



# City of Homer

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

Finance Department

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## Memorandum 22-168

TO: Mayor Castner and Homer City Council  
THROUGH: Rob Dumouchel, City Manager  
FROM: Elizabeth Walton, Finance Director  
DATE: October 5, 2022  
SUBJECT: Utility Rate Model CARMA Capital Projects

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### **Purpose of Ordinance:**

Homer City Council amended the City of Homer Water and Sewer Rates by approving Ordinance 22-61. The utility rate model that was used to generate the updated rates included funding operational costs and selected capital projects identified in the City's Water and Sewer Financial Plan.

### **Identified FY23 Projects:**

The City of Homer has established a Water and Sewer Financial Plan. The FY23 Utility Rate Model incorporated this plan and now rate payers are funding capital projects. Some of these projects were funded using ARPA funds (Ordinance 22-60) and are notated as such. Below is a list of the FY23 projects and the funding source.

#### Water Capital Improvement Projects:

- WTP Filter Media Train (1 each/year) \$100,000 – ARPA funded
- RWP-1 Balance Motor/Shaft \$50,000 – ARPA funded
- Hydrant Replacement (10/year) \$100,000 – Rate funded
- Fleet Replacement \$50,000 – Rate funded
- WTP Sludge Drying Bed \$100,000 – ARPA funded
- Replace Water Meters \$50,000 – Rate funded

#### Sewer Capital Improvement Projects:

- Replace UV System \$430,000 – ARPA funded
- WWTP MCC Spare Parts \$30,000 – Rate funded
- Replace Cracked Incinerator \$75,000 – Rate funded
- Beluga Lift Station \$20,000 – Rate funded
- Lagoon Liner \$25,000 – Rate funded
- Replace Lift Station Access Hatch \$50,000 – ARPA funded \$36,685.16 (remainder is rate funded)

- Sludge Drying Beds \$25,000 – Rate funded
- Fleet Replacement \$50,000 – Rate funded

### **Legislation Walkthrough:**

Council approved Ordinance 22-61, which amended the Water and Sewer Rates. The explicit authorization and appropriation for the capital improvement projects was missing from that ordinance. Due to the fact that the rate model is funding these projects, the Utility Operations Fund Fund Balance has to transfer matching funds to respective Utility CARMA funds to fund the projects. The Utility Rate Model incorporated a draw on Utility Operations Fund Fund Balance to provide for a rate buyback. The proposed ordinance addresses the rate buyback and the absence of legislation authorizing the capital project spending.

In the future, the authorization and appropriation language for capital improvement projects will be included in the Ordinance amending Water and Sewer Rates.

### **Recommendation:**

Pass Ordinance transferring \$438,515 from Utility Operations Fund Fund Balance to Utility Capital Asset Repair and Maintenance Allowance (CARMA) Fund and appropriating \$200,000 from the Water CARMA Fund and \$238,515 from the Sewer CARMA Fund to fund projects identified in the Water and Sewer Financial Plan as detailed below:

#### Water Capital Improvement Projects (\$200,000):

- Hydrant Replacement (10/year) \$100,000
- Fleet Replacement \$50,000
- Replace Water Meters \$50,000

#### Sewer Capital Improvement Projects (\$238,515):

- WWTP MCC Spare Parts \$30,000
- Replace Cracked Incinerator \$75,000
- Beluga Lift Station \$20,000
- Lagoon Liner \$25,000
- Replace Lift Station Access Hatch \$13,315 (remainder of \$50,000 project funded through ARPA funding)
- Sludge Drying Beds \$25,000
- Fleet Replacement \$50,000

CITY OF HOMER  
FINANCIAL SUPPLEMENT

PROJECT NAME	<u>Transfer to Fund Utility Model Capital Projects</u>	DATE	<u>10/06/2022</u>
DEPARTMENT	<u>Finance</u>	SPONSOR	<u>City Manager/Finance Director</u>
REQUESTED AMOUNT	<u>\$ 438,515</u>		

DESCRIPTION	<p>Council approved Ordinance 22-61, which amended the Water and Sewer Rates. The explicit authorization and appropriation for the capital improvement projects was missing from that ordinance. Due to the fact that the rate model is funding these projects, the Utility Operations Fund Fund Balance has to transfer matching funds to respective Utility CARMA funds to fund the projects. The Utility Rate Model incorporated a draw on Utility Operations Fund Fund Balance to provide for a rate buyback. The proposed ordinance addresses the rate buyback and the absence of legislation authorizing the capital project spending.</p> <p>In the future, the authorization and appropriation language for capital improvement projects will be included in the Ordinance amending Water and Sewer Rates.</p>
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FUNDING SOURCE(S)	Utility Operations	GF CARMA	GF FLEET CARMA	PORT RESERVES	WATER CARMA
	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
	HAWSP	HART-ROADS	HART-TRAILS	PORT FLEET RESERVES	SEWER CARMA
	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

FUNDING SOURCE 1: Utility Operations FB	FUNDING SOURCE 2:	FUNDING SOURCE 3:
Current Balance <u>\$ 806,629</u>	Current Balance _____	Current Balance _____
Encumbered <u>\$ 208,716</u>	Encumbered _____	Encumbered _____
Requested Amount <u>\$ 438,515</u>	Requested Amount _____	Requested Amount _____
Other Items on Current Agenda <u>\$ 0</u>	Other Items on Current Agenda _____	Other Items on Current Agenda _____
Remaining Balance <u>\$ 159,398</u>	Remaining Balance _____	Remaining Balance _____
FUNDING SOURCE 4:	FUNDING SOURCE 5:	FUNDING SOURCE 6:
Current Balance _____	Current Balance _____	Current Balance _____
Encumbered _____	Encumbered _____	Encumbered _____
Requested Amount _____	Requested Amount _____	Requested Amount _____
Remaining Balance _____	Remaining Balance _____	Remaining Balance _____