



# MEMORANDUM

CC-26-103

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## Ordinance 26-27, An Ordinance of the City Council of Homer, Alaska, Amending the City of Homer Water and Wastewater Rates and Updating the City Fee Schedule Accordingly.

**Item Type:** Informational Memorandum  
**Prepared For:** Mayor Lord and Homer City Council  
**Date:** May 7, 2026  
**From:** Elizabeth Fischer, Finance Director  
**Through:** Melissa Jacobsen, City Manager

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### **SUMMARY:**

The purpose of this memo is to provide an overview of the model used to generate water and wastewater rates.

### **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 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. It was decided at the April 27<sup>th</sup> Committee of the Whole meeting that the monthly minimum usage fee would be based off 750 gallons of usage.

The rate model is to be presented prior to the beginning of the fiscal year and will be directly connected to the budgeted revenue requirements for that year.

**WATER RATE MODEL:** This model generates a rate based on water revenues and consumption.

### **Revenues**

The revenue inputs are defined as follows:

- FY27 Operating Revenue Required – pulled directly from the operating budget
  - Formula: Total Water Revenue - Water CARMA Transfer

- CARMA Budget Transfer – pulled directly from the operating budget
  - Formula: Total Water Operating Expenditures \* 20%
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY27 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
  - Formula: Connection Fees + Services & Meters + In Lieu of City Sales Tax + Penalty & Interest
- Deduct Portion Collected through Minimum Usage Fee –
  - Formula: Commodity Rate x 750 Gallons x Number of Users Under Minimum Usage
- Hydrant Rents – This is related to the costs associated with maintaining the water hydrants.
  - Formula: Budgeted at 10% of operating revenue required and the costs are shared 50/50 between the General Fund and the Water/Sewer Fund.
- Surplus Water Sales (Bulk) Surcharge Only – This amount is determined by applying the bulk surcharge (0.004/gallon) to the most recent annualized total gallons consumed by bulk users. This is backed out because these expenses are captured by the separate rate for bulk users.
- Revenue Required for Commodity Rate Calculation – Summation of revenue required less deductions. This represents the amount of revenue necessary to generate to meet operating budget needs for upcoming fiscal year.

### **Consumption**

The water consumption line is determined by most recent annualized total metered water sales (in gallons). The water usage at the Wastewater Treatment Plant has been backed out of this figure, as it has been determined to be an operational cost. The model rounds up to the nearest million for ease of reporting.

### **Rates**

The water rates are broken into three categories:

1. The commodity rate (per gallon) is generated by dividing the total revenue required by the estimated water sales. This ensures that the whole population of water users contributes to an equal share of costs.
2. The bulk rate (per gallon) is applying a surcharge of 0.004 per gallon to the set commodity rate.
3. The monthly minimum usage fee is determined by multiplying the commodity rate by 750 gallons and rounding to the nearest whole dollar.

**WASTEWATER RATE MODEL:** This model generates a rate based on wastewater revenues and usage.

### Revenues

The revenue inputs are defined as follows:

- FY27 Operating Revenue Required – pulled directly from the operating budget
  - Formula: Total Wastewater Revenue - Wastewater CARMA Transfer
- CARMA Budget Transfer – pulled directly from the operating budget
  - Formula: Total Wastewater Operating Expenditures \* 20%
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY27 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
  - Formula: Services & Meters
- Deduct Portion Collected through Minimum Usage Fee –
  - Formula: Commodity Rate x 750 Gallons x Number of Users Under Minimum Usage
- Fixed Fee Components
  - Lift Stations Costs - These costs are pulled straight from the current operating budget. These costs are backed out because the users on the lift station bear the complete costs associated with maintaining this infrastructure.
  - Pumping Fee - The City RFP's the pumping contract every three years and the costs of the contract is divided up amongst the number of Kachemak City users.
  - Dumping Station Fee - These costs come directly from the current operating budget. This fee has been determined to be an operational cost and, as such the fee is not forwarded to customers.
  - Multi-Units and Kachemak City meters - This is an additional fee charged to help offset added costs associated with maintaining such infrastructure.
- Revenue Required for Commodity Rate Calculation – Summation of revenue required less deductions. This represents the amount of revenue necessary to generate to meet operating and capital budget needs for upcoming fiscal year.

### Usage

The wastewater usage is determined by the number of gallons billed for in the most recent annualized period. The model rounds up to the nearest million for ease of reporting.

**Rates**

The sewer rate is broken into two categories:

1. Non-lift rate is generated by dividing the total revenue required by the projected billable volume for non-lift.
2. Lift station rate is generated by dividing the total revenue required by the projected billable volume for only the lift zone.
3. The monthly minimum usage fee is determined by multiplying the commodity rate by 750 gallons and rounding to the nearest whole dollar.

**Rate Analysis:**

**Current Rates**

Water Rates:

Commodity (per gal): \$0.0165  
Bulk (per gal): \$0.0205  
Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0186  
Lift Station: \$0.0294  
Monthly Fees: \$0

**Proposed Rates – Monthly Minimum Usage Fees (Based off 750 Gallons)**

Water Rates:

Commodity (per gal): \$0.0162  
Bulk (per gal): \$0.0202  
Monthly Fees:

Non-Lift User: \$12  
Lift Station User: \$12

Sewer Rates:

Non-Lift Station: \$0.0180  
Lift Station: \$0.0302  
Monthly Fees:

Non-Lift User: \$14  
Lift Station User: \$23

The attached document provides comparisons between the existing and proposed rate for volumes from 1,000 – 10,000 gallons.

**RECOMMENDATION:**

Review the model and approve the rates as proposed.

**ATTACHMENTS:**

Water/Wastewater Comparison Charts  
Rate Calculation for Minimum Usage Fee

1,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	1,000	1,000	1,000	1,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	16.50	4.05	16.50	4.05
Wastewater Usage	18.60	4.50	29.40	7.55
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	2.76	2.71	3.60	3.66
<b>Total Bill</b>	<b>\$ 37.86</b>	<b>\$ 37.26</b>	<b>\$ 49.50</b>	<b>\$ 50.26</b>

**Impact**                    \$ (0.59)                    \$ 0.75

2,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	2,000	2,000	2,000	2,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	33.00	20.25	33.00	20.25
Wastewater Usage	37.20	22.50	58.80	37.75
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	5.51	5.40	7.21	7.30
<b>Total Bill</b>	<b>\$ 75.71</b>	<b>\$ 74.15</b>	<b>\$ 99.01</b>	<b>\$ 100.30</b>

**Impact**                    \$ (1.56)                    \$ 1.29

3,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	3,000	3,000	3,000	3,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	49.50	36.45	49.50	36.45
Wastewater Usage	55.80	40.50	88.20	67.95
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	8.27	8.08	10.81	10.94
<b>Total Bill</b>	<b>\$ 113.57</b>	<b>\$ 111.03</b>	<b>\$ 148.51</b>	<b>\$ 150.34</b>

**Impact**                    \$ (2.53)                    \$ 1.83

4,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	4,000	4,000	4,000	4,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	66.00	52.65	66.00	52.65
Wastewater Usage	74.40	58.50	117.60	98.15
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	11.02	10.77	14.41	14.59
<b>Total Bill</b>	<b>\$ 151.42</b>	<b>\$ 147.92</b>	<b>\$ 198.01</b>	<b>\$ 200.39</b>

**Impact**                    \$ (3.51)                    \$ 2.37

5,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	5,000	5,000	5,000	5,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	82.50	68.85	82.50	68.85
Wastewater Usage	93.00	76.50	147.00	128.35
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	13.78	13.45	18.02	18.23
<b>Total Bill</b>	<b>\$ 189.28</b>	<b>\$ 184.80</b>	<b>\$ 247.52</b>	<b>\$ 250.43</b>

**Impact**                    \$ (4.48)                    \$ 2.91

6,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	6,000	6,000	6,000	6,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	99.00	85.05	99.00	85.05
Wastewater Usage	111.60	94.50	176.40	158.55
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	16.53	16.14	21.62	21.87
<b>Total Bill</b>	<b>\$ 227.13</b>	<b>\$ 221.69</b>	<b>\$ 297.02</b>	<b>\$ 300.47</b>

**Impact**                    \$ (5.45)                    \$ 3.45

7,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	7,000	7,000	7,000	7,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	115.50	101.25	115.50	101.25
Wastewater Usage	130.20	112.50	205.80	188.75
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	19.29	18.82	25.22	25.51
<b>Total Bill</b>	<b>\$ 264.99</b>	<b>\$ 258.57</b>	<b>\$ 346.52</b>	<b>\$ 350.51</b>

**Impact**                    **\$ (6.42)**                    **\$ 3.99**

8,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	8,000	8,000	8,000	8,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	132.00	117.45	132.00	117.45
Wastewater Usage	148.80	130.50	235.20	218.95
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	22.04	21.51	28.83	29.15
<b>Total Bill</b>	<b>\$ 302.84</b>	<b>\$ 295.46</b>	<b>\$ 396.03</b>	<b>\$ 400.55</b>

**Impact**                    **\$ (7.39)**                    **\$ 4.53**

9,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	9,000	9,000	9,000	9,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	148.50	133.65	148.50	133.65
Wastewater Usage	167.40	148.50	264.60	249.15
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	24.80	24.19	32.43	32.80
<b>Total Bill</b>	<b>\$ 340.70</b>	<b>\$ 332.34</b>	<b>\$ 445.53</b>	<b>\$ 450.60</b>

**Impact**                    **\$ (8.36)**                    **\$ 5.07**

10,000 Gallons				
Non-Lift		Lift Station		
Existing	Proposed	Existing	Proposed	
Consumption	10,000	10,000	10,000	10,000
Water Rate	0.0165	0.0162	0.0165	0.0162
Wastewater Rate	0.0186	0.0180	0.0294	0.0302
<b>Charges:</b>				
Water Usage	165.00	149.85	165.00	149.85
Wastewater Usage	186.00	166.50	294.00	279.35
Minimum Usage Fee	0.00	26.00	0.00	35.00
Sales Tax	27.55	26.87	36.03	36.44
<b>Total Bill</b>	<b>\$ 378.55</b>	<b>\$ 369.22</b>	<b>\$ 495.03</b>	<b>\$ 500.64</b>

**Impact**                    **\$ (9.33)**                    **\$ 5.61**

# Rate Calculation

## Monthly Minimum (750 Gallons) Usage Fee

<b>WATER Rate Model</b>	
<b>Revenues</b>	
FY27 Operating Revenue Required - Water	\$ 2,380,471
CARMA Transfer Requirement	476,094
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(60,106)
Deduct Portion Collected through Minimum Usage Fee	(279,839)
Hydrant Rents (10% of Total)	(142,828)
Multi-Units (\$5/unit/mo.)	(39,000)
Surplus Water Sales (Bulk) surcharge only	(94,368)
Revenue Required for Commodity Rate Calculation	\$ 2,240,425
<b>Water Consumption (Gallons)</b>	
Gross Meters Water Sales	137,558,900
Total Estimated Water Sales	138,000,000
<b>Water Rates:</b>	
Commodity Rate (per gal)	\$ 0.0162
Bulk Rate (per gal)	\$ 0.0202
<b>Consumption Additional Information:</b>	
Annualized Metered Water Sales (Gallons)	137,558,900
<b>WASTEWATER Rate Model</b>	
<b>Revenues</b>	
FY27 Operating Revenue Required - Wastewater	\$ 2,023,963
CARMA Transfer Requirement	404,793
Deduct Operating Fund Balance - Rate Buydown	0
Deduct Portion Collected through Other Revenues	(17,500)
Deduct Portion Collected through Minimum Usage Fee	(376,334)
Lift Stations Costs	(255,613)
Pumping Fee	(9,804)
Dumping Station Fees	(8,702)
Multi-Units (\$5/unit/mo.)	(39,000)
Revenue Required for Commodity Rate Calculation	\$ 1,721,803
<b>Wastewater Usage (Gallons)</b>	
Projected Billable Volume	78,000,000
Projected Billable Volume - Lift Zone Only	21,000,000
Total Projected Billable Volume	99,000,000
<b>Wastewater Rate</b>	
Non-Lift Station Rate	\$ 0.0180
Lift Station Rate	\$ 0.0302
<b>Lift Station Additional Information:</b>	
Annualized Billed Gallons (Lift-Station Zone Only)	20,753,900
<b>Monthly Minimum Usage Fees</b>	
Water	\$ 12.00
Sewer - Non-lift Customer	\$ 14.00
Sewer - Lift Customer	\$ 23.00
Total - Non-Lift Customer	\$ 26.00
Total - Lift Customer	\$ 35.00