



**CITIZENS' RATE REVIEW COMMITTEE AGENDA
THURSDAY, SEPTEMBER 26, 2019**

6:30 P.M. MEETING

WASTEWATER TREATMENT PLANT CONFERENCE ROOM (2301 N.E. Wynooski Rd)

Mission Statement

The City of Newberg serves its citizens, promotes safety, and maintains a healthy community.

Vision Statement

Newberg will cultivate a healthy, safe environment where citizens can work, play and grow in a friendly, dynamic and diverse community valuing partnerships and opportunity.

I. CALL MEETING TO ORDER

II. ROLL CALL

III. COMMITTEE BUSINESS

1. Election of chair, vice chair, and secretary
2. Water Capital Improvement Plan Presentation
3. Water Rates Presentation
4. Committee Discussion

IV. PUBLIC COMMENTS

(30 minutes maximum, which may be extended at the Chair's discretion, with an opportunity to speak for no more than 5 minutes per speaker allowed)

V. ADJOURNMENT

Next Meeting: October 10, 2019 at 6:30 pm at the Wastewater Treatment Plant Conference Room.

ACCOMMODATION OF PHYSICAL IMPAIRMENTS: In order to accommodate persons with physical impairments, please notify the City Recorder's office of any special physical or language accommodations you may need as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please call (503) 554-7793.

The Committee accepts comments on agenda items during the meeting. Fill out a form identifying the item you wish to speak on prior to the agenda item beginning and turn it into the Secretary. The Chair reserves the right to change the order of the items on this agenda.

**CITIZEN'S RATE REVIEW
COMMITTEE**

**5 YEAR WATER
CIP PRESENTATION**



SEPTEMBER 26, 2019

REVIEW OF PREVIOUS 5 YEAR PLAN PROJECTS

- REDUNDANT SUPPLY
- WTP HYPOCHLORITE GENERATOR
- BELL ROAD EAST PUMP STATION
- BELL ROAD WEST PUMP STATION
- FIRE FLOW PROJECTS
- N. COLLEGE – N. TERRACE
- CHEHALEM DR. WATERLINE EXTENSION
- VALVES ON COLLEGE STREET
- RELOCATION OF COLLEGE ST.
- ROUTINE WATERLINE REPLACEMENTS
- SEISMIC RESILIENCY
- FIXED BASED RADIO READ
- WATER CONSERVATION PLAN
- DECOMMISSION WELLS #1 & 2
- HYDRANTS AND VALVES
- MAINTENANCE YARD

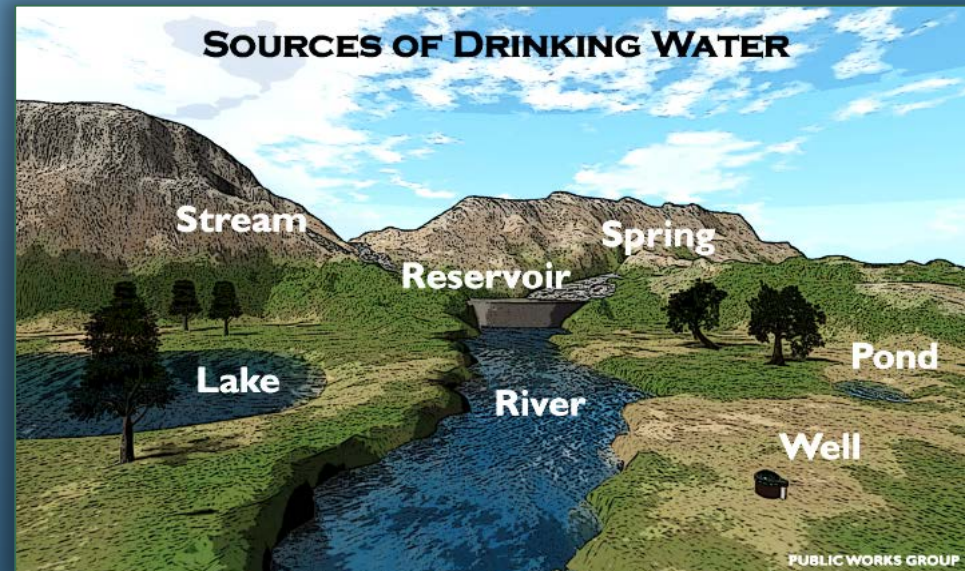
PROPOSED 5 YEAR PLAN PROJECTS

- REDUNDANT SUPPLY
- BELL ROAD EAST PUMP STATION
- BELL ROAD WEST PUMP STATION
- N. COLLEGE – N. TERRACE
- FIRE FLOW PROJECTS
- CHEHALEM DR. WATERLINE EXTENSION
- VALVES ON COLLEGE STREET
- RELOCATION OF COLLEGE STREET
- ROUTINE WATERLINE REPLACEMENTS
- RESILIENCY
- FIXED BASED RADIO READ
- MAINTENANCE YARD
- NE ZIMRI DRIVE
- WATER MASTER PLAN
- NON-POTABLE WATER
- WTP FILTER COVERS
- N VALLEY RESERVOIR DRIVEWAY

REDUNDANT SUPPLY

This project will look for another supply option on the north side of the Willamette River – primarily for emergency purposes

- Provide 2 mgd which is our wintertime average usage
- Could be additional wells, surface water source, ASR
- \$3,619,000 over 5 years



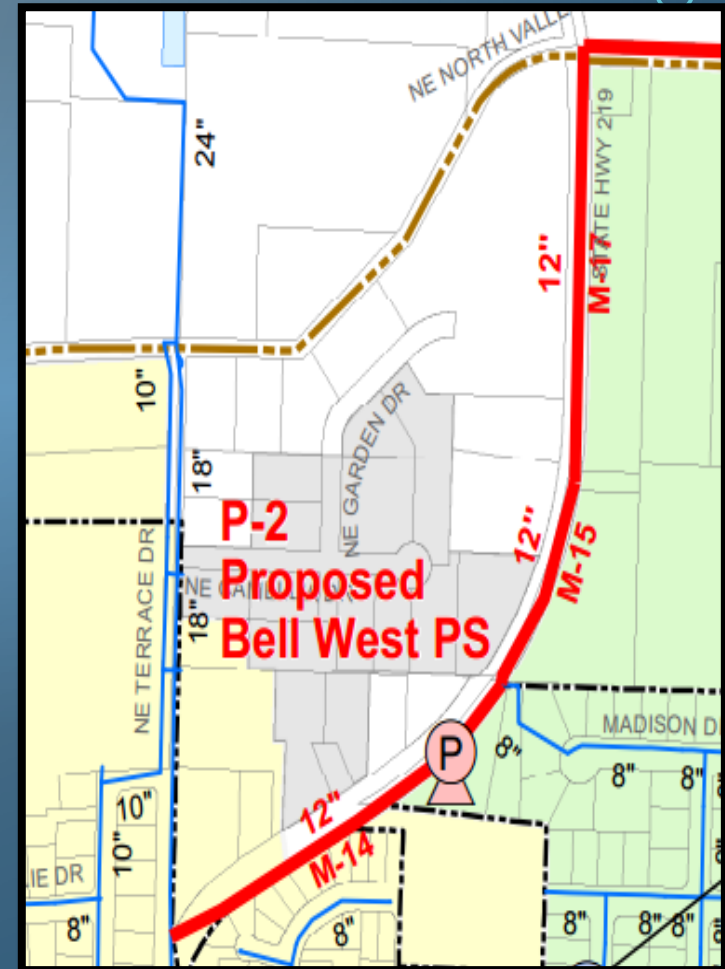
BELL EAST PUMP STATION



- Necessary to support development north of and along Zimri Drive
- Plan lists this project near the end of the 5 years – could push further out if development doesn't occur
- \$1,450,000

BELL WEST PUMP STATION

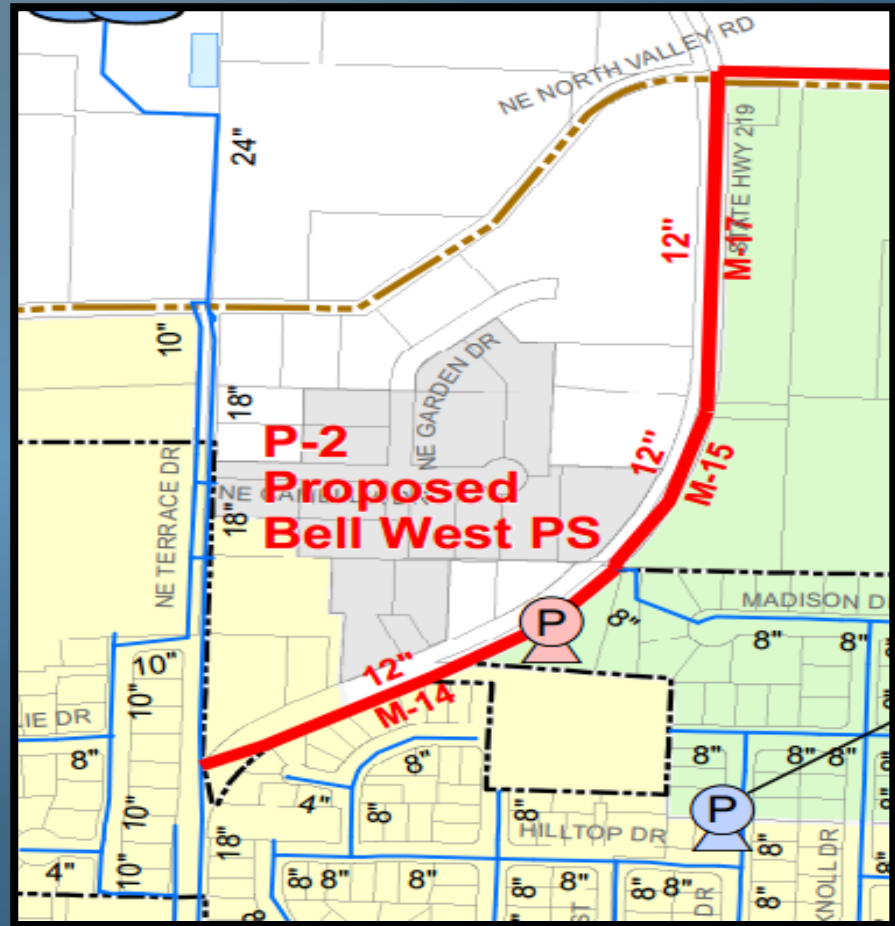
- Necessary to supply adequate fire flow to future Zone 2 development
- Will replace the existing Oak Knoll Pump Station to serve Veritas School, North Valley Friends Church and homes in the area
- \$1,450,000



N COLLEGE – N TERRACE

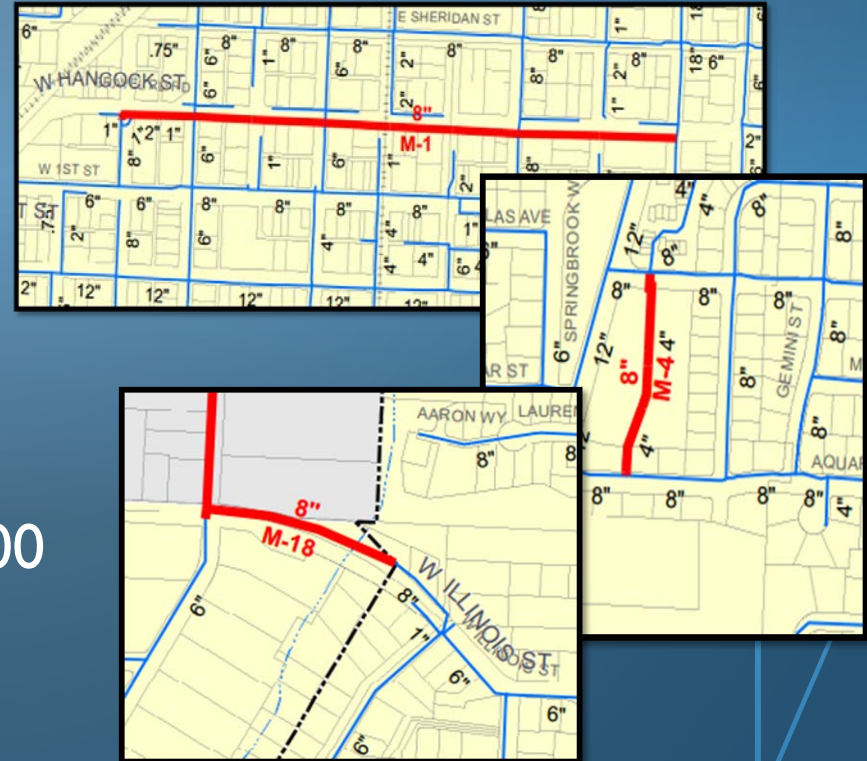
➤ This project is a part of the Bell Road West PS expansion project

➤ \$433,000



FIRE FLOW PROJECTS

- Downtown - \$552,000
- Vittoria Square Apartments - \$147,000
- Illinois Street - \$400,000
- Dayton Avenue - \$101,000
- Mission Drive - \$231,000
- Elliott Road - \$157,000
- Mountainview Drive - \$172,000
- Wynooski Street - \$96,000



CHEHALEM DRIVE EXTENSION



- The properties along NE Chehalem Drive are starting to develop
- There is no public waterline in the area
- An extension from the current terminus @Hwy 240 up to Columbia Drive will allow for a more orderly development (~2800 lineal feet)
- Constructed with the Chehalem Drive wastewater line extension and the West Illinois Fire Flow project
- \$1,000,000 total

VALVES ON COLLEGE STREET



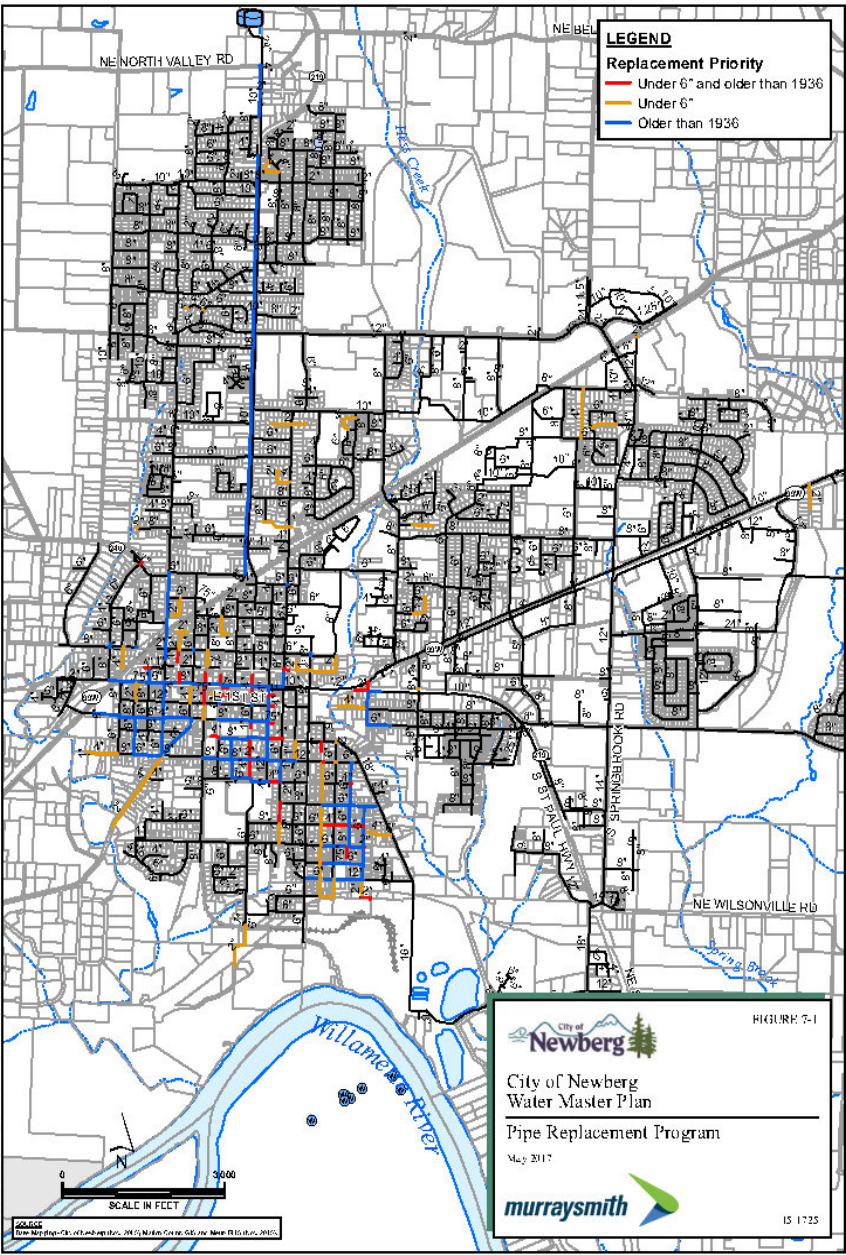
- One of the reasons for the massive amount of flooding in 2014 when the waterline broke is the lack of valves to shut the water off.
- This project would add valves in strategic locations to minimize repeat issues.
- \$200,000

COLLEGE ST WATERLINE RELOCATION

- Oregon Department of Transportation will be extending the sidewalks and bike lanes north on the west side of College St
- Our existing water line needs to be relocated ahead of the ODOT project
- \$470,000



ROUTINE WATERLINE REPLACEMENTS



RESILIENCY

➤ Projects will address:

- Seismic/Natural Hazards
- Malevolent Acts
- Plans will need to be updated every 5 years

➤ \$800,000



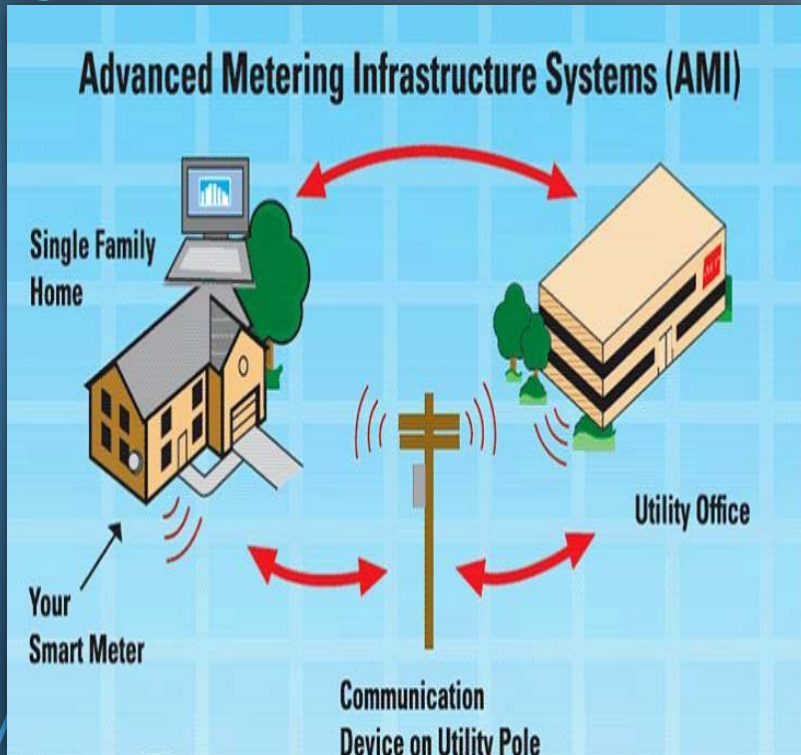
FIXED BASE RADIO READ

- Current water meter reading system requires an employee drive through the entire city each month to collect readings.

- The fixed based system will allow all city meters to be continually transmitted to the Finance Dept, City Offices or the Maintenance Yard

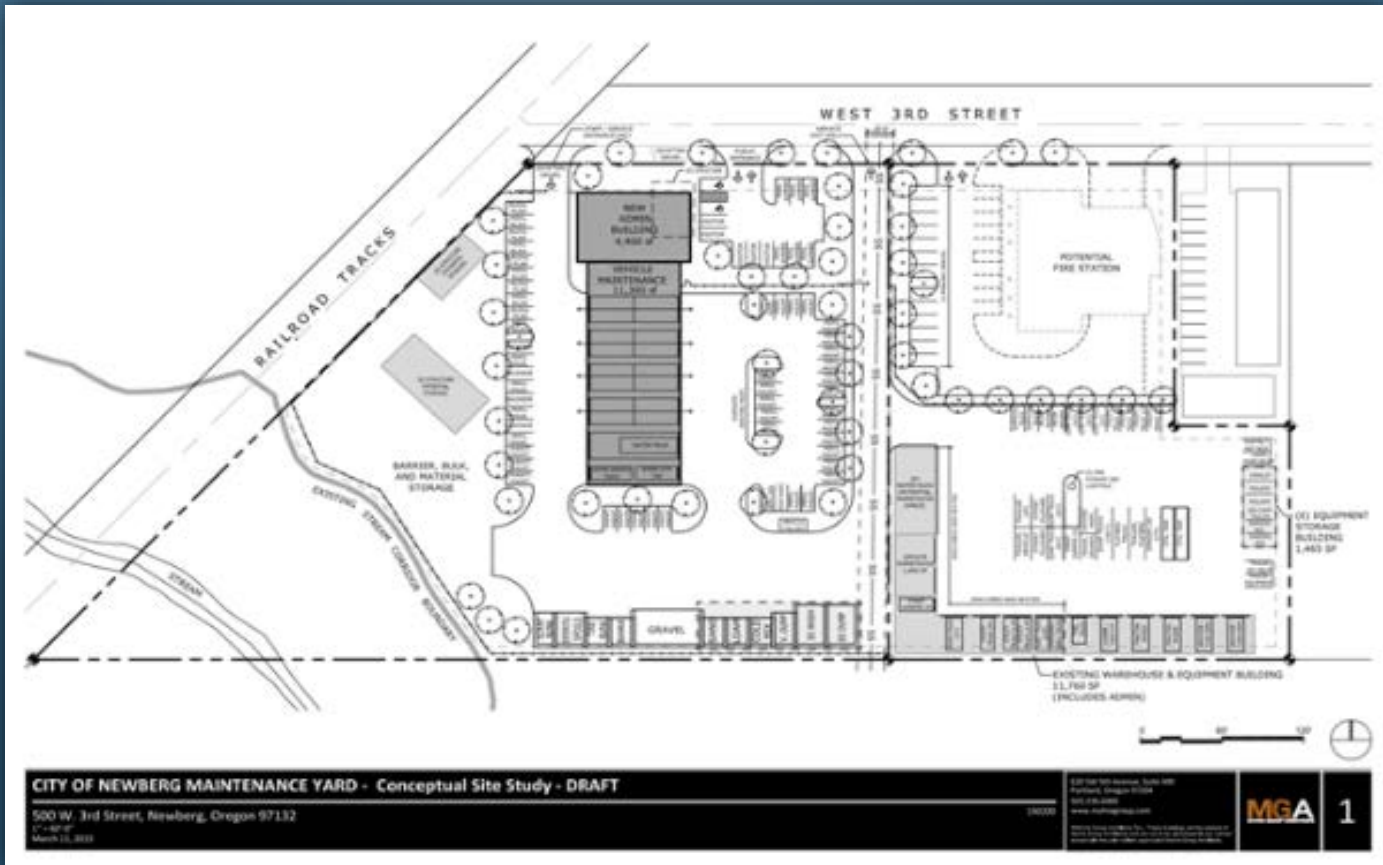
- This will allow real time water consumption data for both the customer and City 24-7.

- \$1,175,860



MAINTENANCE YARD

➤ \$895,345



NE ZIMRI DRIVE EXTENSION

- This project will extend a public water line in NE Zimri Drive to serve the upper pressure zones in the City.
- \$413,142



WATER MASTERPLAN

- Periodic updates are required
- Next one in FY22-23
- \$200,000



NON-POTABLE WATER

➤ Improvements at Otis Springs will advance the non-potable water plan.

➤ \$1,060,468



WTP FILTERCOVERS

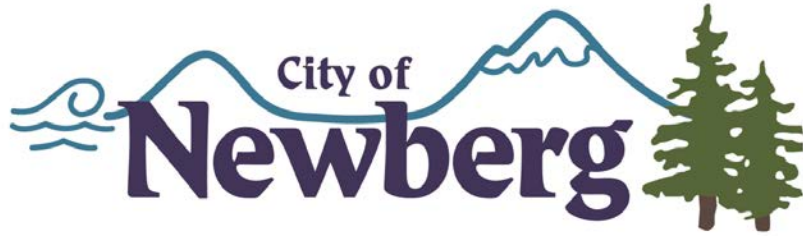
- There may be a need to cover the treatment plant filters to meet State requirements.
- This project will define the State requirements, design and then construct any necessary coverings.
- \$164,000



N. VALLEY RESERVOIR DRIVEWAY

- Access to the North Valley Reservoirs is currently gravel and has drainage issues.
- This project would correct the drainage issues and pave the driveway to allow safe access to City Water Reservoirs in all-weather conditions.
- 220,000





Water Rates Meeting #1

Citizen Rate Review Committee

September 26, 2019

Agenda

- Overview of Rate Setting Process
- Water System Revenues and Requirements
- Preliminary Findings
- Next Steps

Financial Plan Development

- Annual cash flow projections over 5-10 year periods

Sources of Funds

Reserves

Service Revenues

SDCs*

Miscellaneous Fees

Other (interest, grants, etc.)

Operating Expenses

Personnel

Materials

Services

Utilities

Repair & Maint.

Capital Financing

Cash Funded

Debt Service

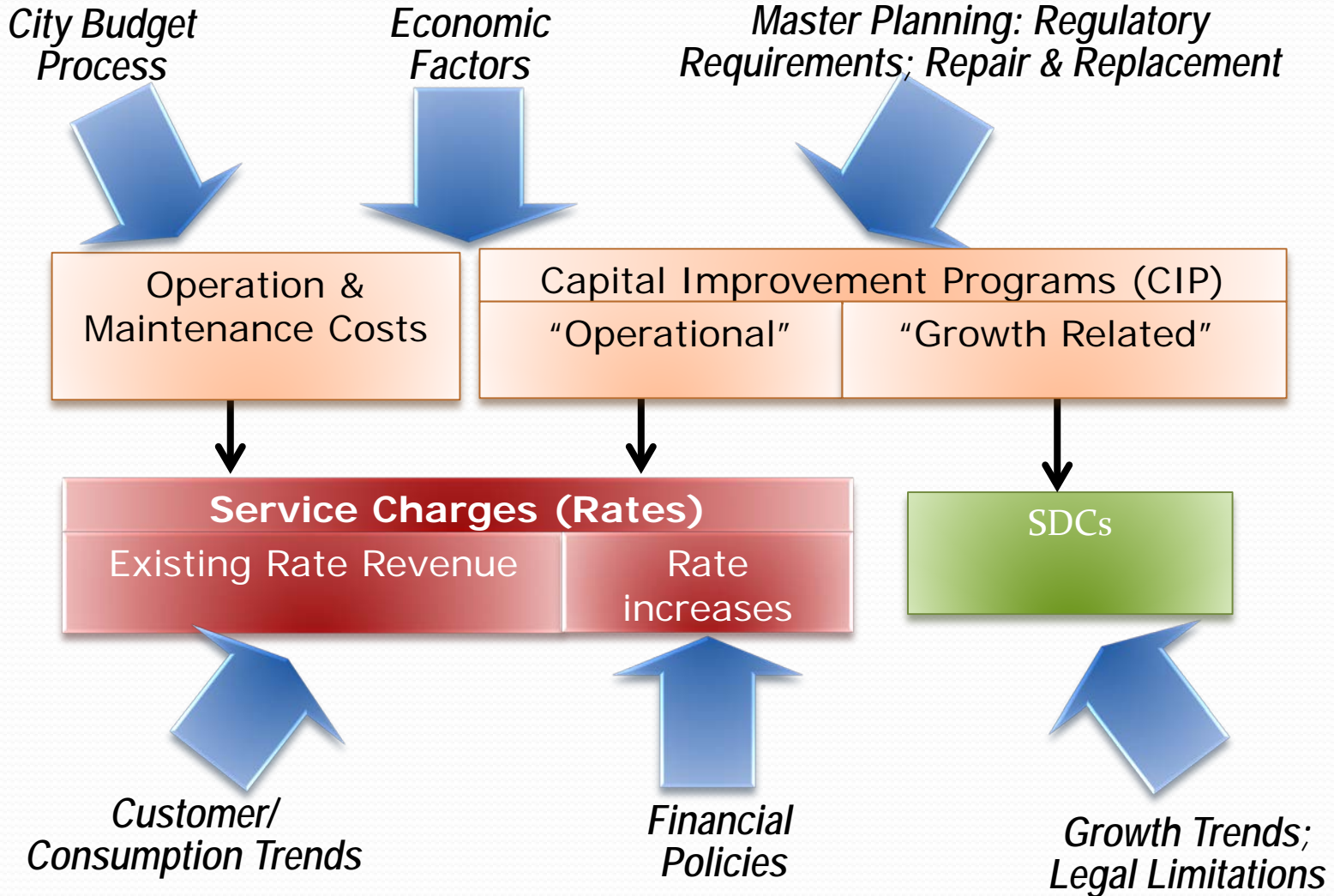
Other Requirements

Fund Transfers

Future Capital Reserves

*SDCs = System Development Charges

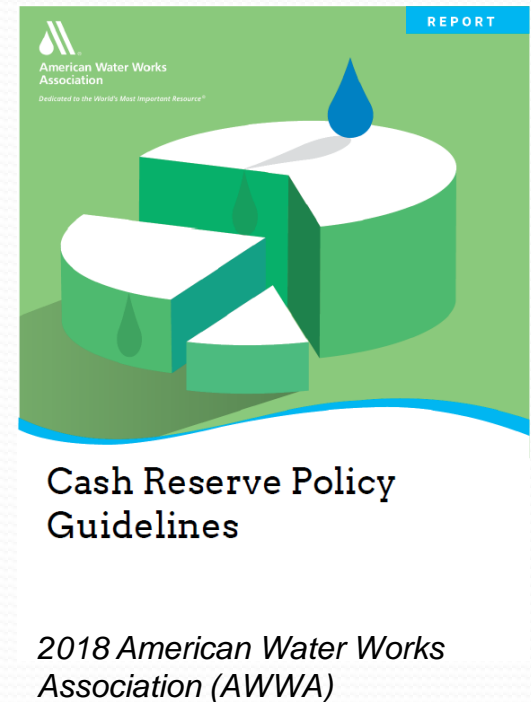
Key Financial Plan Elements



Water Industry Reserve Guidelines

“Cash reserve balances are a critical component to a utility’s financial resiliency and sustainability.”

- Need for regular review and flexibility to respond to changing conditions
- Cash reserves types
 - Operating
 - Capital
 - Debt Service
 - Rate Stabilization



Water Rate Increase History

- July 1, 2011 – 12.2%
- July 1, 2012 – 12.2%
- January 1, 2013 – 0.0%
- January 1, 2014 – 3.0%
- January 1, 2015 – 7.0%
- January 1, 2016 – 7.0%
- January 1, 2017 – 3.5%
- January 1, 2018 – 3.5%
- January 1, 2019 – 4.0%
- January 1, 2020 – 4.0%

Consumption and growth down; not meeting debt coverage; introduced 1% reserve funding

Cut capital; shifted O&M costs to sewer and storm to meet coverage requirements

Significant increases in capital plan (new reservoir and water treatment plant reserve

Interim increases pending completion of Water System Master Plan

Rate increases reflected both funding for updated Water System Master Plan and specific reserve targets

Current Rates – Fixed Charges

	January	January
Rate Component	2019	2020
Service Charge (\$/Month)	\$2.38	\$2.38
Meter Charge (\$/Month)		
3/4"	\$14.41	\$16.05
1"	\$24.50	\$27.29
1-1/2"	\$47.55	\$52.97
2"	\$76.37	\$85.07
3"	\$144.10	\$160.50
4"	\$240.65	\$268.04
Nonpotable Meter Charge (\$/Month)		
4"	\$58.62	\$59.79
8"	\$184.46	\$188.15

Current Rates – Volume Charges (\$/Ccf)

	January	January
Customer Class	2019	2020
Volume Charge (\$/Ccf)		
Single Family Residential	\$4.00	\$4.06
Multifamily	\$3.24	\$3.28
Commercial	\$4.09	\$4.16
Industrial	\$4.33	\$4.42
Irrigation	\$7.65	\$7.75
Outside City	\$6.00	\$6.09
Public Agency	\$4.36	\$4.45
Non-Potable	\$2.51	\$2.51

Ccf = hundred cubic feet (748 gallons)

Fixed Charge % of Total Revenue

Fiscal Year	% Fixed
2012	9%
2013	11%
2014	16%
2015	19%
2016	23%
2017	25%
2018	26%
2019	28%
2020	30%

Rate structure changes have enhanced revenue resiliency.

Currently slightly below industry minimum target of 40%

Current Rate Drivers



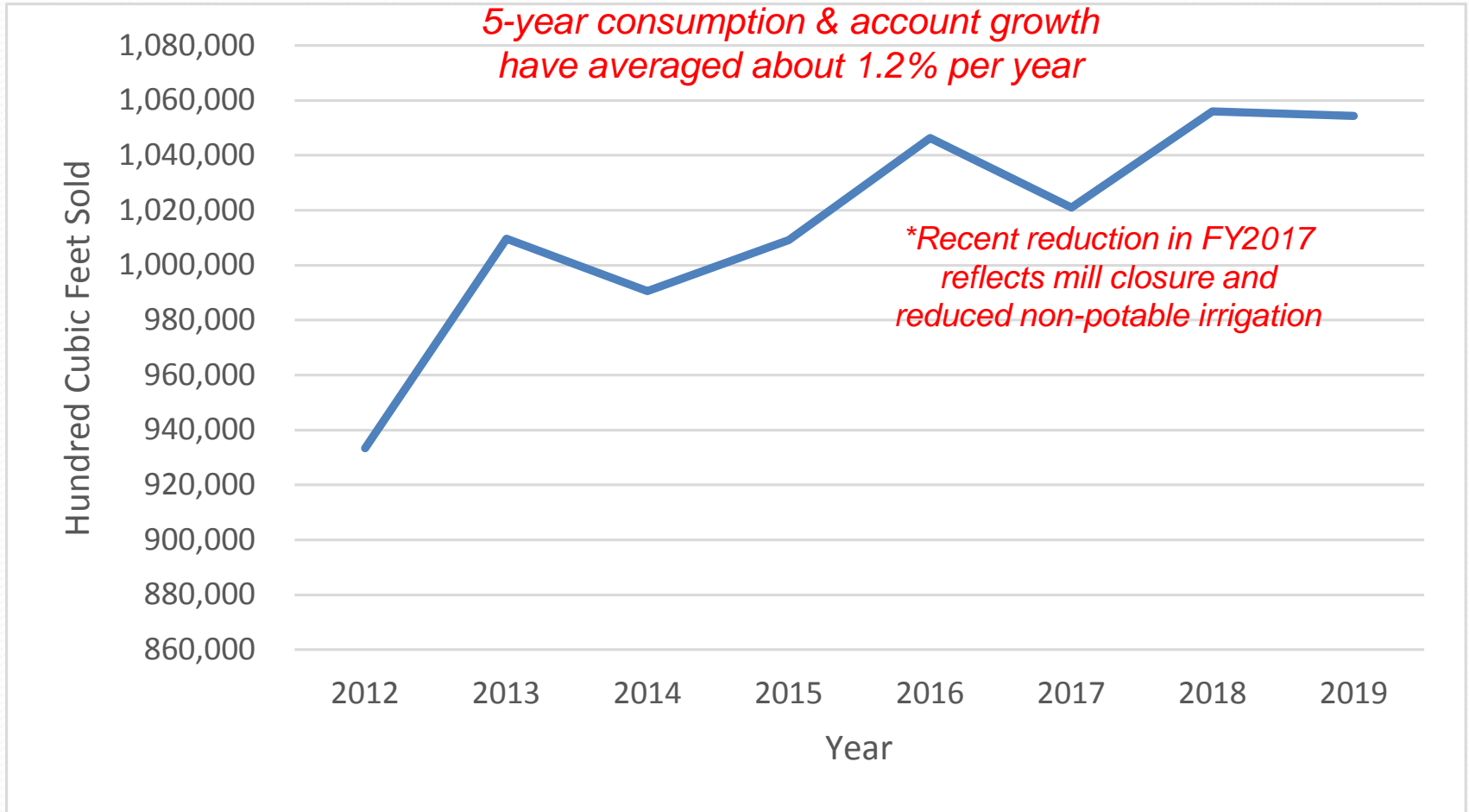
- * Steady consumption and customer growth
- * Debt refinancing
- * Existing reserves (delayed capital projects)



- * Large capital plan to address system reliability and replacement of infrastructure
- * Large debt burden in short-term
- * Water revenue remains sensitive to weather conditions
- * Increase in franchise fees paid by utilities



Total Water Sales Volumes



Annual volumes fluctuate +/- 3 to 8%

Water Sales Revenue Comparison

	Fiscal Year				
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Actual/Updated Projections*	\$5,679,573	\$5,888,852	\$5,880,582	\$6,277,789	\$6,540,099
Prior Projections	\$5,480,276	\$5,666,152	\$5,880,582	\$6,103,118	\$6,334,461
Difference (\$)	\$199,297	\$222,700	\$0	\$174,672	\$205,638
Difference (%)	3.6%	3.9%	0.0%	2.9%	3.2%
*Based on adopted rates through FY2019/20; then 4.0% increase					

Projected Operation & Maintenance Expenses

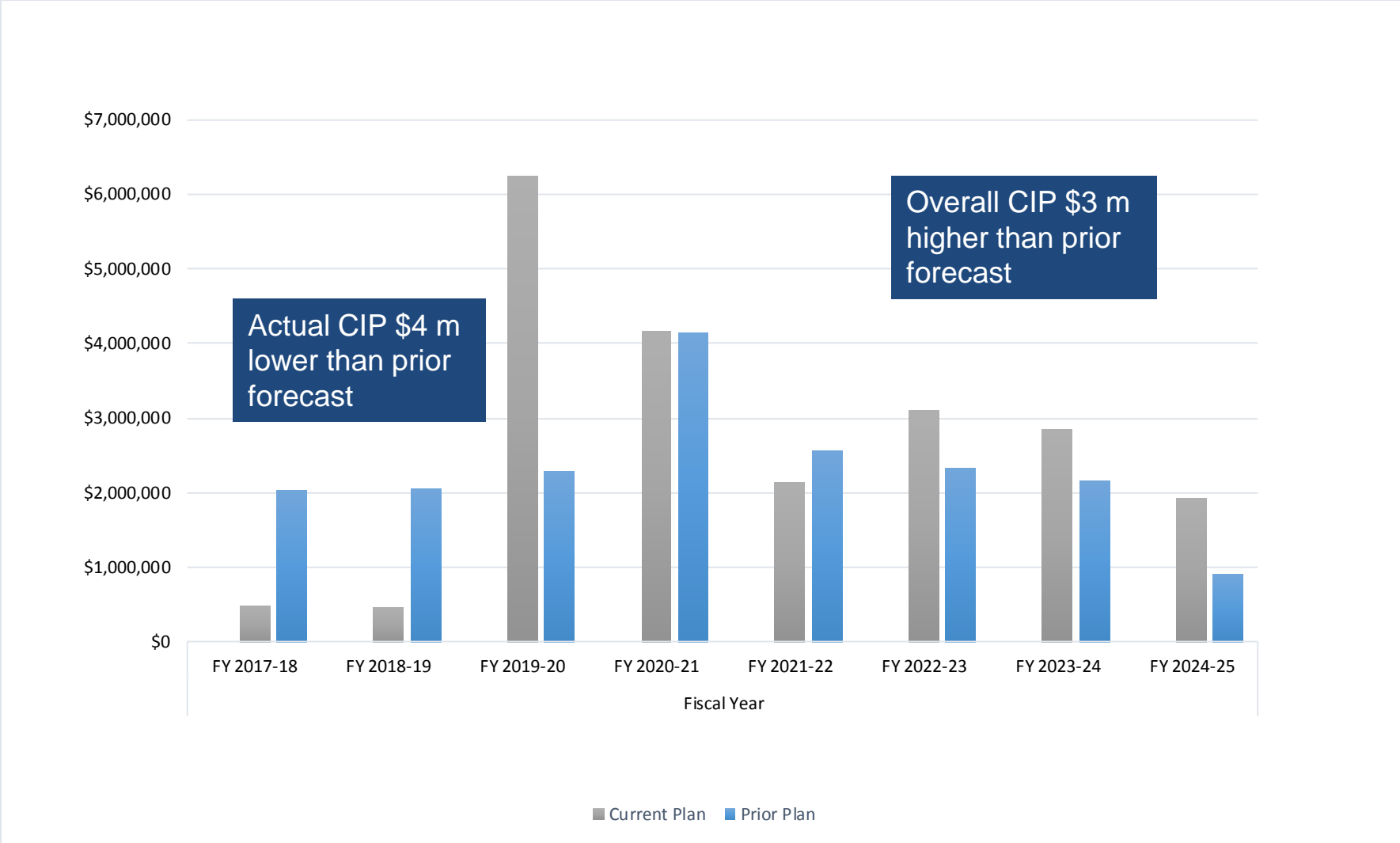
	Actual	Est. Actual	Budget	Forecast	Forecast
Item	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Water Engineering	\$1,389,599	\$1,608,843	\$1,810,492	\$1,893,816	\$1,970,207
Water Operations	\$1,093,333	\$1,156,747	\$1,345,282	\$1,391,260	\$1,439,272
Water Maintenance	\$1,044,861	\$1,114,729	\$1,171,037	\$1,293,778	\$1,340,296
Total O&M Costs	\$3,527,793	\$3,880,319	\$4,326,811	\$4,578,854	\$4,749,775
Prior Plan	\$3,772,459	\$3,993,328	\$4,143,643	\$4,301,351	\$4,466,932

Key Increases in Current Plan:

**Franchise Fees (\$100K)*

**New staff in Water Maintenance (\$75K)*

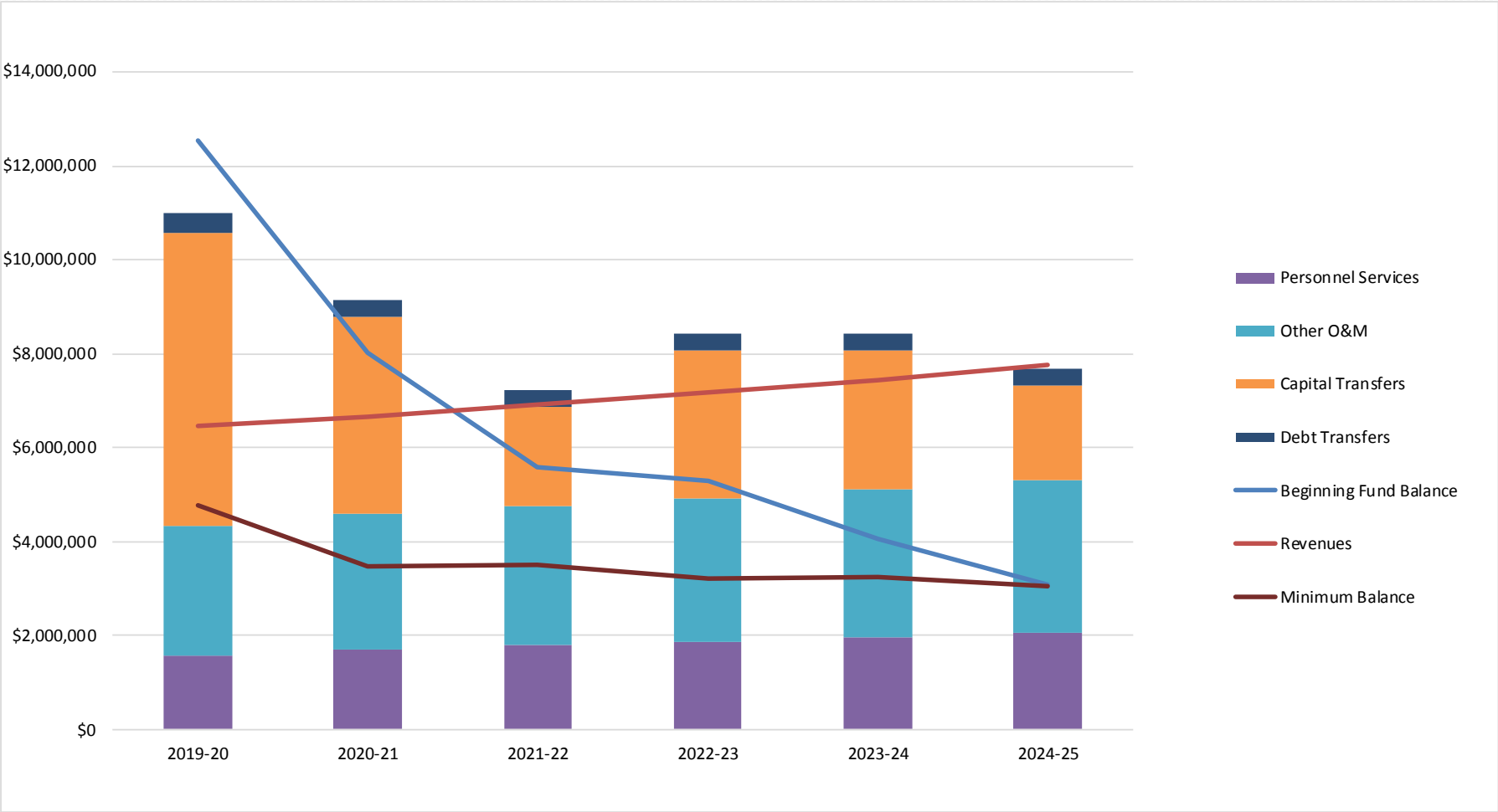
Capital Plan Comparison



Current and Projected Reserves

	2019-20	FY2024-25
<i>Annual Rate Increase</i>		4.00%
Operating Contingency (60 days)	\$711,257	\$873,874
Debt Service (1 Year)	\$1,214,987	\$606,798
Rate Stabilization/Repair & Replacement*	\$6,109,134	\$1,703,528
Subtotal Operating/Capital	\$8,035,378	\$3,184,201
SDC Fund Balance	\$388,910	\$53,380
Combined	\$8,424,288	\$3,237,581
*Target Range		
Low (2% Asset Value +5% sales revenue)		\$1,294,029
*Medium (Rep. Value excl. debt +5% sales revenue)		\$1,794,029
High (Rep. Value +10% sales revenue)		\$2,788,058

Preliminary Results @ 4% Annual Increase



Next Steps

- Address CRRC information needs
- Evaluate rate structure (fixed vs. volume rates)
- Non-potable water rate analysis
- Develop recommended rate schedules

Discussion

Summary Financial Plan

	Budget					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Revenue Requirements						
Operation and Maintenance	\$ 4,326,811	\$ 4,578,854	\$ 4,749,775	\$ 4,928,953	\$ 5,116,904	\$ 5,316,069
Capital Costs						
Debt Service	1,218,373	1,214,987	1,212,750	1,213,807	860,722	860,063
Capital Improvement Transfers	6,250,900	4,200,000	2,110,000	3,150,000	2,950,000	2,000,000
Subtotal	7,469,273	5,414,987	3,322,750	4,363,807	3,810,722	2,860,063
Total Requirements	11,796,084	9,993,841	8,072,525	9,292,760	8,927,626	8,176,132
Less Nonrate Revenue:						
Other fees and charges	239,200	261,200	261,200	261,200	261,200	261,200
Interest Income	315,000	97,732	77,977	66,908	50,991	44,802
Reimbursements	48,982	48,982	48,982	48,982	48,982	48,982
SDCs for Debt Service	803,923	854,566	853,240	855,641	503,579	503,322
Subtotal	\$1,407,105	\$1,262,480	\$1,241,399	\$1,232,731	\$864,752	\$858,306
Uses of (Additions to) Fund Balance	4,508,397	2,453,571	291,027	1,246,751	964,702	(104,875)
Requirements from Rates	5,880,582	\$6,277,789	\$6,540,099	\$6,813,278	\$7,098,172	\$7,422,701