CITY OF NEWBERG CITIZENS' RATE REVIEW COMMITTEE AGENDA

WEDNESDAY, NOVEMBER 30, 2011

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 November 9, 2011 minutes (Pages 2-5)

V. CONTINUED BUSINESS

Conclude Water Rates Discussion

1. O&M Reductions (Dan Danicic)
2. Final Presentation (Deb Galardi)
    - Percent Increase to Achieve Coverage (based on reduced O&M)
    - Rate Structure Decision

VI. NEW BUSINESS

1. Present Stormwater Rates (Pages 7-11)
2. Move Town Hall Meeting to February 8, 2012

VII. 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.

CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE MINUTES
WEDNESDAY, NOVEMBER 9, 2011
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 7:00 P.M. Chair Rourke stated Norma Alley, City Recorder had researched information regarding committee quorums and it was determined a quorum is the majority of the actual serving members, not to include the vacant positions. If there are five filled positions, three members would make a quorum.

Chair Rourke also reviewed the revised meeting schedule, noting that the January 17 meeting has been rescheduled for January 18 and will be held at City Hall versus the Public Safety Building.

II. ROLL CALL

Members Present:	Tony Rourke, Chair	Ernie Amundson, Jr.	Beth Keyser
	Charles Zickefoose	Mayor Bob Andrews, Ex-Officio	
Members Absent:	Mike Gougler (excused)		
Staff Present:	Dan Danicic, City Manager	Janelle Nordyke, Finance Director	
	DawnKaren Bevill, Minutes Recorder		
Others Present:	Deb Galardi, Consultant		

III. PUBLIC COMMENTS

Mr. Hank Grum referred to page 2 of the October 5, 2011 minutes of the Citizens' Rate Review Committee (CRRC). He wanted clarification regarding Mr. Ernie Amundson's question, and Mr. Dan Danicic's reply, as to whether wastewater rates are ever tied directly to the water usage per month. Mr. Grum interpreted that response to mean no matter how much he may conserve, if his usage falls below the established average minimum, he will still be charged the minimum, which he objects to. It was explained that every resident's sewer bill is based on their own individual average winter water use. The minutes that Mr. Grum is questioning were only referring to the 'snowbirds' that have no winter water use at all. In those cases the system wide average is used to determine those sewer bills only.

IV. CONSENT CALENDAR

Approval of October 5, 2011 and October 18, 2011 minutes (Pages 2-10)

MOTION #1: Zickefoose/Amundson approved the Citizens' Rate Review Committee minutes from October 5, 2011 and October 18, 2011, as written. Motion carried. (4 Yes/0 No/1 Absent [Gougler]).

V. CONTINUED BUSINESS

Water Rates Discussion (Pages 11-16)

Ms. Deb Galardi presented the staff report with the use of a PowerPoint (see official meeting packet for full report). She reviewed the debt service coverage, water revenue increase options and the preliminary rates and bills scenarios. Ms. Galardi explained how net revenues divided by debt service must equal debt service coverage along with a cushion of 10%, so that in the event of unexpected and unbudgeted expenses, there would still be money available to cover debt service. The projected debt service coverage (existing rates) for 2011/12 is 0.9%. Ms. Galardi stated the City has done an excellent job managing O&M costs and no additional debt service is projected. Additional revenue is still required, however, to meet current debt service coverage. The net revenue must be increased through water sales and/or a decrease in O&M. Additional reductions in water use could further reduce projected coverage. Scenarios (A/B/C) are based on revenue increase options and on billing charges staying about the same; the volume rate changes in the first year reflecting updated class peaking factors and the fixed charge increases to achieve targeted revenue for coverage. Rates have been developed for all three scenarios in order to meet the debt service requirement. Ms. Galardi noted that the regional rate comparison shows a range for a ¾" meter of $4.50-$18.04 per month (with most over $10). Newberg's fixed charges are significantly lower. The issue is not that the City of Newberg citizens are paying less but other communities recover more of their revenue from the fixed charge than from the volume charge. Many other communities are increasing rates due to capital investments or issues to debt service.

Mayor Bob Andrews asked for clarification on how additional revenue is generated. Ms. Galardi replied connection and disconnection fees, interest income, and penalties.

Mr. Amundson asked how revenue is determined for the future. Ms. Galardi replied projections are based on the best information available. The fund balance varies from year to year. No additional grant monies are projected for the future due to unavailability.

Chair Rourke asked why the O&M costs would be going up $200,000.00 per year. Ms. Galardi explained one factor is health benefits/insurance costs. These continue to rise and generally are in the 3%-6% annual escalation range.

Mayor Andrews asked Ms. Galardi if her analysis indicates the City needs additional revenue of $568,236.00 in order to meet the 1.1 debt coverage. Ms. Galardi stated that was correct.

Mr. Amundson asked if additional costs could be cut from O&M instead of raising rates. Mr. Danicic replied it is ultimately the Budget Committee and the City Council who sets the budget but the CRRC can make recommendations. In order to cut approximately $570,000.00 from O&M, staff would need to be reduced 37%; ultimately eliminating one entire division. Services would need to be seriously reduced.

Ms. Beth Keyser asked if the CRRC has the power to reduce the O&M. Mr. Danicic stated the CRRC can look at what needs to be done and make a recommendation to the City Council who would then consider what that would mean in regards to services. Ms. Keyser would like to see the City cut expenses without a rate increase. Chair Rourke stated a formal request can be sent to the Budget Committee recommending they take that under consideration.

Chair Rourke stated if the CRRC chose not to increase rates; the City would need to cut $400,000.00 from O&M or sell $400,000.00 more in revenue than projected.

Mr. Zickefoose stated the City has made good management decisions in reductions already. Further reductions will need to be carefully considered in order to keep the City from significant loss to services.

Ms. Keyser asked if the State of Oregon would recognize a reduction in expenses as a plan in meeting the debt coverage. Ms. Galardi replied yes, as long as the target is met, the State does not care if it comes from reductions or revenue.

Mayor Andrews asked if the City does reduce O&M and at the same time reduces revenues, what is there to gain. Ms. Galardi replied projected rates could continue to go down anyway at existing rates and with conservation. If there is no flexibility in the O&M and there are no reserves in place, that is a risk.

Mr. Amundson asked if there is a document explaining that the 1.1 debt coverage is needed. Mrs. Nordyke stated whenever the City borrows money from Oregon Economic Development; debt coverage at 1.1 or greater is needed and is required by the documentation. Mr. Danicic stated all of the documentation is included in the approved budget and can be given to the committee to review. Mr. Amundson was satisfied with the explanation given by staff and does not require viewing the documentation.

Ms. Keyser asked if there is any way to generate revenue on water other than through the City customers. Mr. Danicic stated yes, but the question is can the City sell enough at a high enough price. There have been discussions with the City of Dundee to provide them water but it is too expensive to make the connections. Excess capacity to Oregon Rain regarding springs is a possibility, but selling at 10 cents a gallon would only raise $50,000.00. The other option would be to entice an industry that would buy the water. Ms. Keyser stated it would be a good thing to pursue.

Chair Rourke stated the economic downturn killed growth in Newberg and it could not be predicted. Mr. Danicic stated projecting the need resulted in the debt. The top ten users were asked to cut back water usage in the year 2000. The decision at the time was a good one to increase the infrastructure.

Mr. Amundson would like to see a 50/50 split. The City of Newberg cannot continue to raise rates. Mr. Danicic stated staff can show the committee what happens to the O&M as reductions are made and demonstrate what happens to the level of service and liability on the system.

Ms. Keyser asked if there is a way to keep current staff while reducing the expense to maintain that staff. Mr. Danicic replied the concept of privatization does not solve the problem. The City will pay less in wages but without additional revenue we will not have enough for projects and service levels will suffer. Chair Rourke stated cuts have already been made to O&M. Ms. Keyser asked if the City has maxed out regarding reductions. Mr. Danicic replied there are other cuts that can be done but there are risks as well. Regarding privatization, staff is needed to manage the contractors; we would need to have at least three-to-four contractors on call, and would pay a premium for night-time or holiday work which can present some logistical questions.

Mr. Danicic stated the question before the committee is whether they want to see a shift regarding fixed rates, regardless as to whether or not it increases the rates. Does the committee want to change the rate structure methodology to recover more with fixed rates? Once that has been decided, we will look at how to change the numbers that feed into the costs to mitigate the rate increase.

Ms. Keyser's understanding is that increasing the rate on consumption would not increase revenue. Chair Rourke stated that is correct; people are conserving and if you increase the volume charge and people decide

to stop using the water, to a certain degree - it mitigates the increase. Ms. Keyser asked if the City would be taking away the citizens' control in terms of using less water and paying less if the fixed rate is increased. Chair Rourke replied no because any scenario only gets the City to 17% fixed, leaving 83% in the citizens' control. In the scenarios presented, any increase goes to the fixed portion and the percentage of volume goes down, giving a better predictability to City staff.

Chair Rourke stated the CRRC needs a conceptual agreement on how to apply any increase or decrease. Personally he believes it should be changed to have the fixed side of the equation increased and drop the volume charge in certain categories as presented. The CRRC has been presented with different scenarios dealing with fixed versus volume costs at the ratios of: 91/9, 80/20, 70/30, and 60/40.

Mr. Danicic asked Ms. Galardi if the committee chooses a balanced budget with a zero increase in rates, can the methodology be adjusted with more going toward the fixed side. Ms. Galardi replied yes. Mr. Danicic stated the first question is should the methodology migrate toward a larger percentage of fixed cost within the overall budget, whether or not the fixed amount will be increased even greater. Ms. Galardi stated it would be helpful to know if there is support to increasing the fixed costs and what that percent should be.

Comments:
Mr. Blair Didway, a potential CRRC member, is a landscape architect who has lived in Newberg for six years. He has listened to the different rate structures presented for generating revenue to cover the debt. He feels like there is another option for the committee to consider. Perhaps something similar to what other utility companies do, which is charge a base fixed rate regardless of use. For example, a base charge would be assessed for a certain amount of water. If the customer uses less, they still pay the same. Mr. Didway explained that there may be other factors to consider with this option that he may be unaware of as this process is all new to him.

Mr. Danicic will analyze reduction in the budget to achieve the needed revenue with no rate increase and will bring that analysis to the November 30, 2011 meeting. The committee will then make a decision on the fixed rate based on that information.

VI. NEW BUSINESS:

On December 5, 2011, the City Council will appoint applicants to fill the two vacant CRRC positions and the two positions with terms scheduled to expire on December 31, 2011.

VII. ADJOURNMENT

The meeting adjourned at 9:10 P.M.

Approved by the Citizens' Rate Review Committee on this 30th day of November 2011.

DawnKaren Bevill	Tony Rourke
Minutes Recorder	Citizens' Rate Review Committee Chair

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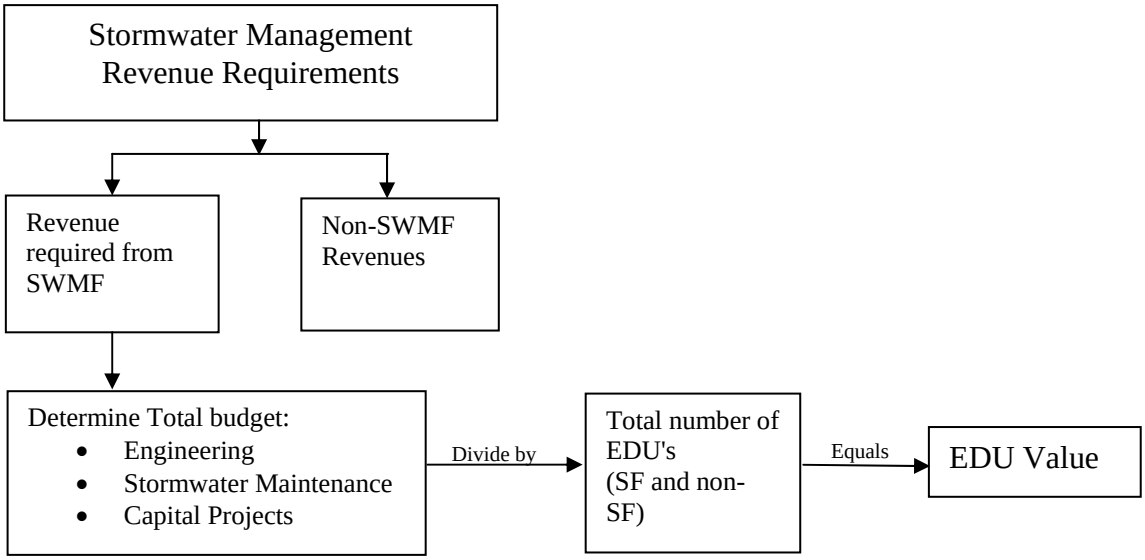
STORMWATER MANAGEMENT FEE METHODOLOGY

All in-city customers of the City's water and wastewater systems and those persons otherwise responsible for impervious surfaces within the City, which contribute storm water runoff to the system or otherwise benefit from the system, are responsible for paying a stormwater management fee (SWMF).

A just and equitable SWMF shall be fixed at such amounts to ensure the financial self-sufficiency of the stormwater system. Similar to the water and wastewater funds, the storm fund is a cost for service fee.

The assessment of the SWMF is based on impervious surface area. Impervious surfaces are those that impede the natural infiltration or surface water. Rooftops, concrete, asphalt and patios are some examples of impervious surfaces. The units for impervious surface area are equivalent drainage units (EDU). An EDU is equal to the area of a typical single-family residential property. This has been determined statistically as 2,877 square feet. Therefore, all single-family properties are by definition one EDU. Determining the total impervious area, by either aerial photography or actual site drawings, then dividing by 2,877 calculates the EDU's for all other properties.

The methodology to establish the stormwater management fee is depicted by the following figure:



A reduction of up to 50% of the monthly fee can be received for developed properties that have implemented stormwater measures exceeding minimum design standards, established best management practices for water quality improvements or established an educational program.

RESOLUTION NO. 2010-2887

A RESOLUTION ADOPTING NEW MONTHLY STORMWATER RATES FOR THE CITY OF NEWBERG EFFECTIVE JULY 1, 2010

RECITALS:

1. City Code Section 53 governs the adoption of stormwater rates for the City of Newberg.

2. The Citizens' Rate Review Committee (CRRC) reviewed stormwater system characteristics and requirements, including the Capital Improvement Plan and operating/maintenance costs, and recommends changes to the monthly stormwater charges based on an analysis of current and near-term future anticipated stormwater fund needs.

3. The CRRC met two times on December 9 and December 16, 2009, to discuss stormwater rates.

4. The CRRC held a Town Hall Meeting on the proposed monthly charges on January 13, 2010, and a Public Hearing on January 27, 2010 to adopt rate increase recommendations.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. Effective July 1, 2010, the monthly stormwater service rates shall be as follows:

	Current 2009-10	As of July 1, 2010	As of July 1, 2011
Single Family	$3.80/EDU	$ 4.48/EDU	$ 5.29/EDU
Non residential	$3.80/EDU	$ 4.48/EDU	$ 5.29/EDU

An EDU, as defined by City Code Section 53.02, is equivalent to 2,877 square feet of impervious area. All single family residences are, by definition, one EDU.

2. Credits on non-residential stormwater charges shall be administered in accordance with guidelines adopted by the City Council.

3. The CRRC shall review the stormwater system requirements and rates at least every two years.

- **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is: April 20, 2010.

ADOPTED by the City Council of the City of Newberg, Oregon, this 19th day of April 2010.

Daniel Danicic, City Recorder

ATTEST by the Mayor this 22nd day of April 2010.

Bob Andrews, Mayor

LEGISLATIVE HISTORY

By and through the Citizens' Rate Review Committee at their December 9 and December 16, 2009 meetings.

Table CAP-1
City of Newberg, Oregon
Stormwater Rate Model
CAPITAL IMPROVEMENT PROGRAM
Proposed List Prepared by City (11-15-11)

PROJECT	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2011-16 5-year TOTAL	SDC
	Actuals	Actuals	Adopted						
Columbia Drive LID	$28,108								
Vermillion Street - Drain to Creek			$152,000					$152,000	0.0%
Stormwater Master Plan Update				$250,000				$250,000	100.0%
Master Plan Identified Projects						$250,000	$250,000	$500,000	50.0%
Mult Funded Projects									
Crestview Drive Improvements			$110,000					$110,000	100.0%
Springbrook Road (North only - S done by ODOT)	$1,020	$0	$0			$590,000		$590,000	25.0%
Total CIP	$29,128	$0	$262,000	$250,000	$0	$840,000	$250,000	$1,602,000	

If master plan determines projects that must be completed in 2013/14, then we will use contingency funds (per Dan D.)

STORMWATER RATE COMPARISON November 2011					
City	**Population**	**Effective Date**	**Avg. S/F Bill (1 EDU/ESU)**	**Sq. Ft/per EDU/ESU**	**Additional Comments**
Woodburn	24,085	n/a	$0.00	n/a	
Redmond	26,225	n/a	$0.00	n/a	
McMinnville	32,240	n/a	$0.00	n/a	
Wilsonville	19,525	Nov 2011	$3.72	2750	
Keizer	36,570	Jan 2011	$4.02	Flat Fee	
West Linn	25,150	Jan 2011 Next: Jan 2012	$4.82	2914	
Newberg (current)	22,230	July 2011	$5.29	2877	
Tualatin	26,060	July 2008 Next: no plans	$5.41	2640	
Forest Grove	21,130	July 2011	$6.00*	2640	*Includes an add'l service charge (by CWS)
Tigard	48,090	July 2011	$7.25*	2640	*Includes an add'l $2.00 service charge
Oregon City	31,995	July 2011 Next: Jan 2012	$7.40	Flat Fee (S/F)	Commercial varies.
Lake Oswego	36,620	July 2011	$9.60	3030	
Milwaukie	20,290	July 2011	$10.64	2706	
Sherwood	18,205	July 2011 Next: Jan 2012	$12.77*	2640	*Includes an add'l service charge (by CWS)
Portland	583,775	July 2011	$22.37*	Flat Fee (S/F)	*Same for duplex. M/F w/3 & 4 units = $9.32/unit/month. M/F w/ 5+ units = $9.32/1000 sq. ft. Non-Res = $9.97/1000 sq. ft.

CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE MINUTES
WEDNESDAY, NOVEMBER 30, 2011
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 7:00 PM.

II. ROLL CALL

Members Present: Tony Rourke, Chair; Ernie Amundson, Jr.; Mike Gougler; Charles Zickefoose; Mayor Bob Andrews, Ex-Officio; Beth Keyser

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

Others Present: Deb Galardi, Consultant

III. PUBLIC COMMENTS

Mr. Hank Grum distributed an email (see official packet for full report) that he had previously sent to the City Council, dated November 22, 2011. At the November 9, 2011 Citizens' Rate Review Committee meeting there was mention of certain mandates requiring upgrades of the wastewater treatment plant. Mr. Grum has not seen enough questioning of the assumptions that the City of Newberg must adhere to the upgrades that are mandated. He referred to the last page of the handout stating he sees recycled water as an issue needing transparency. Closer inspection of the loan application, which was the point source document that was discussed at the last Budget Committee meeting, and the $55 million loan application from the State of Oregon concerning the loan application, reveals the "need" to maintain Willamette River temperature at an optimum of 20 degrees centigrade for fish as a motivator to establish an expanded irrigation program. He is not convinced that this issue has been investigated adequately.

Mr. Grum asked the committee to also take a closer look at the pension costs for city employees. He believes that they are being paid much more on the average than employees in other private sector agencies.

IV. CONSENT CALENDAR

Approval of November 9, 2011 minutes (Pages 2-5)

MOTION #1: Zickefoose/Amundson approved the Citizens' Rate Review Committee minutes from November 9, 2011, as written. Motion carried. (5 Yes/0 No/0 Absent).

V. CONTINUED BUSINESS

Conclude Water Rates Discussion

1. O&M Reductions

Mr. Dan Danicic began by addressing the question brought forward by Mr. Ernie Amundson at the last meeting. Mr. Amundson questioned whether 70% of the budget allocated to staff costs is reasonable. Mr. Danicic did some research and found that although there is no one source to show what the labor percentage should be, he did find a report on www.constructionbusinessowner.com that stated, depending on the benefit package involved, employee related costs will typically account for 24%-33% for non-union contractors and 60%-70% for union contractors. Mr. Danicic found another reference, not related to construction but rather on the food and beverage industry, which ranged from 40%-75% of sales. An analysis was done comparing the relative size of labor costs at UPS, Fed-Ex, and the U.S. Postal Service in comparing a government agency to the two other entities. The report showed the percentages of salaries at 82% for UPS, 71% for Fed-Ex and 89% for the U.S. Postal Service.

There was also a report from Pennsylvania which looked at alternatives for toll roads. It looked at the labor content comparison of two different plans. Based on a report citing data from the Construction Estimator Handbook, the labor percentage of the project costs ranged from a low of 25% if looking at sub-grade and paving work to a high of 85% for the removal of infrastructure and improvements. Utilities were at 65%. These show 70% is comparable. The reason for the 70% is because the City does smaller projects overall and although many projects have a small amount of materials; it takes more than one employee to do the job. All staff time is tracked as well as equipment and material usage on a project basis. A recent project was a 300 foot waterline with a total cost of $48,000.00 of which $10,000.00 of that was strictly the labor cost which came out to 22% of the total project. When budgeting staff time; you need to account for sick time, holiday time, training time, and meeting time which typically is 20% of an employee's time. Including this time into the labor costs for the waterline project, calculates to 66% of construction costs which shows 70% as reasonable.

Mr. Amundson was referring to the overall budget in labor and what the employees are doing when they are not working on a specific project. That is why he believes using contractors would be helpful. Mr. Danicic said contractors will charge for labor and equipment, which the City does not budget or pay for, as well as for the materials plus profit on top of that. Mr. Danicic questions whether privatization would effectively save money. Mr. Amundson answered that when the contractor has completed a job the City would stop paying for benefits for that contractor. Mr. Danicic stated the public works crew moves from one project to another. They are doing all the same things that contractors do. Mr. Danicic does not believe the 70% labor costs are inappropriate.

Mr. Danicic stated the debt coverage can be achieved by either increasing revenue or by reducing costs. He referred to the O&M handout (see official packet) and reviewed the proposed reductions totaling $584,164.00. This would allow us to meet the debt covenant with no rate increase. Mr. Danicic does not feel it appropriate for the CRRC to vote on and set a water rate at this meeting due to the need to see the effect to all three funds; water, wastewater and stormwater.

Mr. Chuck Zickefoose asked about the risk factor of these reductions. Mr. Danicic stated the proposed reductions to the various line items will not put the City at risk for meeting the clean water rules and standards. It will, however, limit the money set aside for future capital projects which means the money may need to be borrowed when/if it is available. The reductions shown are a combination of allocating staff salaries more appropriately and reducing certain line item costs for operations.

Ms. Deb Galardi pointed out the fairly significant reduction to the waterline repair and maintenance line item of the distribution system budget. She explained that if major repairs are needed, in excess of the revised budget amount, then those additional funds would need to be pulled from contingencies.

2. Final Presentation (Deb Galardi)

- Percent Increase to Achieve Coverage (based on reduced O&M)

Ms. Galardi presented the staff report with use of a PowerPoint (see official meeting packet for full report). She also referred to the water rate study and the O&M reductions handouts. With assumed cost escalation there is a slight shortfall in fiscal year 2013/14. Issues that need to be taken into consideration are: water consumption which will cause further erosion in coverage; transfers from reserves which are projected for CIP (reserves are less than $500,000.00 in fiscal year 2015), and O&M cuts increasing the risk (limited to $500,000.00 contingency). Increases in fixed charges will reduce revenue instability over time but will also be perceived as rate increases to some customers. Regardless of an overall rate increase, the rate structure must be determined. The rate structure can be changed to come from the fixed charges which will still cause rate fluctuation impacts. Stormwater is a 100% fixed charge which does have definite benefits.

Chair Tony Rourke asked for statistics on suggested reserve balances. Ms. Galardi stated it is based on number of days of O&M costs with a range of 30-180 days. We assume a 60-day reserve balance in our contingencies, which is on the lower end but within planning standards.

Mr. Amundson believes the first decision is whether to increase the fixed rate of consumption. Chair Rourke agrees with Mr. Danicic's earlier comment that the decision to increase should be reviewed later after the three systems have been analyzed.

Ms. Beth Keyser believes the committee should wait regarding rates. She has not heard enough about reducing staff and related expenses. Chair Rourke stated of the $584,162.00 reduction shown, $250,000.00 are actual cuts. Mr. Danicic clarified that some of the savings are due to shifting costs. Eliminating a significant amount of staff makes him question whether the City would function well. Mr. Danicic explained that staff has been cut every year; building inspectors, planners and engineers all have been cut in the last two years. Ms. Keyser agrees there needs to be a change in the fixed/volume ratio but it will be more palatable to the public if they see the City making sacrifices as well.

Mr. Mike Gougler stated at the last meeting he asked that the CRRC work towards changing the ratio of variable to fixed. He did so with the understanding it will be perceived as a rate increase. He questioned some of the logic in regard to concerns about city expenses. As a builder, he contracts for the services at the time he needs them. On the other hand, he cannot afford to contract out for a bookkeeper that balances the books. Changing the ratio between variable and fixed is a good long-term tactic. Newberg chose to postpone necessary improvements to the water treatment plant and if future capital project money will be reduced, the City will be facing the same problems again ten years down the road. Not raising rates caused the raised rates last year and it will happen again. At this point, the CRRC has to change the ratio from a variable to a fixed rate structure with dependable revenue. Mr. Gougler stated the CRRC needs to be prepared so it is defensible to the people. Mr. Zickefoose emphatically concurred with Mr. Gougler.

- Rate Structure Decision

MOTION #2: **Rourke/Zickefoose** moved to explore the possibility of an 80/20 variable/fixed ratio with flexibility to any other percentages; moving toward more fixed as a percentage of the total. Motion carried. (5 Yes/0 No/0 Absent).

VI. NEW BUSINESS

1. Present Stormwater Rates (Pages 7-11)

Mr. Danicic reviewed the capital projects portion of the stormwater budget. It is rather straightforward showing $259,000.00 budgeted in fiscal year 2012/13 for a master plan update. The Crestview Drive and Springbrook Road projects are multi-funded. Vermillion Street is a local drainage problem and will be completed this budget year.

Mr. Gougler stated the decision of the stormwater control and the adoption of the stormwater management plan will have budgetary impacts. Mayor Andrews suggested staff obtain a copy of the Planning Commission Meeting Minutes discussing the stormwater management plan. Mr. Danicic will forward a summary of that information to the CRRC prior to the next meeting.

Ms. Galardi reviewed the stormwater financial plan (see official meeting packet for full report). The stormwater rate is a fixed charge and is based on impervious area which does not change. The only reason for reduction in revenue would be from a loss of customers, an increase in credits provided, or lack of growth. There is a small variance between the estimated and actual revenue in fiscal year 2011/12. Revenues are holding with some deferral of capital and O&M expenses are right in line.

Mr. Zickefoose asked if a closed business is still required to pay the stormwater fees for that property. Mr. Danicic replied only as long as there is a utility account in place. The question was asked if Suntron was still using water, although the building was not in use. *(Mrs. Nordyke has since confirmed that the utility bill shows that water is primarily being used for irrigation.)*

Chair Rourke prefers paying cash instead of paying a bank interest and is a proponent of adding to reserves. The capital improvement projects of $1.2 million for two years will cost over $500,000.00 in interest.

2. Move Town Hall Meeting to February 8, 2012

Chair Rourke explained the date was changed from February 1, 2012 to February 8, 2012 due to a scheduling conflict. Further scheduling changes may take place as discussions proceed

Mayor Andrews explained the new CRRC appointments will begin on January 1, 2012. Ms. Keyser has not reapplied to serve on the CRRC. Her last official meeting will be December 14, 2011.

Chair Rourke will not be present at the next scheduled meeting of December 14, 2011 due to a work conflict.

VII. ADJOURNMENT

The meeting adjourned at 8:50 PM.

Approved by the Citizens' Rate Review Committee on this 4th day of January 2012.

DawnKaren Bevill

DawnKaren Bevill, Minutes Recorder

Tony Rourke, Citizens' Rate Review Committee Chair

THE FOLLOWING PAGES WERE DISTRIBUTED AT THE MEETING

PUBLIC COMMENT REGISTRATION FORM

PLEASE COMPLETE AND PRESENT THIS FORM TO THE RECORDER

WHEN ADDRESSING THE CITIZENS' RATE REVIEW COMMITTEE PLEASE STATE YOUR NAME PRIOR TO SPEAKING

In order to make ORAL COMMENTS and/or provide input at the meeting, you must provide the following requested information. It would be appreciated if you would provide a copy of any documentation or exhibits you would like to submit on the subject.

(If you are attending the meeting to observe and do not intend to speak, you do not need to fill out a Public Comment Registration Form.)

DATE OF MEETING: TONIGHT

SUBJECT: PUBLIC COMMENTS

Public Hearings Only:
Proponent: _____ Opponent: _____ Undecided: _____ (Quasi-Judicial Hearing Only)

Name: Dan says "old Guy in the back"
Please print legibly

Mailing Address: 2121 PROSPECT DR

Phone No.: 503 554-6629

Email: hjgrum@comcast.net

THANKS! This form helps us spell your name correctly for the permanent record and helps the Mayor determine time limits.

☐ Please do not release my address, phone number or email in a public records request.

O:\Engineering\shared\Rate Review\2011 Meetings for 12-13 and 13-14 Rates\Template_Public Comment Card.docx

November 30, 2011
Citizens' Rate Review Committee
Written Comments submitted into Record from Hank Grum

Additional Water Revenue Needed

At 7pm, Wednesday, November 9, I went to the Citizens rate Review Committee (CRRC) meeting. Two other Newbergers attended. They were deciding if they wanted to serve on the CRRC. The people who have complained bitterly about their $200 water bills were not in attendance. Consultant Deb Galardi presented revenue increase scenarios for debt service coverage. Get the agenda packet with details here.

Subtract from Water Sales Revenue (about $4.5 million, constant though 2015/16) the Operating and Maintenance Costs ($3.5 million now and $4 million in 2015.16) to get the funds available ($987,000 now and $435,000 in 2015/16)to pay principle and interest on debt (about $1.3 million). To maintain the contractually require 1.1 ratio, additional needed revenue grows from $400,000 now to $945,000 in 2015/16.

This presentation did not include increases for capital investment, nor did it suggest cost cutting strategies.

Factors Driving Costs

The City Manager mentioned ever tightening regulatory requirements that require upgrades, and increasing costs of public employee benefits. Seventy cents of each new revenue dollar is expected to go to employee costs and 30 cents to maintenance supplies such as new water pipes. (Some existing pipes are 100 years old).

The ever "unpopular" suggestion of reducing staff and using cheaper contract labor received only cursory attention, but doesn't have to die.

The CRRC has no control over setting capital investment budget levels for upgrades required by the "green"-leaning EPA, State legislature, and DEQ. Question: When is our water "clean enough"? We still have to provide food, shelter, clothing etc. for our families. You can't eat water that has the last part-per-billion of something removed, and you die a lot quicker from starvation and exposure to the weather.

However, the CRRC can refuse to endorse the rate increases and push back on the Budget Committee and the Council.

The final factor pushing cost is the Federal Reserve Bank and Congressional policy of inflating the money supply via debt financing of TARP and subsequent "stimulus" legislation.

We elected a new "conservative" House of representatives to control debt-financed spending, but all we get is more debt. Meet the new boss…same as the old boss.

Going Forward

We lost Measure 36-149, but we didn't lose the war. Meet the new solution…same as the old solution: elect representatives at all levels of government that care about your individual rights and not collective "rights".

The good news is that we have at least two representatives (appointed by Mayor Andrews) on the CRRC who are looking to cut costs rather that just raising new revenue. They are Ernie Amunson and Beth Keyser, and they are truly in "our corner". They need your support.
The next CRRC meeting is November 30. See agenda here when it becomes available here

Water Bill Too High? Do Something!

Please, go to the meeting. Thank them personally. Or send email to them c/o City Manager. Find out for yourself why your water bill is $200 and will go higher through 2016 if you don't say something. Mayor Andrews and City Manager Danicic are on the CRRC.

Public Comments are heard at the beginning of the meeting. You have no more than five minutes each, to tell them "my water is clean enough and I need a new winter coat" or if you must, "please raise my rates 25% over the next four years". Or tell them "Public employee costs are too high and I'm not paying it anymore".

YOU have ask the CRRC to push back on the DEQ. YOU have to ask State Representative Kim Thatcher and State Senator Larry George to push back on the DEQ. YOU have to ask our incoming House Representative to push back on the EPA. YOU have to ask Senators Merkely and Wyden to push back on the EPA and Presidential Executive Orders.

Otherwise, enjoy your new water bill…much higher than the old bill.

Yours in Liberty,
Hank Grum

Parting Thoughts on Council Debrief of Measure 36-149
from Hank Grum November 22, 2011

I listened to Council members' remarks with no preconception of what they might say. Some were spot on, others missed their marks. This message is forward-looking only, and intended to aid your future plans. I have done all that one person can do, starting with nothing but a complaint and over two years of effort, to effect change by waking people up and trying to educate the Council about liberty and free-market economics, which are two sides of the same coin.

When A and B (government) decide C (tax consumers) needs "help" at the expense of D (tax producers) new conflicts arise because government planners cannot match the efficiency of the unhampered market. Please read the famous essay "That Which Is Seen, and That Which Is Not Seen" by Claude Frederic Bastiat. Also see "Economics in One Lesson" by Henry Hazlitt.

Now read about the Good, the Bad, the Ugly, and the Elephant in the Room.

Election Stats – the Ugly

Only 4461 of 10,139 registered voters bothered to return their ballots or roughly 45%. Is it too much trouble to stick a stamp on it and mail it, or drop it off at the police station or rec center? Not even a hot issue like taxes can rouse them from their apathy?

The measure failed 2883 NO to 1525 YES – a 2 to 1 margin. Sounds big, but its still only 29% of the registered voters versus 15%. Still the council spins it as a "majority". It is a pitifully small "majority".

Under the measure, a super-majority (half + 1 of 50% of registered voters) would be required to sustain a referendum. If you can't get 50% of the voters to respond to this gut issue, I don't think 50% would respond to a referendum under this measure.

Who knows what the other 65% were doing. 45% were in the parade and 65% were just watching or didn't even know there was a parade. When I canvassed neighborhoods during the mayor race, I discovered some people who would admit they didn't even know who was mayor (sorry, Mr. Andrews), let alone the names of the Councilors.

Public Safety Fee (PSF) Versus Method – the Bad

Council Shelton reviewed the merits of the rate process and referred to the town-hall explanation of the need for the PSF. I was at that meeting, the Council room was almost packed, and 8 or 9 of every ten speakers opposed it. Shelton didn't mention this

But discussing the PSF *per se* again misses its mark. The method of raising revenue is at issue and not funding police. Shelton didn't mention that an Council order was used to avoid a referendum. Police are funded through property taxes. Why not put a measure before the voters to raise property taxes? Afraid it would fail?

This end-run, the sole point of the measure, angered many people. Continuing to avoid the main issue will only put people off.

Mayor's Proposal – the Good

Mayor Andrews recounted how the Municipal Code once allowed rate increases to be referred to the ballot, and how it was removed by the Council (because people didn't use it?).

He proposed a Code amendment to allow an increase equal to the CPI + 3%. Above that, an increase would have to go to the voters. Rate increases to support repayment of debt would be excluded (with a previous court ruling in hand to sustain this position). This is good thinking, a step in the right direction.

Transparency – the Elephant in the Room

However the is a hitch. What about future planned debt of $55 million (with $11.4 million recently drawn? Since the Point-Source Project was approved, does this protect rates increases right now for **all $55 million** or just the $11.4 million drawn? Since water systems are exempt from the municipal debt ceiling, how high is high?

The Waste Water Treatment Plant (WWTP) projected budget is based on faulty population projections, according to Yamhill County Commissioners Thus, the validity of the $55 million dollar loan application to the Clean Water State Revolving Fund (CWSRF) is suspect.

> "[T]he Yamhill County Board of Commissioners (BOC) opted to not accept the population projections Newberg planners had developed for the county and all its cities."
>
> "Despite assuming the county's overall growth rate from 2010 to 2030 would be considerably less than from 1990 to 2010, the forecast assumes Amity's, Newberg's, Willamina's and Yamhill's growth rates will be substantially higher than in the previous 20-year period and **does not back that assumption with evidence**." [Emphasis mine.]
>
> But he [Barton Brierly, Newberg Planning and Building Director] stressed Newberg's need for additional developable industrial land, which he referred to as an "immediate need."
>
> "We're concerned that the delay just extends the recession for Newberg," he [Brierly] said. Throughout the UGB amendment process he has maintained that local businesses want to expand but can't, due to a shortage of buildable industrial land.
>
> Commissioners nix Newberg's population projections for county Newberg *Graphic 11/1/11*

Based on this finding, don't you think a review of the project budget is called for?

Someone mentioned that much of the water budget is mandate driven; for example, upgrades for removing the newly discovered part-per-billion of something in potable water. When will this mission-creeping regulating stop. When is potable water clean enough. It never is if the real agenda is increasing government control of our lives.

City Manager Danicic has asserted that none of the $55 million dollars is allocated for extending recycled water use for irrigation. I studied the budget in the loan application and would agree to the extent I did not see the word recycled water or some other equivalent jargon. However, I lack the necessary technical knowledge to assert some amount could be scaled back without withdrawing

necessary components of delivering recycled water in the future.

I see recycled water as an issue needing TRANSPARENCY. Closer inspection of the loan application reveals the "need" to maintain Willamette River temperature at an optimum of 20 degrees Centigrade for some fish as a motivator to establish an expanded irrigation program.

> "The city will expand the capacity to produce recycled water."
>
> "Other innovations include strategies to reduce the temperature of the plant's discharge to the Willamette River which will help maintain healthy conditions for threatened Chinook salmon and steelhead."
>
> http://www.deq.state.or.us/news/prDisplay.asp?docID=3589

Transparency requires that you show this is valid and how much it will cost. Or is it really part of the extremist environmental agenda to control people. The EPA destroyed farming in California's San Joaquin valley to save the planet from people, that is everyone other than the elected or self-anointed elite.

Transparency requires you reveal the true agendas behind programs mandated by the state for any number of "noble" reasons. Inform us before you just roll over and incur more debt. Maybe we want you to push back for us but just can't show up at meetings. Maybe you want to be our nanny? I hope not. Good luck.

Yours in Liberty,
Hank Grum

Water Rate Study
Meeting #4

Citizens Rate Review Committee Meeting

November 30, 2011

Meeting Agenda

- Water Rate Follow-up
  - Revised rate assumptions
- Stormwater Update
  - Additional options (3 options)

Revenue Increase Scenarios

Fiscal Yr.	Month Effective	Prior	Revised
FY2012/13	1-Jul-12	**10.1%**	**0.0%**
	1-Jan-13	**0%**	**0.0%**
FY2013/14	1-Jan-14	**9.4%**	**4.0%**
FY2014/15	1-Jan-15	**0.0%**	**3.5%**
FY2015/16	1-Jan-16	**5.6%**	**3.5%**
Minimum estimated for coverage			

Key Water Considerations

- Revenue
  - Further reductions in consumptions will erode coverage
- Expenses/Reserves
  - Transfers from reserves are projected for CIP (replacement reserves <$500K in FY2015)
  - O&M cuts increase risk (limited to $500K contingency)
- Rate Structure
  - Increases in fixed charges will be perceived as rate increases for some customers
  - Increase in fixed charges will reduce revenue instability over time

Stormwater CIP (Adj for Inflation)

PROJECT	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
Master Plan	0	258,750	0	0	0	258,750
Master Plan Projects	0	0	0	277,179	286,881	564,060
Vermillion Street - Drain to Creek	152,000	0	0	0	0	152,000
MULTI FUNDED PROJECTS						
Crestview Drive Improvements	110,000	0	0	0	0	110,000
Springbrook Road (North only - S done by ODOT)	0	0	0	654,144	0	654,144
Total CIP	$262,000	$258,750	$0	$931,323	$286,881	$1,738,954
Rates	$152,000	$8,750	$0	$658,823	$161,881	$981,454
SDC	$110,000	$250,000	$0	$272,500	$125,000	$757,500

Stormwater Financial Plan*

Fund/Description	Budget 2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Balance	$744,577	$657,133	$570,324	$508,423	$234,061
Sales Revenue (existing rates)	766,458	$768,171	$769,885	$771,599	$773,377
Other Revenue					
Interest Income	3,000	3,057	2,686	1,848	930
Miscellaneous & Transfers	1,500	1,500	1,500	1,500	1,500
Total Resources	$770,958	$772,729	$774,072	$774,947	$775,806
Operation & Maintenance	$689,901	$724,537	$760,974	$799,309	$839,646
Net Revenue Avail. For Capital	81,056	48,192	13,098	(24,362)	(63,840)

*Based on 0% rate increases in all years; not sufficient to fund CIP in FY2014/15 and FY2015/16

*Would need approximately 10% annual increases in FY2014-FY2016 to cash fund CIP

Key Stormwater Considerations

- Revenue
  - Most stable of all the utilities due to 100% fixed charge
  - Sufficient to meet O&M and limited capital ($50K) in next 2 years
  - Rate increases needed to fund O&M and capital in years 3 and 4
- Expenses/Reserves
  - Reserves drawn down to fund capital in next 2 years

City of Newberg
CRRC 2011-12
Water O & M
Reductions Proposed 11/30/11

	2011-12 Original Budget	2011-12 Revised Budget	Reduction	Comments
Administration				
PW Administration Payroll	52,847	33,883	18,964	Reduced FTE from .39 FTE to .25 FTE
Conservation Program	10,000	5,000	5,000	Not to be increased for COLA
Contractual Services	40,000	-	40,000	Will not budget each year but will use Contingency if necessary
Subtotals	102,847	38,883	63,964	
Engineering				
Engineering Payroll	309,349	152,533	156,816	Reduced FTE from 3.97 FTE to 1.5 FTE
Office Supplies	1,000	500	500	Not to be increased for COLA
Dues & Meetings	5,500	1,600	3,900	Less FTE
Training & Travel	13,500	4,000	9,500	Less FTE
Contractual Services	25,000	10,000	15,000	Not to be increased for COLA
Books & Publications	2,500	300	2,200	Not to be increased for COLA
Recording Fees	150	150	-	Not to be increased for COLA
Subtotals	356,999	169,083	187,916	
Operations				
Operations Payroll	610,955	500,883	110,072	Reduced FTE from 6.38 FTE to 4.5 FTE
Office Supplies	1,000	800	200	Not to be increased for COLA
Postage	4,200	4,000	200	Less FTE
Uniforms	1,200	1,000	200	Less FTE
Dues & Meetings	3,500	3,000	500	Less FTE
Training & Travel	8,250	7,000	1,250	Less FTE
Contractual Services	35,000	30,000	5,000	Not to be increased for COLA
Operating Supplies	76,195	75,000	1,195	Not to be increased for COLA
Fuel	5,000	4,000	1,000	Less FTE
Vehicle Maintenance	4,500	2,500	2,000	Less FTE
Equipment Repair & Maintenance	75,000	70,000	5,000	Less FTE
Building & Grounds Maintenance	4,000	3,500	500	Less FTE
Subtotals	828,800	701,683	127,117	
Distribution System				
Distribution Payroll	573,775	553,608	20,167	Reduced FTE from 6.98 FTE to 6.73 FTE
Water Meters	100,000	20,000	80,000	Replacement only. All radio read now
Water Meter Installations	25,000	20,000	5,000	Replacement only. All radio read now
Waterline Repair & Maintenance	150,000	50,000	100,000	Combined 3 accounts into 1 and reduced funding
Subtotals	848,775	643,608	205,167	
Totals	2,137,421	1,553,257		
Total Reduction			**584,164**	

City of Newberg
Summary of O&M Projections
Water Rate Study

	FY2012/13			FY2013/14		
	Prior	Revised	Difference	Prior	Revised	Difference
Personnel Services	$1,528,548	$1,316,004	($212,544)	$1,621,098	$1,395,901	($225,198)
Salaries	$993,732	$848,561		$1,043,497	$891,062	
Benefits	$534,816	$467,443		$577,601	$504,839	
Materials & Services	$1,396,886	$1,118,347	($278,539)	$1,454,610	$1,153,134	($301,476)
Central Services	$547,250	$547,250	$0	$580,085	$580,085	$0
Capital Outlay	$75,957	$75,957	$0	$75,995	$75,995	$0
Total	**$3,548,641**	**$3,057,559**	**($491,082)**	**$3,731,789**	**$3,205,115**	**($526,673)**
Minimum needed for Debt Coverage			***($397,451)***			***($568,236)***