Memorandum

Date: May 31, 2025

To: City and Borough of Juneau Assembly, Mayor, and Manager

From: Chair, Utility Advisory Board

Subject: Annual Report for the period May 2024 through April 2024

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May 7, 2025

INTRODUCTION

This memorandum is the annual report of the CBJ Utility Advisory Board (UAB) for the period May 2024 through April 2025. In conformance with the enabling CBJ Resolution 2299 (adopted February 2005, Attachment A), the UAB considers the infrastructure, operations, and funding needs of the water and wastewater utilities; the Board's annual reports are meant to inform decisions made by the Mayor, Manager, and Assembly concerning multiple aspects of water and wastewater in the Borough.

The UAB believes that financially and physically healthy water and wastewater utilities are necessary for our community to be resilient and to thrive. The infrastructures of CBJ water and wastewater utilities are aging, and increased capital investments are immediately required for necessary maintenance and upgrades so that the utilities can meet existing community and visitor needs and anticipate future demand. A brief history of user rates is included as Attachment B.

While the UAB depends upon CBJ staff for information and updates, the UAB independently reports its observations and makes its own recommendations to the Assembly and CBJ Manager. The UAB membership includes individuals with specific interests in water and wastewater related topics and issues; some members have served since the UAB was created, and provide continuity through shifting regulatory, fiscal, and staffing circumstances.

FINANCING THE UTILITIES

The UAB is concerned that that CBJ has an adequate supply of high-quality potable water to meet community needs and a wastewater infrastructure that is efficient and effective.

As housing and recreational development expand in the Borough, adequate wastewater plant capacity is a concern. Given the geography and land ownership in the Borough, developments are most likely to affect MWWTP plant, which, of all the CBJ wastewater treatment plants is closest to maximum capacity now.

Managing the increased amount of wastewater could include adding new assets (i.e. new plants or technologies at current plants) and/or reducing the current load on a plant by redirecting flow. This burden is in addition to meeting the deferred maintenance and upgrades needed now to ensure the water and wastewater systems are functioning as intended.

Utility funding, including infrequent user rate increases, has not provided a revenue stream that allows the utilities to operate and to have timely maintenance and upgrades.

Over time, the less-than-needed rate increases created a deficit of funding; at the request of the UAB, calculating this deficit (while taking into account inflation and past rate increases) is included in the 2024-2025 CBJ Utilities Rate Study.

RATE STUDY 2024

Funding the utilities was the primary focus of the UAB during the reporting period. Discussions were far ranging and exploratory and included practical aspects of operating and maintaining the utilities, staffing, questions to pursue with a rate study, the nature of wastes from difference types of users, the need for long term planning, and the critical need for immediate maintenance and upgrades to the water and wastewater infrastructure.

The 2024 Utilities Rate Study underlies the user rate increases and the search for additional revenue:

- The rate study includes a review of Capital Improvement Projects (CIPs). The Utility worked to rank and provide additional information on CIPs to determine what projects were critical, which were safety related, which were tied to deferred maintenance, etc. The consultants then mapped out different rates based on how to approach CIPs - to do them all, to focus on more important CIPs, or to effectively complete only the bare minimum CIPs.
- The rate study calculated a minimum fund balance for the Utility. This calculation includes enough funds to run the utility for 3 months, plus 2% of the replacement cost associated with facilities run by the Utility.

- FCS/Dowl determined that the current revenues would not be sufficient to cover the operating costs of the Utility very soon - for Wastewater, by 2026. This is for a variety of reasons, including significant inflation over the past few years.
- The consultants highlighted previous rate increases that were approved for less than initially proposed.
- Based on these observations and assumptions, FCS/DOWL indicated a minimum rate increase of 14% per year, beginning in 2025. This would work out to about $20/month for both water and wastewater utilities. By 2030, a typical rate payer could pay over $200/month.

EQUITABLE USER RATES

The UAB considered the characteristics of wastewater and appropriate user rates, especially for "high strength" users.

The UAB considered the equity of rates for resident and nonresident users, especially the users who pay for a wastewater discharge but do not pay into alternative forms of revenue that may or may not be directed towards the utility, including sales and property taxes.

The UAB notes that metered users pay a wastewater rate based on water meter readings, and the UAB concerned that some entities are discharging above the sewer code limits. The UAB is concerned, for example, that passenger planes that offload wastewater in Juneau, may not be included in the water meter reading.

The discussions considered the CBJ Code, which does not fully address all of the discharge scenarios and a rate structure based on the character of the waste.

GENERAL OBLIGATION BONDS (GO Bonds)

The UAB expressed support for projects selected by CBJ staff for funding with General Obligation Bonds (Go Bonds) and for using bonds as a funding source for the projects.

In an expression of the UAB's support of using bonds to support utility projects, the UAB passed four motions:

- The UAB affirms its support of using GO Bonds to reduce annual rate increases linked to cost of living.
- The UAB supports the proposed $20 million bond and the proposed CIP projects in conjunction with the 5 year rate increase.
- The UAB supports the proposed $20 million bond for use in conjunction with the 5 year rate increase.

- If the $20 million bond is not pursued, the UAB supports using the 10 million dollar bond in conjunction with the 5 year rate increase.

OTHER POTENTIAL FUNDING SOURCES

The UAB provided letters of support for Congressional Directed Spending that would benefit the MWWTP.

The UAB continues to follow proposed and approved uses for Marine Passenger Fees, and encourages staff to propose appropriate projects that could be funded by the passenger fees.

The UAB notes the CBJ water system is sized and constructed for fire suppression, which adds construction and maintenance costs to every water transmission line and reservoir project; the UAB supports utility funding via Sales Tax and Property tax.

OTHER ITEMS OF INTEREST TO BOARD MEMBERS

Over the course of the reporting period, the UAB and CBJ staff shared information and discussed topics of mutual interest; the Board took formal action with appropriate.

MENDENHALL RIVER FLOODING AND RISKS TO UTILITY INFRASTRUCURE

Water and wastewater transmission lines and pumps are within areas that flooded in 2023 and 2024. In response to the 2023 glacier outburst flood, staff raised electrical panels above the anticipated flood height, and utilities were better prepared for the 2024 flood.

The MWWTP is immediately adjacent to Mendenhall River; the diffuser is buried in the river's bank and bed. The plant riverfront significantly eroded during the 2023 flood, but remained in good condition after the 2024 event.

During the 2024 event, six sewage lift stations did not operate; two of these were shut down when AEL&P turned off power to the affected areas. Fortunately, all six stations were returned to service the following morning.

SALMON CREEK PENSTOCK

AEL&P's Salmon Creek penstock replacement project has been delayed by a year, so the Salmon Creek water supply will be available for summer 2025. The water outage is now planned for April-June 2026. Water sales to cruise ships will be suspended during the outage.

WATER QULAITY

The CBJ is required to measure certain water quality parameters of the water system as well as the natural environment that receives discharges from wastewater treatment plants.

The 2023 Annual Water Quality Report: CBJ launched the annual Consumer Confidence Report (CCR) July 1, 2024 in an HTML format that is available from the CBJ website, juneau.org/water-quality-report. The report assures users that CBJ water is very clean and high quality.

Lead Service Line Inventory: The CBJ undertook a two-step inventory of lead service lines, starting with a household survey and then conducting physical surveys of residences that did not respond to the survey. The inventory is required by EPA and DEC ass the first step in identifying specific risks to public health. To date, no problems have been identified.

Mendenhall River and Mendenhall Wetlands State Game Refuge: In the course of renewing permits for the MWWTP, changes in the water chemistry of Mendenhall Valley were detected. Recent sampling results indicate carbon is increasing, and that Mendenhall River now has levels of copper above the threshold for "impaired." This status will affect what the plant is allowed to discharge to Mendenhall River, and complying with potential discharge limits may require a treatment plan and additional treatment.

CLIMATE CHANGE RESILIENCY

Early in the reporting period, an EPA team worked with CBJ staff on a climate change resiliency review. The review included a three-day exercise that included risk assessment, a financial tool, and a decision making matrix to help the Utility identify ways to improve the resiliency of the CBJ water supply while getting the best value financially.

The team also discussed climate induced landscape failures that affect the Utility, which has been an ongoing theme in CBJ. In July, for example, the Last Chance Basin facility was manually operated by CBJ staff for about a week after a landslide. The Utility has since begun conversations about ways to protect the Last Chance Basin water supply so that the Water Utility can provide an uninterrupted supply of high-quality water.

The Utility is exploring additional water supply sources to serve the Borough, particularly on the west side of the distribution system, where even a seasonal water supply would be beneficial.

CYBERSECURITY

The visiting EPA team conferred with CBJ staff about cybersecurity risk, especially considering attacks against potable water supplies that are occurring across the United States. The EPA team conducted an audit of CBJ Utility cybersecurity, and Staff has taken steps to reduce the likelihood that a cyber-attack would be successful here.

FIRE SUPPRESSION AND WATER SUPPLY DURING WATER SYSTEM MAINTENANCE

Plans are underway to test pressure configurations for the water supply system. The Utility is developing a strategy to ensure adequate supply for both fire suppression and regular uses is provided to the water distribution system during the testing and related maintenance. Sales of water to cruise could be interrupted or suspended during testing and maintenance work.

ANTICIPATED WORK FOR 2025-2026

The health of CBJ water and wastewater utilities is critically important to residents, businesses, government entities, and visitors. The UAB recognizes the infrastructures of both utilities are aging and require increased capital and maintenance improvements to maintain current levels of service and to accommodate community expansion.

The UAB is interested in short- and long-term planning to ensure the water and wastewater utilities are truly sustainable and fully meet community needs. Changing weather, diminished snow packs, and sea level rise may seem like abstract threats, but the risks should be identified and understood as best as possible now, so that contingencies will be in place to ensure CBJ always provides an adequate supply of safe drinking water and water for industry, firefighting, and other uses. Short-term disruptions, including periodic Mendenhall River flooding, that pose risks to water and wastewater infrastructure bring normally unbudgeted costs to the utilities that must be borne somehow by the community.

The UAB expects to undertake the following during the coming year and to provide information and recommendations as appropriate:

- Continue to evaluate the mission of the utilities and the philosophy of utility administration, with the view that adequate services must be provided to all who require them while protecting the financial stability of the utilities themselves.
- Identify and evaluate CIPs, funding sources, operational, and maintenance expenses.
- Evaluate the effects of past and future utility user rate increases in the context of variable local, state and federal funding.
- Receive updates on CBJ initiatives and projects, including a comprehensive map of CBJ potable water systems; a strategy to disseminate information to water and wastewater utility users and the

general public; and initiatives, such as the Source Control Program, that will contribute to the future health of the wastewater utility.

- Consider the cost/benefit of accepting sewage / wastewater from visiting vessels.
- Consider the cost/benefit of selling water to visiting vessels, especially in the context of water shortages and potential emergencies.
- Consider the adverse effects of climate and weather, and the need to secure additional water sources and water rights.
- Consider energy conservation and cost cutting at CBJ utility facilities.
- Consider environmental disruptions and identify potential risks and appropriate responses.

BOARD MEMBER TERMS AND VANCANCIES

Six CBJ residents served on the UAB for the May 2024-April 2025 reporting period. In conformance to the enabling resolution, board members have varying expertise and viewpoints and have formed a collaborative culture that encourages curiosity, learning, and discussion.

Andrew Campbell	PE Registered engineer; General Contractor
Elizabeth Pederson	Accountant
Geoffrey Larson	Commercial Customer
Stuart Cohen	Residential Customer
Grant Ritter	Residential Customer
Janet Hall Schempf	General Public

Andrew Campbell served as Chair and Geoffrey Larson as Vice Chair. One board seat was vacant throughout the reporting period. Elizabeth Pederson's term ends this month. Ethan Roemeling will begin his first UAB term in June.

BOARD MEETINGS

The UAB held seven regularly scheduled meetings and one special meeting during the reporting period.

The table below presents information about meeting dates and member attendance. In addition to these meetings, Chair Campbell presented the UAB's 2023-2024 annual report to

the Human Resources Committee (August 2024) and_____; the UAB vice-chair attended one meeting of the CBJ Human Resources Committee.

Further, most UAB board members met in person, spoke by telephone, or sent emails to CBJ Assembly members about immediate and long-term funding for the utilities.

Attendance Chart – needs fixing

	Jul	Aug	Sep	Nov	Jan	Feb	Mar	Apr	Tot
	7/11/2024	8/8/2024	9/12/2024	11/21/24*	1/9/2025	2/13/2025	3/13/2025	4/10/2025	Attended
Campbell, Andrew	P	P	P	P	P	P	P	P	8
Cohen, Stuart	P	A	P	P	P	P	P	P	7
Schempf, Janet	P	P	P	P	P	P	A	A	6
Larson, Geoff	P	P	P	P	P	P	P	P	8
Pederson, Elizabeth	A	A	P	P	P	P	P	P	6
Ritter, Grant	P	P	A	P	P	P	P	P	7
Total Attendees:	5	4	5	6	6	6	5	5	

P = Present
A = Absent

* Indicates a special meeting

** This chart does not include canceled meetings originally scheduled for May 2024, June 2024, October 2024, November 2024, or December 2024.

CBJ UTILITY ADVISORY BOARD SUPPORT STAFF

Engineering and Public Works staff who support the UAB as of May 2025 include:

Denise Koch – Engineering & Public Works Director
Brian McGuire – Utilities Superintendent
Chad Gubala – Utilities Plant & Treatment Manager
Alan Steffert – Engineer II – Utilities
Nathan Bodenstadt – Public Works Utilities Administrative Coordinator
Amanda Hatch – Public Works Utilities Administrative Assistant

UTILITY ADVISORY BOARD WEBSITE

UAB meeting agendas, minutes, and supplemental information may be found online, at juneau.org/engineering-public-works/utilities-division/utility-advisory-board and juneau-ak.municodemeetings.com/

UAB material is archived at juneau.org/engineering-public-works/utilities-division/utility-advisory-board-archive.