



# MEMORANDUM

CC-26-087

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## Water/Wastewater Rate Model Guidance

**Item Type:** Informational Memorandum  
**Prepared For:** Mayor Lord and Homer City Council  
**Date:** April 13, 2026  
**From:** Elizabeth Fischer, Finance Director  
**Through:** Melissa Jacobsen, City Manager

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### SUMMARY:

The purpose of this memo is to seek City Council guidance on the selection of a scenario to incorporate into the model for the upcoming Council meeting on April 27<sup>th</sup>.

### BACKGROUND:

Worksessions were held on February 9<sup>th</sup> and 23<sup>rd</sup> of this year to discuss the water/wastewater rate model structure and the possible re-introduction of a monthly service fee. Those discussions concluded with the proposition to institute a monthly minimum fee. The City Manager's Proposed FY26/27 Mid-Biennium Budget and Water/Wastewater Utility Model will be presented to City Council at the next meeting on April 27<sup>th</sup>.

The attached document provides comparisons between the existing rate structure and five scenario comparisons for volumes from 1,000 – 10,000 gallons. The scenarios are as follows:

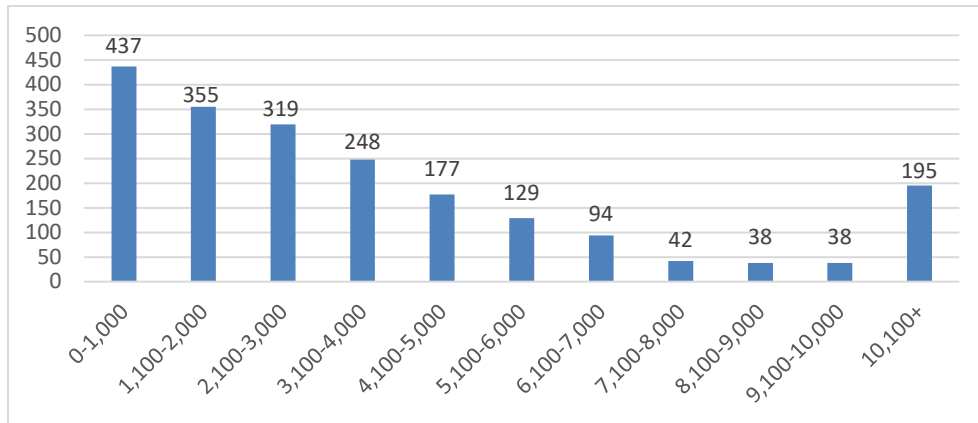
- Scenario 1: CARMA transfer is funded by service fee and removed from the commodity rate.
- Scenario 2: CARMA transfer is funded by 50/50 split between commodity rate and service fee.
- Scenario 3: CARMA transfer is increased to 20% and is funded in the commodity rate.
- Scenario 4: CARMA transfer is increased to 20% and is funded by service fee and removed from the commodity rate.
- Scenario 5: CARMA transfer is increased to 20% and is funded by 50/50 split between commodity rate and service fee.

The discussions had at February worksessions illustrated that the scenarios shifting the funding of the CARMA transfer from the commodity rate to the service fee were not preferred. The general conversation focused on establishing a monthly minimum fee instead of a flat service fee. Determining that monthly minimum fee was another talking point. Most conversations centered around establishing a monthly minimum based off 1,000 gallons of usage.

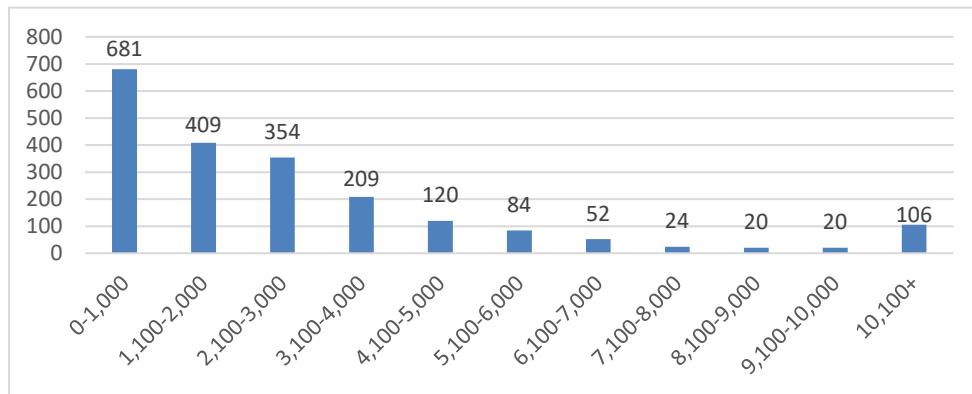
The following chart details the average water usage over the course of the last full fiscal year (July 2024 – June 2025), with an annualized average being 4,700 gallons:

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Avg Usage	7,278	6,790	5,789	4,091	3,632	3,942	3,401	3,426	3,410	4,293	4,140	6,233

Customer usage demographics (customer count in each gallon range) for July 2024:



Customer usage demographics (customer count in each gallon range) for January 2026:



Below is a depiction of customers at each of the gallon thresholds presented in the attached comparison charts:

	0	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000
July 2024	148	30	44	24	12	12	11	11	2	4	2
January 2025	313	42	36	22	16	6	5	3	1	1	3
June 2025	143	39	31	31	24	15	14	4	7	3	8
January 2026	236	30	32	32	20	7	1	6	3	2	4

**RECOMMENDATION:**

Staff recommends that the CARMA transfer amount is increased from 15% to 20% for the FY27 water/wastewater rates. The financial policies and FY27 budget need to be updated to reflect this change.

Staff is seeking guidance on selecting the appropriate gallon threshold to establish the monthly minimum fee.

**ATTACHMENTS:**

Water/Wastewater Comparison Charts  
Water Utility Customer Count

1,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	1,000	1,000	1,000	1,000	1,000	1,000
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						
<b>Charges:</b>						
Water	16.5	14.00	15.30	17.30	14.00	15.70
Sewer	18.60	15.80	17.20	19.60	15.80	17.70
Service	0	22	11	0	30	15
Sales Tax	2.76	4.07	3.41	2.90	4.69	3.80
<b>Total Bill</b>	<b>\$ 37.86</b>	<b>\$ 55.87</b>	<b>\$ 46.91</b>	<b>\$ 39.80</b>	<b>\$ 64.49</b>	<b>\$ 52.20</b>

**Impact**                    \$ 18.01   \$ 9.06   \$ 1.94   \$ 26.64   \$ 14.34

2,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	2,000	2,000	2,000	2,000	2,000	2,000
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						
<b>Charges:</b>						
Water	33	28.00	30.60	34.60	28.00	31.40
Sewer	37.20	31.60	34.40	39.20	31.60	35.40
Service	0	22	11	0	30	15
Sales Tax	5.51	6.41	5.97	5.79	7.03	6.42
<b>Total Bill</b>	<b>\$ 75.71</b>	<b>\$ 88.01</b>	<b>\$ 81.97</b>	<b>\$ 79.59</b>	<b>\$ 96.63</b>	<b>\$ 88.22</b>

**Impact**                    \$ 12.29   \$ 6.26   \$ 3.88   \$ 20.92   \$ 12.51

3,000 Gallon 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						
<b>Charges:</b>						
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
<b>Total Bill</b>	<b>\$ 113.57</b>	<b>\$ 120.14</b>	<b>\$ 117.02</b>	<b>\$ 119.39</b>	<b>\$ 128.77</b>	<b>\$ 124.24</b>

**Impact**                    \$ 6.58   \$ 3.45   \$ 5.82   \$ 15.21   \$ 10.68

4,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	4,000	4,000	4,000	4,000	4,000	4,000
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						
<b>Charges:</b>						
Water	66	56.00	61.20	69.20	56.00	62.80
Sewer	74.40	63.20	68.80	78.40	63.20	70.80
Service	0	22	11	0	30	15
Sales Tax	11.02	11.08	11.07	11.59	11.71	11.67
<b>Total Bill</b>	<b>\$ 151.42</b>	<b>\$ 152.28</b>	<b>\$ 152.07</b>	<b>\$ 159.19</b>	<b>\$ 160.91</b>	<b>\$ 160.27</b>

**Impact**                    \$ 0.86   \$ 0.65   \$ 7.77   \$ 9.49   \$ 8.84

5,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	5,000	5,000	5,000	5,000	5,000	5,000
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						
<b>Charges:</b>						
Water	82.5	70.00	76.50	86.50	70.00	78.50
Sewer	93.00	79.00	86.00	98.00	79.00	88.50
Service	0	22	11	0	30	15
Sales Tax	13.78	13.42	13.62	14.48	14.05	14.29
<b>Total Bill</b>	<b>\$ 189.28</b>	<b>\$ 184.42</b>	<b>\$ 187.12</b>	<b>\$ 198.98</b>	<b>\$ 193.05</b>	<b>\$ 196.29</b>

**Impact**                    \$ (4.85)   \$ (2.16)   \$ 9.71   \$ 3.77   \$ 7.01

6,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	6,000	6,000	6,000	6,000	6,000	6,000
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						
<b>Charges:</b>						
Water	99	84.00	91.80	103.80	84.00	94.20
Sewer	111.60	94.80	103.20	117.60	94.80	106.20
Service	0	22	11	0	30	15
Sales Tax	16.53	15.76	16.17	17.38	16.39	16.91
<b>Total Bill</b>	<b>\$ 227.13</b>	<b>\$ 216.56</b>	<b>\$ 222.17</b>	<b>\$ 238.78</b>	<b>\$ 225.19</b>	<b>\$ 232.31</b>

**Impact**                    \$ (10.57)   \$ (4.96)   \$ 11.65   \$ (1.94)   \$ 5.18

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.

7,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	7,000	7,000	7,000	7,000	7,000	7,000
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						
<b>Charges:</b>						
Water	115.5	98.00	107.10	121.10	98.00	109.90
Sewer	130.20	110.60	120.40	137.20	110.60	123.90
Service	0	22	11	0	30	15
Sales Tax	19.29	18.10	18.72	20.28	18.73	19.53
<b>Total Bill</b>	<b>\$ 264.99</b>	<b>\$ 248.70</b>	<b>\$ 257.22</b>	<b>\$ 278.58</b>	<b>\$ 257.33</b>	<b>\$ 268.33</b>

**Impact**                    \$ (16.29) \$ (7.77) \$ 13.59 \$ (7.66) \$ 3.34

9,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	9,000	9,000	9,000	9,000	9,000	9,000
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						
<b>Charges:</b>						
Water	148.5	126.00	137.70	155.70	126.00	141.30
Sewer	167.40	142.20	154.80	176.40	142.20	159.30
Service	0	22	11	0	30	15
Sales Tax	24.80	22.78	23.82	26.07	23.41	24.77
<b>Total Bill</b>	<b>\$ 340.70</b>	<b>\$ 312.98</b>	<b>\$ 327.32</b>	<b>\$ 358.17</b>	<b>\$ 321.61</b>	<b>\$ 340.37</b>

**Impact**                    \$ (27.72) \$ (13.37) \$ 17.47 \$ (19.09) \$ (0.32)

8,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	8,000	8,000	8,000	8,000	8,000	8,000
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						
<b>Charges:</b>						
Water	132	112.00	122.40	138.40	112.00	125.60
Sewer	148.80	126.40	137.60	156.80	126.40	141.60
Service	0	22	11	0	30	15
Sales Tax	22.04	20.44	21.27	23.17	21.07	22.15
<b>Total Bill</b>	<b>\$ 302.84</b>	<b>\$ 280.84</b>	<b>\$ 292.27</b>	<b>\$ 318.37</b>	<b>\$ 289.47</b>	<b>\$ 304.35</b>

**Impact**                    \$ (22.00) \$ (10.57) \$ 15.53 \$ (13.37) \$ 1.51

10,000 Gallon Comparisons						
	Existing	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Consumption	10,000	10,000	10,000	10,000	10,000	10,000
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						
<b>Charges:</b>						
Water	165	140.00	153.00	173.00	140.00	157.00
Sewer	186.00	158.00	172.00	196.00	158.00	177.00
Service	0	22	11	0	30	15
Sales Tax	27.55	25.12	26.38	28.97	25.75	27.40
<b>Total Bill</b>	<b>\$ 378.55</b>	<b>\$ 345.12</b>	<b>\$ 362.38</b>	<b>\$ 397.97</b>	<b>\$ 353.75</b>	<b>\$ 376.40</b>

**Impact**                    \$ (33.43) \$ (16.18) \$ 19.41 \$ (24.81) \$ (2.16)

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.

Water Utility Customer Count  
0 - 3,000 Gallons

	<b>July 2024</b>	<b>January 2025</b>	<b>June 2025</b>	<b>January 2026</b>
0	148	313	143	236
100	30	48	43	72
200	20	43	28	48
300	30	50	26	46
400	26	24	23	42
500	28	47	35	41
600	25	41	31	38
700	27	44	33	44
800	41	39	34	39
900	32	31	32	45
1,000	30	42	39	30
1,100	35	47	36	40
1,200	34	38	35	46
1,300	20	41	38	42
1,400	38	46	33	41
1,500	41	42	45	39
1,600	29	52	32	44
1,700	37	47	49	40
1,800	36	43	29	38
1,900	41	42	37	47
2,000	44	36	31	32
2,100	33	41	36	49
2,200	40	45	45	33
2,300	34	49	43	53
2,400	34	47	46	30
2,500	25	30	46	37
2,600	34	25	30	28
2,700	29	29	28	29
2,800	40	26	32	27
2,900	26	27	33	36
3,000	24	22	31	32