

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)

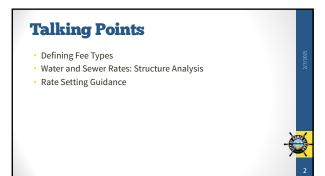
a. Utility Rate Model Discussion – Refer to Supplemental Packet

COMMENTS OF THE AUDIENCE (3 minutes)

ADJOURNMENT NO LATER THAN 4:50 P.M.

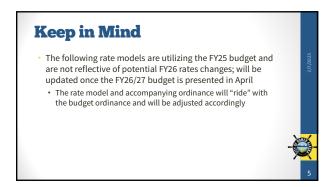
The next Regular Meeting is Monday, February 24, 2025 at 6:00 p.m., Committee of the Whole at 5:00 p.m. A worksession is scheduled for 4:00 p.m. All meetings are scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

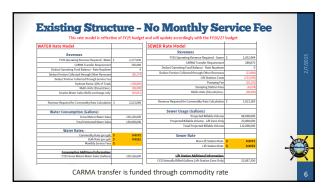




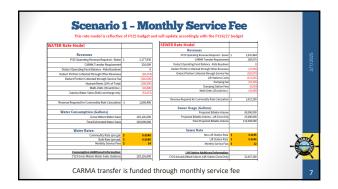
Defining Fee Types Connection Fee – Typically reserved for establishing service or reestablishing service to a user User Fee/Service Fee/Utility Fee – Typically used for a monthly charge for service. These fees are intended to cover the cost of infrastructure (pipes, lift stations, pressure reducing 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.

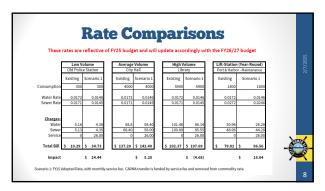


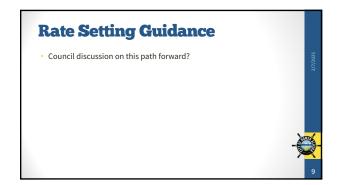




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Finance Department

491 East Pioneer Avenue Homer, Alaska 99603

finance@cityofhomer-ak.gov (p) 907-235-8121 (f) 907-235-3140

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
 - o Formula: Total Water Revenue Water CARMA Transfer
- CARMA Budget Transfer pulled directly from the operating budget
 - o Formula: Total Water Operating Expenditures * 15%
- Deduct Operating Fund Balance amount of Utility Operating Fund Balance to be used for rate buyback. <u>Not used in FY25 calculation.</u>
- 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.
 - o 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.

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
 - o 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. <u>Not used in FY25 calculation.</u>
- Deduct Portion Collected through Other Revenues pulled directly from the operating budget
 - o 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

*	2 177 020
\$	2,177,930
	326,689
	0
	(60,374)
	(100.000)
	(108,896)
	(38,400)
	(83,851)
\$	2,213,098
	129,126,600
	129,000,000
	120,000,000
\$	0.0172
\$	0.0212
\$	-
	129,126,600
¢	1,932,464
7	289,870
	209,010
	(22,980)
	(231,645)
	(10,125)
	(0,024)
	(20 400)
	(38,400)
\$	1,913,160
\$	
\$	1,913,160
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\$	1,913,160 89,000,000 23,000,000 112,000,000
\$	1,913,160 89,000,000 23,000,000 112,000,000
	\$ \$ \$ \$ \$

Rate Calculations FY25 Rates w/Monthly Service Fee

VATER Rate Model							
Davanuaa							
Revenues FY25 Operating Reven	\$	2 177 020					
CARMA Tr	ş	2,177,930					
Deduct Operating Fund Bala		326,689					
Deduct Portion Collected throu		(60,374)					
Deduct Portion Collected				(326,689)			
				(108,896)			
	Hydrant Rents (10% of Total) Multi-Units (\$5/unit/mo.)						
Surplus Water Sales (B				(38,400)			
· · · · · · · · · · · · · · · · · · ·	carpias mater sales (burn) salerial ge only						
Revenue Required for Commod	ity Ra	te Calculation	\$	1,886,408			
Water Consumption (G	allo	ns)					
		rs Water Sales		129,126,600			
		ed Water Sales		129,000,000			
Water Detect							
Water Rates:	nodity	Rate (per gal)	\$	0.0146			
Comm		Rate (per gal)		0.0186			
M		y Service Fees	\$	14			
Consumption Addit				100 105 500			
CY23 Gross Meters W	ater S	ales (Gallons)		129,126,600			
THED Date Madel							
EWER Rate Model							
Revenues							
FY25 Operating Reven	ue Re	quired - Sewer	\$	1,932,464			
CARMA Tr	ansfe	Requirement		289,870			
Deduct Operating Fund Bala		0					
Deduct Portion Collected throu	ugh O	ther Revenues		(22,980)			
Deduct Portion Collected	throu	gh Service Fee		(289,870)			
	Lift :	Stations Costs		(231,645)			
		Pumping Fee		(10,125)			
Du	ımpin	g Station Fees		(6,024)			
Multi-	Units	(\$5/unit/mo.)		(38,400)			
Revenue Required for Commod	\$	1,623,290					
Sower Heage /Calle	.ma\						
Sewer Usage (Gallo		89,000,000					
Projected Billable Volu		23,000,000					
Total Projec		112,000,000					
Sewer Rate		t Station Rate					
No	\$	0.0145					
	\$	0.0246					
[V]	iontni	y Service Fees	\$	12			
Lift Station Addit							
CY23 Actually Billed Gallons (Lift-Station Zone Only)				22,687,300			
Monthly Service Fe							
	\$	14					
		Sewer	\$	12			
	8	Total	\$	26			

City of Homer Water and Sewer Rates Comparison

ſ	Low Volume Old Police Station		Average	e Volume		High V	olume –	Lift-Statio	n (Yea	r-Round)
			City	City Hall		Library		Port & Harbor - Maintenance		
	Existing	Scenario 1	Existing	Scenario 1		Existing	Scenario 1	Existing	Sc	cenario 1
Consumption	300	300	4000	4000		5900	5900	1800	D	1800
Water Rate	0.0172	0.0146	0.0172	0.0146		0.0172	0.0146	0.0172	2	0.0146
Sewer Rate	0.0171	0.0145	0.0171	0.0145		0.0171	0.0145	0.0272	2	0.0246
<u>Charges:</u>										
Water	5.16	4.38	68.8	58.40		101.48	86.14	30.96	5	26.28
Sewer	5.13	4.35	68.40	58.00		100.89	85.55	48.96	5	44.28
Service	0	26.00	С	26.00		0	26.00	()	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