

TRANSMITTAL MEMORANDUM

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TO: Honorable Mayor & City Council

FROM: Delilah A. Walsh, City Manager

Initials:



DATE: May 30, 2024

File #: MGR24-372

**RE: Ordinance No. 24-1991, Increasing Sewer Rates by Five Percent (5.0%);  
Establishing a Date for a Public Hearing; and Providing an Effective Date**

The attached ordinance, prepared by Finance Director Michelle Johansen, proposes a 5% wastewater rate increase, effective August 1, 2024. This is the first reading of Ordinance № 24-1991. If adopted, Ordinance № 24-1991 amends the Ketchikan Municipal Code (KMC) §12.09 to incorporate the proposed 5% wastewater rate increase, effective August 1, 2024.

The City Council approved the Water Street Sewer Replacement & Rehabilitation project in the FY2024 general government budget. This critical project, estimated at \$5.151 million, was advanced to FY2024 to avoid conflicts with a planned Alaska Department of Transportation (ADOT) street project in 2026. Deferring the project would necessitate removing and replacing new asphalt after the ADOT construction.

To expedite the project, the Council authorized staff to apply for a \$3.9 million loan from the Alaska Department of Environmental Conservation (ADEC) on February 2, 2024, for the Water Street Sewer Replacement & Rehabilitation project. Traditionally, rate adjustments would occur after project completion to cover debt service. However, ADEC's new financial capacity assessment process now requires a rate increase before issuing the loan.

In the past, we would apply for a loan and then approve any needed rate increases to satisfy the resultant debt service in the fiscal year that repayment will occur. Essentially, we would complete the project in 2025, and repayment would occur in 2026. This process was completed in this order as we have qualified for \$1 million in loan forgiveness, which would be applied to the loan balance after project completion, and then the subsequent rate adjustment for the debt service is made at that time.

This process has changed. During the financial capacity assessment performed by ADEC, the agency will now require the implementation of a rate increase **prior to** issuing the Water Street Sewer Main Replacement project loan. Should the City wish to delay the project and rate increase, ADEC has affirmed that they will maintain the project on the state's project priority list with the \$1 million in loan forgiveness previously identified for the project until Ketchikan can implement the rate increase.

Further details regarding the rate increase and budget discussions are included in Ms. Johansen's attached memorandum.

With the new ADEC process, the City Council must implement this rate increase now, and we will continue with the loan to complete the project ahead of the 2026 ADOT work on Water Street. The Council also has the option to defer the rate increase and the project and address it in later fiscal years; however, we would miss alignment with the ADOT project and would have to remove and repair the new asphalt after 2026.

Considering the urgency of the Water Street project and the benefits of loan forgiveness, I concur with the Finance Director's recommendation.

A motion has been prepared for City Council consideration.

**Recommended Motion:** I move the City Council pass Ordinance № 24-1991 in first reading, increasing sewer rates by five percent (5.0%); establishing a date for a public hearing; and providing for an effective date.

**MEMORANDUM**  
**CITY OF KETCHIKAN, ALASKA**  
**Finance Department**  
*Office of the Finance Director*

*Michelle L. Johansen, Finance Director*  
*Meghan Traudt, Financial Analyst*  
*Phone: (907) 228-5621*  
*Facsimile: (907) 228-5617*

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TO: Delilah A. Walsh, City Manager/KPU General Manager

FROM: Michelle L. Johansen, Finance Director

DATE: May 30, 2024

**SUBJECT: Ordinance No. 24-1991, Increasing Sewer Rates by Five Percent (5.0%);  
Establishing a Date for a Public Hearing; and Providing an Effective Date**

As the Council may recall, Resolution 24-2911 authorized the Wastewater Division to apply for an Alaska Clean Water Loan for the Water Street Sewer Main Replacement and Rehabilitation Project. Staff has received notification from the Alaska Department of Environmental Conservation that the loan agreement is contingent upon the City increasing its wastewater rates to meet the required debt service. As a result, the Wastewater rates for all customers by will increase 5.0%, effective August 1, 2024. Ordinance No. 24-1991 has been prepared to amend Chapter 12.09 of the Ketchikan Municipal Code (KMC) to incorporate the proposed rate increase. If approved by the City Council, the rate increase will:

- Increase wastewater utility revenues by \$174,550 annually to offset the expected debt service of \$172,472.
- Increase the monthly residential wastewater utility bill from \$56.16 per month to \$58.97 per month.
- Strengthen the finances of the Wastewater Utility Enterprise Fund by providing the necessary financial resources **required** to meet the debt service payments.

The Council may also recall staff accelerated this project in order to complete the sewer main replacement ahead of the Alaska DOT project that is scheduled for 2026.

City policy requires a public hearing on wastewater rate increases. A public hearing will be scheduled for June 20, 2024.

**Recommended Motion:**

I move that the City Council pass Ordinance No. 24-1991 in first reading, increasing sewer rates by five percent (5.0%); establishing a date for a public hearing; and providing for an effective date.

THE CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 24-1991

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA; INCREASING SEWER RATES BY FIVE PERCENT (5%); ESTABLISHING A DATE FOR PUBLIC HEARING; AND PROVIDING AN EFFECTIVE DATE

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA, AS FOLLOWS:

**Section 1:**    **Amendment.**    Section 12.09.040 of the Ketchikan Municipal Code entitled, “Cost per ERU” is hereby amended to read as follows:

Cost per ERU. The use charge shall be calculated by multiplying the total number of ERU’s for each user by a constant cost factor. This cost factor is fixed at ~~\$56.16~~\$58.97, and such amount shall remain the ERU cost factor until such time as the cost factor is revised as provided for in section 12.09.070.

**Section 2:**    **Effective Date.** This ordinance shall become effective on August 1, 2024.

PASSED ON FIRST READING \_\_\_\_\_

FINAL PASSAGE \_\_\_\_\_

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Dave Kiffer, Mayor

ATTEST:

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Kim Stanker  
City Clerk