



City of Newberg

**Citizen's Rate Review Committee**

July 13, 2010

7 pm City Hall Building

**Agenda**

1. Call to Order
2. Approve CRRC minutes
3. Develop a formal policy for giving Grant Funds to non-profits. To include:
  - process for selection and distribution of funds
  - application deadline (May 31 to give enough time for granting funds?)
  - process for dispersing funds,
  - process for mid-year evaluation of appropriate use of funds with the possible intent of re-allocating unused funds to those non-profits who are better performing
4. Water Audits. Water Audit IGA with ETO for:
  - a. Financial Assistance qualifiers. Coordinate with ETO. City pays fee.
  - b. Non-financial assistance qualifiers (rest of Newberg utility customers). Coordinate with ETO re: those who wish for an audit. Customer pays est cost \$50 + cost of supplies? Will put on the utility bill???
5. Discuss ways for other Newberg utility customers who do not have a utility account to be eligible for financial assistance, such as:
  - Apartment complexes
  - Mobile Home Parks
  - ?
6. Questions
7. Adjourn

**CITIZENS' RATE REVIEW COMMITTEE  
MINUTES**

Wastewater Treatment Plant

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**Members Present:**

Charles Zickefoose	Ernie Amundson	Mike Gougler	Matson Haug (Chair)
Mayor Bob Andrews (Ex-Officio)	David Maben	Tony Rourke	Beth Keyser

**Members Absent:**

**Staff Present:**

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

**Others Present:** Richard Boyle and Helen Brown

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

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

**2. Approval of Meeting Minutes:**

**Motion #1: Gougler/Maben** moved to approve the meeting minutes for December 16, 2009. (7 Yes/0 No/0 Absent). Motion carried.

Deb Galardi presented the staff report for Water Rates and Reserves (see official meeting packet for full report). The presentation began with preliminary CRRC (Citizens' Rate Review Committee) recommendations. The preliminary wastewater recommendation was for a 15.9% increase which translates to \$6.57 per month for the average residential customer. The stormwater preliminary CRRC recommended rate is an 18% increase which is an increase of \$0.68 per month. The increase would build capital reserves. The average water bill increase for commercial customers would be between 12% and 16% based on class. The average increase for residential customers would be \$3.16 or 11%.

Chair Haug asked to look at what the rate requirements are for the accumulation of reserve funds. How much money would be saved in overhead costs if there are cash reserves available for use? Anything they can cash finance as oppose to debt would benefit over time by applying all funding to the projects rather than up to half for interest payments.

Chair Haug asked what controls the City has to ensure the money is spent appropriately. Janelle Nordyke stated it would be spent on a project within that utility. If they plan on building projects sooner the money will be used for those projects. They would never, could never, transfer the funds to other non-utility needs within the city.

Tony Rourke stated he recommends they put forward the rate increase and also have an extra percentage for reserves. This will show what is needed to fund it today as well as an extra 1% to cash fund future projects.

Chair Haug proposed a recommendation of a 1% increase for reserves. He would like the committee to make a decision on this.

David Maben asked if they are going to keep the money in reserves for a certain period of time or will it be spent once they have a usable balance. Mr. Gougler stated the City has capital improvement projects that have been pushed out. They do not have reserves. They only have money to fund the operation and maintenance budget. The time to start planning for capital improvement projects is now. The current rate proposal will not fill the long-term needs which is why they should recommend an additional rate increase for reserves. It will not be approved if they refer to it as reserve building. If they said they will not spend the 1% reserve accumulation for two years they still could end up with an issue that may require the use of those reserve funds.

Chair Haug stated there are currently no reserves as of today. It doubles the cost of a project if they have to borrow. Every dollar they bring in will save another dollar for the users. They have a program in place to use the funds at a later time. He would call it a CIP fund dedicated to debt reduction and elimination of the cost associated with paying interest on borrowed money.

Ms. Nordyke stated they should not say the funds are for debt reduction or they will have to apply it to the debt. Mr. Gougler stated they should say they anticipate they will need the funds at a later time. They should make a budget proposal that will start to build the reserves. Mr. Rourke stated they can use the funds as needed and only use the option of debt with large project costs.

Chair Haug stated they already have added 1% on the stormwater rates which will build some reserves. They can agree to a 1% increase for water and wastewater rates. They want to accumulate funds. The total package would allow for that accumulation. The figure includes accumulation of funds for improvements. Every dollar spent would save a dollar in interest.

Chair Haug asked the CRRC if they support a 1% increase for reserves. Mr. Zickefoose stated he supports it. If you show the 1% increase separate, you have to show why you need the increase. Mr. Maben said he is for it but he would like to know how they will use the funds. Chair Haug asked how he would recommend they use the funds. He is still open to ideas on the subject.

Beth Keyser asked staff to clarify if they will use the funds if a need arises. Ms. Nordyke stated if something fails they may bump up a planned CIP project. If the failed equipment is part of that planned project and the funds are available. Ms. Keyser stated she feels this means they are using the funds for daily costs for the City. Ms. Nordyke stated there is a contingency fund where they can take that money from.

Mayor Andrews asked if the projects have to be on the capital improvement list. If they are planning for the project is it already identified as a capital improvement? If a project is not on your list will they use the funds for this? Ms. Nordyke stated they would not. Contingency money is for ongoing needs. Other capital projects would be handled differently. If it is a capital improvement project it is using capital project money. If it is not on the master plan it will be contingency funds.

Ernie Amundson asked where the contingency money comes from. Ms. Nordyke stated the cost is built into the rates.

Chair Haug confirmed for Ms. Keyser the money would not be used for daily operating funds. She asked how much money would be put into the fund. Ms. Nordyke stated it would be around one million dollars. Ms.

Keyser asked if it would save money to have a balance sitting there. Ms. Nordyke stated if the money is there they will do the project. It is also earning interest as it sits there.

Mr. Amundson stated he thinks it is a great idea just not for this year due to the condition of the economy. He can't support it today.

Mr. Rourke stated he is in favor of the 1% increase. The 1% increase will save one and one half million dollars. The cost of debt for a twenty year loan is one half of the loan value per year just to pay interest on debt. They can use the money as a true reserve. A true reserve would be to build up a reserve outside of the capital projects. They are meeting obligations for two years with the rate increase. He would like to see the City build up a fund of money to cash fund projects in order to avoid paying more for interest with debt.

**Motion #2:** Rourke/Maben moved to recommend a one percent increase in rates for CIP funds and to be used as needed to prevent borrowing in the future. (6 Yes/1 No/0 Absent). Motion carried.

Mr. Gougler reminded the CRRC their mandate was to look at the budget and determine what it would take to meet the base minimum needs. This is all they have been asked to do. The City Council will have to take on the political issues.

Mayor Andrews stated they may be proposing to the City Council the bare bones increase. You may want to come in and give City Council a second option to authorize the endorsement of debt management for the City. This can establish a ground work for debt management.

Ms. Galardi stated the 1% increase would provide them some reserve money. The City is debt funding a lot at this time. On stormwater rates there is cash funding. On wastewater it has been debt all the way.

### **3. Conclude Stormwater Residential Credit Program:**

Ms. Galardi presented the staff report for the stormwater residential program options (see official meeting packet for full report). She was asked to bring the options back to the CRRC to determine the recommendation to staff for implementing the program. The credit program could be a broad program with multiple options they would be eligible for. The program could drive a net reduction in the annual budget. There will be some on-going cost to the City with this type of program. There could also be an administrative fee to cover the cost of the program.

Mr. Zickefoose asked for confirmation there is a credit program in place today. Howard Hamilton confirmed there is a credit program but it is only for commercial customers. The focus for the credit program on the table would be for residential customers.

Mr. Gougler stated he does not think they should do it. Unlike the other items they have looked at the consequences were understood. They do not have a direct understanding of what is being asked. He would recommend they get the experts and ask them what can be done. He is very reluctant to open this up without the help of the experts.

Chair Haug stated he is against the credit program. He does not think they should review the credit program until they have the tools to make it fair.

Mr. Amundson stated in the past they did not talk of a credit program outside of commercial customers. They set up a good program that is working well. He does not feel they should do anything for residential customers.

Mr. Rourke stated he does not think they should do anything now. They should wait until an analysis can be done.

Chair Haug asked if they would recommend the City Council put some resources into looking at the option of a credit program in the future. They need to decide to what extent they would like to ask staff to revisit this subject.

**Motion #3: Gougler/Zickefoose** moved for CRRC to not make a recommendation on residential credits at this time. They instead request staff develop a suggestion list for what can be done by residential customers for a credit program later. (7 Yes/0 No/0 Absent). Motion carried.

#### **4. Grant Money Selection:**

Ms. Nordyke presented the staff report (see official meeting packet for full report). Love, Inc. is asking for a grant of three thousand dollars. She recommends they provide them fifteen hundred dollars with the City matching the amount. She has not sent out the letter for the grant yet so she would like to keep some funds in place for other requests. They have a budget of \$4,000 total for the grant program. She would like to offer Love Inc. the \$1,500 dollars for the grant they requested.

**Motion #4: Zickefoose/Gougler** moved to approve the request from Love, Inc. for \$1,500 dollars for grant funds. (1 Yes/6 No/0 Absent). Motion failed for lack of majority.

Mayor Andrews asked if the program requires declaration of a match by the City. Ms. Nordyke confirmed it does.

Mr. Amundson stated if they have not submitted the letter they should wait to offer any funds until the letter has gone out. He recommended they extend the grace period to January 27, 2010 for applications for the grant.

Ms. Nordyke agreed she will get the letter out before the January 27, 2010 date. Mayor Andrews asked if after the deadline there are no further applications will they extend the other \$2,500 to Love, Inc. Ms. Nordyke stated they could.

Mr. Gougler stated if no one else has made an application until January 27, 2010 what would happen with the remainder of the money? Ms. Nordyke stated it would have to be re-budgeted later. If it was not spent it would simply sit there. If they are willing to match the funds he would recommend they give the remainder of the funds to Love, Inc. later if no other applications are submitted.

**Motion #5: Keyser/Rourke** moved to wait until January 27, 2010 to disburse the funds with the assumption the letters will be mailed out right away. (7 Yes/0 No/0 Absent). Motion carried.

#### **5. Town Hall Meeting Agenda:**

Mayor Andrews presented an agenda for the Town Hall meeting. He has been asked to set the ground rules for the meeting. They will have a uniformed officer present. The purpose is to allow the CRRC to get a message out to the community. He asked if they would like to have the comments recorded at the meeting.

Chair Haug stated he would like to see a staff presentation at the meeting. He asked Ms. Galardi if she is making the presentation. She stated she would do whatever they would like her to do. Chair Haug stated he feels Ms. Galardi would be the best option to ensure they provide a clear presentation of the proposal.

Helen Brown pointed out the public would like to hear from the committee as well to explain what they have been doing for the last two years.

Mr. Hamilton pointed out Ms. Galardi is a third party which means she does not have a vested interest as an outsider. After the proposal is presented they should turn the meeting over to the CRRC so they can follow by sharing what they have been discussing. The CRRC should also provide a summary of how the increase will affect the customers on their bills.

Mr. Gougler requested Mayor Andrews describe the responsibility and calling of the CRRC while he is opening the meeting. Once the public understands what the CRRC was looking at they can turn the meeting over to Ms. Galardi for her presentation. He would like to have a high level of details available to the CRRC in case they are needed during the meeting.

Mayor Andrews pointed out the City Council was invited but attendance was optional. He would like to ask again if they would like to have the meeting recorded. It was agreed upon by the CRRC that recording of the meeting would not be necessary.

Ms. Brown asked if a sign-up sheet will be available. Mr. Gougler stated they will be allowed to sign in but it will not be required. If they would like follow up from the meeting they will need to be sure they sign in.

It was agreed by the CRRC they would like to see the slides presented at the meeting offered as handouts. There will be a meeting at 8:30 a.m. this Friday morning at City Hall available to the CRRC to go over the details of how the town hall meeting will flow.

Ms. Galardi stated she will not be at the meeting Friday. She will work with staff to create the presentation. She can have the slides available to the CRRC if they would like to see them ahead of time. Her presentation will be between ten and fifteen minutes. Mayor Andrews pointed out they will not go with an open ended meeting but will be limited in time. There will not be any decisions made at the meeting.

## **6. Public Participation**

There was no public comment at this time.

## **7. Adjournment**

The meeting adjourned at 9:27 p.m.

**Approved by the Citizens' Rate Review Committee on this \_\_\_ day of July 2010.**

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Recording Secretary

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Citizens' Rate Review Committee Chair

**CITIZENS' RATE REVIEW COMMITTEE  
MINUTES**

Wastewater Treatment Plant

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**Members Present:**

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

**Members Absent:** Mayor Bob Andrews (Ex-Officio)**Staff Present:**

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

**Others Present:** None

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

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

**2. Discuss Town Hall Meeting:**

Howard Hamilton presented the staff report which consisted of the comments and questions that were brought up at the Town Hall meeting. It also included the tables created by our consultant, Deb Galardi. Table One presented Projected Utility System Revenue Requirements. Table Two presented Wastewater Service Characteristics. Table Three presented the Projected Capital Improvement Program (CIP) and Projected Rate Increases. Table Four presented Projected Debt Requirements. A graph was also distributed showing City projects from 2006 to future projects for 2012 (see official meeting packet for full report).

Ernie Amundson asked what the franchise fee is for and why he has never heard about it before. Howard Hamilton stated the City budget is on the web site and the franchise fee is included in the budget. It is a fee paid to the City for having water and wastewater utilities in the rights-of-way not unlike those paid by PGE, Verizon, and NW Natural Gas, etc. Chair Matson Haug stated they recommend there is no franchise fees coming out of the money brought in from rates. Janelle Nordyke stated it is a franchise fee rather than a tax. Chair Haug pointed out they need to consider this subject since it may not make sense to the public. Mike Gougler stated the franchise fee is legal and he does not know of any jurisdiction that does not use a franchise fee. All over the United States you will find franchise fees have been used for years. The franchise fees are going into the general fund in Newberg. Mr. Hamilton pointed out it is listed under administration, 06 & 07-5110-590015 in the budget. Mr. Gougler stated the subject of franchise fees has come up at City Council as well. The franchise fee for Newberg is five percent as of today. Mr. Gougler stated the Budget Committee, which includes the franchise fees, has a public hearing of its own. He does not feel the issue of the franchise fee needs to come up in the public hearing for the CRRC. They are not going to be able to micro-manage the City's ability to make its books balance.

Beth Keyser stated the question brought up at the Town Hall meeting of how long it has been since the City was audited was a very good question. They would like to see how the City is doing in the way they spend money. She would like to ensure this question is addressed very clearly at the public hearing.

Mr. Hamilton proceeded to go through the list of questions and answers and cover the plans he has for addressing each of the concerns at the public hearing. A question was asked at the Town Hall meeting of how often the City takes part in an audit. Chair Haug pointed out staff will need to clarify when the audits occur and who does the audits. This information will need to be presented in the staff report. The Citizens' Rate Review Committee (CRRC) guidelines should be itemized. Mr. Hamilton pointed out that the master and facility plans are audits and the goal is to update them every five to ten years. They assess the state of the infrastructure and staffing levels and provide a plan for improving operations and maintenance and equipment replacement as well as growth related expansion. Maintenance and replacement are behind schedule and staffing is on track.

### **3. Reconsider Rate Adjustments:**

Chair Haug stated he would like Ms. Galardi's presentation of the recommended rate increase to reflect the way she would also present the information to City Council. Mr. Hamilton presented a slide to reflect the combined utility summary. Ms. Galardi would like to present a simple slide that shows each of the recommended rate increases. This would include the percent and the increase in the single family bill.

Ms. Galardi asked for clarification as to what the recommendation from the CRRC was for the stormwater credit program. Mr. Hamilton reminded the Committee they agreed to hold off on recommending a credit program until the next session of the CRRC. They recommended staff study the subject and provide them more details to allow the CRRC to make a better recommendation based on the new information.

Mr. Amundson stated they need to consider why the City was able to run well for so many years without any rate increases. He clarified they did not have a CRRC until 2001. It was confirmed he was correct. He asked who made the decisions during that time. It was clarified it was City Council who made the recommendations for rate increases. Mr. Hamilton stated the City Council approved rate increases a number of times over the years that are on record. He will include the 2008 and 2009 increases on the graph as well.

### **4. January 27, 2010 Public Hearing – Public Safety Building:**

Chair Haug stated the public hearing is a dress rehearsal for the City Council meeting. He would like to see staff include the items on the notes as a part of the staff report. He would like to discuss how they would like the items included and addressed. The notes that were submitted should also be a part of the staff report from CRRC members.

Beth Keyser suggested Mike Gougler display the graph that shows there have not been any increases for many years and talk about what it implies. They need to keep it simple to help eliminate a lot of questions.

Ms. Keyser recommended each CRRC member introduce themselves and share a little about their connection to the City. Chair Haug agreed the committee member should introduce themselves and share about their experience with the City and the Committee. Mr. Hamilton suggested they should consider stating why they wanted to be on the Committee before the public as well.

Mr. Gougler stated he would like to see slides available to help guide the presentation. They can also address some of the concerns with handouts when necessary. The slides can summarize the details. On item number nineteen on the list of questions from the Town Hall meeting, he recommends Mr. Hamilton make a presentation on the topic. The staff report would be a combined report from the CRRC and staff.



Mr. Hamilton asked how they would like to address the questions from the Town Hall meeting at the public hearing. Chair Haug stated they will conduct the meeting as a quasi-judicial hearing which has a format that should be used for addressing the topics at hand. When the staff report is done the questions can be presented from the CRRC to staff and then they can open the meeting for public testimony. They will submit their name and the stance they are taking on the topic at hand. The staff will present the CRRC recommendation for rate increases as part of the staff report. The recommendation will end the staff report. After the public testimony they will open deliberation among the CRRC.

Mr. Hamilton stated they need to ensure they keep the public testimony to a maximum of five minutes for each person who testifies. It may need to be lowered to three minutes if there are a large number of citizens who would like to testify.

Ms. Galardi recapped the CRRC would like a packet of handouts to include the full question and answer session and the recommended schedules. The presentation would highlight key slides and present the recommendations.

Chair Haug stated he recommends they address the first issue on the list of questions by including a few of the slides the CRRC saw at a prior meeting showing the wear of the wastewater plant. Mr. Zickefoose pointed out they can also include the details of the projects that were deferred from the list Mr. Hamilton provided. Ms. Galardi stated the presentation will show the total CIP per year. Chair Haug does not understand the chart and is concerned it will raise some questions.

Mr. Hamilton stated they are aiming for the City Council meeting as the focal point for the presentation. That will be the final piece of the presentation from the CRRC for the recommended rate increases. The CRRC confirmed the issues will be presented in writing which will not require the issues to be discussed during the meeting. Chair Haug gave Mr. Hamilton the freedom to remove any questions from the Town Hall that he does not feel he will have the time to properly address before the public hearing.

## **5. Public Participation:**

No public present at the meeting.

## **6. Adjournment**

The meeting adjourned at 8:53 p.m.

**Approved by the Citizens' Rate Review Committee this \_\_\_ day of July 2010.**

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Recording Secretary

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Citizens' Rate Review Committee Chair

**CITIZENS' RATE REVIEW COMMITTEE  
MINUTES  
Public Safety Building**

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**Members Present:**

Charles Zickefoose	Mike Gougler	Matson Haug (Chair)	David Maben
Tony Rourke	Ernie Amundson	Mayor Bob Andrews (Ex-Officio)	Beth Keyser

**Members Absent:** None

**Staff Present:**

Howard Hamilton, Public Works Director	Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary	Dan Danicic, City Manager

**Others Present:** Douglas Baker, Bonnie Benedict, Ronald Morgan, Al Blodgett, Louis Larson, Ernie Collazo, Helen Brown, and Richard Boyle.

**City Council Present:** Councilor Stephen McKinney and Councilor Bob Larson

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

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

**2. Staff Report:**

Chair Haug reminded those present the City Council meeting for the adoption of the recommended rate increases by the Citizens' Rate Review Committee (CRRC) will be on April 5, 2010 at the Public Safety Building.

Deb Galardi presented the staff report (see official meeting packet for full report). The citizens of Newberg do not use the water system the same. Some of them will use a lot of water during peak times. If you use more water during peak periods you will find you pay more for water overall. The rates for use of the wastewater system will be higher based on the volume of use as well as the strength, meaning the quality, of water discharged from the property. The major factors that drive the costs are the aging and failing infrastructure, deferred maintenance and regulatory requirements. The City pays for its capital investments in the system through debt service.

Water rate structures need to encourage efficient use of resources. The rate review process occurs every two years. The CRRC had the challenge of addressing deep revenue short falls. Revenues from the rates are down due to less water usage and a slowing in growth of the population. The CRRC had to consider what projects within the City would need to be deferred due to decreased revenue or consider long-term funding options through debt. The most significant fear of the City is not meeting its regulatory requirement which could result in lawsuits and fines. The rate increases are in hopes of meeting some of those requirements.

There are some serious risks the CRRC understood and evaluated during their consideration for a recommendation of rate increases. They had to consider some maintenance needs for the wastewater treatment plant. The wastewater system has the most acute needs at this time. There are two projects in place to help

address the issues of the plant exceeding capacity during peak times. If the pump stations overflow there will be potential fines and lawsuits for the City.

The CRRC recommends an annual system-wide revenue increase of 12.2 % for residential customers for water which would be between three and four dollars more per month per customer.

The CRRC recommends an annual system-wide revenue increase for wastewater of 16.9% which is higher due to the investment needs for maintenance improvements. This will result in about six to eight dollars more for the average residential bill each month.

The CRRC recommends an annual system-wide revenue increase for the stormwater system of 18% which comes out to less than one dollar more each month for residential customers.

It was recommended by the CRRC that the City not implement a residential credit program at this time. The CRRC felt there was insufficient information on the effectiveness and administrative impacts of various measures with a credit program.

### **3. Public Participation:**

Bonnie Benedict thanked the Committee for their work on the process. She does not like her bill. She would like to know how to eliminate the wastewater usage. The wastewater bill includes some cost for stormwater run-off. She is not sure why they are paying for storm water run-off. Mr. Hamilton stated the wastewater rates are based on water use from December through March. A fee is also charged monthly for maintenance of the account. To reduce the wastewater rate you need to use less water between December and March. The stormwater fee is based on the average single family residential equivalent dwelling unit and is a fee of \$3.80 per month that is used for operations, maintenance and projects.

Al Blodgett thanked the CRRC for the time they have put in considering utility rates. He has been in Newberg for over 20 years. He is one hundred percent behind the recommended rate increase while still keeping in mind it will be painful for some Newberg residents.

Ernie Collazo stated he is against the increase at this time. It comes down to money. The nation is in a recession right now. He also has improvements that need to be made to his property but he has to take the cost into consideration. He wants to know where the money is going to come from. He has applied for utility assistance through the grant program already. He has been in Newberg since 2001 and he is now paying up to \$50 for utilities.

Louis Larson asked what the current average rate of consumption is. Ms. Galardi stated for water it is 800 cubic feet and for wastewater it is 5.51 hundred cubic feet. Stormwater is a flat fee. He went on to ask if it would be possible for the City to produce a bill that is similar to the electric company that would allow him to sit down and go over the bill and better understand the billing process. Janelle Nordkye stated they can put something on the City website to explain how it is done. They can also see if the software can be reprogrammed to make the utility billing statement easier to understand but it will cost some money.

Mr. Larson stated he was impressed with the openness at the town hall meeting and the willingness to listen to the concerns of the public. He disagrees with the fairness of the rate structure itself. It appears to be a flat structure rather than a progressive rate structure. People who earn more should pay more. In the current system everyone has to pay the same rate regardless of earnings. He would like to see a study done for the community to look into adopting rates that would take income into account and make it fair across the board. He would like

to see the City avoid taking action with the proposed rates until the community has the ability to pay for the increase.

Mr. Larson continued to say family incomes from 1999 are now the same or less than they were in 2010. That means the ability for many to pay increased charges is very difficult. The City unemployment rate is running about 11%. He estimates roughly 900 family units in the City have at least one person in the home unemployed. Out of all the people living on social security 40% of them are considered low income. There are roughly 1,200 families in town living on social security. They have not seen an increase in their income even though the cost of utilities has gone up. They are looking at around 2,100 people in our community who are really suffering financially right now. There are more people having to depend on FISH and other organizations in order to make it. In the last decade there has not been any new jobs created. He wants to ensure the Committee understands the depth of the needs the City is facing. It is not just common people being affected by the economy. He again recommended they develop a rate structure that will put the burden for the increase on those who can afford to pay.

Charles Zickefoose asked if there is precedence for the type of fee structure he is describing. Ms. Galardi stated you will find some communities in Oregon which are funded this way but most are funded by consumption. The industry standard relates to the citizen's ability to control their bill based on their usage and is not based on income.

Douglas Baker stated he has been a resident of Newberg for over ten years. He is familiar with how water departments work and he understands what it takes to maintain the department. He is opposed to the rate increase because he is concerned that people are not able to afford it. He is most concerned with those living on a fixed income and the unemployed. As a general rule when people run short of money they tend to do without. Some will borrow money or use credit cards. It is too much to ask the general population to pay more money. He feels all government agencies need to lead by example and look for ways to cut cost. We are all struggling with money just like the City. He does not want to see an increase in rates added to the problems for many in the City. The bottom line is now is not a good time to be asking for more money.

Ronald Morgan stated he feels the main issue is wastewater systems rather than water issues with regards to the maintenance issues. He suggested they take the issues and segregate the improvements to determine what needs to be done first. The City can then break it down into small pieces to determine the most important issues. Is there any chance of refinancing for the City to obtain lower interest rates? There is some money that will start coming into the state since measures 66 and 67 were recently passed. How much water and wastewater are the schools using? Can they make sure they are paying their fair share of the water and wastewater? He is concerned about the senior citizens in the area who are on social security who saw no increase in their income this year. The bills are going up but the income for them is not.

Bonnie Benedict asked what the City would do if they are not able to pay their bill. She would like to see the City eliminate some of the planned improvements to allow them to save some money so the public does not have to pay higher rates. The senior citizens should not be hit so hard. She asked what would happen if her neighbor's sewer ran under her house and hooked into her sewer then went out into the street. Does that make her bill higher? Mike Gougler stated she is not billed for sewer that leaves her house. Her wastewater rate is determined by her water usage during certain months of the year. The sewage that leaves the house is not metered. Only the drinking water is metered. They determine the bill during the low water use for the year.

#### 4. Public Hearing to Recommend New Utility Rates:

David Maben stated he supports the recommended increases. If they do not take care of the increase now they are going to have to deal with it later.

Charles Zickefoose stated some day they are going to have to pay for the needs in the City. They have softened the blow for the last few years. He supports the increase knowing it is not going to get any better. The City is facing things that are required.

Beth Keyser stated she supports the increase. Her income has not gone up and she does not like paying more either. However she recognizes the need for the increase now in order to take care of the needs of the City as well as looking ahead to what is coming.

Chair Haug stated they have discussed the idea of rates based on increasing volumes of use. The rates would be lower if you use less. Ms. Galardi confirmed that would be an inclining block rate structure. He asked if they have some way of making the adjustment on permeable services for smaller homes to pay less than larger homes. They have an assistance program that is still available. It is possible the City Council would like to make the assistance program more aggressive.

Tony Rourke stated they talked a lot about inclining blocks as well as other rate structures. The difficulty would be in the down economic times if they did a significant increase for groups that would cause lower water use that would then lower the revenue. If they did not use the water or pay the bills the City is unable to manage the systems. They already discussed how other rate structures did not make sense. They may want to consider other options at a later time. If they choose not to do anything now they will pay later in a different form. They will pay in the form of lawsuits, fines, and higher interest. He agrees debt is not a smart fiscal policy. It costs a lot of money. If they do not pay the bills and default on the loans it will cost later. Where will the money come from when the fines and lawsuits take place? He does not like giving rate increases but there was a period of no rate increases for nearly ten years.

Ernie Amundson stated he is against the increase they are proposing tonight. He has been doing surveys in the City and many he talked with stated they have been making cuts in their budget in the last year. He is not able to support the increase and will vote against it tonight.

Mike Gougler stated the City is at the point where the boat is sinking and there is no time to take the sail down. As the CRRC, they were asked to find a way to meet the demands that are being placed on the City. The City is being told they must do certain repairs by the State and Federal Government. He is certain no one here is okay with raising debt so our children can pay for it. They will not go away if we keep putting off the necessary repairs to the facilities. The CRRC agreed to try and develop a program to help those who are the most in need. He recommends if members of the public see a huge hike in their water bill they should utilize the resources the City offers to answer questions and help determine if there is something else going on such as a leak on their property. He has to support the increase. If they do not do it now they will have to deal with the issue later.

**Motion #1: Gougler/Zickefoose** moved to make the recommendation to City Council for a 12.2 percent increase in water rates, a 16.9 percent increase in wastewater rates, and an 18 percent increase in stormwater rates. In the event that grant funds are received which may reduce the need for the increased rates, the CRRC will reconvene and look at adjusting the rates at that time. (6 Yes/1 No) Motion carried.

## **5. Final Comments from Staff:**

Mr. Hamilton stated the costs to operate the City's utilities are continuing to rise. They are seeing mandates from the state which must be paid for from somewhere. They have a number of maintenance issues that will require attention. They are in jeopardy of the system overflowing which could cause Department of Environmental Quality (DEQ) fines and potential environmental lawsuits if something is not done soon. If they start accumulating enough claims from homeowners with flooding issues, the insurance carrier will require the City to come up with the resources to fix the problems. There is also some debt that needs to be taken care of that the City is on the verge of defaulting on.

Ms. Galardi clarified the sample bills they displayed during the staff report are just samples. The recommendation is for a rate structure rather than the actual bills that have been displayed.

A five minute break was taken at 8:25 p.m. The meeting was re-adjourned at 8:30 p.m.

## **6. Final Comments from CRRC Members:**

There were no final comments from the CRRC once the decision was made to approve the recommendations for the rate increases to City Council.

## **7. Utility Bill Assistance Grants Approval:**

Janelle Nordyke presented the staff report (see official meeting packet for full report). Letters were sent to non-profit organizations in the community for the grant program. The City has set aside \$4,000 for the purpose of grant applications. The City received four applications from non-profits in the area for grants. Ms. Nordyke asked if they would like to have the funds disbursed equally among the requests. Mr. Gougler stated the CRRC agreed they would equally disburse the funds to the non-profits that submitted a request.

Ms. Keyser asked what will happen if the non-profit does not use all the vouchers they receive. Ms. Nordyke stated the money would stay in their budget until the funds are used.

Mr. Zickefoose stated he feels Love, Inc. should be the agency that disburses the vouchers. The churches can be the second signer on them. Mr. Rourke stated he believes if the funds are not used this fiscal year they will be gone and they will have to start over. Ms. Nordyke confirmed he is correct. The money stays in the water and wastewater funds and does not go back into the general fund.

Mr. Gougler asked if one of the recipients asked for their money to be assigned to Love, Inc. does the CRRC have to approve that? He proposes they allocate \$1,000 to each applicant with the agreement if one of the organizations decides to have Love, Inc. disburse the vouchers they allow the organization to make that decision. Ms. Keyser stated they would not want it to all go to Love, Inc. She agrees they would allow each organization to use the \$1,000 and determine how they will proceed.

Mr. Zickefoose stated all the other applicants stated in some way they have been working with Love, Inc. from the beginning. They have a voucher program already in place and the partner church can sign the voucher as well as Love, Inc. Mr. Gougler stated leaving it as an allocation for each of the applications does not require them to distribute on their own but allows them the freedom to use Love, Inc. if they choose to. He feels it will offer the best flexibility.

Ms. Nordkye asked if they would like the grant money to be advertised. Mr. Rourke stated if they do not advertise, it will not get used. He would like to see the funds totally used by the end of June. The citizens need to know the vouchers are available. He recommends they consider using the utility bills as a way of advertising for the availability of the voucher.

Mayor Andrews asked what the are four organizations. Chair Haug stated it was Newberg Seventh Day Adventist Church, Newberg Christian Church, Joyful Servant Lutheran Church, and Love, Inc. in partnership with First Presbyterian Church.

Mr. Zickefoose stated he would like to hear from Ernie Collazo about his application for a voucher. Mr. Collazo stated he went to YCAP and they were out of funds for this type of request. Mayor Andrews asked if they have used the grant for YCAP. Ms. Nordyke stated yes they have and then some.

**Motion #2: Rourke/Gougler** moved to equally distribute the requested funds for the grant applications with \$1,000 going to each organization with an agreement they advertise for the program. (7 Yes/0 No) Motion carried.

**8. Adjournment:**

The meeting adjourned at 9:36 p.m.

**Approved by the Citizens' Rate Review Committee this \_\_\_ day of July 2010.**

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Recording Secretary

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Citizens' Rate Review Committee Chair