



## Engineering & Public Works Department

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### MEMORANDUM

**DATE:** June 11, 2020

**TO:** City and Borough of Juneau Assembly

**FROM:** Utility Advisory Board

**SUBJECT:** Annual Report for the period May 2019 through April 2020

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This memo comprises the 2020 annual report of the CBJ Utilities Advisory Board (UAB) for the period May 2019 through April 2020. The UAB considers infrastructure, operations, and funding needs of the Water and Wastewater utilities; annual reports are meant to advise the Mayor, Manager, and Assembly on utility issues, in accordance with the enabling CBJ Resolution 2299 (February 2005).

#### **2019-2020 UAB ACTIVITY**

In March 2019, after careful study and deliberation, the Utility Advisory Board recommended a 4% increase in water and wastewater customer rates in each of the following five years (see: Appendix A). However, in April 2019, the City Manager recommended that customer utility rates increase by 2% in each of the next five years.

Subsequently, UAB members met individually with Assembly members and attended meetings of the Human Resources and Finance committees to explain the need for annual 4% rate increases, as detailed in the UAB's 2019 annual report.

During a regular meeting held August 19, 2020, the Assembly approved a 4% rate increase for both water and wastewater customer rates beginning in January 2020 and 2% rate increases for the 2021-2024 period, effective each July 1. The rate increases are codified in Ordinance 2019-31; Large Commercial rates were updated by Ordinance 2019-44.

Tours of the new Dryer Facility were conducted with the UAB, members of the Assembly, CBJ staff, and media.

#### **ANTICIPATED WORK FOR 2020-2021**

The UAB expects to review the impact of the 4% rate increase and to anticipate the effects of annual 2% increases. The UAB will make recommendations to protect the integrity of the water and wastewater systems and their administration, management, and operation to ensure (a) the water utility will continue to provide a dependable supply of high quality water for fire protection, community safety, residential and commercial uses, and supporting tourism, and (b) the wastewater utility will continue to efficiently and effectively collect wastewater and meet or exceed wastewater treatment standards. Additionally, staff will work closely with the

Assembly regarding the COVID-19 financial impacts to the Utility and its customers. The UAB will continue to provide support and recommendations as needed.

**BOARD MEMBERSHIP AND MEETINGS**

These individuals served on the UAB for the May 2019 – April 2020 reporting period:

- Andrew Campbell, Alaska Registered Engineer, General Contractor, Commercial Utility Customer, and Residential Utility Customer
- Bryan Farrell, Commercial Utility Customer and Residential Utility Customer
- Janet Hall Schempf, General Public
- Geoff Larson, Commercial Utility Customer
- Grant Ritter, Residential Utility Customer
- Leon Vance, Residential Utility Customer

In addition, Kevin Buckland, Accountant, Commercial Utility Customer, and Residential Utility Customer, served until resigning from the UAB in December 2019. .

The UAB was chaired by Leon Vance throughout the reporting period, and Geoff Larson served as vice-chair.

Two terms expired in May 2020; Janet Schempf and Grant Ritter have indicated that they will re-apply for their seats. Leon Vance and Bryan Farrell began renewed terms on June 1, 2019. The vacancy resulting from Kevin Buckland’s resignation remains open.

**BOARD MEETING DATES**

During the reporting period, the Board held three regularly scheduled meetings. No regular meetings were held during the months of July through February, or in April due to no agenda items or to a lack of quorum. No special meetings were held during the reporting period. The meetings were as follows:

- May 9, 2019
- June 13, 2019
- March 12, 2020

**BOARD MEMBER ATTENDANCE AT REGULAR MEETINGS**

Legend: <i>P = Present   A = Absent</i>	May	Jun	Mar	Totals		Term
	5/9/2019	6/13/2019	3/12/2020	Attended	Absent	Ends
Buckland, Kevin	A	A	N/A	0	2	12/31/2019*
Campbell, Andrew	P	A	A	1	2	5/31/2020
Farrell, Bryan	P	P	P	3	0	5/31/2021
Schempf, Janet Hall	P	P	P	3	0	5/31/2022
Larson, Geoff	A	P	P	2	1	5/31/2021
Ritter, Grant	P	P	P	3	0	5/31/2020
Vance, Leon	P	P	P	3	0	5/31/2022
Number of Attendees	5	5	5			

\* Kevin Buckland resigned in December of 2019.

## **FURTHER INFORMATION ABOUT THE UTILITIES ADVISORY BOARD**

Engineering and Public Works staff for the UAB include:

Katie Koester – Engineering & Public Works Director

Brian McGuire – Utilities Superintendent

Autumn Sapp – Engineering & Public Works Business Manager

Joshua Midgett – Public Works Utilities Administrative Assistant III

Janet Sanbei – Engineering & Public Works Administrative Officer

Utilities Advisory Board website: <https://beta.juneau.org/engineering-public-works/utilities-division/utility-advisory-board>

## **APPENDIX A**

### **BACKGROUND/ RATE HISTORY**

Most recently, on the 2017 Ballot, the 1% sales tax passed with 77 percent of votes in favor of renewal. The assembly proposed this ballot measure and said it would “focus on addressing the deferred maintenance needs of the public utilities and facilities” and the Finance Committee specifically identified \$15.5 million for water and wastewater infrastructure, maintenance and Improvement.

A rate study was completed in December of 2013 by FCS. The public and Assembly were briefed on the study’s contents during three public forums and two public presentations to the assembly. There had been no rate increases since 2011 and FCS proposed three different five year rate plans to address the system reinvestment which was in arrears. The three proposed options to address the lack of system reinvestment, were labeled “Low” which would fund system reinvestment 35%, “Middle” would fund 68%, and “Top” would fully fund system reinvestment 100%. The assembly chose the “Middle” five year option for funding 68% of system reinvestment. While this option did not fully fund system reinvestment it did improve the level of maintenance and replacement costs that had been historically deferred. One reason the assembly chose this option was that it was anticipated that other funding sources would be available. One funding source specifically mentioned was the State of Alaska having a history of granting municipalities money for water and wastewater needs. Subsequently, the Assembly passed Ordinance 2014 36(b)(am) which increased water 6.5% and wastewater 8% for each of the next five years.

A rate study completed in 2003 recommended an immediate rate increase of 19% for water and 39% for wastewater, and further recommended additional specific rate increases over the next 10 years. Customer rates for the two utilities did not increase during the years 1991 to 2003 (thirteen years), which led to precarious financial positions for both utilities. Infrastructure maintenance was deprioritized, and the utilities did not have the ability to perform necessary repairs and upgrades. In Ordinance 2003-43 on October 2003, the Assembly approved the 19% and 39% increases, and due to “rate shock” to customers, the Mayor empaneled a seven member Ad Hoc Utility Advisory Board (UAB) in February 2004. This group was tasked with advising the Mayor and Assembly on Water and Wastewater utility issues, including rates, and with making recommendations regarding the advisability of a permanent Advisory Board.

### **UAB PURPOSE**

CBJ Resolution 2299 identifies the UAB’s primary responsibilities concerning the status of water and wastewater utility topics:

- (a) Review and make recommendations to the Assembly and Manager on all matters pertaining to the operation of the water system and the wastewater system, to the end that the consuming public is provided with the best possible service consistent with good utility management and cost containment;
- (b) Review annual budgets and funding plans and make recommendations for the efficient and economical operation of the water system and the wastewater system including bond issues, staffing, fiscal matters, and public relations;
- (c) Make recommendations on long-range planning for system expansion replacement, and priorities to meet future needs of the water and wastewater systems;

(d) Make recommendations on water and wastewater utility rates to ensure that the rates are equitable and sufficient to pay for operation, maintenance, debt reduction, system replacement, and utility reserves necessary to ensure sustainable public utilities;

(e) Make recommendations on measures to increase the efficiency and cost effectiveness of the water and wastewater utility operations; and

(f) Perform such other duties and functions related to the utilities as the Assembly or Manager may request