



## **Homer City Hall**

491 E. Pioneer Avenue

Homer, Alaska 99603

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

# **City of Homer Agenda**

## **City Council Worksession**

**Monday, July 26, 2021 at 4:00 PM**

**In Person at City Hall Cowles Council Chambers**

**By Zoom Webinar**

<https://cityofhomer.zoom.us/j/96586314135?pwd=WTdvVHdDVmxxZHJwaC9ZNmFYlZ3dz09>

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**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)**

- [a.](#) Financial Policies related to Water and Sewer Utilities - Shawn Koorn, HDR Utility Financial Analyst

### **COMMENTS OF THE AUDIENCE** (3 minutes)

### **ADJOURNMENT NO LATER THAN 4:50 P.M.**

Next Regular Meeting is Monday, August 9, 2021 at 6:00 p.m., Worksession at 4:00 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 Water and Sewer**

## **Discussion of the Development of the City's Financial/Rate Setting Policies**

### **Introduction**

Financial policies are an important tool for maintaining a financially healthy utility while also maintaining required and/or mandated measures. The Government Finance Officers Association (GFOA), bond rating agencies, and other industry organizations (e.g. the American Water Works Association (AWWA), the Water Environment Federation (WEF), etc.) recommend written financial/rate setting policies to provide clear policy direction and guidance.

The establishment of written financial policies is intended to:

- Institutionalize sound financial practices
- Clarify strategic intent
- Define boundaries
- Support bond ratings
- Promote long range strategic thinking
- Manage risk
- Adhere to established best practices

To be effective, the policies must be written and, if possible, adopted by the governing body; policies should furthermore be well understood by management to enable consistent and accurate application throughout the financial planning and rate setting process.

Standard & Poor's (S&P), Fitch and Moody's Rating Agencies each have unique methodologies for determining a utility's bond rating. These rating methodologies contain quantitative measures which are largely financial, as well as qualitative measures that assess a spectrum of qualities such as management and governance. A qualitative measure common to each of the rating agency's review methodologies is the presence and strength of financial policies. Generally, a strong set of written financial policies demonstrates to the rating agencies a well-managed utility which uses policies to help guide the utility in a business-like and apolitical manner.

In addition to supporting the need for written financial policies, the bond rating agencies also provide survey information (medians) on the specific financial metrics for various rated utilities (i.e. "AAA", "AA" etc.). S&P does not explicitly state their target measure for different rating levels, but rather refers to what they consider strong or good, which may be interpreted as leaning more towards being "AAA" or "AA" rating, respectively.

At the current time, the City has various documents and information that outline some of the basic financial policies and approaches to setting water and sewer rates. However, there does not appear to be a single, stand alone, document that summarizes the City's water and sewer rate setting policies and approaches.

## Financial Policy Goals and Objectives

The goals of the City's financial policies are to:

1. Maintain sufficient revenues for operating and capital needs,
2. Maintain sufficient reserves, and,
3. Provide rate stability. Notwithstanding (1) and (2) above, rates will be set to provide rate/revenue stability and avoid major periodic increases.

A detailed set of financial policies have been drafted to provide guidance and consistency in utility financial planning and rate setting decision-making for the City Council and management team.

## Objective of this Discussion Paper

The purpose of this paper is to outline the City's various policies and approaches into a more comprehensive financial framework and to establish clear financial targets based on a review of industry data and City documents. For example, in establishing a policy on minimum reserve levels, this framework provides recommendations that take into consideration the typical or median reserve levels for a "AAA" versus a "AA" rated utility. By providing this level of understanding, the City Council can make more informed decisions in establishing the financial targets contained within the financial policies.

## Review and Discussion of the City's Financial/Rate Setting Policies

The following discussion provides the specific policy being proposed and then provides a brief discussion of the need for the policy, and if appropriate, the financial metrics used by the rating agencies.

### 1. Reserve Funds

Reserve funds shall be established for the City to properly account for the City's funds, but to also provide adequate reserve levels to address the different types of funding requirements of the City. The City's reserve policies shall be as follows:

- 1.1 Operating Reserve** – The City's operating reserve is an unrestricted reserve. The minimum operating reserve shall be established at 90 Days of annual O&M expenses (approximately 25% of O&M for both Water and Sewer Funds).

*Discussion: An operating reserve is the most basic of reserves; it holds the funds used to meet the utility's day-to-day expenses. Generally, an operating reserve is an unrestricted fund and the target minimum balance is set at a level to assure liquidity is sufficient to pay liabilities as they are due for payment. A common measure for a target balance is a function of the number of days of O&M expenses, excluding depreciation, which is reflective of the lead/lag of revenues and expenses. In the case of the City, 90 days of O&M as a minimum operating reserve level would be approximately equal to \$530,000 for water and \$420,000 for sewer for budgeted FY 2022.*

*At the present time, the City has a water and sewer fund with a balance of approximately \$670,000. This fund has been split evenly between the water and sewer funds for the development of the analysis. However, absent increases in current rate levels, above current and projected operating and capital levels, the operating reserve target is not reached over the projected time period.*

- 1.2 Capital Reserve** – The City currently has two different capital reserves for the water and sewer utilities. The first is the Homer Accelerated Water and Sewer Program (HAWSP). HAWSP is funded through a portion of the voter approved sales tax and assessments levied on benefited properties. The second is the Capital Asset Repair and Maintenance Allowance (CARMA). CARMA is funded annually through a rate surcharge equal to 15% of water and sewer costs and collected through the water and sewer rates. In general, HAWSP is intended to provide seed money to support expanded access to the City water and sewer system while CARMA is intended to support improvements, repairs, and replacements of the City's existing infrastructure, and may also be used for Capital Contingencies or Infrastructure Replacement. CARMA and HAWSP funds may be used jointly to fund a project where applicable.

**1.2.1 Homer Accelerated Water and Sewer Program (HAWSP)** – Voters in the City of Homer established the HAWSP fund to improve the Health and Welfare of the

community by funding capital improvements to the City's water and sewer system. The HAWSP is funded by a voter approved dedicated sales tax, and assessments levied on benefited properties. (See HCC 9.16.010(b).) Specifically, the HAWSP Fund is built from a levy of  $\frac{3}{4}$  of a percent on the retail sales tax. This tax was established by voters and can only be modified through another ballot measure. The key objectives of the HAWSP fund are as follows:

- Provide for water/sewer improvements without placing a heavy financial burden on individual property owners. (Resolution 99-53.)
- Increase the number of users to the system(s), thereby increasing revenues to the Water and Sewer Enterprise Funds. (Resolution 99-53.)
- Promote construction of additional improvements to the City water and sewer systems. (See Ordinance 99-14(S)(A).)
- Protect public health. (2016 HAWSP Policy Manual.)

The HAWSP is generally intended to provide "Seed Money" for major projects (projects that exceed \$1.1 million) but is not intended to be the primary source of funding. The target HAWSP fund value is to be maintained at \$2 million as specified in the draft HAWSP policy manual. The HAWSP fund may additionally be used to pay off HAWSP-project debt, subject to City Council approval, and may furthermore be used in conjunction with CARMA for project funding, especially where an element of the project involves extension of service, expansion of capacity, or promotion of public health.

*Discussion: The HAWSP fund has a relatively narrow focus and should be thought of as a supplemental reserve to accelerate capital projects as defined above. While the HAWSP fund does not appear to provide a rate-adjustment mechanism for the City Council to balance future capital needs. Adjustments can be accomplished by augmenting HAWSP funding with funding from CARMA and the general reserve, both of which offer the City adjustment mechanisms to meet the overall planned capital needs. It is also important to note that the City has used HAWSP revenues to fund long-term debt issuances. Given the use of HAWSP to fund annual debt payments, and fund capital projects, the City should consider evaluating the minimum reserve level to ensure adequate funds for debt service requirements.*

**1.2.2 Capital Asset Repair and Maintenance Allowance (CARMA)** – The CARMA reserve was established to fund improvements, repairs, and replacements to the City's existing water and sewer systems. CARMA is currently funded annually through a rate surcharge equal to 15% of water and sewer costs and collected through the water and sewer rates. The level of CARMA funding can be adjusted by the City Council. "The amount of the CARMA funds shall be established by City Council in the biennial budget based on the projected maintenance and repair needs of the City." (Ordinance 19-35(S)(A)).

The intent of the City of Homer Water and Sewer CARMA Fund is "for appropriation and expenditure for equipment replacement, fleet replacement, engineering or planning services, major maintenance of city facilities, or any other purpose as identified and recommended by the City Manager and authorized by the City Council...and to extend the life and use of taxpayer funded assets, facilities and infrastructure." (See Ordinance 19-35(S)(A)). The City Council established similar CARMA accounts across multiple City

programs and departments within the General Fund. The Water and Sewer Utilities - which operate independently - use CARMA Funds for improvements, repairs, and replacements to the City's existing water and sewer systems. CARMA Funds may additionally be used for capital contingencies or infrastructure replacement and can be used in conjunction with HAWSP to jointly fund a project. A recommended minimum balance would be equal to one year's average annual capital needs. This would imply a minimum balance of \$400,000 for both water and for sewer based on the current and next four year capital improvement plan for CARMA funding.

*Discussion: CARMA provides a mechanism through which funding levels can be adjusted to meet anticipated capital repair and replacement needs. Funding adjustments should be determined in consideration of capital needs and in conjunction with the rate setting process. Capital needs should be determined annually through an appropriate planning process (such as an asset management plan and CIP) to enable accurate forecasting. As discussed in Policy #2, a prudent practice is the develop an annual level of capital replacement funding through current rate levels. CARMA provides that annual funding for ongoing renewal and replacement needs. An important concept is that if annual funds are not used in the current year, these funds are placed in reserves and can be utilized in future years where renewal and replacement needs are greater than annual CARMA funding levels. In this way, the City is continually replacing and improving the water and sewer systems on an annual basis.*

- 1.3 Bond Reserve** – A bond reserve fund is a restricted reserve. A bond reserve fund shall be established, as required and in accordance with bond covenants. The minimum fund balance of the bond reserve shall be equal to bond reserve requirements set by bond covenants.

*Discussion: Bond reserves are restricted funds that are generally required by bond covenants. The reserve balance, when required is set in the bond documents and is often equal to one year of debt service. For this particular reserve, the specific minimum balance is specified by each specific issuance.*

- 1.4 Rate Stabilization Reserve** – A rate stabilization reserve shall be established and maintained at a level equal to approximately 10% of the annual rate revenue derived from the water and sewer utility. These funds are unrestricted, but their use shall be limited to mitigating large or unanticipated rate impacts, or emergency/catastrophe situations.

*Discussion: A rate stabilization reserve can used to help mitigate the need for large rate adjustments, but it can also function as a form of an emergency reserve. In that sense, this reserve can serve in a dual roll. While these are a form of unrestricted reserves, their use should be limited and clear direction developed for when and how these funds should be used. Generally, rate stabilization funds are to be used to mitigate short term rate impact such as economic or drought-driven revenue shortfalls. Using the assumed 10% of rate revenues as the level of the rate stabilization reserve, the water utility would be \$220,000 and the sewer would be \$175,000.*

When a reserve fund falls below the designated policy minimum, the City's management team shall inform the City Council. The Council will take appropriate action to address any shortfalls.

A reserve fund which falls below the minimum reserve level, on its own, shall not trigger the need for a rate adjustment.

*Discussion of the Overall Reserve Policy – In considering the financial targets for this policy it is important to understand that the rating agencies do not look at specific funds within the utility, rather, they look at the purpose and whether the funds are unrestricted or restricted. One exception to this is the Rate Stabilization Reserve, where a proper and well-defined usage of the fund can be a benefit for the utility's rating since this is a level of funding over and above basic funding levels. Table 1 shows each rating agency's desired level of cash reserves for an AAA/Aaa or AA/Aa rated utility.*

<b>Table 1</b> <b>Days of Cash on Hand</b>		
<b>Rating Agency</b>	<b>AAA/Aaa</b>	<b>AA/Aa</b>
Standard & Poor's Ratings Services <sup>1</sup>	Greater than 150 days	90 to 150 days
Fitch Ratings (of Working Capital) <sup>2</sup>	Greater than 365 days	180 to 365 days
Moody's Investors Service <sup>3</sup>	Greater than 250 days	150 to 250 days

*Each of the rating agencies may define "days cash" or "cash on hand" in slightly different ways, but each is intended to demonstrate that the utility has a strong cash position. That is, sufficient reserves to meet all short-term liabilities while also capable of handling the variability of seasonal cash flows. Finally, the reserve levels still have cash flow sufficiency to handle unexpected events. More specifically, the definitions for these financial metrics are as follows:*

#### **Standard and Poor's Ratings Service**

**Days Cash**, all unrestricted cash and equivalents plus any reserves that are designated but ultimately available for any lawful purpose including long-term investments divided by 1/365<sup>th</sup> of operating expenditures.

#### **Fitch Ratings**

Measure was described as "Days cash and days of working capital"

- **Days Cash on Hand.** Current unrestricted cash and investments plus any restricted cash and investments (if available for general system purposes), divided by operating expenditures minus depreciation, and divided by 365.
- **Days of Working Capital.** Current unrestricted assets plus any restricted cash and investments (if available for general system purposes), minus current liabilities payable

<sup>1</sup> Standard & Poor's Ratings Services McGraw Hill Financial, "U.S. Public Finance Waterworks, Sanitary Sewer, and Drainage Utility System: Rating Methodology and Assumptions", P. 26, Table 18, January 19, 2016

<sup>2</sup> Fitch Ratings, "U.S. Water and Sewer Revenue Bond Rating Criteria", P. 6, Attributes: Financial Profile (Table), September 3, 2015

<sup>3</sup> Moody's Investors Service, "Rating Methodology: US municipal Utility Revenue Debt", Page 12, Exhibit 7, December 15, 2014



*from unrestricted assets, divided by operating expenditures minus depreciation, divided by 365.*

**Moody's Investors Service**

**Days Cash on Hand**, cash and cash equivalent that is both unrestricted and liquid, excluding cash held in a debt service reserve fund unspent bond proceeds or cash restricted for capital times 365 divided by operations and maintenance expense expressed in days.

*Provided below in Table 2 is a simple summary of each rating agency's desired level of cash reserves.*

<b>Table 2 Determination of the City's Days of Cash on Hand Using the Proposed Financial Policies</b>			
<b>Rating Agency</b>	<b>Fund Balances Included in Calculation</b>	<b>City's Current Days of Cash on Hand</b>	<b>AA/Aa Target</b>
S&P Ratings Services	Operating Reserve Capital Reserve Rate Stabilization Reserve	350 days	90 to 150 days
Fitch Ratings (Days of Cash)	Same as S&P + Bond Reserve	350 days	180 to 365 days
Moody's Investors Service	Operating Reserve + Rate Stabilization Reserve	60 days	150 to 250 days

*The City currently has approximately \$3,705,345 in unrestricted reserves combined between the water and sewer utilities. This is composed of approximately \$636,407 in operating reserves and \$3,068,938 in CARMA reserves. There is an additional \$2,275,476 in HAWSP, which is considered a restricted reserve. Combined O&M Expenses are projected at \$3,866,429 for FY22 This equates to approximately 350 days of cash on hand.*

## **2. Debt Issuance and Debt Management**

The City, during the course of normal operations, may issue long-term debt to fund certain capital projects. The establishment of policies related to debt issuance and debt management are intended to minimize the overall long-term costs of the City and utilize long-term debt to the benefit of the City's customers. Provided below are the debt issuance and debt management policies.

- 2.1 Funding of Annual Renewal and Replacement Capital Projects** – The City will provide adequate annual rate funding to properly and adequately fund the City's annual renewal and replacement capital projects. Given adequate funding from rates, as a matter of policy, the City will not issue long-term debt to fund annual renewal and replacement capital projects. The minimum annual funding from rates shall be at least equal to or greater than the City's annual depreciation expense. The annual funding of CARMA is an example of annual renewal and replacement funding approach than can be used annually for infrastructure betterments and replacement.



*Discussion: Adequate annual rate funding for renewal and replacement capital projects has two key benefits to the City. First, it helps to maintain the City’s facilities and avoid deferrals of capital projects. The other major benefit is that appropriate capital funding from rates provides a stronger debt service coverage ratio which provides a positive signal to the bond rating agencies. The use of annual depreciation expense as a target for minimum annual funding reflects the current infrastructure in the City’s system, but it does not reflect the full replacement cost of those assets. Hence, the “equal to or greater than” portion of this policy is intended to reflect the issue of replacement cost funding.*

*Rating Agencies view capital funding through rates (i.e. renewal and replacement funding from rates) as important for the overall health of the system. Fitch views declining annual depreciation as an indication that the Utility is not keeping up with renewal and replacement. Moody’s considers fully funding depreciation an indication that the Utility is adequately conducting renewal and replacement of aging infrastructure. Table 3 provides Fitch and Moody’s specific measures for adequate funding for capital.*

<b>Table 3</b>		
<b>Level of Rate Funding for Renewal and Replacement Capital Funding</b>		
<b>Rating Agency</b>	<b>AAA/Aaa</b>	<b>AA/Aa</b>
S&P Ratings Services	None	None
Fitch Ratings <sup>4</sup>	Free cash relative to depreciation equal to 100% or greater	Free cash relative to depreciation equal to approximately 85%
Moody’s Investors Service <sup>5</sup>	Net Fixed Assets/Annual Depreciation Greater than 75 Years	Net Fixed Assets/Annual Depreciation 25 to 75 Years

*As can be seen, Fitch and Moody’s each use annual depreciation expense to assess the adequacy of annual funding. For the City’s utilities, CARMA provides the funding for annual renewal and replacement funding. Given this, the adequate funding of CARMA is essential or the City to adequately fund renewal and replacements on an annual basis.*

- 2.2 Long-Term Debt as a Funding Mechanism** – The City can consider the use of long-term debt to fund significant non-reoccurring capital projects. The policy objective when issuing long-term debt is to minimize the financial and rate impacts of significant non-reoccurring capital projects.

*Discussion: The intent of this policy is to signal a prudent use of long-term debt and avoidance of, or reliance upon, long-term debt for funding annual renewal and replacement activities. In that respect, this policy is a companion to Policy 2.1. Other considerations for the use of long-term debt include, but are not limited to:*

<sup>4</sup> Fitch Ratings, P. 6, Attributes: Financial Profile (Table)

<sup>5</sup> Moody’s Investors Service, P. 9 Exhibit 6

- Current interest rates (costs)
- Current amount of the utility's outstanding debt levels
- Consistency with the City's debt policy and overall debt level

An important concept is the avoidance of an over-reliance upon debt. To assess this, the rating agencies use certain variations of debt/equity ratios. More specifically, the rating agencies may consider the measure of debt to capitalization or debt to operating revenue. These measures are a measure of leverage, rather than just the City's ability to pay. It is possible for a utility to have a high debt service coverage ratio, but be highly leveraged. Table 5 shows Standard & Poor's and Moody's measure of the extent the utility is leveraged.

<b>Table 4</b> <b>Rating Agency Debt Leverage Measures</b>		
Rating Agency	AAA/Aaa	AA/Aa
S&P Ratings Services <sup>6</sup>	Up-to 20% Debt to Capitalization	20% to 35% Debt to Capitalization
Fitch Ratings	None	None
Moody's Investors Service <sup>7</sup>	Less than 2.0 Debt to Operating Revenue	2.0 to 4.0 Debt to Operating Revenue

The S&P approach is the more common measure and likely more easily understood by the City Council and the Public. The AWWA benchmarking study outlines a debt ratio as total liabilities divided by total assets for the 75<sup>th</sup> percentile of 20%.

Given the S&P and AWWA assumptions, the City's policy has been written to encourage a debt/equity ratio target of 20%.

- 2.3 Types of Long-Term Debt** – To minimize the overall costs of debt, the City shall strive, at all times, to utilize the lowest and best available cost option for issuing debt.

*Discussion: This policy is a logical perspective about the cost of debt and the City's desire to maintain low costs of operation and funding of capital.*

- 2.4 Bond Covenants** – The City, at all times, shall adhere to and meet any bond covenants put forth by bonds issued by the City. Bond covenants are legal obligations placed upon the City. If the City is not in compliance with bond covenants, the City's management team shall inform the City Council and appropriate action will be taken.

*Discussion: This policy is not necessary since bond covenants are legal requirements associated with the issuance of debt and the City is legally obligated to meet the bond covenants or face a technical default on the bonds.*

- 2.5 Debt Service Coverage Ratio** – At all times, the City shall meet the minimum debt service coverage (DSC) requirements associated with bond covenants. For financial planning and rate setting purposes, the City shall target a minimum DSC of 1.50 times

<sup>6</sup> Standard & Poor's Ratings Services, P. 28, Table 21

<sup>7</sup> Moody's Ratings Service, P. 12, Exhibit 7

annual debt service on all outstanding debt.

*Discussion: A debt service coverage (DSC) ratio is a financial measure of the City's ability to repay the debt. The rate covenants typically require a minimum DSC of 1.25 or 1.30 on the outstanding bonds. Subordinate debt (e.g. SRF loans, etc.) typically require only a 1.00 DSC. While those are the minimum required DSC, the City should plan around a higher DSC to ensure meeting the bond covenants. Given that, a utility will establish a DSC for planning purposes which is higher than the minimums.*

*Ratings Agencies view debt service coverage, or similar calculation, as a critical measure. Fitch specifically speaks of conducting stress tests where there is either a drought or a key industrial customer leaves the area and views the impact to the DSC. Having a 1.0 indicates the utility has no more funds after paying debt service which would leave no room for unexpected events such as sudden economic downturn or even a drought. Table 5 provides an overview of the rating agency's targeted debt service coverage ratio, or a relatively comparable ratio, for AAA/Aaa and AA/Aa rated utilities.*

Table 5 Debt Service Coverage Ratio		
Rating Agency	AAA/Aaa	AA/Aa
S&P Ratings Services (All-in Ratio) <sup>8</sup>	Equal to or Greater than 1.6	1.4 to 1.6
Fitch Ratings <sup>9</sup>	Equal to or Greater than 2.0	1.5 to 2.0
Moody's Investors Service <sup>10</sup>	Equal to or Greater than 2.0	1.7 to 2.0

*Discussion: This policy is a very common policy, and is also typically a part of the bond covenants.*

- 2.6 Accounting and Reporting Standards** – The City will comply with all applicable accounting and reporting standards.

### 3. Balanced Operating Budget

- 3.1 Self-Supporting** – The water and sewer utility shall be self-supporting, where current revenue fully funds current operating and capital expenditures on an annual basis.

*Discussion: The City currently separates the revenues and expenses between the water and sewer utilities. This allows for the City to review the funding needs for each utility on a stand-alone basis where water revenues fund water expenses and sewer revenues fund sewer expenses. Avoidance of subsidies between the water and sewer utility should be a goal of the City.*

- 3.2 Adequate Funding to Preserve System Assets** – The City's assets shall be properly operated and maintained to provide for a long life. Annual operating expenditures will

<sup>8</sup> Standard & Poor's Ratings Services, P. 24, Table 17

<sup>9</sup> Fitch Ratings, P. 6 Attributes: Financial Profile (Table)

<sup>10</sup> Moody's Investors Service, P. 12, Exhibit 7

be budgeted and funded at a level that promotes the efficient operation of and preservation of assets through the asset's useful life.

*Discussion: This policy is a companion to Policy 2.1 and is intended to provide adequate funding to support the operation and maintenance of each system.*

- 3.3 Evaluation and Monitoring of Cost** – Costs will be monitored quarterly at a minimum to ensure the utility is operated in a cost effective and economically prudent manner.

*Discussion: This policy is a companion to Policy 2.6 and is intended to demonstrate the City's commitment to managing the utility in a cost-effective and prudent manner.*

- 3.4 Positive Annual Net Income** – The City shall plan for annual net income (total revenue less O&M, taxes or transfers, debt service, and capital projects funded from rates) greater than or equal to zero (positive balance of funds).

*Discussion: This policy is a companion to Policies 3.1 and 3.2 and is intended to provide a simple financial test to demonstrate positive cash-flow for the systems.*

- 3.5 Strive for Rate Stability** – The City's rates should be stable over time while generating sufficient revenue. As a part of the annual budgeting process, the City shall review the rates to confirm the adequacy of the current rates.

*Discussion: Revenue stability can be viewed from two perspectives; from the City's perspective and from the customer's perspective. In this case, the focus is on stable revenue from the City's perspective.*

- 3.6 Disposition of "One-Time" Revenue** – In instances of large one-time revenues (e.g. legal settlement), if not specifically earmarked, the funds will be transferred to an appropriate reserve(s) (operating, capital or rate stabilization).

*Discussion: The City Council should provide clear direction to management on the use of proceeds from a large "one-time" source of revenue.*

- 3.7 Alternative Funding/Revenue Diversification** – To minimize overall rates, the City should explore alternative revenue sources such as grants and direct developer contributions.

*Discussion: This policy is a companion to the policies to minimize overall costs of the utility.*

## **4. Establishing Rates and Fees**

The City shall establish rates utilizing industry recognized "generally accepted" rate setting methodologies. This will provide the City with consistency in their ratemaking process, while also establishing rates which are legally defensible. The City's policies on establishing the water and sewer rates and fees, and the general methodologies to be utilized, are as follows:

### **4.1 Revenue Requirement Analysis**

The revenue requirement analysis provides a projection of the City's revenues and expenditures for a defined time period. The revenue requirement analysis shall provide the City Council with the information and cost-basis to determine the size and timing of any proposed rate adjustments. The City's revenue requirement analysis methodology shall consider the following:

- 4.1.1 The revenue requirement analysis will be developed for a projected five-year time period.
- 4.1.2 Revenue requirements will be established using the “cash basis” methodology. The “cash basis” methodology includes O&M expenses, taxes/transfer payments, debt service (P+I) and capital improvements (renewal and replacement) funded from rates. The revenue requirements may include a component for change in working capital/rate stabilization funds to manage reserve balances and mitigate rate impacts.
- 4.1.3 Costs shared across utilities shall be allocated to each utility based an equitable allocation method. These may include, but not be limited to, labor ratios, number of customers, revenues, usage etc. The allocation method should be whichever method most equitably allocates the specific cost.
- 4.1.4 Any wholesale increases imposed upon the City by a water supplier or wastewater treatment agency will be reviewed for financial/rate impacts.
- 4.1.5 The City’s revenue requirement analysis shall fully incorporate the City’s reserve, debt and budgeting policies.

*Discussion: Revenue requirements projects the City’s revenues and expenses (operating and capital) to determine the overall level of rate adjustments needed.*

## **4.2 Cost of Service Analysis**

A cost of service analysis provides an equitable method to allocate the City’s water and sewer revenue requirements to the customers utilizing the service. The City’s cost of service analysis for the water utility shall use generally accepted cost of service methodologies as defined by the American Water Works Association (AWWA) and the analysis developed for the City’s sewer utility shall use cost of service methodologies as defined by the Water Environment Federation (WEF). The City’s water and sewer cost of service shall be developed to provide an equitable allocation of costs by taking into consideration a customer group’s (e.g. residential, commercial) facility requirements and usage characteristics. The City’s specific cost of service policies are as follows:

- 4.2.1 The cost of service shall be developed for a projected one-year time period or the period over which rates will be set, utilizing the revenue requirements as developed in 4.1.
- 4.2.2 The cost of service analysis shall be designed and developed to consider the unique and specific circumstances of the City’s water and sewer system.
- 4.2.3 The City shall allocate costs to customer class of service based upon facility requirements and usage characteristics.
- 4.2.4 When necessary, the City may phase-in the cost of service results to transition to fully-cost based rates.

*Discussion: A cost of service equitably allocates the City’s water and sewer revenue requirements to the various customer classes of service. The City’s recent rate study provides a similar approach to reviewing the differences in serving the various types of water and sewer customers served.*

## **4.3 Rate Design Analysis**

The development of cost-based rate designs concludes the City's rate setting process. The development of rate designs utilizes the results from the revenue requirement and cost of service analysis to establish the target level of revenues for each customer class of service (rate schedule). The City's rate design analysis is primarily focused on the structure of the rates. The City's rate design analysis policies are as follows:

- 4.3.1 The City shall utilize the results of the revenue requirement analysis and cost of service analysis in the development of final proposed rate designs.
- 4.3.2 Rates shall be designed to collect the overall target level of revenues for each customer class of service.
- 4.3.3 The City's rate designs shall be reflective of the City Council's rate design goals and objectives, while also being reflective of the greater public purpose (e.g., economic development, conservation, etc.).
- 4.3.4 The City shall take into consideration both fixed and variable costs in the development of final proposed rates. The average unit costs calculated within the cost of service analysis provides the cost-information related to fixed and variable costs.
- 4.3.4 Bill comparisons shall be developed for all proposed rate designs to illustrate the general impacts to customers across a range of consumption.
- 4.3.5 In establishing the final water and sewer rates, the City's Council may take into consideration neighboring utility rates, but not to the financial detriment of the City.

*Discussion: The final analytical step of a comprehensive rate study is the design of water and sewer rates. This policy and the sub-policies are intended to develop proposed rate designs which are based upon the findings, conclusions and recommendations from the revenue requirement and cost of service analysis.*

#### **4.4 Other Rate Setting Considerations**

Provided below are other policies related to the City's rate setting process.

- 4.4.1 At a minimum, the City shall conduct a comprehensive rate study every five (5) years to update assumptions and determine financial sustainability.

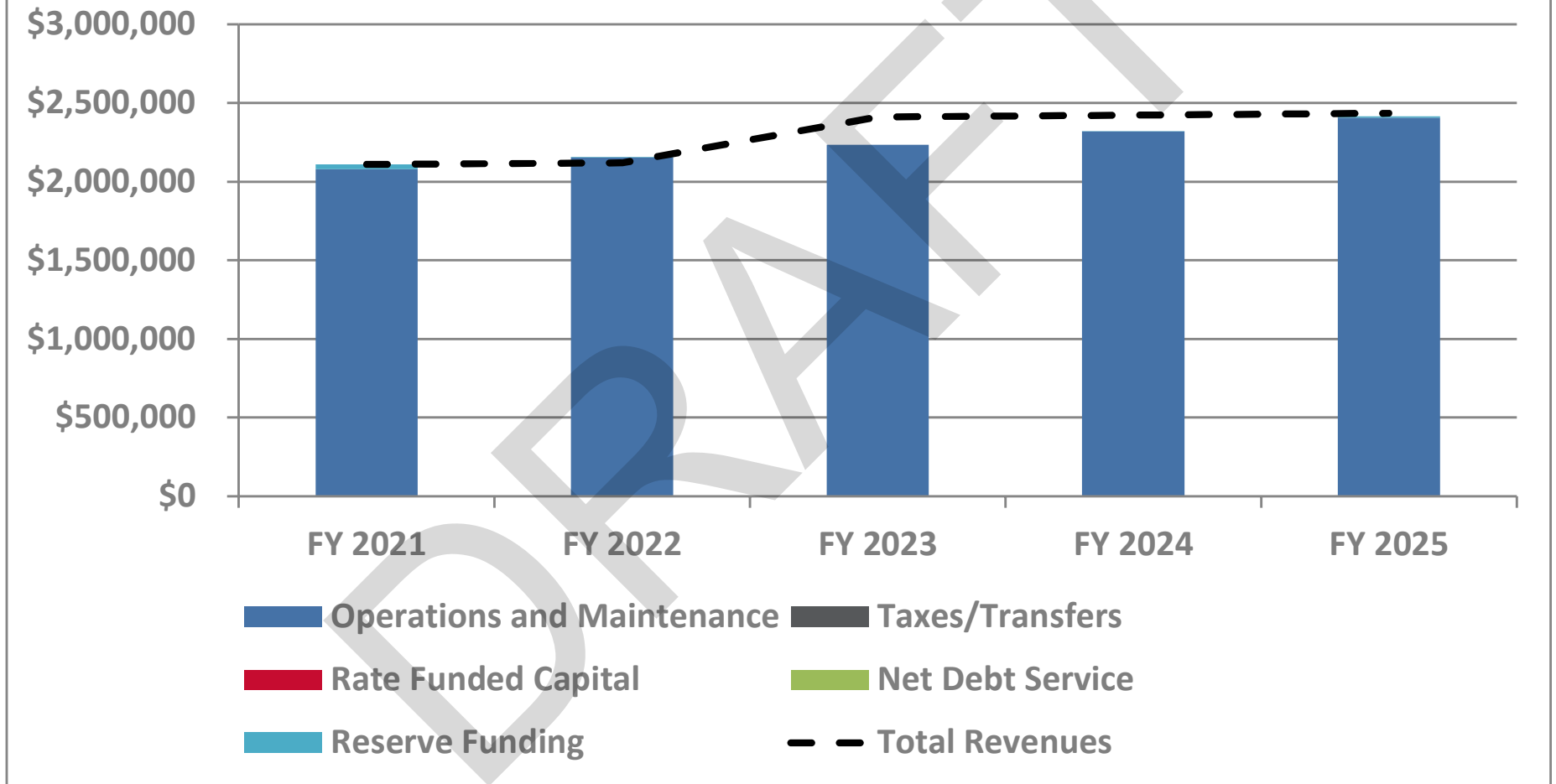
*Discussion: This is a common industry best practice. Gaining an independent outside expert opinion and developing a well documented rate study is a significant document during the bond ratings process.*

City of Homer  
Water and Sewer Financial Plan  
Summary of the Water Revenue Requirement  
Exhibit 1

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Revenues</b>											
Rate Revenues	\$2,150,217	\$1,883,157	\$1,892,573	\$1,902,036	\$2,193,545	\$2,204,513	\$2,215,535	\$2,226,613	\$2,237,746	\$2,248,935	\$2,260,179
Miscellaneous Revenue - Water	270,205	270,143	216,849	217,514	218,183	218,855	219,530	220,209	220,891	221,577	222,266
<b>Total Revenues</b>	<b>\$2,420,422</b>	<b>\$2,153,300</b>	<b>\$2,109,422</b>	<b>\$2,119,550</b>	<b>\$2,411,728</b>	<b>\$2,423,368</b>	<b>\$2,435,066</b>	<b>\$2,446,822</b>	<b>\$2,458,637</b>	<b>\$2,470,512</b>	<b>\$2,482,445</b>
<b>Expenses</b>											
Operations and Maintenance	\$1,929,416	\$2,004,769	\$2,078,757	\$2,155,723	\$2,235,798	\$2,319,120	\$2,405,833	\$2,496,088	\$2,590,046	\$2,687,872	\$2,789,742
Taxes/Transfers	0	0	0	0	0	0	0	0	0	0	0
Rate Funded Capital	406,754	25,620	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	0	0	0	0	0	0	0	0	0
Reserve Funding	0	41,672	30,665	1,868	(6,263)	1,813	10,195	18,882	27,867	37,146	46,711
<b>Total Expenses</b>	<b>\$2,336,170</b>	<b>\$2,072,060</b>	<b>\$2,109,422</b>	<b>\$2,157,591</b>	<b>\$2,229,535</b>	<b>\$2,320,933</b>	<b>\$2,416,028</b>	<b>\$2,514,970</b>	<b>\$2,617,913</b>	<b>\$2,725,018</b>	<b>\$2,836,453</b>
<b>Total Revenue Requirement</b>	<b>\$2,336,170</b>	<b>\$2,072,060</b>	<b>\$2,109,422</b>	<b>\$2,157,591</b>	<b>\$2,229,535</b>	<b>\$2,320,933</b>	<b>\$2,416,028</b>	<b>\$2,514,970</b>	<b>\$2,617,913</b>	<b>\$2,725,018</b>	<b>\$2,836,453</b>
Bal./(Def.) of Funds Before Added Tax	\$0	\$0	\$0	(\$38,041)	(\$99,806)	(\$180,974)	(\$265,788)	(\$354,398)	(\$446,957)	(\$543,626)	(\$644,573)
Plus: Add'l Taxes with Rate Increase	0	0	0	0	0	0	0	0	0	0	0
Bal./(Def.) of Funds With Added Tax	\$0	\$0	\$0	(\$38,041)	(\$99,806)	(\$180,974)	(\$265,788)	(\$354,398)	(\$446,957)	(\$543,626)	(\$644,573)
Bal. as a % of Rate Adj. Req'd	0.0%	0.0%	0.0%	2.0%	4.5%	8.2%	12.0%	15.9%	20.0%	24.2%	28.5%
<b>Proposed Rate Adjustment</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>
Add'l Revenue with Rate Adj.	\$0	\$0	\$0	\$38,041	\$99,806	\$180,974	\$265,788	\$354,398	\$446,957	\$543,626	\$644,573
Bal./(Def.) After Rate Adj.	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	\$0	\$0	\$0	\$0
<b>Additional Rate Adjustment Required</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Debt Service Coverage Ratio (all debt)</b>											
Before Rate Adjustment	0.70	0.21	0.04	0.00	0.26	0.16	0.04	0.00	0.00	0.00	0.00
After Needed Rate Adjustment	0.70	0.21	0.04	0.00	0.41	0.43	0.45	0.60	0.63	0.66	0.69
After Proposed Rate Adjustment	0.70	0.21	0.04	0.00	0.41	0.43	0.45	0.60	0.63	0.66	0.69
<b>Avg Res Customer Bill (\$14.00+ 6Kgal @ \$0.0107/gal)</b>	<b>\$78.20</b>										
Customer Bill on Proposed Adj.	78.20	78.20	78.20	79.76	81.76	84.62	87.58	90.65	93.82	97.10	100.50
Bill Difference - Monthly	0.00	0.00	0.00	1.56	1.99	2.86	2.96	3.07	3.17	3.28	3.40
Cumulative Bill Difference	0.00	0.00	0.00	1.56	3.56	6.42	9.38	12.45	15.62	18.90	22.30
<b>Ending Water Operating Reserve Balance</b>	<b>\$336,804</b>	<b>\$378,476</b>	<b>\$409,140</b>	<b>\$411,008</b>	<b>\$404,745</b>	<b>\$406,558</b>	<b>\$416,753</b>	<b>\$435,635</b>	<b>\$463,502</b>	<b>\$500,648</b>	<b>\$547,359</b>



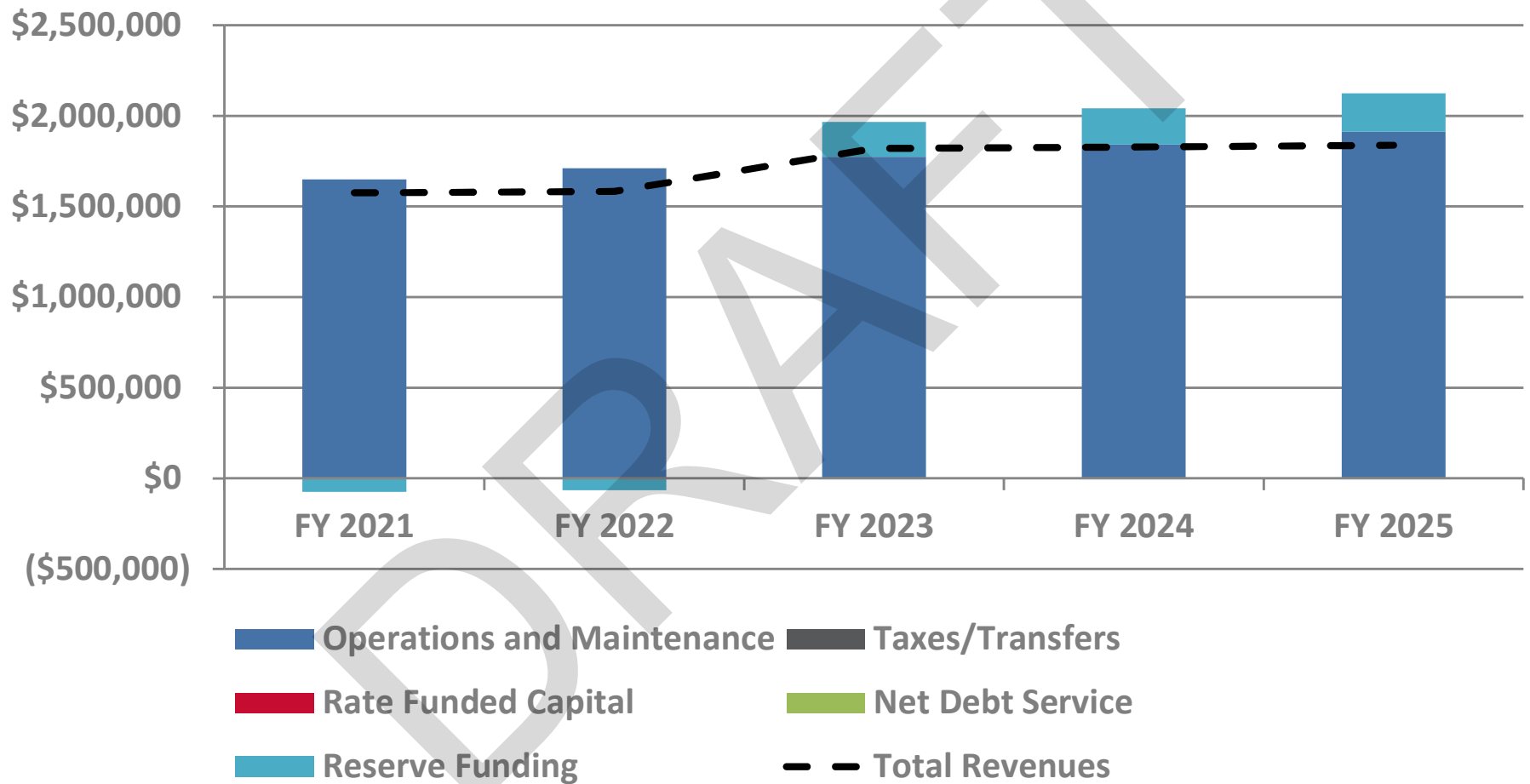
## Water Financial Plan



**City of Homer**  
**Water and Sewer Financial Plan**  
**Summary of the Sewer Revenue Requirement**  
**Exhibit 2**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Revenues</b>											
Rate Revenue - Sewer	\$1,749,911	\$1,532,963	\$1,540,628	\$1,548,331	\$1,785,173	\$1,794,098	\$1,803,069	\$1,812,084	\$1,821,145	\$1,830,250	\$1,839,402
Miscellaneous Revenue - Sewer	34,912	34,942	34,973	35,004	35,035	35,066	35,097	35,128	35,160	35,191	35,223
<b>Total Revenues</b>	<b>\$1,784,823</b>	<b>\$1,567,906</b>	<b>\$1,575,601</b>	<b>\$1,583,335</b>	<b>\$1,820,207</b>	<b>\$1,829,164</b>	<b>\$1,838,166</b>	<b>\$1,847,212</b>	<b>\$1,856,304</b>	<b>\$1,865,442</b>	<b>\$1,874,625</b>
<b>Expenses</b>											
Operations and Maintenance	\$1,511,620	\$1,589,362	\$1,648,826	\$1,710,706	\$1,775,109	\$1,842,148	\$1,911,942	\$1,984,613	\$2,060,291	\$2,139,112	\$2,221,220
Taxes/Transfers	0	0	0	0	0	0	0	0	0	0	0
Rate Funded Capital	118,039	0	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	0	0	0	0	0	0	0	0	0
Reserve Funding	155,164	(21,457)	(73,225)	(65,438)	190,768	201,331	212,257	223,548	235,202	247,222	259,603
<b>Total Expenses</b>	<b>\$1,784,823</b>	<b>\$1,567,906</b>	<b>\$1,575,601</b>	<b>\$1,645,268</b>	<b>\$1,965,877</b>	<b>\$2,043,480</b>	<b>\$2,124,199</b>	<b>\$2,208,160</b>	<b>\$2,295,493</b>	<b>\$2,386,334</b>	<b>\$2,480,823</b>
<b>Total Revenue Requirement</b>	<b>\$1,784,823</b>	<b>\$1,567,906</b>	<b>\$1,575,601</b>	<b>\$1,645,268</b>	<b>\$1,965,877</b>	<b>\$2,043,480</b>	<b>\$2,124,199</b>	<b>\$2,208,160</b>	<b>\$2,295,493</b>	<b>\$2,386,334</b>	<b>\$2,480,823</b>
Bal./(Def.) of Funds Before Added Tax	\$0	\$0	\$0	(\$61,933)	(\$145,670)	(\$214,316)	(\$286,033)	(\$360,948)	(\$439,189)	(\$520,892)	(\$606,198)
Plus: Add'l Taxes with Rate Increase	0	0	0	0	0	0	0	0	0	0	0
Bal./(Def.) of Funds With Added Tax	\$0	\$0	\$0	(\$61,933)	(\$145,670)	(\$214,316)	(\$286,033)	(\$360,948)	(\$439,189)	(\$520,892)	(\$606,198)
Bal. as a % of Rate Adj. Req'd	0.0%	0.0%	0.0%	4.0%	8.2%	11.9%	15.9%	19.9%	24.1%	28.5%	33.0%
<b>Proposed Rate Adjustment</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>
Add'l Revenue with Rate Adj.	\$0	\$0	\$0	\$61,933	\$145,670	\$214,316	\$286,033	\$360,948	\$439,189	\$520,892	\$606,198
Bal./(Def.) After Rate Adj.	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	\$0	\$0	\$0	\$0
<b>Additional Rate Adjustment Required</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Debt Service Coverage Ratio (all debt)</b>											
Before Rate Adjustment	0.84	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.00	0.00
After Needed Rate Adjustment	0.84	0.00	0.00	0.00	0.64	0.68	0.72	1.40	1.49	1.59	1.69
After Proposed Rate Adjustment	0.84	0.00	0.00	0.00	0.64	0.68	0.72	1.40	1.49	1.59	1.69
<b>Avg Res Customer Bill (6Kgal @ \$0.0143/gal)</b>	<b>\$85.80</b>										
Customer Bill on Proposed Adj.	85.80	85.80	85.80	89.23	92.80	96.05	99.41	102.89	106.49	110.22	114.08
Bill Difference - Monthly	0.00	0.00	0.00	3.43	3.57	3.25	3.36	3.48	3.60	3.73	3.86
Cumulative Bill Difference	0.00	0.00	0.00	3.43	7.00	10.25	13.61	17.09	20.69	24.42	28.28
<b>Ending Sewer Operating Reserve Balance</b>	<b>\$336,804</b>	<b>\$300,491</b>	<b>\$227,267</b>	<b>\$161,829</b>	<b>\$123,497</b>	<b>\$94,584</b>	<b>\$75,444</b>	<b>\$66,438</b>	<b>\$67,925</b>	<b>\$80,261</b>	<b>\$103,805</b>

## Sewer Financial Plan



City of Homer  
Water and Sewer Financial Plan  
Escalation Factors  
Exhibit 3

	<i>Budget</i>		<i>Projected</i>								
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Revenues</b>											
Customer Growth	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Miscellaneous Revenues	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses</b>											
Labor	Budget	Budget	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Benefits - Medical	Budget	Budget	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Benefits - Other	Budget	Budget	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Purchased Water	Budget	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Materials & Supplies	Budget	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equipment	Budget	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Miscellaneous	Budget	Budget	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Utilities	Budget	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Electricity	Budget	Budget	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Insurance	Budget	Budget	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Interest</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>

City of Homer  
Water and Sewer Financial Plan  
Water Revenue Requirement  
Exhibit 4

	Budget		Projected									Notes
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
<b>CARMA Funding Surcharge (Input)</b>	<b>15.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	
<b>Revenues</b>												
<b>Rate Revenue - Water</b>												
Meter Revenue	\$1,842,857	\$1,852,072	\$1,861,332	\$1,870,639	\$1,879,992	\$1,889,392	\$1,898,839	\$1,908,333	\$1,917,875	\$1,927,464	\$1,937,101	As Customer Growth
CARMA Surcharge	\$276,429	\$0	\$0	\$0	\$0	\$281,999	\$283,409	\$284,826	\$286,250	\$287,681	\$289,120	\$290,565
Service Revenue	30,931	31,086	31,241	31,397	31,554	31,712	31,871	32,030	32,190	32,351	32,513	As Customer Growth
<b>Total Rate Revenue - Water</b>	<b>\$2,150,217</b>	<b>\$1,883,157</b>	<b>\$1,892,573</b>	<b>\$1,902,036</b>	<b>\$2,193,545</b>	<b>\$2,204,513</b>	<b>\$2,215,535</b>	<b>\$2,226,613</b>	<b>\$2,237,746</b>	<b>\$2,248,935</b>	<b>\$2,260,179</b>	
<b>Miscellaneous Revenue - Water</b>												
Penalties/Interest	\$8,855	\$8,899	\$8,944	\$8,988	\$9,033	\$9,079	\$9,124	\$9,170	\$9,215	\$9,262	\$9,308	As Miscellaneous Revenues
Connection Fees	17,738	17,827	17,916	18,005	18,095	18,186	18,277	18,368	18,460	18,552	18,645	As Customer Growth
Operating Grants and Contributions	38,101	38,101	38,101	38,101	38,101	38,101	38,101	38,101	38,101	38,101	38,101	As Flat
Hydrant Transfers	100,350	99,629	45,673	45,673	45,673	45,673	45,673	45,673	45,673	45,673	45,673	As Flat
Interest Income	105,161	105,687	106,215	106,746	107,280	107,816	108,356	108,897	109,442	109,989	110,539	As Miscellaneous Revenues
<b>Total Miscellaneous Revenue - Water</b>	<b>\$270,205</b>	<b>\$270,143</b>	<b>\$216,849</b>	<b>\$217,514</b>	<b>\$218,183</b>	<b>\$218,855</b>	<b>\$219,530</b>	<b>\$220,209</b>	<b>\$220,891</b>	<b>\$221,577</b>	<b>\$222,266</b>	
<b>Total Revenue</b>	<b>\$2,420,422</b>	<b>\$2,153,300</b>	<b>\$2,109,422</b>	<b>\$2,119,550</b>	<b>\$2,411,728</b>	<b>\$2,423,368</b>	<b>\$2,435,066</b>	<b>\$2,446,822</b>	<b>\$2,458,637</b>	<b>\$2,470,512</b>	<b>\$2,482,445</b>	
<b>Expenses</b>												
<b>Salaries and Benefits Expenses - Water</b>												
Salary and Wages	\$542,757	\$603,854	\$624,989	\$646,863	\$669,504	\$692,936	\$717,189	\$742,291	\$768,271	\$795,160	\$822,991	As Labor
Fringe Benefits	345,883	336,012	356,172	377,543	400,195	424,207	449,659	476,639	505,237	535,552	567,685	As Benefits - Medical
Part-time Wages	1,371	0	0	0	0	0	0	0	0	0	0	As Labor
Part-time Benefits	170	0	0	0	0	0	0	0	0	0	0	As Benefits - Other
Overtime	34,782	39,791	41,184	42,626	44,117	45,662	47,260	48,914	50,626	52,398	54,232	As Labor
Part-time Overtime	9	0	0	0	0	0	0	0	0	0	0	As Labor
Unemployment Benefits	0	0	0	0	0	0	0	0	0	0	0	As Benefits - Other
PERS Relief	38,101	0	0	0	0	0	0	0	0	0	0	As Benefits - Other
<b>Total Salaries and Benefits - Water</b>	<b>\$963,073</b>	<b>\$979,657</b>	<b>\$1,022,345</b>	<b>\$1,067,032</b>	<b>\$1,113,816</b>	<b>\$1,162,805</b>	<b>\$1,214,108</b>	<b>\$1,267,843</b>	<b>\$1,324,134</b>	<b>\$1,383,110</b>	<b>\$1,444,907</b>	
<b>Maintenance and Operations Expenses - Water</b>												
Office Supplies	(\$698)	\$1,750	\$1,803	\$1,857	\$1,912	\$1,970	\$2,029	\$2,090	\$2,152	\$2,217	\$2,283	As Materials & Supplies
Operating Supplies	\$151,448	\$126,250	\$130,038	\$133,939	\$137,957	\$142,095	\$146,358	\$150,749	\$155,272	\$159,930	\$164,728	As Materials & Supplies
Fuel and Lube	\$21,894	\$26,600	\$27,398	\$28,220	\$29,067	\$29,939	\$30,837	\$31,762	\$32,715	\$33,696	\$34,707	As Materials & Supplies
Chemicals	\$116,335	\$160,000	\$164,800	\$169,744	\$174,836	\$180,081	\$185,484	\$191,048	\$196,780	\$202,683	\$208,764	As Materials & Supplies
Vehicle and Boat Maintenance	\$472	\$500	\$520	\$541	\$562	\$585	\$608	\$633	\$658	\$684	\$712	As Equipment
Equipment Maintenance	\$37,423	\$40,350	\$41,964	\$43,643	\$45,388	\$47,204	\$49,092	\$51,056	\$53,098	\$55,222	\$57,431	As Equipment
Building & Grounds Maintenance	\$5,701	\$7,700	\$7,893	\$8,090	\$8,292	\$8,499	\$8,712	\$8,930	\$9,153	\$9,382	\$9,616	As Miscellaneous
Professional Services	\$51,508	\$43,300	\$44,816	\$46,384	\$48,007	\$49,688	\$51,427	\$53,227	\$55,090	\$57,018	\$59,013	As Labor
Audit Services	\$17,121	\$16,638	\$17,220	\$17,823	\$18,446	\$19,092	\$19,760	\$20,452	\$21,168	\$21,908	\$22,675	As Labor
Survey and Appraisal	\$1,100	\$1,200	\$1,242	\$1,285	\$1,330	\$1,377	\$1,425	\$1,475	\$1,527	\$1,580	\$1,635	As Labor
Communications	\$8,937	\$8,000	\$8,280	\$8,570	\$8,870	\$9,180	\$9,501	\$9,834	\$10,178	\$10,534	\$10,903	As Labor
Freight and Postage	\$70	\$500	\$513	\$525	\$538	\$552	\$566	\$580	\$594	\$609	\$624	As Miscellaneous
Electricity	\$175,988	\$199,161	\$206,132	\$213,346	\$220,813	\$228,542	\$236,541	\$244,820	\$253,388	\$262,257	\$271,436	As Electricity
Property Insurance	\$11,705	\$13,273	\$13,803	\$14,356	\$14,930	\$15,527	\$16,148	\$16,794	\$17,466	\$18,164	\$18,891	As Insurance
Auto Insurance	\$10,531	\$11,473	\$11,932	\$12,409	\$12,905	\$13,422	\$13,958	\$14,517	\$15,097	\$15,701	\$16,329	As Insurance
Liability Insurance	\$1,526	\$3,204	\$3,332	\$3,465	\$3,604	\$3,748	\$3,898	\$4,054	\$4,216	\$4,384	\$4,560	As Insurance
Testing and Analysis	\$12,526	\$17,000	\$17,595	\$18,211	\$18,848	\$19,508	\$20,191	\$20,897	\$21,629	\$22,386	\$23,169	As Labor
Advertising	\$1,083	\$750	\$769	\$788	\$808	\$828	\$849	\$870	\$892	\$914	\$937	As Miscellaneous
Tools and Equipment	\$10,417	\$8,400	\$8,736	\$9,085	\$9,449	\$9,827	\$10,220	\$10,629	\$11,054	\$11,496	\$11,956	As Equipment
Computer Related Items	\$74	\$750	\$780	\$811	\$844	\$877	\$912	\$949	\$987	\$1,026	\$1,067	As Equipment
Record and Permits	150	250	256	263	269	276	283	290	297	305	312	As Miscellaneous
Membership Dues	588	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249	As Miscellaneous
Transportation	961	800	820	841	862	883	905	928	951	975	999	As Miscellaneous
Subsistence	419	350	359	368	377	386	396	406	416	426	437	As Miscellaneous
Credit Card Expenses	17,128	25,000	25,625	26,266	26,922	27,595	28,285	28,992	29,717	30,460	31,222	As Miscellaneous
Safety Equipment	1,793	1,700	1,768	1,839	1,912	1,989	2,068	2,151	2,237	2,327	2,420	As Equipment
Employee Training	5,783	5,200	5,382	5,570	5,765	5,967	6,176	6,392	6,616	6,847	7,087	As Labor
Bad Debt Expenses	13,455	12,000	12,300	12,600	12,923	13,246	13,577	13,916	14,264	14,621	14,986	As Miscellaneous

City of Homer  
Water and Sewer Financial Plan  
Water Revenue Requirement  
Exhibit 4

	Budget		Projected									Notes
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
<b>Total Maintenance and Operations Water</b>	\$675,438	\$733,097	\$757,097	\$781,894	\$807,514	\$833,986	\$861,337	\$889,598	\$918,799	\$948,971	\$980,149	
<b>C/O and Transfer Expenses - Water</b>												
Transfers To	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Miscellaneous
Debt Repayment - Principal	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
Debt Repayment - Interest	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
GF Admin Fees	290,905	292,014	299,315	306,798	314,467	322,329	330,387	338,647	347,113	355,791	364,686	As Miscellaneous
Leave Cash Out	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
<b>Total Salaries and Benefits - Water</b>	\$290,905	\$292,014	\$299,315	\$306,798	\$314,467	\$322,329	\$330,387	\$338,647	\$347,113	\$355,791	\$364,686	
<b>Total Operations &amp; Maintenance</b>	\$1,929,416	\$2,004,769	\$2,078,757	\$2,155,723	\$2,235,798	\$2,319,120	\$2,405,833	\$2,496,088	\$2,590,046	\$2,687,872	\$2,789,742	
<b>Taxes</b>												
State Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
City Taxes	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Taxes and Transfers</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Rate Funded Capital</b>	\$406,754	\$25,620	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	2019 Depr. Exp. = \$1,034,155
<b>Debt Service</b>												
ADWF #409041 - Water Ext	\$158,101	\$155,954	\$153,808	\$151,662	\$149,516	\$147,370	\$145,224	\$0	\$0	\$0	\$0	Debt Schedule
ADWF #409271 - KDPPIII - Water	117,831	117,831	117,832	117,832	117,832	117,832	117,832	117,832	117,832	117,832	117,832	Debt Schedule
ADWF #409131 - Water TP	424,062	418,602	413,142	407,682	402,222	396,762	391,302	385,842	380,382	374,922	369,462	Debt Schedule
ADWF #409091 - Water Distribution	4,776	4,776	4,776	4,776	4,776	4,776	4,776	4,776	4,776	4,776	4,776	Debt Schedule
<b>Total Debt Service</b>	\$704,770	\$697,163	\$689,558	\$681,952	\$674,346	\$666,740	\$659,134	\$508,450	\$502,990	\$497,530	\$492,070	
<b>Less: Debt Service Funding</b>												
HAWSP Funding	\$704,770	\$697,163	\$689,558	\$681,952	\$674,346	\$666,740	\$659,134	\$508,450	\$502,990	\$497,530	\$492,070	
Rate Related Funding	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Less Debt Service Funding</b>	\$704,770	\$697,163	\$689,558	\$681,952	\$674,346	\$666,740	\$659,134	\$508,450	\$502,990	\$497,530	\$492,070	
<b>Net Debt Service</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Reserve Funding</b>												
Transfer to Water Operating	\$0	\$41,672	\$30,665	\$1,868	(\$6,263)	\$1,813	\$10,195	\$18,882	\$27,867	\$37,146	\$46,711	
Transfer to CARMA	84,252	81,240	0	0	281,999	283,409	284,826	286,250	287,681	289,120	290,565	
Transfer to HAWSP	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Reserve Funding</b>	\$84,252	\$122,912	\$30,665	\$1,868	\$275,736	\$285,222	\$295,021	\$305,131	\$315,548	\$326,266	\$337,276	
<b>Total Revenue Requirement</b>	\$2,420,422	\$2,153,300	\$2,109,422	\$2,157,591	\$2,511,534	\$2,604,342	\$2,700,854	\$2,801,220	\$2,905,594	\$3,014,138	\$3,127,018	
Bal./(Def.) of Funds Before Added Tax	\$0	\$0	\$0	(\$38,041)	(\$99,806)	(\$180,974)	(\$265,788)	(\$354,398)	(\$446,957)	(\$543,626)	(\$644,573)	
Plus: Add'l Taxes with Rate Increase	0	0	0	0	0	0	0	0	0	0	0	
Bal./(Def.) of Funds With Added Tax	\$0	\$0	\$0	(\$38,041)	(\$99,806)	(\$180,974)	(\$265,788)	(\$354,398)	(\$446,957)	(\$543,626)	(\$644,573)	
Bal. as a % of Rate Adj. Req'd	0.0%	0.0%	0.0%	2.0%	4.5%	8.2%	12.0%	15.9%	20.0%	24.2%	28.5%	
<b>Proposed Rate Adjustment</b>	0.0%	0.0%	0.0%	2.0%	2.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Add'l Revenue with Rate Adj.	\$0	\$0	\$0	\$38,041	\$99,806	\$180,974	\$265,788	\$354,398	\$446,957	\$543,626	\$644,573	
Bal./(Def.) After Rate Adj.	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	\$0	\$0	\$0	\$0	
<b>Additional Rate Adjustment Required</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

\* 2020 proposed rate adjustment assumed to be effective for 11 months

<b>Avg Res Customer Bill (\$14.00+ 6Kgal @ \$0.0107/gal)</b>	\$78.20											
Customer Bill on Proposed Adj.	\$78.20	\$78.20	\$78.20	\$79.20	\$81.76	\$84.62	\$87.58	\$90.65	\$93.82	\$97.10	\$100.50	

City of Homer  
Water and Sewer Financial Plan  
Water Revenue Requirement  
Exhibit 4

	Budget		Projected									Notes
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
Bill Difference - Monthly	0.00	0.00	0.00	1.56	1.99	2.86	2.96	3.07	3.17	3.28	3.40	
Cumulative Bill Difference	0.00	0.00	0.00	1.56	3.56	6.42	9.38	12.45	15.62	18.90	22.30	
<b>Debt Service Coverage Ratio (all debt)</b>												
Before Rate Adjustment	0.70	0.21	0.04	0.00	0.26	0.16	0.04	0.00	0.00	0.00	0.00	
After Needed Rate Adjustment	0.70	0.21	0.04	0.00	0.41	0.43	0.45	0.60	0.63	0.66	0.69	
After Proposed Rate Adjustment	0.70	0.21	0.04	0.00	0.41	0.43	0.45	0.60	0.63	0.66	0.69	
<b>Cash Reserves</b>												
Beginning Reserve Funds	\$0	\$336,804	\$378,476	\$409,140	\$411,008	\$404,745	\$406,558	\$416,753	\$435,635	\$463,502	\$500,648	
<b>Water Operating Fund</b>												
Beginning Balance	\$0	\$336,804	\$378,476	\$409,140	\$411,008	\$404,745	\$406,558	\$416,753	\$435,635	\$463,502	\$500,648	
Plus: Additions	0	41,672	30,665	1,868	0	1,813	10,195	18,882	27,867	37,146	46,711	
Less: Uses of Funds	0	0	0	0	(6,263)	0	0	0	0	0	0	
Ending Balance	\$336,804	\$378,476	\$409,140	\$411,008	\$404,745	\$406,558	\$416,753	\$435,635	\$463,502	\$500,648	\$547,359	
Target : 90 Days of O&M	\$475,746	\$494,326	\$512,570	\$531,548	\$551,293	\$571,838	\$593,219	\$615,474	\$638,641	\$662,763	\$687,882	
	13.9%	17.6%	19.4%	19.0%	16.1%	15.6%	15.4%	15.6%	16.0%	16.6%	17.5%	
Ending Reserve Funds	\$336,804	\$378,476	\$409,140	\$411,008	\$404,745	\$406,558	\$416,753	\$435,635	\$463,502	\$500,648	\$547,359	



City of Homer  
Water and Sewer Financial Plan  
Water Capital Improvement Plan  
Exhibit 5

Capital Improvement Projects	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Grant Funding
Future Unidentified Projects	\$406,754	\$25,620	\$0	\$0	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	
1/2 of Utility Financial Mgmt.			12,907									
Betterments on East Hill			49,000									
Raw Water Transmission Line			33,185									
Commercial Meter Replacement			80,000									
Dredge for WTP			10,000									
Million Gallon Water Tank Aeration System			172,624									
Tesoro Water Vault Upgrade			100,000									
Raw Water Line Replacement Design			202,222									
PRV Replacement West Trunk Line			25,000									
Fuel Island			7,200									
Water Share of Ocean Drive SAD				52,506								
DR 6000 uV VIS Spectrophotometer w/ RFID				9,276								
Mlox Chlorine Generator Cell Replacement				30,000								
PR Station Hatch Improvement				35,279								
Water Treatment Plant HVAC Control System Upgrade				55,955								
East Trunk FPI Mag Flow Meter				9,000								
Replacement Flow Meters at Main and Danview PR Station and East Rd Monitor				15,000								
Replacement of E-170 ToolCat				21,667								
Replacement of E-161 CAT Loader				158,333								
Replacement of E-131 W/S Truck				15,000								
Replacement of E-130 Service Truck				26,667								
Replacement of E-114 PW Truck				10,000								
PW Campus Mitigation Plan				16,667								
Computerized Maintenance Management System				23,333								
<b>Total Capital Improvement Projects</b>	<b>\$406,754</b>	<b>\$25,620</b>	<b>\$692,138</b>	<b>\$478,683</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	
Transfer to Cash Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Capital Improvement Projects</b>	<b>\$406,754</b>	<b>\$25,620</b>	<b>\$692,138</b>	<b>\$478,683</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	
<b>Less: Outside Funding Sources</b>												
Water Operating Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Input
HAWSP	0	0	0	0	0	0	0	0	0	0	0	Input
CARMA	0	0	692,138	478,683	300,000	300,000	300,000	300,000	300,000	300,000	300,000	Input
ADEC/FEMA Grants	0	0	0	0	0	0	0	0	0	0	0	Input
Low Interest Loans	0	0	0	0	0	0	0	0	0	0	0	Input
Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0	Calculated
<b>Total Funding Sources</b>	<b>\$0</b>	<b>\$0</b>	<b>\$692,138</b>	<b>\$478,683</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	
<b>Rate Funded Capital</b>	<b>\$406,754</b>	<b>\$25,620</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

City of Homer  
Water and Sewer Financial Plan  
Sewer Revenue Requirement  
Exhibit 6

	Budget		Projected									Notes
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
CARMA Funding Surcharge (Input)	15.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
<b>Revenues</b>												
<b>Rate Revenue - Sewer</b>												
Meter Revenue	\$1,497,163	\$1,504,649	\$1,512,173	\$1,519,733	\$1,527,332	\$1,534,969	\$1,542,644	\$1,550,357	\$1,558,109	\$1,565,899	\$1,573,729	As Customer Growth
CARMA Surcharge	\$224,575	\$0	\$0	\$0	\$229,100	\$230,245	\$231,397	\$232,554	\$233,716	\$234,885	\$236,059	
Service Revenue	28,173	\$28,314	\$28,455	\$28,598	\$28,741	\$28,884	\$29,029	\$29,174	\$29,320	\$29,466	\$29,614	As Customer Growth
<b>Total Rate Revenue - Sewer</b>	<b>\$1,749,911</b>	<b>\$1,532,963</b>	<b>\$1,540,628</b>	<b>\$1,548,331</b>	<b>\$1,785,173</b>	<b>\$1,794,098</b>	<b>\$1,803,069</b>	<b>\$1,812,084</b>	<b>\$1,821,145</b>	<b>\$1,830,250</b>	<b>\$1,839,402</b>	
<b>Miscellaneous Revenue - Sewer</b>												
Operating Grants and Contributions	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	\$28,828	As Flat
RV Dump Station	\$6,084	\$6,114	\$6,145	\$6,176	\$6,207	\$6,238	\$6,269	\$6,300	\$6,332	\$6,363	\$6,395	As Miscellaneous Revenues
Capital Grants and Contributions	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous Revenues
<b>Total Miscellaneous Revenue - Sewer</b>	<b>\$34,912</b>	<b>\$34,942</b>	<b>\$34,973</b>	<b>\$35,004</b>	<b>\$35,035</b>	<b>\$35,066</b>	<b>\$35,097</b>	<b>\$35,128</b>	<b>\$35,160</b>	<b>\$35,191</b>	<b>\$35,223</b>	
<b>Total Revenue</b>	<b>\$1,784,823</b>	<b>\$1,567,906</b>	<b>\$1,575,601</b>	<b>\$1,583,335</b>	<b>\$1,820,207</b>	<b>\$1,829,164</b>	<b>\$1,838,166</b>	<b>\$1,847,212</b>	<b>\$1,856,304</b>	<b>\$1,865,442</b>	<b>\$1,874,625</b>	
<b>Expenses</b>												
<b>Salaries and Benefits Expenses - Sewer</b>												
Salary and Wages	\$435,882	\$489,944	\$507,092	\$524,840	\$543,210	\$562,222	\$581,900	\$602,266	\$623,345	\$645,163	\$667,743	As Labor
Fringe Benefits	274,623	270,733	286,977	304,196	322,448	341,795	362,302	384,041	407,083	431,508	457,398	As Benefits - Medical
Part-time Wages	10,739	13,226	13,689	14,168	14,663	15,177	15,708	16,258	16,827	17,416	18,025	As Labor
Part-time Benefits	1,290	1,750	1,829	1,911	1,997	2,087	2,181	2,279	2,382	2,489	2,601	As Benefits - Other
Overtime	18,860	22,844	23,644	24,471	25,328	26,214	27,132	28,081	29,064	30,082	31,134	As Labor
Part-time Overtime	574	0	0	0	0	0	0	0	0	0	0	As Labor
Unemployment Benefits	0	0	0	0	0	0	0	0	0	0	0	As Benefits - Other
PERS Relief	28,828	0	0	0	0	0	0	0	0	0	0	As Benefits - Other
<b>Total Salaries and Benefits - Sewer</b>	<b>\$770,796</b>	<b>\$798,497</b>	<b>\$833,231</b>	<b>\$869,586</b>	<b>\$907,646</b>	<b>\$947,495</b>	<b>\$989,223</b>	<b>\$1,032,925</b>	<b>\$1,078,701</b>	<b>\$1,126,657</b>	<b>\$1,176,902</b>	
<b>Maintenance and Operations Expenses - Sewer</b>												
Office Supplies	\$395	\$1,100	\$1,133	\$1,167	\$1,202	\$1,238	\$1,275	\$1,313	\$1,353	\$1,393	\$1,435	As Materials & Supplies
Operating Supplies	\$25,617	\$50,900	\$52,427	\$54,000	\$55,620	\$57,288	\$59,007	\$60,777	\$62,601	\$64,479	\$66,413	As Materials & Supplies
Fuel and Lube	\$25,322	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619	As Materials & Supplies
Chemicals	\$52,761	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903	\$63,760	\$65,673	\$67,643	\$69,672	\$71,763	As Materials & Supplies
Vehicle and Boat Maintenance	\$398	\$250	\$260	\$270	\$281	\$292	\$304	\$316	\$329	\$342	\$356	As Equipment
Equipment Maintenance	\$41,798	\$39,400	\$40,976	\$42,615	\$44,320	\$46,092	\$47,936	\$49,854	\$51,848	\$53,922	\$56,078	As Equipment
Building & Grounds Maintenance	\$3,685	\$3,800	\$3,895	\$3,992	\$4,092	\$4,194	\$4,299	\$4,407	\$4,517	\$4,630	\$4,746	As Miscellaneous
Professional Services	\$20,951	\$43,300	\$44,816	\$46,384	\$48,007	\$49,688	\$51,427	\$53,227	\$55,090	\$57,018	\$59,013	As Labor
Audit Services	\$17,121	\$16,638	\$17,220	\$17,823	\$18,446	\$19,092	\$19,760	\$20,452	\$21,168	\$21,908	\$22,675	As Labor
Communications	\$4,778	\$5,500	\$5,693	\$5,892	\$6,098	\$6,311	\$6,532	\$6,761	\$6,998	\$7,242	\$7,496	As Labor
Freight and Postage	\$354	\$350	\$359	\$368	\$377	\$386	\$396	\$406	\$416	\$426	\$437	As Miscellaneous
Property Insurance	\$6,769	\$8,178	\$8,505	\$8,846	\$9,199	\$9,567	\$9,950	\$10,348	\$10,762	\$11,192	\$11,640	As Insurance
Auto Insurance	\$10,531	\$11,473	\$11,932	\$12,409	\$12,905	\$13,422	\$13,958	\$14,517	\$15,097	\$15,701	\$16,329	As Insurance
Liability Insurance	\$1,357	\$2,850	\$2,964	\$3,083	\$3,206	\$3,334	\$3,467	\$3,606	\$3,750	\$3,900	\$4,056	As Insurance
Advertising	\$0	\$1,250	\$1,281	\$1,313	\$1,346	\$1,380	\$1,414	\$1,450	\$1,486	\$1,523	\$1,561	As Miscellaneous
Electricity	\$259,606	\$244,967	\$253,540	\$262,414	\$271,599	\$281,105	\$290,944	\$301,127	\$311,666	\$322,574	\$333,864	As Electricity
Water	\$640	\$612	\$630	\$649	\$668	\$688	\$709	\$730	\$752	\$775	\$798	As Utilities
Sewer	\$532	\$522	\$538	\$554	\$570	\$588	\$605	\$623	\$642	\$661	\$681	As Utilities
Testing and Analysis	\$2,012	\$6,500	\$6,728	\$6,963	\$7,207	\$7,459	\$7,720	\$7,990	\$8,270	\$8,559	\$8,859	As Labor
Tools and Equipment	\$4,681	\$4,800	\$4,992	\$5,192	\$5,399	\$5,615	\$5,840	\$6,074	\$6,316	\$6,569	\$6,832	As Equipment
Damages not covered by Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Miscellaneous
Record and Permits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Miscellaneous
Membership Dues	444	700	718	735	754	773	792	812	832	853	874	As Miscellaneous
Transportation	1,193	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249	As Miscellaneous
Subsistence	960	1,000	1,025	1,051	1,077	1,104	1,131	1,160	1,189	1,218	1,249	As Miscellaneous
Credit Card Expenses	17,128	20,000	20,500	21,013	21,538	22,076	22,628	23,194	23,774	24,368	24,977	As Miscellaneous
Uniform	80	350	359	368	377	386	396	406	416	426	437	As Miscellaneous
Safety Equipment	1,318	2,650	2,756	2,866	2,981	3,100	3,224	3,353	3,487	3,627	3,772	As Equipment
Employee Training	7,997	8,000	8,280	8,570	8,870	9,180	9,501	9,834	10,178	10,534	10,903	As Labor
Bad Debt Expenses	6,254	2,500	2,563	2,627	2,692	2,760	2,829	2,899	2,972	3,046	3,122	As Miscellaneous

City of Homer  
Water and Sewer Financial Plan  
Sewer Revenue Requirement  
Exhibit 6

	Budget		Projected									Notes
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
<b>Total Maintenance and Operations Sewer</b>	<b>\$514,683</b>	<b>\$558,589</b>	<b>\$577,512</b>	<b>\$597,084</b>	<b>\$617,327</b>	<b>\$638,264</b>	<b>\$659,920</b>	<b>\$682,319</b>	<b>\$705,486</b>	<b>\$729,450</b>	<b>\$754,236</b>	
<b>C/O and Transfer Expenses - Sewer</b>												
Leave Cash Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Miscellaneous
GF Admin Fees	226,141	232,276	238,083	244,035	250,136	256,389	262,799	269,369	276,103	283,006	290,081	As Miscellaneous
Transfers To	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
<b>Total Salaries and Benefits - Sewer</b>	<b>\$226,141</b>	<b>\$232,276</b>	<b>\$238,083</b>	<b>\$244,035</b>	<b>\$250,136</b>	<b>\$256,389</b>	<b>\$262,799</b>	<b>\$269,369</b>	<b>\$276,103</b>	<b>\$283,006</b>	<b>\$290,081</b>	
<b>Total Operations &amp; Maintenance</b>	<b>\$1,511,620</b>	<b>\$1,589,362</b>	<b>\$1,648,826</b>	<b>\$1,710,706</b>	<b>\$1,775,109</b>	<b>\$1,842,148</b>	<b>\$1,911,942</b>	<b>\$1,984,613</b>	<b>\$2,060,291</b>	<b>\$2,139,112</b>	<b>\$2,221,220</b>	
<b>Taxes</b>												
State Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
City Taxes	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Taxes and Transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Rate Funded Capital</b>	<b>\$118,039</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	2019 Depr. Exp. = \$438,191
<b>Debt Service</b>												
ACWF #409031 - Sewer Ext	\$134,780	\$132,951	\$132,951	\$132,951	\$132,951	\$132,951	\$132,951	\$0	\$0	\$0	\$0	Debt Schedule
ACWF #409261 - KDPHII Sewer	96,300	80,490	79,480	78,470	77,460	76,450	75,440	74,430	73,420	72,410	71,400	Debt Schedule
ACWF #409081 - Sewer	67,386	66,571	65,756	64,941	64,126	63,311	62,496	61,681	60,866	60,051	59,236	Debt Schedule
ACWF #409111 - Eric Ln Sewer	12,267	12,124	11,981	11,838	11,695	11,552	11,409	11,266	11,123	10,980	10,837	Debt Schedule
ACWF #409071 - KDRPIII	14,263	12,308	12,308	12,308	12,308	12,308	12,308	12,308	12,308	12,308	12,308	Debt Schedule
<b>Total Debt Service</b>	<b>\$324,996</b>	<b>\$304,444</b>	<b>\$302,476</b>	<b>\$300,508</b>	<b>\$298,540</b>	<b>\$296,572</b>	<b>\$294,604</b>	<b>\$159,685</b>	<b>\$157,717</b>	<b>\$155,749</b>	<b>\$153,781</b>	
<b>Less: Debt Service Funding</b>												
HAWSP	\$324,996	\$304,444	\$302,476	\$300,508	\$298,540	\$296,572	\$294,604	\$159,685	\$157,717	\$155,749	\$153,781	
Rate Related Funding	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Less Debt Service Funding</b>	<b>\$324,996</b>	<b>\$304,444</b>	<b>\$302,476</b>	<b>\$300,508</b>	<b>\$298,540</b>	<b>\$296,572</b>	<b>\$294,604</b>	<b>\$159,685</b>	<b>\$157,717</b>	<b>\$155,749</b>	<b>\$153,781</b>	
<b>Net Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Reserve Funding</b>												
Transfer to Sewer Operating	(\$0)	(\$36,313)	(\$73,225)	(\$65,438)	(\$38,332)	(\$28,914)	(\$19,139)	(\$9,006)	\$1,486	\$12,337	\$23,544	
Transfer to CARMA	155,164	14,856	0	0	229,100	230,245	231,397	232,554	233,716	234,885	236,059	
Transfer to HAWSP	0	0	0	0	0	0	0	0	0	0	0	
<b>Reserve Funding</b>	<b>\$155,164</b>	<b>(\$21,457)</b>	<b>(\$73,225)</b>	<b>(\$65,438)</b>	<b>\$190,768</b>	<b>\$201,331</b>	<b>\$212,257</b>	<b>\$223,548</b>	<b>\$235,202</b>	<b>\$247,222</b>	<b>\$259,603</b>	
<b>Total Revenue Requirement</b>	<b>\$1,784,823</b>	<b>\$1,567,906</b>	<b>\$1,575,601</b>	<b>\$1,645,268</b>	<b>\$1,965,877</b>	<b>\$2,043,480</b>	<b>\$2,124,199</b>	<b>\$2,208,160</b>	<b>\$2,295,493</b>	<b>\$2,386,334</b>	<b>\$2,480,823</b>	
Bal./((Def.) of Funds Before Added Tax	\$0	\$0	\$0	(\$61,933)	(\$145,670)	(\$214,316)	(\$286,033)	(\$360,948)	(\$439,189)	(\$520,892)	(\$606,198)	
Plus: Add'l Taxes with Rate Increase	0	0	0	0	0	0	0	0	0	0	0	
Bal./((Def.) of Funds With Added Tax	\$0	\$0	\$0	(\$61,933)	(\$145,670)	(\$214,316)	(\$286,033)	(\$360,948)	(\$439,189)	(\$520,892)	(\$606,198)	
Bal. as a % of Rate Adj. Req'd	0.0%	0.0%	0.0%	4.0%	8.2%	11.9%	15.9%	19.9%	24.1%	28.5%	33.0%	
<b>Proposed Rate Adjustment</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	
Add'l Revenue with Rate Adj.	\$0	\$0	\$0	\$61,933	\$145,670	\$214,316	\$286,033	\$360,948	\$439,189	\$520,892	\$606,198	
Bal./((Def.) After Rate Adj.	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	\$0	\$0	\$0	\$0	
<b>Additional Rate Adjustment Required</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	

\* 2020 proposed rate adjustment assumed to be effective for 11 months

<b>Avg Res Customer Bill (6Kgal @ \$0.0143/gal)</b>	<b>\$85.80</b>											
Customer Bill on Proposed Adj.	\$85.80	\$85.80	\$85.80	\$89.23	\$92.69	\$96.05	\$99.41	\$102.89	\$106.49	\$110.22	\$114.08	
Bill Difference - Monthly	0.00	0.00	0.00	3.43	3.43	3.25	3.36	3.48	3.60	3.73	3.86	

07/22/21

City of Homer  
Water and Sewer Financial Plan  
Sewer Revenue Requirement  
Exhibit 6

	Budget		Projected									Notes
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
Cumulative Bill Difference	0.00	0.00	0.00	3.43	7.00	10.25	13.61	17.09	20.69	24.42	28.28	
<b>Debt Service Coverage Ratio (all debt)</b>												
Before Rate Adjustment	0.84	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.00	0.00	
After Needed Rate Adjustment	0.84	0.00	0.00	0.00	0.64	0.68	0.72	1.40	1.49	1.59	1.69	
After Proposed Rate Adjustment	0.84	0.00	0.00	0.00	0.64	0.68	0.72	1.40	1.49	1.59	1.69	
<b>Cash Reserves</b>												
Beginning Reserve Funds	\$0	\$336,804	\$300,491	\$227,267	\$161,829	\$123,497	\$94,584	\$75,444	\$66,438	\$67,925	\$80,261	
<b>Sewer Operating Fund</b>												
Beginning Balance	\$0	\$336,804	\$300,491	\$227,267	\$161,829	\$123,497	\$94,584	\$75,444	\$66,438	\$67,925	\$80,261	
Plus: Additions	0	0	0	0	0	0	0	0	1,486	12,337	23,544	
Less: Uses of Funds	(0)	(36,313)	(73,225)	(65,438)	(38,332)	(28,914)	(19,139)	(9,006)	0	0	0	
Ending Balance	\$336,804	\$300,491	\$227,267	\$161,829	\$123,497	\$94,584	\$75,444	\$66,438	\$67,925	\$80,261	\$103,805	
Target : 90 Days of O&M	\$372,728	\$391,898	\$406,560	\$421,818	\$437,698	\$454,228	\$471,438	\$489,357	\$508,017	\$527,452	\$547,698	
Ending Reserve Funds	\$336,804	\$300,491	\$227,267	\$161,829	\$123,497	\$94,584	\$75,444	\$66,438	\$67,925	\$80,261	\$103,805	

City of Homer  
Water and Sewer Financial Plan  
Sewer Capital Improvement Plan  
Exhibit 7

Capital Improvement Projects	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Future Unidentified Projects	\$118,039	\$0	\$0	\$0	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
1/2 of Utility Financial Mgmt.			12,907								
Engineering Beluga Lift Station			4,463								
Betterments of East Hill			49,000								
Launch Ramp Lift Station Enclosure			13,674								
Replace Deep Shaft Air Compressor			85,000								
Upgrade SCADA for 7 Lift Stations			210,900								
WWTP Digester Blowers			170,917								
Fuel Island			7,200								
Charles Street Sewer SAD - Design				55,000							
Charles Street Sewer SAD - Construction				178,561							
Influent Station Backup Pump				16,136							
Safety Hoist for Lift Station & Other Underground				10,282							
Sewer Inspection Camera				57,320							
Repair Pond Liner at Sewer Treatment Plant				25,000							
Replacement of E-170 ToolCat				21,667							
Replacement of E-161 CAT Loader				158,333							
Replacement of E-131 W/S Truck				15,000							
Replacement of E-130 Service Truck				26,667							
Replacement of E-114 PW Truck				10,000							
PW Campus Mitigation Plan				16,667							
Computerized Maintenance Management System				23,333							
<b>Total Capital Improvement Projects</b>	<b>\$118,039</b>	<b>\$0</b>	<b>\$554,061</b>	<b>\$613,966</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>
Transfer to Cash Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Capital Improvement Projects</b>	<b>\$118,039</b>	<b>\$0</b>	<b>\$554,061</b>	<b>\$613,966</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>
<i>Less: Outside Funding Sources</i>											
Water Operating Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	0	0
HAWSP	0	0	0	0	0	0	0	0	0	0	0
CARMA	0	0	554,061	613,966	225,000	225,000	225,000	225,000	225,000	225,000	225,000
ADEC/FEMA Grants	0	0	0	0	0	0	0	0	0	0	0
Low Interest Loans	0	0	0	0	0	0	0	0	0	0	0
Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0
<b>Total Funding Sources</b>	<b>\$0</b>	<b>\$0</b>	<b>\$554,061</b>	<b>\$613,966</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>	<b>\$225,000</b>
<b>Rate Funded Capital</b>	<b>\$118,039</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

City of Homer  
Water and Sewer Financial Plan  
HAWSP Fund Projects and Balance  
Exhibit 8

HAWSP Capital Improvement Projects	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Ground Water Research			\$50,000								
Betterment - Tasmania Ct Water/Sewer SAD			88,569								
Alder Lane Water Improvement - 25% City Portion			44,736								
Tasmania Court Water Main Extension - 25% City Portion			65,477								
Tasmania Court Sewer Main Extension - 25% City Portion			62,034								
Hornaday Park Restroom Replacement				300,000							
Hornaday Park W/S Line Replacement				25,000							
Bishop's Beach Restroom Replacement Design				25,000							
Bishop's Beach Restroom Replacement Construction				400,000							
Charles Street Water SAD - Design				15,000							
Charles Street Water SAD - Construction - 25% City Portion				69,536							
Ground Water Research				50,000							
Bunnell-Charles Sewer Main Extension - 25% City Portion					157,959						
Mission Road Water Main Extension - 25% City Portion					525,952						
Mission Road Sewer Trunk Line - 25% City Portion					373,377						
Sterling Highway Water Main Extension - 25% City Portion						46,930					
Sterling Highway Sewer Main Extension - 25% City Portion						66,435					
West Hill Road Water Trunk Line - 25% City Portion							688,772				
West Hill Road Sewer Trunk Line - 25% City Portion							734,338				
Future Water/Sewer Projects								573,682	590,892	608,619	626,877
Future Public HAWSP Projects								355,136	365,790	376,764	388,067
<b>Total Water and Sewer Projects</b>	\$0	\$0	\$310,816	\$159,536	\$1,057,287	\$113,365	\$1,423,110	\$573,682	\$590,892	\$608,619	\$626,877
<b>Total Other HAWSP Projects</b>				725,000	0	0	0	355,136	365,790	376,764	388,067
<b>Total HAWSP Capital Improvement Projects</b>	\$0	\$0	\$310,816	\$884,536	\$1,057,287	\$113,365	\$1,423,110	\$928,818	\$956,682	\$985,383	\$1,014,944
Transfer to Cash Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total HAWSP Project Funding</b>	\$0	\$0	\$310,816	\$884,536	\$1,057,287	\$113,365	\$1,423,110	\$928,818	\$956,682	\$985,383	\$1,014,944

HAWSP Debt-Funded Project Loans	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Alder Lane Water Main Extension				\$291,172							
Tasmania Court Water Main Extension				423,990							
Tasmania Court Sewer Main Extension				248,136							
Bunnell-Charles Water Main Extension				509,167							
Bunnell-Charles Sewer Main Extension				631,834							
Mission Road Water Main Extension					2,103,806						
Mission Road Sewer Trunk Line					1,493,506						
Sterling Highway Water Main Extension						187,719					
Sterling Highway Sewer Main Extension						265,740					
West Hill Road Water Trunk Line							2,755,087				
West Hill Road Sewer Trunk Line							2,937,353				
<b>Total HAWSP Debt Funded Projects</b>	\$0	\$0	\$0	\$2,104,299	\$3,597,312	\$453,459	\$5,692,440	\$0	\$0	\$0	\$0

	Budget		Projected								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>HAWSP FUND</b>											
<b>Beginning Balance</b>				\$2,275,476	\$2,389,447	\$2,397,607	\$3,367,009	\$3,053,638	\$3,521,219	\$3,980,714	\$4,431,241
Plus: Transfers In			0	0	0	0	0	0	0	0	0
Plus: Annual HAWSP Sales Tax			1,404,987	1,469,398	1,517,889	1,525,478	1,533,106	1,540,771	1,548,475	1,556,218	1,563,999
Plus: Interest			14,050	30,199	39,073	39,231	49,001	42,393	47,039	51,602	56,072
Plus: Assessment			481,370	551,453	708,599	728,408	977,078	977,078	977,078	977,078	977,078
Less: Current Debt Payment			(992,034)	(982,460)	(972,886)	(963,312)	(953,738)	(668,135)	(660,707)	(653,279)	(645,851)
Less: Future Project Debt Payment for Charles, Tasmania, and Alder				(70,083)	(227,229)	(247,038)	(495,708)	(495,708)	(495,708)	(495,708)	(495,708)
Less: HAWSP Water and Sewer Project Funding			(310,816)	(159,536)	(1,057,287)	(113,365)	(1,423,110)	(573,682)	(590,892)	(608,619)	(626,877)
Less: Other HAWSP Public Project Funding			0	(725,000)	0	0	0	(355,136)	(365,790)	(376,764)	(388,067)
<b>Ending Balance</b>			\$2,275,476	\$2,389,447	\$2,397,607	\$3,367,009	\$3,053,638	\$3,521,219	\$3,980,714	\$4,431,241	\$4,871,886

City of Homer  
Water and Sewer Financial Plan  
Sewer Capital Improvement Plan  
Exhibit 9

	Budget		Projected								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
CARMA FUND - Water											
Beginning Balance			\$2,434,942	\$1,774,075	\$1,317,919	\$1,318,917	\$1,321,349	\$1,325,237	\$1,330,602	\$1,337,466	\$1,345,851
Plus: Transfers In			0	0	281,999	283,409	284,826	286,250	287,681	289,120	290,565
Plus: Annual CARMA			0	0	0	0	0	0	0	0	0
Plus: Interest			31,271	22,528	18,999	19,023	19,062	19,115	19,183	19,266	19,364
Less: Uses of Funds-Capital			(692,138)	(478,683)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Ending Balance		\$2,434,942	\$1,774,075	\$1,317,919	\$1,318,917	\$1,321,349	\$1,325,237	\$1,330,602	\$1,337,466	\$1,345,851	\$1,355,781
CARMA FUND - Sewer											
Beginning Balance			\$1,836,104	\$1,294,863	\$687,706	\$698,724	\$711,009	\$724,580	\$739,455	\$755,653	\$773,193
Plus: Transfers In			0	0	229,100	230,245	231,397	232,554	233,716	234,885	236,059
Plus: Annual CARMA			0	0	0	0	0	0	0	0	0
Plus: Interest			12,820	6,809	6,918	7,040	7,174	7,321	7,482	7,655	7,843
Less: Uses of Funds-Capital			(554,061)	(613,966)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)
Ending Balance		\$1,836,104	\$1,294,863	\$687,706	\$698,724	\$711,009	\$724,580	\$739,455	\$755,653	\$773,193	\$792,095