

# Citizens' Rate Review Committee

## *A G E N D A*

**October 14, 2009**

**7:00 pm**

**Wastewater  
Treatment Plant**

**2301 Wynooski Road  
Newberg, OR 97132**

- Call to Order
- Roll Call
- Approval of Meeting Minutes
- Conclude Water Rates
- Proposed Utility Bill Grant Program
- Review Springs Customer Class
- Public Participation
- Adjournment

**CITIZENS' RATE REVIEW COMMITTEE  
MINUTES**

Wastewater Treatment Plant

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**Members Present:**

Beth Keyser	Charles Zickefoose	Mike Gougler
Ernie Amundson	David Maben	Tony Rourke
Mayor Bob Andrews, Ex-Officio		

**Members Absent:** Matson Haug (excused for NUAMC meeting)

**Staff Present:**

Dan Danicic, City Manager  
Howard Hamilton, Public Works Director  
Janelle Nordyke, Finance Director  
Deb Galardi, Galardi Consulting  
Dawn Karen Bevill, Recording Secretary

**Others Present:**

Louis C. Larson	Mart Storm	Don Clements
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**1. Call to Order/Roll Call/Introduction**

Howard Hamilton began the meeting at 7:05 p.m. and welcomed the citizens in attendance. He introduced the Citizens' Rate Review Committee (CRRC) members and Beth Keyser as the newest committee member. Mr. Hamilton then introduced himself as well as Newberg City Staff in attendance and asked for roll call.

**2. Elect Co-Chair:**

<p><b>Motion #1: Maben/Gougler</b> moved to nominate Tony Rourke as CRRC Co-Chair. Motion passed unanimously by voice vote.</p>
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**3. Introduction/Calendar:**

Howard Hamilton referred to the meeting calendar and explained the City Council has called for the CRRC to convene every 2 years; members consist of citizens living in Newberg. Ordinance 2008-2685 states, *"The Committee shall consist of eight members. Seven members shall be residents of the City, one of which may be a water customer outside of the City and who would be eligible to vote only on water rate issues. The eighth member shall be the Mayor who shall serve as an ex-officio non-voting member."*

**4. Membership/Expiration Dates:**

Howard Hamilton stated CRRC term for members David Maben and Tony Rourke will be expiring on December 31, 2009. If these members so choose to be re-appointed, they must go before the City Council for their decision.

**5. Public Participation Process Review:**

Howard Hamilton asked if the three citizens in attendance would like to speak before the end of the meeting. Mr. Larson stated he would. Mr. Hamilton explained there would be time for public comments later in the meeting.

**6. Minutes:**

In review of the April 23, 2008 minutes, Mayor Bob Andrews found a typographical error on page 5. The word, "system-side" should be, "system-wide" and Charles Zickefoose believes he voted, "Yes" on the failed motion, page 3 of the minutes. The total under the vote should be as follows: (5 No/2 Yes [Schutter, Zickefoose]).

**Motion #2: Zickefoose/Maben** moved to accept the minutes as amended. Motion passed unanimously by voice vote.

**7. Utility Bill Assistance Program:**

Janelle Nordyke referred to Resolution 2008-2767, Exhibit A of the meeting packet. Ms. Nordyke explained there are four assistance programs available. The YCAP Voucher Program is managed by Yamhill County. Applicants must go through an interview process to qualify. The Military Credit Program information went out in utility bills but no one has taken advantage of it to date. Only one individual has inquired about a Voluntary Donation Program, although no donations have been received. A utility bill assistance flyer was sent out in the utility bill statements.

Ernie Amundson asked if an ad could be placed in the local newspaper to advertise the assistance programs. Mr. Amundson thought the information would be on the statement itself. Ms. Nordyke replied that has not been done in the past but can be in the future.

Charles Zickefoose asked for clarification on the shut off notification procedure. Janelle Nordyke explained customers are notified through their billing statements that their account is past due. The first past due bill is sent out approximately one month after payment is due; the second bill states shut off will happen, and then a letter is sent out stating the date of shut off. The amount of time the customer has is approximately 2 ½ months from the time payment is due to shut off.

Beth Keyser asked if customers are offered the available programs when they are in arrears. Janelle Nordyke replied they are not.

Charles Zickefoose asked if any non-profit organization has applied for a grant. Ms. Nordyke replied, not to her knowledge.

Mayor Bob Andrews asked if there has been any marketing to the non-profit organizations. Janelle Nordyke is not aware of any but that can certainly be done. Co-Chair Tony Rourke believes the City should advertise to the non-profits.

Ernie Amundson asked approximately how many shut-off notices are sent out per month. Ms. Nordyke replied, 140-170 per month. 75%-80% get turned back on the same day as the shut-off occurs.

Co-Chair Rourke suggested adding information in the second notice about YCAP for assistance. The non-profits should be solicited for donation of funds as well.

Beth Keyser asked what areas the majority of the shut-offs occur. Janelle Nordyke replied they take place all over the city due to loss of jobs.

Mayor Bob Andrews asked if there's been any discussion on the second notice being a different color paper to catch the attention of the customers. Janelle Nordyke replied, it was mentioned but no action has been taken to date.

Co-Chair Rourke stated the Military Credit Program should be used by many who qualify. Mayor Andrews suggested contacting the Veterans Services for Yamhill County about the availability of the program. Ms. Nordyke admitted public awareness was not very good.

Mayor Andrews asked for a CRRC future gathering with a report back from staff on the progress on public outreach.

Beth Keyser suggested George Fox University students could put together a project to help with a plan so Newberg City Staff doesn't have to coordinate.

Co-Chair Rourke asked about how much the post card cost the City in advertising this meeting to the public. Howard Hamilton replied \$4,000. Mr. Rourke stated it may not be cost efficient to advertise the meetings that way, although the information publicizing the meetings in the Newspaper hasn't helped either.

## **8. Irrigation Meter Memorandum:**

Howard Hamilton explained there was a clarification request from Dan Schutter during the last rate process regarding irrigation meters. Mr. Hamilton referred to the memorandum regarding irrigation meters included in the meeting packet. The potable metering has a sewer rate component associated with it; whereas the irrigation metering does not. The sewer charges are based upon actual consumption during the low usage period of December through March, which is favorable to the customer. All irrigation customers pay the same per unit for base costs. Irrigation users have a very high summer

average peak ratio; they pay proportionately more of the peaking related costs. Thus, there is a higher consumption charge associated with irrigation meters.

## **9. Present Water Conservation Plan:**

Howard Hamilton introduced Deb Galardi and explained that the City has hired Ms. Galardi to evaluate budget data and to generate computer models for costs analysis and to help in determining comparable rates, as well as water conservation, SDCs, etc.

Deb Galardi began her overhead presentation by stating there will be no recommendations at this meeting; only the discussion concerning general concepts in thinking about water conservation, water usage, system statistics, and implementation considerations, as well as comparing national averages. Ms. Galardi explained during the last rate process, the CRRC recommended to the City Council a system-wide two year water rate increase of 12.5%, which was adopted May 19, 2008. On June 2, 2008 the City Council agreed to reconsider the rate based on the concerns of Newberg citizens. On June 16, 2008 the water rate increase was reduced from 12.5% to 6.5% for the fiscal year 2009 and 2010. The City Council then directed the CRRC to investigate and make recommendation concerning a conservation rate structure. Subsequent action included SDCs rolled back to 2007 levels for low-moderate income homes for a limited period of time.

Deb Galardi explained the previous rate cycle included limited discussion about conservation rates. Rate objectives include sending price signals about the cost of water and encouraging reduced usage (overall or during peak periods). Typical types of conservation rates are: residential-inclining blocks and seasonal rates and nonresidential-budget rates. Various objectives need to be balanced. For example, the need for revenue adequacy has to be balanced with conservation, because as conservation begins, there isn't a short term cost savings; thus a corresponding reduction in usage and revenue may result in the need to increase rates to balance the objectives. Conservation rates are generally implemented where water shortages are found.

Residential is an inclining block which shows the cost of water increases at each block threshold applied year round. Seasonal rates apply all year and in the summer, usage above a certain quantity is charged at a higher rate. The more discretionary uses are billed at a higher rate. Each customer class varies on how they contribute to the peak utility. Rates are higher for irrigation that has a higher peaking factor than a commercial class. Newberg's rate structure does provide some conservation incentive due to the low fixed rate and higher volume rate. The rate structure is also equitable because those classes who contribute to the additional demands pay a higher volume rate. Far end of the spectrum – implemented budget rates; each customer is given a water budget based on lot size, occupants, etc. Larger families can be penalized using the inclining block rates. The budget rates are used for commercial due to variability across the City in terms of size of business. An inclining block rate could penalize large water users who use water efficiently, by charging them higher rates.

Hillsboro just adopted the inclining block rate using a 3-block structure where the rates increase as volume increases over the 3 blocks. This compares to a 4-block inclining rate in Ashland. The two cities differ in where they set the blocks; Ashland's first block includes only 300 cf of water, while in Hillsboro, block 1 covers the first 800 cf of monthly water use. Part of the difference in rate structures is likely due to demographics, with Ashland potentially having some very low volume retired users. Ashland's first usage block is also potentially a "life-line" rate which is a small basic amount of water charged at an economical price. In many communities indoor water use averages are often 700-800 cubic feet which is likely the basis for Hillsboro's first usage block.

Newberg has conservation incentives already through the uniform volume rate. In this case, the more you use the more you pay. The assessed fixed charges and meter charges recover customer related costs only and are very low compared to Ashland. All meter charges increase with the size of the meter.

Deb Galardi plotted out what the monthly bills would be under the rate structures; comparing Newberg, Ashland and Hillsboro. Inclining block rate structures show a steeper increase between each block. Newberg's residential rate of \$3.18 per 100 cf represents the average for that class but changing to an inclining rate block may result in much higher rates and bills for high volume residential users, while others might have a reduction.

Ernie Amundson asked if Ms. Galardi is looking to change Newberg rates to another structure. Deb Galardi replied she's only providing information about rate structures that encourage water conservation so that the CRRC may make a recommendation to the City Council.

Ms. Galardi reviewed the Newberg residential user statistics. This type of information is analyzed to help select thresholds for the usage blocks in an inclining block rate structure. The winter average use per account is 600 cubic feet which is on the low end but quite common. The summer average use is 1,100 cubic feet which is comparable to other communities; 1,500 cubic feet is the average. There is some opportunity for conservation, particularly in the summer. National statistics show if you are a conserving household and are a typical household size of 2.5, the usage would be 4.5 ccf/mo. Newberg statistics don't suggest a lot of water use. Hillsboro would be a reasonable basis for establishing the inclining block. For purposes of revenue recovery, use has to be estimated at each block. With only 15% of usage at higher levels, it would have to be set high to generate much revenue.

Deb Galardi reviewed the Newberg water production and capacity from 2007-2009 which showed a peak day demand of 5.92 mg in July, 2008 and a maximum sustained system production of 7.92 mg. This shows there is about 25% capacity remaining. One consideration on whether to charge a conservation rate structure is the available system capacity. Howard Hamilton stated the current plant can't be built out further. Additional

property is needed in readiness for a new water plant. The planning process is lengthy and needs to start now in order to be ready when the capacity runs out.

Dan Danicic stated the Master Plan predicted the year 2015 for a bump up in capacity. Now is the time to develop a new rate structure.

Deb Galardi continued on to review water sales and explained the variability on how a system can be impacted by weather. In fiscal year 2008, there was a sharp decline in usage. That climbed up in fiscal year 2009; with some customer growth but there is still a decline in usage levels.

Ernie Amundson feels the City Council needs to be involved in these meetings to hear the information for themselves. Deb Galardi stated whatever the recommendation the CRRC makes will be clearly communicated to the City Council.

Dan Danicic stated the CRRC Chair should be at the City Council meetings as well as Mayor Andrews.

Howard Hamilton stated the CRRC was commissioned to take this on by the City Council. The next two meetings we will look over the water rate situation and then return to the conservation plan. The CRRC's final recommendation will then be taken back to the City Council.

Deb Galardi stated a conservation oriented rate structure could be very attractive in a different economic climate, but under the current circumstances it may be the larger families and people irrigating that are penalized at a higher compounded effect.

Howard Hamilton pointed out the chart shows a peak demand in July. If the CRRC recommends a conservation plan, normally the City Council would approve it effective July 1<sup>st</sup>. January 1<sup>st</sup> would be a better time to start an inclining block structure to allow time to adjust.

Newberg considerations include customer growth, weather impacts, and economic impacts. Reserves have been reduced significantly due to the reduction in the proposed rate increase and reduced SDCs. The system has excess capacity but as Mr. Danicic and Mr. Hamilton have mentioned, it's on the planning horizon for a new water treatment plant now and should be addressed soon. There is some conservation potential compared to National statistics.

Implementation considerations include revenue adequacy; costs are not reduced in the short-term, though revenues likely will be. The need to predict a usage by block is also a consideration. Additional reserves required protecting against shortfalls and more frequent rate reviews are needed. The conservation objective is to find out where the system capacity constraints are. Affordability and equity issues include higher usage blocks designed to recover more of the peaking costs, significant bill increases for large users, and potential bill reductions for small users.

The next steps include a financial plan to determine annual revenue needs fiscal year 2011 and fiscal year 2012 as well as system-wide rate increases. Cost of service analysis is needed to allocate costs to base use, peak demand use, and customer costs. The rate design includes looking at the existing rate structure, inclining block rate structure for residential, and rate impacts within customer class. Rates will be designed under the current and conservation rate structure.

Mike Gougler believes one thing to consider is the non-metered water used due to faulty structure. He asked if there is a way of conserving water without starting out with the step program and ways to fund and prepare a project; building into the rate structure to have a reduction in usage and an extension of the life of the plan. Shower heads have been distributed to help with conservation, but the committee needs to look at ways to incentivize landlords, hotels, etc., to establish conservation. Looking into pre-meter loss and funding repairs is needed.

Charles Zickefoose asked the number for the pre-meter loss. Dan Danicic replied about 6%, and the State goal is 10%; so Newberg is doing better than the goal.

#### **10. Public Participation:**

Howard Hamilton invited the public to speak at this time.

Mart Storm stated he doesn't have enough information to comment at this time.

Mike Gougler asked the three citizens in attendance if they came because of the flyer. Louis Larson stated the flyer convinced him to come.

Don Clements asked for clarification from Ms. Galardi about the irrigation and peak rate and whether that is done on the seasonal rate. Ms. Galardi replied when the rate is set, it's based on the peak rate, therefore a higher rate for any usage used. Mr. Clements then asked if Newberg already has the capacity, would there be no additional operational costs. Ms. Galardi replied debt service costs are fixed on that capacity but there are some costs considered, such as usage fluctuations during the year. There isn't much flexibility in operational and maintenance costs.

Louis Larson stated he been a member of the CRRC, Budget Committee, and Planning Commission in the past. He sensed after the CRRC's recommendations were changed last year that feelings were hurt. The public did not agree with the 12% increase that was recommended with a 6% increase finally agreed upon. A 20%-25% rate increase across the board is difficult no matter what economic structure you're from and Mr. Larson opposed it himself. No social security increase illustrates a flat line of costs nationwide. During his time on the CRRC and Budget Committee he never heard any setting factors on what can be afforded by people. The median family income has changed drastically since 2006 and in this community it's far less than the national average. In one year of the recession, the median family income dropped \$8,000. All the

increases over the last ten years has now been flat lined and wiped out. He suggested the same thing has happened here in Newberg and impacts the ability for the community to pay for the services. After the economy recovers, employment will not come back to prior levels, reducing the amount of income to pay for services. Newberg's future growth, in his opinion, will be reduced because of the affordability of homes going down not up. In the short term 3-5 years the growth factor in Oregon will be low. The current level of delinquencies is 1 in 12. In his neighborhood alone, 21 homes are in foreclosure. He asked for all this to be taken into consideration.

Mike Gougler stated the level of misunderstanding and ignorance of the Committee is less than those who stood up to oppose the CRRC meetings. He's offended. The CRRC didn't ask for a rate increase but after a year of meetings prior to the economic downfall, knew it would require a certain amount of money to take care of the need for a new facility that was never put aside previously. The CRRC recognizes rate payers and their ability to pay and that will be taken into consideration.

Howard Hamilton announced the next meeting will be held on October 7, 2009.

The following CRRC members stated they will be absent for upcoming meetings as follows:

Ernie Amundson - October 28  
David Maben - October 28

Beth Keyser – November 10  
Charles Zickefoose – November 10

**11. Adjournment:**

The meeting adjourned at 8:57 p.m.

**Approved by the Citizens' Rate Review Committee this 14<sup>th</sup> day of October 2009.**

**AYES:**

**NO:**

**ABSENT:**

**ABSTAIN:**

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Recording Secretary

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Citizens' Rate Review Chair

## CITIZEN RATE REVIEW COMMITTEE MEETING ROLL CALL & MOTIONS RECORDING FORM

**DATE:** October 14, 2009

**LOCATION:** Wastewater Treatment Plant

### MOTIONS

/	ATTENDANCE							
√	Haug, Matson <b>Chair</b>	Yes	Yes	Yes	Yes	Yes		
√	Amundson, Ernie	Yes	Yes	Abstain	Yes	Yes		
√	Gougler, Mike	Yes	Yes	Yes	Yes	Yes		
√	Maben, David	Yes	Yes	Yes	Yes	Yes		
√	Keyser, Beth	Yes	Yes	Yes	Yes	Yes		
√	Rourke, Tony	Yes	Yes	Yes	Yes	Yes		
√	Zickefoose, Charles	Yes	Yes	Yes	Yes	Yes		
<b>MOTION:</b>		<b>Recommend proposed utility grant policy to CC as amended</b>	<b>Amend policy with time frame for application May 1-June 30</b>	Amend time frame to include one for current fiscal year	Keep current sewer rate policy the same for changing residence.	Approve Minutes from 9/30/2009		
<b>COMMITTEE MEMBER THAT MOTIONED: (1<sup>ST</sup> &amp; 2<sup>ND</sup>)</b>		Zickefoose/ Gougler	Keyser/Maben	Rourke/ Gougler	Rourke/ Zickefoose	Amundson /Gougler		
<b>VOTE ON MOTION:</b>		7 Yes/ 0 No	7 Yes/ 0 No	6 Yes/ 0 No/ 1 Abstain	7 Yes/ 0 No	7 Yes/ 0 No		
<b>CONDITIONS:</b>		N/A	N/A	N/A	N/A	N/A		

**STAFF PRESENT:**

Janelle Nordyke, Finance Director  
Howard Hamilton, Public Works Director  
Jennifer Nelson, Recording Secretary

**OTHERS CITY PERSONNEL PRESENT:**

**CITIZENS' RATE REVIEW COMMITTEE  
MINUTES  
Wastewater Treatment Plant**

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**Members Present:**

Chair Matson Haug	Ernie Amundson	Mike Gougler
Beth Keyser	David Maben	Tony Rourke
Charles Zickefoose		

**Staff Present:**

Howard Hamilton, Public Works Director  
Janelle Nordyke, Finance Director  
Deb Galardi, Galardi Consulting  
Jennifer L. Nelson, Recording Secretary

**Others Present:**

Helen Brown                      Don Clements

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**1. Call to Order/Roll Call/Introduction**

Chair Matson Haug began the meeting at 7:00 pm and asked for the roll call.

**2. Proposed Utility Bill Grant Program**

Chair Haug wished to go over changes to the brochure and had Charles Zickefoose read his feedback concerning the draft proposed utility bill grant program procedure. Discussions followed concerning implementation of the Citizens' Rate Review Committee (CRRC) role.

**Motion #1: Zickefoose/Gougler** to recommend City Council adopts the proposed draft policy to implement the Proposed Utility Bill Grant Program CRRC procedure.

Janelle Nordyke spoke of all policies being placed into one standard operating procedure book because they are dealing with more than just the one grant. Charles Zickefoose replied this was the only one addressed to the CRRC. David Maben added this is the only one that involves another organization; other requests come individually to the City.

Tony Rourke asked who deems it necessary to conduct interviews. Ms. Nordyke replied that if a non-profit agency providing utility assistance, such as YCAP is involved, they can apply for a grant from the City and then the individuals needing assistance would go through the non-profit organization first. The CRRC would not be approving the individual.

Chair Haug spoke of there being a need to publicly review any requests for dispersing funds and this being the public body appointed to complete that review.

Beth Keyser suggested requiring all applications to be made within a specific time frame and then review them all at the same time at a scheduled CRRC meeting. She believed this would allow for equal distribution between all applications in need at the same time. Discussions followed concerning the benefits of creating a limitation versus the idea of "first come, first serve" and what would be the best time frame to receive applications.

**Motion #2: Keyser/Maben** to amend the proposed utility grant program procedure to establish a start and stop time for the application period from May 1<sup>st</sup> through June 30<sup>th</sup> with all applicants being reviewed at one time by the CRRC during the July or August scheduled meeting.

**Motion #3: Rourke/Gougler** to amend the amendment to the proposed utility grant program procedure by establishing an additional time frame from now until November 30, 2009 to accept grant application requests within the current fiscal year to be reviewed at a regularly scheduled CRRC meeting following the deadline.

**Vote #3:** (6 Yes/0 No/1 Abstain [Amundson]) Motion carried.

**Vote #2:** To amend the policy as amended. (7 Yes/0 No) Motion carried.

**Vote #1:** To recommend City Council adopt the proposed draft policy to implement the Proposed Utility Bill Grant Program CRRC procedure as amended. (7 Yes/0 No) Motion carried.

### **3. Continuation of Water Rates Discussion:**

Deb Galardi presented the staff report including a PowerPoint (see official meeting packet for full report).

The discussion started with debt service coverage and the need for annual net revenues to generate in excess of the actual annual debt service, the projections for fiscal year 2010/11 are at a deficit of some \$580K which needs to be reduced by either increasing gross revenue or decreasing spending. Trends were reviewed with historical rate increases, price elasticity, weather impacts, and economic impacts. For every \$100K reduction in System Development Charge (SDC) revenue to promote economic development in 2009 correlates to a 2.5% increase to the rates; so the \$480K reduction in SDCs has to be made up for someplace.

Chair Haug stated that it was the policy of this committee to determine a fair allocation of those costs. Ernie Amundson added he felt it was also necessary for the committee to represent the citizens' interests, not the City's. Ms. Galardi mentioned there are benefits with an increased tax base and new water bills from the new homes would also be factored into the balance.

Ms. Galardi continued with the staff report by reviewing the revised schedule of Capital Improvement Projects (CIP), Capital funding sources, and preliminary rate increases. She showed how \$4.36 million would be needed from rates (net of debt service) if no new debts incurred. The only options would be to further defer capital projects, reduce operation & management (O&M) costs, or growth needs to make up for the 12% projected rate increase.

Tony Rourke spoke of impacts of Springbrook 24" Mainline upsizing being needed for the Austin property. Howard Hamilton discussed how development on that property has been deferred because of the economy and they can only speculate on maybe 50 houses being built in 2010 and maybe 250 in 2011. If the 250 permits were pulled, then the upsized would be put in the following year.

Ernie Amundson asked if the rates would be raising 50% over next 4 years. Ms. Galardi said this was correct according to the preliminary results and it is a matter of balancing the risks of deferring certain capital projects.

Howard Hamilton discussed critical projects like reservoirs that do not meet seismic standards and replacing mainline valves so small areas can be isolated for waterline repairs. Discussions followed about the Potable Zone 1 Reservoir Study and CIP project.

Ernie Amundson spoke of penalizing current rate payers for future residents of new homes. Ms. Galardi mentioned reimbursement fee money collected through future SDCs being used for any kind of capital improvements and the rates would not have to increase to pay for those kinds of things. Mr. Hamilton added that costs are never flat nor do they go down, they are always on the rise such as electric utilities, the costs for federal and state fees, additional required testing and dramatic chemical cost inflation.

Tony Rourke asked what could be done if they were asked to cut \$4 million more out. Mr. Hamilton stated they would shove projects further into the future, defer O&M wherever possible and at some point we would reach a minimum safe production buffer capacity, at that point we could not have any additional customers or increases to demand and then they would have to declare a moratorium on growth.

Don Clements mentioned how a city must have a plan in order to declare moratorium and the federal government usually steps in as well. He said that raising the rates is not the problem; it is how fast they are raised.

Mike Gougler said they can't just keep raising rates; they have to cut costs, too. He said the rates weren't raised for ten years and now there is a question of how to fund needed projects.

Don Clements asked if SDCs can be used to pay for debt coverage. Ms. Galardi said that they can but cannot be relied on for debt payment; rates have to be enough to pay for debt, O&M, and coverage. Rates have to be high enough to cover costs if the SDCs do not come in.

Ms. Galardi continued with the staff report by discussing the cost of service rate issues and special rates, including the Springs customers' rate with a four year phase in and the reclaimed water rate. She covered allocation of O&M costs, costs to service parameters, peaking factors, and the next steps in the process.

#### **4. Public Participation:**

Chair Haug passed around a sheet of paper for winter averaging considerations concerning establishing a sewer rate when moving from one house to another. An issue came up when a citizen, Dan Schutter, requested being able to keep the old rate when he moves to a new home.

The four possible choices given to resolve this request were: 1) to keep the same established rate as the previous residence; 2) use the rate of the new residence; 3) use the number of people in the household to set the rate; and 4) make a bill adjustment up or down according to the difference between the rate established at the next December –March period and the rate established when moving into the new residence.

Discussions followed about whether someone would be requesting this if they moved out of town or into town from another area and how much extra work it would make for the Finance Department to change the policy or to make exceptions by request.

**Motion #4: Rourke/Zickefoose** to keep the current policy in place. (7 Yes/0 No) Motion carried.

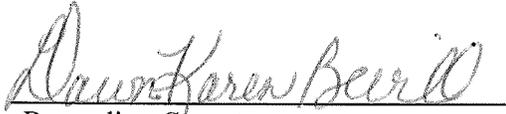
#### **5. Approval of Meeting Minutes:**

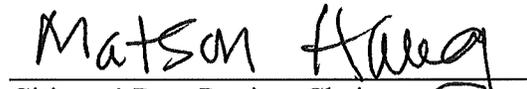
**Motion #:** Amundson/Gougler moved to accept the meeting minutes from September 30, 2009. (7 Yes/0 No) Motion carried.

**6. Adjournment:**

The meeting adjourned at 9:19 pm.

**Approved by the Citizens' Rate Review Committee this 10<sup>th</sup> day of November 2009.**

  
Recording Secretary

  
Citizens' Rate Review Chair

**THE  
FOLLOWING  
PAGES WERE  
DISTRIBUTED  
AT THE  
MEETING**

# Continuation of Water Rate Discussion

1

## **Citizens Rate Review Committee Meeting**

October 14, 2009



# Meeting Agenda

2

- **Follow-up From Last Meeting**
  - Debt service coverage & impacts of Council adopted rate reduction
  - Historical rate increases
  - Price elasticity
  - Impacts of SDC reductions on rates
- **Preliminary rate increases**
  - Debt requirements
  - Capital improvement needs
- **Preliminary Cost of Service results**
- **Next Steps**

# Debt Service Coverage

3

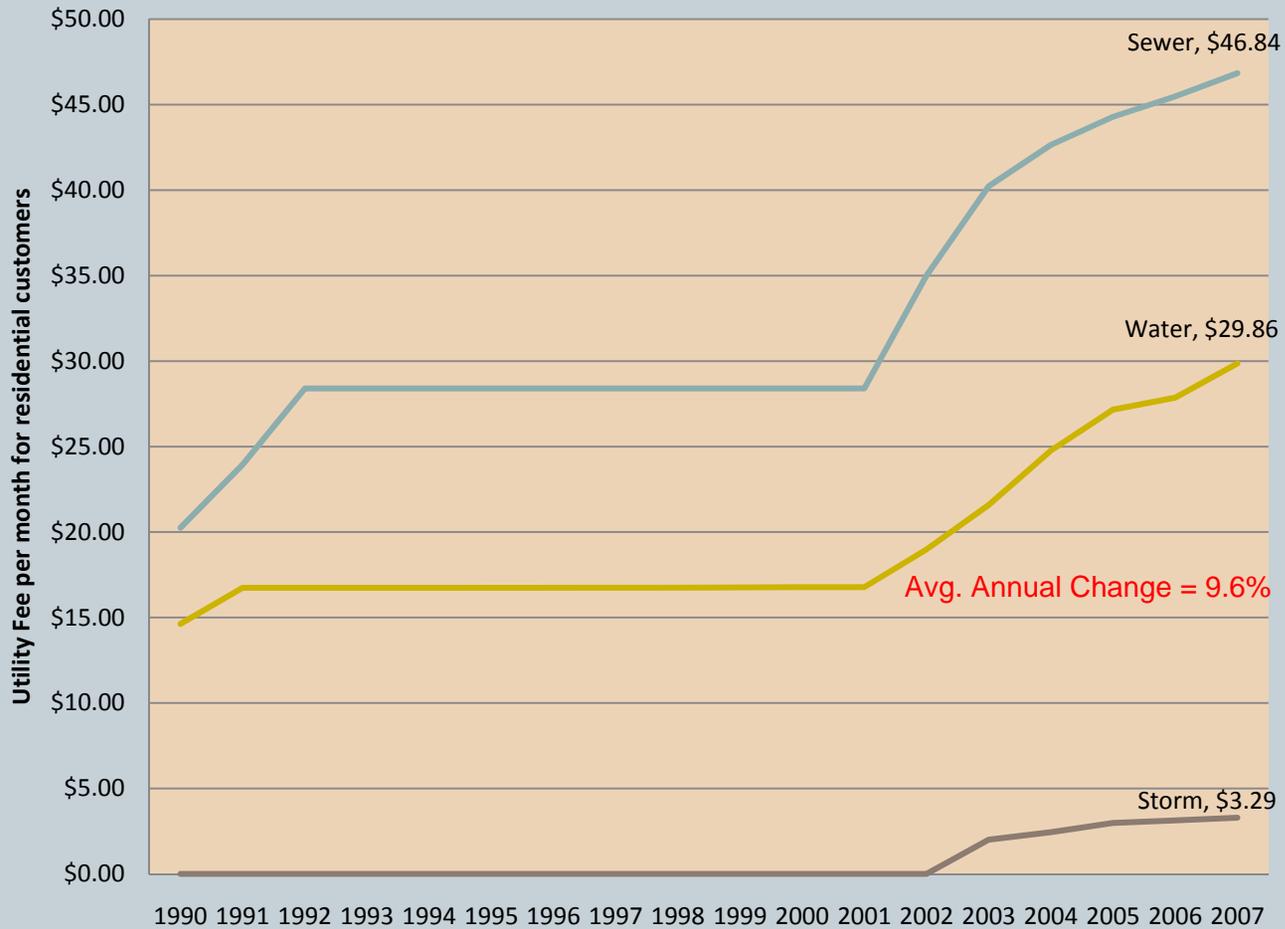
- The amount that annual net revenues must generate in excess of actual annual debt service
  - 1.2 X debt for reuse project
  - 1.1 X debt service for other debt

	FY2010/11
<b>Existing Debt Service</b>	
Effluent Reuse	\$174,555
<i>120% of Debt</i>	\$209,466
Other Debt	\$1,084,566
<i>110% of Debt</i>	\$1,193,023
<b>Total net revenue required</b>	<b>\$1,402,488</b>
Gross Revenue (existing rates)	\$4,316,737
Projected O&M	(\$3,502,557)
<b>Net Revenue Projected</b>	<b>\$814,179</b>
<b>Deficit</b>	<b>\$588,309</b>

Rate increase required to meet coverage = 12% = rate reduction (6% over 2 years)

# Historical Rate Increases

4



# Price Elasticity

5

- **The ratio of the percentage change in usage or quantity demanded to the percentage change in price**
  - Inverse relationship between price and usage
  - Given a price elasticity of -0.30, for example, a 10 percent increase in water rates could produce a 3 percent reduction in water use
- **The economic relationship between price and demand is strongly affected by the following factors:**
  - Availability of substitutes for a product
  - The importance of the product in each buyer's budget
  - The number and types of uses for the product



# Price Elasticity (Cont.)

6

- **Water use is relatively “inelastic” due to:**
  - The lack of a viable substitute for water
  - basic human need
  - charges usually represent a fairly small proportion of a customer’s household expenditures
- **Residential Elasticity**
  - indoor usage range of  $-0.05$  to  $-0.25$   $0.60$  (10% increase in price reduces water use by 0.5% to 2.5%)
  - seasonal usage ranges from  $-0.25$  to  $-0.60$  (10% increase in price reduces water use by 2.5% to 6%)
- **Commercial use is less elastic in the short-term**
- **“Demand hardening” can reduce elasticity over time**



# SDC Impacts on Rates

7

- A \$100,000 reduction in SDC revenue correlates to a 2.5% rate increase



# Revised CIP

8

PROJECT	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
Water Line Replacement 707519		\$100,000	\$900,000			\$1,000,000
Spring Improvements 707555	\$450,000					\$450,000
North Valley Rd. Reservoir Upgrades	\$125,000	\$250,000				\$375,000
WTP Expansion/ Land Purchase 707577	\$1,000,000					\$1,000,000
Mainline Valves Insertion Project 707582	\$25,000		\$50,000			\$75,000
Springbrook 24" Mainline Upsizing Design		\$0	\$500,000			\$500,000
Springbrook 24" Mainline Upsizing Ph 2 & 3 Construction				\$0	\$0	\$0
Springbrook 24" Mainline Upsizing Ph 4 Construction			\$0	\$1,000,000	\$1,000,000	\$2,000,000
Remove Springs From System	\$25,000					\$25,000
Potable Zone 1 Reservoir Study & Land	\$100,000	\$700,000				\$800,000
Well #8 Pump Upsizing		\$60,000				\$60,000
Total Water System Master Plan Update					\$800,000	\$800,000
WTP Design						\$0
WTP Construction						\$0
Well Field Improvements	\$90,000	\$90,000				\$180,000
Well #9	\$0	\$0		\$500,000		\$500,000
PW Facilities Design & construction	\$182,000	\$819,000	\$819,000			\$1,820,000
Crestview Drive	\$230,000					\$230,000
WTP Backwash Pond Liner		\$50,000				\$50,000
<b>Total Water CIP</b>	<b>\$2,227,000</b>	<b>\$2,069,000</b>	<b>\$2,269,000</b>	<b>\$1,500,000</b>	<b>\$1,800,000</b>	<b>\$9,865,000</b>
Inflation Adjusted						\$10,625,952

# Capital Funding Sources

9

	<b>5-Year Total</b>
<b>Existing Reserves</b>	
Water Fund	\$2,602,692
Water Replacement Fund	\$1,815,125
Subtotal	\$4,417,817
<b>Other Sources</b>	
Rates (Net of Debt Service)	\$4,360,000
SDCs (Net of Debt Service)	\$745,000
Loan	\$1,000,000
Other Sources	\$103,100
Total	\$10,625,917
<b><i>Inflation-Adjusted CIP</i></b>	<b><i>\$10,625,952</i></b>

# Preliminary Rate Increases

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Item	2010/11	2011/12	2012/13	2013/14	FY2011-14 Total
<b>Revenue Requirements:</b>					
O&M Costs	\$3,679,357	\$3,946,068	\$4,234,800	\$4,547,569	
Transfers -- Debt Service	\$314,341	\$312,393	\$632,313	\$682,560	
Transfers -- Water Replacement	\$600,000	\$0	\$0	\$0	600,000
Transfers -- Capital Projects	\$0	\$1,000,000	\$1,000,000	\$1,760,000	3,760,000
<b>Total Revenue Requirements</b>	<b>\$4,593,698</b>	<b>\$5,258,461</b>	<b>\$5,867,113</b>	<b>\$6,990,129</b>	<b>\$4,360,000</b>
<b>Less:</b>					
Nonrate Revenues	\$138,515	\$170,749	\$193,510	\$202,873	
Uses of / (Additions to Reserve)	(110,604)	(70,379)	(153,249)	204,876	
<b>Revenue Requirements from Rates</b>	<b>\$4,565,787</b>	<b>\$5,158,091</b>	<b>\$5,826,852</b>	<b>\$6,582,380</b>	<b>\$4,360,000</b>
<b>Projected Sales Revenue</b>	<b>\$4,565,788</b>	<b>\$5,158,091</b>	<b>\$5,826,852</b>	<b>\$6,582,380</b>	
<i>Projected Rate Increase</i>	<i>12.00%</i>	<i>12.00%</i>	<i>12.00%</i>	<i>12.00%</i>	
<b>Ending Fund Balances</b>					
Water Fund (Unreserved)	\$134,002	\$165,407	\$276,690	\$26,609	
Water Replacement Fund	\$1,164,782	\$90,485	\$52,922	\$14,905	

New WTP needed just beyond FY2013/14; will require additional debt of \$1.5-\$2.0 million/year  
 Additional growth-related capital could be added in if growth/SDC revenues increase

# Cost of Service Rate Issues

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- **Special Rates**
  - Springs rates
  - Non-potable rates
- **Other rates**
  - Functional costs
  - Classification to service category
  - User characteristics
- **Rate Design**



# Special Rates

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- **Springs Rate**

- Based on specific assignment of O&M and capital costs
- Council adopted 4-year phase-in plan, ending in FY2011/12
- Updated analysis supports previous rate forecast
- Will need to review in 2-years, with particular emphasis on pipe replacement costs

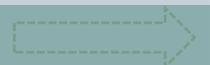
- **Reclaimed Rate**

- Based on specific assignment of O&M and capital costs
- Preliminary analysis suggest current rates are adequate to meet projected needs over next 2 years
- Review in 2 years when additional operating history



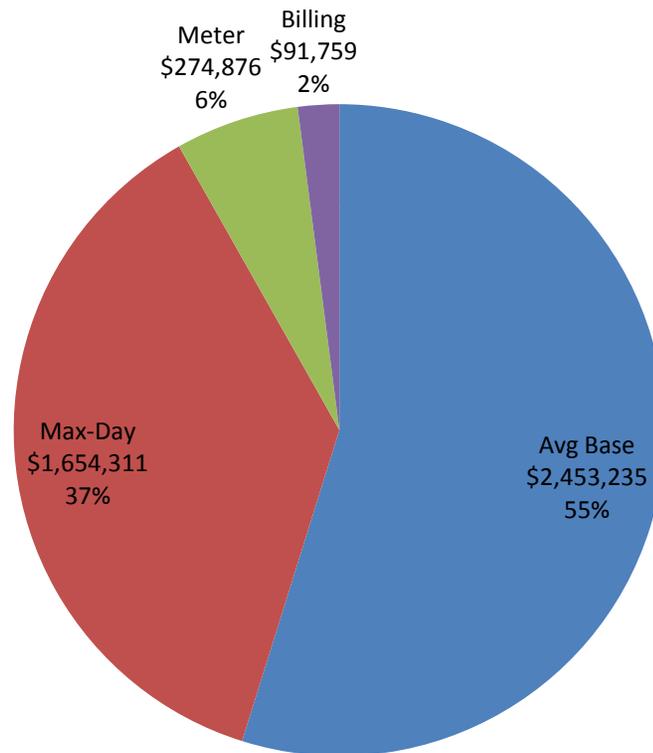
# Allocation of O&M Costs

Item	Water Supply	Water Treatment	Reservoirs & Storage	Transmission	Distribution	Nonpotable	Meter Services	Billing Services	G & A	Total
PW Administration	15.0%	15.0%	15.0%	5.0%		4.4%		12.7%	32.9%	100.0%
PW Engineering Utilities	9.5%	25.3%	14.3%	8.5%	36.0%	0.0%	0.0%	0.0%	6.4%	100.0%
PW Capital Projects Engineering	9.5%	25.3%	14.3%	8.5%	36.0%	0.0%	0.0%	0.0%	6.4%	100.0%
Water Plant Operations	20.0%	70.0%	10.0%							100.0%
Distribution System				25.0%	52.5%		22.5%			100.0%
Construction (Normal Operations)										0.0%
Finance - Utility Billing										0.0%
<b>Weighted Average</b>	11.5%	32.2%	8.4%	9.8%	20.9%	0.8%	7.0%	2.4%	7.0%	100.0%
Prior Study	10.9%	29.7%	7.9%	10.0%	21.7%	0.8%	6.9%	2.9%	9.2%	100.0%



# Allocation of Costs to Service Parameters

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# Peaking Factors

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CUSTOMER CLASS	2010	2008 Study	2006 Study
S-F Residential	2.26	2.24	2.20
Multifamily	1.67	1.67	1.69
Commercial	2.03	1.93	1.95
Industrial	2.14	2.01	2.00
Irrigation	4.31	4.02	4.38
Outside City	2.00	1.80	1.89
Public Agency	2.05	1.77	1.90

# Peaking Factors

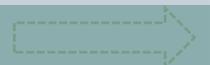
16

Customer Class	Current 2009/10	Prelim 2010/11	Prelim 2011/12
<b>Service Charge (\$/M)</b>	\$1.41	\$1.23	\$1.23
<b>Meter Charge (\$/Month)</b>			
3/4"	\$2.73	\$2.95	\$2.95
1"	\$4.64	\$5.02	\$5.02
1-1/2"	\$9.01	\$9.74	\$9.74
2"	\$14.47	\$15.64	\$15.64
3"	\$27.30	\$29.50	\$29.50
4"	\$45.59	\$49.27	\$49.27
6"	\$90.91	\$98.24	\$98.24
8"	\$145.51	\$157.24	\$157.24
10"	\$227.41	\$245.74	\$245.74
<b>Volume Charge (\$/ccf)</b>			
S-F Residential	\$3.18	\$3.71	\$4.21
Multifamily	\$2.56	\$3.03	\$3.42
Commercial	\$2.84	\$3.45	\$3.89
Industrial	\$3.01	\$3.59	\$4.08
Irrigation	\$5.19	\$6.10	\$6.90
Outside City	\$4.77	\$5.57	\$6.31
Public Agency	\$2.75	\$3.47	\$3.96

# Next Steps

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- **Financial plan**
  - Refine annual revenue needs FY2011 and FY2012
  - Prioritize capital projects and consider financing
  - System-wide rate increase recommendations
- **Rate design**
  - Inclining block rate structure for residential
  - Rate impacts within customer class
  - Rate design recommendations

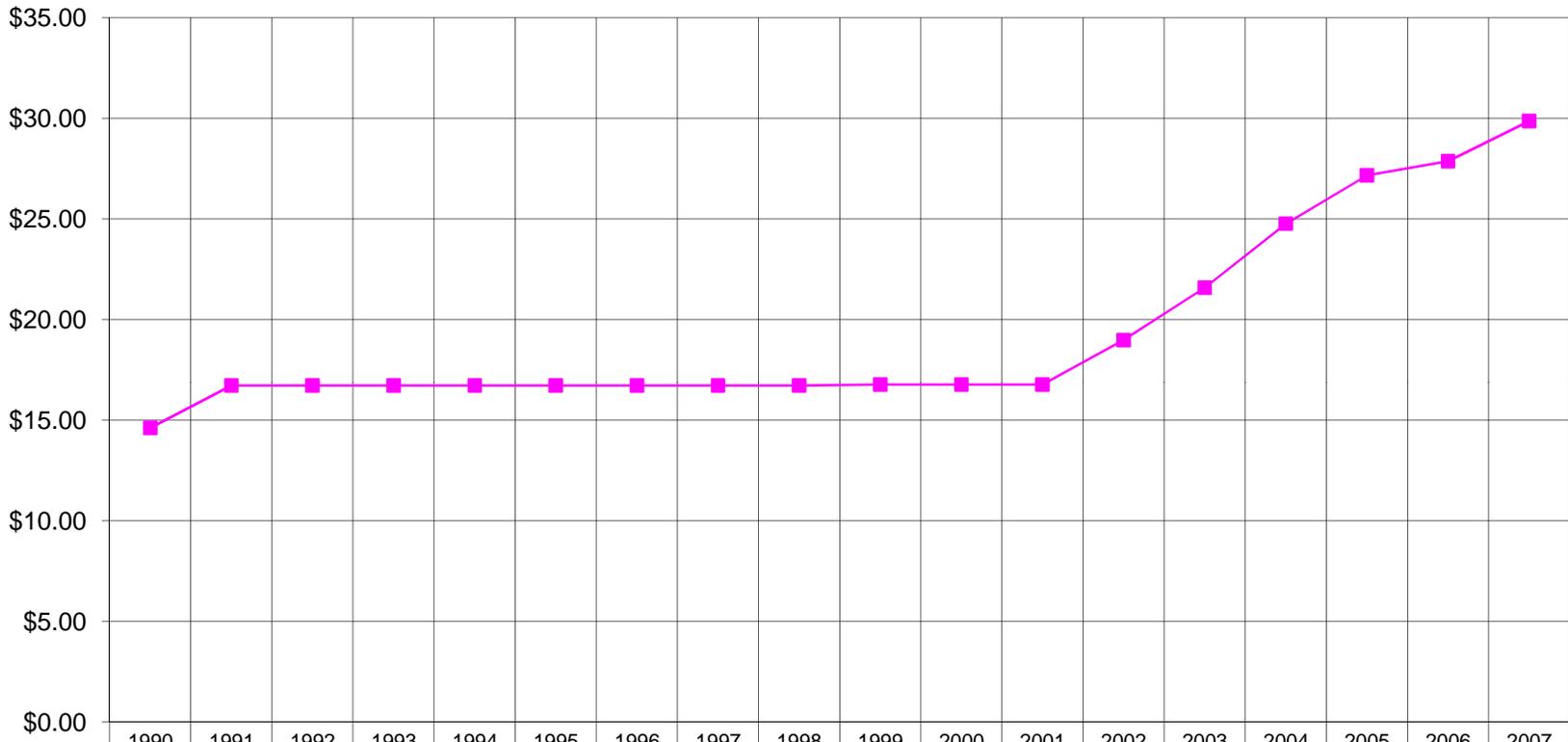


Fiscal Year	Water			Wastewater				
	Service	Volume	Assume	Inc by CPI	Inc by ENR	Base	Volume	Assume
1987			1,000					1,000
1988								
1989								
1990	\$1.12	\$1.35	\$14.62	\$14.62	\$14.62	\$1.75	\$1.85	\$20.25
1991	\$1.83	\$1.49	\$16.73	\$15.07	\$14.94	\$1.95	\$2.20	\$23.95
1992	\$1.83	\$1.49	\$16.73	\$15.51	\$15.40	\$7.40	\$2.10	\$28.40
1993	\$1.83	\$1.49	\$16.73	\$15.93	\$16.10	\$7.40	\$2.10	\$28.40
1994	\$1.83	\$1.49	\$16.73	\$16.36	\$16.71	\$7.40	\$2.10	\$28.40
1995	\$1.83	\$1.49	\$16.73	\$16.77	\$16.90	\$7.40	\$2.10	\$28.40
1996	\$1.83	\$1.49	\$16.73	\$17.32	\$17.36	\$7.40	\$2.10	\$28.40
1997	\$1.83	\$1.49	\$16.73	\$17.62	\$18.00	\$7.40	\$2.10	\$28.40
1998	\$1.83	\$1.49	\$16.73	\$17.90	\$18.29	\$7.40	\$2.10	\$28.40
1999	\$4.87	\$1.19	\$16.77	\$18.38	\$18.72	\$7.40	\$2.10	\$28.40
2000	\$4.87	\$1.19	\$16.77	\$19.01	\$19.22	\$7.40	\$2.10	\$28.40
2001	\$4.87	\$1.19	\$16.77	\$19.31	\$19.59	\$7.40	\$2.10	\$28.40
2002	\$4.08	\$1.49	\$18.98	\$19.77	\$20.20	\$6.10	\$2.89	\$35.00
2003	\$4.08	\$1.75	\$21.58	\$20.15	\$20.68	\$6.73	\$3.35	\$40.23
2004	\$3.76	\$2.10	\$24.76	\$20.81	\$21.98	\$7.15	\$3.55	\$42.65
2005	\$3.76	\$2.34	\$27.16	\$20.81	\$21.98	\$7.39	\$3.69	\$44.29
2006	\$3.86	\$2.40	\$27.86	\$20.81	\$21.98	\$7.58	\$3.79	\$45.48
2007	\$3.86	\$2.60	\$29.86	\$20.81	\$21.98	\$7.84	\$3.90	\$46.84

per 100 cf

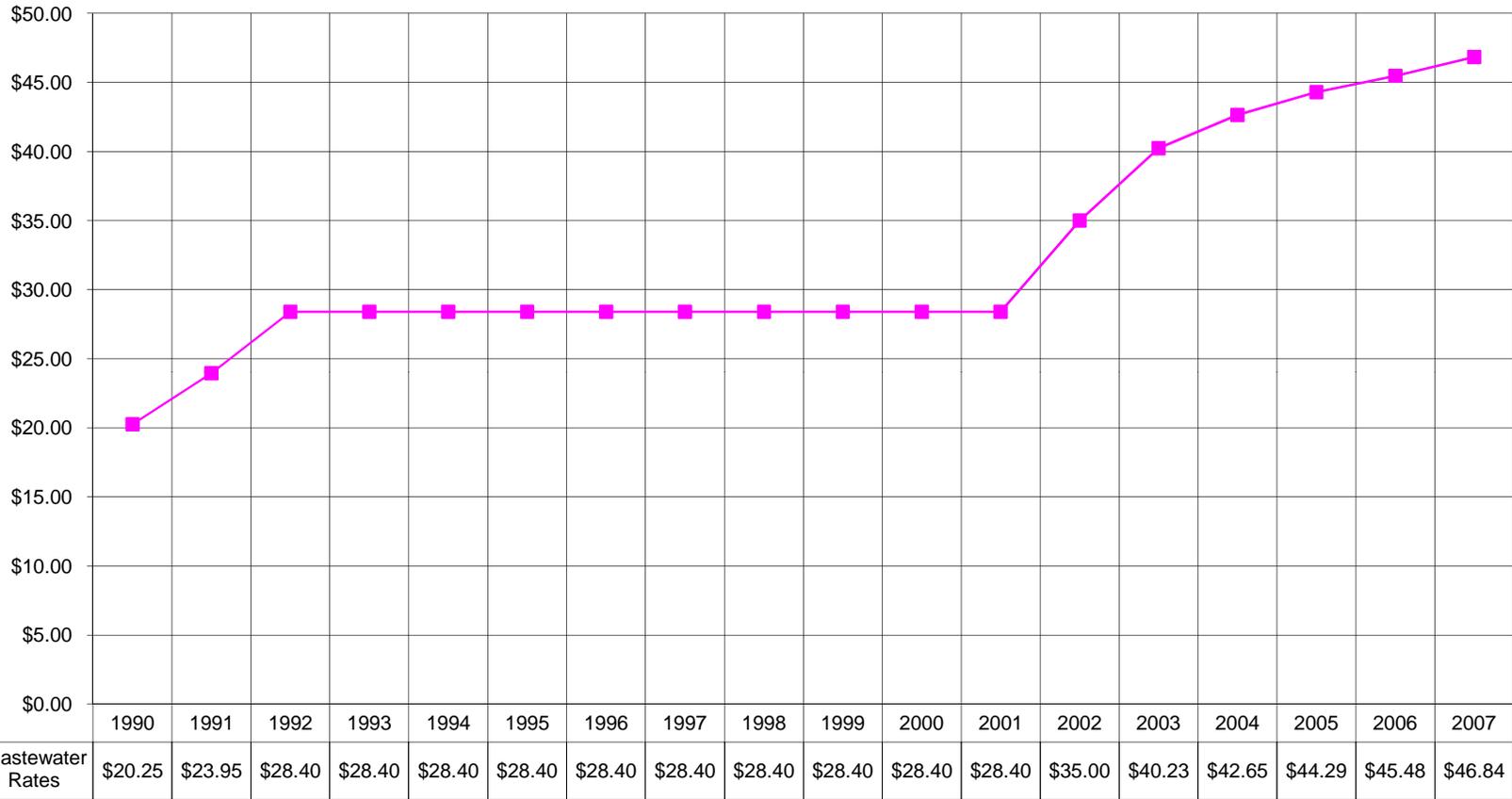
Inc by CPI	Inc by ENR	Storm	CPI	ENR
\$20.25	\$20.25	\$0.00		
\$20.88	\$20.69	\$0.00	3.10%	2.18%
\$21.48	\$21.33	\$0.00	2.90%	3.10%
\$22.06	\$22.29	\$0.00	2.70%	4.51%
\$22.66	\$23.14	\$0.00	2.70%	3.80%
\$23.23	\$23.41	\$0.00	2.50%	1.16%
\$23.99	\$24.05	\$0.00	3.30%	2.72%
\$24.40	\$24.93	\$0.00	1.70%	3.67%
\$24.79	\$25.33	\$0.00	1.60%	1.61%
\$25.46	\$25.93	\$0.00	2.70%	2.35%
\$26.33	\$26.62	\$0.00	3.40%	2.67%
\$26.75	\$27.14	\$0.00	1.60%	1.96%
\$27.39	\$27.97	\$0.00	2.40%	3.07%
\$27.91	\$28.64	\$2.00	1.90%	2.39%
\$28.83	\$30.44	\$2.44	3.30%	6.29%
\$28.83	\$30.44	\$2.98		
\$28.83	\$30.44	\$3.13		
\$28.83	\$30.44	\$3.29		

Water Rate Summary  
for  
Single Family Residential Service  
(assume 10,000 gal per month)

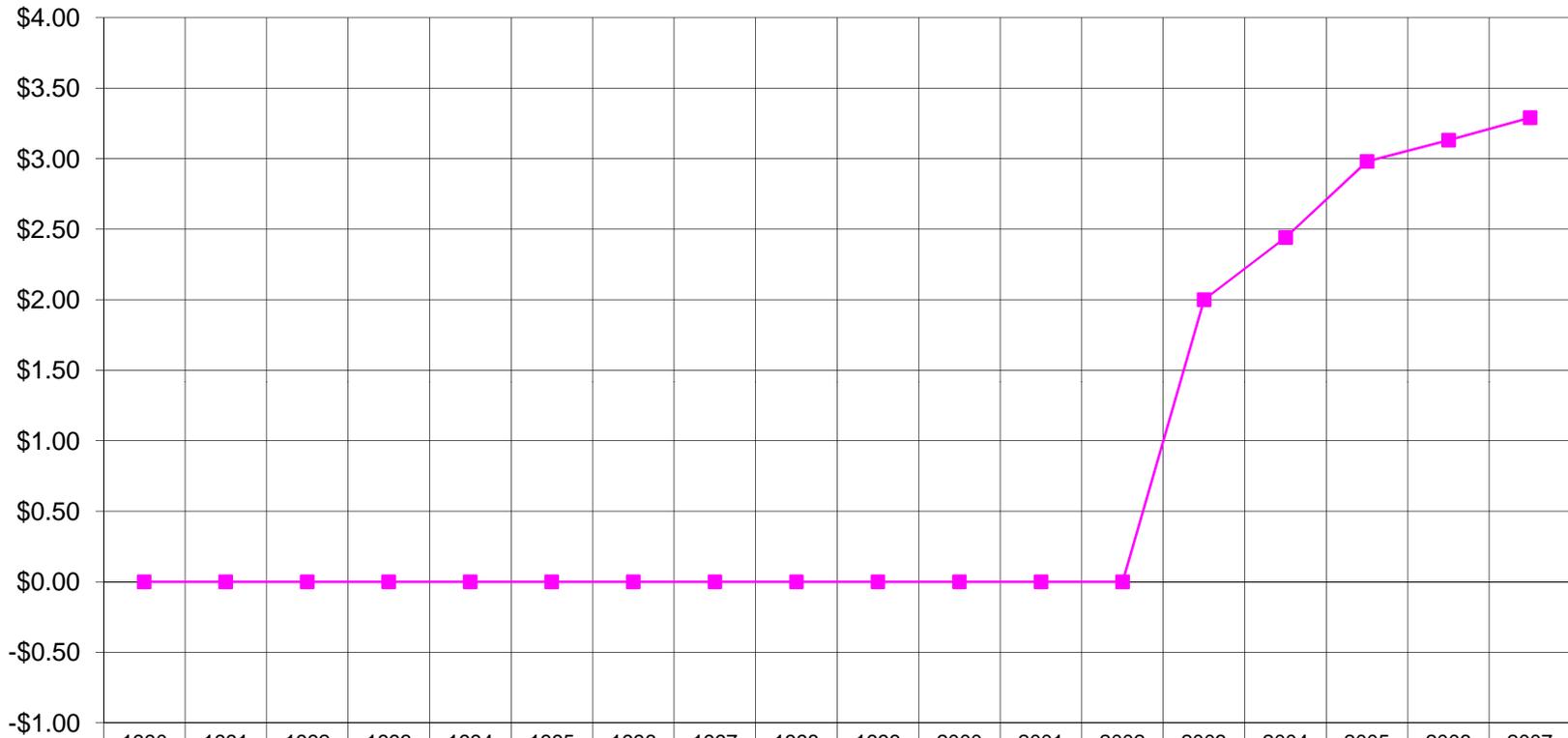


—■— Water Rates	\$14.62	\$16.73	\$16.73	\$16.73	\$16.73	\$16.73	\$16.73	\$16.73	\$16.73	\$16.77	\$16.77	\$16.77	\$18.98	\$21.58	\$24.76	\$27.16	\$27.86	\$29.86
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## Wastewater Rate Summary for Single Family Residential Service (assuming 10,000 gal per month water use)

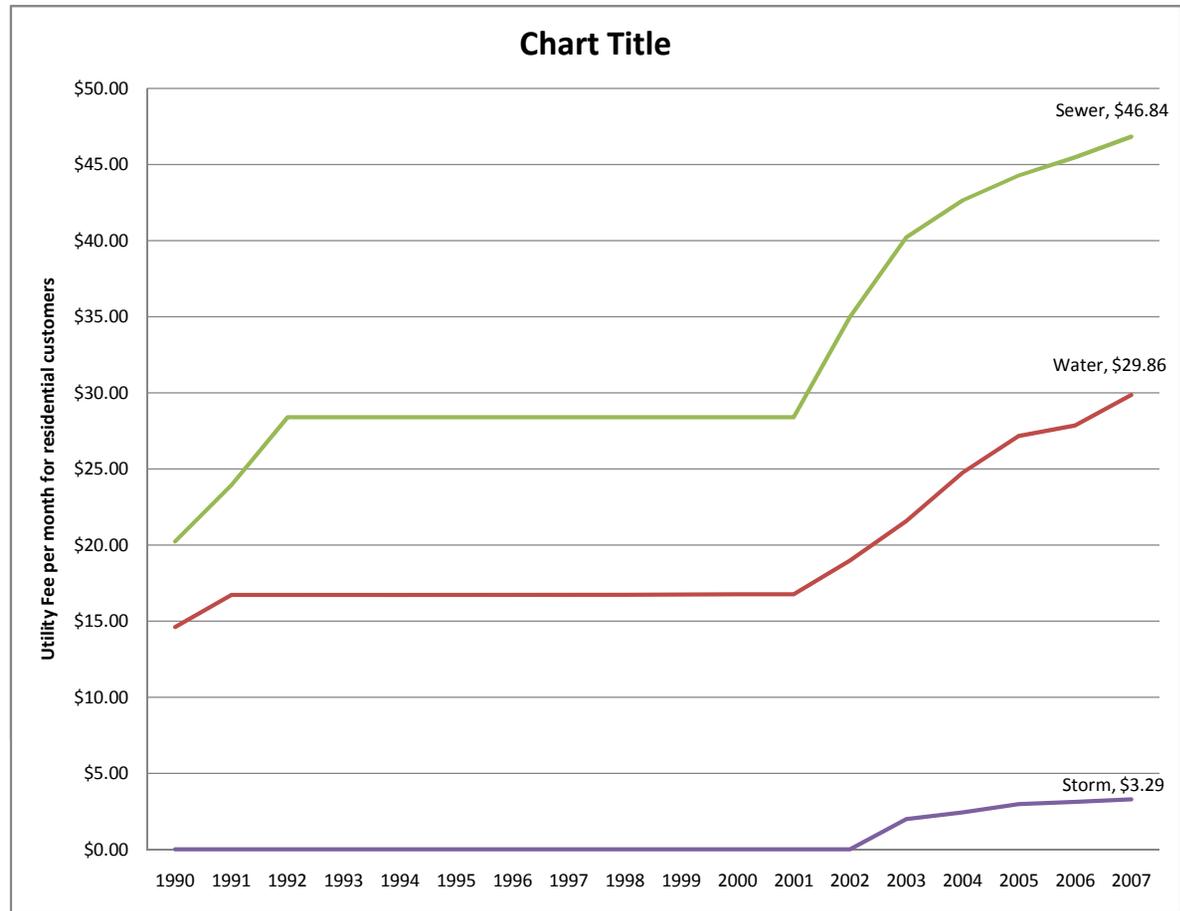


## Storm Rate Summary for Single Family Residential Service



—■ Storm Rates	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00	\$2.44	\$2.98	\$3.13	\$3.29
----------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Fiscal Year	Water	Sewer	Storm
1990	\$14.62	\$20.25	\$0.00
1991	\$16.73	\$23.95	\$0.00
1992	\$16.73	\$28.40	\$0.00
1993	\$16.73	\$28.40	\$0.00
1994	\$16.73	\$28.40	\$0.00
1995	\$16.73	\$28.40	\$0.00
1996	\$16.73	\$28.40	\$0.00
1997	\$16.73	\$28.40	\$0.00
1998	\$16.73	\$28.40	\$0.00
1999	\$16.77	\$28.40	\$0.00
2000	\$16.77	\$28.40	\$0.00
2001	\$16.77	\$28.40	\$0.00
2002	\$18.98	\$35.00	\$0.00
2003	\$21.58	\$40.23	\$2.00
2004	\$24.76	\$42.65	\$2.44
2005	\$27.16	\$44.29	\$2.98
2006	\$27.86	\$45.48	\$3.13
2007	\$29.86	\$46.84	\$3.29
2008			
2009			



## Proposed Utility Bill Grant Program

### CRRC Procedure

10/14/09

The Citizen's Rate Review Committee (CRRC) recommended a program with several options to the City Council and the Council adopted Resolution No. 2008-2767 February 21, 2008. This proposed draft policy addresses the "Grant Program" which has the following wording in the adopted resolution:

*"Non-profit organizations which provide utility bill assistance to Newberg customers may apply for a grant from the City of Newberg to fund this assistance. Applications for grant funds submitted by the non-profit organizations will be reviewed by the Citizens' Rate Review Committee and the Committee may interview applicants prior to approving the application. ... \$4000 (\$2000 from water rates funds, and \$2000 from sewer rates funds) will be set aside for the grant awards."*

The brochure explaining the utility bill assistance programs reads:

*"Non-profit organizations which provide utility bill assistance to Newberg customers may apply for a grant from the City of Newberg to fund this assistance. Applications for grant funds submitted by non-profit organizations will be reviewed by the Citizens' Rate Review Committee and the Committee may interview applicants prior to approving the application."*

The proposed policy wording to implement the Grant portion of this program could be as follows:

"The CRRC will be responsible for administering the grant approval process identified in Resolution 2008-2767 and the corresponding Exhibit A. If interviews for applicants are deemed necessary, they will be held in conjunction with a regularly scheduled CRRC meeting. Dates for these meetings are posted on the City's website.

It is envisioned that a voucher process would be established and that the non-profit organizations would establish procedures to identify qualified recipients of the vouchers. This process would be detailed in the grant application and favorable credit would be given to programs which will assist voucher recipients to become more fiscally responsible in the future."

## Establishing a Sewer Rate When Moving From One Residence to Another

10/14/09

### Winter Averaging Considerations

Establishing a sewer rate when moving from one house to another

Factors affecting water usage in a change of residences:

- The number of members in the household remains the same – increase – decrease.
- If the household number changes does the water usage remain the same - increase - decrease?
- Does the new residence have the same - more – less fixtures?
- Does the new residence have the same – lower - higher water pressure?
- Is the new home the same - more - less water efficient?
- Does the resident's usage characteristics change?

Possibilities:

- Keep the same established rate as the previous residence.
- Use the rate of the new residence.
- Use the number in the household to set the rate.
- Make a bill adjustment up or down according to the difference between the rate established at the next December – March period and the rate established when moving into the new residence (more work for Finance).