

KODIAK CITY COUNCIL

WORK SESSION AGENDA

Tuesday, May 20, 2014

Kodiak Public Library Multi-Purpose Room

7:30 p.m.

Work sessions are informal meetings of the City Council where Councilmembers review the upcoming regular meeting agenda packet and seek or receive information from staff. Although additional items not listed on the work session agenda are sometimes discussed when introduced by the Mayor, Council, or staff, no formal action is taken at work sessions and items that require formal Council action are placed on a regular Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the "official record" should be made at a regular City Council meeting.

Discussion Items

1. Public Comments (limited to 3 minutes)
2. Sewer Rate Study Presentation1
3. Discussion of Bear Valley Golf Course.....28
4. Discussion of Deputy City Manager Position..... No Backup
5. Discussion of Summer Meeting Schedule No Backup
6. May 22, 2014, Agenda Packet Review

City of Kodiak: Sewer Rate Update

City Council Workshop
May 20, 2014

Presented by
CH₂M HILL

Discussion Agenda

- Background
- Rate Study Objectives
- Rate study process
 - Financial Plan
 - Revenue Requirements
- Sewer Utility
- Recommendations
- Discussion/Q&A

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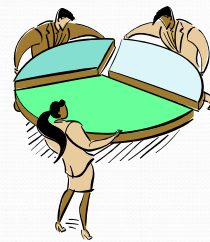
Background

- CH2M HILL conducted a cost of service water and sewer rate study in 2004
- Updated water and sewer rates in 2011.
 - Sewer rates were to be revisited when a decision was made on a bio solid disposal plan.
- Last rate increase in FY 2012:
 - Sewer increased by 5% (residential from \$59.82 to \$62.81)
- System in need of capital improvements over the next 10 years to meet regulatory requirements, replace aging infrastructure, and upgrade the treatment plant.

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Rate Study Objectives

- Revenue Adequacy
 - Rates that will generate sufficient revenues to meet projected costs and other requirements (e.g., fund reserves)
- Rate Equity
 - Costs will be distributed to customers in proportion to system use; achieved through rate structure
- Defensibility
 - The methods used to develop rates are consistent with industry standard practices



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Financial Plan Development

1. Identify System Needs (forecast O&M + Capital Requirements)

2. Identify Funding Sources (rates, debt, grant, other)

3. Develop Funding Plan (anticipated revenue from rates and other sources)

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Financial Plan

- Collaborated with City staff to develop assumptions
- 10-year planning period
- Revenues projected based on existing rate structure
- Assumed all capital projects would received funding from grants and loans
 - Assumed 50/50 split

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Capital & Operating Requirements

Operating

- Personnel
- Materials & Services
- Transfers
- Additional O&M related to capital improvements
 - Compost facility

Capital

- Regulatory requirements
- Upgrade to wastewater treatment plan
- Rehabilitation and replacement

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Revenue Requirements

Operation and Maintenance Expenses

+ Pay as you go Capital Projects

+ Debt Service Requirements

+ Funding of Reserves

= **Revenue Requirements**

Less: Non-Rate Revenue

Less: Use of reserves

= **Revenue Requirements from Rates**

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Financial Plan Assumptions

- Assumptions:
 - Annual growth assumptions :
 - 0.0% for residential customers
 - 0.0% for commercial customers
 - O&M escalation range of 3.0% to 10.0% per year
 - Capital escalation of 4.0% per year
 - Contingency: 45 days of O&M expenses
- Capital Improvement Plan (inflated\$)
 - Sewer = \$38.4 million

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Capital Improvement Plan: Sewer (\$16.6 m)

- Bio solid Management Project (construction phase)
- Sewer pipe replacement
 - Aleutian Homes, Phase 5-8
 - Future Downtown pipe replacement projects
- Wastewater Treatment Plant upgrade: design and construction
- Permit renewal testing
 - Testing will identify what disinfection process may be necessary
- Most projects constructed over multiple years
- Possibility to defer some of the pipe replacement projects to increase chance of favorable financing

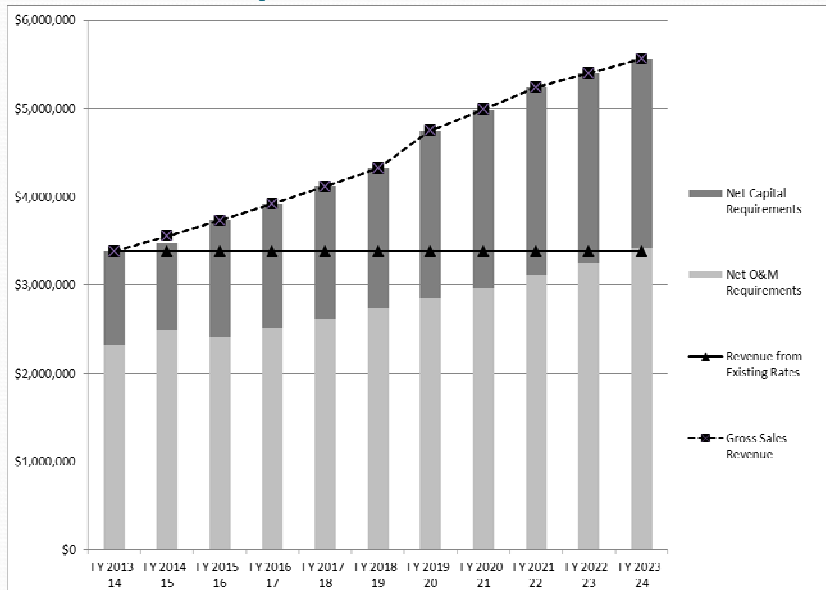
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Financial Plan Results: Sewer

- Revenue from existing rates FY 2014= \$3.4 million
- O&M costs (including sewer utility + treatment) FY 2014 = \$2.5 million
- Sewer Sales Fee: \$350,000
 - O&M costs increase from \$2.8m to \$4.4m over the 10 year analysis period (4.5% annually)
- Existing debt service FY 2014 = \$301,000
 - Debt service increases from \$301k to \$1.5 million in FY 2024
- Moderate rate increase needed immediately; annual increases

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Revenue Requirements: FY 2014-FY 2024



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Proposed Sewer Rates, FY 2015-2024

Fiscal Year	% Increase	Residential Rate (\$/mo)
FY 2014-15	5.00%	\$65.95
FY 2015-16	5.00%	\$69.25
FY 2016-17	5.00%	\$72.71
FY 2017-18	5.00%	\$76.35
FY 2018-19	5.00%	\$80.16
FY 2019-20	10.00%	\$88.18
FY 2020-21	5.00%	\$92.59
FY 2021-22	5.00%	\$97.22
FY 2022-23	3.00%	\$100.13
FY 2023-24	3.00%	\$103.14

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Recommendations

- Implement first 5 years of rate increases
- Review financial plan regularly to ensure actual revenues and expenditures are tracking with the projections developed in this analysis
 - Impacts of implementation of and sewer CIP
 - Monitor operating impacts of compost facility
- Increase rates as needed in future years to meet the financial needs of the systems.
- Conduct rate update every 5 years

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Discussion/Q&A



TECHNICAL MEMORANDUM

CH2MHILL

City of Kodiak Sewer Rate Study -DRAFT Financial Plan

PREPARED FOR: Mark Kozak/Director of Public Works, City of Kodiak

PREPARED BY: Kurt Playstead/CH2M HILL

REVIEWED BY: Dave Green/CH2M HILL

DATE: May 8, 2014

Overview

In March, 2014 the City of Kodiak commissioned CH2M HILL to update its sewer rates. The purpose of this study is to determine if projected rate revenue requirements related to operation and maintenance and capital improvements will require additional rate increases in the future. Previous to this study, CH2M HILL completed a rate study in 2005 and the City conducted an in-house rate study in 1993. CH2M HILL also completed a rate study in 1988.

This technical memorandum presents a 10-year financial plan for the sewer system, as the first phase of the rate study. The memorandum begins with an introduction to the financial plan, including the planning assumptions. This is followed by a discussion of projected sewer system revenue requirements and revenues. The memorandum ends with a discussion of rate impacts, based on the current rate structure.

Introduction

This technical memorandum presents a financial analysis of the City's sewer system. A 10-year financial plan was developed to analyze the impact on sewer rates of implementing the proposed capital improvement plan (CIP) and projected operating expenses associated with completing the plan.

The building blocks of the financial plan are the projections of costs (both operations and maintenance, and capital) that the City will incur during the 10-year planning period, fiscal year 2014/15 through fiscal year 2023/24, and the revenues, under existing rates, which the City expects to generate during the same period. The financial plan is based on a set of overall assumptions related to customer growth, inflation, and other factors, as well as the specific phasing of the City's CIP.

The following general assumptions were used in developing the plan:

- Customer growth will occur at the following annual rates:
 - Residential Growth-Inside city: 0%
 - Residential Growth-Outside city: 0%
 - Commercial Growth-Inside city: 0%

- Commercial Growth-Outside city: 0%
- Industrial Growth: 0% (flat)
- Operation and maintenance costs – specific annual escalation factors used include:
 - Salaries and wages (all line items): 3.0%
 - Retirement contributions: 4.0%
 - Workmen’s compensation: 7.0%
 - Group insurance / insurance and bonding: 10.0%
 - Electricity (public utility service): 3.0%
 - Administrative, financial and public works services: 3.0%.
- Capital costs will increase at an annual rate of 4% to account for inflation.
- Sewer sale fee: 10% of annual sewer sales revenue
- Interest earned on investments: 2.5%

The draft financial plan for the sewer system is presented in Attachments 1 and 2, showing projected sources and uses of funds for the Sewer Utility Fund (#570) and the Sewer Improvement Fund (#306), and projected debt service coverage. Each component of the financial plan is discussed in more detail below.

Revenue Requirements

The costs in the plan that are to be funded from annual revenues are referred to as ‘revenue requirements’ for rate-making purposes. Total requirements are composed of:

- Operations and maintenance (O&M) costs
- Annual capital improvement projects funded by rates and reserves
- Debt service expenditures
- Transfers to other City funds for indirect and direct services provided to the utility

In addition, annual requirements include operating contingencies equal to 20 percent of annual O&M costs. However, 100 percent of annual contingencies are assumed to be unspent and roll forward to subsequent year beginning balances.

Revenue requirements were projected based on data provided by the City, including adopted budget for FY 2013/14 and a proposed CIP with annual details from FY2013/14 through FY2023/24. The City’s FY2013/14 budget for the Sewer Utility Fund is presented in Table 1.

Operation and Maintenance Costs

Operation and maintenance costs include all costs associated with operating and maintaining the wastewater system, including personnel and materials and services costs. Table 1 shows historical O&M costs from FY 2010/11 through FY 2012/13 and budgeted O&M costs for the wastewater system for FY2013/14. The costs presented combine the collection system and treatment plant expenses. Total personnel and materials and services costs are approximately \$2.8 million. Approximately 47 percent of this total is personnel related (salaries and wages, benefits, professional services). The City is in the process of modifying its biosolid management program which includes the construction and operation of a compost facility. The facility is being built to

handle the disposal of wastewater treatment plant biosolids, as the Kodiak Island Borough landfill has stopped accepting the product. The budget for FY 2013/14 reflects the changes in biosolid disposal operations.

TABLE 1
City of Kodiak
Sewer Rate Analysis
Historical and Budgeted O&M Costs

Item	Actual FY 2010-11	Actual FY 2011-12	Actual FY 2012-13	Budget FY 2013-14
Salaries and Wages	\$564,501	\$574,846	\$558,581	\$684,770
Benefits	\$406,748	\$491,588	\$490,303	\$568,100
Professional Services	\$44,482	\$24,684	\$41,148	\$91,502
Support Good and Services	\$199,220	\$189,853	\$192,461	\$290,780
Public Utility Services	\$485,525	\$570,786	\$387,680	\$615,000
Bond Expense	\$25,756	\$35,028	\$30,528	\$27,025
Construction	\$0	\$0	\$0	\$0
Capital Outlay	\$980	\$8,500	\$39,167	\$77,000
Interfund Charges	\$467,088	\$495,455	\$529,691	\$476,250
Transfers	\$0	\$0	\$0	\$0
Total	\$2,194,300	\$2,390,740	\$2,269,558	\$2,830,427

Source: City of Kodiak FY2014 Budget, Sewer Utility Fund

As shown in Attachments 1 and 2, O&M costs (including personnel services and materials and services) are projected to increase to over \$4.2 million in FY2022/23.

Capital Costs

Budgeted capital outlays for machinery and equipment totaled approximately \$77,000 in FY2013/14 (budgeted), as shown in Table 1. Approved capital projects totaled an additional \$124,000 in that year. Approved capital expenditures included the Aleutian Homes Phase 5 project and the biosolid management project. Discussions with city staff estimated that both of these projects would be designed by the end of FY 2013/14 with most of the construction costs being spent in FY 2014/15.

Table 2 summarizes the capital improvement plan for the sewer system through FY 2023/24 in 2014 dollars. A number of projects listed will have a water, sewer, and street improvement components. Only the sewer utility's share of the costs is presented.

The sewer CIP identifies approximately \$32.0 million (in 2014 dollars) in capital improvements from FY 2014/15 through FY2023/24. The projects are necessary to maintain the current level of service provided by existing facilities, comply with state and federal regulations, and provide capacity to meet the needs of projected growth. The two largest projects in the CIP include the construction of the compost facility (\$3 million construction) and the upgrade to the wastewater treatment plant (\$16.5 million design and construction). Based on the anticipated project schedules and an estimated annual capital cost escalation rate of 4 percent, the total, inflation adjusted capital improvement plan for the wastewater system is \$38.4 million through FY2023/24.

As shown in Attachment 1, the projected capital improvements will be paid by a combination of current revenues, grants, and debt proceeds. For this analysis, it is assumed that the City will receive grants to support approximately 50 percent of the sewer capital improvements in future years. Many projects on the CIP could be deferred in order to give the City more time to receive favorable financing. For this analysis, it was assumed that the City would issue revenue bonds in FY 2015/16, FY 2016/17, FY 2018/19, FY 2020/21, and FY 2021/22. Annual debt service increases from approximately \$300,000 in FY 2013/14 to over \$1.6 million in FY 2022/23, based on this borrowing schedule. Debt service payments are based on a 20-year term, 4.5 percent interest, 2.0 percent issuance costs, and a 10 percent reserve requirement.

The City may be eligible for a combination of lower-interest loans and grants from state and federal agencies. However, because funds are limited, and to provide the City with an upper end estimate of rate impacts, we have assumed that the City would have to issue debt through the conventional bond market.

TABLE 2
 City of Kodiak
 Sewer Rate Study
 Capital Improvement Program (2014\$)

Project	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2021-22	2022-23	2023-24
Water & Sewer Rate Study	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aleutian Homes PH 5 Thorsheim, Oak to Maple Segment B & C	\$1,620,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bio-Solid Management Project	\$3,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aleutian Homes PH 6 Birch St	\$178,040	\$1,602,360	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Downtown PH 3, Center Street	\$0	\$194,400	\$1,749,600	\$0	\$0	\$0	\$0	\$0	\$0
Downtown PH 4, Mecca to Center St. On Marine Way	\$0	\$184,000	\$1,656,000	\$0	\$0	\$0	\$0	\$0	\$0
Aleutian Homes PH 7 Hemlock	\$0	\$0	\$0	\$227,520	\$2,047,680	\$0	\$0	\$0	\$0
Aleutian Homes PH 8, Carolyn & Wilson	\$0	\$0	\$0	\$0	\$0	\$0	\$204,000	\$1,836,000	\$0
Aleutian Homes PH 9 High Avenue, Hillcrest and Lightfoot Ave.	\$0	\$0	\$953,600	\$0	\$0	\$0	\$0	\$0	\$0
Mill Bay Road Rebuild	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Evaluation and Design for the WWTP upgrade.	\$0	\$0	\$600,000	\$600,000	\$300,000	\$0	\$0	\$0	\$0
WWTP Upgrade Construction	\$0	\$0	\$0	\$0	\$0	\$15,000,000	\$0	\$0	\$0
Permit Renewal Testing	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$4,828,040	\$2,030,760	\$4,959,200	\$827,520	\$2,347,680	\$15,000,000	\$204,000	\$1,836,000	\$0

Revenues

For this analysis, it was assumed the City would rely on a combination of sewer rates, grant funding, and debt financing to fund the projected system costs over the next 10 years. As shown in Attachment 2, sewer sales revenues – including rates inside the City and in the borough, and septic truck discharge fees – based on existing rates are projected to generate about \$3.4 million in FY2013/14. This projection is based on the City's existing rate schedule presented in Table 3. The City's rate structure is a flat fee per month based on customer type.

TABLE 3
City of Kodiak
Sewer Rate Study
Existing Rate Structure

Customer Type	Basis for Charge	Inside City (\$/mo)	Outside City (\$/mo)
Apartments, per unit	one unit per dwelling	\$62.81	\$75.29
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$62.81	\$75.29
Bakery	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$75.29
Bar	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$75.29
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$62.81	\$75.29
	one-half unit per operator chair/tub	\$31.41	\$37.64
B&B / Boarding House	one unit per facility/residence	\$62.81	\$75.29
	plus one-half unit per guest room	\$31.41	\$37.64
Churches	one unit per facility	\$62.81	\$75.29
Construction	one-half the regular rate for intended use of building		
Day Care Facilities	one unit per business/dwelling unit	\$62.81	\$75.29
	plus one-quarter unit for each 5 persons or fraction thereof	\$15.70	\$18.83
Dining Facility/Café/Bakeries	one unit per 200 sf of patron area	\$62.81	\$75.29
Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Dry Cleaners	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Gas Station / Auto Repair Shop	2 units per business	\$125.61	\$150.58
Hospital/Major Care Center	one unit per bed	\$62.81	\$75.29
Hotel/Motel	one-half unit per guest room w/o cooking	\$31.41	\$37.64
	three-quarter unit per guest room w/cooking	\$47.10	\$56.47
Industrial	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Laundries and bath houses	three-quarter unit per per washing machine	\$47.10	\$56.47
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Museums	one unit per dwelling	\$62.81	\$75.29
Office/Retail	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Powerhouses	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$62.81	\$75.29
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$62.81	\$75.29

Schools	one unit per 20 persons in daily attendance, including staff	\$62.81	\$75.29
Senior Citizens (primary residence)	one-half unit	\$31.41	\$37.64
Vacant Rate, per month	one-half the regular rate for intended use of building	\$31.41	\$37.64
Vacant Rate Noncompliance Fee		\$195.05	\$195.05
Warehouses	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Dump Fee			
disposal domestic sludge	per gallon	\$0.32	\$0.32
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.23

Non-rate revenues, including revenue from interest income, miscellaneous charges, and intergovernmental sources, are projected at approximately \$162,000 for the sewer system in FY2013/14. For this analysis, it was assumed the intergovernmental sources such as PERS relief funds will not be available. Non-rate revenues are projected to be about \$120,000 by the end of the study period.

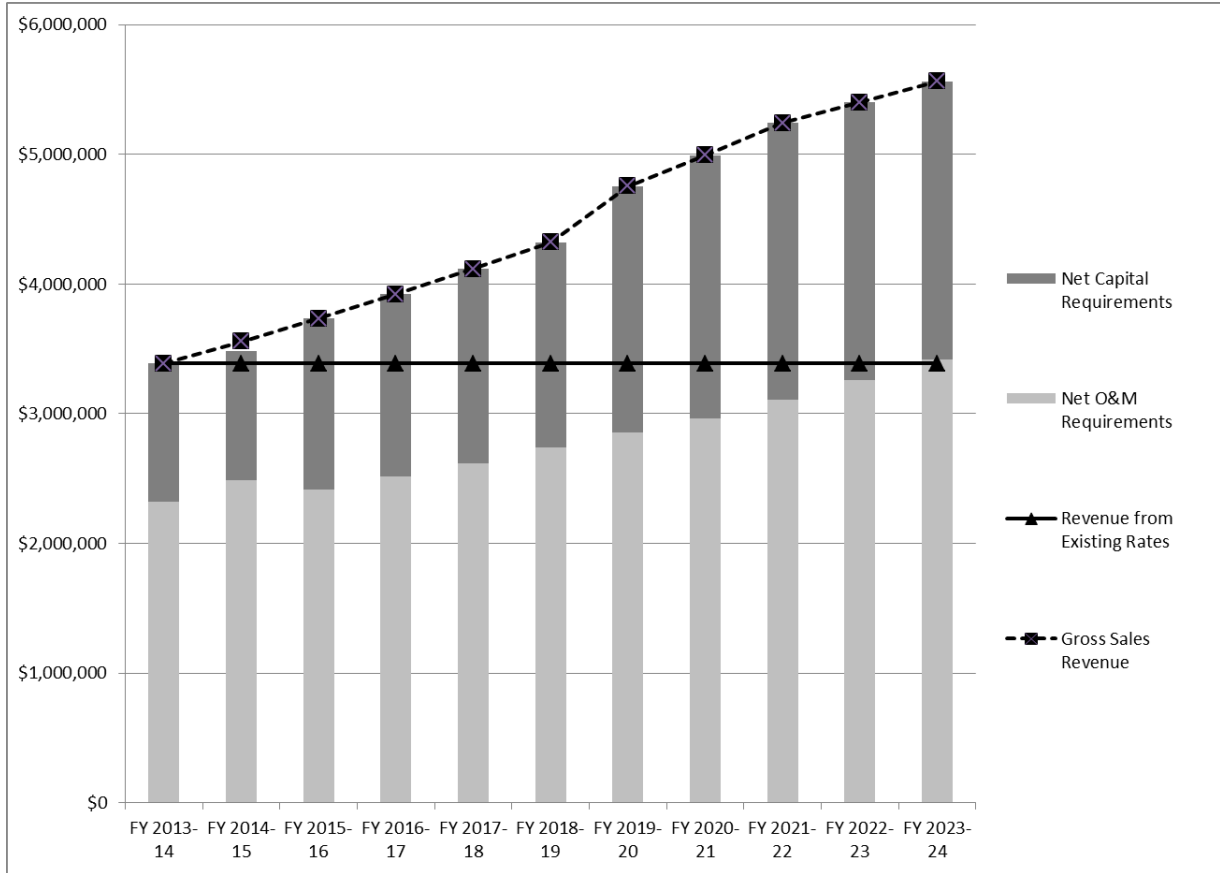
Rate Impacts

As of March 2014, the City's has a combined \$5.6 million in reserves between the utility fund and the capital improvement fund (see Attachment 1). The City anticipates current appropriations will significantly reduce available cash reserves by the end of the next fiscal year. The construction of the compost facility will require a large portion of existing reserves.

As discussed previously, this analysis assumes that the City will use a combination of rate revenue, grants, and revenue bonds to pay for the projects listed in the CIP. The FY 2015/16 debt issue is estimated to total approximately \$1.3 million, including project costs, reserve requirements, and issuance costs. The FY 2016/17, FY 2018/19, and the FY 2019/20 debt issuance are assumed to total approximately \$2.8 million, \$1.4 million, and \$10.2 million, respectively. The large debt issuance in FY 2019/20 is to pay for the treatment plant upgrades. To repay the debt, and to pay for the additional capital and operating expenses forecast over the study period, sewer rate increases will be required.

Exhibit 1 presents the revenue requirements for the sewer utility over the analysis period. Revenue requirements consist of operations and maintenance expenses (including transfers), debt service payments, and pay-as-you-go capital expenses. As the exhibit illustrates, existing rate levels will not be sufficient to cover the revenue requirements associated with the planned capital expenditures presented in Table 2.

EXHIBIT 1
 City of Kodiak
 Sewer Rate Study
 Revenue Requirements



For this analysis, rate increases are introduced every year beginning in FY2014/15. The current rates generate sufficient revenue to fund current O&M and debt service costs, as well as an annual transfer to capital projects of about \$160,000. However, as the proposed CIP averages about \$3.8 million (inflation-adjusted) per year over the study period, significant additional rate increases are required to fund the projects. The rate increases have been structured with increases above inflationary adjustment initially in FY2014/15 and FY 2015/16 that taper down to inflationary increases for three years. A larger rate increase is required in FY 2019/20 to account for the projected wastewater treatment plant upgrade. Table 4 presents the projected annual rate increases need to meet the City’s revenue requirements. The estimated inside City monthly residential rate is also included.

TABLE 4
 City of Kodiak
 Sewer Rate Study
 Projected Annual Increases and Inside City Residential Rate

Fiscal Year	% Increase	Residential Rate (\$/mo.)
FY 2014-15	5.00%	\$65.95
FY 2015-16	5.00%	\$69.25
FY 2016-17	5.00%	\$72.71
FY 2017-18	5.00%	\$76.35
FY 2018-19	5.00%	\$80.16
FY 2019-20	10.00%	\$88.18
FY 2020-21	5.00%	\$92.59
FY 2021-22	5.00%	\$97.22
FY 2022-23	3.00%	\$100.13
FY 2023-24	3.00%	\$103.14

Attachment 2 shows the estimated total annual rate revenue, based on the proposed rate increases and forecast revenue under existing rates. These rate increases have been structured to allow the City to generate adequate revenue to meet the proposed CIP and projected annual O&M costs, as well as maintain minimum fund balances and debt service coverage. Debt service coverage is the amount of revenue that a utility must generate annually in excess of its operation, maintenance, and debt service requirements. This additional revenue is required by bond buyers as a condition of issuing revenue bonds; it provides the bond buyers a measure of security regarding debt repayment by the utility. Failure to generate the required revenues could put the utility in technical default on the bonds, which adversely affects current and future bond ratings and interest costs.

Debt service coverage requirements generally require net revenues (system income and revenue less operation and maintenance expenses) to be at least 1.25 times the average annual principal and interest requirements of all outstanding bonds. Attachment 2 shows the projected debt service coverage based on the projected operating revenues and O&M expenses over the study period. In each year, debt service coverage meets the assumed minimum coverage typically required by bond covenants. This is largely because rates have been set to generate sufficient revenues to cover a significant amount of capital costs. The additional revenue generated for capital projects counts towards meeting the coverage requirements.

Table 5 presents the forecast wastewater rates for each customer class, based on the City's existing rate structure and the forecast rate increases presented in Attachment 2 for FY 2014/15 through FY 2018/19. The existing monthly rate per unit is \$62.81 for inside City residential customers. Based on the forecast rate increases, the inside-city rate per residential unit increases to \$80.16 in FY2018/19. For outside-city residential customers, the monthly rate increases to \$96.09 in FY 2018/19.

It should be noted that changes to timing of particular projects listed in the CIP and/or the ability of the City to obtain alternative sources of funding could impact the rate increases projected in this analysis. Alternative rate increase strategies could be explored to smooth increases over the entire planning period or achieve other objectives.

Conclusion

Based on the sewer system rate update findings summarized in the previous sections and the data and assumptions developed for the study, the following recommendations are presented for the City's consideration:

- Implement first 5 years of rate increases presented in Table 5 (FY 2014/15 through FY 2018/19)
- Review and update capital improvement plan on a regular basis and adjust schedule and cost estimates to reflect current project timing and cost conditions. Depending on the final cost and funding strategy for the WWTP upgrade, it may be necessary to update sewer rates when the project is better defined and costs have been estimated based on a preliminary design.
- Review financial plan regularly to ensure actual revenue and expenditures are tracking with the projections developed in this rate update. The City should review the financial plan annually and make appropriate adjustments for changes in operations, capital spending, and customer account composition. Rates should be adjusted accordingly.

TABLE 5
 City of Kodiak
 Sewer Rate Study
 Existing and Projected Sewer Rates, Inside City FY2014/15 – FY 2018/19

Customer Class	Basis for Charge	Existing	Projected				
		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Service Charge - Inside City							
Apartments	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bakery	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bar	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
B&B / Boarding House	one-half unit per operator chair/tub	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
	one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	plus one-half unit per guest room	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Churches	one unit per facility	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Construction	one-half the regular rate for intended use of building	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Day Care Facilities	one unit per business/dwelling unit	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	plus one-quarter unit for each 5 persons or fraction thereof	\$15.70	\$16.49	\$17.31	\$18.17	\$19.08	\$20.04
Dining Facility/Café/Bakeries	one unit per 200 sf of patron area	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dry Cleaners	one unit per 200 sf of patron area	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Gas Station / Auto Repair Shop Hospital/Major Care Center Hotel/Motel	2 units per business	\$125.61	\$131.89	\$138.49	\$145.41	\$152.68	\$160.31
	one unit per bed	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	one-half unit per guest room w/o cooking	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Industrial Laundries and bath houses	three-quarter unit per guest room w/cooking	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11
	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	three-quarter unit per washing machine	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11
Meats or Produce Retail Stores Museums	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16

Office/Retail	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Powerhouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Schools	one unit per 20 persons in daily attendance, including staff	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Senior Citizens (primary residence)	one-half unit	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate, per month	one-half the regular rate for intended use of building	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate Noncompliance Fee		\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Warehouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dump Fee	per gallon	\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal domestic sludge	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29
disposal septic tank/portable toilet water							
Service Charge - Outside City							
Apartments	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bakery	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bar	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
B&B / Boarding House	one-half unit per operator chair/tub	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Churches	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Construction	plus one-half unit per guest room	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Day Care Facilities	one unit per facility	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one-half the regular rate for intended use of building						
	one unit per business/dwelling unit	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	plus one-quarter unit for each 5 persons or fraction thereof	\$18.83	\$19.77	\$20.76	\$21.80	\$22.89	\$24.03
Dining Facility/Cafe/Bakeries	one unit per 200 sf of patron area	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09

Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Dry Cleaners	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Gas Station / Auto Repair Shop	2 units per business	\$150.58	\$158.11	\$166.01	\$174.32	\$183.03	\$192.18
Hospital/Major Care Center	one unit per bed	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Hotel/Motel	one-half unit per guest room w/o cooking	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
	three-quarter unit per guest room w/cooking	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Industrial	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Laundries and bath houses	three-quarter unit per washing machine	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Museums	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Office/Retail	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Powerhouses	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Schools	one unit per 20 persons in daily attendance, including staff	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Senior Citizens (primary residence)	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Vacant Rate, per month	one-half the regular rate for intended use of building	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Vacant Rate Noncompliance Fee	one-half the regular rate for intended use of building	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Warehouses	one unit per 6 employees or fraction thereof	\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Dump Fee		\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
disposal domestic sludge	per gallon	\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29

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ATTACHMENTS

ATTACHMENT 1
 City of Kodiak
 Sewer Rate Study
 Sources and Uses of Funds

Item	Budget FY 2013-14	Projected										
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
Sewer Utility Fund												
Sources of Funds												
Beginning Balance	(\$561,969)	(144,980)	225,949	346,701	638,221	646,023	796,119	1,827,025	1,835,756	1,844,830	1,854,264	
Intergovernmental												
PERS Relief	77,744	-	-	-	-	-	-	-	-	-	-	
State Revenue Sharing	-	-	-	-	-	-	-	-	-	-	-	
Service Charge												
Sewer Svc Chg - City	2,229,260	2,385,308	2,457,759	2,580,647	2,709,679	2,845,163	3,129,680	3,286,164	3,450,472	3,553,986	3,660,606	
Sewer Svc Chg - Borough	1,157,630	1,238,664	1,276,287	1,340,101	1,407,107	1,477,462	1,625,208	1,706,468	1,791,792	1,845,546	1,900,912	
Sewer Svc - Hookups	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	
Septic Tank Discharge	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	
Lab Testing Fee	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598	
Subtotal - Service Charge Interest	3,460,990	3,698,822	3,809,669	3,997,167	4,194,024	4,400,707	4,833,839	5,072,479	5,323,033	5,481,251	5,644,216	
Interest On Investments	10,000	-	5,649	8,668	15,956	16,151	19,903	45,676	45,894	46,121	46,357	
Unrealized Gain/Loss-Inv	-	-	-	-	-	-	-	-	-	-	-	
Subtotal - Interest	10,000	-	5,649	8,668	15,956	16,151	19,903	45,676	45,894	46,121	46,357	
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	
Appropriation Fund Balance	-	-	-	-	-	-	-	-	-	-	-	

Bond Proceeds (Funded Reserve)	-	-	113,500	284,000	-	142,000	1,022,500	-	-	-	
Transfers In	-	-	-	-	-	-	-	-	-	-	
Transfer from Sewer Imp. Fund	-	-	-	-	-	-	-	-	-	-	
Total Sources of Funds	2,986,765	3,553,842	4,154,767	4,636,535	4,848,201	5,204,880	6,672,361	6,945,179	7,204,683	7,372,201	7,544,836
Uses of Funds											
Salaries And Wages	\$684,770	\$651,000	\$670,530	\$690,646	\$711,365	\$732,706	\$754,687	\$777,328	\$800,648	\$824,667	\$849,407
Benefits	568,100	545,000	561,340	578,196	595,585	613,524	632,030	651,122	670,818	691,138	712,101
Professional Services	91,502	90,000	92,700	95,481	98,345	101,296	104,335	107,465	110,689	114,009	117,430
Support Goods & Services	290,780	306,700	319,751	333,579	348,244	363,816	380,367	397,979	416,739	436,743	458,099
Public Utility Service	615,000	610,000	652,800	699,334	749,959	805,067	865,090	930,500	1,001,818	1,079,616	1,164,523
Bond Expense unused	27,025	29,000	-	-	-	-	-	-	-	-	-
Capital Outlay	77,000	40,000	45,450	46,814	48,218	49,664	51,154	52,689	54,270	55,898	57,575
Interfund Charges Transfers	476,250	489,000	516,575	539,540	563,568	588,708	636,628	665,236	695,179	716,034	737,515
To Sewer Capital Improvement	-	265,875	603,975	516,988	479,992	492,497	311,951	24,981	107,570	97,708	81,985
To Insurance Fund	-	-	-	-	-	-	-	-	-	-	-
Debt Service	301,318	301,318	344,945	497,737	606,901	661,483	1,109,094	1,502,123	1,502,123	1,502,123	1,502,123
Ending Fund Balance	(144,980)	-	0	-	(0)	-	-	-	-	-	-
Contingency	-	225,949	233,201	240,721	248,523	256,619	265,025	273,756	282,830	292,264	302,077
Reserves	-	-	113,500	397,500	397,500	539,500	1,562,000	1,562,000	1,562,000	1,562,000	1,562,000
Total Uses of Funds	\$2,986,765	\$3,553,842	\$4,154,767	\$4,636,535	\$4,848,201	\$5,204,880	\$6,672,361	\$6,945,179	\$7,204,683	\$7,372,201	\$7,544,836

Item	Budget FY 2013-14	Projected										
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
Sewer Improvement Fund												
Sources of Funds												
Beginning Balance	\$6,155,305	\$5,813,994	\$1,419,268	\$2,330,218	\$2,973,183	\$2,933,937	\$3,680,659	\$4,554,821	\$4,867,551	\$3,047,499	\$3,723,254	\$3,723,254
State Grants	\$0	\$1,000,000	\$2,500,000	\$0	\$0	\$1,250,000	\$9,000,000	\$0	\$0	\$0	\$0	\$0
Sewer Utility Sales (10% of sales)	338,689	362,397	373,405	392,075	411,679	432,263	475,489	499,263	524,226	539,953	556,152	556,152
Investments	-	72,675	17,741	29,128	37,165	36,674	46,008	56,935	60,844	38,094	46,541	46,541
Proceeds from Loan (Projects & Issuance) Transfers From	-	-	1,135,000	2,840,000	-	1,420,000	10,225,000	-	-	-	-	-
Sewer Utility Fund	-	265,875	603,975	516,988	479,992	492,497	311,951	24,981	107,570	97,708	81,985	81,985
Total Sources of Funds	\$6,493,994	\$6,514,941	\$4,549,388	\$8,608,409	\$3,902,019	\$6,565,371	\$23,739,107	\$5,136,001	\$5,560,192	\$3,723,254	\$3,723,254	\$4,407,932
Uses of Funds												
Capital Improvements	\$680,000	\$5,021,162	\$2,196,470	\$5,578,426	\$968,081	\$2,856,312	\$18,979,785	\$268,450	\$2,512,693	\$0	\$0	\$0
Debt Issuance	-	-	22,700	56,800	-	28,400	204,500	-	-	-	-	-
Ending Fund Balance	\$5,813,994	\$1,493,779	\$2,330,218	\$2,973,183	\$2,933,937	\$3,680,659	\$4,554,821	\$4,867,551	\$3,047,499	\$3,723,254	\$4,407,932	\$4,407,932
Total Uses of Funds	\$6,493,994	\$6,514,941	\$4,549,388	\$8,608,409	\$3,902,019	\$6,565,371	\$23,739,107	\$5,136,001	\$5,560,192	\$3,723,254	\$3,723,254	\$4,407,932

Other Fees and Charges	74,100	74,850	75,623	76,418	77,238	78,082	78,951	79,847	80,769	81,719	82,698
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Interest	10,000	72,675	23,390	37,795	53,120	52,825	65,911	102,611	106,738	84,214	92,897
Total Resources	\$3,470,990	\$3,703,759	\$3,833,058	\$4,034,962	\$4,247,144	\$4,453,532	\$4,899,750	\$5,175,090	\$5,429,771	\$5,565,466	\$5,737,113
O&M Requirements	\$2,480,427	\$2,410,700	\$2,485,741	\$2,591,514	\$2,703,606	\$2,822,519	\$2,948,803	\$3,083,055	\$3,225,933	\$3,378,153	\$3,540,498
Debt Service											
Existing	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318
New	\$0	\$0	\$43,627	\$196,419	\$305,583	\$360,165	\$807,776	\$1,200,805	\$1,200,805	\$1,200,805	\$1,200,805
Total Debt Service	\$301,318	\$301,318	\$344,945	\$497,737	\$606,901	\$661,483	\$1,109,094	\$1,502,123	\$1,502,123	\$1,502,123	\$1,502,123
Debt Service Coverage	3.29	4.29	3.91	2.90	2.54	2.47	1.76	1.39	1.47	1.46	1.46
Other Sources of Funds											
Transfers From Other Funds	-	-	1,248,500	3,124,000	-	1,562,000	11,247,500	-	-	-	-
Debt Proceeds	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Grants	\$0	\$0	\$1,000,000	\$2,500,000	\$0	\$1,250,000	\$9,000,000	\$0	\$0	\$0	\$0
Subtotal Other Funds	\$0	\$0	\$2,248,500	\$5,624,000	\$0	\$2,812,000	\$20,247,500	\$0	\$0	\$0	\$0
Other Uses of Funds											
Capital Projects	680,000	5,021,162	2,196,470	5,578,426	968,081	2,856,312	18,979,785	268,450	2,512,693	-	-
Debt Issuance	-	-	22,700	56,800	-	28,400	204,500	-	-	-	-
Transfer to Other Funds	-	-	-	-	-	-	-	-	-	-	-
Subtotal Other Expenditures	\$680,000	\$5,021,162	\$2,219,170	\$5,635,226	\$968,081	\$2,884,712	\$19,184,285	\$268,450	\$2,512,693	\$0	\$0
Ending Operating Balance	\$5,602,581	\$1,639,593	\$2,676,919	\$3,611,404	\$3,579,960	\$4,476,778	\$6,381,846	\$6,703,307	\$4,892,329	\$5,577,518	\$6,272,009
Unreserved	\$5,602,581	\$1,413,644	\$2,330,218	\$2,973,183	\$2,933,937	\$3,680,659	\$4,554,821	\$4,867,551	\$3,047,499	\$3,723,254	\$4,407,932
Reserved (Contingency)	-	225,949	346,701	638,221	646,023	796,119	1,827,025	1,835,756	1,844,830	1,854,264	1,864,077

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United States Senate

WASHINGTON, DC 20510

May 1, 2014

Captain Jerald L. Woloszynski
Commanding Officer, Base Kodiak
U.S. Coast Guard
N-38 Cape Sarichef
Kodiak, AK 99619

Dear Captain Woloszynski:

I write concerning the continued operation of the Bear Valley Golf Course at the United States Coast Guard Base Kodiak. I understand you have announced it will be closed after this season. Over the 28 years of its existence, thousands of Alaskans including many service members, veterans, and community members have played on this course. I have been contacted by many Alaskans with concerns that the USCG Base Kodiak closure of this golf course will adversely affect the health and recreational benefits of golf for Alaskans. I am particularly concerned that closure of the course will eliminate one of the key venues where Kodiak Coast Guardsmen and the local community have an opportunity to interact in a non-business setting and strengthen the civil-military bonds between them.

Because it is a Morale Welfare and Recreation activity, I understand Bear Valley Golf Course must be able to generate sufficient revenue to be self-sustaining. As the USCG Base Kodiak looks to the future, I urge you to consider what level of support from the local community would enable it to continue serving golfers on Kodiak Island. I have been approached by individuals who are prepared to make donations to help keep it open. Alaskans pride themselves on being innovative and able to find a workable solution to any dilemma. Alaskans also pride themselves on their support of service members and their families, and I hope you will factor these points into your analysis.

If you are interested, I can set up a meeting for you with some of those on Kodiak who would like to see how they could assist in keeping it open. For communication with my staff on this subject, please contact Bob Doehl, bob_doehl@begich.senate.gov or (907) 271-5915.

Sincerely,



Mark Begich
United States Senator