



CITY OF KOTZEBUE UTILITY RATE STUDY

City Council Meeting

2-6-2025



AGENDA

- 2024 Rate Study
- 2025 Adjustment Alternatives
 - Water
 - Sewer
 - Solid Waste
- Affordability

2024 RATE STUDY

- Built Financial Model for each Fund
- Multi-year Adjustments Recommended for:
 - Sewer
 - Solid Waste

Customer	Old Rate	2024	2025	2026	2027	2028
Residential Wastewater Flat Rate	\$46.60	\$57.18	\$67.87	\$80.56	\$89.99	\$93.32
Residential Refuse Pick-Up Services	\$40.45	\$46	\$52	\$59	\$63	\$63

- City adopted Rate Adjustments for 2024 only

WATER FUND

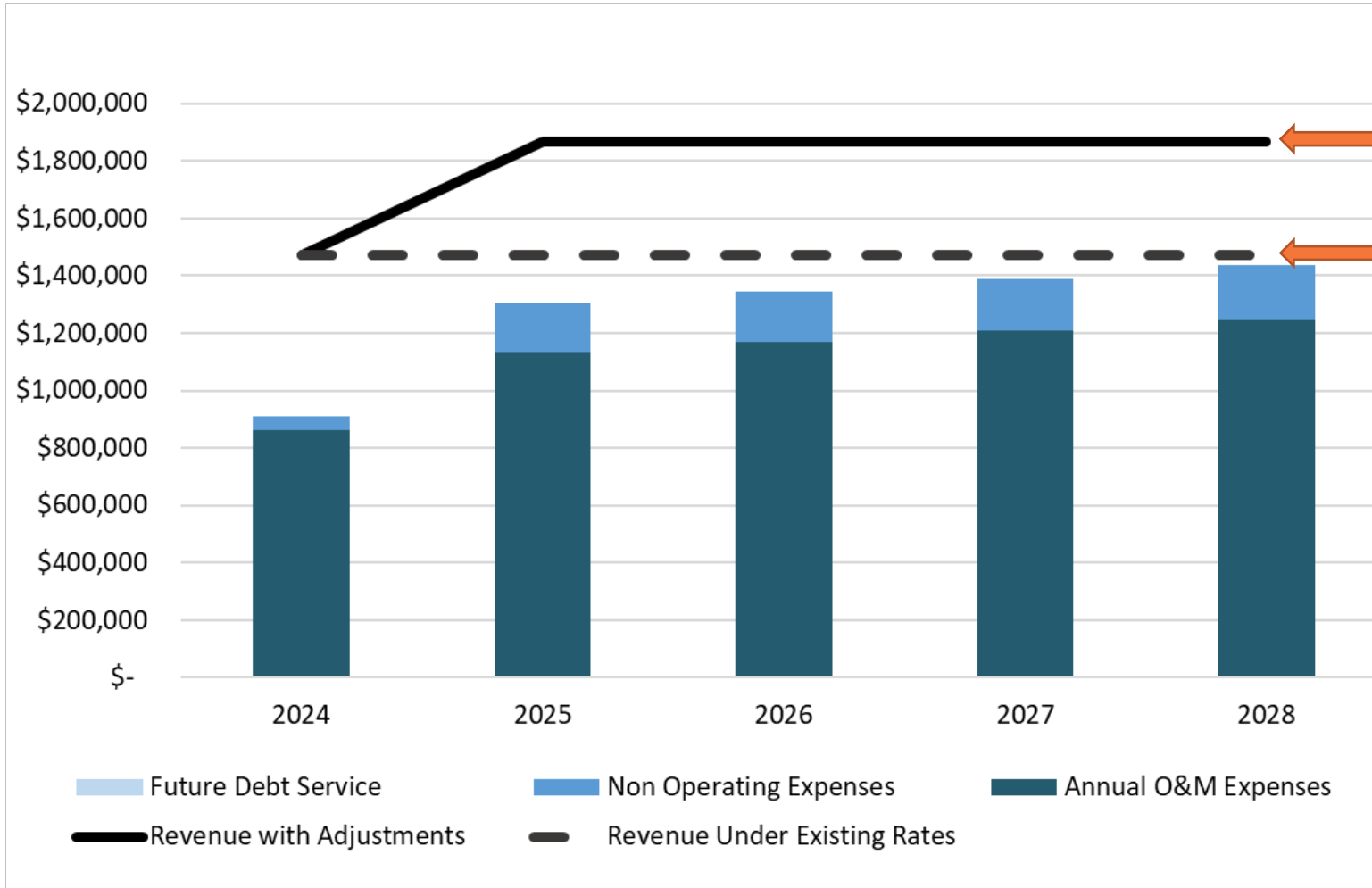
WATER KEY DATA/ASSUMPTIONS

- 2024 Revenues came in under 2025 Budget
- 2024 Expenses came in under 2025 Budget
- 2024 Revenues exceeded Expenses
- No Rate Adjustments proposed
- All grant or Principal Forgiveness funding for capital projects

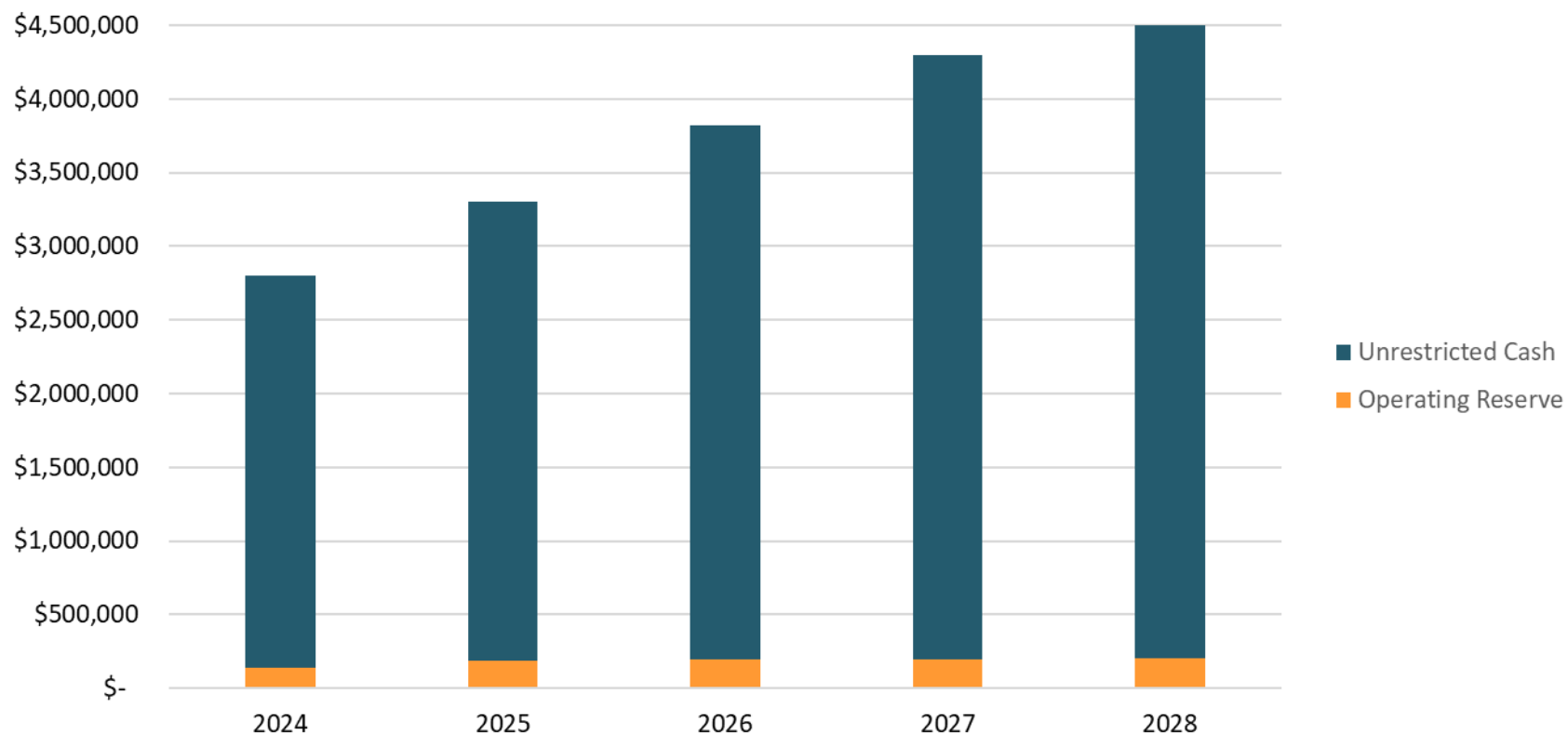
WATER FUND ALTERNATIVES

- Alternative 1 – 2025 Rate Study Recommendation

WATER FUND: ALTERNATIVE 1 CASH FLOW



WATER FUND: ALTERNATIVE 1 CASH RESERVES



The water fund is in a solid position to fund the annual operating reserve requirement and build unrestricted cash.

WATER ALTERNATIVE 1 RATE SCHEDULE

Customer	Existing Rates	2025	2026	2027	2028	2029
		0.0%	0.0%	0.0%	0.0%	0.0%
Commercial Water Flat Rate	\$232.18	\$232	\$232	\$232	\$232	\$232
Commercial Water Metered Rate	\$41.35	\$41	\$41	\$41	\$41	\$41
Commercial Water Minimum Rate	\$103.20	\$103	\$103	\$103	\$103	\$103
Multi Family Water Base Rate	\$103.20	\$103	\$103	\$103	\$103	\$103
Multifamily Water Metered	\$41.35	\$41	\$41	\$41	\$41	\$41
Residential Water Flat Rate	\$101.46	\$101	\$101	\$101	\$101	\$101
Residential Senior/Disables Flat Rate	\$40.58	\$41	\$41	\$41	\$41	\$41

SEWER FUND

SEWER FUND – PREVIOUS RECOMMENDATIONS

	2024	2025	2026	2027	2028
Revenue Adjustments + CPI	22.70%	18.70%	18.70%	11.70%	3.70% (CPI)

SEWER FUND – PREVIOUS RECOMMENDATIONS

	2024	2025	2026	2027	2028
Customer	22.70%	18.70%	18.70%	11.70%	3.70% (CPI)
Commercial Wastewater Flat Rate	\$118.42	\$140.56	\$166.85	\$186.37	\$193.26
Multi Family Wastewater Base Rate	\$57.18	\$67.87	\$80.56	\$89.99	\$93.32
Residential Wastewater Flat Rate	\$57.18	\$67.87	\$80.56	\$89.99	\$93.32
Senior/Disabled Flat Rate	\$24.76	\$29.39	\$34.89	\$38.97	\$40.41

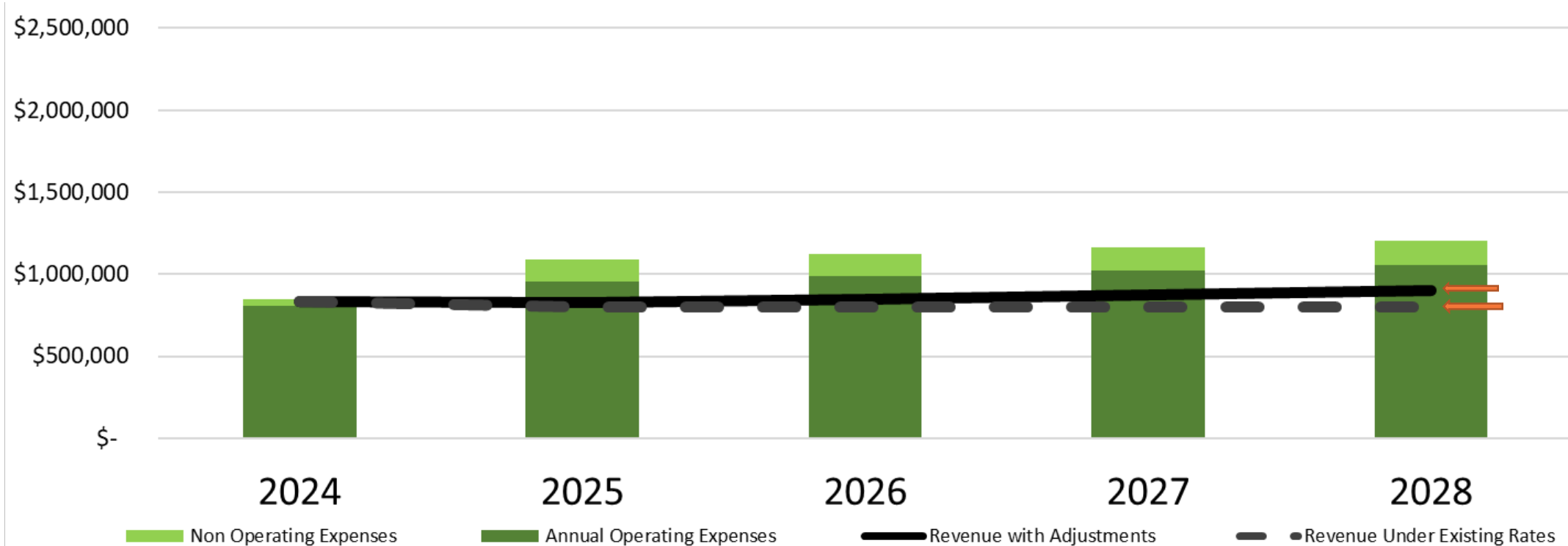
SEWER FUND ALTERNATIVES

- Alternative 1 – Inflation-only Adjustments
- Alternative 2 – 2024 Rate Study Adjustments
- Alternative 3 – Updated Adjustment

SEWER KEY DATA/ASSUMPTIONS

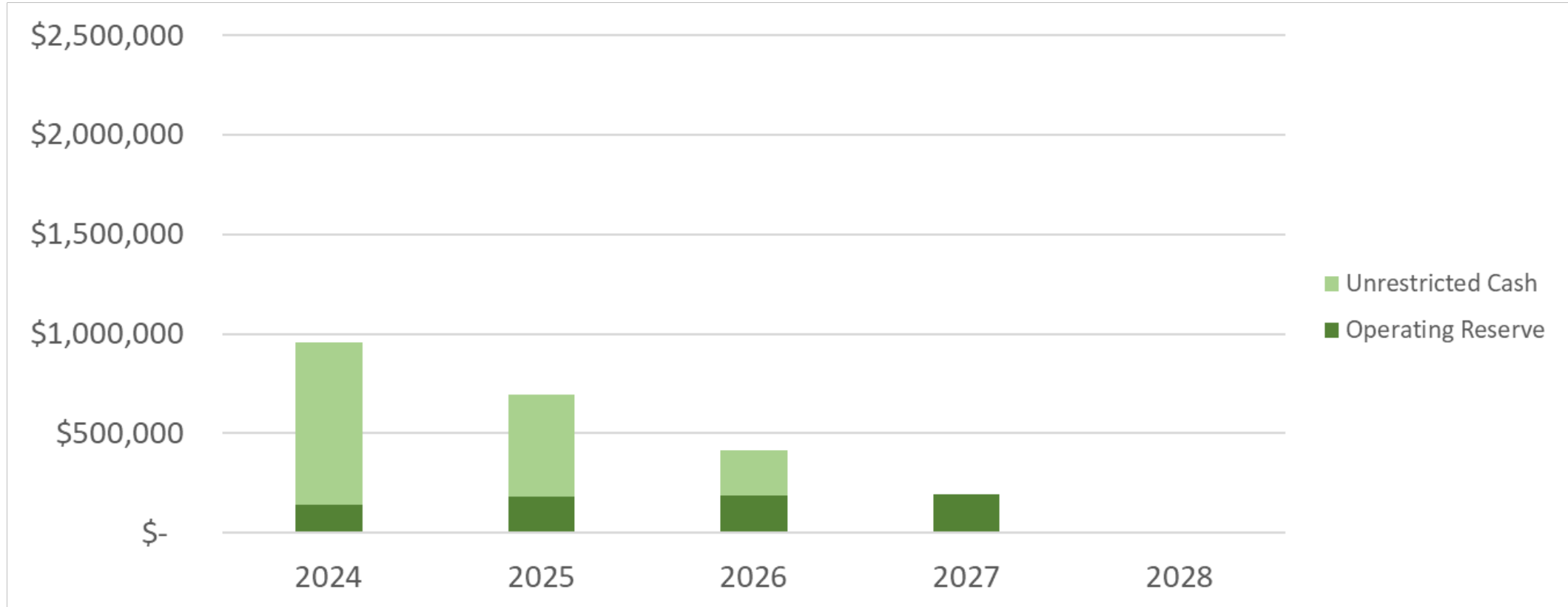
- 2024 Revenues came in over Budget but less than previous Rate Study projections
- 2025 Budget Revenues are \$25k lower than 2024 actuals
- 2024 Expenses exceeded Revenues
- 2024 Expenses were less than 2025 Budget
- All grant or Principal Forgiveness funding for capital projects

SEWER FUND: ALTERNATIVE 1 CASH FLOW



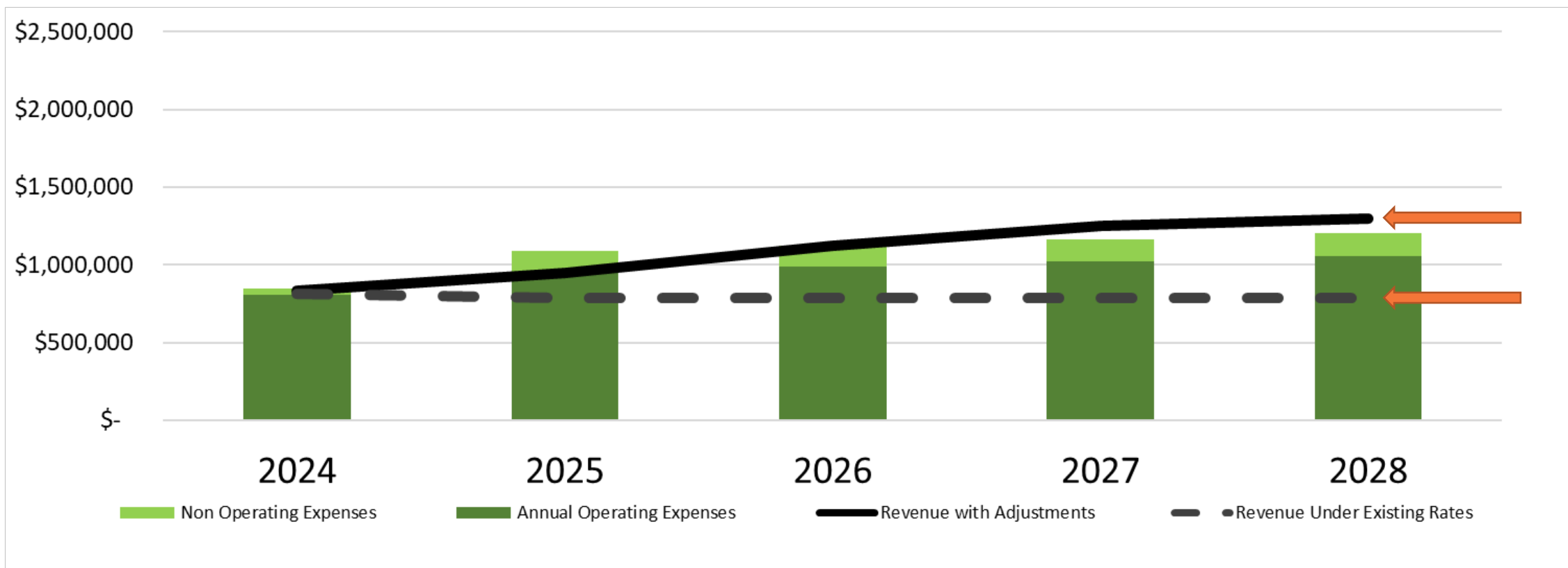
Conclusion: Revenue increases above CPI are needed to fund annual operating expenses.

SEWER FUND: ALTERNATIVE 1 CASH RESERVES



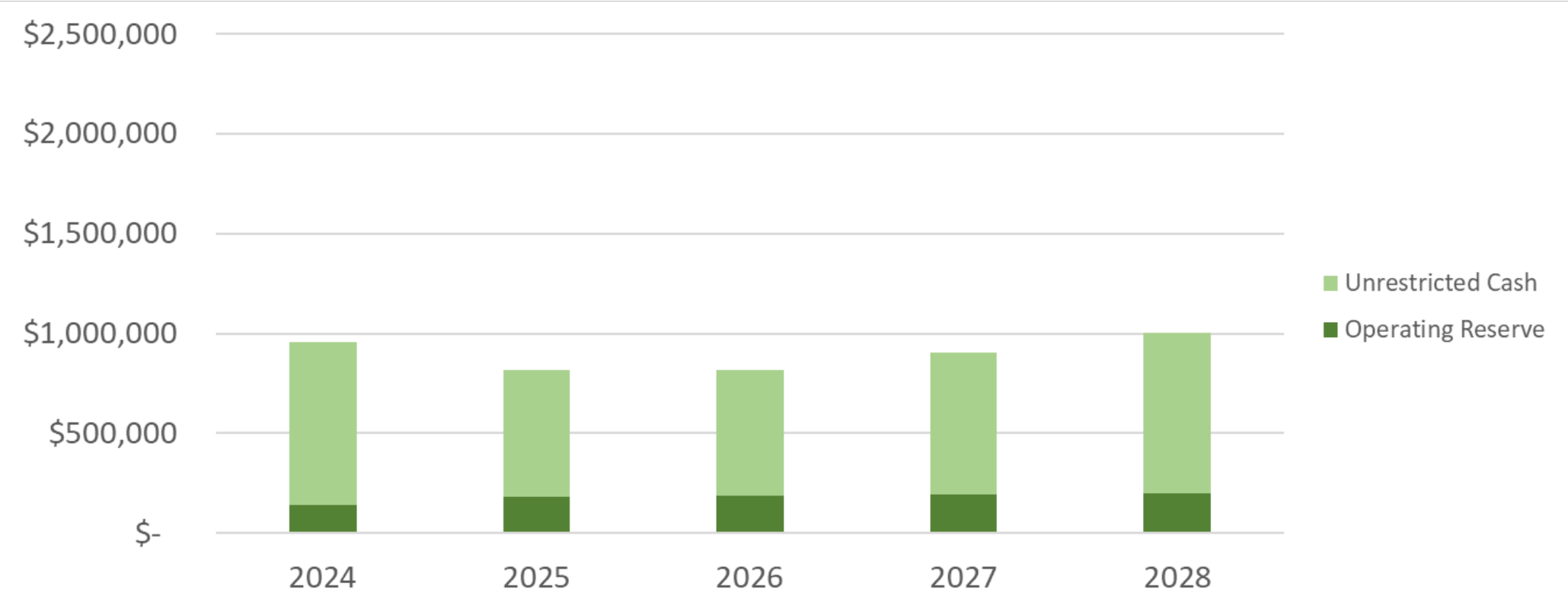
- Future Revenues do not cover future Expenses
- Any Capital Projects would need external funding source
- Fund runs out of reserves by CY 28

SEWER FUND: ALTERNATIVE 2 CASH FLOW



Conclusion: Additional revenue increases are needed to fund annual operating expenses.

SEWER FUND: ALTERNATIVE 2 CASH RESERVES



2024 Study’s recommendations will keep fund healthy through 2028

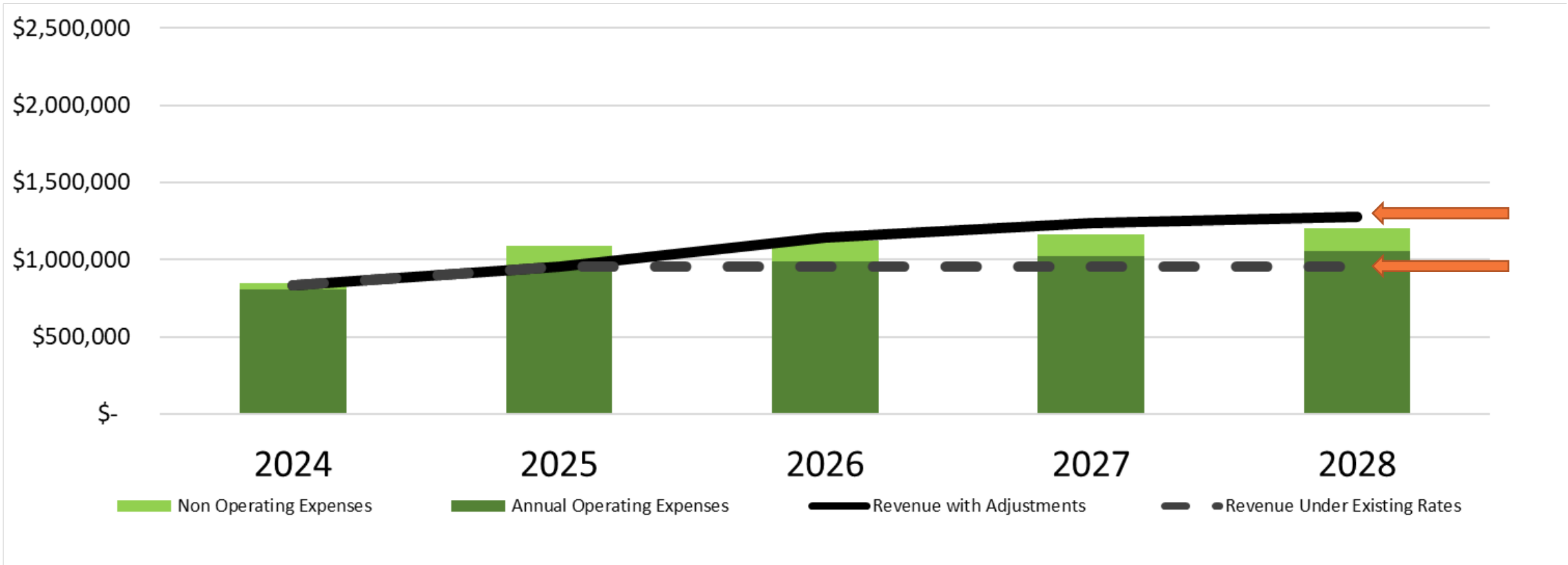
ALTERNATIVE 2 TAKEAWAYS

- 2024 Study Rate Adjustments appear to be sufficient.
- 18.7% adjustment should generate another \$148k in Rate Revenue
- 2025 Revenue Goal = \$948,730
- 2025 Budgeted Expense = \$1,088,652
- Alternative 2 adjusts rates “equally” for all customers

ALTERNATIVE 3 DATA

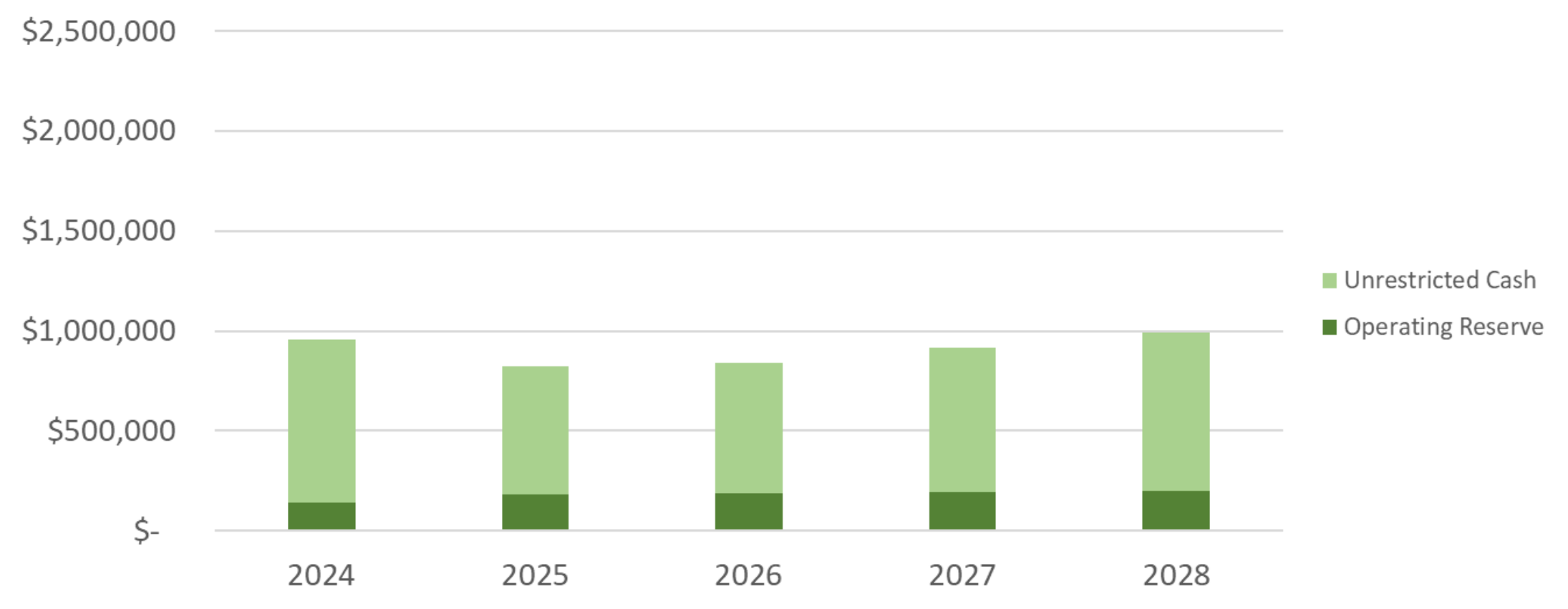
- Adjust Commercial differently from Residential
 - Commercial x 24% \$118 → 147
 - Residential x 12% \$57 → \$64
- Expected Revenue \$955,800 to \$990,151

SEWER FUND: ALTERNATIVE 3 CASH FLOW



Conclusion: Additional revenue increases are needed to fund annual operating expenses.

SEWER FUND: ALTERNATIVE 3 CASH RESERVES



24% Commercial + 12% Residential Adjustment in 2025 will work

2025 SEWER RATE SCHEDULE

Customer	Existing Rate	Alternative 1	Alternative 2	Alternative 3
		3%	18.7%	24% 12%
Commercial Wastewater Flat Rate	\$118.42	\$122	\$140	\$147
Commercial Wastewater Base Rate (Up to 6,000 Gallons)	\$57.18	\$59	\$68	\$71
Commercial Commodity Rate (per 1,000 gallons)	\$18.26	\$23	\$27	\$28
Residential Wastewater Flat Rate	\$57.18	\$59	\$68	\$64
Senior/Disabled Flat Rate	\$24.76	\$25	\$29	\$28

SOLID WASTE FUND

SOLID WASTE – PREVIOUS RECOMMENDATIONS

	2024	2025	2026	2027	2028
Revenue Adjustments + CPI	13.70%	13.70%	12.70%	3.70% (CPI)	3.70% (CPI)

SOLID WASTE – PREVIOUS RECOMMENDATIONS

	2024	2025	2026	2027	2028
Customer	13.7%	13.7%	12.7%	3.7%	3.7%
Dumpster Lease	\$30	\$34	\$38	\$40	\$41
Commercial Pick-Up Service	\$25	\$28	\$32	\$33	\$34
Landfill Drop-Off Commercial	\$10	\$11	\$13	\$13	\$14
Residential Pick-Up Services	\$46	\$52	\$59	\$63	\$63
Residential Pick-Up Elder Service	\$23	\$26	\$29	\$31	\$32

CAPITAL IMPROVEMENT PLAN

Project Name	Cost	Year
Baler Facility Upgrade	\$ 1,000,000	2025

This project will be funded by rate revenue and cash reserves for Alternatives 1, 2, and 3

Only 50% funded by rate revenue and cash reserves for Alternative 4

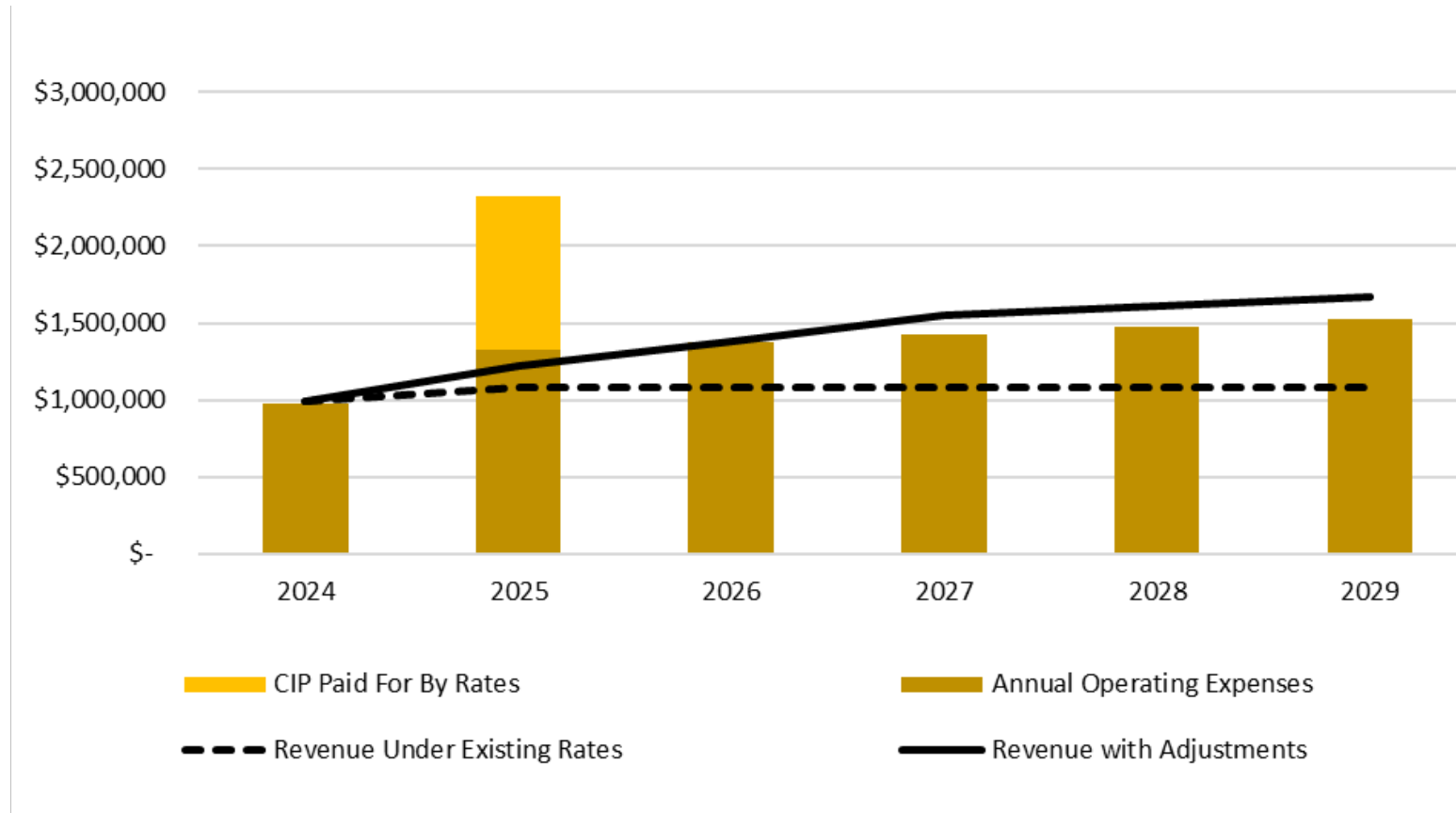
SOLID WASTE FUND ALTERNATIVES

- Alternative 1 – 2024 Recommendation
- Alternative 2 – Updated Recommendation
- Alternative 3 – Double Tipping Rate + 50% of 2025 Adjustment
- Alternative 4 – 50% Baler Facility + Double Tipping Rate

SOLID WASTE ALTERNATIVE 1 RATE SCHEDULE

		2025	2026	2027	2028	2029
Customer	Existing Rate	13.7%	13.7%	12.7%	3.7% (CPI)	3.7% (CPI)
Dumpster Lease	\$30	\$34	\$39	\$44	\$45	\$47
Commercial Pick-Up Service	\$25	\$28	\$32	\$36	\$38	\$39
Landfill Drop-Off Commercial	\$10	\$11	\$13	\$15	\$15	\$16
Residential Pick-Up Services	\$46	\$52	\$59	\$67	\$69	\$72
Residential Pick-Up Elder Service	\$23	\$26	\$30	\$33	\$35	\$36

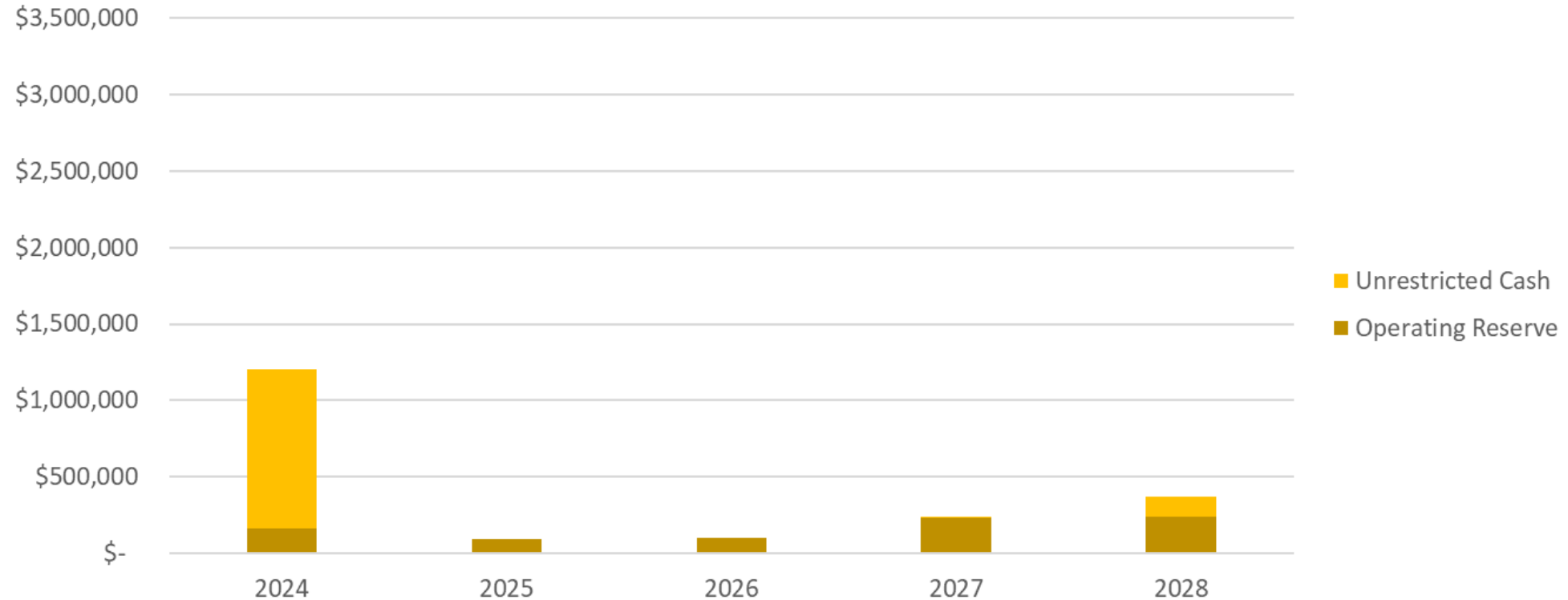
SOLID WASTE FUND: ALTERNATIVE 1 CASH FLOW



Takeaway:

- Revenue increases are needed to fund annual operating expenses.
- Baler Facility Upgrade is a significant expense.

SOLID WASTE FUND: ALTERNATIVE 1 CASH RESERVES

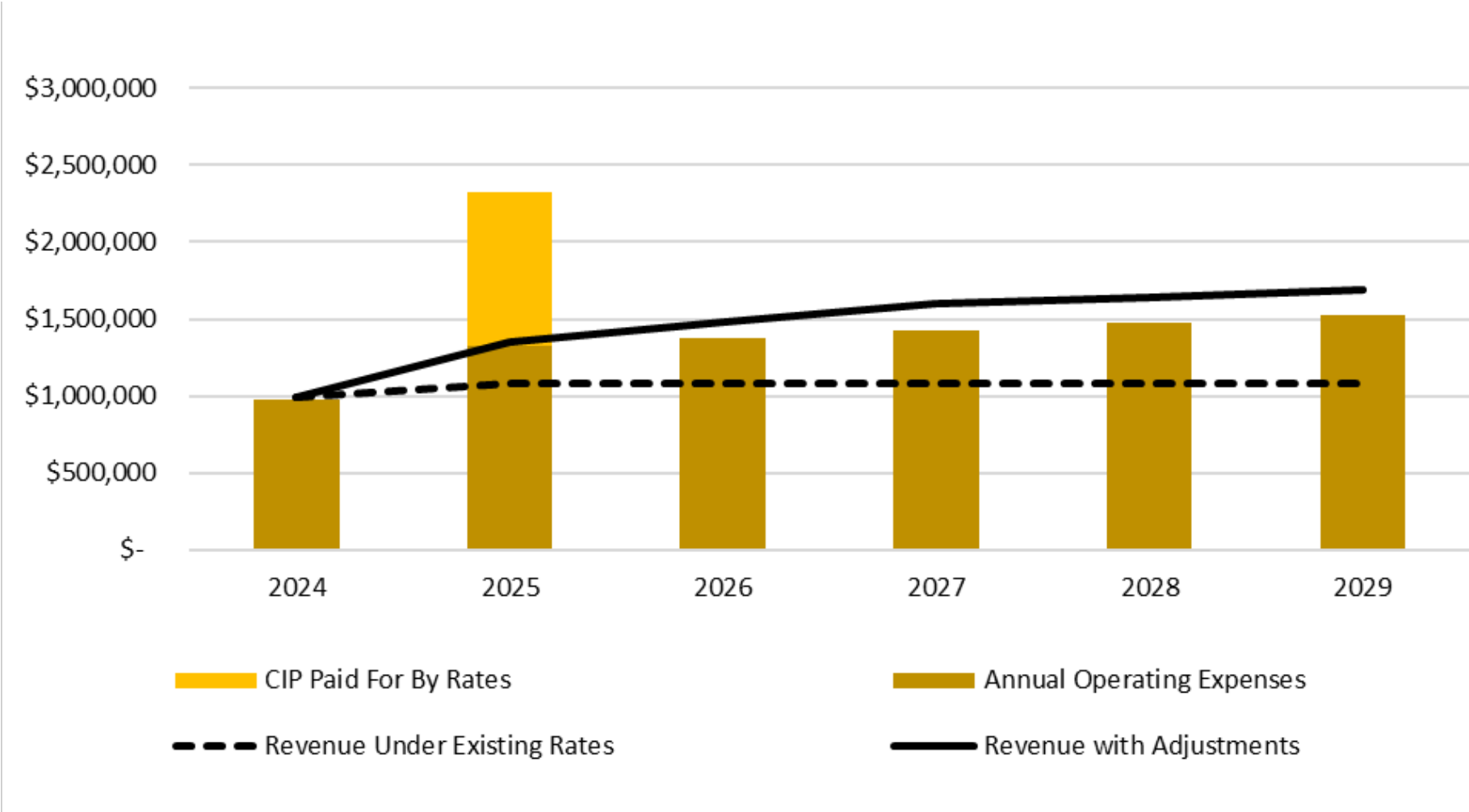


- Minimum Operating reserve not maintained in CY 25-27 (approx. \$225k).
- Utility must raise rates or fund the Baler Facility Upgrade project with external revenue source.

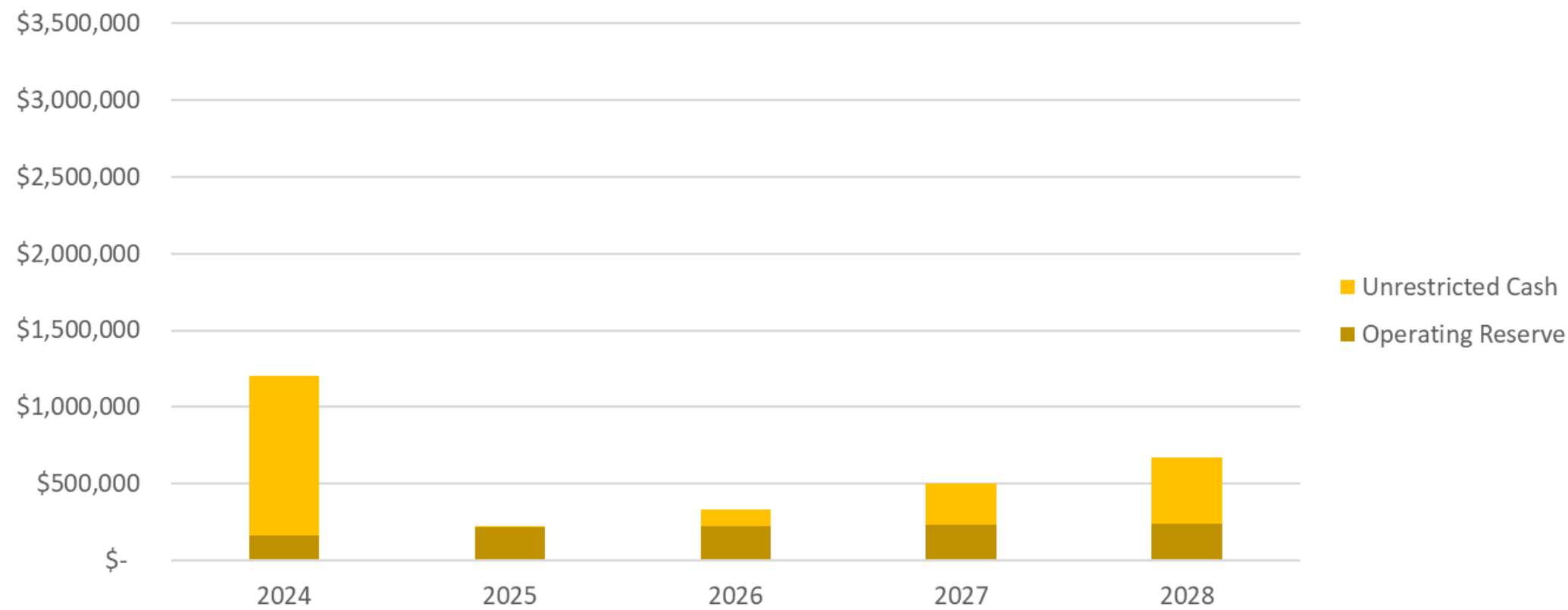
SOLID WASTE: ALTERNATIVE 2 RATE SCHEDULE

		2025	2026	2027	2028	2029
Customer	Existing Rate	26%	10%	8%	3% (CPI)	3% (CPI)
Dumpster Lease	\$30	\$38	\$42	\$45	\$46	\$48
Commercial Pick-Up Service	\$25	\$32	\$35	\$37	\$39	\$40
Landfill Drop-Off Commercial	\$10	\$13	\$14	\$15	\$15	\$16
Residential Pick-Up Services	\$46	\$58	\$64	\$69	\$71	\$73
Residential Pick-Up Elder Service	\$23	\$29	\$32	\$34	\$35	\$37

SOLID WASTE FUND: ALTERNATIVE 2 CASH FLOW



SOLID WASTE FUND: ALTERNATIVE 2 CASH RESERVES

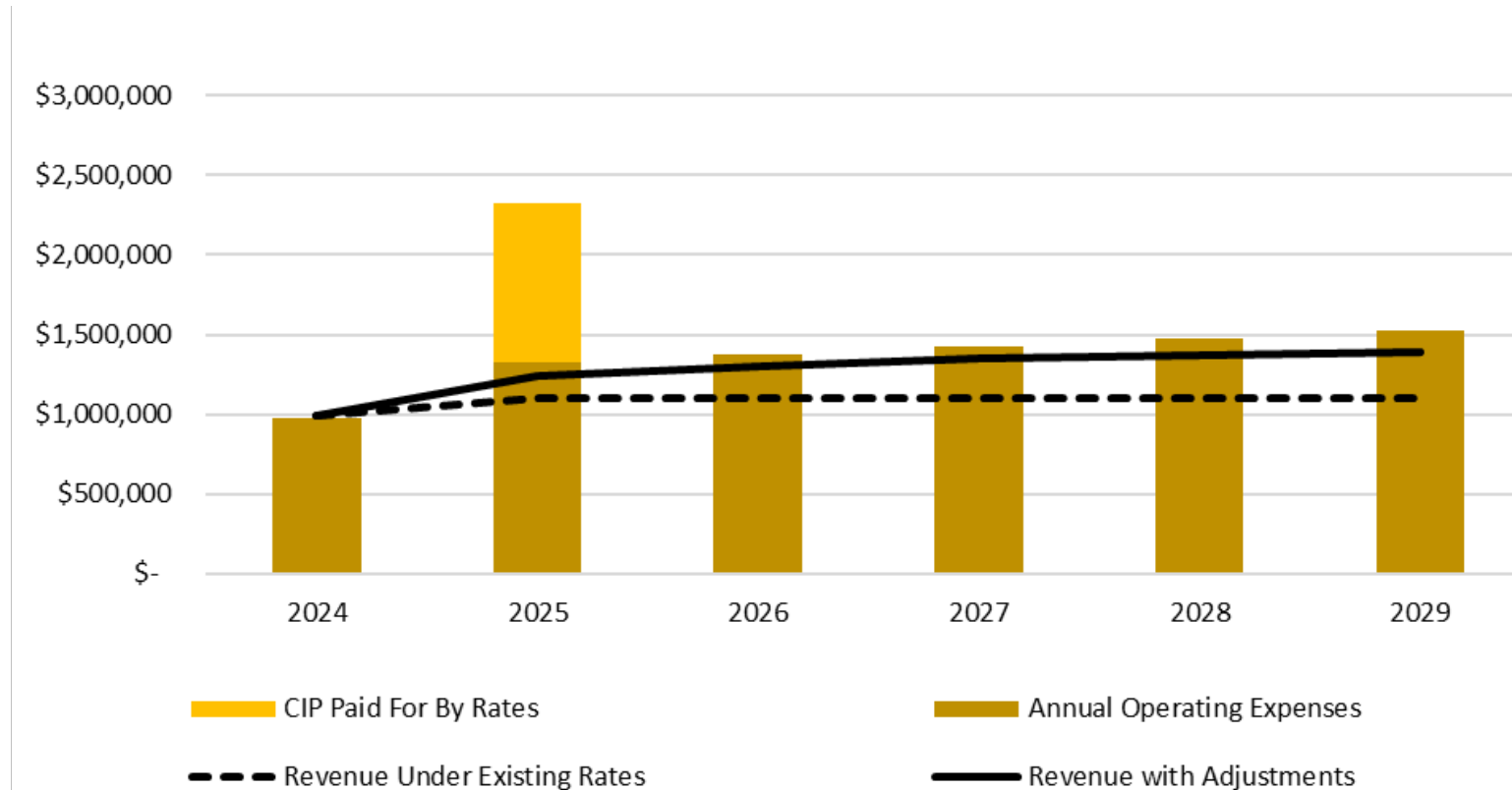


The City maintains an Operating Reserve of approximately \$225,000 in all years

SOLID WASTE FUND: ALTERNATIVE 3

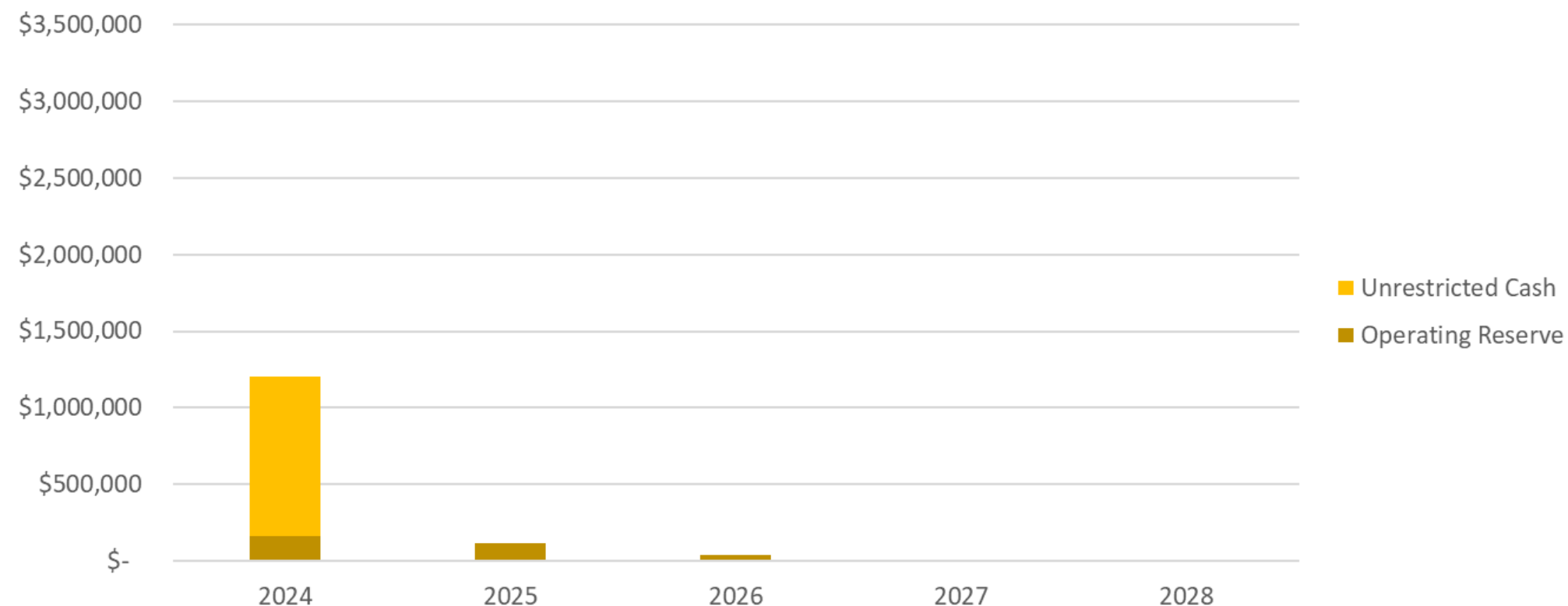
- Current Tipping Rate (i.e., drop-off rate) is low for AK
- What if we modified the Tipping Rate differently from the other customer rates?
- 2024 Baler Revenue was ~\$30k
- 2024 Residential Rate Revenue was ~\$350k
- Alternative adjusts all other rates at ½ of Alternative 2

SOLID WASTE FUND: ALTERNATIVE 3 CASH FLOW



Takeaway: Revenue increases are needed to fund capital project and annual operating expenses.

SOLID WASTE FUND: ALTERNATIVE 3 CASH RESERVES

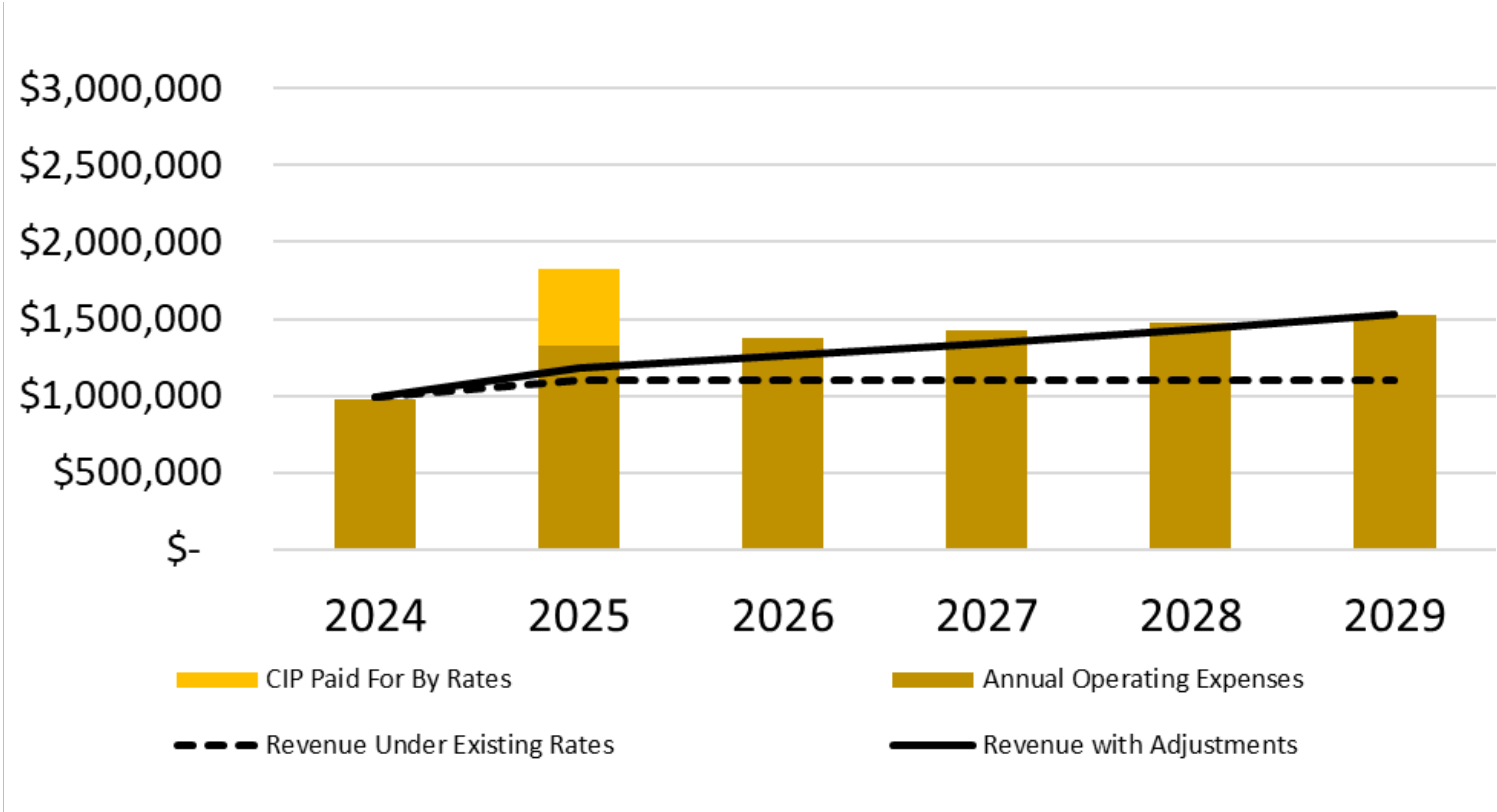


- Utility must raise rates or fund the Baler Facility Upgrade project with external revenue source.

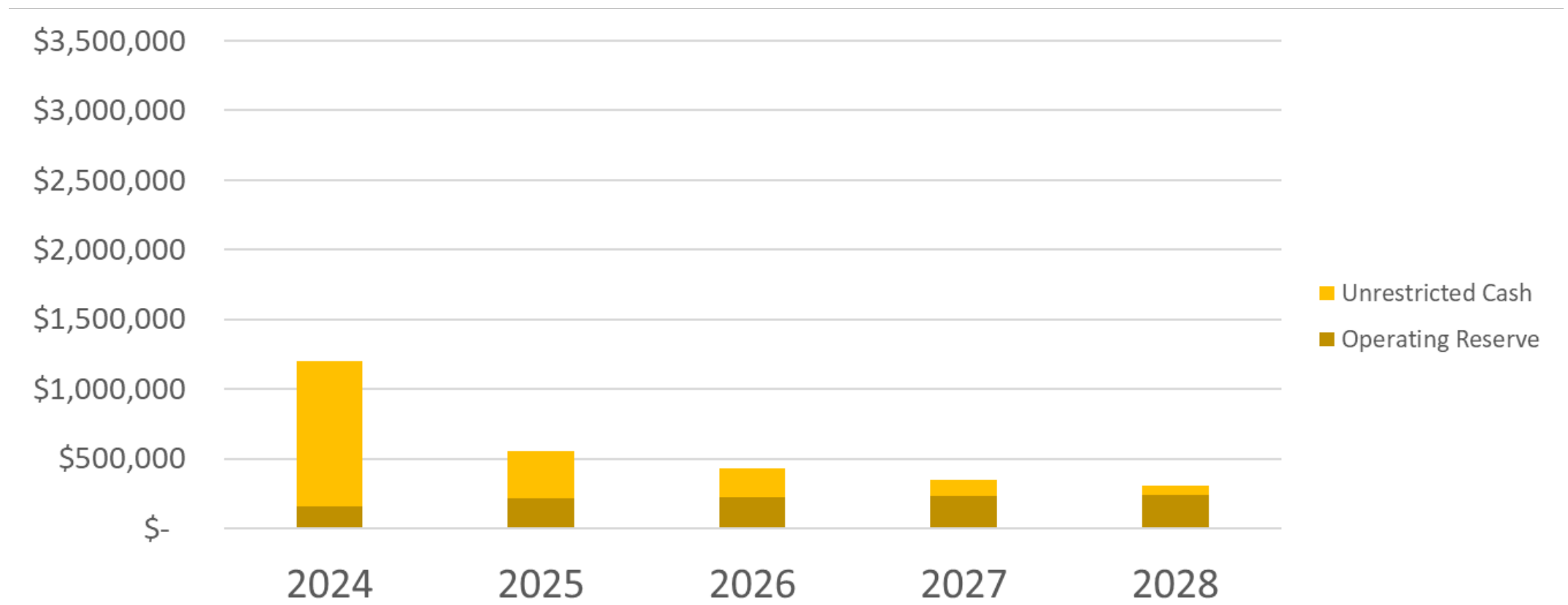
SOLID WASTE FUND: ALTERNATIVE 4

- 50% of Baler Facility funded from another source
- Same Tipping Rate as Alternative 3
- 7% rate increase compared to 14% (Alt 1) or 24% (Alt 2)

SOLID WASTE FUND: ALTERNATIVE 4 CASH FLOW



SOLID WASTE FUND: ALTERNATIVE 4 CASH RESERVES



Takeaway: Revenue increases are needed but at a much lower level if Baler Facility funding can come from a different source

SOLID WASTE ALTERNATIVE SUMMARY - 2025

	Dumpster Lease	Commercial Pick-Up Service	Landfill Drop-Off Commercial	Residential Pick-Up Services	Residential Pick-Up Elder Service
Current	\$30	\$25	\$10	\$46	\$23
Alternative 1	\$34	\$28	\$11	\$52	\$26
Alternative 2	\$38	\$32	\$13	\$58	\$29
Alternative 3	\$34	\$28	\$20	\$52	\$26
Alternative 4	\$32	\$27	\$20	\$49	\$25

2025 RECOMMENDATIONS

Water:
Alternative 1

2025	2026	2027	2028	2029
0%	0%	0%	0%	0%

Sewer:
Alternative 2

2025	2026	2027	2028	2029
19%	19%	12%	3.7% (CPI)	3.7% (CPI)

Solid Waste:
Alternative 4

2025	2026	2027	2028	2029
7%	7%	7%	7%	5%

AFFORDABILITY

Kotzebue MHI = \$101,071

Source	US EPA	ADEC	VSWP
Affordability (% of MHI)	4.5%	5%	See Matrix for Medium Burden
Annual Cost to Customers	\$4,548	\$5,054	\$2,616
Monthly Cost to Customers	\$379	\$421	\$218

AFFORDABILITY CONTINUED

Affordability Framework of the Village Safe Water Program (VSWP):

- **FCI Score** of 2.3 (Medium Burden) based on socioeconomic indicators such as households on SNAP, households below the poverty level, and the amount of working age adults with full time jobs.
- **RI Score** is 2.8% (Medium Burden) based on the percent burden on the lowest income, second lowest income, and middle income.
- **Existing Rates** are considered a medium burden
- **Proposed Rates** remains within the medium burden classification

The Affordability Framework

		Residential Indicator		
		Low Burden > 0% to ≤ 2%	Medium Burden > 2% to ≤ 5%	High Burden > 5%
Financial Capability Indicator	Strong > 2.5 to ≤ 3.0	Low Burden	Low Burden	Medium Burden
	Mid-Range > 1.5 to ≤ 2.5	Low Burden	Medium Burden	High Burden
	Weak ≥ 1.0 to ≤ 1.5	Medium Burden	High Burden	High Burden

COMBINED WATER AND SEWER RESIDENTIAL RATES

Fund	Existing	2025 Proposed
Water	\$ 101.46	\$ 101.00
Sewer	\$ 57.18	\$ 68.00
Combined	\$ 158.64	\$ 169.00

COMBINED WATER AND SEWER RATE COMPARISON (2020 DATA)

Utilities	Monthly Fees
Port Alsworth	\$ 479
Naknek	\$ 392
Sterling	\$ 355
Tazlina	\$ 316
Bethel	\$ 247
Nome	\$ 204
Utqiagvik	\$ 187
Kotzebue	\$ 169

THANK YOU...

Any Questions? Comments?