



MEMORANDUM

**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.**

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Meeting Date: 08 May 2023
From: Elizabeth Walton, Finance Director
Through: Rob Dumouchel, City Manager

The purpose of this memo is to provide an overview of the model used to generate the water and sewer rates.

Introduction:

The basic principles and assumptions of this model were developed by the most recent Water and Sewer Task Force. The purpose of this model is to generate a utility rate that is a product of budget assumptions and the backing out of fixed fee components. The intent was to provide the City with a mechanism that connected the water and sewer rates to the actual costs to maintain the infrastructure.

The format of the rate model has changed from the one the Water and Sewer Task Force generated, but the basic principles and assumptions remain the same. These changes were made to more accurately reflect the City's budget structure.

Finance spent substantial time this year to complete the connection of this rate model to the operating budget. Going forward, the rate model will be presented prior to the beginning of the fiscal year and will be directly connected to the budgeted revenue requirements for that year.

Budget page number references are provided for each of the rate model inputs. These references are linked to the FY24/25 Operating Budget stamped "Draft 04.24.23" in the bottom right corner.