



# MEMORANDUM

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CC-26-115

## **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:** Backup Memorandum  
**Prepared For:** Mayor Lord and Homer City Council  
**Date:** May 22, 2026  
**From:** Councilmember Davis

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First, I'd like to thank the Finance Department for correcting the earlier computational error regarding the estimated revenue generated by the new minimum monthly usage fee for water and sewer customers using less than 750 gallons per month. As staff has explained, the original estimate substantially overstated the amount of new revenue expected from the proposal.

[Note: I am concerned that the new calculations might still be overestimating the amount of additional revenue that is being collected. Once we are provided with the calculations that were used, it will be important to confirm that only the zero-gallon-a-month users are expected to contribute the full \$26/month combined water/sewer minimum charge; a way must be found to calculate non-zero users as paying the minimum charge on a sliding scale: half the amount (\$13) for folks in the 300-400 gallon bracket, a quarter of the amount (\$6.50) for those in the 600 bracket, etc. An easy way to approximate or reality-check this calculation would be to take the total number of non-zero users and multiply it by half the monthly combined minimum charge, \$13.]

Under the revised calculations provided in the packet, maintaining the 33% increase in the CARMA transfer that we passed at our last meeting, where we raised the transfer from 15% to 20%, would require increasing the commodity rate for water from .0162 to .0177, and for sewer from .0186 to .0203. That translates into commodity-rate increases of approximately 9.3% for water and 9.1% for sewer.

This creates a public-perception problem. Because the new minimum monthly payment represents such a significant change in the way we do business, many residents may understandably conclude that our new monthly minimum fee itself is causing their bills to rise sharply. In reality, the opposite is true: the minimum monthly payment on its own reduces the per-gallon rate that all users pay.

From my perspective, Council now faces three basic policy options:

- A. Maintain the newly adopted 20% CARMA transfer and accept approximately 9% commodity-rate increases.
- B. Reverse last meeting's increase in the CARMA transfer, which was adopted on the understanding that there were enough funds to support it while simultaneously lowering water and sewer rates.

C. Adopt a “Goldilocks” approach somewhere in between, by increasing the CARMA transfer above its longstanding 15% level, but only to a level that can be supported without increasing commodity rates.

My strong preference is Option C. Rather than using the new minimum-payment revenue to “buy down” commodity rates (Option B), Council would instead direct that revenue toward increasing the CARMA transfer, while holding commodity rates steady.

This would allow Council to continue making additional progress on deferred maintenance and long-term utility infrastructure obligations without simultaneously creating the impression that the new minimum monthly payment is causing large increases in customer bills.