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| city of homer logo | **MEMORANDUM** | **CC-23-130** |

**Ordinance 23-24, An Ordinance of the City Council of Homer, Alaska Amending the City of Homer Water and Sewer Rates and Updating the Fee Schedule Accordingly.**

**City Manager/Finance Director.**

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| **Item Type:** | Backup Memorandum |
| **Prepared For:** | Mayor Castner and Homer City Council  |
| **Meeting Date:** | 08 May 2023 |
| **From:** | Janette Keiser, PE, Director of Public Works/City Engineer |
| **Through:** | Rob Dumouchel, City Manager |

**Issue:** I will be out of town for the May 8, 2023 City Council meeting, when the public hearing and second reading of Ordinance 23-24 adopting Homer’s FY 24/25 Water and Sewer Rates takes place. This Memorandum addresses questions raised at the April 24 Council meeting.

**Question/Comment:** We need to amend the Financial Policies when we address the budget.

**Response:** We have submitted for your consideration at the May 8 meeting, a Resolution amending the Water and Sewer Utility Financial and Rate Setting Policies to conform to the recommendations we’ve incorporated into the FY 24/25 Rates and Operating Budget.

**Question/Comment:** How does the Bulk Water Rate work and what is it based on?

**Response:** The Bulk Water Rate is paid by bulk water customers in addition to the regular water rate. The Bulk Water Rate was derived by the 2013 Task Force. It was a way for the 2013 Task Force to build equity into the Rate Model, which was an important goal. For example, many regular customers pay an assessment that covers their share of costs for distribution lines serving their neighborhood. Bulk water users haven’t been assessed any costs for their share of distribution lines/facilities from which their bulk water flows. The Bulk Water Rate is one way to equitably charge such users for costs of distribution infrastructure.

**Question/Comment:** What is the quantity of water generated vs the quantity of water sold?

**Response:** We generate 4.5% more water than we sell. This 4.5% represents water that is used in the operation and maintenance of the system, hydrant flushing for example. The EPA reports that, on the national average, 14% of water treated by water systems is lost to leaks alone. We monitor our system for evidence of leaks so we can repair them as fast as possible.

**Question/Comment:** Is it time to re-visit the Rate Model?

**Response:** The Utility Financial Policies state the City will review the Rate Model every five years, so we are past due. However, we recommend that for this year, we focus on stabilizing the Rate Model by re-establishing the 15% capital fee and adjusting the way the Fund Balance is treated. Next year, we can review the Rate Model and fine tune some of the nuances, such as the way multi-family units are charged, the bulk rate, etc.