

**CITY OF HOMER
HOMER, ALASKA**

City Manager/Finance Director

ORDINANCE 24-25

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,
AMENDING THE CITY OF HOMER WATER AND SEWER RATES AND
UPDATING THE CITY FEE SCHEDULE ACCORDINGLY.

WHEREAS, Water and sewer utility services shall be reviewed annually and shall take effect the first full billing period in July 2024; and

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

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

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

WATER

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

Customer Classification Definitions for Determining Water Connection and Extension Permit Fees

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

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

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.	

Customer Classification Definitions for Determining Water Rates

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

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

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

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

Water Rate Schedule

All water utility services shall be billed according to the following schedule. This schedule is for monthly water service and is in addition to any charges for connecting or disconnecting the service, installation 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	\$0.0161 <u>\$0.0172</u>
Lift-Station Customer	\$0.00	\$0.0161 <u>\$0.0172</u>
Multi-units (additional per unit)	\$5.00	
Bulk Water	\$0.00	\$0.0201 <u>\$0.0212</u>

Meter Size Deposits

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

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

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

SEWER

Customer Classification Definitions for Determining Sewer Connection and Extension Permit Fees

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

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

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.	

Customer Classification Definitions for Determining Sewer Rates

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

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

Sewer System Dischargers (Sewer ONLY customers): Customers who use sewer service only shall be charged a monthly fee of \$5 plus sewer usage fee based on assessed volume of 3,000 gallons per month multiplied by the applicable sewage rate (see Table II). Kachemak City Local Improvement District (LID) members have contributed to the initial cost of the sewer treatment plant and the collection system. For Kachemak City LID dischargers connected within the LID, the City of Homer shall bill Kachemak City in one single bill at the Lift-Station Zone Rate of ~~\$88.50~~ **\$87.85** (~~\$82.50~~ **\$81.60** + ~~\$6.00~~ **\$6.25**) per month per customer. Kachemak City shall be billed a \$5 monthly service charge to cover all Kachemak City sewer customers and shall be responsible for payment to the City of Homer.

Sewer Rate Schedule

All sewer utility services shall be billed according to the following schedule (Table I, II). This schedule is for monthly sewer services and is in addition to any charges for connecting or disconnecting the 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		\$0.0167 \$0.0171
Lift-Station Customer		\$0.0275 \$0.0272
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	\$0.0167/Gal \$0.0171/Gal	\$50.10 \$51.30
Lift-Station Customer	\$0.0275/Gal \$0.0272/Gal	\$82.50 \$81.60
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 \$6.25
Assumption: Avg. Sewer Usage	3,000 Gal/Mo.	

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

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

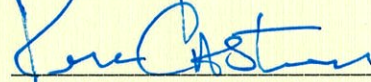
Seasonal Sewer Meter Fee is \$251.75.

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

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

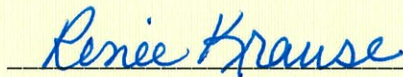
ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 10th day of June, 2024.

CITY OF HOMER



KEN CASTNER, MAYOR

ATTEST:



RENEE KRAUSE, MMC, ACTING CITY CLERK

YES: 6

NO: 0

ABSENT: 0

ABSTAIN: 0

First Reading: 5/28/24

Public Hearing: 6/10/24

Second Reading: 6/10/24

Effective Date: 6/11/24





MEMORANDUM

Ordinance 24-25, An Ordinance of the City Council of Homer, Alaska, Amending the City of Homer Water and Sewer Rates and Updating the City Fee Schedule Accordingly. City Manager/Finance Director.

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Meeting Date: May 28, 2024
From: Elizabeth Fischer, Finance Director
Through: Melissa Jacobsen, Interim City Manager

Purpose:

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.

The rate model is to be presented prior to the beginning of the fiscal year and will be directly connected to the budgeted revenue requirements for that year.

Recommendation:

Review the model and approve the rates as proposed.

Water Rate Model:

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

Revenues

The revenue inputs are defined as follows:

- FY25 Operating Revenue Required – pulled directly from the operating budget
 - Formula: Total Water Revenue - Water CARMA Transfer –
 - $\$2,504,619 - \$326,689 = \$2,177,929$
- CARMA Budget Transfer – pulled directly from the operating budget
 - Formula: Total Water Operating Expenditures * 15%
 - $\$2,177,929 * 0.15 = \$326,689$
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY25 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
 - Formula: Connection Fees + Services & Meters + Penalty & Interest + Draw on Fund Balance for Exempt Wage Scale
 - $\$17,696 + \$34,490 + \$3,717 + \$4,470 = \$60,374$
- Deduct Portion Collected through Service Fee – Not used in FY25 calculation.
- 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.
 - $(\$2,177,929 / 2) * 10\% = \$108,896$
- 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.
 - $20,962,800 \text{ gallons} * 0.004 = \$83,851$
- 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 was not used in FY25 calculation.

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 - Sewer CARMA Transfer
 - $\$2,222,334 - \$289,870 = \$1,932,464$
- CARMA Budget Transfer – pulled directly from the operating budget
 - Formula: Total Sewer Operating Expenditures * 15%
 - $\$1,932,464 * 0.15 = \$289,870$
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY25 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
 - Formula: Services & Meters + Draw on Fund Balance for Exempt Wage Scale
 - $\$18,509 + \$4,471 = \$22,980$
- 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.
- 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): \$0.0161
\$0.0167

Bulk (per gal): \$0.0201
\$0.0275

Monthly Fees: \$0

Sewer Rates:

Non-Lift Station:

Lift Station:

Proposed Rates – Scenario 1

Water Rates:

Sewer Rates:

Commodity (per gal): \$0.0172
\$0.0171

Non-Lift Station:

Bulk (per gal): \$0.0212
\$0.0272

Lift Station:

Monthly Fees: \$0

Rate Comparison

	Average Volume		High Volume		Lift-Station (Year-Round)	
	City Hall		Library		Port & Harbor - Maintenance	
	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1
Consumption	3800	3800	6600	6600	1800	1800
Water Rate	0.0161	0.0172	0.0161	0.0172	0.0161	0.0172
Sewer Rate	0.0167	0.0171	0.0167	0.0171	0.0275	0.0272
Charges:						
Water	61.18	65.36	106.26	113.52	28.98	30.96
Sewer	63.46	64.98	110.22	112.86	49.50	48.96
Service	0	0	0	0	0	0
Total Bill	\$ 124.64	\$ 130.34	\$ 216.48	\$ 226.38	\$ 78.48	\$ 79.92
Impact	\$ 5.70		\$ 9.90		\$ 1.44	

Rate Calculations

WATER Rate Model	
Revenues	
FY25 Operating Revenue Required - Water	\$ 2,177,930
CARMA Transfer Requirement	326,689
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(60,374)
Deduct Portion Collected through Service Fee	
Hydrant Rents (10% of Total)	(108,896)
Multi-Units (\$5/unit/mo.)	(38,400)
Surplus Water Sales (Bulk) surcharge only	(83,851)
Revenue Required for Commodity Rate Calculation	\$ 2,213,098
Water Consumption (Gallons)	
Gross Meters Water Sales	129,126,600
Total Estimated Water Sales	129,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0172
Bulk Rate (per gal)	\$ 0.0212
Monthly Service Fees	\$ -
Consumption Additional Information:	
CY23 Gross Meters Water Sales (Gallons)	129,126,600
SEWER Rate Model	
Revenues	
FY25 Operating Revenue Required - Sewer	\$ 1,932,464
CARMA Transfer Requirement	289,870
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(22,980)
Lift Stations Costs	(231,645)
Pumping Fee	(10,125)
Dumping Station Fees	(6,024)
Multi-Units (\$5/unit/mo.)	(38,400)
Revenue Required for Commodity Rate Calculation	\$ 1,913,160
Sewer Usage (Gallons)	
Projected Billable Volume	89,000,000
Projected Billable Volume - Lift Zone Only	23,000,000
Total Projected Billable Volume	112,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0171
Lift Station Rate	\$ 0.0272
Lift Station Additional Information:	
CY23 Actually Billed Gallons (Lift-Station Zone Only)	22,687,300