

MEMORANDUM

CITY/BOROUGH OF JUNEAU

Public Works Department
5433 Shaune Drive, Juneau, Alaska 99801
Kirk Duncan, Director
Voice (907) 586-5254
Fax (907) 780-4637

TO: Assembly Committee of the Whole

FROM: Kirk Duncan, Public Works Director

DATE: May 2, 2014

SUBJECT: Water and Wastewater Rate Study Update

At a previous CBJ Finance Committee meeting, a question was asked concerning the impact of proposed water and wastewater increases on the residents and businesses of Juneau. This memo is intended to provide that information.

Over the last few months, CBJ staff has presented a proposed water and wastewater rate study that would fund the needed improvements and enhancements recommended for the next 10 year time period.

CBJ Water and Wastewater Assets total approximately \$275 Million. Most of these assets have a life expectancy of 20 years to 50 years. The staff is recommending the adoption of a funding strategy that would provide for replacement, rebuilding or extensive repairing of 25% of the total assets over the next 10 year period or a total of approximately \$74.4 Million. A list of those projects is attached to this document. In addition, a rate model showing revenues and expenditures over the next ten years has been included with this document.

CBJ Public Works hired the FCS Group to update the water and wastewater rate study that FCS developed in 2004. Assumptions upon which the current rate study has been created are:

1. Capital Improvements for Water total \$23.0 Million (FY2014 Dollars)
2. Capital Improvements for Wastewater total \$51.4 Million (FY2014 Dollars)
3. Operating Expenses are indexed for inflation by 2.5% annually
4. Capital Improvements are indexed for inflation at 4.5% annually
5. \$1.2 Million for Capital Improvements coming from Marine Passenger Fees (FY2015 Dollars)
6. \$22.5 Million for Capital Improvements coming from 1% Sales Tax (for placement on 2017 Ballot for 1% Sales Tax effective October 1, 2018)

Assuming that the Assembly approves the rate increases and that outside funding from 1% Sales Tax and Marine Passenger Fees are also approved, the rates for a flat residential customer which is the largest number of accounts would increase from the current \$26.40 per month to \$28.91 in 2015 and ultimately to \$52.33 in 2024. Wastewater rates would increase for flat rate residential customers from the current \$64.13 per month to \$70.22 in 2015 and ultimately \$128.85 in 2024.

All metered water customers would see their rates increase in 2015 by 9.5% with an additional annual rate increase of 9.5% until 2019, when the rate would increase at an annual rate of 5.5% through 2024. Metered wastewater users would see their rates increase by 9.5% annually through 2019 with annual increase in 2020 through 2024 of 5.0%.

The table below provides further information.

As stated previously, this rate structure, if approved, will provide for needed infrastructure improvements through 2024. It is important to point out that these projections are based on the best current data on the condition of the assets and due to the buried nature of many of the assets, additional funds may be required before the end of the study period.

	Residential & Commercial Flat Rates		Metered Residential, Commercial Large Commercial and Bulk Rates	
	Water Rates	Wastewater Rates	Water % Increase	Wastewater % Increase
2014	\$ 26.40	\$ 64.13	0.0%	0.0%
2015	\$ 28.91	\$ 70.22	9.5%	9.5%
2016	\$ 31.65	\$ 76.89	9.5%	9.5%
2017	\$ 34.66	\$ 84.20	9.5%	9.5%
2018	\$ 37.95	\$ 92.20	9.5%	9.5%
2019	\$ 40.04	\$ 100.96	5.5%	9.5%
2020	\$ 42.24	\$ 106.00	5.5%	5.0%
2021	\$ 44.57	\$ 111.30	5.5%	5.0%
2022	\$ 47.02	\$ 116.87	5.5%	5.0%
2023	\$ 49.60	\$ 122.71	5.5%	5.0%
2024	\$ 52.33	\$ 128.85	5.5%	5.0%

Attachments:

May 5, 2014 Wastewater & Water Utility Rate Model

Water & Wastewater Capital Improvement Projects List 2014-2024