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Supplemental Packet

TO: MAYOR LORD AND CITY COUNCIL
FROM: AMY WOODRUFF, CITY CLERK
DATE: February 23, 2026
SUBJECT: SUPPLEMENTAL PACKET ITEMS

WORKSESSION AGENDA
DISCUSSION TOPIC(S)

a. Mid-Biennium Budget Discussions
Utility Rate Presentation **Page 2**
Memorandum CC-26-051 Utility Rate Structure — Monthly Minimum vs. Monthly Service Fee **Page 12**

COMMITTEE OF THE WHOLE AGENDA
DISCUSSION TOPIC/PRESENTATION(S)

a. Proposed Amendments to HCC § 4.35.020 Votes Required to be Elected.
Powerpoint Presentation **Page 15**

REGULAR MEETING AGENDA

ORDINANCES

a. Ordinance 26-16, an Ordinance of the City Council of Homer, Alaska Amending Homer City Code Title 4, Elections Sections 4.01.040 Date of Election, 4.01.100 Expense, 4.10.010 Declaration of Candidacy, 4.10.050 Prohibitions, 4.20.020 Voting Procedure at the Polls, 4.30.020 Eligibility, 4.30.060 Issuance of Ballot By Mail or in Person, 4.35.010 Review of Election Documents by Canvass Board, and 4.40.020 Runoff Election – Date and Notice. City Clerk. Recommended Dates Introduction February 23, 2026, Public Hearing and Second Reading March 9, 2026.
Public Comment Received **Page 24**

NEW BUSINESS

a. Memorandum CC-26-050 from Councilmember Davis, Update on Possible Direct Collection of Sales Tax by Airbnb.
Public Comment Received **Page 29**

Water and Sewer Rates Discussion
Worksession 2/23/26

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Talking Points

- Revisit Water/Wastewater Infrastructure
- Water and Sewer Rates: Structure Analysis
- Usage Demographics
- Rate Comparisons
- Wrap Up

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Water/Wastewater Infrastructure Values

Water Capital Infrastructure	Units		Unit Rate	Current Replacement Value
Water Mains	282,587	linear feet	$700	$197,810,900
Fire Hydrants	332	each	$20,000	$6,640,000
Pressure Reducing Stations	29	each	$200,000	$5,800,000
Pressure Boosting Stations	3	each	$200,000	$600,000
Raw Water Pump Station	1	each	$3,000,000	$3,000,000
Water Storage Tanks	4	each	$1,250,000	$5,000,000
Water Treatment Plant	1	each		$20,000,000
				$238,850,900

Wastewater Capital Infrastructure	Units		Unit Rate	Current Replacement Value
Wastewater Collection Pipe	291,456	linear feet	$400	$116,582,400
Wastewater Forcemain Pipe	61,248	linear feet	$300	$18,374,400
Wastewater Forcemain Pipe	61,248	linear feet	$300	$18,374,400
Sanitary Sewer Manholes	731	each	$10,000	$7,310,000
Wastewater Lift Stations	9	each	$800,000	$7,200,000
Wastewater Treatment Plant	1	each		$20,000,000
				$187,841,200

Current Replacement Values are in 2025 dollars

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Water/Wastewater Capital Infrastructure Investments Schedule

Water

	YEARS					
	2025 to 2035	2035 to 2045	2045 to 2055	2055 to 2065	2065 to 2075	2075 to 2085
Water Mains	$45,496,507	$45,496,507	$33,627,853	$21,759,199	$25,715,417	$25,715,417
Fire Hydrants	$2,500,000	$1,580,000	$1,620,000	$980,000	$1,620,000	$580,000
Pressure Reducing Stations	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$800,000
Pressure Boosting Stations	$200,000	$0	$200,000	$0	$200,000	$0
Raw Water Pump Station	$3,000,000	$0	$0	$3,000,000	$0	$0
Water Storage Tanks	$1,250,000	$1,250,000	$1,250,000	$0	$1,250,000	$0
Water Treatment Plant	$3,450,000	$3,450,000	$3,450,000	$3,450,000	$3,450,000	$3,450,000
Investment over 10-years	$56,896,507	$52,776,507	$41,147,853	$30,189,199	$33,235,417	$30,545,417
Suggested Investment annually (Calculated)	$5,689,651	$5,277,651	$4,114,785	$3,018,920	$3,323,542	$3,054,542

Wastewater

	YEARS					
	2025 to 2035	2035 to 2045	2045 to 2055	2055 to 2065	2065 to 2075	2075 to 2085
Wastewater Collection Pipe	$24,482,304	$13,989,888	$45,467,136	$9,326,592	$15,155,712	$8,160,768
Wastewater Forcemain Pipe	$6,125,000	$6,125,000	$6,125,000	$6,125,000	$6,125,000	$6,125,000
Sanitary Sewer Manholes	$1,535,100	$877,200	$2,850,900	$584,800	$950,300	$511,700
Wastewater Lift Stations	$4,800,000	$800,000	$0	$800,000	$1,600,000	$0
Wastewater Treatment Plant	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Investment over 10-years	$39,942,404	$24,792,088	$57,443,036	$19,836,392	$26,831,012	$17,797,468
Suggested Investment annually (Calculated)	$3,994,240	$2,479,209	$5,744,304	$1,983,639	$2,683,101	$1,779,747

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Water/Sewer Rate Considerations

- Per the City's schedule, we should be contributing/spending roughly $9.7M each year towards infrastructure for the next ten years.
  - Current combined Water/Sewer CARMA balance is $2.1M
- The City is relying on outside sources to fund major infrastructure repairs/replacements. Outside funding is becoming more difficult to source.

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Water and Sewer Rates: Structure Analysis

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Keep in Mind

- The following rate models are utilizing the FY26 budget and are not reflective of potential FY27 rates changes; will be updated once the FY26/27 mid-biennium budget is presented in April
  - The rate model and accompanying ordinance will “ride” with the budget ordinance and will be adjusted accordingly

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Existing Structure – No Monthly Service Fee

This rate model is reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

WATER Rate Model		
Revenues		
FY26 Operating Revenue Required - Water	$	2,193,141
CARMA Transfer Requirement		328,971
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(59,391)
Deduct Portion Collected through Service Fee		
Hydrant Rents (10% of Total)		(109,657)
Multi-Units ($5/unit/mo.)		(39,000)
Surplus Water Sales (Bulk) surcharge only		(89,459)
Revenue Required for Commodity Rate Calculation	$	2,224,605
Water Consumption (Gallons)		
Gross Meters Water Sales		135,288,200
Total Estimated Water Sales		135,000,000
Water Rates:		
Commodity Rate (per gal)	$	0.0165
Bulk Rate (per gal)	$	0.0205
Consumption Additional Information:		
FY24 Gross Meters Water Sales (Gallons)		135,288,200

SEWER Rate Model		
Revenues		
FY26 Operating Revenue Required - Sewer	$	1,876,145
CARMA Transfer Requirement		281,422
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(17,577)
Deduct Portion Collected through Service Fee		
Lift Stations Costs		(237,180)
Pumping Fee		(9,804)
Dumping Station Fees		(10,370)
Multi-Units ($5/unit/mo.)		(39,000)
Revenue Required for Commodity Rate Calculation	$	1,843,637
Sewer Usage (Gallons)		
Projected Billable Volume		77,000,000
Projected Billable Volume - Lift Zone Only		22,000,000
Total Projected Billable Volume		99,000,000
Sewer Rate		
Non-Lift Station Rate	$	0.0186
Lift Station Rate	$	0.0294
Lift Station Additional Information:		
FY24 Actually Billed Gallons (Lift-Station Zone Only)		21,909,500

CARMA transfer is 100% funded through commodity rate

Monthly Service Fees		
Water	$	-
Sewer	$	-
Total	$	-

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Scenario 1

This rate model is reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

WATER Rate Model		
Revenues		
FY26 Operating Revenue Required - Water	$	2,193,141
CARMA Transfer Requirement		328,971
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(59,391)
Deduct Portion Collected through Service Fee		(328,971)
Hydrant Rents (10% of Total)		(109,657)
Multi-Units ($5/unit/mo.)		(39,000)
Surplus Water Sales (Bulk) surcharge only		(89,459)
Revenue Required for Commodity Rate Calculation	$	1,895,634
Water Consumption (Gallons)		
Gross Meters Water Sales		135,288,200
Total Estimated Water Sales		135,000,000
Water Rates:		
Commodity Rate (per gal)	$	0.0140
Bulk Rate (per gal)	$	0.0180
Consumption Additional Information:		
FY24 Gross Meters Water Sales (Gallons)		135,288,200

SEWER Rate Model		
Revenues		
FY26 Operating Revenue Required - Sewer	$	1,876,145
CARMA Transfer Requirement		281,422
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(17,577)
Deduct Portion Collected through Service Fee		(281,422)
Lift Stations Costs		(237,180)
Pumping Fee		(9,804)
Dumping Station Fees		(10,370)
Multi-Units ($5/unit/mo.)		(39,000)
Revenue Required for Commodity Rate Calculation	$	1,562,215
Sewer Usage (Gallons)		
Projected Billable Volume		77,000,000
Projected Billable Volume - Lift Zone Only		22,000,000
Total Projected Billable Volume		99,000,000
Sewer Rate		
Non-Lift Station Rate	$	0.0158
Lift Station Rate	$	0.0266
Lift Station Additional Information:		
FY24 Actually Billed Gallons (Lift-Station Zone Only)		21,909,500

CARMA transfer is 100% funded through monthly service fee

Monthly Service Fees		
Water	$	12
Sewer	$	10
Total	$	22

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Scenario 2

This rate model is reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

WATER Rate Model		
Revenues		
FY26 Operating Revenue Required - Water	$	2,193,141
CARMA Transfer Requirement		328,971
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(59,391)
Deduct Portion Collected through Service Fee		(164,486)
Hydrant Rents (10% of Total)		(109,657)
Multi-Units ($5/unit/mo.)		(39,000)
Surplus Water Sales (Bulk) surcharge only		(89,459)
Revenue Required for Commodity Rate Calculation	$	2,060,119
Water Consumption (Gallons)		
Gross Meters Water Sales		135,288,200
Total Estimated Water Sales		135,000,000
Water Rates:		
Commodity Rate (per gal)	$	0.0153
Bulk Rate (per gal)	$	0.0193
Consumption Additional Information:		
FY24 Gross Meters Water Sales (Gallons)		135,288,200

SEWER Rate Model		
Revenues		
FY26 Operating Revenue Required - Sewer	$	1,876,145
CARMA Transfer Requirement		281,422
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(17,577)
Deduct Portion Collected through Service Fee		(140,711)
Lift Stations Costs		(237,180)
Pumping Fee		(9,804)
Dumping Station Fees		(10,370)
Multi-Units ($5/unit/mo.)		(39,000)
Revenue Required for Commodity Rate Calculation	$	1,702,926
Sewer Usage (Gallons)		
Projected Billable Volume		77,000,000
Projected Billable Volume - Lift Zone Only		22,000,000
Total Projected Billable Volume		99,000,000
Sewer Rate		
Non-Lift Station Rate	$	0.0172
Lift Station Rate	$	0.0280
Lift Station Additional Information:		
FY24 Actually Billed Gallons (Lift-Station Zone Only)		21,909,500

CARMA transfer is funded 50% through commodity rate and 50% through monthly service fee

Monthly Service Fees		
Water	$	6
Sewer	$	5
Total	$	11

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Scenario 3

This rate model is reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

WATER Rate Model		
Revenues		
FY26 Operating Revenue Required - Water	$	2,193,141
CARMA Transfer Requirement		438,628
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(59,391)
Deduct Portion Collected through Service Fee		
Hydrant Rents (10% of Total)		(109,657)
Multi-Units ($5/unit/mo.)		(39,000)
Surplus Water Sales (Bulk) surcharge only		(89,459)
Revenue Required for Commodity Rate Calculation	$	2,334,262
Water Consumption (Gallons)		
Gross Meters Water Sales		135,288,200
Total Estimated Water Sales		135,000,000
Water Rates:		
Commodity Rate (per gal)	$	0.0173
Bulk Rate (per gal)	$	0.0213
Consumption Additional Information:		
FY24 Gross Meters Water Sales (Gallons)		135,288,200

SEWER Rate Model		
Revenues		
FY26 Operating Revenue Required - Sewer	$	1,876,145
CARMA Transfer Requirement		375,229
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(17,577)
Deduct Portion Collected through Service Fee		
Lift Stations Costs		(237,180)
Pumping Fee		(9,804)
Dumping Station Fees		(10,370)
Multi-Units ($5/unit/mo.)		(39,000)
Revenue Required for Commodity Rate Calculation	$	1,937,444
Sewer Usage (Gallons)		
Projected Billable Volume		77,000,000
Projected Billable Volume - Lift Zone Only		22,000,000
Total Projected Billable Volume		99,000,000
Sewer Rate		
Non-Lift Station Rate	$	0.0196
Lift Station Rate	$	0.0304
Lift Station Additional Information:		
FY24 Actually Billed Gallons (Lift-Station Zone Only)		21,909,500

CARMA transfer is increased to 20% and 100% funded through commodity rate

Monthly Service Fees		
Water	$	-
Sewer	$	-
Total	$	-

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Scenario 4

This rate model is reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

WATER Rate Model		
Revenues		
FY26 Operating Revenue Required - Water	$	2,193,141
CARMA Transfer Requirement		438,628
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(59,391)
Deduct Portion Collected through Service Fee		(438,628)
Hydrant Rents (10% of Total)		(109,657)
Multi-Units ($5/unit/mo.)		(39,000)
Surplus Water Sales (Bulk) surcharge only		(89,459)
Revenue Required for Commodity Rate Calculation	$	1,895,634
Water Consumption (Gallons)		
Gross Meters Water Sales		135,288,200
Total Estimated Water Sales		135,000,000
Water Rates:		
Commodity Rate (per gal)	$	0.0140
Bulk Rate (per gal)	$	0.0180
Consumption Additional Information:		
FY24 Gross Meters Water Sales (Gallons)		135,288,200

SEWER Rate Model		
Revenues		
FY26 Operating Revenue Required - Sewer	$	1,876,145
CARMA Transfer Requirement		375,229
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(17,577)
Deduct Portion Collected through Service Fee		(375,229)
Lift Stations Costs		(237,180)
Pumping Fee		(9,804)
Dumping Station Fees		(10,370)
Multi-Units ($5/unit/mo.)		(39,000)
Revenue Required for Commodity Rate Calculation	$	1,562,215
Sewer Usage (Gallons)		
Projected Billable Volume		77,000,000
Projected Billable Volume - Lift Zone Only		22,000,000
Total Projected Billable Volume		99,000,000
Sewer Rate		
Non-Lift Station Rate	$	0.0158
Lift Station Rate	$	0.0266
Lift Station Additional Information:		
FY24 Actually Billed Gallons (Lift-Station Zone Only)		21,909,500

CARMA transfer is increased to 20% and 100% funded through monthly service fee

Monthly Service Fees		
Water	$	16
Sewer	$	14
Total	$	30

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Scenario 5

This rate model is reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

WATER Rate Model		
Revenues		
FY26 Operating Revenue Required - Water	$	2,193,141
CARMA Transfer Requirement		438,628
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(59,391)
Deduct Portion Collected through Service Fee		(219,314)
Hydrant Rents (10% of Total)		(109,657)
Multi-Units ($5/unit/mo.)		(39,000)
Surplus Water Sales (Bulk) surcharge only		(89,459)
Revenue Required for Commodity Rate Calculation	$	2,114,948
Water Consumption (Gallons)		
Gross Meters Water Sales		135,288,200
Total Estimated Water Sales		135,000,000
Water Rates:		
Commodity Rate (per gal)	$	0.0157
Bulk Rate (per gal)	$	0.0197
Consumption Additional Information:		
FY24 Gross Meters Water Sales (Gallons)		135,288,200

SEWER Rate Model		
Revenues		
FY26 Operating Revenue Required - Sewer	$	1,876,145
CARMA Transfer Requirement		375,229
Deduct Operating Fund Balance - Rate Buydown		0
Deduct Portion Collected through Other Revenues		(17,577)
Deduct Portion Collected through Service Fee		(187,615)
Lift Stations Costs		(237,180)
Pumping Fee		(9,804)
Dumping Station Fees		(10,370)
Multi-Units ($5/unit/mo.)		(39,000)
Revenue Required for Commodity Rate Calculation	$	1,749,829
Sewer Usage (Gallons)		
Projected Billable Volume		77,000,000
Projected Billable Volume - Lift Zone Only		22,000,000
Total Projected Billable Volume		99,000,000
Sewer Rate		
Non-Lift Station Rate	$	0.0177
Lift Station Rate	$	0.0285
Lift Station Additional Information:		
FY24 Actually Billed Gallons (Lift-Station Zone Only)		21,909,500

CARMA transfer is increased to 20% and 50% funded through commodity rate and 50% through monthly service fee

Monthly Service Fees		
Water	$	8
Sewer	$	7
Total	$	15

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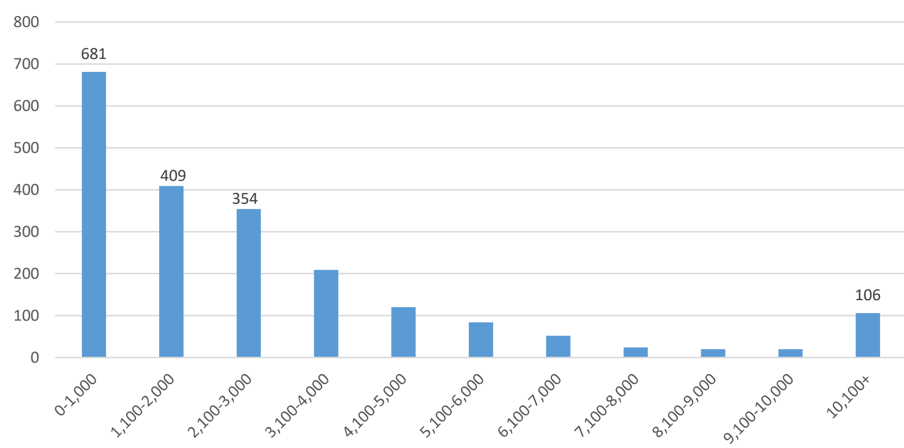
Customer Usage – January 2026



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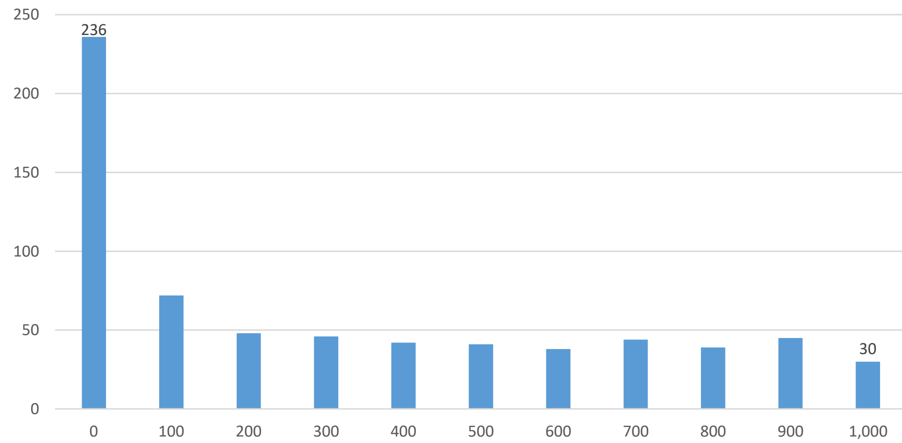
Customer Usage – January 2026
0-1,000 Gallons



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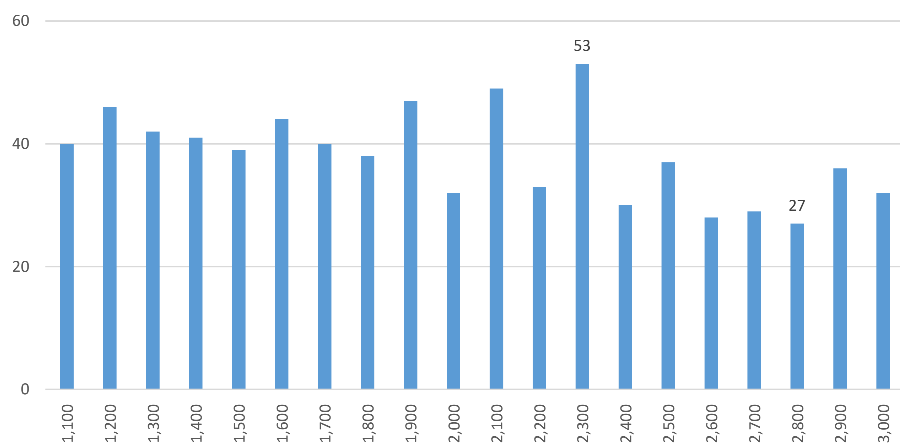
Customer Usage – January 2026
1,100-3,000 Gallons



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Existing Rate Comparisons - Volume

Volume Comparisons										
Consumption	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000
Water Rate	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165	0.0165
Sewer Rate*	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186
*Non-lift										
Charges:										
Water	16.50	33.00	49.50	66.00	82.50	99.00	115.50	132.00	148.50	165.00
Sewer	18.60	37.20	55.80	74.40	93.00	111.60	130.20	148.80	167.40	186.00
Service	0	0	0	0	0	0	0	0	0	0
Sales Tax	2.76	5.51	8.27	11.02	13.78	16.53	19.29	22.04	24.80	27.55
Total Bill	**$ 37.86**	**$ 75.71**	**$ 113.57**	**$ 151.42**	**$ 189.28**	**$ 227.13**	**$ 264.99**	**$ 302.84**	**$ 340.70**	**$ 378.55**

These rates are reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

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Rate Comparisons – Average Volume

Average Volume Comparisons	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	3,000	3,000	3,000	3,000	3,000	3,000
Water Rate	0.0165	0.0140	0.0153	0.0173	0.0140	0.0157
Sewer Rate*	0.0186	0.0158	0.0172	0.0196	0.0158	0.0177
*Non-lift						
Charges:						
Water	49.5	42.00	45.90	51.90	42.00	47.10
Sewer	55.80	47.40	51.60	58.80	47.40	53.10
Service	0	22	11	0	30	15
Sales Tax	8.27	8.74	8.52	8.69	9.37	9.04
Total Bill	**$ 113.57**	**$ 120.14**	**$ 117.02**	**$ 119.39**	**$ 128.77**	**$ 124.24**
Impact		**$ 6.58**	**$ 3.45**	**$ 5.82**	**$ 15.21**	**$ 10.68**

Scenario 1: CARMA transfer is funded by service fee and removed from commodity rate.

Scenario 2: CARMA transfer is funded by 50/50 split between commodity rate and service fee.

Scenario 3: CARMA transfer is increased to 20% and is funded in the commodity rate.

Scenario 4: CARMA transfer is increased to 20% and is funded by service fee and removed from commodity rate.

Scenario 5: CARMA transfer is increased to 20% and is funded by 50/50 split between commodity rate and service fee.

These rates are reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

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Rate Comparisons – Asset Management Model

	Asset Management Model - Rate Comparisons			
	Existing	Scenario 1	Scenario 2	Scenario 3
Consumption	3,000	3,000	3,000	3,000
Water Rate	0.0165	0.0562	0.0140	0.0351
Sewer Rate*	0.0186	0.0561	0.0158	0.0360
*Non-lift				
Charges:				
Water	49.5	168.60	42.00	105.30
Sewer	55.80	168.30	47.40	108.00
Service	0	0	360	180
Sales Tax	8.27	26.45	35.28	30.87
Total Bill	**$ 113.57**	**$ 363.35**	**$ 484.68**	**$ 424.17**
Impact		**$ 249.78**	**$ 371.11**	**$ 310.61**

Transfer Amounts:
- Water CARMA: $5,689,651
- Sewer CARMA: $3,994,240

Scenario 1: CARMA transfer is increased to fund investment schedule and is funded in the commodity rate.

Scenario 2: CARMA transfer is increased to fund investment schedule and is funded by service fee and removed from commodity rate.

Scenario 3: CARMA transfer is increased to fund investment schedule and is funded by 50/50 split between commodity rate and service fee.

These rates are reflective of FY26 adopted budget and will update accordingly with the FY26/27 mid-biennium budget

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Wrap Up

- Naming convention change to match industry terminology
  - Sewer to Wastewater –thoughts?
- Council discussion on path forward?
- No future Utility Rate Worksessions are currently scheduled
  - FY26/27 Mid-Biennium Budget and Utility Rate Model will be presented to City Council on April 27, 2026
  - Establishment of Water/Sewer rates for FY27 will be introduced via Ordinance on May 11th and will "ride" with budget ordinance until adoption

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MEMORANDUM

CC-26-051

Utility Rate Structure — Monthly Minimum vs. Monthly Service Fee

Item Type:	Informational Memorandum
Prepared For:	Mayor Lord and Homer City Council
Date:	February 21, 2026
From:	Councilmember Davis

SUMMARY:
This memo outlines the policy rationale for preferring a monthly minimum bill rather than a fixed monthly service fee as the mechanism for ensuring that vacant properties contribute toward the fixed costs of Homer's water and sewer system.

BACKGROUND:

Homer's current utility model is volumetric, meaning customers pay based on gallons used. Because many homes sit vacant for extended periods, some accounts generate little or no revenue while still benefiting from system availability and capital investment.

Two policy tools for addressing this have been discussed:

1. A monthly service fee applied to all accounts; or

2. A monthly minimum bill, where customers pay at least a fixed amount, or their usage charge if higher.

3. **Revenue Predictability**
   The revenue generated by a monthly service fee can be calculated with high certainty because the City knows the number of active accounts and billing months per year. By contrast, revenue from a monthly minimum bill is inherently less predictable because it depends on how many customers fall below the threshold, and by how much, in any given month. Seasonal occupancy patterns, tourism variability, and conservation efforts can all affect this number. Accordingly, a minimum-based system would require estimating expected revenue initially and then adjusting volumetric rates annually based on hard data.
4. (Note: In interpreting PWD Slide 15, *Customer Usage Jan. 2026 0-1000 gallons*, many of the non-zero users likely represent vacant properties. A toilet flapper valve or faucet releasing

one drop per second consumes roughly 200 gallons per month, rising to 600+ gallons if dripping quickly, whether due to a leak or an attempt to avoid frozen pipes.)

5. **Equity Considerations**
   A fixed monthly service fee applies equally to every account regardless of consumption. Because lower-volume households pay less in volumetric charges, a fixed fee represents a larger share of their total bill and therefore functions regressively.
6. In addition, under a service-fee model, lower use customers effectively subsidize heavy users: the added fixed revenue lowers the per-gallon rate charged, meaning high-volume users receive a larger dollar benefit from the reduced rate than low-volume users, even though both pay the same fixed charge.
7. In practical terms, this means a flat service fee shifts system costs toward the lowest-use households while reducing bills significantly for the highest-use customers.

   The table below illustrates how a $22 monthly service fee (Slide 9 in the PWD presentation), paired with reduced volumetric rates, affects customers at different usage levels.

Monthly Water & Sewer Bills — $22 Service Fee Scenario

Monthly Usage (gallons)	Current Bill Water $0.0165/gal Sewer $0.0186/gal	New Bill (+$22 fee) Water $0.0140/gal Sewer $0.0158/gal	Change ($)	Change (%)
1,000	$35.10	$51.80	+16.70	+47.6%
3,000	$105.30	$111.40	+6.10	+5.8%
5,000	$175.50	$171.00	-4.50	-2.6%
10,000	$351.00	$320.00	-31.00	-8.8%

8. **Possible Hybrid Approach**
   With a monthly minimum, the very lowest users could still end up subsidizing high volume consumers, because they pay more (to meet the minimum) while the highest users pay less per gallon than they would otherwise. This could potentially be addressed through a hybrid structure in which higher-volume users (for example, those exceeding 5,000 or 7,500 gallons per month) are subject to a service-fee component. Because heavy users benefit the most from reductions in per-gallon rates, their overall bill under such a hybrid approach could remain similar to or lower than under the current fully volumetric system, while ensuring upkeep costs are shared more proportionally.
9. **Conclusion**
   Both the service fee and monthly minimum approaches would increase participation from vacant properties and improve revenue stability. However, a monthly minimum bill more precisely targets under-contributing accounts while avoiding disproportionate impacts on smaller and average-volume year-round households. Council should consider whether a

monthly minimum-based approach, potentially combined with a targeted hybrid structure, would better align system funding with principles of fairness and proportional cost sharing.

HCC 4.35.020 VOTES REQUIRED TO BE ELECTED

1

The number of candidates for an office equal to the number of vacancies to be filled who receive the highest number of votes for the office shall be elected; provided, that:

a. To be elected to the office of Mayor or to fill a specific vacant council seat, a candidate must receive at least the plurality of the votes cast for that seat. The plurality of the vote that is required for a candidate to be elected to the office of Mayor or to fill a specific vacant council seat shall be based on the number of qualified candidates who filed declarations of candidacy that remain in effect on the date of the election as follows:

Number of candidates	Percentage of vote
Less than five	40%
Five or more	35%

b. To be elected to the Council, a candidate must receive at least the plurality of the total votes cast for all candidates for Council. The plurality of the vote that is required for a candidate to be elected to the Council shall be based on the number of qualified candidates who filed declarations of candidacy that remain in effect on the date of the election as follows:

Number of candidates	Percentage of vote
Less than five	20%
Five or more	17.5%

c. When filling a vacancy under HCC 2.08.050 the following sections will apply:

1. For a single vacant Council seat or a vacancy in the office of Mayor, votes will be counted according to subsection (a) of this section;

2. For two vacant Council seats that are vacated with different terms, votes will be counted according to subsection (a) of this section;

3. For two vacant Council seats that are vacated with the same term, votes will be counted according to subsection (b) of this section. [Ord. 18-52 § 1, 2019; Ord. 16-01(A)(S) § 4, 2016].

HOMER CITY CODE 4.35.020 VOTES REQUIRED TO BE ELECTED.

2

ALASKA STATUTE 29.26.060 - RUNOFF ELECTIONS

Sec. 29.26.060. Runoff elections.
(a) Unless otherwise provided by ordinance, a runoff election shall be held if no candidate receives over 40 percent of the votes cast for the office of
(1) mayor; or

(2) member of the governing body or school board if candidates run for a designated seat.

(b) Unless otherwise provided by ordinance, if candidates for the governing body or school board run at large, a runoff election for a seat shall be held if no candidate receives a number of votes greater than 40 percent of the total votes cast for all candidates divided by the number of seats to be filled.

(c) Unless otherwise provided by ordinance, a runoff election shall be held within three weeks after the date of certification of the election for which a runoff is required, and notice of the runoff election shall be published at least five days before the election date. The runoff election shall be between the two candidates receiving the greatest number of votes for the seat.

3

WHAT IS THE PROBLEM WE ARE WORKING TO SOLVE?

- “Elections can be confusing, and we want to be sure people understand the results”?
- “We want to reconsider the requirement of a plurality to win an election”?
- Something else?

4

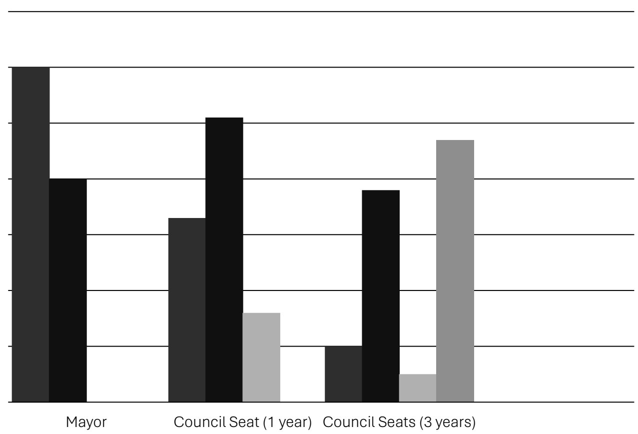
GROUND RULES

- There is no mathematically perfect election system.
- We want any changes we make to be legitimate under State statute and City Code.
- Setting election policy sometimes means deciding between straightforward rules and complicated rules that policymakers have decided make elections more fair.
- We have to be careful when we are changing the math; logical choices may have outcomes that are not intuitive
- The Clerk’s office is committed to clear communication to help the public and the press understand City election policy, how votes are counted, and election results.
- Council - What else is important to keep in mind ?

5

ELECTIONS: EXPECTATIONS VS REALITY

6

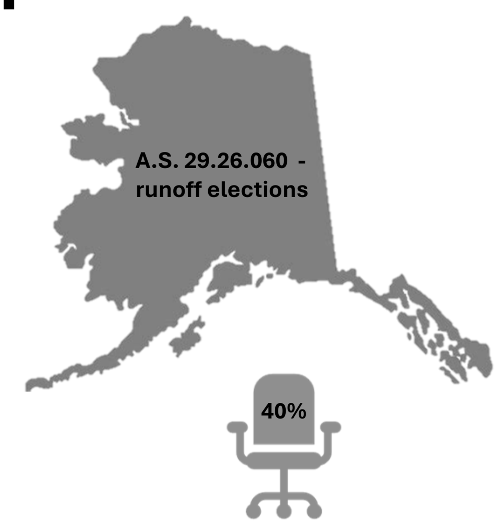


Expectation: Whoever gets the most votes wins.

7

Unless otherwise provided by ordinance,

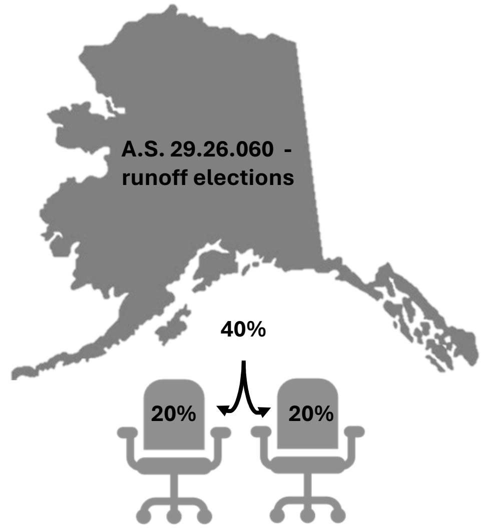
if candidates for the governing body or school board run at large, a runoff election for a seat shall be held if no candidate receives a number of votes greater than 40 percent of the total votes cast for all candidates divided by the number of seats to be filled.



8

Unless otherwise provided by ordinance,

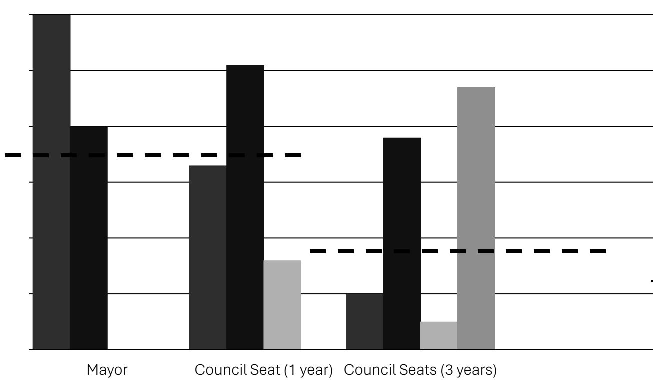
if candidates for the governing body or school board run at large, a runoff election for a seat shall be held if no candidate receives a number of votes greater than 40 percent of the total votes cast for all candidates divided by the number of seats to be filled.



9

HOMER CITY CODE 4.35.020 VOTES REQUIRED TO BE ELECTED.

40%



20%

~~Whoever gets the most votes wins.~~

Candidates need to meet a minimum threshold to win.

10

Let's look at an example.

11

MEET YOUR CANDIDATES
CITY COUNCIL – TWO OPEN SEATS

12

1500 VOTERS

IN THIS RACE, EACH VOTER MAY PICK 2 CANDIDATES

2,748 VOTES

(252 VOTERS ONLY VOTED ONCE)

13

VOTE COUNTS

436 Votes

561 Votes

540 Votes

1,212 Votes

14

	Option 1: No change At least 20% of total votes cast (2,748)	Option 2: At least 40% of (total votes cast ÷ 2) (2,748 ÷ 2 = 1374)	Option 3: At least 40% of ballots cast (1,500 voters)
 1,212 Votes	1212 ÷ 2748 = 44.1% ✓	1212 ÷ 1374 = 88.2% ✓	1212 ÷ 1500 = 80.8% ✓
 561 Votes	561 ÷ 2748 = 20.4% ✓	561 ÷ 1374 = 40.8% ✓	561 ÷ 1500 $\boxed{= 37.4\%}$
 540 Votes	540 ÷ 2748 = 19.7%	540 ÷ 1374 = 39.3%	540 ÷ 1500 = 36.0%
 436 Votes	435 ÷ 2748 = 15.8%	435 ÷ 1374 = 31.7%	435 ÷ 1500 = 29.0%

15

Does Council feel that a change will improve communications about election results?

16

Does Council want to change election calculations so that voters who choose to vote for one or zero candidates can affect election results?

17

From:	mary griswold
To:	Amy Woodruff
Subject:	Ord 26-16 elections comments
Date:	Monday, February 23, 2026 8:43:17 AM
Attachments:	Kenai election results.pdf

(please include these comments and the attached Kenai election results in the CC supplemental packet)

Ordinance 26-16 Elections

Memo CC 26-048 requests Council direction regarding City Code 4.35.020 Votes required to be elected. The memo presents two options for calculating percentages of votes per candidate. Option 1 (page 45 in the packet) is what is now in code. Option 2 (page 46 in the packet) changes the calculation for contests for two at large seats. Council member Davis suggests other calculation methods in his memo CC 26-049 on page 50 in the council packet.

I urge you to keep Option 1.

“Option 1: Retain existing percentage thresholds specified in code where the percentages are calculated based on all votes cast in the race. For a race with only one seat available and fewer than 5 candidates, the threshold is 40%. For a race with two seats available and fewer than five candidates, the threshold is 20%.” (from CC memo 26-048)

This is straight forward and accurate. The sum of percentages for each candidate adds up to 100% of the total number of votes. It is the normal practice across the Kenai Peninsula Borough and beyond to calculate the percentage of votes for each candidate based on its number of votes received divided by the total number of votes cast in that contest.

I have attached the recent City of Kenai election results. They elect council members the same way we do. Our results are currently very similarly computed. There were 976 cards cast (ballots) in the Kenai election. Candidates for council received 36.81%, 29.27%, 31.83% and 2.09% write-ins. These percentages add up to 100% of votes cast.

Similar to Homer, not all Kenai voters voted for two candidates. If all 976 voters had voted for two council candidates, there would have been 1952 total votes cast instead of the actual total votes cast of 1486. Homer had 1358 voters. 1304 votes were cast for the single council seat. 2390 votes were cast for the 2-seat contest. If all voters had voted for 2 in the 2-seat contest there would have been 2716 votes.

Election results must reflect the percentage of votes cast for each candidate compared to the number of total votes cast for that contest. For Homer, this is important to make sure the winning candidates meet the required percentage threshold to avoid a run-off.

Council member Davis suggests that Homer’s tabulation makes the candidates’ percentages look low. This is true when compared with a single-seat contest. But it is just the way the math works.

If all voters in an election such as Homer's voted for the same two candidates for two seats, 50% is the largest percentage of the total votes cast either candidate could get. And the total of the two candidates' percentages would add up to 100%. One vote of two from every voter to each candidate.

Option 2 does not accurately compute the percentages. By dividing each candidate's votes by half the number of total votes doubles each candidate's percentage and also doubles the total percentage of votes to 200%. The individual percentages should add up to 100% because that is all there is.

If the percentages in Option 2 were expressed in a pie chart, it would require two pies. This is not how the math works.

No jurisdiction on the Kenai Peninsula, or anywhere else I am aware of, calculates election results in a way where the total percentage of votes cast adds up to 200%-- twice the whole.

In fact, when Homer used the calculations in Option 2, the Homer News put an asterisk by its report of Homer election results, explaining that Homer did things differently, because so many people called them saying the percentages just didn't add up.

If Homer used the number of ballots (1358) as the denominator as suggested by Council member Davis, the results are not valid.
The candidates in the 2- seat contest would have captured 59%, 50%, 37%, 29%, and 1% write-ins adding up to 176% of the number of ballots. We do not know which ballots contained zero or only one vote. We cannot verify the accuracy of the count. These percentages also add up to more than 100%.

In the single seat contest, the candidates would have captured 59%, 36%, and 1% write-ins, adding up to 96% of the number of ballots. With a single seat contest, we deduce that 4% of the ballots did not contain a vote. But we do not count non-votes so there is no way to verify the results.

The number of each candidate's votes received divided by the total number of votes cast is the accurate calculation to determine the percentages received for each candidate. And the total of those individual percentages will always add up to the whole of 100%.

Please conform to accurate vote calculations and continue with Option 1 in certifying Homer's elections.

CITY OF KENAI
ELECTION SUMMARY REPORT
OCTOBER 7, 2025 OFFICIAL RESULTS

SUMMARY OF ALL CITY OF KENAI PRECINCTS

CITY OF KENAI JURISDICTION WIDE	Registered Voters: 6,587	Cards Cast: 976		14.81%
Kenai City Mayor *(Vote for One)*	**Polling Site**	**Absentee / Questioned**	**Total Votes**	
KNACKSTEDT, Henry H.	458	116	574	59.99%
DOUTHIT, Alexander 'Alex'	326	52	378	39.49%
Write-in	5	0	5	.52%
Kenai City Council *(Vote for Two)*	**Polling Site**	**Absentee / Questioned**	**Total Votes**	
ASKIN, Victoria	445	102	547	36.81%
PETTEY, Glenese	334	101	435	29.27%
GRIEME, Bridget	402	71	473	31.83%
Write-in	25	6	31	2.09%

INDIVIDUAL SUMMARY REPORTS BY LOCATION

Kenai No. 1 (07-015)	Registered Voters: 3,256	Cards Cast: 370	11.36%
Kenai City Mayor *(Vote for One)*		**Polling Site**	
KNACKSTEDT, Henry H.		201	55.37%
DOUTHIT, Alexander 'Alex'		162	44.63%
Write-in		0	0%
Kenai City Council *(Vote for Two)*		**Polling Site**	
ASKIN, Victoria		197	35.50%
PETTEY, Glenese		149	26.85%
GRIEME, Bridget		198	35.68%
Write-in		11	1.97%

CITY OF KENAI
ELECTION SUMMARY REPORT
OCTOBER 7, 2025 OFFICIAL RESULTS

Kenai No. 2 (07-020)	Registered Voters: 1,767	Cards Cast: 193	10.92%
Kenai City Mayor *(Vote for One)*		**Polling Site**	
KNACKSTEDT, Henry H.		105	54.69%
DOUTHIT, Alexander 'Alex'		84	43.75%
Write-in		3	1.56%
Kenai City Council *(Vote for Two)*		**Polling Site**	
ASKIN, Victoria		110	37.16%
PETTEY, Glenese		75	25.34%
GRIEME, Bridget		101	34.12%
Write-in		10	3.38%

Kenai No. 3 (07-025)	Registered Voters: 1,564	Cards Cast: 239	15.28%
Kenai City Mayor *(Vote for One)*		**Polling Site**	
KNACKSTEDT, Henry H.		152	64.96%
DOUTHIT, Alexander 'Alex'		80	34.19%
Write-in		2	.85%
Kenai City Council *(Vote for Two)*		**Polling Site**	
ASKIN, Victoria		138	38.87%
PETTEY, Glenese		110	30.99%
GRIEME, Bridget		103	29.01%
Write-in		4	1.13%

CITY OF KENAI
ELECTION SUMMARY REPORT
OCTOBER 7, 2025 OFFICIAL RESULTS

Absentee, Questioned and Personal Needs Cards Cast: 172

Kenai City Mayor *(Vote for One)*	**Absentee / Questioned**	
KNACKSTEDT, Henry H.	116	69.05%
DOUTHIT, Alexander ‘Alex’	52	30.95%
Write-in	0	0%

Kenai City Council *(Vote for Two)*	**Absentee / Questioned**	
ASKIN, Victoria	102	36.43%
PETTEY, Glenese	101	36.07%
GRIEME, Bridget	71	25.36%
Write-in	6	2.14%

Hello Council,

This letter is in response to the memo “Update on Possible Direct Collection of Sales Tax by Airbnb.”

I would like to submit another consideration regarding revenue collection from short-term rentals by a city. While I agree that sales tax compliance is important, there is an advantage to collecting more of the revenue from short-term rentals through annual administrative fees rather than from taxes.

Any tax or fee put on short-term rentals will increase the cost of operating a short term rental. This will be reflected in the price and, as a result, consumers will book fewer rental nights. A tax will apply to all short-term rentals equally, so it will make them all less efficient (fewer nights booked per year). A fee, especially paired with a cap on the number of licenses, will shrink the pool of operating rentals. Some rentals will drop out of the market and others will operate more efficiently.

Here is a simplified example for a hypothetical town with 100 Airbnb units in a market with unit elasticity of demand for rental nights (*i.e.*, when the cost of a rental night goes up 1%, demand goes down 1%).

	Status Quo	Tax	Fee
# of Units	100	100	67
Avg Nights/Year	50	40	~60
Total Nights	5,000	4,000	4,000
Tax/Fee Rate	0	0	$2,388/year
Avg Price/Night	$200	$200	$200
Avg Tax or Fee/Night	$0	$40	$40
Revenue		$160,000	$160,000

In this hypothetical example, the tax and fee are equivalent in terms of the revenue raised and the reduction in the number of visitor-nights. The biggest difference is that in the tax scenario, 100 STRs continue to operate and in the fee scenario, 33 STRs leave the market.

The fee scenario is better from many perspectives:

- It is better for the town government because it is easier to administer.
- It is better from a workforce housing perspective because 33 units exit the STR market to potentially become owner-occupied homes or year-round rentals.
- It is better overall for the operators in the STR market. In markets with lots of small businesses all competing for a limited resource, it is common to shrink the number of

licenses so that the remaining businesses can continue to operate profitably. This should seem familiar because it is the principle behind NOAA commercial fishing permit buy-back programs.

- When there is a reduced crab population, it is better to reduce the number of crabbing boats so those that remain in the market can make a profit, rather than for a larger crabbing fleet to operate at a loss.
- When a tax or fee would reduce the demand for visitor-nights in a town, it is better to reduce the number of STRs so that the remaining ones can continue to operate profitably.

Respectfully yours,

Theo Noomah