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DATE: August 25, 2023
TO: Wade Bryson, Chair
Public Works and Facilities Committee
THROUGH: Katie Koester, Engineering and Public Works Director
FROM: John Bohan, Chief CIP Engineer
SUBJECT: Stablers Quarry and Management Fees

The CBJ has received numerous requests to waive the management fees charged at Stablers Quarry as a way for CBJ to reduce the costs homeowners are experiencing while trying to armor, restore, recover, and rebuild from the tragic damage caused by the Suicide Basin Jökulhlaup flooding. The purpose of this memo is to explain why we cannot treat one property owner differently than another by waiving fees, how the management fees work, and what they are used for.

“Royalties” Misnomer

The use of the term “royalties,” although referred to that way for quite a long time, is misleading. The better term for the fee the CBJ charges for the rock is a “management fee”. CBJ uses the management fee to pay for permitting and compliance, maintenance (roads, stormwater controls, scales, etc.) operations, planning, development, and expansion projects.

Legal Concerns

From a legal perspective, CBJ has to treat all property owners equally. The City has to think about the next landslide, flooding event, and windstorm and CBJ is not financially equipped to develop and manage a disaster assistance program. Furthermore, CBJ has to be very careful what taxpayer dollars are spent on and ensure there is a public purpose. Without management fees, the general fund would have to subsidize quarry management.

How are Management Fees Charged?

At Stablers Quarry, the rock is produced by the contractor (in this case, Alaska Juneau Contractors or AJC), by the bank cubic yard; they produce the rock and manage the sale of it. CBJ receives \$3.97 per bank cubic yard from AJC who sets the final price for rock based on their production and processing costs. CBJ does track how the management fee gets passed onto the consumer or what rock gets used for what projects.

Effects of the Management Fee on River Armoring Projects

A very small portion of the cost of the rock represents the CBJ management fee. The majority of the cost of a rip rap construction project is the cost of producing the rock and the high cost of trucking. To give you a sense of scale, in 2022 CBJ partnered with adjacent property owners on Rivercourt Way to armor CBJ property and protect a storm drain outfall. The percentage of the CBJ management fee that was charged was less than 5% of the cost of construction (before engineering, design, permitting, and inspection).

Necessary Expansion Funded with Management Fees

Currently, due to the large volume of rock recently needed for the flooding disaster, a new internal quarry road needs to be constructed quickly to produce (blast and process) more rock. The next available location for rock production has been prepared, but doesn't have a suitable access road to it. The internal quarry road construction will cost about \$350k and CBJ has expedited the project in order to continue meeting the needs for armoring and restoring the riverbank. Without this road the rock would need to be moved multiple times, adding to the expense to the consumer.

Recommendation: Informational only.