



City of Homer

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Public Works

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Memorandum 21-010

TO: City Council

THROUGH: Rob Dumouchel, City Manager

FROM: Janette Keiser, PE, Director of Public Works

DATE: December 30, 2020

SUBJECT: Engineering Finance Support to Help Develop Water/Sewer Reserve Policies

Issue: The City is in the process of reviewing and adjusting its policies for building and spending reserve funds for the water and sewer utilities. Public Works indicated it needs specialized engineering support to help it identify and develop policies and protocols that best fit Homer's needs. We've asked HDR, one of the firms, with which we have a term contract, to provide a proposal for such services. The purpose of this Memorandum is to request funding for the work, splitting the costs between the Water/Sewer CARMA Funds.

Background:

Financial management of water and sewer utilities is a highly complex business, involving the administration of user rates, fees, operating budgets, capital expenses and savings. It is typical for municipalities and utilities to seek specialized help when "right sizing" these business matters. In Homer, a citizen task force worked for over 10 months to develop a water/sewer rate model that is still used to compute the rates for water and sewer services. That being said, there are some questions about how to administer some of the details of the rate model, such as how much we should be collecting for reserves and how we can be assured this amount is part of the commodity pricing structure.

We have a term contract with the engineering firm of HDR, which has a division that specializes in helping utilities address financial management issues. They proposed a package of services, the total cost for which is \$57,036. However, this includes a lot of work related to the water and sewer rate model, which we don't need. We do not intend to re-invent the water/sewer rate model, but to ask HDR specific questions regarding how certain elements of the rate model could be more effectively administered – such as the reserve element. We also need help setting up Job Cost Accounting for the W/S utilities so we can better track the expenses related to specific water/sewer projects, whether funded by HAWSP or the CARMA. We believe a budget of \$35,000 is an appropriate target for the scope of work we need at this point.

I'm requesting funding and authorization to issue HDR a Task Order in the amount of \$35,000. I will negotiate with them to fine tune the scope of work. I propose funding be split between the Water and Sewer CARMA Funds.

A. Water CARMA Fund

Balance as of March 31, 2020:	\$2,844,934
Allocated by Ordinance 20-56 for urgent projects	\$ 550,000
City's share of Seawall SAD allocated to Water Reserves	\$ 39,364
LED lighting for Water Treatment Plant	<u>\$ 16,546</u>
	\$2,239,023

B. Sewer CARMA Fund

Balance as of March 31, 2020:	\$2,018,059
Allocated by Ordinance 20-57 for urgent projects	\$ 484,900
City's share of Seawall SAD allocated to Sewer Reserves	\$ 39,364
LED Lighting for Sewer Treatment Plant	<u>\$ 18,696</u>
Balance	\$1,475,099

Recommendation:

Appropriate \$35,000, ½ from the Water CARMA Fund and ½ from the Sewer CARMA Fund, to fund a Task Order to HDR for specialized utility financial management services.