

Session 12-01 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 5:05 pm on May 9, 2012 by Acting Chair Bob Howard at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

**PRESENT:** LLOYD MOORE, BARBARA HOWARD, KEN CASTNER, BOB HOWARD, SHARON MINSCH, TERRY YAGER, AND BETH WYTHE

**STAFF:** RENEE KRAUSE, CMC, DEPUTY CITY CLERK I

Mr. Moore arrived at 5:23 p.m.

**APPROVAL OF THE AGENDA**

Acting Chair Howard requested a motion to approve the agenda.

HOWARD/MINSCH – SO MOVED.

There was a brief discussion on time limits being extended for Public comment.

The agenda was approved by consensus of the Task Force.

**PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA** *(3 Minute Time Limit)*

Mr. Larry Slone, city resident, thanked the members for volunteering. He commented that the current water rates and users are unbalanced and require modification. He recommended and summarized his recommendation of a "Fairshare" rate structure, and two phase approach.

**RECONSIDERATION**

There were no items for reconsideration.

**APPROVAL OF MINUTES** *(Minutes are approved during Regular Meetings only)*

There were no minutes for approval.

**VISITORS**

There were no visitors scheduled.

**STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS**

*(Chair set time limit not to exceed 5 minutes)*

There were no reports submitted.

**PUBLIC HEARING** *(3 minute time limit)*

There were no items for public hearing.

**PENDING BUSINESS**

There were no pending business items on the agenda.

**NEW BUSINESS**

A. Electing a Chair and Vice Chair

Acting Chair Howard introduced the item and opened the floor for nominations of Chair.

Ms. Wythe, Mr. Castner and Mr. Howard were nominated.

CASTNER/MINSCH – MOVED TO CLOSE NOMINATIONS.

Mr. Howard and Mr. Castner declined their nominations stating they could better serve from the sidelines. There was no further discussion.

Acting Chair Howard read the motion to read Nomination of Ms. Wythe for Chair.

VOTE. YES. MINSCH, WYTHE, YAGER, CASTNER, HOWARD, HOWARD.

Motion carried.

Ms. Wythe opened the floor for nominations for Vice Chair.

HOWARD/CASTNER – MOVED TO NOMINATE MRS. HOWARD AS VICE CHAIR.

Chair Wythe called for additional nominations. There were none.

The motion was approved by consensus of the Task Force.

B. Establishing a Meeting Schedule

Chair Wythe opened discussion on the meeting frequency and schedule for the task force noting the recommendations from the Clerk's Office.

Discussion ensued on meeting more frequently than once every four weeks; limiting it to the conference room in order to limit confusion to the public, differentiating between a worksession and a meeting, public notice requirement is the same, a two week notice is required for notice/advertising requirements; the Task Force chose to meet the first and third Tuesdays of the month with the first Tuesday being a worksession and the third Tuesday as meetings would work for both the room and the Clerk's schedule; conducting a meeting of the Task Force is not as formal as the Council or Commission. It was noted that establishing a regular worksession will relieve the burden on the staff as their presence will not be required at the worksession

YAGER/HOWARD – MOVED TO HAVE THE MEETINGS ON THE FIRST AND THIRD TUESDAYS OF THE MONTH WITH THE FIRST MEETING OF THE MONTH TO BE A WORKSESSION.

Further discussion on scheduling a second meeting for May ensued and member's availability. It was noted that Mr. Howard and Mrs. Howard would not be in attendance at the next meeting.

HOWARD/CASTNER - MOVED TO AMEND THE MOTION TO START THE MEETING AT 5:15 P.M.

There was no discussion.

The amendment was approved by consensus of the Task Force.

Chair Wythe then reread the main motion.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

It was noted that the schedule can be amended as required to accommodate other schedules.

MINSCH/YAGER - MOVED TO CANCEL THE MEETING OF JULY 3, 2012.

CASTNER/YAGER- MOVED TO AMEND THE MEETINGS IN JULY TO THE SECOND AND THIRD TUESDAYS.

Discussion was entertained to briefly clarify the meetings dates were July 10<sup>th</sup> and 17<sup>th</sup>. The clerk confirmed room and staff availability.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

#### C. Preliminary Discussion on Scope of Work and Desired Outcome

Chair Wythe introduced the item to the floor for discussion. She noted the information provided by staff in the packet and summarized the enacting resolution; Ms. Wythe requested comments or input on the scope of this committee as they moved forward.

The following was put forward by the Task Force:

- Basic training from a third party on how rates
- Existing rate schedules and budgets for water and sewer
- withhold hiring an outside entity until they have a better grasp on what they the existing information provides
- going back to the beginning, input and information on the construction of the system from Public Works/ Staff.
- Costs of the systems; maintenance of the system and the rationale behind the existing systems.
- What has been used by staff to build the rates; Where/when did things change
- Good science, no politics, sustainable
- getting back to a statistical basis for the rate structure

Discussion on the suspected problems that came up over time, consideration of fire prevention in the rate model; recent studies completed by the City of Soldotna and Kenai which are available on their websites; the current rate model is effective and was established so council could make changes; the existing program is simple to use, changes are not the problem; the problem with the system is more fixed costs than variables; the system is small costs are fixed.

CASTNER/MINSCH - MOVED TO ESTABLISH THE PURPOSE OF THE TASK FORCE AS TO EXAMINE THE EXISTING RATES AND RATE STRUCTURE AND TO PREPARE A RECOMMENDATION FOR A NEW RATE AND RATE STRUCTURE.

There was a discussion on the process and purpose of the Task Force.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Ms. Howard requested the Clerk to include the purpose statement on every agenda so they can be objective in their comments and process.

Chair Wythe requested the members to include any requests for documents or materials during the end comment period of the meeting.

### **INFORMATIONAL MATERIALS**

- A. Memorandum 12-056, Appointment of Task Force Members and Letters of Appointments to the Water & Sewer Rate Task Force
- B. Resolution 12-027(A), Establishing a Water and Sewer Rate Task Force
- C. Resolution 11-094(S), Maintaining the City of Homer Fee Schedule at the Current Rates and Amending Customer Classifications in the Water and Sewer Rate Schedules
- D. Ordinance 11-43, Amending Homer City Code 14.08.037, Water Meters; Regarding the Number of Water Meters Required Per Lot.
- E. Resolution 11-062(A), Maintaining the City of Homer Fee Schedule Under Water and Sewer Fees.

There was no discussion on the informational materials.

### **COMMENTS OF THE AUDIENCE**

Mr. Slone, city resident, thanked the task force for agreeing to meeting several times each month. He felt it was important to keep the continuity of the process going; He commented on the remark made about setting the old rate schedule; having re-built a more complex and expensive system; increasing the fixed meter fees way out of proportion. He is very adamant about saying this; it is not fair the way it is structured now; you have fixed costs yes, they are going to be met anyway; the fixed costs do not have to be put on the backs of the low volume users; he referred to his "Fairshare" recommendation made earlier in the meeting; He asked if they intended to put the burden on the citizens and residents of this town to the great benefit of the personnel working in the city; where is your obligation?

### **COMMENTS OF THE CITY STAFF**

Ms. Krause had no comments.

### **COMMENTS OF THE CHAIR**

Chair Wythe said that she will submit a couple of items to the Clerk on a few things she has come across on the internet, She has found three basic options one is similar to what Mr. Slone is recommending, one is similar to existing rate structure and one was a variation of that; ultimately when you look at any of them the key costs become the fixed costs and if you attach them to the flat rate per gallon of water and usage goes down then you cannot cover your costs and cannot cover your system. She may provide links. She has inquired about having a rate structure specialist to provide generic information on rate structure design.

Chair Wythe noted that they will try to provide all the documents and information requested tonight but it may take some time since she knew the Finance Director was still out at this time. This information will come available in subsequent meetings.

### **COMMENTS OF THE TASK FORCE**

Ms. Howard thanked Ms. Wythe for accepting the Chair position; she would hope that the committee has the patience and tolerance, with concerns and some of the frustrations, and that they can work toward a better product, the goal is to provide the council with a stellar piece of documentation that not only shows they thoroughly reviewed things and have become trained in this area, but that it is absent of politics, and a fool proof process that serves the good of the whole community.

Mr. Moore apologized for being late; he commented that there are a few things he has looked at over the years and he believes that apartment complexes should be charged a fee, whether this is the current fee, he is not sure; he noted they have a system that was built to handle the influx of people for the three or four months and then they turn it off and leave; they are not using it for the rest of the year and don't pay; whereas the rest of us pay all year; he doesn't believe that's fair; he was not referring to the seasonal meter that shows the water that doesn't go into the sewer system. He cited when the city accepted hook-ups to dump septic they required payment for 12 months whether the customer dumped once a month or every four months; this should be required for water; Mr. Moore commented on the requirements for fire flow rating, stating he would like to see the costs that are fire related. He questioned if the general fund should be picking up more of those costs? Mr. Moore noted the savings on insurance for homeowners by having the fire prevention which makes up for the monthly fee in his opinion; and his last comment was he was pretty sure they were still using the original rate model and he would like to see the model before council decided to make any tweaks to it and then go from there to see how they got where they are; he added that he has never fully supported this system, but it is needed, and you have to have water.

Mr. Castner is not ready to look at numbers right now, he thinks that there is a lot to discuss on how they want to proceed and the numbers can come later, when they can check and verify them when building the rate; he is anxious to look at numbers, just not ready; secondly is the process, he offered the analogy that the dog is the water and the tail is the sewer, he noted that the last rate study did not spend enough time on the waste side, and it is not directionally proportional, he believes work is needed; he further commented, with regards to fire service, the six inch service is unmetered because no one wants to pay for a six inch meter; he would like to spend more time addressing fire service component as it was not addressed comprehensively the last time.

Mr. Howard, is interested in seeing the information that Mr. Moore requested, plus as the city builds out and hits capacity of the plant, is the city capable of withdrawing from sales outside the city to meet the demands within the city and what legal ramifications this would bring to the city or are they obligated to continue the service outside the city.

Ms. Minsch, would like to see numbers now, to begin to understand the systems right from the very basics; there is a lot of assumptions that the system has been over built, the costs have increased, if there is a way to look at the budget from 10 years ago to last year, see how much administrative costs that are charged to the water and sewer budget; how much changes have been on the costs of items such as chemicals, all those things; be able to look along those lines; she commented that having argued for a long time that there are more than 1600 hundred customers, so she would like to know how many dwelling units, apartments, etc are benefitting from the system; how to get on the same sheet of music, who or what would be the best source to provide the historical information on the water/sewer system. This would provide the same starting point.

Mr. Yager, requested the committee's indulgence with his ignorance of the system and commented that what he is hearing is the fixed costs that are involved with operating the system are affecting the rates and this committee must figure a way to meet those costs; he provided the following analogy that being a business person during these challenging times who makes a decision to spend \$100,000.00 on a business model based on that amount invested and he doesn't make the revenue to meet the original investment he must be held accountable to that not the customer. His thinking is that the end users are thinking very much on the amount of money they are paying for water and sewer. He would like to see the original business model used to build the system and whether it was based on 25 years life span or 5years. If it costs so many millions of dollars to run the system and if a mistake was made in the original model then the residents of the community need to know that; he would appreciate being educated on how this was done.

Mr. Castner inquired about the Open Meetings Act and how it applied to this committee. Chair Wythe deferred to the Clerk, who explained the boundaries with regard to meeting, conversations and information gathering. Ms. Minsch did not agree and requested further guidance from the City Clerk, citing this committee was not making any decisions and was not quasi-judicial or legislative so they should be allowed to speak to whomever about whatever they wanted. Chair Wythe restated the information from the Clerk and that they would provide a response from the City Clerk in the next packet on OMA.

**ADJOURN**

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 6:20 p.m. The next regular meeting is scheduled TUESDAY, MAY 22, 2012 AT 5:15 p.m. at City Hall, Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

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Renee Krause, CMC, Deputy City Clerk I

Approved: \_\_\_\_\_