



City of Homer

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Memorandum 21-170

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Janette Keiser, Director of Public Works
DATE: September 14, 2021
SUBJECT: Utility Financial Policies

Issue: The City Council held a work session on September 9 2021, to review proposed Water and Sewer Utility Financial/Rate Setting Policies. The purpose of this memorandum is to recommend adoption of the policies

Background:

The City Council has been deliberating strategies and policies related to the sensible and prudent management of the finances for the Water and Sewer Utilities. On September 9, 2021, the City Council participated in a work session to review the recommendations of the Public Works Department and the utility financial experts from HDR Inc. These recommendations were based on HDR's analysis of the utilities' financial status, culminating in a Utility Financial Plan, which looks back to 2019 and looks forward to 2029. The Utility Financial Plan forecasts future expenses, based on past expense and assumptions about escalation, as well as identifies the revenues, which would be needed to cover those expenses.

Adopting the Policies and the Utility Financial Plan do not, by themselves, establish rates for water/sewer services. Establishing rates is a function of analyzing expenses and revenues. Rates are determined as the City Council engages in this analysis, as part of the rate-setting exercise, conducted on an annual basis. The Utility Financial Plan forecasts what revenues will be needed to support the predicted expenses

Recommendation:

That the City Council adopt the City of Homer Water and Sewer Financial/Rate Setting Policies, Version 21-01.