CC-26-098

MEMORANDUM

Resolution 26-032, A Resolution of the City Council of Homer, Alaska, Adopting the 2026 Amendment to the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan. City Manager/Finance Director.

Item Type: Backup Memorandum

Prepared For: Mayor Lord and Homer City Council

Date: April 29, 2026

From: Melissa Jacobsen, City Manager

Background: Staff and Council have been working together on ways to increase Capital Asset Repair and Maintenance Allowance (CARMA) funds for water and for sewer for the purpose of long-term financial planning and infrastructure maintenance costs. In the Water/Wastewater Values and Capital Infrastructure Investment Schedule developed with assistance from HDL, 2025 replacement values for Water Capital Infrastructure are $238,850,900 and Wastewater Capital Infrastructure is $187,841,200. The Infrastructure Investment Schedule recommends annual investment of $5.7 million for water infrastructure and $4 million for wastewater infrastructure.

Discussion: Staff started conversations with the notion of a set administrative fee of $22, $12 for water and $10 for wastewater, that would be included on water and wastewater customers' monthly billing. This idea was proposed as a way of distributing the cost across all customers, including those who are connected to water and wastewater seasonally and currently have periods of zero-dollar billing, but rely on having water and sewer connections to their residences year-round. Staff suggested that with this payment structure, the 15% commodity rate included in the water/wastewater policy could be eliminated to relieve the initial increase felt by the administrative fee.

Councilmembers raised the proposal for minimum usage fee to ease the burden of an administrative fee for low volume customers and low-income customers. At their April 27th worksession Council reached consensus on a 750-gallon minimum usage fee for all customers and charged per gallon for usage over the 750 minimum usage fees. With the idea of a minimum usage fee, staff proposed an increase in the 15% commodity fee that's included in the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan to fund CARMA for water and wastewater funds to aid in building those funds for necessary maintenance and repair of the systems. At the same worksession, Council reached consensus on increasing the commodity rate from 15% to 20%. The commodity rate is defined in the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan and requires an amendment adopted by Resolution.

Recommendation: Adopt a resolution amending the Water and Sewer Utility Financial and Rate Setting Policies and Utility Financial Plan.

Attachment: Slides from 2/23/26 worksession

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

2/19/2026

3

3

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

2/19/2026

4

4