



MEMORANDUM

**Resolution 23-048, A Resolution of the City Council of Homer, Alaska Amending the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan.
City Manager/Public Works Director.**

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Meeting Date: 17 May 2023
From: Elizabeth Walton, Finance Director
Through: Rob Dumouchel, City Manager

The purpose of this memo is to outline the changes that have been proposed to the Water and Sewer Utility Financial/Rate Setting Policies.

Proposed Changes:

- Line 18
 - Remove; the Utility Fund is a Special Revenue Fund and as such is not able to bond; all references to bonding has been proposed to be removed
- Line 62
 - Added “Fund” to correct the CARMA reference
- Lines 71-72
 - Added language to make reference to the HAWSP fund and explaining that HAWSP will not be incorporated in this particular policy, as HAWSP has its own dedicated policy manual. Review of the HAWSP policy manual should be done to verify that those financial policies are still appropriate.
- Lines 73-94
 - Remove; HAWSP has its own dedicated policy manual
- Line 95
 - Added “Fund” to correct the CARMA reference
- Lines 100-105
 - Added language to mention incorporation of the 15% reserve transfer in the utility rate model. Also included in this additional language is references to balance minimums and maximums.
- Line 106-107
 - Remove; individual projects are no longer funded directly through rate model
- Lines 118-122
 - Remove; the Utility Fund is a Special Revenue Fund and as such is not able to bond; all references to bonding has been proposed to be removed

- Lines 123-167
 - Remove; this section is connected to HAWSP and is therefore recommended from removal from this policy document. It is also recommended that this section be incorporated into the HAWSP policy manual.
- Line 170
 - Added “expenditures” to follow operating and removed capital expenditures. Direct capital expenditures are no longer funded through the rate model.
- Lines 191-195
 - Section was added to provide a clearer definition of fund balance and its potential role in rate setting and capital funding.
- Lines 207-209
 - Language amended to align policy document with current rate setting practice, which is to develop the rate through the budget process.
- Lines 211-213
 - Added “and” to correct sentence structure after removal of references to debt and capital improvements. These pieces were removed, as debt service is within HAWSP and the direct funding of capital projects is not connected with the rate model.
- Lines 224-225
 - Language added to state City’s goal of future financial planning.

Recommendation: Review the Utility Financial/Rate Setting Policies as proposed and approve Resolution 23-048 amending and adopting the Utility Financial Plan.