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**MEMORANDUM**

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**TO:** MAYOR JENSEN AND ASSEMBLY MEMBERS  
**FROM:** KARL HAGERMAN, UTILITY DIRECTOR   
**SUBJECT:** ORDINANCE REVISIONS: WATER #2022-05 AND SEWER #2022-06  
**DATE:** 4/13/2022  
**CC:** STEVE GIESBRECHT, BOROUGH MANAGER  
DEBRA THOMPSON, BOROUGH CLERK  
BECKY REGULA, DEPUTY CLERK

This memo is provided as supplemental information for Ordinances #2022-05 and #2022-06, revisions to the water and sewer code.

As the Assembly surely recalls, the water, sewer and sanitation departments underwent a comprehensive rate study that started in 2019. The plan was to take a close look at the utilities and bring rate adjustments, as indicated, and recommended in the rate study, forward to the Assembly for the FY21 budget. Unfortunately, the pandemic derailed many things, with the rate study and subsequent rate considerations being among the items that were deferred. At this time, with the bulk of the pandemic behind us, I am bringing forward the rate discussion for the water and sewer utilities.

Included in the packet is the final report from the rate study that was completed by FCS Group in the fall of 2020. While the study has not been updated, the principles and plans are still very relevant and can be used to justify the current rate adjustment requests. You'll see in the ordinance revisions that the rate increases recommended in 2019/2020 are being brought forward, with the only difference being the fiscal years in which they are being requested.

For both water and sewer utilities, the recommendation is to increase rates across-the-board by 3% per year for four (4) years. This was to commence in FY 22, but now the recommendation is to start the increases in FY23, with the last increase in FY26. The utilities are glad that these increases can be made incrementally to lessen the impacts on our customers. The regional rate comparison performed in 2019 showed that Petersburg's rates would still be comparable to other SE Alaskan water and sewer rates with the recommended increases. Capital improvement plans had also been largely put on hold, with a couple of smaller sewer projects being completed in the last two years, but many other projects that were approved for debt financing by local voters are waiting to begin. These rate increases will ensure that revenues are adequate to seek loans for the future projects of the utilities. The utilities last saw increases in FY18.

In addition to the rate structure, there are other changes to consider. Some minor edits of language and codifying fees for services provided by the water and sewer utility are included. Water deliveries outside of the distribution system and septic pumping services are now specifically defined and fees established.

Aside from capital improvements, the departments saw increases in virtually all supplies and services as the FY23 budgets were being developed. This caused me to include the recommended rate increases in the FY23 projected revenues for the departments. The existing rates will not support the normal O&M expenses any longer. If the increases are not passed by the Assembly, budget revisions will be needed.

Thank you for your consideration of the ordinance revisions. I will be happy to answer any questions that you may have.