

Ms. Galardi described the operating cost allocations to the water system functions and average vs. peak demand costs. She noted they had to size the costs to meet peak demand, which was more than average demand. She then discussed costs by service characteristic which was used for the allocation to the different customer classes. She gave examples of how they determined peak demands by class by using the ratio of average annual use to system peak month use and 5 year average billing data. She gave a comparison of class peak factors for single family, multi-family, commercial, industrial, irrigation, outside city, and public agency uses. She then reviewed the current and revised fixed charges. The cost to the customer classes was distributed based on the various use categories. If the residential customers were using 60% of the water, they were allocated 60% of the average demand costs and if they represented 90% of the bills, they would pay 90% of the billing costs. There was an average cost for sending out a bill which for the year 2020 was \$2.38. That would go up in 2021 to \$2.82 (an 18% increase) and in 2022 to \$3.25 (a 15% increase). The meter charge was based on the meter size and recovered a portion of the fixed costs. The meter charges would go up about 6% in 2021 and 5% in 2022. Approximately 80 to 90% of the costs were fixed. The standard in the industry was to move towards a fixed charge revenue recovery that balanced out the risk associated with reduced water use and other factors. Most utilities did not charge 80% for the base charges and they had to balance the objectives. Industry wide, it had moved to about 40% and the City was making progress towards that number and making the system more sustainable. With the proposed 4% rate increase, the fixed charged revenue would be at 31% in 2021 and 32% in 2022. This would be a moderate impact to users. A 4% revenue increase did not translate into 4% across the board for each rate component for each customer in each class. The non-potable meter charge would be increased by 2% in both 2021 and 2022 for inflationary increases.

Ms. Galardi then reviewed the current and revised volume charges. Many of these increases were less than 4% and a few were more than 4% due to the peak factors previously discussed. There was no increase in non-potable because they did not have that information yet. She gave a sample bill comparison that showed bills for small users went up at a higher percent due to the increase in the fixed charge. The amount of increase was by class and how much water they used. Bill changes across the classes reflected revised peak demand factors. For a small residential user, bills would increase by \$1.50 per month for both years and for an average residential user, bills would increase by just over \$2 per month for both years. It was a little over 4% increase for residential users, less than 4% increase for commercial and irrigation, and industrial would see the largest increase.

There was discussion regarding how they were using the peaking factors and annual usage.

Ms. Galardi summarized that the overall revenue increase of 4% was to meet the forecast requirements and informal reserve targets. Bill impacts would vary for customer classes and usage levels. The non-potable rates would be presented at a future meeting. She did not think the non-potable rates would make a significant difference to the numbers that had been presented.

2. Continue Water Rate Discussion

There was discussion regarding the capital projects for future growth and the costs that would be paid for by the City and the developers' share of those costs as well as the use of SDCs and other funding sources.

City Engineer Hofmann explained the funding for the projects and how her goal was to reduce costs as time went on, or at least not significantly increase costs.

Ms. Galardi said the trends showed that this year was the peak for project costs and in future years it was lower.

Finance Director Zook noted the CIP tracking spreadsheet might help explain the past projects and costs.

Public Works Director Harris said the CIP program was a proactive program instead of reactive. The projects needed to be done for the future, and there were some years where the City fell behind and the rates had to be increased significantly. When they were proactive, they could keep the rate increases down because they were planning far enough out to adjust the rates over time. This was instead of a yo-yo scenario where the rates went up and down depending on the projects for the year.

Chair Grider agreed that they had moved from reactive to proactive and were maintenance based. It might seem like more money now, but it saved them money further down the road so there were not significant failures in the system.

Ms. Galardi said the last few cycles the CIP was smaller than this one as some of the projects were pushed back. They had spent more on wastewater CIP projects over the last few years.

There was discussion regarding the Summary Financial Plan and the use of the fund balance for rate stabilization. Ms. Galardi explained this was used when the revenues were lower than the expenditures and reserves were used so they did not have to raise rates. It was the CRRC that had been steadfast in making sure that there were enough in reserves for this purpose.

CE Hofmann stated next year they would be updating the City's master plans to incorporate the Riverfront Master Plan. Those plans were where the CIP projects came from. Generally the master plans were updated every ten years. They were still catching up and still somewhat reactive and were getting closer to being truly proactive.

PWD Harris said the new asset management system they would be implementing would allow them to manage their assets better as well.

IV. PUBLIC COMMENTS

Scott Essin, Newberg resident, thought the irrigation rates for athletic fields should be looked at as he thought they were too high and no one would water them in the summer. There needed to be more funding for the roads. He agreed that there had been many issues in the past when they did not raise rates and could not do the projects needed.

Committee Member Rourke asked if the athletic fields had separate meters for irrigation, such as George Fox and Friendsview. Ms. Galardi said while the peaking factor had come down a little, the water use for that classification as a whole had stayed pretty steady.

CE Hofmann said it would be for parks and schools, A-deck, Friendsview, the Hospital, etc. PWD Harris said for irrigation, they planned to expand the non-potable system and there would be a new meter system installed which would give customers their past use to help them forecast and adjust their irrigation systems.

Chair Grider said there was a vacancy on the CRRC and encouraged people to apply. The next CRRC meeting would be held on October 24.

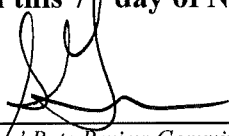
V. ADJOURNMENT

Chair Grider adjourned the meeting at 7:45 PM.

Approved by the Citizen's Rate Review Committee on this 7th day of November, 2019.



Citizens' Rate Review Committee Recording Secretary

 11/7/2019

Citizens' Rate Review Committee Chair