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

City of Homer
Agenda

City Council Worksession
Monday, October 26, 2020 at 4:00 PM
City Hall Cowles Council Chambers via Zoom
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)

Memorandum 20-182 Water Sewer Rate History

- Unpacking Water & Sewer Rates

Memorandum 20-183 Water Sewer Rate Scenarios

COMMENTS OF THE AUDIENCE (3 minutes)

ADJOURNMENT NO LATER THAN 4:50 P.M.

Next Regular Meeting is Monday, November 23, 2020 at 6:00 p.m., Committee of the Whole at 5:00 p.m. A Special Meeting is scheduled for Monday, November 9, 2020 at 6:00 p.m. and 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, via Zoom Webinar.

City of Homer
www.cityofhomer-ak.gov

Public Works
3575 Heath Street
Homer, AK 99603
publicworks@cityofhomer-ak.gov
(p) 907- 235-3170
(f) 907-235-3145

Memorandum 20-182

TO: City Council

THROUGH: Rob Dumouchel, City Manager

FROM: Jan Keiser, PE, JD, Director of Public Works

DATE: October 16, 2020

SUBJECT: History of Water/Sewer Rates

I. Issue: The City adopts a new water/sewer rate on an annual basis. It is time to adopt the rate for 2021. The Rate Model is a complex equation that considers multiple, intertwining factors, each of which come with their own policy questions and issues. One of these factors involves the policy relating to the Water and Sewer Reserve Funds. This factor raises numerous complex questions: How much money should the City keep in its Reserve Funds? How should the Reserves be funded? How should money in the Reserves be spent? And, that's just the start! The purpose of this memorandum is to unpack the Rate Model process into smaller units so it can be digested more easily.

II. Background:

A. The 2013 Water& Sewer Rate Task Force. The current rate model was developed by Water & Sewer Rate Task Force that was created by the City Council in 2013. (See Resolution 12 - 027(A).) The Task Force consisted of five Homer residents, including Ken Castner, and two City Council Members. The Task Force was formed after the 2012 rate increase triggered numerous public comments and complaints. One of the primary complaints was that the rate structure was unfair.

One of the Task Force's primary policies was that rates should *"accurately reflect the cost of customer billing, banking and accounting".* Another was that *"system maintenance and treatment expenses should be billed in accordance with customers' actual usage"*. The Task Force noted that *"Homer has some unique characteristics that increase the cost of; operations and maintenance"*. One key characteristic is the nature of Homer's water source; turning surface water into clear, potable water requires sophisticated treatment. Another key characteristic is geography. There is a big elevation difference between Homer's water source and its customers in town. This requires the water system to use pressure reducing stations to manage the pressure differences. On the other hand, the in-town area is relatively

flat, requiring the sewer system to rely on sewer lift stations to move sewage from customers to the sewage treatment plant. All this mechanical equipment is expensive to install, operate and maintain. Further, the Task Force noted "the water delivery system has been sized to provide adequate flows and pressure for fire sprinkler flow and hydrants, making the water distribution pipes and other appurtenances larger than they would need to be for domestic water service only.

The Task Force met twice a month for over 10 months. They extensively researched industry guidelines, rates from other communities, previous consultant-authored rate studies for Homer, and other documentation in their quest for information and best practices. They relied strongly in the recommendations of the American Water Works Association Manual, M54, Developing Rates for Small Systems. The Task Force also studied Homer's costs of administration and water/sewer service. It found that 80% of the combined water/sewer budgets were related to providing water/sewer service and the other 20% was the allocated cost of administrative service. The Task Force developed a rate model, which they believed would not *"resolve all the complaints regarding fairness regarding the allocation of expenses…but…the concerns identified…through the public comment have been appropriately addressed…"*

The Task Force made the following key recommendations that the City:

- Continue to periodically review the allocation of administrative and other overhead expenses to ensure they properly reflect the actual expenses being charged to water/sewer.
- Clearly delineate water/ sewer rates applied to all City facilities, in budget documents.
- Renew the contract with Kachemak City and ensure the rates adequately reflect the cost of this area on the system as a whole, including any added administrative costs.
- Conduct rate-setting in a manner that will not allow political influences to result in the collection of future rates.

There was no discussion about capital costs or reserves in the Task Force's 2013 Final Report. Mayor Castner remembers this is because the HAWSP Fund had been created by that time and the understanding was that capital costs would be covered by the HAWSP Fund.

The water rate recommended was $0.0111 per gallon for water and $0.013 per gallon for non-lift station sewer service, with a service fee of $18. The City Council adopted substantially similar rates in Resolution 13-048(S-2)(A-3).

B. Modifications to the Water/Sewer Rate Model

When the time came to develop the rate structure in 2018, Finance Director Elizabeth Walton used the Water/Sewer Rate Model. This was the first time she had the opportunity to do so, since no rate changes had been made in 2017. Ms. Walton noted the Model had been modified since 2013. She described her observations in a memo, dated July 18, 2018, in which she said, *"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 [appear to have been] made to more accurately reflect the City's budget structure".* Among the changes made over the years, was the introduction of an accumulating reserve

built from a line item in the Model equal to *"15% of the total revenue required"*. Ms. Walton noted, *"This percentage was [apparently] derived by conversations with the Water and Sewer Superintendent, our three year average transfer and by industry standard research… The infrastructure is aging and the City needs to be prepared for upcoming maintenance expenses."* The rates, using the Water/Sewer Rate Model Ms. Walton had available to her in 2018, were computed to be:

	2013	**2018**
Water service	$0.0111 per gallon	$0.0132 per gallon
Sewer, Non-lift station Service	$0.013 per gallon	$0.0145 per gallon
Service Fee	$18	$13

The 2018 rates were adopted by the City Council in Resolution 18-064, dated 8-13-18.

C. Setting rates for 2021.

It is now time to set the rates for 2021. There are some differences of opinion about what should be included in these rates. The key questions are:

1. Should we change the rate model?

2. How should the water/sewer rate setting exercise be connected to the City's Budget Process?

3. What should the relationship between the 15% Reserve element and the HAWSP Fund?

4. How should the 15% Reserve element be administered?

5. What projects should the 15% Reserve be used for?

6. Does the allocation of administration and other overhead expenses properly reflect the actual expenses being charged to water and sewer, as recommended by the 2013 Task Force?

Each one of these questions is complex. I recommend unpacking them to clarify the decisions that need to be made:

1. **Should we change the rate model?** The 2013 Task Force did all the right things when they did their work. They researched best practices, connected the rate setting exercise with the City's Budget processes, considered public comment and spent months deliberating on how to make the rate schedule fair. The Task Force's conclusions were accepted by the City Council and have been practiced, with minor modification, ever since. Any such modifications seem to have been made in the interests of updating the rate setting process with the City's changing budget processes, not in changing the basic principles established by the 2013 Task Force.

Recommendation: We should resist the opportunity to second guess the work of the Task Force. Instead, we should continue to rely on the principles and conclusions established by the 2013 Task Force and the rate setting model they created.

2. **How should the water/sewer rate setting exercise be connected to the City's Budget Process?** The rate setting exercise needs reliable input as to revenues and costs, which are developed as part of the Budget Process. Currently, the timing of the two processes is not synched, which creates some challenges.
   Recommendation:
   We recommend the timing of the two processes be better correlated so the rate setting process benefits from more reliable and current data. This involves some administrative functions, which admittedly, may create some awkward transitions at first. But, after the initial learning curve, the City will settle into a routine and the outcomes will benefit from more current data.

3. **What should the relationship between the 15% Reserve element, established by the City Council in 2018, and the HAWSP Fund?** The City Council must have felt additional capital funds, beyond HAWSP, were needed, because HAWSP had been in existence for some years before the 15% Reserve element was established.
   Recommendation: We recommend (a) the Reserve Funds be used for repairs/replacements of existing equipment/facilities that serve existing customers and (b) the HAWSP Fund be used for extensions of services for new customers or to increase system-wide capacity. These policies should be memorialized in a HAWSP Policy Manual and Reserve Fund Manual to document the strategies and processes, which govern how these funds are built and administered.

4. **How should the 15% Reserve element be administered?** Ken Castner remembers that the 15% was added as a contingency, but it was not intended to create an ever-increasing savings account. Indeed, the City needs a healthy reserve, but I agreed with Mayor Castner. The level of our Reserves needs to be reasonable and based on demonstrated needs.
   Recommendation: We recommend using the Reserve Funds to keep the utility systems in a state of good repair for existing customers, using tools such as an Asset Management Plan to guide repairs/replacements of facilities and equipment. This policy should be memorialized in a Reserve Fund Manual to document the strategies and processes, which govern how the Reserves are built and administered.

5. **What projects should the 15% Reserve be used for?**
   We have drafted a Water Capital Improvement Plan, a Sewer Capital Improvement Plan and an Asset Management Plan. The combination of these tools allows us to assess the utility systems' needs for repairs/replacements/expansions as part of the Budget Cycle. We can use the data to identify our needs and adjust the Reserve element accordingly. For the 2021 rate year, I feel comfortable reducing the Reserve element.

Recommendation: We continue to develop the tools we have started and use them to help govern the water/sewer systems' business. In the meantime, we can reduce the Reserve element from 15% to 10%, for the 2021 rates.

6. **Does the allocation of administration and other overhead expenses properly reflect the actual expenses being charged to water and sewer, as recommended by the 2013 Task Force?** The water/sewer rates currently include a $13 per month Service Fee. Yet, allocations are also made from the Water/Sewer Funds to the General Fund to compensate the General Fund for costs of administration and overhead related to the administration of the water/sewer accounts. Is this double dipping? We need more data to address this question.
   Recommendation: We analyze administrative costs, which are allocated from the water/sewer accounts to the General Fund, to make sure the water/sewer accounts are paying their proper share, and no more.

Unpacking Water and Sewer Rates and other mysteries

OCTOBER 15, 2020

The Water/Sewer Rate Setting Process

- Is complex!
- Involves multiple, intertwining factors
- Is governed by policy decisions, which haven't always been well documented
- Can be unpacked into smaller bites

The 2013 Water & Sewer Task Force

- Was born out of complaints about rising rates and lack of fairness
- Five Homer residents and two Councilmembers
- Conducted extensive research and deliberations for over 10 months

Conclusions of the 2013 Task Force

- Some factors (geography, etc.) made systems more costly than those in similarly sized communities
- Costs should be billed reflect customer usage
- Administrative charges should reflect costs
- Did not address capital needs

Modifications to the Model

- Changes had been made to the Model between 2013 and 2018:
  - To better define the "inputs" to the equation
  - A 15% Reserve Element was introduced
  - Basic principles and assumptions stayed the same

Questions for 2021 Rates

- Should we change the rate model?
- How should the rate setting exercise be connected to Budget Process?
- How should the Reserve elements & HAWSP connect?
- What projects should the Reserves be used for?
- How should the Reserve elements be administered?
- Does the allocation of administration and other overhead costs properly reflect the actual expenses being charged to water/sewer?

Questions for 2021 – Should we change the rate model?

- NO!
- The 2013 Task Force did good work.
- All modifications maintained the guidelines set in 2013.
- The 15% Reserve elements were adopted by the City Council.

Questions for 2021 - **How should the water/sewer rate setting exercise be connected to the City's Budget Process?**

- The Rate Setting Exercise needs good data and should be synchronized with budget process.
- This may trigger an awkward transition!
- It will get better.

Question for 2021 – **How should the 15% Reserve element & HAWSP connect?**

- Additional Capital Funds must have been deemed necessary
- Use Reserve Funds for existing equipment/facilities to serve existing customers
- Use HAWSP Funds to extend service for new customers or to increase system-wide capacity

Question for 2021 – **What projects should the 15% Reserve be used for?**

- Use Reserve Funds to keep systems in a state of good repair for existing customers
- Strengthen and use the tools we started:
  - Water Capital Improvement Plan
  - Sewer Capital Improvement Plan
  - Asset Management Plan

Question for 2021 – **How should the 15% Reserve element be administered?**

- Base Reserves on needs
- Memorialize decisions in a Reserve Fund Manual to document the strategies and processes
- Reduce the Reserve element from 15% to 10%, for the 2021 rates, to for immediate rate relief
- Reconcile accounting methods with policies

Question for 2021 - **Does the allocation of administration & other overhead expenses reflect the actual expenses being charged, as recommended by the 2013 Task Force?**

- Analyze costs
- Ensure water/sewer accounts are paying their proper share, and no more
- Maintain the $13 fee until we get better data
- Be prepared to make adjustments later

What can we do now?

- Reduce the Reserve Elements from 15% to 10%
- Analyze $13 Service Fee & recalibrate, as necessary
- Set the rate for 2021
- Connect rate setting exercise with the Budget Process
- Adopt polices related to uses of Reserve Funds
- Adopt policies related to use of HAWSP Fund
- Strengthen tools & recalibrate Funds, as necessary

The Bottom Line

- We have a good model.
- Confusion is normal.
- Don't try to do too much all at once.
- Take incremental steps as new data is available.
- Its ok to have a transition period.

City of Homer
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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 20-183

TO: Mayor Castner and Homer City Council

THROUGH: Rob Dumouchel, City Manager

FROM: Elizabeth Walton, Finance Director

DATE: October 21, 2020

SUBJECT: Water and Sewer Rate Model – Additional Rate Scenarios

At the previous council meeting, there was discussion regarding water/sewer rate scenarios. There was an additional need to provide scenarios connected directly to our 2021 budget. Below are descriptions for all of the scenarios previously presented as well as two new 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

Scenario 5 – Utilize Current Rate Structure, Amend Inputs to match 2021 Budgeted Costs, with 15% Reserve Requirement

This scenario utilizes current rate model structure, but amends inputs to match the adopted 2021 budgeted costs, with a 15% reserve requirement. The following line items in the water model were adjusted to match the budget: total revenue required and service fee deduction. The hydrant rents and reserve requirement line items were amended, as these lines are 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): $0.0137

Bulk (per gal): $0.0177

Monthly Fees: $14

Sewer Rates:

Non-Lift Station: $0.0169

Lift Station: $0.0269

Scenario 6 – Utilize Current Rate Structure, Amend Inputs to match 2021 Budgeted Costs, with 10% Reserve Requirement

This scenario utilizes current rate model structure, but amends inputs to match the adopted 2021 budgeted costs, with a 10% reserve requirement. The following line items in the water model were adjusted to match the budget: total revenue required and service fee deduction. The hydrant rents line item was amended, as this line is a fraction of the total revenue required. The reserve requirement line item was amended to 10% of 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): $0.0129

Bulk (per gal): $0.0169

Monthly Fees: $14

Sewer Rates:

Non-Lift Station: $0.0160

Lift Station: $0.0261

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

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 Addi[illegible] Information:		
FY 19 Actually Billed Gallons (Lif[illegible]n 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 Addi[illegible] Information:		
FY 19 Actually Billed Gallons (Lif[illegible]n 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 Addi[illegible] Information:		
FY 19 Actually Billed Gallons (Lif[illegible]n 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 Addi[illegible] Information:		
FY 19 Actually Billed Gallons (Lif[illegible]n Zone Only)		21,706,300

Scenario 5 - Rate Calculations

WATER Rate Model		
Revenues		
2021 Total Revenue Required - Water	$	1,962,599
15% Reserve Requirement		294,390
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	$	1,789,948
Water Consumption (Gallons)		
Total Estimated Water Sales		131,000,000
Water Rates:		
Commodity Rate (per gal)	**$**	**0.0137**
Bulk Rate (per gal)	**$**	**0.0177**
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
15% Reserve Requirement		260,103
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	$	1,685,579
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	**$**	**0.0169**
Lift Station Rate	**$**	**0.0269**
Lift Station Addi[illegible] Information:		
FY 19 Actually Billed Gallons (Lif[illegible]n Zone Only)		21,706,300

Scenario 6 - Rate Calculations

WATER Rate Model		
Revenues		
2021 Total Revenue Required - Water	$	1,962,599
10% Reserve Requirement		196,260
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	$	1,691,818
Water Consumption (Gallons)		
Total Estimated Water Sales		131,000,000
Water Rates:		
Commodity Rate (per gal)	**$**	**0.0129**
Bulk Rate (per gal)	**$**	**0.0169**
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
10% Reserve Requirement		173,402
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	$	1,598,878
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	**$**	**0.0160**
Lift Station Rate	**$**	**0.0261**
Lift Station Addi[illegible] Information:		
FY 19 Actually Billed Gallons (Lif[illegible]n Zone Only)		21,706,300

CIty of Homer
Water and Sewer Rates Comparison
Presented October 26, 2020

	Average Volume						
	City Hall						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Consumption	3800	3800	3800	3800	3800	3800	3800
Water Rate	0.0132	0.0133	0.0126	0.0130	0.0127	0.0137	0.0129
Sewer Rate	0.0145	0.0157	0.0149	0.0148	0.0138	0.0169	0.016
Charges:							
Water	50.16	50.54	47.88	49.40	48.26	52.06	49.02
Sewer	55.10	59.66	56.62	56.24	52.44	64.22	60.8
Service	13	13	13	14	13	14	14
Total Bill	**$ 118.26**	**$ 123.20**	**$ 117.50**	**$ 119.64**	**$ 113.70**	**$ 130.28**	**$ 123.82**
Impact		**$ 4.94**	**$ (0.76)**	**$ 1.38**	**$ (9.50)**	**$ 12.78**	**$ 5.56**

	High Volume						
	Library						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Consumption	6600	6600	6600	6600	6600	6600	6600
Water Rate	0.0132	0.0133	0.0126	0.0130	0.0127	0.0137	0.0129
Sewer Rate	0.0145	0.0157	0.0149	0.0148	0.0138	0.0169	0.016
Charges:							
Water	87.12	87.78	83.16	85.80	83.82	90.42	85.14
Sewer	95.7	103.62	98.34	97.68	91.08	111.54	105.6
Service	13	13	13	14	13	14	14
Total Bill	**$ 195.82**	**$ 204.40**	**$ 194.50**	**$ 197.48**	**$ 187.90**	**$ 215.96**	**$ 204.74**
Impact		**$ 8.58**	**$ (1.32)**	**$ 1.66**	**$ (16.50)**	**$ 21.46**	**$ 8.92**

	Lift-Station (Year-Round)						
	Port & Harbor - Maintenance						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Consumption	1800	1800	1800	1800	1800	1800	1800
Water Rate	0.0132	0.0133	0.0126	0.013	0.0127	0.0137	0.0129
Sewer Rate	0.0224	0.0256	0.0247	0.0249	0.0237	0.0269	0.0261
Charges:							
Water	23.76	23.94	22.68	23.40	22.86	24.66	23.22
Sewer	40.32	46.08	44.46	44.82	42.66	48.42	46.98
Service	13	13	13	14	13	14	14
Total Bill	**$ 77.08**	**$ 83.02**	**$ 80.14**	**$ 82.22**	**$ 78.52**	**$ 87.08**	**$ 84.20**
Impact		**$ 5.94**	**$ 3.06**	**$ 5.14**	**$ (4.50)**	**$ 6.94**	**$ 7.12**