

**UTILITY ADVISORY BOARD  
MEETING MINUTES**

March 18, 2010

Public Works Department – Water Utility Conference Room

**Board Members Present:** Geoff Larson/Vice Chair, Scott Willis, Leon Vance, Diane Pearson (telephonically), Janet Schempf

**Staff Present:** Scott Jeffers, Jim Heumann, Liam Carnahan, Joe Myers, Laurel White

**I. CALL TO ORDER**

The meeting was called to order at 5:34 p.m. by Geoff Larson, Vice-Chair.

**II. APPROVAL OF UAB MINUTES:**

The minutes for the meeting of February 18, 2010 were presented and approved unanimously.

**III. PUBLIC PARTICIPATION**

None.

**IV. ACTION ITEMS:**

**A. Board Decision on Next Meeting Date**

The Board unanimously approved April 15, 2010 as the next UAB meeting date.

**V. INFORMATION ITEMS**

**A. Wastewater Utility Updates – Joe Myers**

Mr. Myers discussed the possibility of no utility rate increase and the repercussions of such to the Wastewater Utility. If no rate increase occurs and the Wastewater Utility continues with its rate of, the fund cushion will be depleted within three years.

The JD Wastewater Plant is chlorinating to decrease filamentous organism predominance. The difficulty is selectively hitting the “bad” organisms and keeping the “good” organisms alive.

**B. Water Utility Updates – Liam Carnahan, P.E.**

Mr. Carnahan mentioned the resignation of Dan Hines, Supervisor for Water Utility Operation, and said the position will not be replaced; rather, the duties will be absorbed through organic growth.

Mr. Carnahan noted the maintenance crew is flushing lines, beginning downtown and continuing to the valley then progressing towards Lena.

Mr. Carnahan noted that OSHA recommendations have been completed, other than the tie-offs needed on four water tanks.

Mr. Carnahan reported that the division has been working towards qualifying for the Safety and Health Achievement Recognition Program (SHARP). Mr. Larson noted that this program makes it easier to be in OSHA compliance. Mr.

Carnahan added that the division would be exempt from programmed enforcement inspections while certified under the SHARP program.

**C. Project Updates – Jim Heumann, P.E.**

Mr. Heumann noted that Carson Dorn is proceeding well on the Salmon Creek Secondary Disinfection design. The project is expected to be advertised soon.

Carson Dorn is designing the valve replacements for South Franklin Street and it is hoped the project will be advertised in advance of the 2011 cruise ship arrivals.

Ms. Janet Schempf arrived, 5:43 pm.

**D. Verbal Status Reports**

**1. Draft Water and Wastewater Utility Budgets**

Mr. Larson asked staff to highlight issues of concern. Mr. Myers responded that a significant increase to wastewater will occur in chemical costs, full cost allocation and insurance. However, this may be offset by better estimates of energy costs (such as electricity and fuel oil), as staff developed an effective rate model to estimate energy use. Mr. Larson asked for an estimate of these increases, as a percentage. Mr. Myers reported that an increase in polymer costs is expected to be 30%, a six-figure amount. The contract goes to bid in July and the increase will be significant. Mr. Larson asked for an aggregate estimate. Mr. Myers responded that the FY11 budget is approximately 10% over the FY10 budget.

Mr. Carnahan reported on the construction budget to remodel the water utility facility. This is a CIP project but will be transferred from CIP to our operating budget, thus eliminating the CIP so CIP monies can go to other projects. The original remodel was estimated at \$400,000 but it will now be done in \$100,000 increments.

Mr. Willis asked whether the projected rate increase was included in the FY11 budget. Mr. Carnahan responded that it was not.

Mr. Larson asked for the status of the last rate increase proposal from the UAB. Mr. Carnahan responded with a brief history. The first increase was scheduled just as Snettisham failed and residents experienced a significant increase in fuel oil costs. It was decided to delay the utility increase at that time and rescheduled for November, just as the economic downturn began. So the rate increase was again delayed..

Mr. Larson said the difficulty is the needed increase to absorb the past scheduled increases and well as the current costs. So rather than asking for a 3% overall increase, a 7% increase is needed. This will not be palatable to the community or to the Assembly.

Ms. Pearson asked the status of the rate study. Mr. Carnahan responded that the Scope of Services needs to be completed, but nothing has been done so far.

Mr. Larson noted that if new consultants are hired, they must be brought up to speed with Juneau's unique situation. Mr. Willis asked whether the initial consultants will be hired. Mr. Jeffers responded this would be ideal, but the Purchasing Department requires this project go out to bid. We cannot go sole source with this project.

Ms. Pearson asked staff whether the increase would be stalled until July 11, 2011. Staff replied this would be the earliest it would occur.

Discussion ensued regarding the lengthy process of a rate study that includes rate classes, the likely public sensitivity to a larger rate increase, the delay of a rate increase as it relates to revenue, the bigger the rate increase needed the longer we wait and how long reserves will sustain the utilities while waiting for an increase.

Mr. Willis noted that the longer it is delayed, the higher the increase needed and the more difficult it is to implement. Mr. Willis suggested the old model be used for a 2-3% increase, then proceed with the new model. Mr. Carnahan said he will put together a scope next week, recommend increases by September, forward to UAB in October, to be forwarded to the Assembly by January 1, 2011.

Mr. Larson suggested the Board write a letter to the City Manager reminding him that an annual increase did not occur and to maintain the financial integrity of utilities it must be implemented. Ms. Pearson suggested that Joe Buck be included in such a scenario, as he is familiar with the political landscape. Mr. Carnahan responded that he will check with Mr. Buck.

Mr. Larson stated that the general rate increase will not be the chief issue; rather, those customers who fall into higher rate categories and thus bearing a higher burden of a rate increase.

Mr. Myers asked whether the allocation should be done later and the rate increase as soon as possible. Mr. Jeffers responded that this approach would be desirable, as we need an interim rate increase and a careful look at what's needed for the future.

## **2. March 20120 Incinerator Shutdown and Repairs**

Mr. Myers reported that an unscheduled shutdown occurred two weeks ago due to a faulty expansion joint. After a two-week shutdown, the incinerator began re-heating this morning and will resume burning tomorrow. While the incinerator was shut down, other repair work was performed. The faulty expansion joint was repaired and re-installed. The sludge-feed pumps need to be serviced in the future and this will require a partial shut down. Mr. Heumann added that staff responded well and Purchasing responded extremely fast getting a contractor on site.

## **3. S. Franklin Street Waterline Improvements Plan Review**

Mr. Heumann reported that advertising for short-term procurement for valve repair on South Franklin Street is underway and the work is schedule to be complete before the tourist season begins.

**4. Annual Utility Report to CBJ Assembly**

Mr. Heumann reported that this report was not done last year but he found a report from the previous year. He will use this as a template and have a draft available for the Board's review before the April UAB meeting.

**VI. NON-AGENDA ITEMS**

**A. Memorandum to Public Works and Facilities Committee re: Elimination of "Single Family Unit" Definition from CBJ Sewer Code**

A copy was distributed to the Board.

**B. Policy: Back-Billing for Prior Utility Services Received**

A copy of this policy with suggested changes was handed to the Board. Of note is the language allowing backbilling up to the maximum period of six years for government agencies receiving services but not paying.

Mr. Larson noted that government entities are knowledgeable customers and pay little for other services the City provides so the change is reasonable.

**C. Wastewater Safety Improvements**

Mr. Myers reported that R&M Engineering is working on safety improvements on the ABF building. This structure should be demolished and replaced.

**VII. ADJOURNMENT:**

The meeting was adjourned at 6:38 p.m.

Respectfully Submitted,

Laurel White, Administrative Assistant II  
CBJ Public Works Water Utility