



Agenda

City Council Worksession

Monday, February 10, 2025 at 4:00 PM

City Hall Cowles Council Chambers In-Person & Via Zoom Webinar

Homer City Hall

491 E. Pioneer Avenue
Homer, Alaska 99603
www.cityofhomer-ak.gov

Zoom Webinar ID: 965 8631 4135 Password: 792566

<https://cityofhomer.zoom.us>
Dial: 346-248-7799 or 669-900-6833;
(Toll Free) 888-788-0099 or 877-853-5247

CALL TO ORDER, 4:00 P.M.

AGENDA APPROVAL (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 6)

DISCUSSION TOPIC(S)

- a. Utility Rate Model Discussion – *Refer to Supplemental Packet*

COMMENTS OF THE AUDIENCE (3 minutes)

ADJOURNMENT NO LATER THAN 4:50 P.M.

The next Regular Meeting is Monday, February 24, 2025 at 6:00 p.m., Committee of the Whole at 5:00 p.m. A worksession is scheduled for 4:00 p.m. All meetings are scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Water and Sewer Rates Discussion
Worksession 2/10/25

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Talking Points

- Defining Fee Types
- Water and Sewer Rates: Structure Analysis
- Rate Setting Guidance

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Defining Fee Types

- **Connection Fee** – Typically reserved for establishing service or re-establishing service to a user
- **User Fee/Service Fee/Utility Fee** – Typically used for a monthly charge for service. These fees are intended to cover the cost of infrastructure (pipes, lift stations, pressure reducing stations, treatment plants, etc).
- **Consumption Fee** – Typically used for billing costs associated with the production of drinking water, or treatment of wastewater.
- **Multiple Unit Fee** – Typically used to level the field between Single Family Dwelling User Fee versus Multiple Occupancy Units.

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Water and Sewer Rates: Structure Analysis

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Keep in Mind

- The following rate models are utilizing the FY25 budget and are not reflective of potential FY26 rates changes; will be updated once the FY26/27 budget is presented in April
- The rate model and accompanying ordinance will “ride” with the budget ordinance and will be adjusted accordingly

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Existing Structure - No Monthly Service Fee

This rate model is reflective of FY25 budget and will update accordingly with the FY26/27 budget

WATER Rate Model		SEWER Rate Model	
Revenues		Revenues	
FY25 Operating Revenue Required - Water	\$ 2,177,320	FY25 Operating Revenue Required - Sewer	\$ 1,812,464
CARMA Transfer Requirement	\$28,689	CARMA Transfer Requirement	\$28,689
Deduct Operating Fund Balance - Water Department	0	Deduct Operating Fund Balance - Sewer Department	0
Deduct Portion Collected Through Other Revenues	\$62,976	Deduct Portion Collected Through Other Revenues	\$22,869
Deduct Portion Collected Through Service Fee	(158,696)	Lift Station Costs	\$22,944
Pumping Fees (20% of Total)	(158,696)	Pumping Fees	\$22,944
Multi-Units (5 Servings)	(88,498)	Drinking Station Fees	\$2,074
Surplus Water Sales (Bills on Reg-only)	\$62,976	Multi-Units (5 Servings)	(88,498)
Revenue Required for Commodity Rate Calculation	\$ 2,213,086	Revenue Required for Commodity Rate Calculation	\$ 1,883,334
Water Consumption (Gallons)		Sewer Usage (Gallons)	
Given Known Water Sales	129,126,600	Projected Billable Volume	89,690,000
Total Estimated Water Sales	129,000,000	Projected Billable Volume - L/R Zone Only	23,000,000
		Total Projected Billable Volume	112,690,000
Water Rates		Sewer Rate	
Commodity Rate (per gal)	\$ 0.0017	Water L/R Station Rate	\$ 0.0017
Rate (per gal)	\$ 0.0017	L/R Station Rate	\$ 0.0017
Monthly Service Fee	\$		
Consumption Additional Information		L/R Station Additional Information	
FY25 Given Water Sales (Gallons)	129,126,600	FY25 Actually Billed Gallons (L/R Station Zone Only)	23,000,000

CARMA transfer is funded through commodity rate

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Scenario 1 - Monthly Service Fee

This rate model is reflective of FY25 budget and will update accordingly with the FY26/27 budget

WATER Rate Model		SEWER Rate Model	
Revenues		Revenues	
FY25 Operating Revenue Required - Water	\$ 2,177,380	FY25 Operating Revenue Required - Sewer	\$ 1,832,464
— CARMA Transfer Requirement	\$24,600	— CARMA Transfer Requirement	\$24,600
Deduct Operating Fund Balance - Rate Surcharges	0	Deduct Operating Fund Balance - Rate Surcharges	0
Deduct Portion Collected Through Other Revenues	\$55,774	Deduct Portion Collected Through Other Revenues	\$22,800
Deduct Portion Collected Through Service Fee	\$124,600	Deduct Portion Collected Through Service Fee	\$224,750
Required Rate (Lifts of Tank)	\$168,906	Required Rate (Lifts of Tank)	\$173,350
Rate (Lifts of Tank)	\$168,906	Rate (Lifts of Tank)	\$173,350
Surplus Water Sales (Bids) surcharge only	\$93,612	Surplus Water Sales (Bids) surcharge only	\$93,612
Revenue Required for Commodity Rate Calculation	\$ 1,888,430	Revenue Required for Commodity Rate Calculation	\$ 1,623,200
Water Consumption (Gallons)		Sewer Usage (Gallons)	
Gross Meter Water Sales	125,126,000	Projected Billing Volume	69,200,000
Total Estimated Water Sales	125,126,000	Projected Billing Volume - Lift Zone Only	22,000,000
		Total Projected Billing Volume	112,000,000
Water Rates:		Sewer Rate:	
Commodity Rate (per gal)	\$ 0.0146	Non-Lift Station Rate	\$ 0.0146
Rate (per gal)	\$ 0.0146	Lift Station Rate	\$ 0.0146
Monthly Service Fee	\$ 6	Monthly Service Fee	\$ 6
Consumption Additional Information:		Lift Station Additional Information:	
CY25 Gross Meter Water Sales (Gallons)	125,126,000	CY25 Activity Billing Volume (Lift Station Zone Only)	22,000,000

CARMA transfer is funded through monthly service fee

Rate Comparisons

These rates are reflective of FY25 budget and will update accordingly with the FY26/27 budget

	Low Volume		Average Volume		High Volume		Lift Station (Year-Round)	
	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1
Consumption	300	300	4000	4000	5900	5900	1800	1800
Water Rate	0.0172	0.0146	0.0172	0.0146	0.0172	0.0146	0.0172	0.0146
Sewer Rate	0.0171	0.0145	0.0171	0.0145	0.0171	0.0145	0.0171	0.0145
Charges:								
Water	5.16	4.38	68.8	58.40	101.48	86.14	30.96	26.28
Sewer	5.13	4.35	68.40	58.00	100.89	85.53	48.96	44.28
Service	0	26.00	0	26.00	0	26.00	0	26.00
Total Bill	\$ 10.29	\$ 34.73	\$ 137.20	\$ 142.40	\$ 202.37	\$ 197.69	\$ 79.92	\$ 96.56
Impact	\$ 24.44	\$ 5.30	\$ (4.68)	\$ 16.64				

Scenario 1: FY25 Adopted Rate, with monthly service fee. CARMA transfer is funded by service fee and removed from commodity rate.

Rate Setting Guidance

- Council discussion on this path forward?

Any Questions?



City of Homer

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Finance Department

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Memorandum

TO: Mayor Lord and Homer City Council
THROUGH: Melissa Jacobsen, City Manager
FROM: Elizabeth Fischer, Finance Director
DATE: February 7, 2025
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.

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.

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
 - CARMA Budget Transfer – pulled directly from the operating budget
 - Formula: Total Water Operating Expenditures * 15%
 - 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
 - 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.
- 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.
- 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
- CARMA Budget Transfer – pulled directly from the operating budget
 - Formula: Total Sewer Operating Expenditures * 15%
- 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
- 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 Calculations

FY25 Existing Rate

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 Zone Only)	22,687,300

Rate Calculations

FY25 Rates w/Monthly Service Fee

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	(326,689)
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	\$ 1,886,408
Water Consumption (Gallons)	
Gross Meters Water Sales	129,126,600
Total Estimated Water Sales	129,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0146
Bulk Rate (per gal)	\$ 0.0186
Monthly Service Fees	\$ 14
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)
Deduct Portion Collected through Service Fee	(289,870)
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	\$ 1,623,290
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	\$ 0.0145
Lift Station Rate	\$ 0.0246
Monthly Service Fees	\$ 12
Lift Station Additional Information:	
CY23 Actually Billed Gallons (Lift-Station Zone Only)	22,687,300
Monthly Service Fees	
Water	\$ 14
Sewer	\$ 12
Total	\$ 26

City of Homer
Water and Sewer Rates Comparison

		Low Volume		Average Volume		High Volume		Lift-Station (Year-Round)	
		Old Police Station		City Hall		Library		Port & Harbor - Maintenance	
		Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1
Consumption		300	300	4000	4000	5900	5900	1800	1800
Water Rate		0.0172	0.0146	0.0172	0.0146	0.0172	0.0146	0.0172	0.0146
Sewer Rate		0.0171	0.0145	0.0171	0.0145	0.0171	0.0145	0.0272	0.0246
Charges:									
Water		5.16	4.38	68.8	58.40	101.48	86.14	30.96	26.28
Sewer		5.13	4.35	68.40	58.00	100.89	85.55	48.96	44.28
Service		0	26.00	0	26.00	0	26.00	0	26.00
Total Bill		\$ 10.29	\$ 34.73	\$ 137.20	\$ 142.40	\$ 202.37	\$ 197.69	\$ 79.92	\$ 96.56
Impact		\$ 24.44		\$ 5.20		\$ (4.68)		\$ 16.64	

Scenario 1: FY25 Adopted Rate, with monthly service fee. CARMA transfer is funded by service fee and removed from commodity rate.

These rates are reflective of FY25 budget and will update accordingly with the FY26/27 budget