

1 **CITY OF HOMER**
2 **HOMER, ALASKA**

3 City Manager/
4 Finance Director

5 **ORDINANCE 25-43**

6
7 AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,
8 AMENDING THE CITY OF HOMER WATER AND SEWER RATES AND
9 UPDATING THE CITY FEE SCHEDULE ACCORDINGLY.

10
11 WHEREAS, Water and sewer utility services shall be reviewed annually and shall take
12 effect the first full billing period in July; and

13
14 WHEREAS, Based on the water sewer rate model prepared by the Water Sewer Rate
15 Task Force and adopted by the Homer City Council in Resolution 13-048(S-2)(A-3) adjustments
16 to the rates are recommended and warranted to reflect the true cost of water and sewer
17 services.

18
19 NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

20
21 Section 1. The City Council of Homer, Alaska hereby amends the City Fee Schedule
22 under water and sewer fees as follows:

23
24 **WATER**

25
26 A 4.85% of total charges charged to every customer outside of city limits in lieu of city sales tax will be
27 applied to those water accounts outside city limits.

28
29 **Customer Classification Definitions for Determining Water Connection and Extension**
30 **Permit Fees**

31
32 Single Family Residential: A unit providing housing for one household; with less than 25% of the
33 building area used for business or commercial purposes.

34
35 Multi-Family Residential: A building or lot occupied by more than one household: contained within one
36 building or several building within one complex. Examples of multi-family units includes duplexes, four-
37 plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one lot
38 (where units are normally rented or occupied for longer than one month at a time). Examples of units
39 not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units are
40 routinely rented or occupied for less than one month at a time.)
41

42 Commercial: Any user not defined as Residential.

Water Connection Fee	
Single Family	\$300.00*
Multi-Family/Commercial	\$375.00*
*All other fees for delayed or deferred services, in lieu of assessments and necessary right-of-way permits, shall be in addition to the permit fee. A property owner installing a water connection which qualifies for a deferred assessment payment or makes a payment in lieu of assessment shall pay the assessment prior to issuance of the connection permit.	

43
44 **Customer Classification Definitions for Determining Water Rates**

45
46 Bulk Water Customers: The bulk water customers are the resellers of water or water users who
47 purchase water from the water plant directly and are not in the metered water distribution system.

48
49 Non-Bulk Customers: All customers who receive water from the metered water distribution system.

50
51 Multi-Units: An additional \$5 monthly charge shall apply to each of the units of a building or lot
52 occupied by more than one household or commercial entity contained within one building or several
53 buildings within one complex. Examples of multi-family units include duplexes, four-plexes and up,
54 apartments, condominiums, co-housing projects, and multiple structures on one lot (where units are
55 normally rented or occupied for longer than one month at a time). Examples of units not considered as
56 multi-family include hotels, motels, and B&B's seasonal rooms/cabins (where units are routinely rented
57 or occupied for less than one month at a time.)

58
59 This fee applies to all multi-unit structures defined in the sewer section of this for apartments, rental
60 units or multi-unit buildings where each unit would have one or more restrooms and are intended to
61 be rented on a monthly basis where there is only one meter installed, excluding a rental building
62 restroom used for shared or public use.

63
64 **Water Rate Schedule**

65 All water utility services shall be billed according to the following schedule. This schedule is for monthly
66 water service and is in addition to any charges for connecting or disconnecting the service, installation
67 of the service or any assessment of the improvements.

Table III

Water Rates

Customer Classification	Monthly Service	Usage Charge/Gallon
Non-Lift-Station Customer	\$0.00	\$0.0172 \$0.0165
Lift-Station Customer	\$0.00	\$0.0172 \$0.0165
Multi-units (additional per unit)	\$5.00	
Bulk Water	\$0.00	\$0.0212 \$0.0205

68
69 **Meter Size Deposits**

A \$750 meter deposit shall apply to metered fire hydrant connections. The deposit will be returned when the meter is returned undamaged. This deposit may be waived upon the recommendation of the Public Works Superintendent.

If a bulk water customer purchases a meter from the City for measuring the quantity of water purchased, it shall be exempt from the monthly meter service charge. It is the responsibility of the bulk water customer to maintain that meter so the City can accurately determine the amount of water being purchased. In the event the meter fails, it is the bulk water customer's responsibility, at its expense, to repair it or purchase a replacement meter from the City. The City may at any time test the meter for accuracy.

Size (inches)	Residential Users	Non-residential Users
5/8	\$75.00	\$220.00
3/4	\$80.00	\$230.00
1	\$90.00	\$250.00
1-1/2	\$115.00	\$310.00
2	\$150.00	\$370.00
3	\$220.00	\$525.00
4	\$310.00	\$730.00
6	\$520.00	\$1,225.00

SEWER

Customer Classification Definitions for Determining Sewer Connection and Extension Permit Fees

Single Family Residential: A unit providing housing for one household; with less than 25% of the building area used for business or commercial purposes.

Multi-Family Residential: A building or lot occupied by more than one household; contained within one building or several buildings within one complex. Examples of multi-family units includes duplexes, four-plexes and up, apartments, condominiums, co-housing projects, and multiple structures on one lot (where units are normally rented or occupied for longer than one month at a time). Examples of units not considered as multi-family include hotels, motels, B&B's seasonal rooms/cabins (where units are routinely rented or occupied for less than one month at a time.)

Commercial: Any user not defined as Residential.

Sewer Connection Permit Fee	
Single Family	\$255.00*
Multi-Family/Commercial	\$330.00*
*All other fees for delayed or deferred services, in lieu of assessments and necessary right-of-way permits, shall be in addition to the permit fee. A property owner installing a sewer connection which qualifies for a deferred assessment payment or makes a payment in lieu of assessment shall pay the assessment prior to issuance of the connection permit.	

Customer Classification Definitions for Determining Sewer Rates

Lift Station Zone Customer: There are eleven sewage lift/pump stations that are used for pumping wastewater or sewage from areas with lower elevation than the treatment plant. Customers who are located in these areas shall be charged additional fees for the cost added to the services (see Table I and II).

Non-Lift Station Zone Customer: Customers who are located in the zone that do not need lift/pump station services.

Sewer System Dischargers (Sewer ONLY customers): Customers who use sewer service only shall be charged a monthly fee of \$5 plus sewer usage fee based on assessed volume of 3,000 gallons per month multiplied by the applicable sewage rate (see Table II). Kachemak City Local Improvement District (LID) members have contributed to the initial cost of the sewer treatment plant and the collection system.

For Kachemak City LID dischargers connected within the LID, the City of Homer shall bill Kachemak City in one single bill at the Lift-Station Zone Rate of ~~\$87.85~~ **\$92.95** (~~\$81.60~~ **\$88.20** + ~~\$6.25~~ **\$4.75**) per month per customer. Kachemak City shall be billed a \$5 monthly service charge to cover all Kachemak City sewer customers and shall be responsible for payment to the City of Homer.

Sewer Rate Schedule

All sewer utility services shall be billed according to the following schedule (Table I, II). This schedule is for monthly sewer services and is in addition to any charges for connecting or disconnecting the service, installation of the service, or any assessment of the improvements.

Sewer Rates

Table I

Customer Classification	Monthly Service	Usage Charge/Gallon
Non-Lift-Station Customer		\$0.0171 \$0.0186
Lift-Station Customer		\$0.0272 \$0.0294
Multi-units (additional per unit)	\$5.00	N/A

Sewer ONLY Customers Rates

Table II

	Fees/Rate/Usage	Per Customer Per Month
Non-Lift-Station Customer	\$0.0171/Gal \$0.0186/Gal	\$51.30 \$55.80
Lift-Station Customer	\$0.0272/Gal \$0.0294/Gal	\$81.60 \$88.20
Monthly Service	\$5.00/customer/mo.	\$5.00 (Kachemak City customers will be exempt from \$5 monthly service fee. Kachemak City will be billed a \$5 monthly service fee to cover all Kachemak City sewer customers.)
Pumping Fee (If Applicable)		\$6.25 \$4.75
Assumption: Avg. Sewer Usage	3,000 Gal/Mo.	

Domestic sewer service customers who use large quantities of City water in addition to their domestic use shall be allowed, with the Public Works Director's approval, to install an additional water meter on the domestic water use line for the purpose of metering and charging for domestic sewer system use. Sewer system use will be billed monthly.

The City will allow, upon approval by Public Works and a permit from the Public Works Department, a second water usage meter – called a seasonal sewer meter – for each customer that desires to measure the flow of City water that is not discharged to the sewer system during the summer growing season, June 15 through September 15. Rates noted above do not apply.

Seasonal Sewer Meter Fee is \$251.75.

This second meter will be read monthly during the summer and sewer charges will be credited monthly. The meter may not be subject to read during the fall and winter months. Any charges accrued during that period will be reflected the first billing cycle the meter is read.


Section 2. This ordinance is a budget ordinance only, it is not permanent in nature and shall not be codified.

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 9th day of June, 2025.

CITY OF HOMER


RACHEL LORD, MAYOR

ATTEST:


RENEE KRAUSE, MMC, CITY CLERK

YES: 6

NO: 0

ABSENT: 0

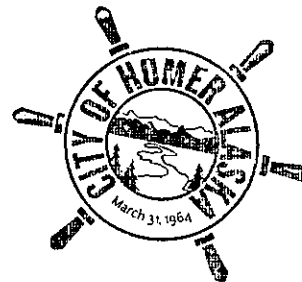
ABSTAIN: 0

First Reading: 5/27/25

Public Hearing: 6/09/25

Second Reading: 6/09/25

Effective Date: 6/10/25





MEMORANDUM

Ordinance 25-43, An Ordinance of the City Council of Homer, Alaska, Amending the City of Homer Water and Sewer Rates and Updating the City Fee Schedule Accordingly. City Manager/Finance Director.

Item Type: Backup Memorandum
Prepared For: Mayor Lord and City Council
Date: May 21, 2025
From: Elizabeth Fischer, Finance Director
Through: Melissa Jacobsen, City Manager

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

Introduction:

The basic principles and assumptions of this model were developed by the most recent Water and Sewer Task Force. The purpose of this model is to generate a utility rate that is a product of budget assumptions and the backing out of fixed fee components. The intent was to provide the City with a mechanism that connected the water and sewer rates to the actual costs to maintain the infrastructure.

The format of the rate model has changed from the one the Water and Sewer Task Force generated, but the basic principles and assumptions remain the same. These changes were made to more accurately reflect the City's budget structure. 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.

Worksessions were held on February 10th and 24th of this year to discuss the rate model structure and the possible re-introduction of a monthly service fee. The discussion concluded with a decision to keep the current model structure intact and to not incorporate a monthly service fee at this time. Future worksessions will be held during FY26 to discuss the rate model in more detail.

Water Rate Model:

This model generates a rate based on water revenues and consumption.

Revenues

The revenue inputs are defined as follows:

- FY26 Operating Revenue Required – pulled directly from the operating budget

- Formula: Total Water Revenue - Water CARMA Transfer –
 - $\$2,522,112 - \$328,971 = \$2,193,141$
- CARMA Budget Transfer – pulled directly from the operating budget
 - Formula: Total Water Operating Expenditures * 15%
 - $\$2,193,141 * 0.15 = \$328,971$
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY26 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
 - $\$16,384 + \$34,302 + \$560 + \$8,146 = \$59,392$
- Deduct Portion Collected through Service Fee – Not used in FY26 calculation.
- 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.
 - $(\$2,193,141 / 2) * 10\% = \$109,657$
- Surplus Water Sales (Bulk) Surcharge Only – This amount is determined by applying the bulk surcharge (0.004/gallon) to the prior fiscal year total gallons consumed by bulk users. This is backed out because these expenses are captured by the separate rate for bulk users.
 - $22,364,700 \text{ gallons} * 0.004 = \$89,459$
- 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 prior calendar years gross meters water sales (in gallons). The water usage at the Sewer 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 are contributing 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 fees is determined by dividing the budgeted administrative costs by the current number of water meters. This fee was not used in FY26 calculation.

Sewer Rate Model:

This model generates a rate based on sewer revenues and usage.

Revenues

The revenue inputs are defined as follows:

- FY26 Operating Revenue Required – pulled directly from the operating budget
 - Formula: Total Water Revenue - Sewer CARMA Transfer
 - $\$2,157,567 - \$281,422 = \$1,876,145$
- CARMA Budget Transfer – pulled directly from the operating budget
 - Formula: Total Sewer Operating Expenditures * 15%
 - $\$1,876,146 * 0.15 = \$281,422$
- Deduct Operating Fund Balance – amount of Utility Operating Fund Balance to be used for rate buyback. Not used in FY26 calculation.
- Deduct Portion Collected through Other Revenues – pulled directly from the operating budget
 - Formula: Services & Meters
 - \$17,577
- 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 along 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 sewer usage is determined by the by the number of gallons actually billed for in the prior fiscal year. 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.

Rate Analysis:

Current Rates

Water Rates:

Commodity (per gal): \$0.0172
Bulk (per gal): \$0.0212
Monthly Fees: \$0

Sewer Rates:

Non-Lift Station: \$0.0171
Lift Station: \$0.0272

Proposed Rates – Scenario 1

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

Rate Comparison

	Low Volume Animal Shelter		Average Volume City Hall		High Volume Library		Lift-Station (Year-Round) Port & Harbor - Maintenance	
	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1	Existing	Scenario 1
Consumption	2400	2400	4000	4000	5900	5900	1800	1800
Water Rate	0.0172	0.0165	0.0172	0.0165	0.0172	0.0165	0.0172	0.0165
Sewer Rate	0.0171	0.0186	0.0171	0.0186	0.0171	0.0186	0.0272	0.0294
<u>Charges:</u>								
Water	41.28	39.60	68.8	66.00	101.48	97.35	30.96	29.70
Sewer	41.04	44.64	68.40	74.40	100.89	109.74	48.96	52.92
Service	0	0	0	0	0	0	0	0
Total Bill	\$ 82.32	\$ 84.24	\$ 137.20	\$ 140.40	\$ 202.37	\$ 207.09	\$ 79.92	\$ 82.62
Impact	\$ 1.92		\$ 3.20		\$ 4.72		\$ 2.70	

Recommendation:

Review the model and approve the rates as proposed.

Rate Calculation - Scenario 1

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	0
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
Monthly Service Fees	\$ -
Consumption Additional Information:	
FY24 Gross Meters Water Sales (Gallons)	135,288,200
SEWER Rate Model	
Revenues	
FY25 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)
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:	
CY23 Actually Billed Gallons (Lift-Station Zone Only)	21,909,500