



AWWU Strategic Plan Update

**Presentation to Assembly Enterprise and Utility Oversight
Committee**

August 17, 2023

by Mark A. Corsentino, P.E., AWWU General Manger

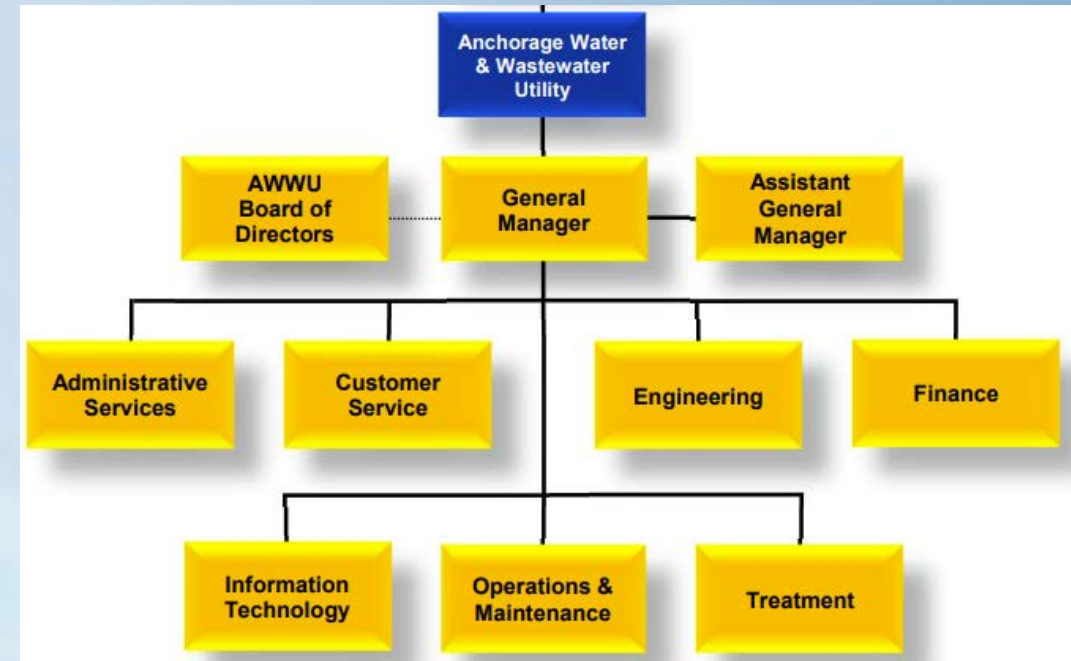
Presentation Outline

- Introduction to AWWU
Your Clean Water Stewards
- Overview & Understanding of AWWU Operations
- Strategic Planning Effort



AWWU Organization

- 284 Full Time Positions split between 2 Utilities (Water & Sewer)
- Represented by AMEA & Plumbers
- Mission & Purpose: *Safeguard the public health and environment by providing safe, economic and reliable water and wastewater services in a sustainable manner.*
- AWWU Provides Essential Community Services
- Under the Guidance of AWWU's Leadership Team
- General Manager – Mark Corsentino, P.E.
- Assistant General Manager – David Persinger, P.E.
- Administrative Services Division – Alyssa Farrar
- Customer Service Division – Jayne Fritts
- Engineering Division – Mark Schimscheimer, P.E.
- Finance Division – Jack Broyles Jr., C.P.A.
- Information Technology Division – Erik Schmitz
- Operations & Maintenance Division – Vacant
- Treatment Division – Jeff Axmann, ADEC Certified Operator



AWWU Core Values - PITCHERS

- Professionalism
 - We execute our responsibilities with courtesy, efficiency, dedication, responsiveness, and accountability
- Integrity
 - We honor our commitments and strive to maintain the trust of our community
- Teamwork
 - We recognize that Together Everyone Achieves More and promote collaboration with employees, customers, and business partners
- Continuous Improvement
 - We seek opportunities to enhance customer satisfaction, operational efficiency, and personal growth
- Humor
 - We have fun and promote a positive work environment
- Enthusiasm
 - We are eager to promote employee camaraderie and the Utility mission through positive interactions, active participation, and earnest engagement in employee, division, and utility-wide initiatives
- Respect
 - We value the diverse talents, perspectives, and right of our colleagues and customers
- Safety
 - It is paramount that our operations protect public health and our employees from injuries and hazardous conditions



AWWU Operations – Large, Complex, Valuable

- AWWU replacement value is approximately \$10 Billion
- AWWU has 284 full-time positions; many highly specialized
- AWWU operates and maintains:
 - over 1,600 miles of buried water and sewer mains
 - over 7,600 hydrants
 - over 24,000 water main buried valves
 - over 44,000 service line key boxes
 - over 200 remote facilities (well houses, water reservoirs booster stations, lift stations, pressure regulating stations) in an area larger than the state of Rhode Island
 - over 50 different pressure zones servicing from sea level to over 1,200 ft elevation
 - 2 water treatment plants and 3 wastewater treatment plants

Top fifteen MOA Tax Payers 2023		
Owner	Taxable Value	Taxes Paid
AWWU	MUSA/MESA	\$17,165,191
Chugach Electric (Only ML&P Zone)	PILT	\$10,381,632
WEIDNER APARTMENTS	\$304,428,500	\$5,164,881
CALAIS CO INC	\$189,200,300	\$3,222,081
DOYON UTILITIES	\$167,137,036	\$2,559,744
GCI	\$135,803,892	\$2,024,554
FRED MEYER STORES INC	\$126,506,515	\$1,975,913
GALEN HOSPITAL ALASKA INC	\$114,667,300	\$1,956,470
UNITED PARCEL SERVICE	\$101,101,391	\$1,673,260
SISTERS OF PROVIDENCE	\$98,423,452	\$1,676,151
ENSTAR Natural Gas (2023 Estimate)	\$96,836,399	\$1,649,124
700 G STREET LLC	\$94,091,700	\$1,602,382
Solid Waste Disposal & Collection	MUSA/MESA	\$1,410,736
Port of Anchorage	MUSA/MESA	\$1,355,911
ALASKA AIRLINES INC	\$88,645,571	\$1,308,887

- AWWU pays over **\$25 Million** in annual expenses to the MOA for MUSA, IGCs, and dividends.
- AWWU provides over **\$125 Million** in cash to the MOA Treasury (over \$10M per month); money the MOA does not need to borrow to pay its expenses.
- AWWU has and continues to pursue millions of dollars in Federal Grants via Congressionally Directed Spending from Senator Murkowski and Sullivan’s office for the rehab and expansion of safe & reliable public water and sewer to underserved areas of Anchorage



AWWU is Highly Regulated

- Financially regulated by the Regulatory Commission of Alaska (RCA) and our Tariffs
- Environmentally regulated by the US Environmental Protection Agency (EPA) and the Alaska Department of Environmental Conservation (ADEC)
 - Safe Drinking Water Act
 - Clean Water Act
 - Clean Air Act
- Safety regulated by the Alaska Occupational Safety and Health Section (AKOSH)
- Additional oversight and regulation by AMC, Mayor, Assembly and AWWU Advisory Board
- **In summary, AWWU has a regulatory obligation to provide Safe, Essential Community water and sewer services at just and reasonable rates, terms and conditions**



AWWU is Financially Regulated by the RCA

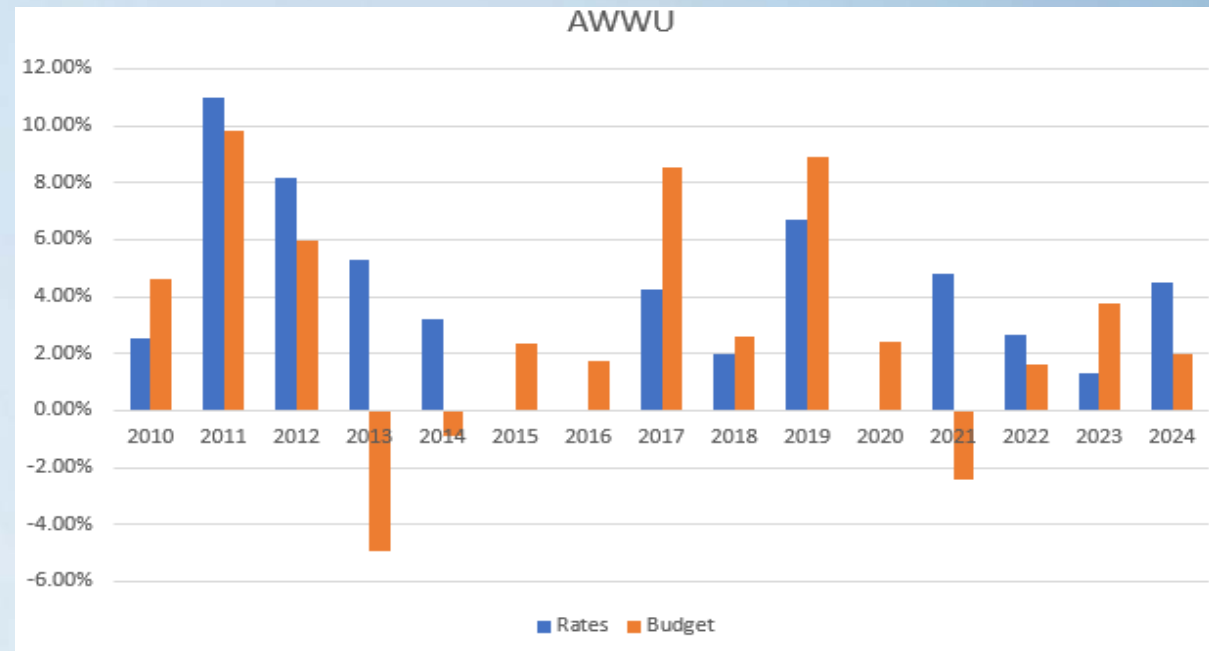
- AWWU is wholly rate funded; not property tax funded
- Utility rates are not set by budgets
- Rates are set based on past expenses from audited financial statements
- The RCA has ultimate say in AWWU rates

Calculating the Revenue Requirement for Rates

Simplified Calculation:

- + Operating Expenses (2022 actuals including known/measurable changes in 2023)
- + Depreciation Expense (on non-contributed Plant Used & Useful during 2022)
- + MUSA Expense (calculated on NBV of Plant on 12/31/22)
- + Return on Rate Base Expense (based on capital structure and ROE)

= Annual Revenue Requirement (max allowed revenue used to set rates)



AWWU Operates Lean: Rates are Fair & Equitable – Cost Causer Cost Payer

Your Life

P.32 FUN WITH OLD PHOTOS
P.36 Q&A: COLSON WHITEHEAD

THE SURGING COST OF WATER
What once was a relatively meager utility bill is putting some added stress on household budgets

BY JOE EATON

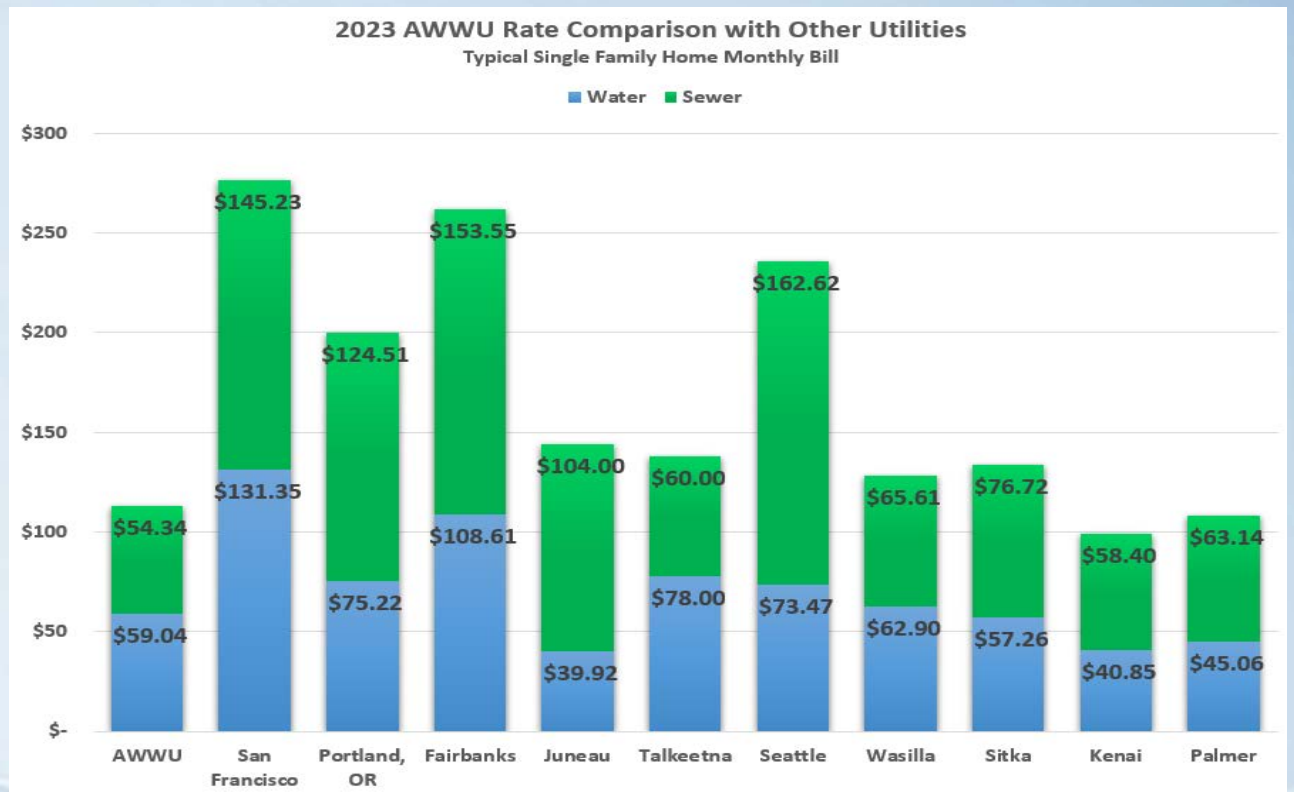
38 AARP BULLETIN JULY/AUGUST 2023

Amid the flood of rising prices lately, here's one you might not have expected: the cost of tap water.
"Water used to be the cheapest bill you had," says Barry Swift, 70, a retired nurse in Des Moines, Iowa. "Now it's just higher than heck." Smith recently fell behind on his \$150 monthly water bill and faced a shutoff.
In 2022, the average monthly water and sewage bill was about \$118, according to Bluefield Research, a Boston utility research firm. That's up 51 percent since 2012, more than double the rate of inflation over that period.
What's driving the increases? One factor is geographic differences: there are more than 148,000 independent public water systems in America, each with its own issues and circumstances. But upkeep of aging systems and reduced government funding are the prime culprits, Bluefield analyst Eric Bindler says. In the 1970s, the federal government paid about a third of the cost of providing municipal water, he says, but by 2010, that had fallen to about 4 percent. Costs have increasingly been passed on to consumers.
And it's about to get worse. America's water infrastructure—purification plants, pumps, endless miles of underground mains and pipes, and sewage-processing facilities—is in many cases 50 to 100 years old, in some places even older. Such age leads to system breakdowns and outages, making for added maintenance, material and labor costs. Inflation also plays a part in rising water bills. "The cost of pipe has gone way up, and a lot of that is due to the same supply chain issues that we are seeing in other parts of the economy," Bindler says.

WHAT ABOUT DROUGHT?
Scarcity of water has not always related to consumer cost. For example, the average monthly water bill in the desert city of Phoenix is less than \$50. But many communities in the West do set higher rates to promote conservation, according to Bluefield. Analysts say changing weather patterns and extreme weather events will affect rates. Those include heat waves, changes in precipitation type and timing, and flooding, says Newsha Ajami, a water expert at Lawrence Berkeley National Lab. One reason is that the country's water infrastructure was designed and built

CONTINUED ON PAGE 30

- AWWU's rates are below the national average, which was \$118/month in 2022; those with lower rates pay much smaller PILT/MUSA expenses
- AWWU's rates are below most peers in Alaska and the Northwest
- AWWU strives for rates to be affordable
- AWWU is regulated by bond and lender covenants and metrics
- AWWU maintains an AA+ bond rating
- AWWU infrastructure supports the highest ISO insurance rating for Anchorage fire protection, which lowers homeowner insurance
- AWWU operates lean and efficiently (*Raftelis 2022 Organizational Review*);
- 2023 BLS Cost of Living over 21% higher in Anchorage than the national average



AWWU's Last Strategic Plan was a 5 Year Forecast for 2016-2021; we are overdue for an update

STRATEGIC PLANNING FOR AWWU'S FUTURE

Anchorage Water & Wastewater Utility (AWWU) is a municipally-owned enterprise activity with the core purpose of safeguarding the health and welfare of the public and the environment. To this end, every day we practice our mission of providing safe and reliable water and wastewater services today and into the future. While our mission drives what we do today, preparing for the future is itself central to that mission.

Strategic planning is a process that supports the mission through a framework of progressively more specific goals, objectives, and tasks. By spelling out our intentions in this manner, we provide a focus to our activities. Work is organized and aligned in accordance with a carefully considered strategy to reach our vision. Each task we undertake must have a specific objective in mind. Achievement of those objectives will lead us further toward broader goals.

Strategic Goals

We update the strategic planning framework every other year with a current understanding of reasonably foreseeable economic, social, and environmental conditions. Over the past year the Utility's Board of Directors and Executive Leadership team took the opportunity to refine the Utility's mission statement and restate our goals. We settled on four goal statements to add substance to what we mean by *Excellence through Innovation*. AWWU's long-term strategic goals are therefore to:

- Be responsive to the needs of the community;
- Be the model of innovation and efficiency in public service;
- Be a responsible steward of ratepayer funds; and
- Be the employer of choice for existing and future staff.

- Strategic Goals
- Specific Objectives to meet goals
- Specific Tasks to meet the objectives



Anchorage Water
& Wastewater
Utility



Clearly



STRATEGIC PLAN 2016 - 2021

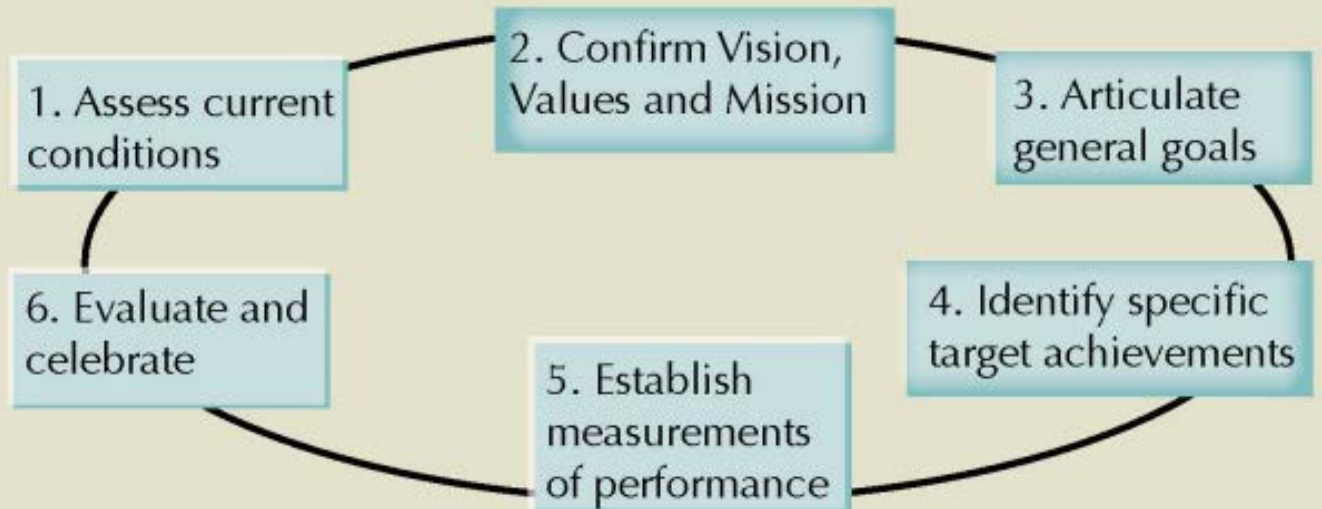
Anchorage & Cook Inlet



AWWU Strategic Planning Process

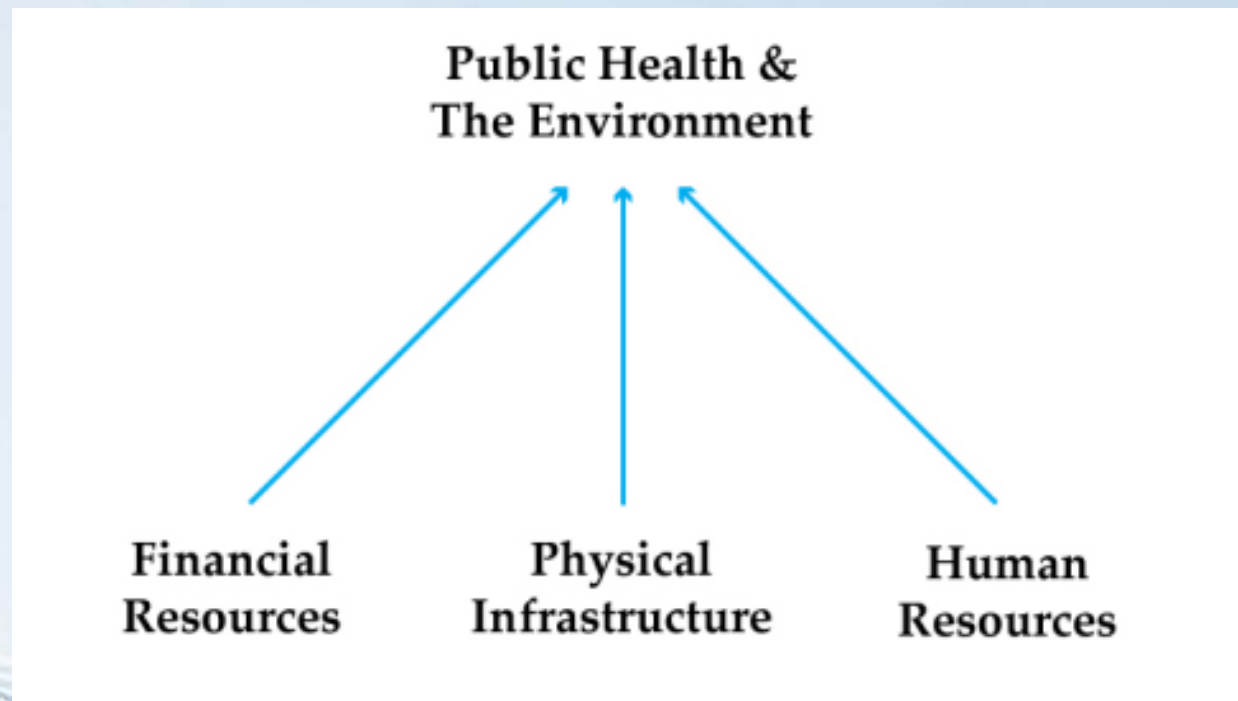
- Learn from past strategic plans successes and failures (e.g. chlorine gas elimination is from past strategic plan, AWWU Authority Board)
- Carry forward critical unfinished goals and objectives
- Assess current state of affairs (Transformative Era; EPA Environmental Justice, affordability/disadvantaged communities, DEI, remote work, tight labor market, supply chain disruptions, cost escalation/inflation, emerging contaminants, emergencies & recovery – earthquakes, droughts, pandemic, CAP, One Water, political divisiveness)
- Employee & Stakeholder Engagement
- Be SMART
 - Specific
 - Measurable
 - Attainable
 - Realistic
 - Timely

Strategic Planning is a continuous process of definitive steps



AWWU Proposed Strategic Plan; 2023-2028

- Overarching Goal: “Sustainable Operations in a Transformative Era”
- In order to Sustain our Operations to meet our ongoing mission, we need to be able to adapt to the regular and rapid change in this transformative time
- Our mission, like a 3-legged stool, is supported and stabilized by Human Resources, Financial Resources and Physical Infrastructure/Assets, all of which need to be sustainable for future generations



Strategic Risks: New Regulatory Requirements and Ongoing Inflation will add to Financial Costs

- EPA and ADEC have new Safe Drinking Water Act Regulations for Lead/Copper
- EPA and ADEC have new proposed Safe Drinking Water Act Regulations for PFAS*
- EPA and ADEC have new proposed Safe Drinking Water Act Regulations for Cybersecurity
- EPA and ADEC have new proposed Clean Water Act Regulations for Human Health Criteria
- EPA and ADEC have new Clean Water Act Regulations for PFAS*
- EPA is actively evaluating AWWU's 301(h) NPDES permit; a loss of which is a \$1.5 Billion liability and a cost increase to customers of over \$115/month; which would in effect double the combined AWWU rate of \$115/month
- AWWU is in an active COBC with ADEC for the Girdwood Well
- AWWU is in an active permit re-application with ADEC for the Girdwood WWTF – a potential \$50M+ liability
- New EPA Cybersecurity Assessments for Water Utilities

*Mandatory PFAS sampling requirements will increase laboratory fees in the tens of thousands of dollars annually.

Expense Increases	21/22	22/23	% Increase
Salt	\$.33/lb	\$.44/lb	33%
Hypo	\$ 4.88	\$ 7.17	47%
Fluoride	1.02	2.12	108%
Gas*	\$ 1.68	\$ 3.54	111%
Diesel*	\$ 1.54	\$ 3.57	132%
Sludge Hauling	\$ 260,000	\$400,000	54%
Pipe Install	\$1800/lf	\$3100/lf	72%
Pave & Patch	\$ 750,000	\$ 1,300,000	73%
Utilities: CEA 6%, Er star 4% GCA, SWS 6%, AWWU 4.5%			
*Gas and Diesel initially went down in '23, but are increasing and we absorbed the increase in last year budget			

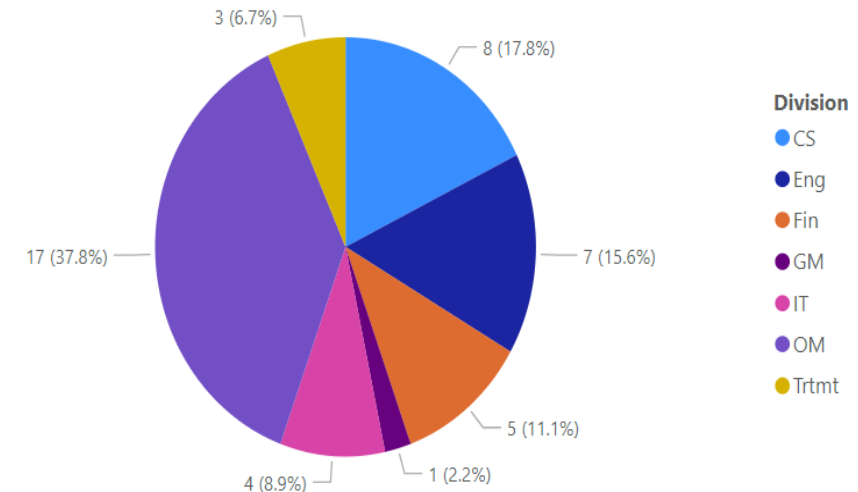
Expense Increases**	2021 Actuals	2022 Actuals	2023 Projected*	21 to '23 % increase
Utilities (gas, el., tel, wtr, etc.)	\$ 7,280,757.20	\$ 7,330,157.46	\$ 8,200,000.00	12.63%
Chemicals (salt, FL, poly, etc.)	\$ 1,606,095.64	\$ 1,763,206.62	\$ 2,415,548.00	50.40%
Repair/Maint. Supplies	1,544,125.51	\$ 2,139,908.79	\$ 2,139,908.79	38.58%
Fuel (gas, diesel)	\$ 278,370.24	\$ 403,872.16	\$ 449,813.00	61.59%
	\$ 10,709,348.59	\$ 11,637,145.03	\$13,205,269.79	23.31%
*actuals through June, Proforma adjusted for '23 projection				
**these Expenses make up approx. 50% of Overall AWWU Non-Labor Budget				



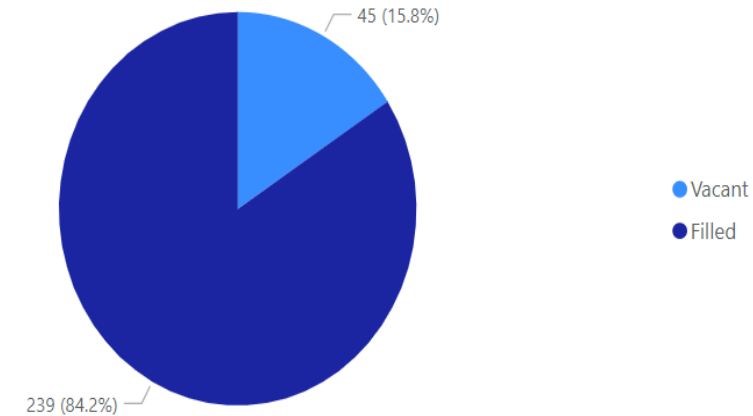
Strategic Risks – Infrastructure & Human Resources

- Physical Asset Management: sophisticated tools, metrics & skilled personnel necessary to manage aging infrastructure, service levels and reliability (AMIS, Maximo, GIS, CIS, master plans, etc)
- Water Rights and Source Water Protection navigation with external stakeholders: Eklutna Lake/Glacier, Ship Creek, Wells
- Human Resources
 - Staffing vacancy, succession planning, morale
 - Skilled worker shortage
 - CDL program
 - SCADA technicians
 - Certified Operators; 7 years to fully train
 - Changes in PERS reducing retention rates (over 80% of staff Tier IV)

Percent of Vacancy by Division for Full Time



Vacancy for Fulltime Positions



Open (currently recruiting in NEOGOV) posted on Muni.org 04/10/23	2023-08579	Seasonal Collection & Distribution - OIT	External/Open Continuous (07/31/2023 update: will be changed to specific end date)	AWWU Systems Maintenance 2	30005303 in Neoga (shows multiple PCN numbers - this one is Alyssa Farrar 5302; tied to external hire 08834)	Luisa Kelekolio Jennifer Thorne	Complete	03/14/2023	Jennifer Thorne	113 days advertised No current applicants.
Open (currently recruiting in NEOGOV) posted on Muni.org 06/22/23	2023-08915	Systems Analyst	External/Open Continuous (07/31/2023 update: will be changed to specific end date)	AWWU Technical Services	30005250	Luisa Kelekolio Alyssa Farrar Erik Schmitz	Complete	06/22/2023	Alyssa Farrar	40 days advertised (2nd time advertised; no current applicants)
Open (currently recruiting in NEOGOV) posted on Muni.org 04/19/23	2023-08676	Treatment Plant Operator (Asplund)	External/Open Continuous (07/31/2023 update: will be changed to specific end date)	AWWTF	30005361	Luisa Kelekolio Jennifer Thorne Alyssa Farrar	Complete	04/10/2023	Jennifer Thorne	104 days advertised No current applicants.
Open (currently recruiting in NEOGOV) posted on Muni.org 12/29/22	2022-08281	ICS SCADA Programmer (2 vacancies)	External/Open Continuous (07/31/2023 update: will be changed to specific end date)	AWWU Industrial Control Systems	30005330	Luisa Kelekolio Jennifer Thorne Alyssa Farrar	Complete	12/19/2022	Jennifer Thorne	215 days advertised Applicants reviewed on 07/14/2023; none met MQs



AWWU Strategic Plan – Next Steps

- Request for Proposal (RPP) being developed for Professional Services consultant to help develop the AWWU Strategic Plan
- Develop Schedule once awarded
- Complete by end of year – abbreviated to accommodate budget

