



CC-23-099

AGENDA ITEM REPORT

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: Ordinance
Prepared For: Mayor Castner and Homer City Council
Meeting Date: 24 April 2023
From: Melissa Jacobsen, MMC, City Clerk

Ordinance 23-24 and back up materials are attached for Council consideration.

Recommendation:

Introduce Ordinance 23-24 with public hearing and second reading May 8, 2023

Attachments:

Ordinance 23-24
Memorandum from Finance Director
Utility Rate Information

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 City Manager/Finance Director

4 **ORDINANCE 23-24**

5
6 AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,
7 AMENDING THE CITY OF HOMER WATER AND SEWER RATES AND
8 UPDATING THE CITY FEE SCHEDULE ACCORDINGLY.
9

10 WHEREAS, Water and sewer utility services shall be reviewed annually and shall take
11 effect the first full billing period in July 2023; and
12

13 WHEREAS, Based on a the water sewer rate model prepared by the Water Sewer Rate
14 Task Force and adopted by the Homer City Council in Resolution 13-048(S-2)(A-3) adjustments
15 to the rates are recommended and warranted to reflect the true cost of water and sewer
16 services.
17

18 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:
19

20 Section 1. The City Council of Homer, Alaska hereby amends the City Fee Schedule
21 under water and sewer fees as follows:
22

23 **WATER**

24
25 A 4.85% of total charges charged to every customer outside of city limits in lieu of city sales tax will be
26 applied to those water accounts outside city limits.
27

28 **Customer Classification Definitions for Determining Water Connection and Extension**
29 **Permit Fees**

30 Single Family Residential: A unit providing housing for one household; with less than 25% of the
31 building area used for business or commercial purposes.

32 Multi-Family Residential: A building or lot occupied by more than one household: contained within one
33 building or several building within one complex. Examples of multi-family units includes duplexes, four-
34 plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one lot
35 (where units are normally rented or occupied for longer than one month at a time). Examples of units
36 not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units are
37 routinely rented or occupied for less than one month at a time.)

38 Commercial: Any user not defined as Residential.

Water Connection Fee	
Single Family	\$300.00*

Multi-Family/Commercial	\$375.00*
*All other fees for delayed or deferred services, in lieu of assessments and necessary right-of-way permits, shall be in addition to the permit fee. A property owner installing a water connection which qualifies for a deferred assessment payment or makes a payment in lieu of assessment shall pay the assessment prior to issuance of the connection permit.	

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40 **Customer Classification Definitions for Determining Water Rates**

41 Bulk Water Customers: The bulk water customers are the resellers of water or water users who
 42 purchase water from the water plant directly and are not in the metered water distribution system.

43 Non-Bulk Customers: All customers who receive water from the metered water distribution system.

44 Multi-Units: An additional \$5 monthly charge shall apply to each of the units of a building or lot
 45 occupied by more than one household or commercial entity contained within one building or several
 46 buildings within one complex. Examples of multi-family units include duplexes, four-plexes and up,
 47 apartments, condominiums, co-housing projects, and multiple structures on one lot (where units are
 48 normally rented or occupied for longer than one month at a time). Examples of units not considered as
 49 multi-family include hotels, motels, and B&B's seasonal rooms/cabins (where units are routinely rented
 50 or occupied for less than one month at a time.)

51 This fee applies to all multi-unit structures defined in the sewer section of this for apartments, rental
 52 units or multi-unit buildings where each unit would have one or more restrooms and are intended to
 53 be rented on a monthly basis where there is only one meter installed, excluding a rental building
 54 restroom used for shared or public use.

55

56 **Water Rate Schedule**

57 All water utility services shall be billed according to the following schedule. This schedule is for monthly
 58 water service and is in addition to any charges for connecting or disconnecting the service, installation
 59 of the service or any assessment of the improvements.

Water Rates

Table III

Customer Classification	Monthly Service	Usage Charge/Gallon
Non-Lift-Station Customer	\$0.00 \$0.00	\$0.0141 \$0.0161
Lift-Station Customer	\$0.00 \$0.00	\$0.0141 \$0.0161
Multi-units (additional per unit)	\$5.00	
Bulk Water	\$0.00 \$0.00	\$0.0181 \$0.0201

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61 **Meter Size Deposits**

62 \$750 meter deposit shall apply to metered fire hydrant connections. The deposit will be returned when
 63 the meter is returned undamaged. This deposit may be waived upon the recommendation of the Public
 64 Works Superintendent.

65 If a bulk water customer purchases a meter from the City for measuring the quantity of water
 66 purchased, it shall be exempt from the monthly meter service charge. It is the responsibility of the bulk

67 water customer to maintain that meter so the City can accurately determine the amount of water being
 68 purchased. In the event the meter fails, it is the bulk water customer's responsibility, at its expense, to
 69 repair it or purchase a replacement meter from the City. The City may at any time test the meter for
 70 accuracy.

Size (inches)	Residential Users	Non-residential Users
5/8	\$75.00	\$220.00
3/4	\$80.00	\$230.00
1	\$90.00	\$250.00
1-1/2	\$115.00	\$310.00
2	\$150.00	\$370.00
3	\$220.00	\$525.00
4	\$310.00	\$730.00
6	\$520.00	\$1,225.00

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72 **SEWER**

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74 **Customer Classification Definitions for Determining Sewer Connection and Extension**
 75 **Permit Fees**

76 Single Family Residential: A unit providing housing for one household; with less than 25% of the
 77 building area used for business or commercial purposes.

78 Multi-Family Residential: A building or lot occupied by more than one household: contained within one
 79 building or several buildings within one complex. Examples of multi-family units includes duplexes,
 80 four-plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one
 81 lot (where units are normally rented or occupied for longer than one month at a time). Examples of
 82 units not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units
 83 are routinely rented or occupied for less than one month at a time.)

84 Commercial: Any user not defined as Residential.

Sewer Connection Permit Fee	
Single Family	\$255.00*
Multi-Family/Commercial	\$330.00*
*All other fees for delayed or deferred services, in lieu of assessments and necessary right-of-way permits, shall be in addition to the permit fee. A property owner installing a sewer connection which qualifies for a deferred assessment payment or makes a payment in lieu of assessment shall pay the assessment prior to issuance of the connection permit.	

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89 **Customer Classification Definitions for Determining Sewer Rates**

90 Lift Station Zone Customer: There are eleven sewage lift/pump stations that are used for pumping
 91 wastewater or sewage from areas with lower elevation than the treatment plant. Customers who are
 92 located in these areas shall be charged additional fees for the cost added to the services (see Table I
 93 and II).

94 Non-Lift Station Zone Customer: Customers who are located in the zone that do not need lift/pump
 95 station services.

96 Sewer System Dischargers (Sewer ONLY customers): Customers who use sewer service only shall be
 97 charged a monthly fee of \$5 plus sewer usage fee based on assessed volume of 3,000 gallons per month
 98 multiplied by the applicable sewage rate (see Table II). Kachemak City Local Improvement District (LID)
 99 members have contributed to the initial cost of the sewer treatment plant and the collection system.
 100 For Kachemak City LID dischargers connected within the LID, the City of Homer shall bill Kachemak City
 101 in one single bill at the Lift-Station Zone Rate of ~~\$85.20~~ **\$88.50** (~~\$79.20~~ **\$82.50** + \$6.00) per month per
 102 customer. Kachemak City shall be billed a \$5 monthly service charge to cover all Kachemak City sewer
 103 customers and shall be responsible for payment to the City of Homer.
 104

105 **Sewer Rate Schedule**

106 All sewer utility services shall be billed according to the following schedule (Table I, II). This schedule
 107 is for monthly sewer services and is in addition to any charges for connecting or disconnecting the
 108 service, installation of the service, or any assessment of the improvements.

Sewer Rates

Table I

Customer Classification	Monthly Service	Usage Charge/Gallon
Non-Lift-Station Customer		\$0.0151 \$0.0167
Lift-Station Customer		\$0.0264 \$0.0275
Multi-units (additional per unit)	\$5.00	N/A

Sewer ONLY Customers Rates

Table II

	Fees/Rate/Usage	Per Customer Per Month
Non-Lift-Station Customer	\$0.0151/Gal \$0.0167/Gal	\$45.30 \$50.10
Lift-Station Customer	\$0.0264/Gal \$0.0275/Gal	\$79.20 \$82.50
Monthly Service	\$5.00/customer/mo.	\$5.00 (Kachemak City customers will be exempt from \$5 monthly service fee. Kachemak City will be billed a \$5 monthly service fee to cover all Kachemak City sewer customers.)
Pumping Fee (If Applicable)		\$6.00
Assumption: Avg. Sewer Usage	3,000 Gal/Mo.	

109 Domestic sewer service customers who use large quantities of City water in addition to their domestic
110 use shall be allowed, with the Public Works Director's approval, to install an additional water meter on
111 the domestic water use line for the purpose of metering and charging for domestic sewer system use.
112 Sewer system use will be billed monthly.

113 The City will allow, upon approval by Public Works and a permit from the Public Works Department, a
114 second water usage meter – called a seasonal sewer meter – for each customer that desires to measure
115 the flow of City water that is not discharged to the sewer system during the summer growing season,
116 June 15 through September 15. Rates noted above do not apply.

117 Seasonal Sewer Meter Fee is \$251.75.

118 This second meter will be read monthly during the summer and sewer charges will be credited
119 monthly. The meter may not be subject to read during the fall and winter months. Any charges
120 accrued during that period will be reflected the first billing cycle the meter is read.

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122 Section 2. This ordinance is a budget ordinance only, it is not permanent in nature and
123 shall not be codified.

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125 ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this ___ day of _____,
126 2023.

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CITY OF HOMER

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KEN CASTNER, MAYOR

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133 ATTEST:

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MELISSA JACOBSEN, MMC, CITY CLERK

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137

138 YES:

139 NO:

140 ABSENT:

141 ABSTAIN:

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143 First Reading:

144 Public Hearing:

145 Second Reading:

146 Effective Date:



City of Homer

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Memorandum

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: April 19, 2023
SUBJECT: Water and Sewer Rate Model

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.

Water Rate Model:

This model generates a rate based on water revenues and consumption.

Revenues

The revenue inputs are defined as follows:

- FY24 Operating Revenue Required – pulled directly from the operating budget
 - Formula: Total Water Revenue - Budgeted Transfer to Water CARMA
 - $\$2,370,841 - \$309,240 = \$2,061,602$

- CARMA Transfer Requirement – pulled directly from the operating budget
 - Formula: Total Water Operating Expenditures * 15%
 - $\$2,061,602 * 0.15 = \$309,240$
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY24 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
 - Formula: Connection Fees + Services & Meters + Penalty & Interest
 - $\$17,211 + \$31,829 + \$5,065 = \$54,105$
- Deduct Portion Collected through Service Fee – This input has been removed this fiscal year, as the Admin Fee is proposed to be waived for FY24.
- Hydrant Rents – This is related to the costs associated with maintaining the water hydrants.
 - Formula: Budgeted at 10% of operating revenue required and the costs are shared 50/50 between the General Fund and the Water/Sewer Fund.
 - $(\$2,061,602 / 2) * 10\% = \$103,080$
- Surplus Water Sales (Bulk) Surcharge Only – This amount is determined by applying the bulk surcharge (0.004/gallon) to the prior fiscal year total gallons consumed by bulk users. This is backed out because these expenses are captured by the separate rate for bulk users.
 - $18,859,000 \text{ gallons} * 0.004 = \$75,436$
- Revenue Required for Commodity Rate Calculation – Summation of revenue required less deductions. This represents the amount of revenue necessary to generate to meet operating budget needs for upcoming fiscal year.

Consumption

The water consumption line is determined by prior calendar years gross meters water sales (in gallons). The water usage at the Sewer Treatment Plant has been backed out of this figure, as it has been determined to be an operational cost. The model rounds up to the nearest million for ease of reporting.

Rates

The water rates are broken into three categories:

1. The commodity rate (per gallon) is generated by dividing the total revenue required by the estimated water sales. This ensures that the whole population of water users are contributing to an equal share of costs.
2. The bulk rate (per gallon) is applying a surcharge of 0.004 per gallon to the set commodity rate.
3. The monthly fees is determined by dividing the budgeted administrative costs by the current number of water meters. This fee has been removed this fiscal year, as the admin fee is proposed to be waived for FY24.

Sewer Rate Model:

This model generates a rate based on sewer revenues and usage.

Revenues

The revenue inputs are defined as follows:

- FY24 Operating Revenue Required – pulled directly from the operating budget
 - Formula: Total Water Revenue - Budgeted Transfer to Water CARMA
 - $\$1,949,879 - \$254,332 = \$1,695,547$
- CARMA Transfer Requirement – pulled directly from the operating budget
 - Formula: Total Sewer Operating Expenditures * 15%
 - $\$1,695,547 * 0.15 = \$254,332$
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY24 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
- Fixed Fee Components
 - Lift Stations Costs - These costs are pulled straight from the current operating budget. These costs are backed out because the users on the lift station bear the complete costs associated with maintaining this infrastructure.
 - Pumping Fee - The City RFP's the pumping contract every three years and the costs of the contract is divided up amongst the number of Kachemak City users.
 - Dumping Station Fee - These costs come directly from the current operating budget. This fee has been determined to be an operational cost and, as such the fee is not forwarded along to customers.
 - Multi-Units and Kachemak City meters - This is an additional fee charged to help offset added costs associated with maintaining such infrastructure. It might be worth revisiting this fee now that the monthly fees for all users have again been waived this year.
- Revenue Required for Commodity Rate Calculation – Summation of revenue required less deductions. This represents the amount of revenue necessary to generate to meet operating and capital budget needs for upcoming fiscal year.

Usage

The sewer usage is determined by the by the number of gallons actually billed for in the prior fiscal year. The model rounds up to the nearest million for ease of reporting.

Rates

The sewer rate is broken into two categories:

1. Non-lift rate is generated by dividing the total revenue required by the projected billable volume for non-lift.
2. Lift station rate is generated by dividing the total revenue required by the projected billable volume for only the lift zone.

Rate Analysis:

Current Rates

Water Rates:

Commodity (per gal): \$0.0141

Bulk (per gal): \$0.0181

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0151

Lift Station: \$0.0264

Proposed Rates

Water Rates:

Commodity (per gal): \$0.0161

Bulk (per gal): \$0.0201

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0167

Lift Station: \$0.0275

Rate Comparison

	Average Volume City Hall		High Volume Library		Lift-Station (Year-Round) Port & Harbor - Maintenance	
	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1
Consumption	3800	3800	6600	6600	1800	1800
Water Rate	0.0141	0.0161	0.0141	0.0161	0.0141	0.0161
Sewer Rate	0.0151	0.0167	0.0151	0.0167	0.0264	0.0275
Charges:						
Water	53.58	61.18	93.06	106.26	25.38	28.98
Sewer	57.38	63.46	99.66	110.22	47.52	49.5
Service	0	0	0	0	0	0
Total Bill	\$ 110.96	\$ 124.64	\$ 192.72	\$ 216.48	\$ 72.90	\$ 78.48
Impact		\$ 13.68		\$ 23.76		\$ 5.58

Recommendation:

Review the model and approve the rates as proposed.

Rate Calculations

WATER Rate Model	
Revenues	
FY24 Operating Revenue Required - Water	\$ 2,061,602
CARMA Transfer Requirement	309,240
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(54,105)
Deduct Portion Collected through Service Fee	0
Hydrant Rents (10% of Total)	(103,080)
Surplus Water Sales (Bulk) surcharge only	(75,436)
Revenue Required for Commodity Rate Calculation	\$ 2,138,220
Water Consumption (Gallons)	
Gross Meters Water Sales	133,014,300
Total Estimated Water Sales	133,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0161
Bulk Rate (per gal)	\$ 0.0201
Monthly Fees	\$ -
Consumption Additional Information:	
CY22 Gross Meters Water Sales (Gallons)	133,014,300
SEWER Rate Model	
Revenues	
FY24 Operating Revenue Required - Sewer	\$ 1,695,547
CARMA Transfer Requirement	254,332
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(25,515)
Lift Stations Costs	(216,228)
Pumping Fee	(10,224)
Dumping Station Fees	(5,575)
Multi-Units and K-city (\$5/unit/mo.)	(76,020)
Revenue Required for Commodity Rate Calculation	\$ 1,616,317
Sewer Usage (Gallons)	
Projected Billable Volume	77,000,000
Projected Billable Volume - Lift Zone Only	20,000,000
Total Projected Billable Volume	97,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0167
Lift Station Rate	\$ 0.0275
Lift Station Additional Information:	
FY 22 Actually Billed Gallons (Lift-Station Zone Only)	19,581,500