

## UTILITIES ADVISORY BOARD MINUTES (DRAFT)

*Thursday, April 13th | 17:15pm  
2520 Barrett Ave. & Teleconference – Zoom*

### I. CALL TO ORDER

- a. *The meeting was called to order at 5:15pm by Acting Board Chair Geoff Larson*
- b. *Members Present: Geoff Larson, Elizabeth Pederson (teleconference), Janet Schempf (teleconference), Grant Ritter, Stuart Cohen*
- c. *Staff Present: Chad Gubala (teleconference), Brian McGuire (teleconference), Joshua Midgett, Ty Yamaoka, Denise Koch (teleconference), Alan Steffert (teleconference)*

### II. APPROVAL OF AGENDA

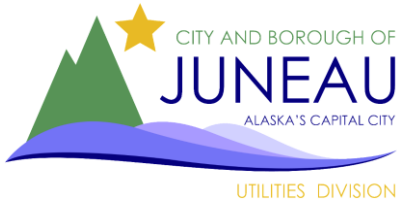
- a. *April 13, 2023 agenda was unanimously approved by the Board*

### III. APPROVAL OF MINUTES

- a. *March 9, 2023 minutes were unanimously approved by the Board with the following change:*
  - i. *Grant Ritter was added as a member present*

### IV. INFORMATION ITEMS

- a. *Board Update*
  - i. *Board Member Recruitment*
    1. *Geoff noted recent suggestions for the Board including a member of AEL&P.*
    2. *Buffy spoke to the possibility of a colleague and former CBJ Engineer – Keri Williamson. Staff will follow up with the Clerks office on her application*
    3. *Also noted that Stuart, Grant, and Janet's term will conclude at the end of May and were encouraged to reapply should they have continued interest.*
  - ii. *Annual Report*
    1. *Janet volunteered to tackle the first draft of this Annual Report, which staff will circulate, gather notes and input on, and then submit for approval at the next meeting*
      - a. *Geoff noted that this report could serve as an excellent starting point for having funding/budget conversations with the Assembly*
- b. *Rate Tool Discussion*
  - i. *Alternate Funding Mechanisms*
    1. *Brian introduced the Finance Director, Jeff Rogers, to speak to the possibilities for the Utility. He spoke to what an in depth rate study might look like, and that it would be focused on the alignment of **cost with usage** – “Are the Rate Payers actually paying for what they are getting”*
      - a. *This would involve divorcing yourself from the current model and possibly exploring the various variety of rates*
      - b. *An example of this thought process would be sourcing the largest cost*



*contributors and designing rates unique to those users*

2. *Jeff acknowledged that he 'is not a big fan of paying for rate-based structures with tax revenues' as there more diverse revenue gathering methods for those structures than other divisions of the City. While saying this, he did acknowledge that this separation of revenues would likely lead to a significant rate increase.*
3. *Denise inquired about additional instruments – including Bonds. Jeff acknowledged that bonds are available (typically above \$5m), but the cost might be higher than pursuing loans through DEC as those are subsidized.*
  - a. *He did question if DEC might have the capacity for a large enough loan depending on the project.*
  - b. *Brian asked about the difference between a DEC Loan and local Bond, Jeff responded that the rates would be different and that DEC loans would have a longer grace period prior to repayment. Revenue Bonds are flexible, typically between 10-25 years, while DEC Loans are more structured and usually have 10 or 20 year repayment plans*
  - c. *Another option is a Special Treasury Loan – which is rarely used, but is technically in the Code. It does need to be paid back within 5 years and the rate is at the discretion of the Finance Director*
  - d. *General Obligation Bonds are possible through the Assembly and would then go on the ballot and be voted on. Those bonds are repaid via tax revenue. These have not been done for an Enterprise Fund in recent memory; with the only exception being the Airport Terminal expansion.*
  - e. *Buffy questioned about the source of CIP funding and whether or not those would typically be funded by debt rather than rates. Jeff offered that you could either build in annual debt servicing or pursue a 'pay-go' strategy where you would accumulate capital until such time that large projects can be paid for*
  - f. *Stuart noted a general puzzlement about covering deficit by pursuing debt*
    - i. *Geoff acknowledged that this is the conundrum at the heart of this discussion*
    - ii. *Brian and others offered that the deficit is actually brought on by CIP contributions, not by annual costs*
4. *Stuart also inquired about the percentage of users that are metered versus flat rate Joshua highlighted the tool, which separates accounts by type, of which 5,000 residential users are flat and about 1,000 are metered.*
  - i. *Geoff noted the significant cost of pursuing and installing these meters.*
5. *Geoff spoke to the history of the Utility rates and the realization of unrecorded depreciation, which has led, in part, to the need for the rate increase previously and under discussion*
6. *Jeff stressed the point that a Rate Study would not solve any underlying fundamental funding problems, but rather assess and highlight sources and possible logical solutions*

ii. *Rate Tool*



1. Geoff asked staff for a recommendation on a spectrum of CIP spending from 'Draconian to Luxurious', segmenting out the larger projects which the UAB may approach the Assembly.
  - a. Jeff spoke to how it is 'never too early to educate the Assembly' and that it is worth sharing that there are really only two options: a significant increase in rates or alternative funding pathways
  - b. Brian & Alan are currently working on a 10-year plan, exploring compliance and deferred maintenance projects in an effort to better answer this question. Currently, he offered that \$5-\$6m annually would be the low end of CIP spending.
  - c. Joshua specified that this spending was specific to WW, highlighting that the Tool is currently separated between Water and Wastewater.
2. The group walked through the tool, using the above figures, a 7.5% inflationary increase, and set CIP spending of \$5-\$10m
3. Stuart asked about cost saving possibilities – including the reduction of FOG and the impact that might have on operations
  - a. Brian spoke to staff investigating the personnel and infrastructure costs surrounding this element, but that these figures are not readily available. He did acknowledge that any effects of these efforts would likely not be realized within the five year window of the tool as the highest impact of this reduction would be on the extended life of infrastructure.
  - b. Geoff brought up an early 2000's study from Tetra Tech, which noted that FOG was costing the Utility an average of \$2m annually
  - c. Stuart offered that an educational program would be a benefit to the community and in general, expressed an interest in ways to work with the community to avoid and/or reduce necessary rates.
    - i. Janet brought up that these resources may have been previously crafted and that it may not take too much staff time
4. Working with the tool, with the above numbers, it might take up to a 20% annual rate increase on the Wastewater side.
5. Grant offered that it could be possible to charge each residential unit by fixtures, as this is how pipes are sized.
  - iii. Grant also brought forward an article sourcing additional projects that the City is holding resources for, that the Utility should advocate to be a part of; noting 'wants' versus 'needs'

#### V. PUBLIC PARTICIPATION & NON AGENDA ITEMS

- a. Stuart spoke as a member of the public about On Bill Financing as part of a rapid adoption heat pump program, noting that the involvement of the Utility could be worth discussing in the future.

#### VI. ADJOURNMENT

- a. The meeting adjourned at 6:30pm
- b. Next meeting:  
**May 11<sup>th</sup>, 2023 | 17:15pm | In Person & Teleconference**