
MEMORANDUM

DATE: May 9, 2019

TO: City and Borough of Juneau Assembly

FROM: Utility Advisory Board (UAB)

SUBJECT: Annual Report for the period May 2018 through April 2019

This memo comprises the 2019 annual report of the CBJ Utilities Advisory Board (UAB) for the period May 2018 through April 2019 meant to advise the Mayor, Manager, and Assembly on utility issues, in accordance with the enabling CBJ Resolution 2299 (February 2005).

The UAB considers infrastructure, operations, and funding needs of the Water and Wastewater utilities. As a result of study and deliberation, the UAB recommends that both the Water and the Wastewater customer rates are raised 4% each of the next five years. This recommendation is made in consideration of the financial health of the utilities using computerized dashboard software, anticipated fund balances, prioritized infrastructure upgrades and replacements, funding sources, and CIP funding needs. With these increases, the water utility will continue to provide a dependable supply of high quality water for safety and fire, tourism, domestic, and commercial uses. In addition, the wastewater utility will be able to continue to efficiently and effectively collect wastewater and meet or exceed wastewater treatment standards over the coming five years.

The rate model that was used was designed by a consultant, Financial Consulting Solutions Group Inc. (FCS), specializing in utility assessments with specific experience in water and wastewater. The rate model is updated as needed by CBJ Staff. This model allows the finances of the Water and Wastewater utilities to be studied looking out ten years and allows the various financial assumptions to be tested. The UAB used this tool to develop recommended utility rate changes to fund infrastructure upgrades and replacements.

The UAB's recommendation assumes that the utilities will receive at least the same sales tax allocation in FY25-FY29 as they are receiving in the current cycle. Staff has developed a 10-year CIP plan based on conditions of division assets and known needs. The UAB supports CIP planning with a 10 year horizon for both the Water and Wastewater utilities. The timing and exact nature of these anticipated CIP expenditures will be presented to the assembly as required. The suggested rate increase above does not fund an average of \$7 million annually that would be needed to fully fund the 10 year anticipated CIP needs.

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

BOARD MEMBERSHIP AND MEETINGS

CBJ Resolution 2299 stipulates that the Board shall consist of seven members, and to the extent practicable, appointments shall be made as follows: one engineer registered in the State of Alaska, preferably with training and experience in water, wastewater, and/or utility systems design and operation; one accountant, preferably experienced with utility financial management practices; one general contractor, preferably experienced in the construction of water and/or wastewater utility systems; two commercial customers of the City and Borough water and/or wastewater utility; one residential customer of the City and Borough water and/or wastewater utility; and one member of the general public.

The following is list of May 2018 – April 2019 members and their membership qualification(s):

Kevin Buckland – Accountant, Commercial Utility Customer, and Residential Utility Customer

Andrew Campbell – Alaskan 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 – Alaskan Registered Engineer and Commercial Utility Customer

Grant Ritter – Residential Utility Customer

Leon Vance – Residential Utility Customer

During the reporting period, the Board held six regular meetings and one special meeting. Leon Vance served as chair throughout the year. Geoff Larson continued to serve as vice-chair. Two terms expire in May 2019; Bryan Farrell and Leon Vance have indicated that they will re-apply for their seats.

BOARD MEETING DATES

The UAB meets for regularly scheduled and special meetings. The Board held six regularly scheduled meetings and one special meeting:

May 10, 2018

June 14, 2018

September 13, 2018

January 10, 2019

March 7, 2019

March 14, 2019 - A special meeting to consider customer rate increases for the coming five years

April 11, 2019

Regular meetings were not held during July, August, October, November, December, and February due to lack of agenda items or lack of quorum.

BOARD MEMBER ATTENDANCE AT REGULAR MEETINGS

	May	Jun	Sep	Jan	Mar	Apr	Totals		Term
	5/10/2018	6/14/2018	9/13/2018	1/10/2019	3/7/2019	4/11/2019	Attended	Absent	Ends
Buckland, Kevin	X	X	X	X	O	X	5	1	5/31/2020
Campbell, Andrew	X	O	X	X	X	X	5	1	6/30/2021
Farrell, Bryan	X	X	O	X	X	X	5	1	5/31/2019
Schempf, Janet Hall	X	X	X	O	O	X	4	2	5/31/2020
Larson, Geoff	X	X	X	X	X	X	6	0	5/31/2021
Ritter, Grant	X	X	X	O	X	X	5	1	5/31/2020
Vance, Leon	O	X	X	X	X	X	5	1	5/31/2019
Number of Attendees	6	6	6	5	5	7			

FURTHER INFORMATION ABOUT THE UTILITIES ADVISORY BOARD

Engineering and Public Works staff for the UAB include:

- Mike Vigue – Engineering & Public Works Director
- Autumn Sapp – Engineering & Public Works Business Manager
- Janet Sanbei – Engineering & Public Works Administrative Officer

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