



**Engineering & Public Works Department**

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DATE: April 30, 2018

TO: Mr. Jerry Nankervis, Chair  
Assembly Committee of the Whole

FROM: Roger K. Healy, P.E.  
Director of Engineering and Public Works

SUBJECT: Utility Advisory Board – 2017 Annual Report

The Utility Advisory Board is submitting their 2017 Annual Report. Four members voted for the report. Two members voted against the report. A minority report is included, and supported by the two members opposing the Annual Report.

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## MEMORANDUM

**DATE:** April 30, 2018

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

**FROM:** Utility Advisory Board (UAB)

**SUBJECT:** UAB Annual Report to the Assembly for May 2017 – April 2018

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### **BACKGROUND**

The Water and Wastewater Utilities did not have a rate increase from 1991 to 2003. The Utilities were in a precarious financial position because of this long period with no rate increases. A rate study completed in 2003 recommended an immediate rate increase of 19% for water and 39% for wastewater and recommended additional specific rate increases over the next 10 years. The Assembly approved the 19% and 39%, increases and due to the public outcry from this “rate shock”, the Mayor empaneled an Ad Hoc Utility Advisory Board (UAB) in February 2004. Made up of seven members of the public, the group’s task was advising the mayor and Assembly on Water and Wastewater Utility issues, including rates, and making recommendations regarding the advisability of a permanent Advisory Board. The Ad Hoc UAB presented their report in December of 2004, recommending, among other things, establishment of a permanent Utility Advisory Board. In February 2005, CBJ Resolution 2299 created a permanent Utility Advisory Board, with seven members of the public, six of whom served on the Ad Hoc UAB. Since its establishment, the UAB has continued to advise the Mayor and Assembly on Utility issues in accordance with the original resolution.

### **PURPOSE**

The purpose of the Utility Advisory Board is to advise the Assembly on issues relating to water and wastewater utilities. The Board’s primary responsibilities concerning the status of water and wastewater utility issues are as follows: (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.

### **MAY 2017- APRIL 2018 BOARD MEETINGS AND MEMBERSHIP**

Between May 2017 – April 2018, the Board held five regular meetings and one work session. Leon Vance served as chair throughout the year. Geoff Larson continued to serve as vice-chair. Andrew Campbell and Geoffrey Larson’s terms expire in May 2018. They have re-applied for their seats.

The Board shall consist of seven members comprised of the listed qualifications:

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 2017 – April 2018 members with their area of 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 – Commercial Utility Customer  
Grant Ritter – Residential Utility Customer  
Leon Vance – Residential Utility Customer

### **WATER AND SEWER RATES**

#### **Recommendations**

- UAB recommends an annual increase of 2.5% for wastewater utility rates for each of next five fiscal years.
- At this time no increase is recommended for water utility rates for the next five fiscal years.

The Board spent a significant amount of time over the last six months reviewing and analyzing water and wastewater funding and expenditures. This culminated in identifying the appropriate utility rate changes to secure the financial health of the Utilities through FY2024. The projections for capital project spending beyond FY2024 become more speculative as time projections increase. Historically, both utilities have undertaken larger capital funding episodes about every ten years, coinciding with major expansions or reconstructions of major systems. Examples include: construction of Wastewater’s sludge incinerator in 1994; current construction of the Biosolids dryer and Headworks Improvements; Last Chance Basin Water Source Improvements 1993; Salmon Creek Disinfection Improvements 1998; Last Chance Basin Well Field Improvements 2014; and Salmon Creek Water Filtration 2016.

The Board identified a plan through FY2024 that continues the recommended rate increase of 2.5% for wastewater utility and no increase for water utility rates. This approach will allow the Utilities to maintain three to four months of operating cost and continue allocation to capital expenditure. However, this plan after 2024 will be unable to sustain fund balances that equal the financial reserve targets (three to four months operating costs + capital expenditure) as identified by the CBJ Finance Director. The UAB will continually monitor the financial health of the Utility and will make recommendations based upon any deviations from our forecast. Wastewater will fall below the \$7 million (\$3M operational + \$4M capital) financial reserve target in FY2027. Water will fall below the \$3 million (\$1M operational + \$2M capital) financial reserve target in FY2029.

Additionally, the financial reserve targets would be unmet in earlier years if periodic higher capital costs are experienced, such as in the past. While the CBJ's Capital Improvement Plan has a six year outlook for potential projects, the UAB's perspective regarding needed rate structure should adopt a ten year outlook as their horizon.

### **Objectives for May 2018 – April 2019**

- Monitor financial health of the Utilities and make recommendations to the Assembly as needed
- Evaluate asset life expectancies
  - Begin implementing asset management software program
- Develop RFIs and/or RFPs for:
  - Asset evaluation/valuation model/assessment
  - Rate study with ten year outlook
    - Last rate study completed in 2014
    - 2014 rate study projections end in 2024

### **FURTHER INFORMATION**

Engineering and Public Works staff for the UAB include:

Roger Healy – Engineering & Public Works Director  
Autumn Sapp – Engineering & Public Works Business Manager  
Holly Kveum – Administrative Assistant III

Information is also available on the Utility Advisory Board website at:

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

### **BOARD MEETING DATES**

#### **Meetings**

November 9, 2017  
January 11, 2018  
January 19, 2018 (work session)  
February 8, 2018  
March 8, 2018  
April 12, 2018

Meetings were not held from May through October due to lack of agenda items or lack of quorum.

**Utility Advisory Board Attendance  
Regular Meetings (2017 – 2018)**

	11/9/2017	1/11/2018	2/8/2018	3/8/2018	4/12/2018	Meetings Absent	Meetings Attended
<b>Buckland</b>	Vacant	X	X	X			
<b>Campbell</b>	O	X	X	X			
<b>Farrell</b>	X	X	X	X			
<b>Hall Schempf</b>	O	X	X	X			
<b>Larson</b>	X	X	X	X			
<b>Ritter</b>	X	X	O	X			
<b>Vance</b>	X	X	O	X			

**Special Meetings (2017 – 2018)**

	1/19/2018 Work Session
<b>Buckland</b>	X
<b>Campbell</b>	O
<b>Farrell</b>	O
<b>Hall Schempf</b>	O
<b>Larson</b>	X
<b>Ritter</b>	O
<b>Vance</b>	X