

Session 12-02 A Regular Meeting of the Water and Sewer Rate Task Force was called to order at 5:15 pm on May 22, 2012 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: LLOYD MOORE, KEN CASTNER, SHARON MINSCH, AND BETH WYTHER

ABSENT: TERRY YAGER, BARBARA HOWARD, BOB HOWARD

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
REGINA MAURAS, FINANCE DIRECTOR

APPROVAL OF THE AGENDA

Chair Wythe requested a motion to approve the agenda.

MINSCH/CASTNER – SO MOVED.

There was no discussion.

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, stated he was back again to report his opinion on the rates which are unfair to the low volume user; that the fixed fees do not cover the costs which appear to be over \$3 million and administrative costs are a third of that if you go by the budget; the infrastructure is not important it's the water that is important without the water all you have is scrap iron; he puts emphasis on a flowage fee based on per gallon. Mr. Slone stated that his perspective the value is in the water.

Mr. Castner responded to the comment of the infrastructure and public purpose behind distribution.

RECONSIDERATION

There were no items for reconsideration.

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

Chair Wythe requested a motion to approve the minutes as presented.

MINSCH/CASTNER - MOVED TO APPROVE THE MINUTES AS PRESENTED.

There was no discussion.

The minutes were approved by consensus of the Task Force.

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. Open Meetings in Alaska – Information and State Statutes on the Meetings Act

Chair Wythe introduced the first item on the agenda under New Business.

Ms. Krause stated she included an excerpt from a training document used in 2007 which still applied today. These rules applied to all meetings whether quasi-judicial or not.

Ms. Minsch requested clarification from the City Clerk on whether the members of the committee could speak to the Public. Ms. Krause confirmed that they could talk to the public and Chair Wythe agreed noting that they will probably be approached by the public as time goes on.

There was no further discussion.

B. Nomenclature – Discussion on terminology for the Project

Chair Wythe introduced the item on the agenda stating she requested this item on the agenda to have a discussion on terminology for the sake of their project because different people consider different words and she would like a common agreement to use the same terms.

Chair Wythe recommended the Task Force use the Key Terms as shown on page 4-6 of the document "Setting Small Drinking Water System Rates for a Sustainable Future".

Discussion ensued on using the language as shown in the document recommended by Chair Wythe and that if everyone is using the same language then it allows for easier flow in their discussions.

There was no objection voiced by the members of the Task Force present.

C. Creating a Project Timeline – Setting Goals and Benchmarks

Chair Wythe introduced the next item on the agenda and stated that setting a timeline and goals of where the task force wanted to be through the end of the year would aid them in progression and would like to open this for discussion.

Multiple discussions were held on how to proceed and what information that the Task Force would like to review and cover. I included summaries of those discussions for the benefit of absent members of the Task Force.

Mr. Castner noted that this information was difficult to view online. He would like to talk about generally what the utility is; who are making the demands and how those costs are associated. He did not want to get mired down in numbers yet.

Chair Wythe inquired if that information was included in the handout that was provided by Finance.

Ms. Mauras responded the information was broken down into categories requested and rates back to 2000 along with the percentages. The rates show the progression and when the rate model was changed in 2008 those rates are reflected on a separate page. In 2008 the rate was changed to a variable rate schedule based on residential and commercial then was changed to customer charge and flat rate per gallon; then this past year the multi-family classification was added.

Discussion ensued with questions posed by the task force on reasons the rates and classifications were changed such as the changes in one rate for residential - single family dwelling or large commercial could put in the same size meter since there was no regulation

- From 2000 when the model was implemented to 2008 each year the rates were not raised by council the model was messed with so the rates could correlate with the budget.
- In 2007, Finance reverted back to the original rate model and inputted the rates increase as it should have been and if this was done it would have meant a 34% increase in rates. Council was opposed to this increase.
- It was pointed out that a multi-family unit would be limited to what the smallest size meter they could install before they did not get water due to demand.
- Clarification on commodity charges and surcharges in previous years was requested

Further discussion ensued on whether they should go back and review the model from 2000 and work forward to determine where to go from there; it was noted that in 2000 there were 1000 customers now they have 1500 which is not much increase; more water is being used than was anticipated according to figures provided; multi-family and condos – how many dwelling units were represented in those numbers was requested; explanation on percentage shown and number of gallons; the information on the average gallons used by the residential customer; the information provided did not provide an accurate picture on how many users in each category and the average amount of gallons used; meter size is no longer tracked how can the usage be accurately tracked now; larger users put more stress and wear and tear on the system and rates should reflect that; it was noted that “demand” is not in the Key terms and should be included since it will be used a lot in discussions; explanation on how a meter works and the size of the meter relevant to the usage and fees charged and when the system was changed and the City stopped tracking; confirmation that tracking is done but on a different methodology.

Staff will provide a breakdown on classification usage. A white board was requested for these meetings by Mr. Castner. Mr. Castner outlined what was done in 2000. Staff will review if the information can be extracted based on meter to provide to the Task Force. Staff clarified the information provided on the bottom percentage of users and historical information on costs reflected from 2000 forward. Mr. Moore opined he would like to go all the way back to find out why they are paying so much more in Homer compared to other communities. Chair Wythe responded that there would not be much value in that and related the expenses and requirements imposed on the City of Homer regarding Water & Sewer. It was noted that having those systems on line should be reflected somewhere. It was hard to accept the high rate of costs for the system in comparison.

Discussion continued on the responsibility of the Task Force to review the existing rates and rate structure and that there is only x amount of customers; costs; and why go back in history. They need to figure a rate schedule on what it actually costs; there are benchmarks to compare; but they must be comparable levels too.

Chair Wythe commented on the Kenai and Soldotna systems and requested the 2000 rate study document at the next worksession if possible. Staff will look to see if she can get those rates. Chair Wythe commented on the informational document created by the EPA which has worksheets and step by step instructions on creating a rate system. Ms. Mauras commented on the former rate model and dropping in the figures. Ms. Krause noted the rate study should be archived in the City's Library. Ms. Mauras questioned going back to 2000 and just looking at now.

Chair Wythe further explained the reasons to look back in the past to determine if Council made the right decision. When council started tweaking the rates it was because of the budget, no increases meant they started not collecting enough to have the system pay for itself.

More discussion came out on the process, the previous rate model and current rate model, the cost is the cost, there was a model put in effect and Council did not raise the rates as was required which caused problems, people who bypass the system add to the problems also; the political aspects involved in determining rates; not raising rates depletes the depreciation reserves which in effect reduces the ability to repair and replace

equipment; adding new burdens to the system; reduction in new construction; can today's numbers be used in the old rate model from 2000; life expectancy of infrastructure; administrative costs over \$1.277 million; have staff provide what the administrative requirements are; difficulties with hiring qualified personnel, discussion in itself as separate issue; at the end of the day whatever the variables are, a required amount is needed for costs.

Some items to consider when determining rates and can be included in their recommendation and can be discussed later in their agendas:

- Demand fee
- Leakage
- Theft
- costs allocation
- Inspection of meters

Chair Wythe requested delaying financial matters to the June 19, 2012 since Ms. Mauras is still working part time. The Clerk will provide the 2000 Rate Study documentation for the worksession on June 5, 2012.

At the worksession the Task Force would like to have on the agenda a discussion on production and loss, common understanding of the Water System from source to consumer, not details just general information, and maintenance requirements for the system.

For a later meeting consider as part of the recommendation establishing a permanent Water Sewer Board that is advisory to the Council.

Chair Wythe would like to try to keep things in bite sized portions so when questioned they can respond knowledgeably to the public. The other members were in consensus on that approach.

Chair Wythe noted that the parameters on questions to ask staff at the Worksession, June 5th

- Explain the system from the ground up – source to consumer – What is our system?
- Why is pressure reducing needed? What is required to maintain this equipment? Why do we treat our water?
- What items are different with the Homer system compared to other systems of similar size?
- Associated sale of water and production to provide a sense of possible loss

Additional items for Discussion in future meetings:

- Need to break down the users into more manageable groups such as the Spit. There is not much they can do now.
- Seasonal use - number of gallons monthly – June 19th meeting
- Flow rates – yearly graph that shows the additional costs for the peak months from PW or Finance
- Fire protection element – Hydrants, etc.
- Recommendation may include hiring a qualified consultant to review the income and expense of the system to see where savings can be implemented
- Incentive – Reduction of Use or Increasing Use
- Government, Schools, Health Facilities burden on the system
- Results to the System when changed from an Enterprise Fund
- Expectation on service
- Direct Allocation of Costs – Beneficial or Detrimental?

There was a closing discussion on conducting future meetings in a more casual discussion format as this meeting; spending some time to determine what their product will look like to develop a timeline; additional time needed in the introductory phase before establishing benchmarks; too early in the process to establish a timeline; the value of establishing a timeline with benchmarks aids in conducting the meetings and what they will address; the learning process; identifying benchmarks and deliverables at the second meeting in June.

INFORMATIONAL MATERIALS

- A. City of Kenai Water and Sewer Rate Study
- B. City of Soldotna Water and Sewer Rate Study

- C. Water and Sewer Special Revenue Fund – Budgets 2009 – 2014
 - Revenues
 - Line Item Expenditures
 - Audited 2011 Budget – Utility Special Revenue Fund
- D. Rate Setting for Small Water Systems – Texas Cooperative Extension, March 2007
- E. Basic Guide to Water Rates Chapter 2- www.lwua.gov.ph/water_rates_08/rates_two
- F. EPA – Setting Small Drinking water System Rates for a Sustainable Future, January 2006
- G. Price and Rate Structures, Chapter 5 Urban Water Demand Management and Planning Hanemann, 1997

Chair Wythe summarized the value of the informational materials provided and requested the members to retain these documents as they may refer to them at future meetings.

COMMENTS OF THE AUDIENCE

Mr. Slone, city resident, commented on the expectation fee, proposal of a commodity charge; that staff would be able to provide any information in a couple of hours that they would need. He additionally noted the different categories.

COMMENTS OF THE CITY STAFF

Ms. Krause noted that the Task Force will be meeting in the Conference Room upstairs with the exception of one of the meeting dates in August and they will be in the Council Chambers.

COMMENTS OF THE CHAIR

Chair Wythe had no comments.

COMMENTS OF THE TASK FORCE

Mr. Moore and Ms. Minsch had no comments.

Mr. Castner expressed thanks for having the requested information provided.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 7:22 p.m. **A WORKSESSION** is scheduled for **TUESDAY, JUNE 5, 2012 AT 5:15 p.m.** The next **REGULAR MEETING is JUNE 19, 2012** at 5:15 P.M. in the **UPSTAIRS CONFERENCE ROOM** at City Hall, 491 E. Pioneer Avenue, Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved: _____