

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, NOVEMBER 21, 2019
6:30 PM MEETING**

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

I. CALL MEETING TO ORDER

Vice Chair Lundstrom called the meeting to order at 6:30 PM.

II. ROLL CALL

Members Present:	Nick Morace	Ned Knight	Bill Rourke
	Ron Sinicki	Marie Maxwell	Adam Lundstrom

Members Absent:	Sarah Grider	Rick Rogers
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Staff Present: Matt Zook, Finance Director
Caleb Lippard, Assistant Finance Director
Kaaren Hofmann, City Engineer
Jay Harris, Public Works Director

Others Present: Deb Galardi, Galardi Consulting LLC
Andy Parks, CiviData

III. CONSENT AGENDA

1. Approve minutes from October 24, 2019

MOTION: Morace/Sinicki moved to approve the minutes of October 24, 2019. The motion carried (6 Yes/ 0 No/1 Absent).
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IV. COMMITTEE BUSINESS

1. Stormwater Capital Projects Presentation and Discussion

City Engineer Kaaren Hofmann gave a status update on stormwater capital projects including S Blaine Street from Hancock to 11th Street, Villa Road improvements at Hess Creek, S Center Street, Columbia Drive, N Elliot, N Springbrook, TMDL/WQ retrofit, and SW Design Manual update. The proposed five year projects included S Blaine Street from Hancock to 11th Street, N Elliot, N Springbrook, TMDL/WQ retrofit, OR219/Railroad Tracks, Vermillion Street, Railroad Ditch from N College to N Meridian, Wynooski storm from 7th to 8th, and maintenance yard.

Vice Chair Lundstrom asked what TMDL stood for. CE Hofmann responded Total Maximum Daily Load which had to do with the pollutants in the river.

Committee Member Morace asked if the N Elliot project would be integrated with the road improvement project. CE Hofmann said it would.

Committee Member Morace asked why \$50,000 per year was not enough for the TMDL project. CE Hofmann said it was not enough to rehabilitate streams, but they could do additional monitoring to determine the problems that they had and do other requirements in the TMDL Plan.

2. Stormwater Revenue and Rates Presentation and Discussion

Deb Galardi, Galardi Consulting LLC, gave a history of the City's stormwater rates which were first adopted in 2003 at an initial rate of \$4.13 per Equivalent Dwelling Unit. When it first went into place it generated about half a million dollars. An Equivalent Dwelling Unit was defined by impervious area.

Committee Member Knight asked how they came up with 2,877 square feet as the average for single family residential. CE Hofmann said it was an average of the amount of impervious surface on a single family lot which would include the house plus any paving, patios, garage sheds, etc.

Ms. Galardi said most cities charged residential based on an average of the impervious area. Non-residential and multifamily were not averaged, but measured and charged for the actual amount of impervious area. The percentage of the rate increases for stormwater had been significantly higher than the other utilities, but it was a smaller rate. When it was first put into place, the 17.5% increase was a \$0.72 increase on the monthly bill. The City had been building this fund to be able to fully pay for the operation, maintenance needs, and capital improvements as well as inflationary increases of the stormwater system. The rates today had more than doubled, with the rate being \$12.24 in January 2020, which was still lower than the other rates. She gave a comparison of the prior forecast, actuals, and updated forecast. The fund had grown from half a million per year to \$1.5 million. She was projecting a slightly lower revenue for the next couple of years based on the number of Equivalent Dwelling Units in the system today. She discussed the Capital Plan comparison through 2024. There was no debt for this fund and overall the CIP was \$1.25 million higher than the prior forecast. The capital funding came from rates and SDCs and currently there was \$4.5 million available.

Public Works Director Jay Harris said they were dealing with an old system and expensive projects. The safety related projects were the priority, and then the minor flooding projects would come next.

Ms. Galardi discussed the operation and maintenance cost comparison. The prior forecasts for these costs were \$1.1 to \$1.6 million, and the actuals came in slightly lower. The projected forecasts were slightly higher than the prior forecasts due to the increase in franchise fees and administrative support services as well as repair and maintenance costs. She explained the revenue requirements from the rates and how the reserves would have to be used to smooth in the rate increases in some years by drawing down on the reserves to put towards capital transfers and other years adding to the reserves. The reserves assumed a two month contingency for operations and the reserve target had been \$500,000 for capital projects by 2024-25. If they continued to increase the rates by 9%, they would be able to hit that target. She explained the stormwater bill impacts for the 9% increase for the next two years, which would be an increase to \$13.34 in 2020-21 and \$14.54 in 2021-22.

Committee Member Sinicki asked about going to 9.5% to allow more breathing room in the budget. Ms. Galardi said that was an option, but she thought they had some time to consider it at the next rate cycle. It would give them more flexibility.

PWD Harris said the maintenance division held money until the spring for repair and maintenance of stormwater as they did not know what the winter would bring. There might be money left over if they did not get a lot of rain or flooding. He was in support of waiting as well.

Vice Chair Lundstrom asked if new development had been incorporated into the model. Ms. Galardi confirmed that it had and was reflected in the numbers.

3. Non-Potable Rate Presentation and Discussion

PWD Harris gave a presentation on the non-potable water system. The purpose of the system was to reduce the demand for potable water by large irrigation and/or manufacturing users. The system consisted of two water sources, Otis Springs and recycled water from the Wastewater Treatment Plant. He reviewed the non-potable water history, existing system map, recycled water facility and permits, Otis Springs facility, capital costs, and future system expansion.

There was discussion regarding the future expansion plans and the cost of cleanup on the Westrock property.

PWD Harris explained the rate history for the non-potable system which had been established at \$3.52 per ccf in 2009, but was reduced to \$2.51 per ccf in 2017. There was currently only one customer, the golf course.

Committee Member Sinicki asked why citizens were paying for this service if they did not use it. PWD Harris said this gave them capacity at the Water Treatment Plant during the summer that was available to all customers. The Wastewater Permit also required certain temperature reductions as well. To have citizens use the system, developers would have to put in a whole different set of pipes and the costs to do that would outweigh the three months benefit citizens would receive for irrigating. It was not feasible for Oregon.

CE Hofmann said there were many options for the reuse system as it could be used for irrigation and manufacturing.

Ms. Galardi discussed the non-potable system costs which included direct costs such as labor, materials and supplies, equipment, maintenance, and utilities; indirect costs such as administration and franchise fee (7% of revenue), and capital costs which was a portion of the re-use system debt service (27.4%). The remaining debt was recovered through wastewater rates (36.3%) and wastewater SDCs (36.3%). The operation and maintenance costs were divided by the volume sold which was 100% cost recovery. Since there was only one user, the debt service costs were divided by the capacity of the reuse system and the user was only paying a portion of the debt because their use was less than full capacity. She explained the preliminary non-potable unit costs which showed a recommendation to increase the rate to \$2.70 due to operation and maintenance costs. It was still significantly less than the previous rate of \$3.52 and cost to potable irrigation customers at \$7.83 or public customer rate of \$4.62. There was also a monthly base charge for the system as well. For a four inch meter, the cost would be \$60.99 per month and for an eight inch meter it would cost \$191.91. These costs were significantly lower than potable meter monthly base charges as well. The percent of capital cost recovery for the non-potable system was 23% and for the potable system was 77%. As they got additional users in the future the rate would not change, but there would be more revenue. It was a fairly small amount of the total water system revenue, and only made pennies difference for a potable water customer.

PWD Harris noted that there were some capital projects at Otis Springs, but there were none at the water recycle facility. However, the components would need to be replaced in the future. The rates needed to be able to include those types of projects.

Committee Member Morace asked if the proposed rate was a bare minimum or if it also included funds for future projects. Ms. Galardi said it was bare minimum, it was an inflationary increase.

Committee Member Morace asked what it would take to start putting money aside for the future. Ms. Galardi said they could come back to the Committee with some suggested amounts.

4. Utility Rate Comparisons and Discussion

Finance Director Matt Zook introduced Andy Parks, CiviData, who had designed water utility total monthly cost comparison graphs with other cities for single family residential and commercial users.

Mr. Parks gave his background and discussed how he built the models. There were 25 cities of similar size and characteristics included in the comparisons and all their current information had been included. He had also put in five years of rate data from the cities that had the data online or had responded to his inquiry. They could choose the criteria and the cities to compare to be the most relevant to the City. He then reviewed some of the information on the graphs. Newberg was 55% for fixed rates relative to the average fixed rate five years ago. That had not changed much since then. More cities were putting more into the variable costs while Newberg had been more focused on raising the fixed rate closer to the average. He said these models would show them over time where they were compared to the same data points and if the City was staying similar or getting out of bounds with other jurisdictions.

There was discussion regarding the models and the comparisons with other cities as well as how the data would be added to and refined for better comparisons.

Vice Chair Lundstrom asked about the value add for the City beyond comparing to other cities. What could the City be using this service offer the people paying the water rates?

PWD Harris stated one was safe drinking water and a reliable sewer system. There was value in these services so that people did not get sick. They could compare to other cities to see if they had safe drinking water and adequate sanitation services and if they were way behind on capital projects which was an indicator of debt financing and not cash funding for projects.

Mr. Parks stated it was also a way to see if they were consistent across all customer types and that there was rate equity. They might not be able to see it as well without the big data.

Ms. Galardi said the service also provided information about the rate structures. Some examples were increasing the fixed charge and funding reserve levels. It was also helpful to be able to see they had come a long way as in Newberg they were having inflationary increases and other communities had much more substantial increases. This was new information that the City could use.

Vice Chair Lundstrom asked if this data was helpful. FD Zook agreed that it was as staff had to do the research previously which was very time consuming. This would be dynamic into the future and would be an easier tool to use. He thought this was raw data and not necessarily meant to make a position statement until City staff figured out who were the comparables and what that was based on and what was important to the average user. He would like input from the CRRC about what was important from a user standpoint.

CE Hofmann said this data helped, and it didn't help. The rates were based on what they needed to maintain the systems and pay off debt. If the data showed that they were very high, they might go

back and take a look at that to make sure nothing was missed and they were being as efficient as possible.

Vice Chair Lundstrom suggested using the data to show how Newberg's water was safe as a value to citizens.

Committee Member Morace thought this was good data and had huge potential, but citizens would want to know the reasons behind the charges on the entire utility bill. He would like to know where other cities were with debt and keeping up with their infrastructure.

5. Utility Assistance Program Update

Assistant Finance Director Caleb Lippard gave an update on the Utility Assistance Program. In May the CRRC met to review and approve the grant applications and at that meeting the Committee recommended some changes to the overall program policies which had been approved by the Council. The CRRC also wanted to ensure the program information was available in Spanish. The whole policy had not been translated yet, but the Monthly Financial Assistance Application and Military Financial Assistance Application had been translated and were available on the City's website. Love, Inc. had been issuing vouchers on behalf of other organizations and he had listed out those entities in his staff report. The CRRC also wanted to review the usage of the program funds, and he had attached a Utility Assistance Program History for the last three fiscal years along with what had been used to date in the current fiscal year. Tweaks had been made so that almost the whole amount of the assistance funding was now being used.

FD Zook said they could have a future discussion about whether this fund needed to be increased or if there were other modifications to the program that were needed or other underserved populations that they might want to target.

Committee Member Morace asked if there had been any discussion about a City funded shelter.

PWD Harris thought that would be a City Council discussion. There would be a Council Goal Setting meeting coming up and it would be one of the topics. AFD Lippard said that would be something that would come out of the General Fund. The Utility Assistance Program came from rates.

V. PUBLIC COMMENTS

None

VI. ADJOURNMENT

Vice Chair Lundstrom adjourned the meeting at 8:23 PM.

Approved by the Citizen's Rate Review Committee on this 9th day of January, 2020.



Citizens' Rate Review Committee Recording Secretary



Citizens' Rate Review Committee Chair

