AWWU Strategic Plan Update

Presentation to Assembly Enterprise and Utility Oversight Committee
August 17, 2023

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

- 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’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**
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

1. Assess current conditions
2. Confirm Vision, Values and Mission
3. Articulate general goals
4. Identify specific target achievements
5. Establish measurements of performance
6. Evaluate and celebrate
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.
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)
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