

# Citizens' Rate Review Committee

## *A G E N D A*

**October 28, 2009**

**7:00 pm**

**Wastewater  
Treatment Plant**

**2301 Wynooski Road  
Newberg, OR 97132**

- Call to Order
- Roll Call
- Approval of Meeting Minutes
- Utility Bill Assistance Program
- Utility Bill Comparison
- Conclude Water Rates
- Conclude Water Conservation Plan
- Council and CRRC Work Session
- Public Participation
- Adjournment

**CITIZENS' RATE REVIEW COMMITTEE  
MINUTES**

Wastewater Treatment Plant

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**Members Present:**

Matson Haug (Chair)	Tony Rourke	Beth Keyser
Charles Zickefoose	Mike Gougler	

**Members Absent:**

David Maben (excused)	Ernie Amundson (excused)
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**Staff Present:**

Howard Hamilton, Public Works Director  
Janelle Nordyke, Finance Director  
Barton Brierley, Planning and Building Director  
David Beam, Economic Development Coordinator/Planner  
Deb Galardi, Galardi Consulting  
Dawn Karen Bevill, Recording Secretary

**Others Present:** Don Clements

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

Chair Haug called the meeting to order at 7:01 p.m. and asked for roll call.

**2. Updated Calendar:**

Howard Hamilton explained the revised CRRC Meeting Schedule dated October 2, 2009.

**3. Winter Average Rate – Transferable?**

Janelle Nordyke explained Dan Schutter had sent an email to the City Manager asking why he would have to establish a new winter averaging rate when transferring from one residence to another. Mr. Schutter had just moved to a much more efficient home and his winter averaging is higher than before. The formula is based on the number in a household and the rates do not transfer from one home to another.

**MOTION: Rourke/Gougler** moved to keep the formula intact as is. Motion passed unanimously by voice vote.

Chair Haug stated further discussion would take place regarding the matter when Mr. Schutter arrived at the meeting. *(Note: Mr. Schutter did not arrive for the meeting.)*

#### **4. Affordable Housing Presentation:**

David Beam began the presentation by explaining the Newberg Affordable Housing Action Plan is Phase One of a longer process to help support the development of affordable housing in Newberg. The Affordable Housing Ad Hoc Committee formed by the City Council began meeting in July 2008 and met for approximately 9 months.

To assist with the further development of the affordable housing tools described in the Plan, the City Council approved the formation of an Affordable Housing Action Committee through Resolution No. 2009-2857. One of the charges of the new Committee is to examine current development fees and make recommendations as to which fees could be reasonably reduced or waived to assist affordable housing. The City Council directed the Committee to work with the CRRC in its examination of development fees. The Council also stated that two members of a subcommittee of the full Committee will work with the CRRC in looking at the applicable development fees (e.g. SDCs.)

“Affordable Housing” is defined as when a household spends no more than 30% of its income for housing. For homeowners, housing costs include mortgage payment (principal and interest), property taxes, and insurance. For renters, housing costs would include rent and tenant paid utilities. Based on that definition, about 40% of homeowners and 37% of renters are in housing that is unaffordable, according to recent US Census data.

The Ad Hoc Committee that created the Action Plan spent considerable energy looking into the development fees issue. One of the Action Plan Committee’s main concerns had to do with revenue balance. Reductions in development fees are usually accompanied with a corresponding increase in fees somewhere else. Many of the options involve raising fees on some other specific sector. The Committee did not favor this approach. They recommended that the offset mechanism should be a burden that is shared by the entire city such as through an increase in some form of monthly fee. Their feeling was that if affordable housing is a community goal, then everyone in the community should contribute to the solution.

Development fees pertinent to the CRRC are utility system development charges (SDCs.) City staff is considering two options that would appear to meet the recommendations of the Action Plan regarding a community shared burden:

- Lower SDCs for low income housing, then raise utility rates (for all or everyone not low income); or,
- Lower utility rates for low income housing, and then raise utility rates for everyone else.

The following are two more options. However, it should be noted that the first option does not meet the Ad Hoc Committee's recommendation to spread the cost of lowering permit fees through a citywide mechanism.

- Lower SDCs for low income housing, the raise SDCs for others; or
- Lower utility rates for low income housing, and then raise SDCs (for all or everyone not low income.)

Also, it should be noted that any of the four options that include changes to utility rates to assist low income housing are not part of Council's specific charge to the CRRC, which is to review development fees. However, there is nothing that prevents the CRRC from making such a recommendation to the Council.

When discussing this issue with the Ad Hoc Committee, City staff prepared a list of suggested options regarding how all the City's SDCs (not just utility SDCs) could be reduced for the construction of housing for low income households. Mr. Beam reviewed the following suggestions:

- For affordable housing projects, assess the SDCs at time of occupancy instead of time of building permit.
- Allow the City to finance the SDCs.
- Base the SDC on fixture units instead of meter size.
- The City does have a storm water credit program applicable to multi-family development which could be expanded to single family.
- The City currently allows for SDC fee waivers for two low income housing units built by a non-profit organization. This exemption could be expanded.
- The housing shortage is greatest for apartments. Fee reductions/waivers could focus on the construction of this type of housing.

Low income housing is defined as affordable housing for those at or below Newberg's annual median household income. The U.S. Housing and Urban Development Department (HUD) currently state this number to be \$70,000 annually for a family of four. The most recent American Community Survey (2005-2007 average) by the U.S. Census Bureau states that Newberg annual median household income for a family of four is \$46,066. The Planning Commission recently recommended that the limits defining low income housing be established by the City's Director of Planning and Building using the best available data.

Obviously, SDCs could be reduced or waived completely, which would affect the level of revenue that would need to be raised somewhere else to counter the revenue reduction. Some/all/or none of the fees could be charged.

## **5. Present Water Rates:**

Deb Galardi gave the background on the Water Rate Implementation Process. On May 19, 2008 City Council adopted the rate increases based on 12.5% per year. On June 2, 2008 the Council agreed to reconsider rates. On June 16, 2008, the water rate increases were reduced from 12.5% to 6.5% for FY 2008/09 and FY 2009/10. The Council then directed the CRRC to investigate and make recommendations concerning a conservation rate structure.

Deb Galardi reviewed the 5-10 year forecast of revenues and expenses and explained the objective is to establish the overall revenue slope. All sources of funds such as cash on hand, connection fees, SDCs, utility rates themselves, expenses and operating budget for personnel and services, and the different financing methods for capital improvement including new and existing debt service and other requirements.

Ms. Galardi explained the financial plan drivers include operation and maintenance costs and capital improvement programs (CIP); operational CIP, and growth related CIP. Existing rates, what they generate, and annual cash needs determine what additional money comes from rates and charges.

Customer trends showed healthy growth for Newberg FY 2003/04 to FY 2006/07 at 5% and FY 2007/08 was 2.7%. This growth trend was almost at a standstill in FY 2008/09 at 0.5%. Factors causing the decline are due to weather and the economy. The previous financial plan projected 3% growth and the current plan's projection is 1%. The FY 2009/10 revenue estimates are 13% lower than budgeted a couple years ago.

Development related revenue reductions include reduced growth and the reduction in SDCs for some developments. Interest earning reduction includes lower fund balances and earning rates.

Constraints to the operating budget include pass-through costs, regulatory compliance, system repair and replacement, system operation, staffing and supplies. Operating cost management includes the reduction in FTE during current budget year, no new FTE planned in next year, deferred vehicle replacement, and shared equipment and staffing across utilities.

What is needed to balance the uses of reserves roughly equals the capital expenses; not much revenue is generated by current rates and cannot cover capital expenses. The rates FY 2008-09 generated are 3.9M which doesn't leave much room to finance capital projects.

One key issue the water utility is facing is running the risk of not meeting debt service requirements. Defaulting on debt is risky and expensive since it negatively impacts financing at a low interest rate. Debt service coverage is total reserves less your debt maintenance costs. The pledge is to operate and maintain the City and once that is paid there is money remaining to pay the debt. There is quite a bit of debt from the parallel river line, reservoir, etc. There are loans from the Oregon Economic Community Development Department and there is a million dollar purchase for land needed for the future water treatment plant facility due to not being able to expand on the existing site. A plan needs to be put in place to cover the debt service. SDCs can be used to pay for debt service but lending agencies don't want you to rely on it.

Charles Zickefoose would like to see what the 12.5% rate increase would have done. Ms. Galardi stated she will calculate that for next week.

Chair Haug asked about senior lien and what that was borrowed for. Ms. Galardi replied, OECCD loans were for The Effluent Reuse Project, the Parallel River Line Crossing, Corral Creek Reservoir, and the Water Plant Upgrade.

Chair Haug asked if Ms. Galardi is suggesting an increase in SDCs. Ms. Galardi replied the SDCs are set to compensate for upsizing costs and are correctly valued. The problem is the lack of growth. Even still, the rates would need to be increased without SDCs revenue.

Chair Haug asked if the SDC charges are fairly covering the cost of the expanded infrastructure. Deb Galardi replied, yes but there are policy issues that come into play in balancing the objectives of the community. Mr. Haug stated the only way to cover SDCs is through utility rate increases.

Beth Keyser isn't sure just how much people are conserving, but there are many empty homes. What do we do if the Mill goes out of business? Of course the Allison and properties at the airport may help but there is a reduction in people living here.

Deb Galardi continued with her presentation by reviewing the preliminary revenue available to capital and the following assumptions: Rate revenues assume minimum coverage increases; loan for treatment plant land purchase, no additional financing, and revenues are net of funding for existing debt service. Other projects have already been deferred several times because the City can't afford it. Either we'll need to defer again or accrue more debt. Preliminary financing is needed to front the costs. By recommending the 12.5% rate increase, the CRRC was trying to ensure there would be money put aside for the water treatment plant since it takes 10 years to build a plant.

Chair Haug suggested the possibility of a joint meeting with the City Council to deliberate on this with them before any decisions are made on this; possibly a workshop.

Mike Gougler believes the City Council understood the need for the requested increase. Deb Galardi concluded her presentation by reviewing the next steps as follows:

Regarding the financial plan - refine annual revenue needs FY 2010/11 and FY 2011/12; prioritize capital projects and consider financing; and a system-wide rate increase recommendation. The cost of service analysis would include allocating costs to base use, peak demand use, and customer costs and rate impacts by customer class. The rate design includes the existing rate structure, an inclining block rate structure for residential, and rate impacts within customer class.

**Discussion:**

Mike Gougler reiterated the charge to the Ad Hoc Committee which is to review the development fees but not address the methods to use to offset the affordable housing costs.

Beth Keyser asked why Newberg developed an Affordable Action Plan. David Beam explained there are many practical reasons from an economical development and environmental standpoint. There is also a moral obligation to provide a stable home for all.

Mike Gougler stated there's a need to provide affordable housing to those with the least paying jobs in the City. Incentives are needed to encourage landlords to improve the efficiency of rentals without penalizing them. The part the CRRC needs to keep in mind is they won't be able to modify SDCs and meet the budget. Using SDCs as a dependable source of revenue is unwise.

Chair Haug wrote the following on the white erase board to review:

1. Lower SDCs for low income housing, then raise utility rates (for all or everyone not low income); or,
2. Lower utility rates for low income housing, and then raise utility rates for everyone else.
3. Lower utility rates for low income (not SDCs) and increase the utility rates for others.
4. Lower the utility rates for some and raise SDCs somehow.

(The last two the Ad Hoc Committee did not recommend since they want to spread the costs.)

Deb Galardi stated you can't raise SDCs unless its impact based.

Tony Rourke asked if any thought was given to making an inclining block rate structure for SDCs which is raising and lowering SDCs.

Deb Galardi stated the City of Eugene charges water rates on the size of the house. The City of Corvallis charges water rates based on fixture units; the fewer the fixtures the less SDCs.

Chair Haug said perhaps SDCs could be based in part on lot size or size of the home; spreading it out on larger homes. Deb Galardi said you would need to show they are using more water in order to have a direct link.

Beth Keyser stated the need to define what a big home is and also need to be careful in raising rates on the people who can't afford it. The City's decision regarding affordable housing was a good one but she fears that everyone won't be treated equally.

David Beam stated raising the utility rates over a large group of people would minimize the impacts on individuals.

Deb Galardi suggested expanding the Affordable Assistance Program for those in need.

Chair Haug stated the costs should be identified. The City Council should know if they lower the SDCs for certain homes, the amount lost would have to come in from a rate increase. Everyone should be treated equally.

Tony Rourke suggested giving the City Council option to choose from. The CRRC can recommend one and then give alternatives.

**5. Other Business:**

Janelle Nordyke gave the CRRC an update regarding the Utility Bill Assistance Program. Ms. Nordyke passed out the program description pamphlet for each in attendance to view. This brochure was not sent out in the water bill as previously stated. She would like feedback regarding the pamphlet and program from the CRRC at the next scheduled meeting on Wednesday, October 14, 2009. The public has not viewed this although the information is available on the City of Newberg website.

**6. Adjournment:** The meeting adjourned at 9:35 p.m.

**Approved by the Citizens' Rate Review Committee this 28<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

**WATER RATE COMPARISONS  
FOR SINGLE-FAMILY RESIDENTIAL  
OCTOBER 2009**

<b>CITY/COUNTY</b>	<b>AVERAGE BILL based on 959 CF/mo</b>	<b>NOTES</b>
West Linn	\$19.80	
McMinnville	\$21.88	
Lake Oswego	\$22.11	
Hillsboro	\$23.18	
Madras	\$25.13	
Tigard	\$25.70	
Woodburn	\$31.99	
Oregon City	\$32.06	
Newberg-current	\$34.61	
Albany	\$35.08	
Wilsonville	\$37.00	
Newberg-proposed		
Gresham	\$37.31	
Tualatin	\$45.53	
Portland	\$45.53	



**CITIZENS' RATE REVIEW COMMITTEE MEETING  
ROLL CALL & MOTIONS RECORDING FORM**

**DATE:** October 28, 2009

**LOCATION:** Wastewater Treatment Plant

**MOTIONS**

/	ATTENDANCE						
√	Haug, Matson <b>Chair</b>	Yes	Yes	Yes			
	Amundson, Ernie						
√	Gougler, Mike	Yes	Yes	Yes			
√	Maben, David	Yes	Yes	Yes			
√	Keyser, Beth	Yes	Yes	Yes			
√	Rourke, Tony	Yes	Yes	Yes			
√	Zickefoose, Charles	Yes	Yes	Yes			
<b>MOTION:</b>		Approve Minutes from 10/07/2009	Recommend to Council to adopt smooth water rate increase of 11.2% over next four years	Investigate and recommend a conservation plan for future. No plan is recommended at this time.			
<b>COMMITTEE MEMBER THAT MOTIONED: (1<sup>ST</sup> &amp; 2<sup>ND</sup>)</b>		Gougler/ Zickefoose	Gougler/ Rourke	Gougler/ Rourke			
<b>VOTE ON MOTION:</b>		6 Yes/ 0 No	6 Yes/ 0 No	6 Yes/ 0 No			
<b>CONDITIONS:</b>		N/A	N/A	N/A			

**STAFF PRESENT:**

Janelle Nordyke, Finance Director  
Howard Hamilton, Public Works Director  
Crystal Kelley, Recording Secretary

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

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**Members Present:**

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

**Members Absent:** Ernie Amundson (excused)

**Staff Present:**

Howard Hamilton, Public Works Director  
 Janelle Nordyke, Finance Director  
 Deb Galardi, Galardi Consulting  
 Crystal Kelley, Recording Secretary

**Others Present:** Richard Boyle

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

Chair Haug called the meeting to order at 7:02 p.m. and asked for roll call.

**2. Approval of Meeting Minutes:**

**Motion #1: Gougler/Zickefoose** moved to accept the minutes from the October 7, 2009, meeting. Motion passed unanimously by voice vote. (6 Yes/0 No/1 Absent [Amundson]).

**3. Utility Bill Assistance Program:**

Janelle Nordyke informed the Citizens' Rate Review Committee (CRRC) that the flyers went out with the utility bills for the Utility Bill Assistance Program. She received one request from a military spouse for the program.

Chair Matson Haug asked if they will need to make any decisions on the program at the meeting this evening. Janelle Nordyke responded they would only need to make a decision if there will be changes to the policy.

Chair Matson Haug asked for a reminder of what was agreed upon for approval of the voucher system in order to keep the CRRC involved. He was thinking they had decided on an open ended period of time for enrollment at which the CRRC would review things and then provide the final approval. It was agreed that is what was decided.

Mayor Andrews asked if they are looking at policy change or a process change. Chair Haug replied they are looking for a process change. Charles Zickefoose clarified they are looking to establish a method using a voucher program similar to the system used by Yamhill County Assistance Program (YCAP). The selection process would be decided by the CRRC. They would establish a method for the voucher process.

Mayor Andrews commented if they are talking about a policy change then the policy would have to be adopted by the City Council. This would require them to have the City Council review the policy changes.

#### 4. Conclude Water Rates:

Deb Galardi began her presentation to conclude the water rates. She began by saying as they evaluate the information presented they will revisit the role of the CRRC and the guiding principles. The guiding principles are:

- Equitable funding from rates / SDCs
- Rates consistent with revenue needs
- Rates encourage efficient use of resources
- Rates based on consistent cost of service analysis
- Costs recovered from customers in proportion to use

The CRRC will make recommendations based on what they think the needs are in the community. The concern of all Newberg Citizens is affordability of the rates.

Chair Haug asked if the guiding principles have been officially adopted by the CRRC. He went on to say the committee can recommend City Council formally adopt the guiding principles. Deb Galardi added it may have been a part of the original committee that was established. Chair Haug asked the CRRC if they are okay with recommending the City Council adopt the policies. The CRRC agreed they would be okay with that.

Deb Galardi went on to say she worked with Howard Hamilton as well as other staff members to go through the utility operating budget. They made some modifications that would impact the future years as well. Due the reductions in the cost of living they have reduced the assumed costs. The best they can do is look at the trends in the last couple of years. The central services costs were reduced significantly in the current budget as well. They did see some savings related to an emergency manager position which was later eliminated allowing for an overall reduction in cost. They went through the budget line by line and made sure they considered the minimum cuts they would be able to get by with.

Chair Haug asked the CRRC if they need more details. He went on to ask if they want to spend more time on the subject. Mike Gougler stated budget assumptions are best suited to be made by the budget committee. Mayor Andrews pointed out they can make recommendations based on assumptions but that may not be how they determine the rates later.

Tony Rourke asked Deb Galardi to run through the revised CIPs. She responded by providing details in regards to what drives the rates for each project listed in her presentation. She went on to say the total impact for a three year period will be about 5.5 million dollars. We pushed out around one million dollars primarily through the Public Works Building Design and Construction and the Crestview Drive Project. The only growth project in the works is the design of the Springbrook Project and the land purchase for the water treatment plant.

Chair Haug asked Howard Hamilton for the pros and cons of the changes made. Howard Hamilton reminded the CRRC in the last meeting they asked about stimulus and grant money. He went on to ask if they are still interested in hearing more about that. He distributed a handout with general financial assistance information. For the most part Newberg is not eligible for this kind of assistance.

Chair Haug asked if there are there any changes looking ahead they can make that would allow Newberg to qualify later. Howard Hamilton stated we need to keep the Master Plans updated. We just had our Wastewater Master Plan approved this month. It was submitted two years ago and the DEQ is recommending the next update in five years. Tony Rourke asked if we are up to date with our Master Plans. Howard Hamilton stated we are now. He went on to say you have to update the master plan financials within one year of the date of loan/grant application. Chair Haug asked if there are actions they can take that would qualify us for grants in the next five years. Howard Hamilton stated in the case of water there is nothing we can do this year or the

next. To be eligible in the future we would need to acquire property, complete pre-design regulatory requirements and planning for a reservoir or treatment plant.

Chair Haug stated we have pushed out some projects and went on to ask what the negative consequences of that are. Howard Hamilton stated the projects were adjusted out in response to the current reduction in water use and slowdown in development and we do not see any negative consequences in the next two years.

Deb Galardi continued with the rate increase options for fiscal year 2010/11. She went on to say with an 11% rate increase they would just meet the minimum requirements of O&M coverage, debt service and a conservative CIP but not build upon reserves. It is tied to consumption and they have seen the trend going down. They feel they have cut it as much as they can. There is not an easy way to get it down below a double digit rate increase.

Chair Haug clarified if they delay the rate increase from July 01 to January 01 it would have to be a 32% increase. Deb Galardi confirmed that is correct. Chair Haug went on to asked for clarification on that assumed rate increase. Deb Galardi stated this rate is this high because it makes up for lost revenue during the high consumption half of the year and would cover O&M, debt service and a conservative CIP but not build reserves. If the proposed rates are not adopted it is possible to default on the existing loan obligations.

Chair Haug asked for clarification on how they would calculate the cost on a smooth rate increase which is the same rate value each year. He went on to ask for comments from each CRRC member. Charles Zickefoose stated he would favor the smooth because it is more palatable. Mike Gougler agreed with Charles. He went on to say we are passing on something that will be difficult for City Council to understand and we now have something that can be explained well and understood. Beth Keyser stated she agrees with Mike Gougler and Charles Zickefoose. David Maben stated the public would like the minimum at 6%. They are not going to understand why it would go to 16% the next year. Tony Rourke stated he would add the public would not understand why they can't smooth the rates out over several years. He went on to say the committee would like to fund future projects which would be made possible with the smooth rather than the minimum. It would be nice to have a smoothing out over time. Chair Haug stated he is in favor of the July 01 move. He went on to say the City Council would have a difficult time with the January 01 level of increase.

Beth Keyser asked if there was adequate education provided to help the City Council understand why the rate was increased last year. Chair Haug stated the CRRC needs to make sure the City Council understands the issue. Mayor Andrews pointed out the City Council initially accepted the recommendations by the CRRC last year until the political realities came into play. They ended up with a significant reduction as a result. Tony Rourke made sure Beth Keyser understood the City Council had been educated.

Mike Gougler stated the job of the CRRC is easy. The City Council has a different responsibility. They have to answer to the public. They made a decision as the elected officials to reduce the rates. The job of this committee is to present the information and educate them the best we can.

Mayor Andrews stated he wants to put out for discussion how the CRRC can assist the City Council in getting a solid educational format for the public. Chair Haug reminded the CRRC and the Mayor they made a recommendation for a joint session with the City Council for that purpose.

Beth Keyser clarified her question earlier was for the purpose of helping the City Council educate the public. Tony Rourke stated they attempted to educate the public with advertisements in a variety of media outlets. The public indicated they do not notice the information on the bills and they do not all read the graphic or access the City website. Mike Gougler stated we cannot be successful if we keep trying to appeal to the lowest common denominator. They are going to respond to what they hear others saying. He went on to say if you want to influence public policy and assure your recommendation is heard, show up for City Council with more people

in support of the issue rather than against. He recommended all CRRC members each consider bringing three friends to the meeting.

Deb Galardi went back to her slides focusing on the allocation of costs to service parameters. She continued her presentation saying if everyone used water the same all year they would pay the same rate but they rarely use water the same. The maximum use per day would drive the difference in volume rates by customer classes. She went on to talk about the minimum rates as the existing structure. She took the committee through the current and preliminary costs as noted on the slide. The meter charge increase is to offset the decrease. The bulk of the increase falls on the volume rates. The customer service costs don't increase much from year to year. She presented a chart for the peaking factors and rates for each class. She explained to the committee how to read the chart. She went on to say the industry standard approach is to group customers with standard use factors. They took an average of the historical data for use. There are some significant shifts therefore the irrigation and public class had some significant increases in their peaking factors. That includes some system wide rate increases of around 11%.

Tony Rourke asked if the peaking factors would adjust from year to year. Deb Galardi stated they would stay from year to year. She went on to say once you get through the major shift in the first year it will go up to the system wide average.

Mayor Andrews asked if re-use rate is different than the irrigation rate. Deb Galardi stated the rates are different.

Janelle Nordyke stated an example of a public agency would be the City and school district. The baseball field would be an example of irrigation and the hospital would be a public agency.

Beth Keyser asked where CPRD gets their money from. The CRRC clarified all agencies get their money from taxes.

Chair Haug asked if the spring's class is outside the City. Howard Hamilton stated it is in the county. He went on to explain the springs is a separate rate class. Chair Haug asked what the City Council's decision was on sharing costs with the springs. Howard Hamilton stated they had a CIP project in which the City picked up half the cost and the spring's picked up the other half of the cost.

Mayor Andrews asked if the 11% in the smoothing would really be 11.2% for single family residential. Deb Galardi clarified he is correct. She went on to say the single family residential bills are calculated based on estimated use. Newberg would be based on the 11% rate. We will likely have rate increase next year as well. The current rate is \$34.61.

Chair Haug asked Deb Galardi to clarify that she took the numbers from the existing scenario and used them to ensure they brought in the same amount of money. She confirmed he is correct. She went on to say that elasticity assumption comes in at that time. It is more elastic with summer usage which includes water for irrigation purposes. She then presented a slide showing what would happen with the minimum bills using the inclining block. She explained that on many accounts throughout the year people would actually see a reduction.

Chair Haug asked her to clarify with a conservation plan, a family conserving water may actually see a reduction in their bill even with the rate increases. Deb Galardi confirmed that is correct.

Mayor Andrews asked how it would work with a smoothing and a January 1, 2010 start date. He went on to ask how that would impact the 32% under smoothing. Deb Galardi explained how you would not see any bill decreases and would see some increase.

Chair Haug raised the question for the CRRC to think about what they are going to do for households they later determine are being hit with a 50% increase and what the consequences of that would be. Mike Gougler stated he would prefer to wait until they find out if the plan makes financial sense.

Deb Galardi continued her presentation with details on the residential inclining blocks. She went on to explain there are other options available they can look at as to how they want to set up the structure.

Howard Hamilton recommended they might consider a January 1, 2010 date to implement the rate structure if implementation is deemed prudent. Chair Haug asked Howard Hamilton to confirm he is suggesting they adopt the rate structure in the low usage time. Howard Hamilton stated that if the CRRC decides to propose implementation it would not be such a big surprise to the citizens.

Deb Galardi went on to share the items to consider are related to revenue as well. They can encourage people to use less which will impact the revenue they would have to increase rates even more.

Deb Galardi went on to explain that they would be looking at a life line rate. They can't make the assumption that low volume usage equates to low income. Chair Haug stated they are shifting the cost so lower volume users do not have to pay as much. Deb Galardi went on to say if you are going to do this you need to plan for additional reserves in case the plan is not correct. It becomes more difficult to project the outcome. Deb Galardi went on to say another best practice would be more frequent rate reviews. There is a correlation with those using more water driving the system peaks. What they want to encourage is efficient water usage rather than water conservation. She went on to explain the inclining block rate structure penalizes those who use more.

**Motion #2: Gougler/Rourke** moved to recommend to City Council to adopt a smooth rate of 11.2 projected over four years to include a one page summary of the consequences of acceptance. (6 Yes/0 No/1 Absent [Amundson]). Motion carried.

## 5. Conclude Water Conservation Plan

Deb Galardi continued with her presentation stating there was a directive from City Council that a recommendation was made by the CRRC on water conservation rates. She went on to share the national water use statistics stating you want to encourage people to use water efficiently. You don't want to penalize people for their indoor use since this is driven by things like the number of occupants in the household. In considering the chart for national statistics, she had to choose where to set the blocks. She continued with her presentation by sharing how she determined where to set each block. Once the use is over 1500 they assume you are irrigating. The idea is to encourage people to use less.

Mike Gougler stated he has a strong feeling Newberg does not want to implement the water conservation program as described at this time. He went on to explain that type of program is usually driven by supply shortages. If they restrict their use they are crippling the ability to provide additional supply. He proposed they do not recommend the plan as described. Instead they recommend City Council look at providing more ways for efficient water use. If they were to reduce the revenue by encouraging less use it would reduce the amount of money and improve the system infrastructure. This would provide more usable water when it is needed.

Chair Haug stated the inkling block scenario would not be equitable. He went on to say it would not be fair to higher volume users with no purpose but to shift the cost.

Mike Gougler asked if they are going to make a recommendation for the declining blocks conservation plans. Chair Haug replied they do not want to use the declining block rate. He went on to say they do not want

aconservation plan where they use finances to discourage water use. They are not going to use financial punitive measures.

**Motion #3: Gougler/Rourke** moved that under the directive to the CRRC by the City Council to investigate and make recommendations concerning a conservation rate structure, the CRRC does not recommend a conservation program based on rate structure to be considered at this time. (6 Yes/0 No/1 Absent [Amundson]). Motion carried.

## 6. Council and CRRC Work Session:

Chair Haug asked Mayor Andrews if they are going to need to sit down with City Council. Mayor Andrews stated that the idea is for the CRRC to float the topic with the public. He recommends the CRRC would consider hosting a town hall meeting to get feedback from the public. This may be the way to build the backing they can then bring to the City Council meeting. He went on to explain when you have only people in a meeting against an issue and none in support of your plan it makes getting support from the City Council difficult. He would encourage them once they have the pieces together to have one or two town halls to get the feedback to help them determine if they want to reexamine the plan before bringing it to City Council.

Chair Haug asked how much time City Council needs to determine the rates. Howard Hamilton stated the schedule shows the final meeting to wrap up the plans will be January 6, 2010. The notice will need to be mailed to the public on January 18, 2010, with the public hearing scheduled for January 27, 2010.

Chair Haug recommended they could run the public hearing as a work session similar to the setting for the CRRC meetings.

Howard Hamilton pointed out the City Council directed a mailing be done after what transpired last year.

Chair Haug stated he is concerned they are not going to get anyone to show up at the meetings until the issue gets to City Council. He recommends they advertise why they are recommending rate increases.

Tony Rourke asked if they would have City Council at the public hearing that is conducted by the CRRC. Mayor Andrews stated they would since they are looking for education.

Beth Keyser agreed stating the CRRC needs to back up the City Council. She went on to say they need to do a presentation for the public and include the City Council.

Mike Gougler stated he thinks the only way to get the public to a CRRC meeting is to invite the press and get them to make an announcement. He went on to say they need to make sure they know they can come with questions and concerns. They would need to have this covered on the front page. The CRRC also needs to personally invite neighbors and friends. The people need to be at the City Council meeting in approval of the plan. Currently the only people who come to the public hearing are those who are oppose to the plan.

Chair Haug recommended they present comprehensive scenarios as to why they are making the recommendations. They need to make the complete package clear. He went on to state they would agree to continue this discussion at the next meeting.

## 7. Public Participation:

Richard Boyle stated he thinks you have to raise rates to show you have an aging infrastructure. He went on to say that every jurisdiction is raising rates at this time. He recommends they need to stand up and say this is our town and we are doing what has to be done.

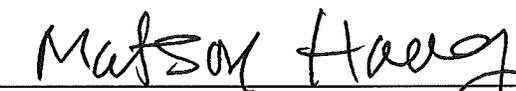
The next scheduled CRRC meeting will be November 10, 2009 at 7:00 p.m. Beth Keyser and Charles Zickefoose have asked to be excused from the November 10, 2009 meeting.

**8. Adjournment:**

The meeting adjourned at 9:25 p.m.

**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**

The City of Newberg  
General Financial Assistance Information  
10/28/09

City Newberg 2000 US Census Medium Income Level (MIL) = \$46,066

Yamhill County 2000 US Census for Low to Moderate Income (LMI) bracket = 45.4% of its families

Only two municipalities in Yamhill County are under 51%, Newberg at 45.1% and Dundee at 36.4%

Community Development Block Grants (CDBG) can be obligated to municipalities that have 51% or greater of their families in the LMI bracket. Newberg does not qualify unless a smaller sector of the City can be shown to meet the 51% criteria and a survey must be performed to prove it

For CDBG water and wastewater grants up to \$3,000,000 rates must be at or greater than  $1.48\% \times \text{MIL}$   
 $\$46,066 = \$56.81$ , Newberg is at \$34.61

The reasoning is that the municipality has not reached the critical level and can raise rates to accommodate the project

Newberg was obligated first round American Recovery and Reinvestment Act (ARRA) transportation funding

The ARRA second round transportation funding only went to "Severely Distressed" Municipalities. McMinnville is "Severely Distressed" and was funded.

Newberg is listed as a "Moderately Distressed" Municipality and was not.

State Clean Water Revolving Funds, Stimulus Grants and CDBG funds only obligated to municipalities with current Master Plans and Facility Plans

Newberg's wastewater facility plan was not up to date and we did not receive grant funding or 0% interest loan funds

If a City CIP project is wholly or in part funded in the current budget it is not eligible for Stimulus funds

# Completion of Water Rate Discussion

1

## **Citizens Rate Review Committee Meeting**

October 28, 2009



# Meeting Agenda

2

- **CRRC Guiding Principles**
- **Revisions to Financial Plan**
  - O&M
  - CIP
  - Revised rate increase scenarios
- **Rate Schedules**
  - Existing rate structure
  - Single Family conservation rates
- **CRRC Recommendations**
  - Rate increases
  - Rate structure

# CRRC Guiding Principles

3

**Equitable funding from rates/SDCs**

**Rates consistent with revenue needs**

**Rates encourage efficient use of resources**

**Rates based on consistent cost of service analysis**

**Costs recovered from customers in proportion to use**

# Revisions to Financial Plan

4

- **FY2011 O&M Budget Escalation**
  - Personnel Services – reduced salary increases from 8% to 6% (based on estimated COLA and step increases)
  - Central Services – reduced from 8% to 5% (based on projected water allocation)
  - Adjust for FY2010 one-time/periodic expenses (e.g., lead & copper testing)
- **Additional CIP Deferrals**
  - Zone 1 reservoir
  - Well #9
  - Public Works Complex Design
  - Crestview Drive
  - WTP Backwash pond liner



# Revised CIP

5

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	\$1,500,000	\$1,500,000
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	\$0	\$100,000	\$700,000			\$800,000
Well #8 Pump Upsizing		\$60,000				\$60,000
Total Water System Master Plan Update					\$800,000	\$800,000
Well Field Improvements	\$90,000	\$90,000				\$180,000
Well #9				\$0	\$500,000	\$500,000
PW Complex Design & construction	\$0	\$182,000	\$819,000	\$819,000		\$1,820,000
Crestview Drive	\$0			\$230,000		\$230,000
WTP Backwash Pond Liner		\$0	\$50,000			\$50,000
<b>Total Water CIP</b>	<b>\$1,715,000</b>	<b>\$782,000</b>	<b>\$3,019,000</b>	<b>\$2,049,000</b>	<b>\$3,800,000</b>	<b>\$11,365,000</b>

# Minimum Rate Increase – FY2011

6

Fund/Description	Budget 2009/10	2010/11
<b>Water Sales Revenue (existing rates)</b>	\$3,816,413	\$3,851,472
Subtotal Additional Revenue from rate increase	\$0	\$423,662
Special Rates	\$219,209	\$225,124
<b>Total Sales Revenue</b>	<b>\$4,035,622</b>	<b>\$4,500,258</b>
<i>Assumed Rate Increase</i>		11.0%
Other Revenue	\$722,466	\$490,218
<b>Total Resources</b>	<b>\$4,758,088</b>	<b>\$4,990,476</b>
<b>Revenue Requirements</b>		
Operation & Maintenance	\$3,304,390	\$3,436,073
<b>Net Revenue Avail. For Debt Service</b>	<b>\$1,453,697</b>	<b>\$1,554,403</b>
Debt Service	\$1,319,346	\$1,383,642
<b>Coverage With SDCs</b>		
Total Coverage (1.12 min)	1.1	1.12
<b>Coverage without SDCs</b>		
Debt Service Coverage (1.00 min)	<b>0.7</b>	<b>1.00</b>

# Rate Increase Scenarios

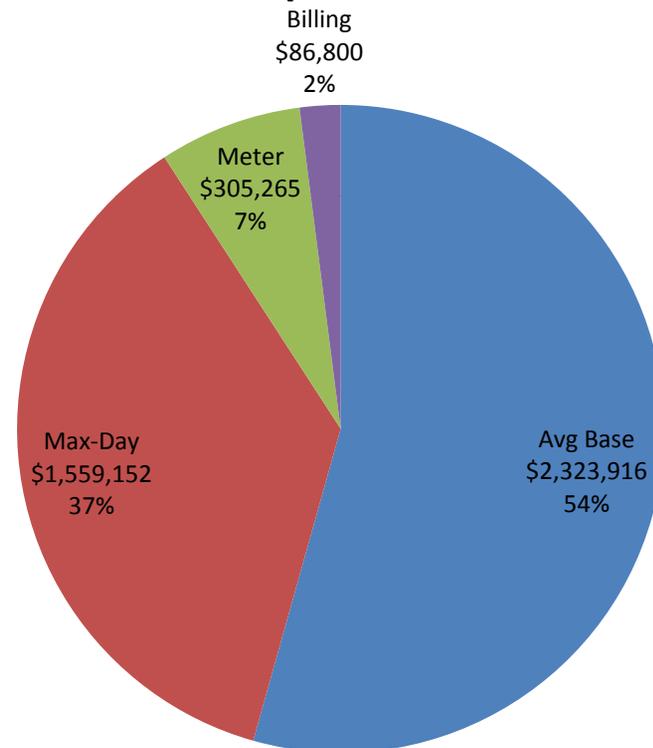
7

	2010/11	2011/12	2012/13	2013/14
<b>Minimum</b>				
July 1	11.0%	6.0%	16.0%	16.0%
Jan 1	32.0%	0.0%	7.5%	7.5%
<b>Smooth</b>				
July 1	11.2%	11.2%	11.2%	11.2%
Jan 1	32.0%	0.0%	7.5%	7.5%

# Allocation of Costs to Service Parameters

8

**Total Revenue Requirements from Rates = \$4.5 million**



# Minimum Rates – Existing Structure

9

Customer Class	Current 2009/10	Prelim 2010/11	Prelim 2011/12
<b>Service Charge (\$/M)</b>	\$1.41	\$1.13	\$1.13
<b>Meter Charge (\$/Month)</b>			
3/4"	\$2.73	\$3.24	\$3.24
1"	\$4.64	\$5.51	\$5.51
1-1/2"	\$9.01	\$10.69	\$10.69
2"	\$14.47	\$17.17	\$17.17
3"	\$27.30	\$32.40	\$32.40
4"	\$45.59	\$54.11	\$54.11
6"	\$90.91	\$107.89	\$107.89
8"	\$145.51	\$172.69	\$172.69
10"	\$227.41	\$269.89	\$269.89
<b>Volume Charge (\$/ccf)</b>			
S-F Residential	\$3.18	\$3.50	\$3.74
Multifamily	\$2.56	\$2.85	\$3.03
Commercial	\$2.84	\$3.19	\$3.40
Industrial	\$3.01	\$3.34	\$3.58
Irrigation	\$5.19	\$5.96	\$6.34
Outside City	\$4.77	\$5.25	\$5.60
Public Agency	\$2.75	\$3.25	\$3.49
Non-Potable	\$3.52	\$3.52	\$3.52
Springs	\$4.98	\$5.58	\$6.18

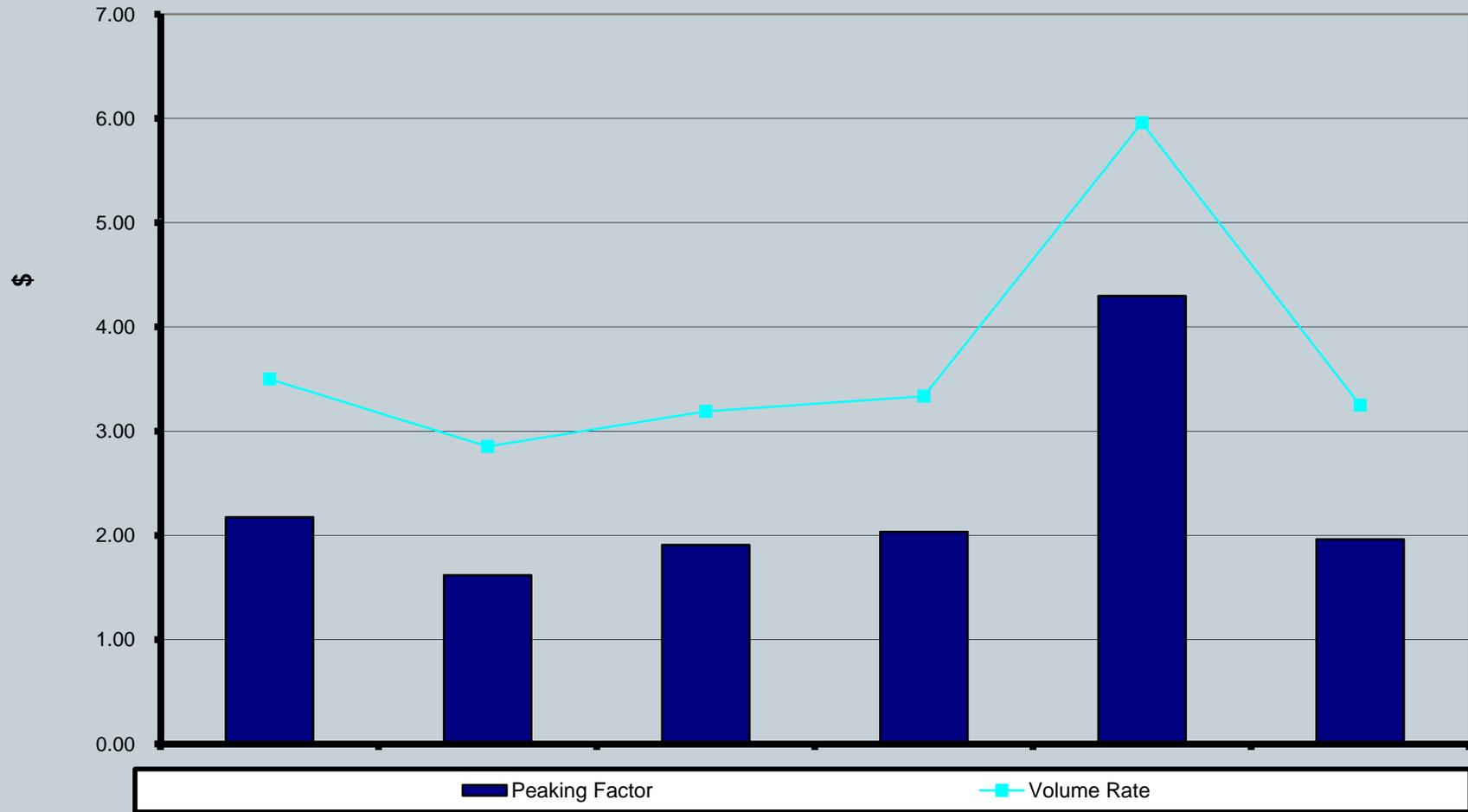
# Minimum Bills – Existing Structure

10

CUSTOMER CLASS	Monthly Use (ccf)	2009/10	2010/11	2011/12
S-F Residential	8.1	\$29.74	\$32.57	\$34.46
Multifamily	51.5	\$138.02	\$153.60	\$162.79
Commercial	30.9	\$93.99	\$105.27	\$111.63
Industrial	122.5	\$379.74	\$420.52	\$450.26
Irrigation	69.5	\$376.53	\$432.30	\$458.99
Outside City	32.7	\$160.32	\$176.27	\$187.73
Public Agency	72.1	\$214.29	\$252.44	\$269.95
S-F Residential			10%	6%
Multifamily			11%	6%
Commercial			12%	6%
Industrial			11%	7%
Irrigation			15%	6%
Outside City			10%	7%
Public Agency			18%	7%
<b>System-Wide</b>			<b>11.00%</b>	<b>6.00%</b>

# Peaking Factors & Rates

11



# National Water Use Stats

12

	<b>INDOOR USE: Gallons per Person / Per Household</b> Average US Indoor Use = 69.3 gpcd (non conserving) Average US Indoor Use = 45.2 gpcd (conserving)								
	<b>Number of household occupants</b>								
	1	2	2.5	3	4	5	6	7	8
"Conserving"									
Gpd	45	90	113	136	181	226	271	316	362
Ccf/mo	1.8	3.6	4.5	5.4	7.3	9.1	10.9	12.7	14.5
"Non Conserving"									
Gpd	69	139	173	208	277	347	416	485	554
Ccf/mo	2.8	5.6	6.9	8.3	11.1	13.9	16.7	19.5	22.2

*Newberg Winter Average Use = 5.9*

*Newberg Summer Average Use = 11.1*

# Residential Inclining Block

City of Ashland All Residential	
Rate Component	\$/ccf
<b>Variable Rate</b>	
<i>Blocks</i>	
0 to 300	\$1.43
301 to 1,000	\$1.76
1,001 to 2,500	\$2.34
over 2,500	\$3.03
<b>Service charge</b>	
3/4"	\$12.49
1"	\$24.95

City of Hillsboro Single Family Residential	
Rate Component	\$/ccf
<b>Variable Rate</b>	
<i>Blocks</i>	
0 to 800	\$1.01
900 to 1,800	\$1.56
over 1,900	\$2.11
<b>Service charge</b>	
3/4"	\$8.22
1"	\$13.06

City of Newberg Single Family Residential	
Rate Component	\$/ccf
<b>Variable Rate</b>	
<i>Blocks</i>	
0 to 700	\$2.85
800 to 1,500	\$3.75
over 1,500	\$5.25

*Assumes price elasticity = -0.4 for upper block (range is -0.3 to -0.6 for outdoor use)*

# Minimum Bills – SF Inclining Block

14

Consumption (Ccf)	Current Monthly Bill	Proposed Monthly Bill	Dollar Difference	Percent Difference
1	\$7.32	\$7.22	(\$0.09)	-1.29%
4	\$16.85	\$15.77	(\$1.08)	-6.39%
7	\$26.38	\$24.32	(\$2.06)	-7.81%
10	\$35.92	\$35.57	(\$0.34)	-0.95%
13	\$45.45	\$46.82	\$1.38	3.03%
16	\$54.98	\$59.57	\$4.59	8.35%
19	\$64.51	\$75.32	\$10.81	16.76%
22	\$74.05	\$91.07	\$17.03	23.00%
25	\$83.58	\$106.82	\$23.25	27.81%
28	\$93.11	\$122.57	\$29.46	31.64%
31	\$102.64	\$138.32	\$35.68	34.76%
34	\$112.18	\$154.07	\$41.90	37.35%
37	\$121.71	\$169.82	\$48.12	39.53%
40	\$131.24	\$185.57	\$54.33	41.40%
43	\$140.77	\$201.32	\$60.55	43.01%
46	\$150.31	\$217.07	\$66.77	44.42%
49	\$159.84	\$232.82	\$72.99	45.66%
52	\$169.37	\$248.57	\$79.20	46.76%
55	\$178.90	\$264.32	\$85.42	47.75%
58	\$188.44	\$280.07	\$91.64	48.63%
61	\$197.97	\$295.82	\$97.86	49.43%
64	\$207.50	\$311.57	\$104.07	50.16%

# Implementation Considerations

15

- **Revenue Adequacy**
  - Costs are not reduced in the short-term, though revenues likely will be (price elasticity response)
  - Additional reserves required to protect against shortfalls
  - More frequent rate reviews (i.e., annually)
- **Conservation objectives**
  - Where are system capacity constraints
- **Affordability/Equity Issues**
  - Higher usage blocks designed to recover more of peaking costs
    - Significant bill increases for large users
    - Bill reductions for small users



# CRRC Recommendations

16

- **Rate Scenario**
  - Minimum vs. rate smoothing
  - Other?
- **Water Conservation Plan**
  - Inclining block vs. existing rate structure for single family
  - Current vs. future rate cycles

