



**CITY OF NEWBERG CITIZENS' RATE REVIEW COMMITTEE AGENDA
TUESDAY, JUNE 19, 2012
7:00 P.M. MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

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. 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)

IV. CONSENT CALENDAR

Approval of January 4, January 18, February 8, and February 15, 2012 minutes

V. NEW BUSINESS

1. Non-Profit Grant Applications
2. Membership Term Limits / Proposed Meeting Schedule
3. Springs Update

VI. ADJOURNMENT

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 711.

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.

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CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE MINUTES
WEDNESDAY, JANUARY 4, 2012
7:00 P.M. MEETING

PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

I. CALL MEETING TO ORDER

Chair Tony Rourke called the meeting to order at 7:11 P.M.

II. ROLL CALL

Members

Present: Tony Rourke, Chair/Secretary Ernie Amundson, Jr. Helen Brown
Mike Gougler Charles Zickefoose Mayor Bob Andrews, Ex-Officio

Members

Absent: Blair Didway (excused)

Staff

Present: Daniel Danicic, City Manager Janelle Nordyke, Finance Director
Jay Harris, City Engineer/Engineering Manager Jennifer L. Nelson, Deputy City Recorder

Others

Present: Deb Galardi, Consultant Larry Anderson, Citizen

III. COMMITTEE BUSINESS

1. Committee and Staff Introductions (*updated membership list distributed at the meeting*)

Chair Rourke noted Mr. Blair Didway was unable to attend this evening. The members and staff introduced themselves and passed around the membership list for corrections and updates.

2. Elect Chair, Vice Chair and Secretary

Chair Rourke explained they have never elected a secretary for the Citizens' Rate Review Committee (CRRC) but the city manager noted this position was in the City's Charter.

Mr. Dan Danicic, city manager, stated that the secretary position is typically responsible for transcribing the meeting minutes and making sure that previous meeting minutes are signed and processed. Since the chair has been fulfilling that role, if the committee desires to not have the secretary position filled, they can do so with the understanding the Chair performs this duty. Mr. Danicic will talk with the City Council and Mayor about amending the code. Chair Rourke suggested just adding the duties to the chair position in the code.

MOTION #1: Zickefoose/Gougler to combine the duties of the chair and secretary and name the position as the "chair/secretary". Motion carried (5 Yes/0 No/1 Absent [Didway]/1 Vacant).

MOTION #2: Zickefoose/Gougler to re-elect the same officers to the next term. Motion carried (5 Yes/0 No/1 Absent [Didway]/1 Vacant).

IV. PUBLIC COMMENTS

Mr. Larry Anderson wished to discuss city policies for collection and reimbursement of System Development Charges (SDCs). He spoke of there not being enough money in the SDC fund to pay for improvements to an intersection in town. Those improvements were required of the developer when the property was annexed and homes were built. He wondered where all the money has gone since the City has had ten years of record pace development and SDC fee collection. He used the Orchard Lair Development as an example for his own estimates of SDC collection at around \$480,000.00 and asked why \$135,000.00 could not be put into the signal at Everest Road. He commented that the City seems to have the SDC collection part down, but there are problems with the spending and reimbursement. He felt there is a real safety issue with that intersection not being improved and was bothered that the City had \$1.4 million to spend on the Oxberg Lake Project and not this unsafe intersection. He spoke of the need for a more transparent reimbursement policy and well-defined procedures used so that the City would never use more than the value of the rate collected.

Mr. Mike Gougler spoke of his own experiences with his last SDC reimbursement process, which took two years. He said the documents he needed to provide to the City filled two large three-ring binders with actual expenses. He asked staff if the CRRC is responsible for setting SDC rates. Mr. Danicic replied it is not. Their charge is to set rates for water, wastewater, and stormwater or other fees assigned by Council, but traditionally this has not gone into SDC rates or calculations. Mr. Danicic said the points brought up by Mr. Anderson have to be discussed before Council and the Budget Committee at this point.

Chair Rourke recommended the city manager get together with Mr. Anderson to guide him through the process.

V. CONSENT CALENDAR

Approval of November 30, 2011 minutes (Pages 3-6)

MOTION #3: Gougler/Zickefoose approving the Citizens' Rate Review Committee minutes from November 30, 2011, as written. Motion carried (5 Yes/0 No/1 Absent [Didway]/1 Vacant).
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VI. CONTINUED BUSINESS

1. Conclude Stormwater Methodology Overview

Mr. Danicic stated this discussion was completed at the last meeting, but he placed it on the agenda in case there were any lingering questions.

Mr. Gougler referred to Planning Commission (PC) minutes and wondered about feasibility and enforcement to comply with the Total Maximum Daily Loads (TMDL) standards presented by Sonja Johnson, Environmental Technician, to adjust lot size and establish rules prohibiting car washing in driveways.

Chair Rourke wondered how this impacts the rates and questioned what the City is required to monitor. He felt that most of the items were non-issues for Newberg and that if we were required to enforce some of the restrictions; it would be a significant cost to the developers in Newberg. He said this process has gone through many man hours to put together and does not affect our budget. There was concern with whether the cost of consequences was worth the cost to enforce. Mr. Danicic stated costs are controlled by stormwater management and rely on the best management practices to deal with temperature by encouraging placing more trees along zones; he said there is little in the plan that are hard costs other than staff time to the City and the

program is designed that way realizing small towns like Newberg cannot do what cities like Gresham can. He anticipated implementing this with existing staff to the extent possible.

Mr. Gougler, under these rules, if he builds a house then a project summary, design flow calculations and stormwater facilities will be required. He asked what a citizen is to do when this gets too expensive and there is no cash flow coming into the City for building. He wondered how much control builders will have on monies they are obligated to spend. He said this is why infill in Portland stalled. He sees this as a big cost issue that needs to be handled as a community. Mr. Danicic said he understands his concerns and is trying to think of the next step to address this. He suggested the CRRC formulate a motion to alert the Council further investigation needs to be conducted before adoption of increased stormwater rates that may not work in the future.

Chair Rourke said he still failed to see how this affects rates. Mr. Gougler replied the expense is primarily to the City if they happen to violate DEQ code in respect to turbidity. If the City pays, chances are the citizens will pay also.

MOTION #4: Gougler/Zickefoose the CRRC understands Council will soon be considering a revised stormwater management system to comply with the TMDL and recommends Council understand the impacts to stormwater rates and that they will likely be higher.

Chair Rourke asked if this is what they do every two years, look at the time frame and recommend for that time frame and revisit because things always change.

Mr. Gougler said they also have to mandate when they make rate increase recommendations, this committee catches heat and they do have fiduciary responsibility to worry about the effects of action the City has taken on our rates. We will have to look at this in two years when discussed and understand what should be done now; the same logic applied when they discussed fixed percentages for water fees.

Mayor Andrews asked Mr. Gougler if he brought these pertinent issues to the Planning Commission about impacts. Mr. Gougler said he did so in a letter.

VOTE #4: To recommend Council consider impacts to stormwater rates while considering the revised stormwater management system for TMDL. Motion carried (5 Yes/0 No/1 Absent [Didway]/1 Vacant).

Ms. Helen Brown said this is a good step in the right direction of transparency when those in knowledge can make others aware, it is not like a ton of bricks being dropped. She said she never thought about this and it is nice to clear things up by bringing up things the average city member does not know about. She thanked Mr. Gougler.

2. Planning Commission Report on Stormwater Management Plan (*for information only*) (Pages 7-24)

This is in discussion that took place in the previous section above.

VII. NEW BUSINESS

1. Presentation on Wastewater Methodology, Rate Comparisons and CIP (Pages 25-42)

Ms. Deb Galardi presented the staff report including a PowerPoint (please see official meeting packet starting on page 31 for the full report). She discussed rate methodology for the rate of discharge with residential vs. commercial in terms of their concentrated wastes and costs to treat higher volumes and how this was similar to water in terms of the fixed vs. volume basis for establishing rates. Wastewater fixed costs are much higher than water because it is not only based on meters, billing and replacement costs like water, it is also based on a long standing policy and industry practice to include those costs along with cost for increasing capacity and regulating infiltration and inflow (I&I). She continued by explaining the wastewater cost allocation process.

Ms. Galardi continued her report discussing the costs recovered through volume rates and fixed charges and the winter month averaging basis. Mayor Andrews asked if fixed costs are not being recognized. Ms. Galardi stated the portion of cost that is truly fixed was more like 75% in terms of consistency. Industry standards are balancing more discharge or more costs to the City, moving away from flat rates to variable ones. It is true more than 24% is fixed, but there are concerns for small volume users and what other communities are doing to balance.

Chair Rourke asked why the winter average is from December to March rather than being spread out further from November to April. Mr. Danicic stated there is no science behind it, the rates were created the way they are and the City has been comfortable with it. Ms. Janelle Nordyke, Finance Director, added they are the lowest four months of year and there can be consumption increases in April.

Mayor Andrews asked about the average annual growth of 9.3%. Ms. Galardi replied historically, costs charged to the wastewater system from 2008 to 2011 averaged a growth of 9.3%; part of this may be the allocation of staff or significant operation and maintenance (O&M) expenses. Mayor Andrews asked how much growth there was in wastewater funded staff. Mr. Danicic said there were some staff increases for wastewater leading up to 2007 to keep up with O&M requirements. In addition, on occasion staff salaries are shifted between funds to help with inflation and merit increase costs.

Ms. Galardi continued with her presentation regarding the preliminary 5-year Capital Improvement Plan (CIP) speaking first of the Oregon DEQ State Revolving Fund (SRF) loan obtained by the City with good interest rates. Within the last two years, rates were increased to pay back the loan, however construction of the wastewater treatment improvements has been delayed. Since DEQ doesn't require pay back until the completion of the project, we do not anticipate additional debt service, which buys time and flexibility for additional rate increases.

Mayor Andrews asked for the definition of "RRE" related to the wastewater treatment plant (WWTP). Mr. Danicic stated it is the abbreviation for Repair, Rehabilitation, and Expansion (RRE), which covers a whole suite of improvements. Mayor Andrews asked if expansion is necessary for future growth and Mr. Danicic replied we are at the beginning stage of the overall project which starts with addressing existing needs.

Chair Rourke asked if they are using money for the WWTP improvements. Ms. Galardi said the City draws from this as needed and some has been started with estimates made for how it will be drawn; the debt service

will not hit until the FY 2014-2015 at interest only for six months before paying on the principal. This allows payments to be put off until the rates are structured to handle it.

Mr. Chuck Zickefoose asked if the loan was broken into segments. Ms. Galardi replied the first authorization was for \$11.4 million; once that portion is spent and the project is completed, repayment will begin before the next \$14 million. It was assumed as three separate loans.

Mr. Ernie Amundson, Jr., asked if there was a connection between the increase in full-time equivalent (FTE) staff transferred over because there is more money here than the other funds. Mr. Danicic said yes, there will be an increase in the cost of wastewater staffing in order to allocate staff appropriately. In the past there was 50/50 split for convenience. Chair Rourke asked if this was shown in the FY 2010-11 operations & maintenance (O&M) or in FY 2011-12. Mr. Danicic replied it would not be effective until the FY 2012-13 budget and is shown in future projections. Chair Rourke referred to the rate comparison in the packet and stated Newberg is right behind the most expensive.

2. Finance Director Memorandum and City Manager 11/12 Budget Message (Pages 43-47)

Mr. Danicic explained this was more for the committee's information in response to previous questions about cuts and demonstrates that the City has been cutting all along. Two positions have been eliminated in the public works department since the budget was completed and an additional three cuts occurred in the last fiscal year; so five FTE have been removed, not accounting for the year before.

Chair Rourke said they will be meeting next week to discuss the final staff recommendation of the proposed rate increases for the next two years. Mr. Danicic added they will look at bill comparisons too. Mr. Zickefoose asked if there was a way to compare Newberg to other communities. Mr. Danicic said he would call on a few other cities and review their utility bills.

VIII. ADJOURNMENT

The meeting adjourned at 8:53 PM.

Approved by the Citizens' Rate Review Committee on this 19th day of June 2012.

Jennifer L. Nelson, Deputy City Recorder

Tony Rourke, CRRC Chair/Secretary

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CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE MINUTES
WEDNESDAY, JANUARY 18, 2012
7:00 P.M. MEETING

CITY HALL MAIN FLOOR CONFERENCE ROOM (414 EAST THIRD STREET)

I. CALL MEETING TO ORDER

Chair Tony Rourke called the meeting to order at 7:02 P.M.

II. ROLL CALL

Members

Present: Tony Rourke, Chair Ernie Amundson, Jr. Vice-Chair Helen Brown
Mike Gougler Mayor Bob Andrews, Ex-Officio Blair Didway
Chuck Zickefoose (arrived at 7:05 p.m.)

Staff

Present: Dan Danicic, City Manager, Janelle Nordyke, Finance Director,
DawnKaren Bevill, Minutes Recorder

Others

Present: Deb Galardi, Consultant Jim Cooper, Sunny Acres Water Company

III. PUBLIC COMMENTS

Jim Cooper, who is in attendance as a representative for the Sunny Acres Water Company, stated he will pose questions to the Citizens' Rate Review Committee (CRRC) at the Town Hall Meeting, February 8, 2012.

VI. CONSENT CALENDAR

No Items.

V. CONTINUED BUSINESS

No Items.

VI. NEW BUSINESS

Review of Proposed Utility Rates:

Mr. Dan Danicic, City Manager, referred to the proposed utility meeting handout for Fiscal Year (FY) 2012-13 and 2013-14 and explained the proposal is a 17.5% increase in rates for the next two years for stormwater with an anticipation of the same percentage in FY 2014-15 and 2015-16. There will be no increase in the wastewater fund in FY 2012-13; an increase of 3.0% in FY 2013-14 and a projected increase of 5% FY 2014-15 and 2015-16. There will be no increase in water rates for 2012-13; an increase of 3.0% in FY 2013-14; and an increase of 3.5% FY 2014-15 and 2015-16. The water rates methodology modifies the fixed allocation from 9% to 15% in FY 2012-13 and to 20% in FY 2013-14.

The lower rates were accomplished through FTE (full time employee) reductions; 4 overall in the proposed budget and that also represents the reduction of 8 fewer employees in the span of 4 years. Staff went through the FTE allocations which were heavy in water and shifted those to the wastewater, stormwater and transportation funds which mitigated the rate impacts. Line item inflation factors were reassessed and reduced significantly. Each line item in the rate model has an inflation factor associated with it which ranges from 0% to 10%. Many of the materials and services line items were reduced to 0% inflation factors. Transfer reserves are at 1% which had been as high as 58% in FY 2009-10.

Some items that are not addressed in the overall rates are the non-potable and the Springs classes. The non-potable class is the reuse water and the only customer at this time is the golf course. Five years ago the Springs were broken out of the City water system as a separate customer class altogether. The City continues to maintain the system which was the original water source for the City of Newberg. The Springs customers experienced a high rate increase when this was done and they asked the City Council to consider implementing it over a period of time which the City Council chose to do. The City Council is now in the process of assessing whether the City should keep the Springs customers and continue maintaining the line. Customers outside the City limits who are not on the Springs system are charged 1.5 times more for water use. That is a policy decision not a decision that is made because it costs 50% more to provide water.

Mr. Danicic stated a concern of the CRRC has been in regards to the increase in the percentage of the fixed cost allocation of 15% in FY 2012-13 and 20% in FY 2013-14 and how those increases will affect the lower water volume users more than the high water volume users. Janelle Nordyke provided a chart which showed the customer classes, cubic feet, increases to utility bills; giving the committee an indication of how it will affect the low-volume citizens. Deb Galardi stated there will be decreases as well because overall the changes are revenue neutral. In order to increase the percent of fixed costs, the fixed rate goes up and volume rate goes down. A large volume user could see a reduction in their bill. For many there will be a zero change.

Mr. Danicic stated the cost of water is seven-tenths of a penny per gallon. He then referred to the Monthly Utility Bill Comparison for January, 2012 on page 2 of the meeting packet and explained traditionally towns around Newberg have been included in the comparison, but this time the criteria he used were towns that are approximately the size and population of Newberg and own and operate their own wastewater facilities. These include Lake Oswego, Wilsonville, Klamath Falls, and Grants Pass as comparables. The utility bill was compared in its entirety and showed that Newberg is not the highest in comparison. He asked the committee for their input on this approach to rate comparisons.

Chair Tony Rourke asked why Klamath Falls & Grants Pass are so much cheaper in regard to water. Helen Brown replied Grants Pass has the oldest river rights on the Rogue River and they also use Ultraviolet lights instead of chlorine to kill bacteria. Mr. Danicic will have staff research that before the Town Hall Meeting so it is made clear to the public why those costs are less on the utility bills.

Mike Gougler asked if Wilsonville, Grants Pass, and Klamath Falls have grants and do not budget for necessary capital expenditures. If they are not budgeting to replace their water plant or wastewater plant, that information needs to be made clear to the public. Chuck Zickefoose stated Wilsonville will see an increase due to capital expansion in the near future. Ms. Galardi stated Lake Oswego will see a large impact on water in the next few years. Chair Rourke stressed the importance of this information being communicated to the public. It should also be clear that the 1% allocated to water reserves is not even close to adequate, however, in recognition to the situation the City is in, we need to continue and not raise that percentage. Hopefully the economy will be in a better condition in two years.

Mr. Danicic reviewed the notification plans to include a notice in the Newberg Graphic, on the City website, and a postcard will be sent to all addresses in the City, as well as postings at the Library, City Hall, and Public Safety Building regarding the Town Hall Meeting on February 8, 2012. After the Town Hall Meeting, the CRRC reconvenes on February 15, 2012 to see if any further changes are needed.

Blair Didway asked if staff has a sample of the notice to be sent out to the public. Mr. Danicic will email the notice to the CRRC for them to review before it is sent to the printer. The committee members can then respond and make suggestions. He will also share the outline of the presentation with the CRRC beforehand by e-mail.

Helen Brown stated she is hoping the City Council will understand the time and energy the CRRC and City Staff have put into this. She is in agreement with what has been presented and discussed.

Mr. Didway stated with what he has observed, the actual rate increases are evenly spread across the board which will make it more reasonable.

The CRRC was in favor of what will be presented to the citizens of Newberg.

MOTION #1: Amundson/Gougler to accept the proposal from staff for the next 2 years to be presented to the citizens at the Town Hall Meeting to be held on February 8, 2012. Motion carried. (7 Yes/0 No/0 Absent)

VII. ADJOURNMENT

The meeting adjourned at 7:55 P.M.

Approved by the Citizens' Rate Review Committee on this 19th day of June 2012.

DawnKaren Bevill, Minutes Recorder

Tony Rourke, CRRC Chair/Secretary

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**CITY OF NEWBERG CITIZENS' RATE REVIEW COMMITTEE
TOWN HALL MINUTES
WEDNESDAY, FEBRUARY 8, 2012
7:00 P.M. MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

Chair Tony Rourke called the meeting to order at 7:05 p.m.

Committee and Staff Introductions:

Chair Rourke introduced himself as did all committee members; City of Newberg staff and Deb Galardi, Consultant. (*See sign-in sheet for complete list of attendants.*)

Overview of Rate Setting Process:

Dan Danicic, City Manager, stated the Citizens' Rate Review Committee (CRRC) meets every year to year and a half. The committee reviews utility funds; in this case water, wastewater, and stormwater and the rate methodology by reviewing the current state of the budget and what staff is proposing for future expenses. Through the course of many months the committee meets on a regular basis to review each of the utility funds which brings them to this Town Hall Meeting to present the rates that are being considered. The committee will meet again next week, February 15, 2012m at the Public Safety Building for their final public hearing. At that time they will take the comments from this Town Hall Meeting and discuss them with staff. The CRRC will make a formal motion to adopt, modify or change the rate proposal. At that point it will go to the City Council Hearing which is currently scheduled for March 19, 2012 at the Public Safety Building and at that time they will consider the CRRC's recommendation and make a decision. The City Council has the authority to accept the rates as proposed or may reduce the rates if they choose. If they desire to increase the rates it will then come back to the CRRC for consideration.

II. PRESENTATION BY CITY MANAGER

Copies of the Town Hall presentation were made available to those in attendance; as well as the line-items located in the Utility Rate Presentation Supplemental Information; utility debt details, and full-time equivalents.

The CRRC was established by code in 1992. It was created in response to a petition from the citizens to place the question of rate increases before the voters.

Mr. Danicic reviewed the rate methodology beginning with stormwater. The main functions are: collection, which is culverts and catch basins that are in the system; a small water quality component; and customer billing which is seen throughout the utilities. The City of Newberg is considered a National Pollutant Discharge Elimination System (NPDES) – Phase II. It is the water quality criteria for discharges to the river from the stormwater system. It was originally started in the early 1990's and targeted large cities. Phase II requires the City of Newberg to set Best Management Practices such as street sweeping, cleaning catch basins; encourage planting trees along creeks, and rules and regulations regarding construction practices. The rate structure is assessed by Equivalent Dwelling Units (EDU). One EDU = 2,877 square feet of Impervious Area. Residential properties are defined as one EDU. Impervious areas are identified on every lot by using aerial maps of the City. Impervious areas are sidewalks, parking lots, and buildings which are areas that impede water entering into the ground.

The basic functions of wastewater are: collection, which are the sewer pipes coming from the home to the treatment plant; pumping; treatment; and customer billing. Not every customer has the same impact on the

treatment system which removes solids. Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS) are what define the criteria for these “solids”. Residential customers have a certain load that is associated with those two elements. Industry standards are used in deciding how to separate customer classes. The component that is split in two is the infiltration and inflow. The volume charge is based on winter water usage for the months of December through March and customer class. The volume of water used is averaged over the four months.

Hank Grum, citizen, was concerned about how the wastewater usage is calculated as he believes he has not been charged correctly on his bills. Janelle Nordyke, Finance Director stated the new number is recalculated and applied in April and gets applied to the months following, including November. Mr. Danicic stated if there are questions regarding the utility bills there is a number located on the bill that customers can call or they may come to City Hall for assistance. City staff routinely looks for anomalies in the billings.

Some of the concerns voiced by audience members included the frequency of cleaning open ditches and who is responsible for cleaning them; flooding of a citizen’s home on two occasions due to a culvert filled with debris; and flooding on College Street for several years in a row until it was repaired recently. Why are there no visible signs of maintenance when customers are paying fees for them? Pat Haight, citizen, stated there is a drain on Illinois Street that has been covered up with no way for water to drain. Mr. Danicic stated the City is maintaining the system and will review the level of service being provided.

Mr. Danicic explained the wastewater customer classes include: Single Family Residential, Multifamily, Commercial-1, Commercial-2, Commercial-3, Industrial, and Outside City Users (customers connected to the distribution system.) Reuse and Springs are separate classes and are not part of this rate review because the City does a separate calculation for those two groups. An audience member asked why the Springs and reuse are not included in the rate review. Mr. Danicic explained three years ago the Springs were disconnected from the City’s system. The reuse system takes the effluent from the wastewater treatment plant, treats it to a higher level, and distributes it to be used for irrigation or non-contact processed water. The golf course is currently using reuse water.

The water system functions include: supply, treatment, pumping, storage, distribution, customer billing, and meter management. The characteristics are average demand, peak day demand, and peak hour demand; customer billing and meter size. The peak need of the different customer classes affects the system differently.

Mr. Danicic reviewed the utility budget and explained the water fund would have needed a double-digit rate increase to provide current services, thus staff did a reallocation of staff salaries to balance. There is no debt in the stormwater fund as there is no money allocated for system replacement reserves through Fiscal Year (FY) 2013/14. The contingency line item is a budget for unanticipated needs such as an environmental catastrophe. There is some replacement reserve set aside in wastewater. Deb Galardi explained the reason the wastewater has a larger contingency is due to delays in capital projects and that money shown will be used in the next five years to fund the wastewater treatment plant improvements. The water budget shows a reduction in costs but there is also debt in this fund to improve and increasing capacity to the water system.

An audience member asked for clarification regarding contingency and stated it seems high. Contingency is a mixture of capital reserves as well as true operating and emergency contingency. Ms. Galardi explained the City transfers money to the capital project fund as needed and until then the money sits in the contingency account. Mr. Danicic stated the line item for capital projects shows what will actually be spent on capital projects next year.

Mr. Danicic reviewed the 5-year Capital Improvement Projects as follows:

- Stormwater 5-year CIP: Master Plan update in FY 2012/13.

- Wastewater 5-year CIP: The WWTP design, construction, and capacity improvement. The Hess Creek pre-design study FY 2011/12; Wyooski pump station property purchase FY 2012/13; and multi-funded projects for South Springbrook Road.
- Water 5-year CIP: Upcoming projects include Springs improvements, reservoir upgrades, water plant expansion land purchase and South Springbrook Road.

Mr. Danicic reviewed the significant budget changes as follows:

- 4 FTE (Full-Time Equivalent) reductions (total of 8 since 2010 = 15%).
- Adjusted FTE budget allocation between funds.
- Reduced line items and corresponding inflation rate.
- Changed effective date for rate changes from July to January.
- Modified fixed allocation within water rate model.

Estimated infrastructure values are: water \$120 million; wastewater \$160 million; and stormwater \$23 million.

Mr. Danicic explained the fixed cost for water is at 9% and will increase to 15% in 2013 and 20% in 2014.

The proposed rate changes are as follows: January, 2013 has a 0% increase for water and wastewater; stormwater will be 17.5%. In January, 2014 water and wastewater will have an increase of 3% and stormwater will remain at 17.5%.

Mr. Danicic reviewed the utility bill comparison which shows anticipated increases in the next two years with similar agencies: Lake Oswego, Wilsonville, Klamath Falls, and Grants Pass. Grants Pass has not increased rates for several years and the water plant was built far above needed capacity. They are still within capacity today. Their Master Plan is out of date and will include significant changes in the future.

Audience members stated the need for further cuts in staff and salaries, as well as reducing employee health coverage that is paid by the City. Many cannot afford an increase in rates due to the economy. Perhaps the rates could be based on what the customer is able to pay.

Mr. Danicic stated a budget of \$20,000 is set aside annually to provide utility payment assistance. The Utility Bill Assistance Program includes YCAP Voucher Program, Military Credit, Grants to Non-Profits, and Low Income Credit. Audience members stated there needs to be an increase in low income assistance.

Looking toward the future:

- The WWTP rehab and expansion cost will be debt financed to develop capacity to 2040.
- An expected rate increases of 5% in 2014 and 2015.
- The aging infrastructure – 14% of the wastewater and water systems are over 75 years old (\$27m).
Water and wastewater plant will now have 20 to 25 years of life.

Mike Gougler stated the committee is very concerned with the well being of the less fortunate. Each point has been addressed with staff. Ernie Amundson constantly raises the issue for people who cannot pay and consistently asks for cutbacks to keep from raising rates. Mr. Gougler is troubled, however, with additional reductions in staff or cutting hours which causes less service for the community when others who can donate money on their water bill to help the less fortunate, do not. Very little has been donated to date. There have been many CRRC meetings held in the past months with very little in attendance. All of this in addition to the fact that for 10 years there was no money set aside to pay for the replacement of the wastewater treatment plant.

Audience members stated the need for better notification on when and where the CRRC meetings are held. Chair Rourke stated it was on the website, in the Newberg Graphic, and sent out in mailings to all customers.

Other audience questions were: Is there something else that can be done to cut back? Why the need to pay extra on the utility bill for Police and Fire services when citizens pay taxes to cover those departments already? Ernie Amundson stated cutbacks cannot be done because of the union agreements. Mr. Danicic said the Police and Fire Departments are union, other staff is not. Chair Rourke stated the Budget Committee meetings are about to begin and are open for public comment regarding that issue.

An audience member stated he had personally laid out an economic scenario to try to understand the future is not what is in the past. He suggested to City Council to use funding for capital improvements, realizing a Federal Obligation Bond can push the cost out to 20 to 25 years. At the same time, the Federal Government has bonds for opportunities to fund capital improvement. He went to the CRRC and suggested affordability – people who make more pay more, those who make less pay less. He also stated that he had brought forth two sound ideas in the past to eliminate rate increases which were not taken into consideration. Other factors are retirement and health. Fifty percent of the cost of labor is health insurance. Across the country, municipalities have done something about that. He would hope the committee would understand that citizens want something different to mitigate costs throughout the future. Mr. Gougler stated the committee did listen and considered his ideas. To assume that City staff has not looked into every avenue for funding is a mistake.

Another audience member stated that staffing cuts need to be made like any business. Mr. Gougler suggested attending the Budget Committee meetings because they determine those cuts; the CRRC does not.

Ian McDonough thanked the CRRC members for voluntarily serving (with no pay). In regards to City staff, he has had much interaction with staff and the City of Newberg exceeds the service of any municipality he has dealt with. Unfortunately, homeowners cannot get lending assistance and every year dues have had to be raised. He found it interesting in this presentation, slide #10 compared to page 8 of the supplemental information. He sees the contingencies raised and buried are the capital projects. He may not understand it all, but is there a way to ratchet back contingencies until we see an increase in the housing recovery and an increase in the market? He has 5 elderly neighbors who are on the edge. He also has not attended the CRRC meetings before because this is the first time he had received a postcard in the mail.

III. PUBLIC COMMENTS

All comments were allowed during the presentation.

IV. NEXT STEPS IN PROCESS

As noted in the presentation discussion.

- CRRC Public Hearing February 15, 2012
- City Council Public Hearing March 19, 2012

V. ADJOURNMENT

The Citizens' Rate Review Town Hall Meeting adjourned at 9:46 p.m.

Approved by the Citizens' Rate Review Committee on this 19th day of June 2012.

DawnKaren Bevill, Minutes Recorder

Tony Rourke, CRRC Chair/Secretary

CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE MINUTES
WEDNESDAY, FEBRUARY 15, 2012
7:00 P.M. MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

I. CALL MEETING TO ORDER

Chair Tony Rourke called the meeting to order at 7:03 P.M.

II. ROLL CALL

Members

Present: Tony Rourke, Chair Blair Didway Helen Brown (arrived 7:09 p.m.)
Mike Gougler Chuck Zickefoose Mayor Bob Andrews, Ex-Officio

Members

Absent: Ernie Amundson, Jr., Vice-Chair (excused)

Staff

Present: Dan Danicic, City Manager Janelle Nordyke, Finance Director
DawnKaren Bevill, Minutes Recorder

Others

Present: Deb Galardi, Consultant

Chair Rourke asked the committee members for any abstentions, conflicts of interests, or objections to jurisdiction. None were brought forward.

III. PUBLIC COMMENTS

Mr. Hank Grum, citizen, referred to the information that was made available at the Town Hall Meeting on February 8, 2012. On page 17 under the Wastewater Financed CIP's Total Revenues – Interim WWTP CWSRLF (Clean Water State Revolving Loan Fund) totaling \$9,626,844.00 adopted FY 2011/12 and stated he would like to know what he is paying for in those amounts, as well as the proposed revenue amounts FY 2012/13 and 2013/14. He has determined in the past that the amount for maintenance, expansion, replacement, and rehabilitation includes old water and sewer pipes that need to be replaced and is unsure what percent or how many of those pipes are still in need of replacement as well as the cost to replace them. Also, a few months ago the Yamhill County Commissioners rejected growth figures, as reported in the Newberg Graphic, and he would like to know what growth figure the budget is being based upon and has it been adjusted due to the decision of the Commissioners. There was an article in the Newberg Graphic today that stated the grade school enrollment has dropped 3% which shows people are moving out of Newberg. It has been mentioned a few times in passing without any great attention, that the state and federal governments issue unfunded mandates, but the taxpayers end up paying for it. He asked what percentage in the budget is due to what the City has been told they must do. Without that information he cannot exercise his right as a tax payer to take any political action if he does not agree with those mandates. Also, there is a present indebtedness for effluent reuse and he is unsure how much of that is still hanging on from putting in the equipment to water the golf course and how much is being budgeted to expand the effluent reuse system. In the City's loan application to the state for clean water funds, a holding reservoir is listed in that plan in the northeast; a wetland to hold the effluent reuse because it cannot be used all at once. There is a statement that

there is a hope of other effluent reuse customers such as the Friend's Cemetery, the George Fox athletic fields, the Park District fields, and the Airport. Mr. Grum would like to know the status of those plans and if they are figured into the proposed budget. He spoke to the city manager last week and mentioned these same items but has not received an answer.

Mike Gougler asked if Mr. Grum had requested a cost break-down of the government mandates. Mr. Grum replied he had spoken to Dan Danicic last week and a few months ago asked Chair Tony Rourke for an address to email comments and Mr. Grum was told he would need to contact the city manager directly.

Ian McDonough, Chairman of the Homeowners Association of Spalding Oak Condominiums, thanked the members of the CRRC, understanding the sacrifices they make as well as the due diligence of the staff of the City of Newberg. He is not speaking against a rate increase per say and would support justifiable reasons for such a rate increase, however subsequent to the meeting of last week as an additional item of information, the Association is being hit with an new master insurance rate increase of 34% which will result in payments of individual homeowners of an additional \$5 per owner, per month. Mr. McDonough stated that in the last three budgets for the Homeowner's Association, they have asked for modest dues increases for the same reasons the CRRC is considering raising rates, which is to capture reserves and plan for future maintenance and reconstruction. However, in each case they have had to carefully balance the need for building reserves and repairs versus the ability of the homeowners to pay. In each case, those dues increases have been at a percentage rate of approximately 2.3% or \$5 per owner, per month. As the CRRC considers the recommendations from staff, he asked for the CRRC to also consider that in this economy many owners are in their 80's, are on a very limited income, and due to other governmental regulations, find they are virtually unable to sell their homes. Any one of these increases or fees could very well be the straw that breaks the camels back of some of the elderly residents and owners.

Mike Gougler appreciates the comments Mr. McDonough brought forth. The CRRC has always held that particular issue at the forefront. He asked Mr. McDonough if he would suggest the City hold the rates and incurs the costs for deferring them. He is unsure how long it can be put off. There is pressure from the Federal Government and he is unsure how problems will be solved without doing an increase now. Mr. McDonough stated he understands and has agonized having to raise dues to build the reserves necessary because if the repairs are not done, the value of the property decreases. He empathizes with the CRRC as the Association has had to make decisions that have been painful for individuals and actually had to force one resident to relocate. He asked for the rate increases to be held at the minimum.

Chair Rourke closed the public testimony at 7:23 p.m. and asked staff if any written testimony had been received. Dan Danicic read the letter that was received from Bonnie Hulett who could not be present at the meeting.

IV. CONSENT CALENDAR

No items.

V. CONTINUED BUSINESS

1. Staff Recommendation Regarding Rates:

Mr. Danicic stated that through the rate review process the committee and staff have looked at the water, wastewater and stormwater budgets which have been increasing consistently since 2001 to keep up with demand and maintain the current system. Requests from the public have been heard to maintain and not

increase the rates. Mr. Danicic commended staff for bringing the proposed rates down to a 0% increase for next year which has taken a great deal of change within the organization and a reduction in staff and the amount of time spent in repair and replacement. To do any less would do a disservice to the community.

Staff proposes and recommends the committee consider the utility rates for water in January, 2013 at a 0% increase with a 3% increase in January, 2014. For wastewater 0% increase in January, 2013 with a 3% increase in January, 2014; and for Stormwater a 17.5% increase in January, 2013 with a 17.5% increase in January, 2014. Ms. Galardi asked for clarification regarding the change in rate structure for water. Mr. Danicic stated in addition, the rate water methodology in 2013 for the fixed portion will be 15% and in 2014 the fixed portion of the cost will be at 20%. Also included in the proposal is the change of the implementation date from July to January.

Chair Rourke closed the public hearing at 7:29 p.m.

2. CRRC Deliberation (including comments from Town Hall)

Chair Rourke referred to Mr. Grum's comments and asked for clarification on the maintenance costs and growth projections. Mr. Danicic is unclear as to Mr. Grum's concerns regarding the maintenance costs. The maintenance numbers are for the existing system and Mr. Danicic stated he did not have the information on the old system with him at the meeting.

Mr. Grum misstated a bit in regards to the population estimates. The Yamhill County Commissioners did not approve Newberg's requests for population estimates which did not include the entire county because Commissioner Leslie Lewis was concerned that the county figures were not high enough. The Commissioners asked for it to be reviewed and are having a formal study done. Thus, no new population estimates have been adopted but are operating off of population growth estimates that are based on the master management plans for all three facilities.

The WWTP expansion is necessary today regardless of the population increase or decrease. Mr. Danicic does not have the numbers with him regarding the percentage of costs on regulatory and proposed mandates but he would guess 80% is for some regulatory requirement. Every drop of water is regulated due to mandates.

Mr. Danicic indicated he had responded in writing to Mr. Grum regarding how the reuse system is not part of any of the debt money the City currently has and he does not anticipate obtaining in the future. He clarified that no capital projects are planned in the next two years that are specifically tied to reuse. Reuse was instituted for temperature purposes and the temperature criteria required a \$2.5 million project investment. He apologized in that he did not realize Mr. Grum's recent comments to him were intended to be written and submitted to the CRRC for their consideration.

Blair Didway suggested having it clearly stated on utility bills, the opportunity to round up the amount due to the nearest dollar as an attempt to help support the Billing Assistance Program in the future. Even a small contribution can make a positive impact. He would also like to see more advertising regarding the program.

Chair Rourke asked for clarification regarding a suggestion made by a citizen at the Town Hall Meeting and the potential of using General Obligation Bonds to fund capital projects for the City of Newberg. Mr. Danicic explained the bonds mean you are obligating the full faith and credit of the City as repayment of the loan or a bond which means pledging property tax payer's money. The individual at the Town Hall who suggested it seemed to think there is money out there that is less expensive and may be a better route than the State funds used to debt finance some of the projects. Mr. Danicic does not believe that is the case since the interest rate

at the state level funding is low and allows the City to use the utility rates as a source of backing the debt payments.

Mike Gougler believes there is no other way to make any more adjustments. A higher fixed percentage of the water fee is a good thing and changing the rate structure in this way will help in the future especially during depressed economic times.

Chuck Zickefoose concurs. After much deliberation the results are far better than he thought they would be.

Mr. Didway has only been on the CRRC since January, 2012, but from what he has seen the committee has done a remarkable job. He likes the rate structure and how keeping the rate structure more fixed will help citizens budget that into their monthly expenses. He agrees and concurs with the proposal. It is well prepared and executed.

Helen Brown believes many of the citizens at the Town Hall Meeting realized the CRRC is not just raising rates for the fun of it, but this has to be done. Perhaps the CRRC needs to sponsor a quarterly town hall meeting since it is an education process.

Chair Rourke reminded the CRRC that they began by looking at 10% increases for January. Going from that percentage to a 0% increase is significant and he hopes it does not reflect poorly on the maintenance of the system in the next two years. He believes staff did much work and Ernie Amundson pushed for staff reductions and that has been reflected in the proposal.

Mr. Gougler believes it is important on behalf of the committee to express thanks to staff for the incredible amount of preparation and one of the highest levels of presentations he has ever seen. He appreciates Mayor Andrews attending all of the meetings as well as the minute takers who have been present. He also noted that although the Newberg Graphic has been quoted by citizens who have attended, no reporter has attended the CRRC meetings, which is unfortunate.

3. Recommend Proposed Rates to City Council for Consideration (or direct staff to prepare additional analysis)

MOTION #1: Gougler/Zickefoose moved to implement the rate increases from July to January beginning 2013; to modify the fixed portion of the water rate from its current 9% to 15% in 2013 and to 20% in 2014; to implement the rates that have been proposed at 0% increase for water in January, 2013 and a 3% increase in January, 2014; for wastewater 0% increase in January, 2013 and a 3% increase in January, 2014; and for stormwater a 17.5% increase in January, 2013 and a 17.5% increase in January, 2014.
Motion carried (5 Yes/0 No/ 1 Absent [Admundson])

VI. ADJOURNMENT

The meeting adjourned at 8:01 P.M.

Approved by the Citizens' Rate Review Committee on this 19th day of June 2012.

DawnKaren Bevill, Minutes Recorder

Tony Rourke, CRRC Chair/Secretary