pay <b>More</b> in 2014			
	# of Customers	2012 Avg. Gal./mo.	Avg. 2012 Charges/mo.	Break-Even Gal.	# of Customers	2012 Avg. Gal./mo.	Avg. 2012 Charges/mo.	Break-Even Gal.
Commercial Single Unit	246	3578	\$131.02	4376	32	46,508	\$1,163.05	44,690
Commercial Multi Units	<b>3</b>	3372	\$126.07	4293	<b>1</b>	30,296	\$773.31	29,542
Residential Single Unit	497	1119	\$61.10	1645	515	3,249	\$91.75	2,842
<b>Residential Multi Units</b>	<b>105</b>	<b>1857</b>	<b>\$71.72</b>	<b>2417</b>	<b>30</b>	<b>4,092</b>	<b>\$103.88</b>	<b>3,604</b>
	<u>851</u>				<u>578</u>			
	<b>946</b>				<b>727</b>			

4%

2%

13%

12%

# Rate Considerations

Descriptions	Water		Sewer S1	Sewer S2	Sewer S3	Sewer S4	Sewer S5	Sewer S6	Sewer S7	Sewer S8
	Total Revenue Required (2014)		\$1,680,279	\$1,680,279	\$1,680,279	\$1,680,279	\$1,680,279	\$1,680,280	\$1,680,281	\$1,680,282
Lift Stations Costs	\$1,880,344		(\$185,553)	(\$185,553)			(\$185,553)	(\$185,553)		
BOD Differential (Sewer)			(\$5,760)	(\$5,760)	(\$5,760)	(\$5,760)	(\$5,760)	(\$5,760)	(\$5,760)	(\$5,760)
K-City pumping charges			(\$11,904)	(\$11,904)	(\$11,904)	(\$11,904)	(\$11,904)	(\$11,904)	(\$11,904)	(\$11,904)
Dumping Station Fees			(\$10,500)	(\$10,500)	(\$10,500)	(\$10,500)	(\$10,500)	(\$10,499)	(\$10,498)	(\$10,497)
Multi-Units and K-city Fees (Sewer)			(\$42,900)		(\$42,900)		(\$42,900)		(\$42,900)	
Monthly Service Fees		(\$330,622)								
Fire Hydrant		(\$188,034)								
Sprinkler Differential (Water)		(\$1,200)								
Bulk Water Surcharge		(\$89,241)								
Commodity Rate Cost Base		\$1,271,247	\$1,423,662	\$1,466,562	\$1,609,215	\$1,652,115	\$1,423,662	\$1,466,564	\$1,609,219	\$1,652,121
Projected Billable Volume		117,000,000	97,000,000	97,000,000	97,000,000	97,000,000	96,000,000	96,000,000	96,000,000	96,000,000
Projected Billable Volume - Lift Zone Only			26,000,000	26,000,000	26,000,000	26,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Commodity Rate (Water)			0.0109							
Commodity Rate: Non-Lift-Zone (Sewer)			0.0147	0.0151	0.0166	0.0170	0.0148	0.0153	0.0168	0.0172
Commodity Rate: Lift-Zone (Sewer)			0.0218	0.0223	0.0166	0.0170	0.0223	0.0227	0.0168	0.0172
<p><b>S1: Current Resolution</b>                      S2: Socialize the \$5 fee (Multi Units &amp; K-City)                      S3: Socialize Lift Station Costs                      S4: Socialize the \$5 fee and the Lift Station Costs</p> <p><b>Sewer: Billable Volume dropped by 1,000,000 Gallons</b>                      S5: S1 plus additional Sewer information                      S6: S2 plus additional Sewer information                      S7: S3 plus additional Sewer information                      S8: S4 plus additional Sewer information</p>										

# Revenue Impact Analysis

## Water and Sewer Rate - Commodity Model

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*Prepared by Finance Department*

6/24/2013

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<b>Water:</b>		
Water - Metered Sales (Gal.)		125,000,000
6.5% conservation (Gal.)		(8,125,000)
Projected/Proposed Rate Base (Gal.) <sup>1</sup>		116,875,000
Total Water Commodity Cost <sup>2</sup>	\$	1,271,247
Calculated Water Rate (Commodity)		0.0109
In order for the model to work (collect enough revenue) the metered sales must >=		
Metered Sales Actual (Gal.) (2012)		122,000,000
<b>Water Revenue Impact</b>	<b>\$</b>	<b>55,745</b>
Metered Sales Actual (Gal.) (2011)		130,800,000

1. This includes the bulk sales, which would be charged at a higher rate.  
It will enhance the total revenue collection
2. Total Commodity Cost = Total Revenue Required (Water)  
minus Costs considered as services to the general public  
minus the fixed fees collected

### Sewer: Proposed Model

Water - Metered Sales (Gal.)	125,000,000
6.5% conservation (Gal.)	(8,125,000)
Metered Spit w/o entering Treatment Line	(9,150,000)
Projected/Proposed Sewer Discharge <sup>4</sup>	107,725,000
Total Sewer Commodity Cost <sup>3</sup> \$	1,423,660
Calculated Sewer Rate (Commodity)	0.0132
Metered Lift Station Volume (Gal) <sup>4</sup>	46,944,000
Lift Stations Costs	185,553
Additional Charge (Cost) to (by) Lift-Station Users (\$/Gal)	0.0040
Lift Station Commodity Rate	0.0172

In order for the model to work (collect enough revenue)  
The total Sewer Discharge captured by billing must >=  
Lift-Station Sewer Discharge captured by billing must >=

However, the total Sewer Discharge captured by billing (2012) <sup>4</sup>	95,604,802
Lift-Station Sewer Discharge captured by billing (2012) <sup>4</sup>	25,736,866
<b>Sewer Revenue Impact \$</b>	<b>(244,001)</b>

The total Sewer Discharge captured by billing (2011)  
Lift-Station Sewer Discharge captured by billing (2011)

	98,874,685
	26,629,020

3. The Sewer Commodity Cost = Total Revenue Required (Sewer)

minus items are identified as specific Causers' Costs  
minus the fixed fees collected

4. There is a significant discrepancy between the measured discharges (gal.) by the treatment plant  
and the amount was actually captured by the billing system.

5. This projected quantity is based on actual billed quantity in 2011 & 2012.

### Sewer: Proposed Model based on 2011 & 2012 actual billed Volume

2012 TOTAL Sewer Discharge Captured by Billing <sup>5</sup>	97,000,000
Conservation (Gal.)	0
Metered Spit w/o entering Treatment Line	0
Projected/Proposed Sewer Discharge	97,000,000
Total Sewer Commodity Cost <sup>3</sup> \$	1,423,660
Calculated Sewer Rate (Commodity)	0.0147

2012 LIFT-STATION Sewer Discharge Captured by Billing<sup>5</sup>

26,000,000

185,553

Additional Charge (Cost) to (by) Lift-Station Users (\$/Gal)

0.0071

Lift Station Commodity Rate

0.0218

## Impacts

<u>Customer #</u>	<u>Lift-Station</u>	<u>Water Qty/Yr</u>	<u>Water Qty/Mo.</u>	<u>Actual Charges (2012)</u>	<u>Charges (New Model)</u>	<u>Customer Impact</u>
<b>Top Users</b>						
3.1180.01	No	2,476,500	206,375	\$60,075	\$62,388	\$2,313
1.0051.01	Yes	2,446,100	203,842	\$59,344	\$78,992	\$19,648
1.0040.02	No	2,342,400	195,200	\$56,851	\$59,022	\$2,171
<b>Non Sewer Top</b>						
1.0180.01	Yes	1,909,400	159,117	\$22,285	\$20,076	(\$2,208)
1.0290.01	Yes	1,816,100	151,342	\$20,941	\$19,068	(\$1,873)
1.0185.02	Yes	1,301,000	108,417	\$15,371	\$13,758	(\$1,613)
<b>Biggest Savings</b>						
2.3190.01	No	97,600	8,133	\$7,469	\$3,343	(\$4,126)
4.2100.01	No	141,400	11,783	\$8,606	\$4,497	(\$4,109)
31.0170.01	No	236,000	19,667	\$10,114	\$6,877	(\$3,237)
<b>Break Even</b>						
4.2080.01	No	29,100	2,425	\$959	\$958	(\$0)
41.1477.02	No	29,100	2,425	\$959	\$958	(\$0)
3.0050.02	No	29,200	2,433	\$960	\$961	\$1
---	---	---	---	---	---	---
<b>Total</b>		<b>99,795,700</b>		<b>2,881,768</b>	<b>2,885,399</b>	<b>3,631</b>

999.0012.01	Yes			78,423	117,197	38,774
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2.0855.01	Bulk Water	15,715,600		\$199,731	\$226,533	\$26,802
888.0095.02	Bulk Water	483,200		\$227	\$7,053	\$6,827
1.2041.03	Bulk Water	2,583,700		\$32,862	\$37,262	\$4,400
1.2041.02	Bulk Water	2,558,600		\$32,694	\$37,015	\$4,321
888.0095.01	Bulk Water	234,500		\$161	\$3,434	\$3,273
888.0039.01	Bulk Water	221,000		\$91	\$3,220	\$3,130
1.1655.02	Bulk Water	513,600		\$6,818	\$7,624	\$806

Revenue	Revenue Projection based on Calculated Rate (Finance)						
	Service Fee	Usage Charges	Other Charges		Total	Revenue Requirement	
			Sprinkler	BOD			FY 2014
Water	354,294	1,359,142	1,200		1,714,637	1,880,344	(165,707)
Sewer	42,902	1,600,026		5,760	1,648,688	1,680,279	(31,591)
<b>Total</b>	<b>397,196</b>	<b>2,959,168</b>	<b>1,200</b>	<b>5,760</b>	<b>3,363,325</b>	<b>3,560,623</b>	<b>(197,298)</b>

Revenue	Calculated (New Rate)	FY 2012 Actual	Over/(Short) FY 2012	FY 2014 Proj. Needs	Over/(Short) FY 2014
Water Service	354,294	595,383	(241,089)		
Water Consumption	1,359,142	1,090,889	268,253		
Sewer Service	42,902	555,956	(513,054)		
Sewer Usage	1,600,026	1,011,249	588,777		
Other Charges	6,960		6,960		
<b>Total</b>	<b>3,363,325</b>	<b>3,253,477</b>	<b>109,847</b>	<b>3,560,623</b>	<b>(197,298)</b>

**Sewer: Proposed Model  
based on 2011 & 2012 actual billed Volume**

2012 TOTAL Sewer Discharge Captured by Billing <sup>5</sup>	97,000,000
Conservation (Gal.)	0
Metered Spit w/o entering Treatment Line	0
Projected/Proposed Sewer Discharge	97,000,000
Total Sewer Commodity Cost <sup>3</sup>	\$ 1,609,213
Calculated Sewer Rate (Commodity)	0.0166

**\*\* This is the calculated sewer rate with socialized lift-station costs)**

Multi-Units and K-city (\$5/unit/mo.) - Would Collect	\$ 42,901.99
<b>If socialized - Per Customer Per month (1472 meters)</b>	<b>2.43</b>

## Impacts

<u>Customer #</u>	<u>Lift-Station</u>	<u>Water Qty/Yr</u>	<u>Water Qty/Mo.</u>	<u>Actual Charges (2012)</u>	<u>Charges (New Model)</u>	<u>Customer Impact</u>
<b>Top Users</b>						
3.1180.01	No	2,476,500	206,375	\$60,075	\$67,094	\$7,018
1.0051.01	Yes	2,446,100	203,842	\$59,344	\$66,273	\$6,928
1.0040.02	No	2,342,400	195,200	\$56,851	\$63,473	\$6,622
<b>Non Sewer Top</b>						
1.0180.01	Yes	1,909,400	159,117	\$22,285	\$20,076	(\$2,208)
1.0290.01	Yes	1,816,100	151,342	\$20,941	\$19,068	(\$1,873)
1.0185.02	Yes	1,301,000	108,417	\$15,371	\$13,758	(\$1,613)
<b>Biggest Savings</b>						
2.3190.01	No	97,600	8,133	\$7,469	\$3,528	(\$3,940)
4.2100.01	No	141,400	11,783	\$8,606	\$4,766	(\$3,841)
31.0170.01	No	236,000	19,667	\$10,114	\$7,325	(\$2,789)
<b>Break Even</b>						
4.2080.01	No	29,100	2,425	\$959	\$1,014	\$55
41.1477.02	No	29,100	2,425	\$959	\$1,014	\$55
3.0050.02	No	29,200	2,433	\$960	\$1,016	\$56
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999.0012.01	Yes			78,423	89,242	10,819
<b>Other Customers</b>						
2.0855.01	Bulk Water	15,715,600		\$199,731	\$226,533	\$26,802
888.0095.02	Bulk Water	483,200		\$227	\$7,053	\$6,827
1.2041.03	Bulk Water	2,583,700		\$32,862	\$37,262	\$4,400
1.2041.02	Bulk Water	2,558,600		\$32,694	\$37,015	\$4,321
888.0095.01	Bulk Water	234,500		\$161	\$3,434	\$3,273
888.0039.01	Bulk Water	221,000		\$91	\$3,220	\$3,130
1.1655.02	Bulk Water	513,600		\$6,818	\$7,624	\$806

