



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

City of Homer Agenda

City Council Worksession

Monday, November 23, 2020 at 4:00 PM

City Hall Cowles Council Chambers via Zoom Webinar

Dial: (669) 900 6833 or (253) 215 8782 or Toll Free (888) 788 0099 or (877) 853 5247

Webinar ID: 965 8631 4135 Password: 792566

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)

- Water & Sewer Rates and HAWSP Program
 - [a.](#) Resolution 20-077, A Resolution of the City Council of Homer, Alaska Adopting a Reserve Fund Policy for the Collection and Use of Water and Sewer Depreciation Reserve Funds. Lord/Aderhold.

Memorandum 20-165 from Finance Director as backup
 - [b.](#) Resolution 20-078, A Resolution of the City Council of Homer, Alaska Amending the Homer Accelerated Water and Sewer Program (HAWSP) Policy Manual to Modernize the Language and Clarify Qualifying Criteria for using HAWSP Funds. Lord/Aderhold.
 - [c.](#) Resolution 20-118, A Resolution of the City Council of Homer, Alaska Amending the City of Homer Water and Sewer Rates and Updating the Homer Fee Schedule Accordingly. City Manager/Finance Director.

Resolution 20-118(S), A Resolution of the City Council of Homer, Alaska Amending the City of Homer Water and Sewer Rates and Updating the Homer Fee Schedule Accordingly. City Manager/Finance Director.

Memorandum 20-196 from Finance Director as backup

COMMENTS OF THE AUDIENCE (3 minutes)

ADJOURNMENT NO LATER THAN 4:50 P.M.

Next Regular Meeting is Monday, December 14, 2020 at 6:00 p.m., Committee of the Whole at 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

**CITY OF HOMER
HOMER, ALASKA**

Lord/Aderhold

RESOLUTION 20-077

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA
ADOPTING A RESERVE FUND POLICY FOR THE COLLECTION AND
USE OF WATER AND SEWER DEPRECIATION RESERVE FUNDS.

WHEREAS, Homer City Council instituted a two-year budget in December 2019 (Ordinance 19-51(A)); and

WHEREAS, As part of that budgeting process, Homer City Council discussed and initiated the process of establishing reserve fund policies; and

WHEREAS, Water and Sewer Depreciation Reserve funds are collected by Homer water and sewer rate payers; and

WHEREAS, Per Homer City Code 9.16.010(b), the City of Homer collects a three-quarters percent tax to fund the Homer Accelerated Water and Sewer Program (HAWSP); and

WHEREAS, Concurrently with developing a policy for Water and Sewer Depreciation Reserve funds, Homer City Council is revising the HAWSP policy manual to modernize the language and clarify qualifying criteria for using HAWSP funds; and

WHEREAS, The City of Homer Public Works Department is developing Capital Improvement Plans for water and sewer infrastructure; and

WHEREAS, Having clear policies regarding the use of Water and Sewer Depreciation Reserve funds and HAWSP funds supports the development and implementation of the Capital Improvement Plans.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska adopts the Reserve Fund Policy for the Collection and Use of Water and Sewer Reserve Funds.

PASSED AND ADOPTED by the Homer City Council on this _____ day of _____ 2020.

CITY OF HOMER

KEN CASTNER, MAYOR

43 ATTEST:

44

45 _____

46 MELISSA JACOBSEN, MMC, CITY CLERK

47

48 Fiscal Note: N/A

CITY of HOMER WATER and SEWER DEPRECIATION RESERVES POLICY MANUAL

Table of Contents

- I. Purpose
- II. Definitions
- III. Qualifying Project Criteria
- IV. Financing
- V. Special Provisions
- VI. History

I. PURPOSE

The intent of the City of Homer Water and Sewer Depreciation Reserves is to fund improvements, repairs, and replacements to the City's existing water system and sewer system.

In addition to the Water and Sewer Depreciation Reserve funds, the City has a Homer Accelerated Water and Sewer Program (HAWSP). The intent of the Water and Sewer Reserve is to fund projects associated with the existing water and sewer system. HAWSP is intended to fund new water and sewer projects (see HAWSP policy manual for more information).

II. DEFINITIONS

- a. **Capital Improvement Plan (CIP)** – A multi-year document that lays out priorities for capital projects, including descriptions of each project, rationale for why each project is needed, schedule and progress to date, and estimated total cost
- b. **Fund Balance** – The balance within the water and sewer reserve funds that are not allocated to a project
- c. **HART** – Homer Accelerated Roads and Trails program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve roads, sidewalks, and trails within the City of Homer, thereby improving property values and quality of life
- d. **HAWSP** – Homer Accelerated Water and Sewer Program, a fund established by the voters of the City of Homer and funded by a voter-approved dedicated sales tax, intended to improve the health and welfare of the Citizens of Homer by connecting residences to City water and/or sewer, thereby increasing the number of users on the system, increasing property values, and improving the quality of life; the funds may also be used on other water and sewer infrastructure that expand the systems

- e. Water and Sewer System Improvements** – Any work, such as planning, design or construction, etc., which improves the City’s water and sewer infrastructure, including, but not limited to, the extension, expansion, repair or rehabilitation of
- i. The City’s water supply, raw water transmission lines, water treatment facilities, water storage facilities, water distribution lines, fire-fighting devices, and related or similar appurtenances.
 - ii. The City’s sewer collection lines, sewer lift stations, RV Dump Stations, waste water treatment facilities, discharge outfall and related or similar appurtenances.
 - iii. Other facilities related to providing public access to clean water and the sanitary disposal of human wastes to protect public health.

III. QUALIFYING PROJECT CRITERIA

Criteria for Qualifying Water and Sewer System Improvements: Water and Sewer Reserve funds may be used for projects, which meet ### of the criteria below are met:

- A. The project must be located within City limits.
- B. The project is listed on the citywide CIP, Water or Sewer CIPs, or Water/Sewer Master Plan.
- C. The project addresses exigent issues related to public health and safety as well as actual or imminent regulatory changes.
- D. The project repairs, rehabilitates, or corrects deficiencies in existing water or sewer systems.
- E. The project would reduce maintenance costs.
- F. Other factors deemed appropriate by the City Council.

G. FINANCING

- Water and sewer reserve expenditures are subject to the availability of funds.
- Projects may be funded through the reserve fund, bonds, grants, or a combination of these or other funding mechanism that may be identified by the City.
- Depending on the nature of the project, reserve and HAWSP funds may be used to fund a project. Reserve funds should be used for portions of the project that improve, repair, or replace existing water or sewer infrastructure while HAWSP funds should be used for portions of the project that result in new water or sewer infrastructure.

H. SPECIAL PROVISIONS

- The City Council shall review the Water and Sewer Reserve funds biannually during the budget process.
- The Public Works Department will maintain CIPs for Water and Sewer that are presented to City Council for review annually. The Public Works Department may nominate projects from the Water and Sewer CIPs to the Citywide CIP

I. HISTORY

Listing of Ordinances & Resolutions



City of Homer

www.cityofhomer-ak.gov

Finance Department

491 East Pioneer Avenue
Homer, Alaska 99603

finance@cityofhomer-ak.gov

(p) 907-235-8121

(f) 907-235-3140

Memorandum 20-165

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: October 6, 2020
SUBJECT: Water and Sewer Rate Model – Rate Scenarios

There has been some interest in performing a what-if analysis on adjusting the reserve requirement and its implications on the utility rates. Staff spent time identifying a couple different scenarios that aligned with previous council conversations. Below are descriptions on four different rate scenarios. Included as supplemental information to this memo are detailed rate models for each scenario and a comparison chart. This chart compares each of the proposed rates with our existing 2020 rate.

Scenario 1 – Maintain Current Rate Model (15% Reserve Requirement)

This scenario keeps everything status quo and utilizes a 15% reserve requirement. All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0133

Bulk (per gal): \$0.0173

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0157

Lift Station: \$0.0256

Scenario 2 – Utilize Current Rate Model, Amend to 10% Reserve Requirement

This scenario utilizes rate model, but amends the reserve requirement to 10% (instead of the original 15%). All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0126

Bulk (per gal): \$0.0166

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0149

Lift Station: \$0.0247

Scenario 3 – Utilize Current Rate Structure, Amend Inputs to match 2021 Budgeted Costs

This scenario utilizes current rate model structure, but amends inputs to match the adopted 2021 budgeted costs. The following line items in the water model were adjusted to match the budget: total revenue required, reserve requirement and service fee deduction. The hydrant rents line item is amended, as it is a fraction of the total revenue required. All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0130

Bulk (per gal): \$0.0170

Monthly Fees: \$14

Sewer Rates:

Non-Lift Station: \$0.0148

Lift Station: \$0.0249

Scenario 4 – Utilize Current Rate Model, Amend to 2021 Budgeted Reserve Transfer

This scenario utilizes the current rate model, but amends the reserve requirement to match the FY21 budgeted reserve transfer (instead of the original 15%). All other line items and definitions remain consistent with the original proposed model.

The model under these terms proposes the following rates:

Water Rates:

Commodity (per gal): \$0.0127

Bulk (per gal): \$0.0167

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0138

Lift Station: \$0.0237

Current Rates:

To provide additional context our current rates are as follows:

Water Rates:

Commodity (per gal): \$0.0132

Bulk (per gal): \$0.0172

Monthly Fees: \$13

Sewer Rates:

Non-Lift Station: \$0.0145

Lift Station: \$0.0224

Recommendation:

Without a detailed analysis on the budgetary implications of changing the inputs of the rate model it would seem to be worth considering Scenario 3, as it would further connect the model with our budget.

Future considerations should be given to adjusting the schedule of water/sewer rate passage. Some efficiencies could be found in timing the rate setting discussion around our budget schedule.

Scenario 1 - Rate Calculations

WATER Rate Model	
Revenues	
2020 Total Revenue Required - Water	\$ 1,911,348
15% Reserve Requirement	286,702
Deduct Portion Collected through Service Fee	(286,547)
Hydrant Rents (10% of Total)	(95,567)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,748,140
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0133
Bulk Rate (per gal)	\$ 0.0173
Monthly Fees	\$ 13
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2020 Total Operating Revenue Required - Sewer	\$ 1,627,400
15% Reserve Requirement	244,110
Lift Stations Costs	(217,160)
Pumping Fee	(10,050)
Dumping Station Fees	(5,978)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,568,002
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0157
Lift Station Rate	\$ 0.0256
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

Scenario 2 - Rate Calculations

WATER Rate Model	
Revenues	
2020 Total Revenue Required - Water	\$ 1,911,348
10% Reserve Requirement	191,135
Deduct Portion Collected through Service Fee	(286,547)
Hydrant Rents (10% of Total)	(95,567)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,652,573
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0126
Bulk Rate (per gal)	\$ 0.0166
Monthly Fees	\$ 13
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2020 Total Operating Revenue Required - Sewer	\$ 1,627,400
10% Reserve Requirement	162,740
Lift Stations Costs	(217,160)
Pumping Fee	(10,050)
Dumping Station Fees	(5,978)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,486,632
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0149
Lift Station Rate	\$ 0.0247
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

Scenario 3 - Rate Calculations

WATER Rate Model	
Revenues	
2021 Total Revenue Required - Water	\$ 1,962,599
Reserve Requirement - 2021 Budgeted Transfer	206,071
Deduct Portion Collected through Service Fee	(301,116)
Hydrant Rents (10% of Total)	(98,130)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,701,629
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0130
Bulk Rate (per gal)	\$ 0.0170
Monthly Fees	\$ 14
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2021 Total Operating Revenue Required - Sewer	\$ 1,734,023
Reserve Requirement - 2021 Budgeted Transfer	54,594
Lift Stations Costs	(222,021)
Pumping Fee	(10,050)
Dumping Station Fees	(6,156)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,480,070
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0148
Lift Station Rate	\$ 0.0249
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

Scenario 4 - Rate Calculations

WATER Rate Model	
Revenues	
2020 Total Revenue Required - Water	\$ 1,911,348
Reserve Requirement - 2021 Budgeted Transfer	206,071
Deduct Portion Collected through Service Fee	(286,547)
Hydrant Rents (10% of Total)	(95,567)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,667,509
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0127
Bulk Rate (per gal)	\$ 0.0167
Monthly Fees	\$ 13
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2020 Total Operating Revenue Required - Sewer	\$ 1,627,400
Reserve Requirement - 2021 Budgeted Transfer	54,594
Lift Stations Costs	(217,160)
Pumping Fee	(10,050)
Dumping Station Fees	(5,978)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,378,486
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0138
Lift Station Rate	\$ 0.0237
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300

City of Homer
Water and Sewer Rates Comparison
Presented October 12, 2020

	Average Volume City Hall				High Volume Library				Lift Station (Year-Round) Port & Harbor - Maintenance					
	Scenario 1 3800	Scenario 2 3800	Scenario 3 3800	Scenario 4 3800	Existing 6600	Scenario 1 6600	Scenario 2 6600	Scenario 3 6600	Scenario 4 6600	Existing 1800	Scenario 1 1800	Scenario 2 1800	Scenario 3 1800	Scenario 4 1800
Consumption	3800	3800	3800	3800	6600	6600	6600	6600	6600	1800	1800	1800	1800	1800
Water Rate	0.0132	0.0133	0.0126	0.0130	0.0132	0.0133	0.0126	0.013	0.0127	0.0132	0.0133	0.0126	0.013	0.0127
Sewer Rate	0.0145	0.0157	0.0149	0.0148	0.0145	0.0157	0.0149	0.0148	0.0138	0.0224	0.0256	0.0247	0.0249	0.0237
Charges:														
Water	50.16	50.54	47.88	49.40	87.12	87.78	83.16	85.80	83.82	23.76	23.94	22.68	23.40	22.86
Sewer	55.10	59.66	56.62	56.24	95.7	103.62	98.34	97.68	91.08	40.32	46.08	44.46	44.82	42.66
Service	13	13	13	14	13	13	13	14	13	13	13	13	14	13
Total Bill	\$ 118.26	\$ 123.20	\$ 117.50	\$ 119.64	\$ 195.82	\$ 204.40	\$ 194.50	\$ 197.48	\$ 187.90	\$ 77.08	\$ 83.02	\$ 80.14	\$ 82.22	\$ 78.52
Impact		\$ 4.94	\$ (0.76)	\$ 1.38	\$	\$ 8.58	\$ (1.32)	\$ 1.66	\$ (7.92)	\$	\$ 5.94	\$ 3.06	\$ 5.14	\$ 1.44

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

3 Lord/Aderhold

4 **RESOLUTION 20-078**

5
6 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA
7 AMENDING THE HOMER ACCELERATED WATER AND SEWER
8 PROGRAM (HAWSP) POLICY MANUAL TO MODERNIZE THE
9 LANGUAGE AND CLARIFY QUALIFYING CRITERIA FOR USING
10 HAWSP FUNDS.

11
12 WHEREAS, The Homer Accelerated Water and Sewer Program (HAWSP) was authorized
13 June 28, 1999 by Resolution 99-53 and most recently updated May 9, 2016 by Resolution 16-
14 041(S-2)(A); and

15
16 WHEREAS, Per Homer City Code 9.16.010, HAWSP is funded by a "... consumer's sales
17 tax in the amount of three-quarters percent is hereby levied by the City of Homer on all sales,
18 rents and services within the City except as the same may be otherwise exempted by law, for
19 the purpose of funding debt retirement of the sewer treatment plant improvements, and to the
20 extent revenues from such tax exceed such debt retirement obligations, for the purpose of
21 funding water and sewer systems"; and

22
23 WHEREAS, The current revision of the HAWSP manual is unclear, not user friendly, and
24 leads to confusion regarding the use of HAWSP funds for new water and sewer infrastructure
25 versus maintenance, repairs, and upgrades to existing water and sewer infrastructure; and

26
27 WHEREAS, Homer City Council is in process of establishing policies for reserve funds,
28 including the Water and Sewer Depreciation Reserves, and clarifying how and when HAWSP
29 funds and Water and Sewer Depreciation Reserve funds should be used for water and sewer
30 infrastructure; and

31
32 WHEREAS, In revising the HAWSP manual, Homer City Council reviewed the history of
33 legislation associated with the program.

34
35 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska amends the
36 HAWSP Policy Manual

37
38 PASSED AND ADOPTED by the Homer City Council on this _____ day of _____, 2020.

39
40 CITY OF HOMER
41

42
43
44
45
46
47
48
49
50

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal Note: N/A

H.A.W.S.P. POLICY MANUAL

(Homer Accelerated Water and Sewer Program)

Table of Contents

- I. Purpose
- II. Definitions
- III. Qualifying Project Criteria
- IV. Financing and Assessments
- V. Special Provisions
- VI. History

I. PURPOSE

The intent of the Homer Accelerated Water and Sewer Program (HAWSP) as established by the voters of the City of Homer is to improve the health and welfare of the Citizens of Homer **by connecting residences to City water and/or sewer**, thereby increasing the number of users on the system, increasing property values and improving the quality of life. The HAWSP is funded by a voter-approved dedicated sales tax, and assessments levied on adjacent benefited properties (HCC 9.16.010(b)).

The intention of the HAWSP has been since its inception, as defined through adopted legislation and the original voter initiative, is to:

- “provide for utility improvements without the heavy financial burden placed on individual property owner(sic) and will increase users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds.” Resolution 99-53
- “to promote construction of additional improvements to the City water and sewer **systems**” Ordinance 99-14(S)(A)
- “Shall the entire amount of the ¾ of 1 percent sales tax levy be dedicated **to water and sewer system improvements?**” Excerpt from the proposition approved by voters on October 5, 1999 and adopted within Ordinance 99-14(S)(A)

In addition to HAWSP, the City of Homer has a **Water and Sewer Depreciation Reserve fund**. HAWSP is intended to fund water and sewer projects that are in the best interest of the public at large, such as extending water and sewer infrastructure. The intent of the Water and Sewer Depreciation Reserve Fund is to fund projects that benefit existing ratepayers, such as upgrades and repairs to the existing water and sewer treatment systems.

II. DEFINITIONS

- a. **Fund Balance** – The unreserved balance within the HAWSP fund that is not allocated to pay the City portion of a project
- b. **HART** – Homer Accelerated Roads and Trails program

Commented [JK1]: Was this the only stated intent? It seems to say we can't use HAWSP for projects that don't involve extensions of the system to new residences. Do we want to expand this intent?

Commented [DA2R1]: Language in city code states: for the purpose of funding debt retirement of the sewer treatment plant improvements, and to the extent revenues from such tax exceed such debt retirement obligations, for the purpose of funding water and sewer systems.

I suggest changing this language to “by funding water and sewer systems,”

Commented [JK3]: This language suggests we can use HAWSP for projects not related to an “extension”. Do we need to get the voters to ratify this idea?

Commented [JK4]: This language is much broader than limiting HAWSP to projects that “connect [new] residences”

Commented [DA5]: Suggested language to differentiate the 2 funds. Rework as appropriate.

Commented [DA6]: Or depreciation funds?

Commented [JK7]: I suggest we define “water and sewer system improvement”. **See proposed language.**

Commented [DA8R7]: Do we also want to define reserve and depreciation funds? Or is that getting too far in the weeds?

Commented [RL9R7]: I think the paragraph above helps to flesh out the difference.

- c. **Special Assessment District** –Created for the purpose of acquiring, installing or constructing a capital improvement that primarily benefits real property in the district, in contrast to capital improvements that benefit the entire community and are paid for with general government resources or improvements that benefit a specific individual parcel
- d. **Water and Sewer System Improvements** – Any work, such as planning, design or construction, etc., which improves the City’s water and sewer infrastructure, including, but not limited to, the extension, expansion, repair or rehabilitation of
 - i. The City’s water supply, raw water transmission lines, water treatment facilities, water storage facilities, water distribution lines, fire-fighting devices, and related or similar appurtenances.
 - ii. The City’s sewer collection lines, sewer lift stations, RV Dump Stations, waste water treatment facilities, discharge outfall and related or similar appurtenances.
 - iii. Other facilities related to providing public access to clean water and the sanitary disposal of human wastes to protect public health.

Commented [RL10]: I read this definition as working to a liberal use of HAWSP to fund “improvements” that

Commented [JK11]:

Commented [JK12R11]: I want to propose the use of HAWSP to rebuild/upgrade public restrooms. What do you think about this idea?

Commented [DA13R11]: I feel like this would be outside the original intention of HAWSP and it could be appropriate to ask the voters that question. It is worth discussion at the council table to get a sense from the body. The restrooms definitely benefit the public at large and we have many needs in this regard.

Commented [RL14R11]: I agree with Donna – restrooms would be beyond the original intent of this tax. I would argue that public restrooms (and their maintenance) should NOT be payed out of any part of the utility fund.

III. QUALIFYING PROJECT CRITERIA

All projects will be authorized only after a public hearing to assure public participation in the process pursuant to HCC 17.

- A. **Criteria for Qualifying Water and Sewer System Improvements:** HAWSP funds may be used for projects, which meet the following criteria:
 - a. The project must be located within City limits.
 - b. If the proposed improvement involves the extension of water/sewer lines to private residences via a special assessment district (SAD) process, the resulting assessment district must have been approved by property owners in accordance with HCC Title 17. HAWSP funds are available for 25% of a qualifying project.
 - c. If the proposed improvement is for existing infrastructure:
 - i. the project repairs, rehabilitates, or corrects deficiencies in existing systems that benefit the health and safety of Homer residents in general;
 - ii. would reduce maintenance costs
 - iii. The project is listed in the City’s Water or Sewer Capital Improvement Plan or Water/Sewer Master Plan.
 - d. If involving privately built systems, the systems must have been built to City standards.
 - e. HAWSP funds may be used in accordance with Title 17 to pay a developer for the costs of providing excess capacity at the City’s request.
 - f. Other factors deemed appropriate by the City Council, which may include: system-wide vs. localized issues, economic development, public health and safety, actual or imminent regulatory changes.
- B. All HAWSP projects and connections to the water/sewer system will be to City standards.

Commented [DA15]: How would we differentiate what comes from HAWSP and what comes from reserves?

C. FINANCING AND ASSESSMENTS

- All HAWSP projects must follow all provisions within HCC Title 17.

DRAFT 2020 HAWSP Policy Re-write (v. 8/19/2020)

- All water and/or sewer projects and utility connections must follow all provisions within HCC Title 14.
- Expenditures under HAWSP are subject to the availability of funds.
- HAWSP-eligible assessment districts may be initiated by citizens or City Council on a rolling basis (i.e. first-come first-served). City Council shall assess the health of the HAWSP fund prior to approving a new assessment district (see Special Provisions).
- The City may attempt to secure long-term financing for up to ten years for the private share of funding.
- Interest, if any, generated from the program will remain with program funds.
- The City will pay all costs, with HAWSP funds, for any additional improvements required when deemed necessary by the City and subject to approval by City Council.
- Non-existing water and sewer assessment districts shall be encouraged whenever possible, including lots immediately adjacent to the water and/or sewer main lines within the project boundaries as defined by Public Works.
- Certain water and sewer utility relocations and extensions in conjunction with roads projects may be paid for with HART funds (see the HART policy manual).

- Commented [JK16]: What's a "rolling basis"?
- Commented [DA17R16]: On a first come, first served basis?
- Commented [JK18]: Are you sure you want to use the word "will"?
- Commented [DA19R18]: I agree! Will is a bad word! But what's a better one?
- Commented [DA20]: How would reserve or depreciation funds play in this arena?
- Commented [JK21]: What's this "catch all" sentence for?
- Commented [RL22R21]: I don't really know. It's in the current policy.
- Commented [JK23]: What does this refer to?
- Commented [RL24R23]: Also don't really know. Also in the current policy.

D. SPECIAL PROVISIONS

- The City Council shall review the HAWSP fund bi-annually during the budget process. All efforts shall be made to ensure the assessment payments levied on benefited properties cover the annual debt service of the fund.
- When financing a HAWSP project, the City shall provide cash for its required percentage whenever possible. Alternatives must be approved by the City Council.
- Whenever and wherever practical, road improvements shall be done in conjunction with water and/or sewer projects but not before.
- Certain lands that will not be developed due to Conservation Easements or owned by organizations that conserve land for public purpose and/or habitat protection may be exempted from HAWSP-funded assessment district assessments on a case by case basis (Resolution 05-50).
- All SADs are governed by the provisions of Homer City Code and the HAWSP Policy Manual at their time of inception.
- *A comment from Heath at the March 9 worksession that I'm not sure how/where to work in: HAWSP funds may be used to pay off HAWSP-project debt, subject to Council approval.*
- When the balance of the HAWSP fund exceeds \$3 million, the City Manager shall propose projects from the Water and Sewer Capital Improvement plans that utilize the funds to the Homer City Council for consideration. The City Manager must include at least two alternative projects meeting project criteria above for consideration by City Council. (Resolution 13-078(S)(A))
- To ensure that funds remain in place for the development of SADs, the debt service ratio of the HAWSP fund should be maintained above 1.25. If the fund balance results in a debt service ratio below 1.25, the City Council will evaluate a moratorium on use of the fund until the debt service ratio rises above 1.25.

- Commented [DA25]: Biannually?
- Commented [JK26]: Does this mean if there is no water/sewer line in a road, a Road Assessment District will not be considered?
- Commented [DA27R26]: I believe the intent is that we don't redo road work when a water/sewer project is planned for a road that also requires road work. But this could be worded much better.
- Commented [RL28R26]: I'm open to suggestions for wording. This is copied from the current policy, and there is sister-policy within HART policy. This came up recently (past couple of years) for a proposed HART district off East Hill.
- Commented [JK29]: Please clarify – what do you mean by this? What about smaller projects?
- Commented [RL30R29]: This language is from the 2013 resolution
- Commented [JK31]: What does this mean?
- Commented [RL32R31]: This is all from the 2013 resolution
- Commented [DA33]: This is a really interesting resolution. I revised the paragraph to provide context from the whereas clauses. I think this is a good resolution to present to council to determine whether it continues to meet our intent. How does it relate to our intent of maintaining a debt service ratio above 1.25? What if we are planning for a large project in the future?2
- Also, I'm pretty sure HART does not make such a reference and may not be in compliance with this resolution. But I'll have to review HART again.
- Commented [DA34]: I added this language because it feels like the debt service ratio conversations we've had are at odds with the paragraph above. It's also highlighted below in text by Rachel. I have no druthers where it goes, but we need to make sure our policies are consistent and work together.

- Insert here (or somewhere else in the policy) criteria for assessing the health of the fund and forecasting for budgeting and giving a green light to projects. Resolution 16-041(S-2)(A) sets the 1.25 debt-service coverage ratio, however it's not defined and we've had extensive conversations about metrics. Consider clearly describing what needs to be presented to Council from Finance Dept. and PW for their consideration of this question. Notes from March 9th → *Mayor: No debt service ratio/no forward funding. Make sure that our projected tax revenue is never less than the debt service. Keep it simple. 1:1 ratio if we only look at tax revenue. Look at ability to repay debt and the fund balance. When looking at 'forward funding' the debt service, consider a 'floor' of the coming year's debt service payments. Heath: consider restricting 6 months of debt payments. Joey: maybe 8 months. Hedging the risks.*

E. HISTORY

Listing of Ordinances & Resolutions

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

3 City Manager/Finance Director

4 **RESOLUTION 20-118**

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

10 WHEREAS, Water and sewer utility services shall be reviewed annually shall take effect
11 as of January 1, 2021; 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, BE IT RESOLVED that the City Council of Homer, Alaska, that the
19 water and sewer fees be amended and the Homer Fee Schedule be updated as follows:
20

21 **SEWER**

22
23 **Customer Classification Definitions for Determining Sewer Connection and Extension**
24 **Permit Fees**

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

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

33 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.	

34

35

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

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

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

43 Sewer System Dischargers (Sewer ONLY customers): Customers who use sewer service only shall be
 44 charged a monthly fee of \$5 plus sewer usage fee based on assessed volume of 3,000 gallons per month
 45 multiplied by the applicable sewage rate (see Table II). Kachemak City Local Improvement District (LID)
 46 members have contributed to the initial cost of the sewer treatment plant and the collection system.
 47 For Kachemak City LID dischargers connected within the LID, the City of Homer shall bill Kachemak City
 48 in one single bill at the Lift-Station Zone Rate of \$73.95 (\$67.20 +\$6.75) per month per customer.
 49 Kachemak City shall be billed a \$5 monthly service charge to cover all Kachemak City sewer customers
 50 and shall be responsible for payment to the City of Homer.
 51

52 **Sewer Rate Schedule**

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

Sewer Rates

Table I

Customer Classification	Monthly Service	Usage Charge/Gallon
Lift-Station Customer		\$0.0224 \$_____
Non-Lift-Station Customer		\$0.0145 \$_____
Multi-units (additional per unit)	\$5.00	N/A

Sewer ONLY Customers Rates

Table II

	Fees/Rate/Usage	Per Customer Per Month
Lift-Station Customer	\$0.0224/Gal	\$67.20 \$_____
Non-Lift-Station Customer	\$0.0145/Gal	\$43.50 \$_____
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)	\$6.75/customer/mo.	\$6.75
Assumption: Avg. Sewer Usage	3,000 Gal/Mo.	

56

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

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

65 Seasonal Sewer Meter Fee is \$251.75.

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

69

70

71

72 **WATER**

73

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

76

77 **Customer Classification Definitions for Determining Water Connection and Extension**
 78 **Permit Fees**

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

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

87 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.

88

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

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

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

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

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

104

105 **Water Rate Schedule**

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

Water Rates

Table III

Customer Classification	Monthly Service	Usage Charge/Gallon
Lift-Station Customer	\$13.00	\$0.0132 \$_____
Non-Lift-Station Customer	\$13.00	\$0.0132 \$_____
Multi-units (additional per unit)	\$5.00	
Bulk Water	\$13.00	\$0.0172 \$_____

109

110 **Meter Size Deposits**

111 \$750 meter deposit shall apply to metered fire hydrant connections. The deposit will be returned when
112 the meter is returned undamaged. This deposit may be waived upon the recommendation of the Public
113 Works Superintendent.

114 If a bulk water customer purchases a meter from the City for measuring the quantity of water
115 purchased, it shall be exempt from the monthly meter service charge. It is the responsibility of the bulk
116 water customer to maintain that meter so the City can accurately determine the amount of water being
117 purchased. In the event the meter fails, it is the bulk water customer's responsibility, at its expense, to

118 repair it or purchase a replacement meter from the City. The City may at any time test the meter for
119 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

120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136

PASSED AND ADOPTED by the Homer City Council on this ____ day of November, 2020.

CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal Note: Revenue amounts defined in CY2021 budget.

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

3 City Manager/Finance Director

4 **RESOLUTION 20-118(S)**

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

10 WHEREAS, Water and sewer utility services shall be reviewed annually shall take effect
11 as of January 1, 2021; 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; and
17

18 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, that the
19 water and sewer fees be amended and the Homer Fee Schedule be updated as follows:
20

21 **SEWER**

22
23 **Customer Classification Definitions for Determining Sewer Connection and Extension**
24 **Permit Fees**

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

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

33 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.	

34

35

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

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

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

43 Sewer System Dischargers (Sewer ONLY customers): Customers who use sewer service only shall be
 44 charged a monthly fee of \$5 plus sewer usage fee based on assessed volume of 3,000 gallons per month
 45 multiplied by the applicable sewage rate (see Table II). Kachemak City Local Improvement District (LID)
 46 members have contributed to the initial cost of the sewer treatment plant and the collection system.
 47 For Kachemak City LID dischargers connected within the LID, the City of Homer shall bill Kachemak City
 48 in one single bill at the Lift-Station Zone Rate of ~~\$73.95~~ **\$79.65** (~~\$67.20~~ **\$72.90** + \$6.75) per month per
 49 customer. Kachemak City shall be billed a \$5 monthly service charge to cover all Kachemak City sewer
 50 customers and shall be responsible for payment to the City of Homer.
 51

52 **Sewer Rate Schedule**

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

Sewer Rates

Table I

Customer Classification	Monthly Service	Usage Charge/Gallon
Lift-Station Customer		\$0.0224 \$0.0243
Non-Lift-Station Customer		\$0.0145 \$0.0143
Multi-units (additional per unit)	\$5.00	N/A

Sewer ONLY Customers Rates

Table II

	Fees/Rate/Usage	Per Customer Per Month
Lift-Station Customer	\$0.0224/Gal \$0.0243/Gal	\$67.20 \$72.90
Non-Lift-Station Customer	\$0.0145/Gal \$0.0143/Gal	\$43.50 \$42.90
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)	\$6.75/customer/mo.	\$6.75
Assumption: Avg. Sewer Usage	3,000 Gal/Mo.	

56

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

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

65 Seasonal Sewer Meter Fee is \$251.75.

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

69

70

71

72 **WATER**

73

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

76

77 **Customer Classification Definitions for Determining Water Connection and Extension**
 78 **Permit Fees**

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

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

87 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.

88

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

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

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

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

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

104

105 **Water Rate Schedule**

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

Water Rates

Table III

Customer Classification	Monthly Service	Usage Charge/Gallon
Lift-Station Customer	\$13.00 \$14.00	\$0.0132 \$0.0107
Non-Lift-Station Customer	\$13.00 \$14.00	\$0.0132 \$0.0107
Multi-units (additional per unit)	\$5.00	
Bulk Water	\$13.00 \$14.00	\$0.0172 \$0.0147

109

110 **Meter Size Deposits**

111 \$750 meter deposit shall apply to metered fire hydrant connections. The deposit will be returned when
112 the meter is returned undamaged. This deposit may be waived upon the recommendation of the Public
113 Works Superintendent.

114 If a bulk water customer purchases a meter from the City for measuring the quantity of water
115 purchased, it shall be exempt from the monthly meter service charge. It is the responsibility of the bulk
116 water customer to maintain that meter so the City can accurately determine the amount of water being
117 purchased. In the event the meter fails, it is the bulk water customer's responsibility, at its expense, to

118 repair it or purchase a replacement meter from the City. The City may at any time test the meter for
119 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

120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136

PASSED AND ADOPTED by the Homer City Council on this 23rd day of November.

CITY OF HOMER

KEN CASTNER, MAYOR

ATTEST:

MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal Note: Revenue amounts defined in FY2021 budget.



City of Homer

www.cityofhomer-ak.gov

Finance Department

491 East Pioneer Avenue
Homer, Alaska 99603

finance@cityofhomer-ak.gov

(p) 907-235-8121

(f) 907-235-3140

Memorandum 20-196

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: November 18, 2020
SUBJECT: Defining Inputs of Water and Sewer Rate Model

The purpose of this memo is to provide Council with an updated Rate model and to also provide definitions for each of the model inputs.

Status Update:

At a previous council meeting, Finance presented a multitude of different rate scenarios. The model being proposed to Council at this meeting utilizes Scenario 3 as the basic framework and then incorporates the following modifications:

- The transfer to reserves amount was removed from each rate model, as the general consensus was to remove this input. Given that FY21 is to be truncated and there is a possibility of us connecting rate setting with the FY22 budget process, it felt appropriate to accommodate to this request.
- The hydrant rents formula was modified to more accurately reflect the intent of the previous Water and Sewer Task Force. Previously the formula accounted for a 50/50 split of the 10% of total water revenue required. The intent was for this input to strictly represent 10% and not the shared cost component.
- The total meter count has been updated to 1843 (from 1808) to reflect a more current meter count.

Water Rate Model:

The total operating revenue required represents total operating revenue less transfers to reserves. Please reference page 126 of the current budget document for the total operating revenue (\$2,168,670) and page 130 for the budgeted transfer to water reserves (\$206,071).

The model backs out three fixed fee components.

1. Portion Collected through the Service Fee
 - These costs cover a portion of the administrative costs associated with the processing of utility payments. This value is derived by taking 40% of total Finance budget for FY21 (\$752,789 – page 77 of current budget document).

2. Hydrant Rents
 - These are costs associated with maintaining the water hydrants. This cost is budgeted at 10% of total water revenue required (\$1,962,599).
3. Surplus Water Sales (Bulk)
 - This amount is determined by applying the bulk surcharge (0.004/gallon) to the prior year total gallons consumed by bulk users. This is backed out because these expenses are captured by the separate rate for bulk users.

Consumption

The water consumption line is determined by prior 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. 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. The bulk rate (per gallon) is applying a surcharge of 0.004 per gallon to the set commodity rate. The monthly fees is determined by dividing the budgeted administrative costs by the current number of water meters. As of the most recent billing, there were a total of 1,843 meters.

Sewer Rate Model:

The total operating revenue required represents total operating revenue less transfers to reserves. Please reference page 126 for the total operating revenue (\$1,788,617) and page 138 for the budgeted transfer to sewer reserves (\$54,594).

The model backs out four fixed fee components.

1. Costs associated with the Lift Station
 - Please reference page 141 of the current budget document for the total cost of maintaining the lift station (\$222,021). These costs are backed out because the users on the lift station bear the complete costs associated with maintaining this infrastructure.
2. Pumping fee for Kachemak City users
 - The City RFP's the pumping contract every three years and the costs of the contract is divided up amongst the number of users in this LID. As of March 2020 billing, there are currently 134 users.
3. Dumping station fee
 - Please reference page 127 of the current budget document for the total dumping fee. This fee has been determined to be an operational cost and, as such the fee is not forwarded along to customers.
4. Set rate assigned to only multi-units and Kachemak City meters
 - This is an additional fee charged to help offset added costs associated with maintaining such infrastructure.

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 (non-lift and lift station). The non-lift rate is generated by dividing the total revenue required by the projected billable volume for non-lift. The lift station rate is generated by dividing the total revenue required by the projected billable volume for only the lift zone.

Items to Consider

There are other items to consider when making rate decisions. The primary item to keep in mind is the budgetary impacts of rate changes. The conversation tends to focus on the direct impacts of rate changes, but the indirect impacts are sometimes forgotten. As rates decrease, so too will utility bills and that has an indirect impact on sales tax collection. Sales tax is a component of our water/sewer bills and if total billings decreases there will be a loss in sales tax revenue collected. It is important to keep this piece in mind as revenue expectations are getting tighter.

Transfers to reserves is a necessary component of the rate structure, but Administration felt it was a valid option to remove thus piece from the model this round. When we go through the FY22/23 budget process more discussion will need to occur to determine better policy on incorporating the funding of reserves in the rate model and budget.

Recommendation:

Review the model and approve the rates set forth.

Rate Calculations

WATER Rate Model	
Revenues	
2021 Operating Revenue Required - Water	\$ 1,962,599
Reserve Requirement	
Deduct Portion Collected through Service Fee	(301,116)
Hydrant Rents (10% of Total)	(196,260)
Surplus Water Sales (Bulk) surcharge only	(67,796)
Revenue Required for Commodity Rate Calculation	\$ 1,397,428
Water Consumption (Gallons)	
Total Estimated Water Sales	131,000,000
Water Rates:	
Commodity Rate (per gal)	\$ 0.0107
Bulk Rate (per gal)	\$ 0.0147
Monthly Fees	\$ 14
Consumption Additional Information:	
FY19 Gross Meters Water Sales (Gallons)	131,478,500
SEWER Rate Model	
Revenues	
2021 Total Operating Revenue Required - Sewer	\$ 1,734,023
Reserve Requirement	
Lift Stations Costs	(222,021)
Pumping Fee	(10,050)
Dumping Station Fees	(6,156)
Multi-Units and K-city (\$5/unit/mo.)	(70,320)
Revenue Required for Commodity Rate Calculation	\$ 1,425,476
Sewer Usage (Gallons)	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	22,000,000
Total Projected Billable Volume	100,000,000
Sewer Rate	
Non-Lift Station Rate	\$ 0.0143
Lift Station Rate	\$ 0.0243
Lift Station Additional Information:	
FY 19 Actually Billed Gallons (Lift Station Zone Only)	21,706,300