



City of Homer

www.cityofhomer-ak.gov

Finance Department

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Memorandum 20-153

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: September 18, 2020
SUBJECT: HAWSP and Water/Sewer Reserves (Follow-up to Memo 20-132)

The purpose of this memo is to provide council with information requested in Memorandum 20-132.

HAWSP Policy Revision

List of Special Assessment Districts (SADs) formed under HAWSP:

W Lakeshore Drive water & sewer	Thompson Drive sewer
Harrington Heights water & sewer	East End Road water & sewer
Forest Glen water & sewer	Ocean Drive Loop sewer
Cooper sewer	Ocean Dr Peterson sewer
Mariner Village water & sewer	Kachemak Dr phase I, II, III water & sewer
Rangeview Ave water	Fairview deferred water
East Hill sewer	Paradise Pl sewer
Sterling Hwy water & sewer	Eric Lane sewer
East Road (portion) sewer	Shellfish / South Slope water
Hillside water & sewer	

List of Other Projects funded by HAWSP (going back to 2010):

- Water Distribution/Storage Improvement Ord 12-40(S)
- Purchase property for new Water Storage Tank Ord 14-39
- Completing Water Distribution/Storage Improvement Ord 15-20
- Oversizing Water Main along Nelson Ave and Ronda St Ord 17-44
- Expanded Water Storage and Distribution Improvement Ord 18-10

Water Reserve Fund

Below is a chart listing out city projects back to 2012 that were funded utilizing Water Reserves:

Data Loggers for Leak Detection	Waterproof Coating on Mix Tanks
Commercial Meter Replacement	Bridge Creek Watershed Preservation
WTP On-Line and Lab Meters	Raw Water Pump
Gas Detection System	Submersible Pump
Dredge for WTP	1/2 SCADA Computer Replacement/Upgrade
Dustless Blasting Equipment	Raw Water Pump Replacement
Million Gallon Water Tank Aeration System	Miox Chlorine Generator Cell Replacement
Tesoro Water Vault Upgrade	Hydrant Maintenance
Raw Water Transmission Line Replacement - Phase 1 (Design)	Water Storage Tank - Diffuser
PRV Replacement - West Trunk Line	1/2 of Mid 4x4 Pickup
1/2 of 1 Ton Crew Cab Pickup w/Flatbed	Mixed Oxidant Disinfection WTP
1/2 of 1 Ton Pickup w/Flatbed	1/3 of Vehicle for Project Manager
Dewatering Geo Tubes	1/3 of Repaint 1995 JD410 Backhoe
Flatbed w/Tool Box & Headache Rack	1/3 of Vacuum Excavator
1/2 of RV Dump Station - Pay Station	WTP Gas Conversion
1/2 of GIS Equipment Replacement	WTP Redwood Tank Demolition
1/2 of 1/2 Ton Pickup w/Flatbed	Gas Conversion
WTP Chlorine Generation Cell Replacement	1/2 of Frost Ripper Attachment
1/3 of Vac Truck	Steamer Unit
Pressure Reducing Valves	Badger Orion Meter
	Steam/Boiler Unit

Sewer Reserve Fund

Below is a chart listing out city projects back to 2012 that were funded utilizing Sewer Reserves:

Launch Ramp Lift Station Enclosure	1/2 SCADA Computer Replacement/Upgrade	Programmable Logic Computer at STP
STP On-Line and Lab Meters	Replace Influent Pump Station Mixer	Lift Station Electrical Components
Gas Detection System	1/2 of Mid 4x4 Pickup	WWTP HVAC Rehabilitation
Dustless Blasting Equipment	1/3 of Vehicle for Project Manager	Sewer Plant Control Computer (PLC)
Replace Deep Shaft Air Compressor	1/3 of Repaint 1995 JD410 Backhoe	Shaft Air Meters
Upgrade SCADA for 7 Lift Stations	Snowplow and Flatbed	Heating and Air System at STP
WW Treatment Plant - Digestor Blowers	1/3 Vacuum Excavator	Relocation of Fence along STP
Replace PLC at STP	Beluga Lift Station	WWTP Odor Control Alternative
1/2 of 1 Ton Crew Cab Pickup w/Flatbed	Odor Control/Bar Screen	WWTP Headworks Improvement Alternatives
1/2 of 1 Ton Pickup w/Flatbed	Sewer Pipeline Inspection Equipment	Polymer Equipment Replacement
Lift Station Safety Hatches	Lift Stations SCADA Upgrade	Steamer Unit
Muffin Monster Rebuild	WWTP Flood Damage Repair	Badger Orion Meter
1/2 of RV Dump Station - Pay Station	WWTP Flood Mitigation	Bald Mtn Air Sewer Service Replacement
1/2 of GIS Equipment Replacement	Gas Conversion	Steam/Boiler Unit
1/2 of 1/2 Ton Pickup w/Flatbed	1/2 of Frost Ripper Attachment	Lift Station Electrical Components
STP HVAC Control System Upgrade	Beluga Lift Station Pump Replacement	Electrical Enclosure for Campground
1/3 of Vac Truck	Campground Lift Station	Shaft Air Meter at WW
Bock Oil Fired Water Heater	Siemens Mag Meter, Flow Meter, Totalizers	Steam Sterilizer, Autoclave

Those projects funded within the last three years (City code states capital project appropriations are spendable for 3 years) are included in the attached financials for the water and sewer reserve fund. These financials illustrate the approved amount for each project and the recorded spend.

**CITY OF HOMER
HOMER, ALASKA**

City Manager/
Finance Director

RESOLUTION 10-91

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, AUTHORIZING THE CITY ADMINISTRATION AND THE CITY AUDITORS TO OPERATE, BUDGET FOR, AND AUDIT THE WATER AND SEWER ENTERPRISE FUND AS A SPECIAL REVENUE FUND UNDER RELEVANT STATUTES AND OTHER APPLICABLE AUTHORITIES AND RENAMING THE HOMER WATER AND SEWER ENTERPRISE FUND THE HOMER WATER AND SEWER SPECIAL REVENUE FUND.

WHEREAS, The Homer Water and Sewer Fund is presently being referred to, budgeted for, and audited as though it were a true enterprise fund in which all expenses, including full depreciation, were paid for by users of the utility; and

WHEREAS, A basic principle of enterprise funds is that all depreciation expenses must be shared with the users of the utility; and

WHEREAS, In reality, the Water and Sewer Fund is not a true enterprise fund because capital costs, and most replacement and depreciation costs are paid for by grants or sales tax revenues through the Homer Accelerated Water and Sewer Fund Program and these improvements then become assets of the Water and Sewer Fund even though that fund did not pay for them; and

WHEREAS, Auditing and establishing operating budgets for the Water and Sewer Fund as though it were a true enterprise fund results in a skewed and deceptive presentation of the fund balance and the overall fiscal condition of the fund; and

WHEREAS, It is common for municipally owned utilities that operate with mixed revenue sources to establish Special Revenue Funds to budget for and audit those utilities; and

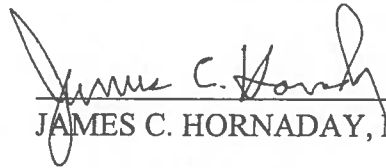
WHEREAS, The Finance Department has consulted with the City Auditors, utility rate setting experts, bonding and financing authorities, and other municipalities and has concluded that it is in the best interest of the City to operate the Water and Sewer Fund as a Special Revenue Fund for the reasons provided in the attached memorandum.

NOW, THEREFORE, BE IT RESOLVED that the Homer City Council hereby authorizes the City Administration and the City Auditors to operate, budget for, and audit the Homer Water and Sewer Fund as a Special Revenue Fund under relevant statutes and other applicable authorities.

BE IT FURTHER RESOLVED that the Homer City Council hereby officially renames the Homer Water and Sewer Enterprise Fund the Homer Water and Sewer Special Revenue Fund.

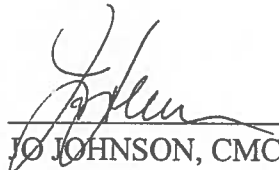
PASSED AND ADOPTED by the Homer City Council this 13th day of December, 2010.

CITY OF HOMER



JAMES C. HORNADAY, MAYOR

ATTEST:



JO JOHNSON, CMC, CITY CLERK

Fiscal Note: N/A



City of Homer

Finance

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Memorandum 10-131

Date: October 12, 2010
To: Walt Wrede *W. Wrede*
From: Regina Harville *Regina*
Finance Director
Subject: Water/Sewer Enterprise Funds

Back in May of 2010, the City sent me to the Western NARU Utility Rate School. This class was great as it educated me from a regulatory basis on the methodology of rate setting. The mock case that was utilized was a water utility, so it had added benefits.

Although the State of Alaska has a commission to regulate rates, we as a City do not fall under its umbrella as, "There are utilities that are not economically regulated; these include local, government owned utilities...", according to the Regulatory Commission of Alaska.

The Utility Rate School clearly defined what was to be considered and not to be considered in rate setting. It identifies that depreciation expense is to be recognized and those costs should be shared with the users of the utility. **In the rate setting for the City of Homer, only 20% of the actual depreciation expense is considered.**

This led to the discussion of what type of entity Water / Sewer is, because it is being subsidized by taxpayer dollar through HAWSP. Waterlines and major acquisitions are purchased through HAWSP and through the consumer. LID's are created for the laying of water lines in neighborhoods and the customer is required to pay 75% of the cost of those lines. HAWSP (or taxpayer dollar), pays for the rest through low interest loans through ADEC. All assets purchased through HAWSP are considered assets of the Water/Sewer Enterprise Fund and are depreciated accordingly. Depreciation Expense is appropriately accounted for in the audited financial statements, which reduces annually the fund balance.

I believe that Water/Sewer should be accounted for as a 'Special Revenue Fund' opposed to an enterprise fund. A Special Revenue Fund is established to finance particular activities and is created out of receipts of specific taxes or other designated revenues. Such funds are authorized by statutory provisions to pay for certain activities with some form of continuing revenues.



Where the Land Ends and the Sea Begins

Water/Sewer Fund accounts for operations of the water treatment plant and the sewer treatment plant. User charges are designed to recover cost of operation and maintenance of the system, exclusive of depreciation and capital improvements. Capital improvements are paid largely by the taxpayers as well as home owners who pay 75% of the cost of running water lines to their properties.

The Finance Department contacted our auditors for clarification on any implications that they could foresee with changing an Enterprise Fund to a Special Revenue Fund. Michelle Drew, Vice President/Director in the Audit Department with Mikunda Cottrell, stated that although she understood the logistics behind moving from an Enterprise Fund to a Special Revenue Fund, that the rate setting would be in a more favorable position for the customers, she did caution us that the one thing that would cause us an issue is if we were at any time in the future attempt to get Revenue Bonds, Water/Sewer would have to be an Enterprise Fund in accordance with rules and regulations set forth in the accounting world.

She does not envision seeing this as a setback for us with the readily available low interest loans we receive through ADEC.

Beth Verrelli with ADEC was also contacted. Bill Jaroke with Boise State University reviews all requests for funds for the ADEC and our question was deferred to him. In accordance with Mr. Jaroke, it doesn't matter what the entity is called, they are concerned if there is a dedicated source to pay back the loan(s) in the future years, and that monies are being set aside for future replacement/depreciation costs for the wear and tear on infrastructure.

In talking with Mr. Jaroke, these items are already being addressed through the HAWSP fund as it was specifically designed to be the vehicle to pay back loans taken out through ADEC, and we actively are putting monies aside for "Depreciation Reserves".

Because Water/Sewer is not a true enterprise fund as it receives a large part of revenues steadily from sales tax dollars, and because the infrastructure that is being put into service (i.e. water lines), is not being built in its entirety by the City rather by the customers (as they pay 75% of costs associated with putting water lines to their neighborhoods), and through sales tax dollars (HAWSP), it is not logical to pass on the full depreciation expense as suggested through the Rate Setting School.

By changing the structure, rates can be set considering the dollars set aside for depreciation reserves rather than the depreciation expense. Additionally, by not having to decrease the Net Assets (Fund Balance), the Net Assets/Fund balance would have an opportunity to grow. All being a plus for this struggling Fund.



Where the Land Ends and the Sea Begins

CITY OF HOMER
HOMER, ALASKA

Roberts

RESOLUTION 11-061(A)(S)

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA, SETTING A MINIMUM OF \$200,000 TO WATER/SEWER DEPRECIATION RESERVES ANNUALLY THROUGH THE BUDGET PROCESS; ADDITIONALLY, ANY RESIDUAL AMOUNT AT YEAR END IS TO BE TRANSFERRED TO THE WATER/SEWER DEPRECIATION RESERVES.

WHEREAS, When compiling the budget, the current practice is that the amount of depreciation reserves transferred annually is set during the budget cycle; and

WHEREAS, It would be beneficial to set the amount transferred to depreciation reserves by the residual amount at year end; and

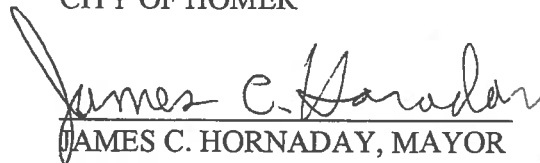
WHEREAS, By amending the procedure to set water/sewer depreciation reserve transfers to the net change, it would allow the economy time to recover and build depreciation reserves by only what the utility can afford; and

WHEREAS, This is classified as the "change in fund balance" in the financial statements.


NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, approves setting a minimum of \$200,000 to water/sewer depreciation reserves annually through the budget process; additionally, any residual amount at year end is to be transferred to the water/sewer depreciation reserves.

PASSED AND ADOPTED by the Homer City Council this 27th day of June, 2011.

CITY OF HOMER


JAMES C. HORNADAY, MAYOR

ATTEST:


JO JOHNSON, CMC, CITY CLERK

Fiscal information: N/A



Memorandum 11-094 Annual Budget for Water and Sewer Depreciation Reserves

Memorandum ID:

11-094

Memorandum Status:

Backup

Related Meetings

City Council - Regular Meeting - Mon 6/27/11

Related Ordinances/Resolutions

Resolution 11-061(A)(S) Setting Minimum \$200,000 to Water/Sewer Depreciation Reserves Annually Through the Budget Process

Details

MEMORANDUM 11-094

TO: Mayor Hornaday and Homer City Council

FROM: Walt Wrede

DATE: June 23, 2011

SUBJECT: Resolution 11-061 (A) (S)

Resolution 11-061 (A) (S) is sponsored by Council Member Roberts. Since the last meeting, a number of people have asked me to explain what the resolution means, what it actually does, and what impact it has, if any, on water and sewer rates. The amendments made at the last meeting may have added to the confusion for some.

Resolution 11-061 (A) (S) addresses how transfers are made to the water and sewer fund depreciation reserve. This resolution can have an impact on water and sewer rates, but the impact is indirect. This will be explained below. The City's current practice is to establish the amount to be transferred into the reserves when the budget is prepared and approved. The

amount of the transfer can be based upon a number of factors which include the amount transferred the year before, good business practices, the status of the reserve fund, fleet replacement schedules, auditor driven objectives, goals established by the Council, or other factors. Back in December, the Council approved a FY 2011 water and sewer budget which contained a \$500,000 transfer into the depreciation reserves. This is a larger transfer than some prior years and it reflects Council's desire to grow depreciation reserves across the board. It should be noted that the auditors would advise us to transfer significantly more.

Since the water and sewer fund is operated as a special revenue fund, expenditures should not exceed revenues. The water and sewer fund is self sustaining which means that all revenues for maintenance and operations come from user fees (water and sewer rates). Transfers into the depreciation reserves are treated as an expense for the purpose of the budget and establishing water and sewer rates. This means that rates must be established that are high enough to cover all water and sewer operating expenses plus transfers into depreciation accounts. Therefore, the amount placed into depreciation is one of the big factors affecting water and sewer rates. During the workshops the past few months, Regina has illustrated that we will have an operating deficit or fiscal gap if we transfer \$500,000 and do not raise water and sewer rates or make additional large reductions in expenditures.

The Council is under pressure to keep the rates the same or lower them if possible in order to let the economy recover and reduce the impact to utility customers. It is very difficult to keep rates the same for four years while all of the other fixed costs are rising every year; some dramatically. The Council is fortunate that the water and sewer reserve account is relatively healthy. This makes it possible to reduce the amount transferred to the depreciation reserve. If that occurs, it is possible to close the deficit and keep the rates at the same level they are today.

Based upon prior discussions, Council appears to have two goals. First, it wants to do everything possible to avoid raising water and sewer rates. Second, it does not want to lose sight of the importance of depreciation reserves and wishes to guarantee that some reasonable transfer is made every year.

What Does the Resolution Do?

This resolution is a compromise which addresses both Council objectives. First, it states that at least \$200,000 must be transferred into depreciation reserves each year through the normal budget process. Second, it provides that any excess of revenues over expenditures at the end of the fiscal year will also be placed into the reserve account. If this resolution is adopted, it will make it possible for the Council to balance the budget and adopt water and sewer rates for the next two years that are the same as they are right now.

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City of Homer (907) 235-8121
491 E. Pioneer Avenue Homer, AK 99603

CITY OF HOMER
HOMER, ALASKA

Finance
Public Works
City Clerk

RESOLUTION 99-53

A RESOLUTION OF THE CITY COUNCIL OF HOMER,
ALASKA AUTHORIZING THE HOMER ACCELERATED
WATER AND SEWER PROGRAM.

WHEREAS, City of Homer property owners continually express their needs regarding water and sewer and have urged the Council at Council meeting to address this need: and

WHEREAS, sewer particularly is a health and safety matter within the Homer City limits and many homes are without connection to City water; and

WHEREAS, for the majority of Homer residents water and/or sewer improvements are cost prohibitive; and

WHEREAS, a need exists for some type of water and sewer program for the Homer residents that will provide for utility improvements without the heavy financial burden placed on the individual property owner and will increase users to the system(s). thereby increasing revenues to the Water and Sewer Enterprise Funds.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska hereby authorizes the Homer Accelerated Water and Sewer Program: and

BE IT FURTHER RESOLVED that funding of the program should be defined by January 1, 2000.

PASSED AND ADOPTED by the City Council of Homer, Alaska this 28th day of June, 1999.

CITY OF HOMER



JACK CUSHING, MAYOR

ATTEST:



MARY L. CALHOUN, CMC/AAE, CITY CLERK

Fiscal Note: Included.

CITY OF HOMER
HOMER, ALASKA

Staff
City Attorney

ORDINANCE 99-14(S)(A)

AN ORDINANCE AMENDING HOMER CITY CODE SECTION 9.16.010(b) TO REDEDICATE CURRENT UNEXPENDED SALES TAX REVENUES COLLECTED UNDER THAT SUBSECTION TO WATER AND SEWER IMPROVEMENTS; AND FURTHER ELIMINATING THE CURRENT TERMINATION DATE OF THE TAX AND REDEDICATING THE ENTIRE TAX TO WATER AND SEWER SYSTEMS IMPROVEMENTS AFTER SATISFACTION OF SEWER TREATMENT PLANT DEBT RETIREMENT OBLIGATIONS.

WHEREAS, HCC Section 9.16.010(b) currently levies a 3/4% sales tax dedicated "for the purpose of funding debt retirement of the sewer treatment plant improvements": and

WHEREAS, there are significant unexpended sales tax revenue generated by that levy in excess of the funds needed currently to fund debt retirement obligations for the sewer treatment plant improvements; and

WHEREAS, the City Council recently authorized the new Homer Accelerated Water and Sewer Program (HAWSP) to promote construction of additional improvements to the City water and sewer systems, and funds are needed to implement the program: and

WHEREAS, the HAWSP is suitable for use for unexpended revenues collected under HCC 9.16.010(b): and

WHEREAS, the tax levy under HCC 9.16.010(b) is scheduled to terminate upon full repayment of the sewer treatment plant debt on or before December 21, 2012, whichever occurs first, and if the levy were extended it could be used in its entirety to fund sewer and water improvements, ~~under HAWSP, or another City program.~~

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. Homer City Code Section 9.16.010(b) is hereby amended to read as follows:

b. An additional consumer's sales tax in the amount of three-quarters percent (3/4%) is hereby levied by the City of Homer on all sales, rents and services within the City except as the purpose of funding debt retirement of the sewer treatment plant improvements, **and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems improvements.**

50 Section 2. Section 1 of this Ordinance shall take effect on October 26, 1999 only if the
51 following proposition is approved by the qualified voters of the City of Homer at the General
52 Election of October 5, 1999:

53
54 Under Homer City Code Section 9.16.010(b), 3/4 of 1 percent of the sales tax is currently
55 dedicated for the purpose of funding debt retirement of the sewer treatment plant
56 improvements. Shall the dedication be amended to allow current unexpended sales tax
57 revenue in excess of that needed to fund debt retirement to be dedicated to water and sewer
58 system improvements, ~~such as the Homer Accelerated Water and Sewer Program?~~

59
60 YES _____ NO _____
61

62 Section 3. The sales tax levy imposed by Section 9.16.010(b) shall continue to remain in
63 effect after full repayment of the debt for the sewer treatment plant improvements and after
64 December 31, 2012. Provisions to the contrary in Ordinance 91-19(S)(A) are repealed. After full
65 repayment of the debt of approximately \$6.8 million (as of August 12, 1991, the date of enactment
66 of Ordinance 91-19(S)(A)) for the sewer treatment plant improvements, the entire tax generated by
67 the levy imposed by Section 9.16.010(b) shall be used for the purpose of funding water and sewer
systems improvements.

69
70 Section 4. Section 3 of this Ordinance shall take effect on October 26, 1999 only if the
71 following proposition is approved by the qualified voters of the City of Homer at the General
72 Election of October 5, 1999:

73
74 Under Homer City Code Section 9.16.010(b), 3/4 of 1 percent of the sales tax now dedicated
75 for the purpose of funding debt retirement of the sewer treatment plant improvements is
76 scheduled to terminate upon retirement of \$6.8 million in sewer treatment plant debt or on
77 December 31, 2012, whichever occurs first. Shall this termination provision be repealed and,
78 after the applicable debt has been repaid in full, shall the entire amount of the 3/4 of 1
79 percent sales tax levy be dedicated to water and sewer systems improvements, ~~such as the
80 Homer Accelerated Water and Sewer Program?~~

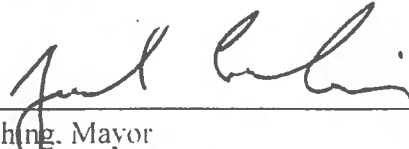
81
82 YES _____ NO _____
83

84 Section 5. Section 1 of this ordinance is of a permanent and general character and shall be
85 included in the City Code if the proposition set forth in Section 2. is approved by the voters.
86 Section 3 of this Ordinance removes a termination date for the current sales tax levy, and the only
87 codification required is the removal of the footnote to HCC 9.16.010(b), if the proposition set forth
88 in Section 4 is approved by the voters. Sections 2 and 4 will not be included in the City Code.

91 Page Three
92 City of Homer
93 Ordinance 99-14(S)(A)
94

95 ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA on this
96 28th day of August, 1999.
97

98 CITY OF HOMER
99


100
101 
102 _____
103 Jack Cushing, Mayor

104 ATTEST:

105
106
107 
108 _____
109 Mary L. Calhoun, CMC/AEE, City Clerk
110

111
112 AYES: 5
113 NOES: 0
114 ABSTAIN: 0
115 ABSENT: 1
116

117
118
119 First Reading: 7/12/99
120 Public Hearing: 7/26/99
121 Second Reading: 8/23/99
122 Effective Date: Upon approval by the Voters Oct 5, 1999 &
123 certification by the Council, scheduled for Oct 11th.
124 *eff 10/11/99 MLL*
125 Reviewed and approved as to form and content:
126
127

128
129 
130 _____
131 Ronald Wm. Drathman, City Manager
132

128
129 
130 _____
131 Gordon J. Tans, City Attorney
132

133 Fiscal Note: Cost of putting on the ballot and election advertising.
134
135

Legislative History of HAWSP Fund

June 28, 1999 Resolution 99-53 "A]uthorizes the Homer Accelerated Water and Sewer Program", for the purpose of addressing the need for

*"[S]ome type of water and sewer program for the Homer residents that will provide for utility improvements without the heavy financial burden placed on the individual property owner and will increase users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds."*¹

July 12, 1999 City Council Meeting Minutes. The minutes state:

*"City Manager Drathman advised that once the sewer bonds are paid off the revenues could be used for a number of projects as well as a funding mechanism to accomplish some of the LIDs approved..."*²

The minutes say a "work session or working group prior to the next meeting...to discuss the accelerated water and sewer program, the proposed funding mechanism and alternatives..."

Aug 23, 1999 Ordinance 99-14(S)(A) Authorized use of "unexpended $\frac{3}{4}$ of 1% sales tax" for funding "water and sewer system improvements". Also uses the phrasing, "water and sewer systems improvements" and "water and sewer systems".³

Sept 29, 1999 Council Work Session to talk about the HAWSP program and the first HAWSP Policy Manual. This describes the purpose of the HAWSP program to address water/sewer LIDs, designed around the same concepts as the HARP fund. The Policy Manual states, in the *Purpose/Intent* section,

"[T]he [HAWSP] is a combined local funding source of dedicated sales tax and assessments to upgrade approximately 500+ homes to City water and/or sewer service at an estimated cost of \$2,000,000.00."

Oct 11, 1999 Resolution 99-92 Certified the election approving the Proposition.

Oct 12, 2015 Ordinance 15-36(A-2) Amended HCC 9.16.010, relating to the $\frac{3}{4}$ of 1% of sales tax for HAWSP and HART. Ordinance mentioned HAWSP only because it's part of the same section of the HCC. It still refers to HAWSP as being "for the purpose of funding water and sewer systems..."

May 9, 2016 Ordinance 16-20 Specified signatures required to pass SAD must equal at least 50% of the cost of the improvements.

May 9, 2016 Resolution 16-041(S-2)(A) Provided expenditures from HART and HAWSP were "subject to availability of funds, after maintaining a debt-service coverage ratio of 1.25 or above..."

June 27, 2016 Resolution 16-074 Placed moratorium on new water and sewer SADs until

¹ This is the first legislation I've found that talks about the intent of the program, which eventually became HAWSP. It does not address repair/replacement or system-wide capital projects.

² He seems to be looking at using HAWSP for projects, other than just w/s line extensions.

³ I did not find a definition of these terms.

"...[T]he debt service ratio for the HAWSP fund is above 1.25 and directing the Homer Advisory Planning Commission to develop procedures for applying and lifting the debt service ratio restrictions."

June 2016 Updates to HAWSP Policy Manual were adopted, stating:

*"The intent of the program is to improve the health and welfare of the Citizens of Homer by connecting residences to City water and/or sewer, thereby increasing the number of users on the system, increasing property values and improving the quality of life."*⁴

July 20, 2016 Planning Commission Meeting Minutes. Discussed HAWSP criteria. One of the Commissioners questioned why the HAWSP was being used *"for maintaining the system"* since so doing does not *"increase the number of users or property values...which was [the] intent."*⁵

Aug 3, 2016 Planning Commission Meeting Minutes. Discussed HAWSP debt ratio

Sept 7, 2016 Memo from R. Abboud to Homer Advisory Planning Commission. Reviewed concepts related to HAWSP to help Planning Commission address questions from Council about HAWSP.

Nov 30, 2016 Memo from R. Abboud to City Council Reported on Planning Comm review of HAWSP.

Mar 13, 2017 Ordinance 17-10(S)(A) Authorized ballot measure related to continuing HART. Ordinance mentioned HAWSP only because it's part of the same section of the HCC.

Jan 27, 2020 Resolution 20-012(A) Stipulated that Council would hold a work session on March 9, 2020⁶, to *"develop updates to the HAWSP policy manual..."* primarily to address how to gauge the health of the HAWSP fund. One of the questions to be addressed is, *"How should system-wide projects be evaluated and prioritized versus citizen-initiated SADs?"*⁷

Feb 19, 2020 Planning Commission Meeting Minutes

"City Planner Abboud...pointed out the following – Funding for HAWSP is ¾ of one percent original ballot language was provided and any projects related to water and sewer are eligible not just special assessment districts [stet]."

⁴ I couldn't find the legislation that adopted the 2016 updates, but it apparently was. At this point, it looks like HAWSP was being discussed in the context of expanding water and sewer service to new users, not so much about repair/replacement or executing system-wide capital projects.

⁵ This is the first time I saw a record of someone questioning the intent behind the HAWSP Fund; that is asking the question: Should it be used to pay for water/sewer system extensions to new users and for system-wide projects or only for system extensions?

⁶ Did the work session of March 9 take place? I think so. Was the HAWSP Policy Manual ever amended? I don't think so.

⁷ This discusses the HAWSP Fund in the context of funding projects providing system-wide benefits.

Feb 27, 2020 Memo re: Planning Commission's recommendations on HAWSP SAD evaluation criteria, after reviewing HAWSP Policy Manual. This says, "[s]ystem wide projects should be evaluated and prioritized using the Comprehensive Plan Land Use Recommendations (Pages A-2 thru A-10)." ⁸

Mar 5, 2020 Memorandum from K. Koester to City Council Katie address questions raised in Resolution 20-012(A).

Q – How should system-wide projects be evaluated and prioritized versus citizen-initiated SADs?

Katie's response – "Mayor has mentioned the City's share should be paid in cash and not financed. This could be spelled out in the HAWSP policy manual, taking into consideration that a major city-wide infrastructure (like the water treatment plant) would still require financing..."

⁸ The problem with this approach is that it does not address system-wide projects that are required due to rehabilitation projects or projects that improve the efficacy of the entire system.

Legislative History of Water/Sewer Reserve Funds

5-13-91 Reso 91-25 Council used the tariff to establish a “capital reserve fund” for the water fund. The amount to be set aside for the capital reserve fund is computed as a factor of the plant replacement costs. The fund may be used for *“engineering and construction of major enhancements or upgrades to the water treatment facilities...greater than \$10,000...such as pump stations, damaged collection mains, etc...”* A companion capital reserve fund was established for the sewer fund in Resolution 91-26.

Dec 1994 Reso 94-129(A) Council established a ceiling for the capital sewer reserve fund at \$600,000 and a replenishment schedule for transfers if the balance of the fund fell below \$600,000. A companion schedule was established for the sewer fund in Resolution 94-130(A).

12-10-01 Reso 01-82 Council amended Reso 94-130(A) to remove the the \$600,000 limit on the water capital reserve fund but to maintain a balance sufficient to satisfy grant-matching requirements and future major capital needs and be replenished in accordance with the depreciation schedule established for the Water Fund... A companion resolution was adopted for the sewer capital reserve fund in Resolution 01-83.

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 91-25

A RESOLUTION OF THE HOMER CITY COUNCIL ESTABLISHING A CAPITAL RESERVE FUND FOR THE WATER FUND.

WHEREAS, the City Council of the City of Homer has adopted Ordinance 91-10(S) establishing a water rate schedule; and,

WHEREAS, the rate schedule includes a component for capital replacement; and,

WHEREAS, the City Council of the City of Homer desires to restrict that portion of the revenues collected comprising of the capital component, and;

WHEREAS, the capital replacement monies are to be restricted and distributed only for those projects comprising of major capital outlay expenditures for the water system; and,

WHEREAS, the city Council of the City of Homer desires that distributions must be approved by Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska that:

1. A portion of the Revenues from the Water Fund shall be set aside in a restricted section of the Fund balance; and,

2. The amount shall be equal to \$150,000 per year computed as follows:

Plant Costs	\$12,000,000
divided by useful life	<u>20</u>
Basis	600,000
Times the Replacement level	<u>25%</u>
Total Annual amount	150,000

3. This amount shall show as a budgeted amount in the annual budget and be transferred to the restricted fund balance on a monthly basis.

4. The use of this restricted fund balance shall be for major capital outlay items. These shall consist of unbudgeted and unexpected capital costs.

5. Management of the reserve account shall be outlined as follows:

a. The accounts would be used for engineering and purchasing of pieces of equipment whose costs

exceed \$10,000.

- b. The accounts would be used to provide for engineering and construction of major enhancements or upgrades to the water treatment facilities. Major is defined as greater than \$10,000.
- c. The accounts would be used for engineering and construction of necessary upgrades to existing water collection facilities such as pump stations, damaged collection mains, manholes, etc. the minimum appropriation is \$10,000.
- d. The accounts would be used for engineering studies that identify the most cost effective manner in which to upgrade portion of the infrastructure.


6. The expenditure of the funds in the accounts would be based upon Council approval and upon a priority list submitted annually by Public Works.

PASSED AND APPROVED by the Homer City Council this 13th day of May, 1991.

CITY OF HOMER


Harry E. Gregoire, Mayor

ATTEST:


Mary L. Shannon
City Clerk

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 94-129(A)

A RESOLUTION OF THE HOMER CITY COUNCIL
AMENDING RESOLUTION 91-26, ESTABLISHING
A MAXIMUM CAPITAL RESERVE FUND
BALANCE AND A REPLENISHMENT SCHEDULE
FOR THE SEWER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 91-26, establishing a capital reserve fund for the Sewer Fund, and

WHEREAS, the City Council of the City of Homer desires to limit the balance to \$600,000, and

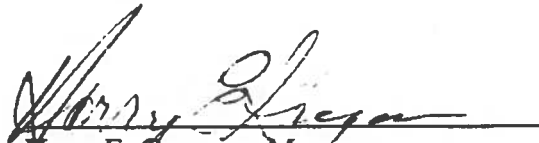
WHEREAS, the City Council of the City of Homer desires that when the balance is less than \$600,000 it will be replenished at a rate of \$50,000 per year or one third (1/3) the difference between the cap and present balance, whichever is greater, no greater than \$150,000 will be contributed in any one year; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance and the Replenishment Schedule be reviewed every two years.

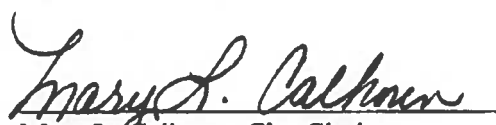
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska that a maximum capital reserve fund balance of \$600,000 and a replenishment schedule be established for the Sewer Fund.

PASSED AND APPROVED by the Homer City Council this day of December, 1994.

CITY OF HOMER


Harry E. Gregoire, Mayor

ATTEST:


Mary L. Calhoun, City Clerk

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 94-130(A)

A RESOLUTION OF THE HOMER CITY COUNCIL
AMENDING RESOLUTION 91-25, ESTABLISHING A
MAXIMUM CAPITAL RESERVE FUND BALANCE
AND A REPLENISHMENT SCHEDULE FOR THE
WATER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 91-25, establishing a capital reserve fund for the Water Fund, and

WHEREAS, the City Council of the City of Homer desires to limit the balance to \$600,000, and

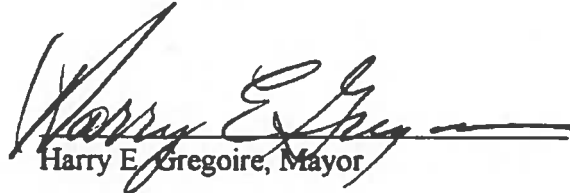
WHEREAS, the City Council of the City of Homer desires that when the balance is less than \$600,000 it will be replenished at a rate of \$50,000 per year or one third (1/3) the difference between the cap and present balance, whichever is greater, no greater than \$150,000 will be contributed in any one year; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance and the Replenishment Schedule be reviewed every two years.

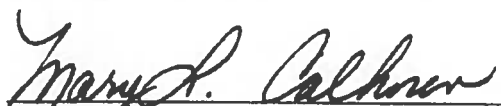
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska that a maximum capital reserve fund balance of \$600,000 and a replenishment schedule be established for the Water Fund.

PASSED AND APPROVED by the Homer City Council this day of December, 1994.

CITY OF HOMER


Harry E. Gregoire, Mayor

ATTEST:


Mary L. Calhoun, City Clerk

**City of Homer
Homer, Alaska**

Resolution 01-82

A RESOLUTION OF THE HOMER CITY COUNCIL
AMENDING RESOLUTION 94-130(A) ESTABLISHING
A MAXIMUM CAPITAL RESERVE FUND BALANCE
AND A REPLENISHMENT SCHEDULE FOR THE
WATER FUND.

WHEREAS, the City Council of the City of Homer is amending Resolution 94-130(A) establishing a capital reserve fund for the Water Fund; and

WHEREAS, the State of Alaska has changed the granting process to require a matching amount for the City of Homer, and reduced the amount of grants available; and

WHEREAS, the City Council of the City of Homer desires to remove the \$600,000 limit on the account balance; and

WHEREAS, the City Council of the City of Homer desires that the capital reserve fund balance be sufficient enough to meet these grant matching requirements and future major capital needs and be replenished each year in accordance with the depreciation schedule established for the Water Fund; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance be reviewed every two years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska the capital reserve fund balance limit of \$600,000 be removed and the fund will be replenished according to the depreciation schedule established for the Water Fund.

PASSED AND APPROVED by the Homer City Council this *10th* day of *December*, *2001*.

CITY OF HOMER



Jack Cushing, Mayor

ATTEST:



Mary V. Calhoun, City Clerk

**City of Homer
Homer, Alaska**

Resolution 01-83

**A RESOLUTION OF THE HOMER CITY COUNCIL
AMENDING RESOLUTION 94-129(A) ESTABLISHING
A MAXIMUM CAPITAL RESERVE FUND BALANCE
AND A REPLENISHMENT SCHEDULE FOR THE
SEWER FUND.**

WHEREAS, the City Council of the City of Homer is amending Resolution 94-129(A) establishing a capital reserve fund for the Sewer Fund; and

WHEREAS, the State of Alaska has changed the granting process to require a matching amount for the City of Homer, and reduced the amount of grants available; and

WHEREAS, the City Council of the City of Homer desires to remove the \$600,000 limit on the account balance; and

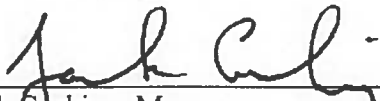
WHEREAS, the City Council of the City of Homer desires that the capital reserve fund balance be sufficient enough to meet these grant matching requirements and future major capital needs and be replenished each year in accordance with the depreciation schedule established for the Sewer Fund; and

WHEREAS, the City Council of the City of Homer desires that the Capital Reserve Fund Balance be reviewed every two years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Homer, Alaska the capital reserve fund balance limit of \$600,000 be removed and the fund will be replenished according to the depreciation schedule established for the Sewer Fund.


PASSED AND APPROVED by the Homer City Council this 10th day of *December 2001*.

CITY OF HOMER



Jack Cushing, Mayor

ATTEST:



Mary L. Calhoun, City Clerk

<u>Description of Asset</u>	<u>Year Built</u>	<u>Age</u>	<u>Expected Useful Life - years</u>	<u>Service History</u>	<u>Condition</u>	<u>Adjusted Useful Life</u>	<u>Remaining Useful Life</u>	<u>Years until further action needed</u>	<u>Value of Structure</u>	<u>Contents Value</u>	<u>Total Value</u>	<u>Reserve Required Current Year</u>
Raw Water Intake Structure	1974	46	35-45		Good	46			\$ 343,068.00	\$ 414,240.68	\$ 757,308.68	
Raw Water Pumps			10-15									
Raw Water Transmission Mains	1874	46	35-40	Has experienced breaks due to earthquakes.	Poor	35-40	0	0			\$ 2,300,000.00	\$ 2,300,000.00
WTP Building	2009	11	30-60	regular preventative maintenance	Very Good	30-60	19 - 49	20	\$ 10,672,046.30	\$ 850,223.16	\$ 11,522,269.47	0
WTP Chlorination equipment	2009	11	10-15				4	3				
WTP Electrical systems	2009	11	7-10				0	0				\$ 533,602.31
WTP meters	2009	11	10-15	We have been replacing meters over the past 2-3 years.	Very Good	15	4	3			\$ 30,000.00	\$ 10,000.00
WTP Computers/Controls	2009	11	5	minor tweaks to controls over the years	Fair	8	0	0			\$ 200,000.00	\$ 200,000.00
Lab/monitoring Equipment	2009	11	5-7	We have been replacing some equipmenet over time.	Fair	6-8	0	0			\$ 30,000.00	\$ 30,000.00
Tools and Shop Equipment		15	10-15		Good	10-15	0	0				\$ 10,000.00
Hydrants	1974	46	40-60		Fair	40-60						\$ 10,000.00
Distribution Pipes	1974	46	35-40		Poor	35-40	0	0				\$ 18,000.00
Mainline Distribution Line	1974	46	40-60		Poor	40-60	0	0			\$ 825,000.00	\$ 825,000.00
Mainline Valves	1974	46	35-40	Have been replacing valves over the past 2-3 years	Fair	35-40	0	0			\$ 25,000.00	\$ 25,000.00
Tesoro Valt main line	1979	46	40-60	existing line is undersized	Poor	40-60	0	0				\$ 100,000.00
Pressure Reducing Stations	1979	41	35-40	minor repairs	Poor	35-40	0	0			\$ 29,500.00	\$ 29,500.00
Pump Station (End #32 - Vacant)	1983	37	35-40		Fair	35-40	0	0	\$ 580,908.00	\$ 166,611.59	\$ 747,519.59	\$ 747,519.00
WWTP Building	1989	31	30-60	No structural improvements.	Fair	30-60	29	0	\$ 11,956,771.00	\$ 1,438,856.62	\$ 13,395,627.62	\$ 65,000.00
WWTP Chlorination Equipment	1989	31	10-15		Poor	10-15	0	0				\$ 25,000.00
WWTP Air Compressor	1989	31	10-15		Poor	10-15	0	0				\$ 85,000.00
WWTP Digester Blowers	1989	31	10-15		Poor	10-15	0	0				\$ 189,000.00
WWTP Electrical Systems		31	7-10		Fair	7-10	0	0				\$ 50,000.00
WWTP Meters	1989	31	10-15	Have been replacing meters over the past 2-3 years.	Very Good	10-15	0	0				\$ 65,000.00
WWTP Computers/Controls	1989	31	5		Poor	5	0	0			\$ 210,000.00	\$ 210,000.00
STP Operations Plant	1989	31	30-60		Fair	30-60	0-29	10	\$ 528,231.00	\$ 168,213.34	\$ 696,444.34	\$ 69,644.00
Drying Bed Structure	1989	31	30	none	Poor	30	0	0	\$ 519,788.00		\$ 518,788.00	\$ 225,000.00
WWTP Pond Liner	1989	31	20		Poor	20	0	0				\$ 25,000.00
Collection Lines					Poor							\$ 50,000.00
Lift Stations	1989	31	35-40		Poor	35-40	4-9	2				\$ 210,000.00
Water Tank - Homer Spit	1983	37	30-60		Fair	30-60	23	6	\$ 2,488,926.70	\$ -	\$ 2,488,926.70	\$ 414,821.00
Water Tank .25 mg	1964	56	30-60		Fair	30-60	4	4	\$ 265,485.51	\$ -	\$ 265,485.51	\$ 66,371.75

Vulnerability Assessment City of Homer Water/Sewer infrastructure

	Vulnerability	Degree of Adverse Impact	Probability	Cost of impact	Consequences	Preventive Measures	Cost of Preventive Measures	Cost/Benefit Assessment
1	Failure of old, cast iron Raw Water Transmission Main failure due to natural disaster (earthquake, mudslide, etc.) There are two lines an 8" and a 10", both of which are needed to carry the volume at peak flows.	H	H	Incalculable	This conveys all the water from the supply to the WTP. Major damage to these mains will make it impossible to serve town with water for domestic use and fire protection. We've already had 2 breaks on this line in the past 3 years, during the winter.	Replace 8000 feet cast main with HDPE	\$ 2,300,000.00	H
2	Old valves failing in pressure reducing stations	H	H	injury or loss of life and water main damage would be incalculable	Valves operating incorrectly can cause high pressure in the distribution system and possible pipe breakage or they can get stuck in the closed position causing a reduced pressure. This is potentially dangerous to the system and the operators who maintain these PRV's in underground vaults with limited ingress and egress. Inability to provide potable drinking water and fire suppression to certain sections of the system.	Replace 6-inch flow control and isolation valves in 6 Pressure Reducing Stations (PRV's)	\$ 25,000.00	H
3	Pressure Reducing Stations with limited ingress and egress	H	H	injury or lost of life would be incalculable	Limited ingress/ egress put operators at risk of death or injury in the event of pipe or valve failure.	Replace old manhole style access lids and risers with larger opening access hatches and risers.	\$ 29,500.00	H
4	Failure of the lift stations' 15-year old web based telemetry system.	H	H	Incalculable	Sewage back ups into buildings or the environment putting public health at risk. EPA violations for SSO (Sanitary Sewer Overflow)	Upgrade old web based system with the cellar SCADA system that is in use at other sites and the treatment plants in order to standardize equipment and give operator better monitoring and system control	\$ 210,000.00	H
5	Failure of the 30-year old air compressor, which is the main part of the Sewer Treatment System	H	H	Our electrical bill for the WWTP is \$200,000 per month. We could realize a substantial reduction in consumption, given no electrical rate increases.	Equipment failure due to age could cause a permit violation and discharge of under treated sewage into Kachemak Bay. Increased electric cost due to age of compressor.	Upgrade to a modern, more energy efficient compressor.	\$ 85,000.00	H
6	Failure of old, cast iron Mid-Hill water transmission line due to natural disaster (earthquake, mudslide, etc.)	H	M	Incalculable	Major damage to this main will impair the City's ability to serve town with water for domestic use and fire protection. It's the same material as the Raw Water Transmission line, built about the same time.	Replace 1050 feet of old cast iron pipe with HDPE	\$ 825,000.00	H

7	Violation for high disinfection by-products. DBPs are potentially cancer causing elements caused by chlorine reacting with organic material in the raw water.	H	M	Incalculable	Lack of protection of public health and compliance with EPA's Disinfection By-products Rule	Install aeration equipment in the Million Gallon tank to enhance water quality by the removal of a large portion of the disinfection by products.	\$ 210,000.00	H
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8	Loss of the City's only water source to supply town with drinking water and fire suppression.	H	M	Incalculable	Inability to supply City with potable drinking water and fire suppression in the event of a drought, catastrophic damage to the Bridge Cr. Dam or transmission line failure from the pump station to the treatment facility.	Commission a hydrology study to identify supplemental water supply.	\$ 150,000.00	H
9	SCADA System Crash at WTP or WWTP	H	M	Incalculable	Inability to operate water treatment plant and serve community with potable drinking water and fire suppression. Inability to operate Sewer treatment to protect public health and the environment.	The last time this happened in 2014, it cost \$160,000 to update the PLC. We should update computer equipment regularly (every 5 to 10 years) and update proper Cyber protection. Technology is typically only good for 5 years.	\$ 200,000.00	H
10	Lack of back up power for lift stations	H	M	Incalculable	Inability to pump raw sewage to the treatment facility. SSOs (Sanitary Sewer Overflows) are a major violation with EPA and pose serious health issues for both the public and the environment. In Section 3: Response Actions of the City of Homer Emergency Ops Plan, generators are listed under Vital Services and Facilities Restoration Sequence as Priority 1 equipment.	Purchase an additional portable generator and store at the Water Treatment Facility	\$ 58,000.00	H
11	Flood at Sewer Treatment Plant	H	L-M	The last time this happened, we incurred \$150,000 in damages.	Major damage to the STP could compromise the City's ability to serve its customers, protect the environment and meet EPA permit requirements. Possible damage to customer property and litigation.	Proper maintenance in collection system. Reduce Inflow and infiltration by (1) Purchasing inspection self propelled camera to identify sources of infiltration. (2) Conducting systematic smoke and dye testing to detect inflow. (3) Implementing repairs as necessary with in-house staff. May need funds for materials.	\$ 70,000.00	H
12	Loss of Public Works Facility, due to being located in an Tsunami Inundation Zone	H	L	Incalculable	Would lose access to tools, equipment, materials and supplies	Maintain stockpile of basic necessities at a location outside the inundation zone. We're in the process of building up a stash of spare parts & chemicals. We need a safe location to store the stuff.	\$ 100,000.00	M
13	Loss of facilities on the Spit due to Tsunami, such as 3 lift stations, fire pump and some 6"-10" cast iron water main.	H	L	Incalculable	Inability to supply Spit with potable drinking water and fire suppression.	Maintain adequate supply of repair parts at a safe location. Add \$500,000 for a storage shed.	\$ 100,000.00	M
14	Fire at WTP	H	L	Incalculable	Major damage to the WTP would impair City's ability to provide water service for domestic use and fire protection. An electric fire could take out the entire plant, because it's all automated.	Upgrade current, water-sprinkler fire suppression system and system inspections. Good housekeeping.	\$ 250,000.00	H

15	Dam Failure due to natural disaster (earthquake)	H	L	Incalculable	Loss of water supply	Continue monitoring geological stability of dam with a Dam Monument Survey. Also, we do a Dam Inspection every 3 years. Commission a hydrology study to identify a supplemental water supply. Build additional water storage capacity.	\$ 75,000.00	M
16	Meter computer system/ Cloud crash	H	L	W & S revenues are about \$300,000 per month	Inability to bill customer, loss of revenue	Update computer equipment regularly. Maintain proper cyber protection; maintain adequate reserve.	\$ 100,000.00	M
17	Tesoro Vault main line under-sized	M	H	Incalculable	Reduced fire flows to Spit and lower ISO rating.	Increase line and meter size from 6-inch to 10-inch minimum. This will enable the City to increase the flow to the Spit to better meet fire flow requirements and provide better service to bulk users. With an increased main size the City may be able to attract bulk water customers for increased sales.	\$ 100,000.00	H
18	Distribution system leaks	M	H	Incalculable	Lack of water accountability, excessive damage to infrastructure and private property. Interruption of service for domestic use and fire protection	Purchase ZCorr Digital Correlating leak detection system to perform regular leak detection on distribution system.	\$ 18,000.00	M
19	Failure of 30-year old digester blowers	M	H	Incalculable	Reduced treatment of solids, possible hearing damage to operators and high electric cost.	Upgrade to a modern, lower maintenance and more energy efficient blowers.	\$ 189,000.00	H
20	I & I infiltration into sewer collection system	M	H	Incalculable	Additional costs for collection and treatment	Develop a program of systematic discovery and repair of sources of I & I	\$ 50,000.00	M
21	Old cast iron water main on the Spit.	M	M	Incalculable	Inability to provide Spit customers with water.	Investigate the condition of that pipe, using specialized equipment that can detect the pipe thickness. Replace as need about 4,800 LF of cast iron pipe at the end of the Spit (on the Spit Road, Fish Dock Road and Ice Dock Road) with HDPE pipe depending on the finds of the investigation.	\$ 624,000.00	M
22	Lack of stored treated water on the west side of town.	M	M	Incalculable	Lack of capacity if the 1MG tank or WTP become inoperable.	Build a 0.25 Million Gallon Tank on the west side to provide increased capacity for domestic use and fire flow.	\$ 1,105,000.00	M
23	Beluga lift station wet well, electronics and control panel suffering from H2S corrosion.	M	M	Incalculable	Inability to transfer sewage from Spit/ Ocean Dr. to Treatment Facility	Replace or slip line wet well, replace control panel and telemetry.	\$ 250,000.00	M

25	Lack of stored treated water on the east side of town	M	L	Incalculable	Lack of capacity if the 1MG tank or WTP become inoperable.	Build a 0.75 Million Gallon Tank on the east side to provide increased capacity for domestic use, fire flow and future micro hydro power generation.	\$ 2,583,000.00	L
24	Inaccessibility of Sterling Hwy North due to natural disaster (earthquake, mudslide, etc.)	M	L	Incalculable	Over-the-road supply lines would be cut off. Supplies would have to be brought in by air or sea.	Maintain adequate supply of repair parts and treatment chemicals. We keep a 3-6 months supply of chemicals on a regular basis and are in the process of building up a supply of spare parts. To maintain a larger supply, we'd need more storage space.	\$ 100,000.00	M
26	Loss of Spit Water Storage tank due to natural disaster (earthquake, tsunami, etc.)	M	L	Incalculable	Inability to supply Spit with potable drinking water and fire suppression if water mains from main land were damaged.	Build redundant water storage capacity.	\$ 1,000,000.00	L
27	Failure of water-damaged portions of WWTP Ceiling.	L	H	Costs of Injury is incalculable	Possible injury to personnel or damage to equipment from falling ceiling fragments	Replace water-damaged areas of ceiling.	\$ 65,000.00	H
28	Obsolete Water Sewer Master Plan	L	M	Incalculable	Lack of planning for future expansion would effect the City's ability to meet future needs of the community and EPA regulation changes.	Commission an update to the 2006 Water and Sewer Master Plan	\$ 50,000.00	M
29	Failure of the Sewer Treatment Plant pond liner	L	M	Incalculable	Leaks in liner could reduce the facility's ability to adequately treat solids prior to final disposal	Repair liner	\$ 25,000.00	H
30	Restore Sludge Drying Beds	L	M	Incalculable	Lost integrity of structure over sludge drying beds.	Clean and re-coat the structure and make other repairs to prolong useful life.	\$ 225,000.00	L
31	Overdose/Under dose chemicals	L	L	Incalculable	Impaired water quality	Security audit, & updated cyber protection	\$ 100,000.00	L
32	Loss of revenues due to lack of electronic Pay Station for RV Dump Station	L	L	We take in about \$5,000 a year and expect this would increase of 2-3 times more revenue if we could take credit cards.	Loss of revenues	Install an electronic pay kiosk.	\$ 55,000.00	L
33	Vandalism	L	L	Incalculable	Vary depending on damage and location of damage. We've been seeing evidence of drug use at the dam, etc. and some graffiti.	Public education. Install security cameras. Install robust locks.	\$ 50,000.00	L
							\$ 11,171,500.00	

Water Reserves
256 - 378

Acct #	2017 Actual	2018 Actual	2019 Actual	2020 Estimated	2021 Budget
Beginning Balance	2,490,079	2,593,246	2,650,270	2,617,113	2,611,829
Transfers:					
Operating Budget Transfer	4992	246,259	224,638	84,252	206,071
Project Closeout (ORD 19-57(S-2))			25,541	81,240	
Total Expenditures	5xxx	143,092	167,614	142,950	18,000
Ending Balance		2,593,246	2,650,270	2,617,113	2,799,900

Expenditure Detail

	2018		2019		2020		2021	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Data Loggers for Leak Detection							18,000	
Commercial Meter Replacement					80,000			
WTP On-Line and Lab Meters					49,258	46,847		
Gas Detection System					8,000	6,468		
Dredge for WTP					10,000			
Dustless Blasting Equipment					6,250	6,250		
1/3 of Asphalt Mixer					26,667	26,667		
1/3 of Backhoe Replacement					55,000			
1/3 of Vac Truck Brakes Modification					5,000			
Million Gallon Water Tank Aeration System	ORD 20-56				210,000			
Tesoro Water Vault Upgrade	ORD 20-56				100,000			
Raw Water Transmission Line Replacement - Phase 1 (Design)	ORD 20-56				215,000			
PRV Replacement - West Trunk Line	ORD 20-56				25,000			
1/2 of 1 Ton Crew Cab Pickup w/Flatbed			24,750	24,650				
1/2 of 1 Ton Pickup w/Flatbed			24,750	24,650				
Dewatering Geo Tubes			10,761	10,048				
Flatbed w/Tool Box & Headache Rack				6,800				
1/2 of RV Dump Station - Pay Station				7,500	5,741			
1/2 of GIS Equipment Replacement	ORD 19-38(A)(S)			6,817	6,634			
1/2 of 1/2 Ton Pickup w/Flatbed	ORD 19-38(A)(S)			16,500	14,123			
WTP Chlorine Generation Cell Replacement	ORD 19-01		23,600	23,580				
1/3 of Vac Truck	133,333	123,036						
Pressure Reducing Valves	25,000				16,244			
Waterproof Coating on Mix Tanks	30,000							
Bridge Creek Watershed Preservation	33,416	33,415						
Project Closeout (ORD 19-57(S-2))					19,143			
Pending Description		11,164			242		292	
	221,749	167,614	121,478	142,950	790,175	86,524	18,000	-

Sewer Reserves
256 - 379

	Acct #	2017 Actual	2018 Actual	2019 Actual	2020 Estimated	2021 Budget
Beginning Balance		1,930,940	2,153,985	1,979,619	2,063,277	2,007,167
Transfers:						
Operating Budget Transfer	4992	249,263	365,603	155,164	14,856	54,594
Project Closeout (ORD 19-57(S-2))				1,052		
Total Expenditures	5xxx	26,218	539,970	70,453	70,967	-
Ending Balance		<u>2,153,985</u>	<u>1,979,619</u>	<u>2,063,277</u>	<u>2,007,167</u>	<u>2,061,761</u>

Expenditure Detail

		2017		2018		2019		2020		2021	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Launch Ramp Lift Station Enclosure								80,000			
STP On-Line and Lab Meters								39,800			
Gas Detection System								8,000			
Dustless Blasting Equipment								6,250	6,250		
1/3 of Asphalt Mixer								26,667	26,667		
1/3 of Backhoe Replacement								55,000			
1/3 of Vac Truck Brakes Modification								5,000			
Replace Deep Shaft Air Compressor	ORD 20-57							85,000			
Upgrade SCADA for 7 Lift Stations	ORD 20-57							210,900			
WW Treatment Plant - Digester Blowers	ORD 20-57							189,000			
Replace PLC at STP						46,450	46,060				
1/2 of 1 Ton Crew Cab Pickup w/Flatbed						24,750	24,650				
1/2 of 1 Ton Pickup w/Flatbed						24,750	24,650				
Lift Station Safety Hatches						9,600	9,012				
Muffin Monster Rebuild						10,485	10,000				
1/2 of RV Dump Station - Pay Station						7,500	5,741				
1/2 of GIS Equipment Replacement	ORD 19-38(A)(S)					6,817	6,634				
1/2 of 1/2 Ton Pickup w/Flatbed	ORD 19-38(A)(S)					16,500	14,123				
STP HVAC Control System Upgrade	ORD 19-38(A)(S)					83,500	26,154			38,051	
1/3 of Vac Truck			133,333	123,036							
Lift Station Electrical Components			16,500	28,125			1,667				
Electrical Enclosure for Campground			17,500				5,436				
Shaft Air Meter at WW			21,500								
Programmable Logic Computer at STP			40,000	40,482							
Lift Station Electrical Components			12,000								
Heating and Air System at STP	ORD 18-13	280,000	9,041	92,592	337,589		15,478				
Project Closeout (ORD 19-57(S-2))							(127,690)				
Pending Description			5,376	10,738			8,537				
		<u>363,290</u>	<u>26,218</u>	<u>333,425</u>	<u>539,970</u>	<u>230,352</u>	<u>70,453</u>	<u>705,617</u>	<u>70,967</u>	<u>-</u>	<u>-</u>