



Citizens' Rate Review Committee

A G E N D A

November 10, 2009

7:00 pm

**Wastewater
Treatment Plant**

**2301 Wynooski Road
Newberg, OR 97132**

- Call to Order
- Roll Call
- Approval of Meeting Minutes
- Present Wastewater Rates
- Town Hall Meeting in January
- Public Participation
- Mayor's Clarifying Comments
- Adjournment

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Chair Matson Haug
Beth Keyser
Charles Zickefoose

Ernie Amundson
David Maben

Mike Gougler
Tony Rourke

Staff Present:

Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Deb Galardi, Galardi Consulting
Jennifer L. Nelson, Recording Secretary

Others Present:

Helen Brown Don Clements

1. Call to Order/Roll Call/Introduction

Chair Matson Haug began the meeting at 7:00 pm and asked for the roll call.

2. Proposed Utility Bill Grant Program

Chair Haug wished to go over changes to the brochure and had Charles Zickefoose read his feedback concerning the draft proposed utility bill grant program procedure. Discussions followed concerning implementation of the Citizens' Rate Review Committee (CRRC) role.

Motion #1: Zickefoose/Gougler to recommend City Council adopts the proposed draft policy to implement the Proposed Utility Bill Grant Program CRRC procedure.

Janelle Nordyke spoke of all policies being placed into one standard operating procedure book because they are dealing with more than just the one grant. Charles Zickefoose replied this was the only one addressed to the CRRC. David Maben added this is the only one that involves another organization; other requests come individually to the City.

Tony Rourke asked who deems it necessary to conduct interviews. Ms. Nordyke replied that if a non-profit agency providing utility assistance, such as YCAP is involved, they can apply for a grant from the City and then the individuals needing assistance would go through the non-profit organization first. The CRRC would not be approving the individual.

Chair Haug spoke of there being a need to publicly review any requests for dispersing funds and this being the public body appointed to complete that review.

Beth Keyser suggested requiring all applications to be made within a specific time frame and then review them all at the same time at a scheduled CRRC meeting. She believed this would allow for equal distribution between all applications in need at the same time. Discussions followed concerning the benefits of creating a limitation versus the idea of "first come, first serve" and what would be the best time frame to receive applications.

Motion #2: Keyser/Maben to amend the proposed utility grant program procedure to establish a start and stop time for the application period from May 1st through June 30th with all applicants being reviewed at one time by the CRRC during the July or August scheduled meeting.

Motion #3: Rourke/Gougler to amend the amendment to the proposed utility grant program procedure by establishing an additional time frame from now until November 30, 2009 to accept grant application requests within the current fiscal year to be reviewed at a regularly scheduled CRRC meeting following the deadline.

Vote #3: (6 Yes/0 No/1 Abstain [Amundson]) Motion carried.

Vote #2: To amend the policy as amended. (7 Yes/0 No) Motion carried.

Vote #1: To recommend City Council adopt the proposed draft policy to implement the Proposed Utility Bill Grant Program CRRC procedure as amended. (7 Yes/0 No) Motion carried.

3. Continuation of Water Rates Discussion:

Deb Galardi presented the staff report including a PowerPoint (see official meeting packet for full report).

The discussion started with debt service coverage and the need for annual net revenues to generate in excess of the actual annual debt service, the projections for fiscal year 2010/11 are at a deficit of some \$580K which needs to be reduced by either increasing gross revenue or decreasing spending. Trends were reviewed with historical rate increases, price elasticity, weather impacts, and economic impacts. For every \$100K reduction in System Development Charge (SDC) revenue to promote economic development in 2009 correlates to a 2.5% increase to the rates; so the \$480K reduction in SDCs has to be made up for someplace.

Chair Haug stated that it was the policy of this committee to determine a fair allocation of those costs. Ernie Amundson added he felt it was also necessary for the committee to represent the citizens' interests, not the City's. Ms. Galardi mentioned there are benefits with an increased tax base and new water bills from the new homes would also be factored into the balance.

Ms. Galardi continued with the staff report by reviewing the revised schedule of Capital Improvement Projects (CIP), Capital funding sources, and preliminary rate increases. She showed how \$4.36 million would be needed from rates (net of debt service) if no new debts incurred. The only options would be to further defer capital projects, reduce operation & management (O&M) costs, or growth needs to make up for the 12% projected rate increase.

Tony Rourke spoke of impacts of Springbrook 24" Mainline upsizing being needed for the Austin property. Howard Hamilton discussed how development on that property has been deferred because of the economy and they can only speculate on maybe 50 houses being built in 2010 and maybe 250 in 2011. If the 250 permits were pulled, then the upsize would be put in the following year.

Ernie Amundson asked if the rates would be raising 50% over next 4 years. Ms. Galardi said this was correct according to the preliminary results and it is a matter of balancing the risks of deferring certain capital projects.

Howard Hamilton discussed critical projects like reservoirs that do not meet seismic standards and replacing mainline valves so small areas can be isolated for waterline repairs. Discussions followed about the Potable Zone 1 Reservoir Study and CIP project.

Ernie Amundson spoke of penalizing current rate payers for future residents of new homes. Ms. Galardi mentioned reimbursement fee money collected through future SDCs being used for any kind of capital improvements and the rates would not have to increase to pay for those kinds of things. Mr. Hamilton added that costs are never flat nor do they go down, they are always on the rise such as electric utilities, the costs for federal and state fees, additional required testing and dramatic chemical cost inflation.

Tony Rourke asked what could be done if they were asked to cut \$4 million more out. Mr. Hamilton stated they would shove projects further into the future, defer O&M wherever possible and at some point we would reach a minimum safe production buffer capacity, at that point we could not have any additional customers or increases to demand and then they would have to declare a moratorium on growth.

Don Clements mentioned how a city must have a plan in order to declare moratorium and the federal government usually steps in as well. He said that raising the rates is not the problem; it is how fast they are raised.

Mike Gougler said they can't just keep raising rates; they have to cut costs, too. He said the rates weren't raised for ten years and now there is a question of how to fund needed projects.

Don Clements asked if SDCs can be used to pay for debt coverage. Ms. Galardi said that they can but cannot be relied on for debt payment; rates have to be enough to pay for debt, O&M, and coverage. Rates have to be high enough to cover costs if the SDCs do not come in.

Ms. Galardi continued with the staff report by discussing the cost of service rate issues and special rates, including the Springs customers' rate with a four year phase in and the reclaimed water rate. She covered allocation of O&M costs, costs to service parameters, peaking factors, and the next steps in the process.

4. Public Participation:

Chair Haug passed around a sheet of paper for winter averaging considerations concerning establishing a sewer rate when moving from one house to another. An issue came up when a citizen, Dan Schutter, requested being able to keep the old rate when he moves to a new home.

The four possible choices given to resolve this request were: 1) to keep the same established rate as the previous residence; 2) use the rate of the new residence; 3) use the number of people in the household to set the rate; and 4) make a bill adjustment up or down according to the difference between the rate established at the next December–March period and the rate established when moving into the new residence.

Discussions followed about whether someone would be requesting this if they moved out of town or into town from another area and how much extra work it would make for the Finance Department to change the policy or to make exceptions by request.

Motion #4: Rourke/Zickefoose to keep the current policy in place. (7 Yes/0 No) Motion carried.

5. Approval of Meeting Minutes:

Motion #: Amundson/Gougler moved to accept the meeting minutes from September 30, 2009. (7 Yes/0 No) Motion carried.

6. Adjournment:

The meeting adjourned at 9:19 pm.

Approved by the Citizens' Rate Review Committee this 10th day of November 2009.

Recording Secretary

Citizens' Rate Review Chair

DRAFT

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Beth Keyser	Charles Zickefoose	Mike Gougler
David Maben	Tony Rourke	
Mayor Bob Andrews, Ex-Officio		

Members Absent: Ernie Amundson (excused)

Staff Present:

Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary

Others Present: Richard Boyle

1. Call to Order/Roll Call/Introduction

Chair Haug called the meeting to order at 7:02 p.m. and asked for roll call.

2. Approval of Meeting Minutes:

Motion #1: Gougler/Zickefoose moved to accept the minutes from the October 7, 2009, meeting. Motion passed unanimously by voice vote. (6 Yes/0 No/1 Absent [Amundson]).

3. Utility Bill Assistance Program:

Janelle Nordyke informed the Citizens' Rate Review Committee (CRRC) that the flyers went out with the utility bills for the Utility Bill Assistance Program. She received one request from a military spouse for the program.

Chair Matson Haug asked if they will need to make any decisions on the program at the meeting this evening. Janelle Nordyke responded they would only need to make a decision if there will be changes to the policy.

Chair Matson Haug asked for a reminder of what was agreed upon for approval of the voucher system in order to keep the CRRC involved. He was thinking they had decided on an open ended period of time for enrollment at which the CRRC would review things and then provide the final approval. It was agreed that is what was decided.

Mayor Andrews asked if they are looking at policy change or a process change. Chair Haug replied they are looking for a process change. Charles Zickefoose clarified they are looking to establish a method using a voucher program similar to the system used by Yamhill County Assistance Program (YCAP). The selection process would be decided by the CRRC. They would establish a method for the voucher process.

Mayor Andrews commented if they are talking about a policy change then the policy would have to be adopted by the City Council. This would require them to have the City Council review the policy changes.

4. Conclude Water Rates:

Deb Galardi began her presentation to conclude the water rates. She began by saying as they evaluate the information presented they will revisit the role of the CRRC and the guiding principles. The guiding principles are:

- Equitable funding from rates / SDCs
- Rates consistent with revenue needs
- Rates encourage efficient use of resources
- Rates based on consistent cost of service analysis
- Costs recovered from customers in proportion to use

The CRRC will make recommendations based on what they think the needs are in the community. The concern of all Newberg Citizens is affordability of the rates.

Chair Haug asked if the guiding principles have been officially adopted by the CRRC. He went on to say the committee can recommend City Council formally adopt the guiding principles. Deb Galardi added it may have been a part of the original committee that was established. Chair Haug asked the CRRC if they are okay with recommending the City Council adopt the policies. The CRRC agreed they would be okay with that.

Deb Galardi went on to say she worked with Howard Hamilton as well as other staff members to go through the utility operating budget. They made some modifications that would impact the future years as well. Due the reductions in the cost of living they have reduced the assumed costs. The best they can do is look at the trends in the last couple of years. The central services costs were reduced significantly in the current budget as well. They did see some savings related to an emergency manager position which was later eliminated allowing for an overall reduction in cost. They went through the budget line by line and made sure they considered the minimum cuts they would be able to get by with.

Chair Haug asked the CRRC if they need more details. He went on to ask if they want to spend more time on the subject. Mike Gougler stated budget assumptions are best suited to be made by the budget committee. Mayor Andrews pointed out they can make recommendations based on assumptions but that may not be how they determine the rates later.

Tony Rourke asked Deb Galardi to run through the revised CIPs. She responded by providing details in regards to what drives the rates for each project listed in her presentation. She went on to say the total impact for a three year period will be about 5.5 million dollars. We pushed out around one million dollars primarily through the Public Works Building Design and Construction and the Crestview Drive Project. The only growth project in the works is the design of the Springbrook Project and the land purchase for the water treatment plant.

Chair Haug asked Howard Hamilton for the pros and cons of the changes made. Howard Hamilton reminded the CRRC in the last meeting they asked about stimulus and grant money. He went on to ask if they are still interested in hearing more about that. He distributed a handout with general financial assistance information. For the most part Newberg is not eligible for this kind of assistance.

Chair Haug asked if there are there any changes looking ahead they can make that would allow Newberg to qualify later. Howard Hamilton stated we need to keep the Master Plans updated. We just had our Wastewater Master Plan approved this month. It was submitted two years ago and the DEQ is recommending the next update in five years. Tony Rourke asked if we are up to date with our Master Plans. Howard Hamilton stated we are now. He went on to say you have to update the master plan financials within one year of the date of loan/grant application. Chair Haug asked if there are actions they can take that would qualify us for grants in the next five years. Howard Hamilton stated in the case of water there is nothing we can do this year or the

next. To be eligible in the future we would need to acquire property, complete pre-design regulatory requirements and planning for a reservoir or treatment plant.

Chair Haug stated we have pushed out some projects and went on to ask what the negative consequences of that are. Howard Hamilton stated the projects were adjusted out in response to the current reduction in water use and slowdown in development and we do not see any negative consequences in the next two years.

Deb Galardi continued with the rate increase options for fiscal year 2010/11. She went on to say with an 11% rate increase they would just meet the minimum requirements of O&M coverage, debt service and a conservative CIP but not build upon reserves. It is tied to consumption and they have seen the trend going down. They feel they have cut it as much as they can. There is not an easy way to get it down below a double digit rate increase.

Chair Haug clarified if they delay the rate increase from July 01 to January 01 it would have to be a 32% increase. Deb Galardi confirmed that is correct. Chair Haug went on to asked for clarification on that assumed rate increase. Deb Galardi stated this rate is this high because it makes up for lost revenue during the high consumption half of the year and would cover O&M, debt service and a conservative CIP but not build reserves. If the proposed rates are not adopted it is possible to default on the existing loan obligations.

Chair Haug asked for clarification on how they would calculate the cost on a smooth rate increase which is the same rate value each year. He went on to ask for comments from each CRRC member. Charles Zickefoose stated he would favor the smooth because it is more palatable. Mike Gougler agreed with Charles. He went on to say we are passing on something that will be difficult for City Council to understand and we now have something that can be explained well and understood. Beth Keyser stated she agrees with Mike Gougler and Charles Zickefoose. David Maben stated the public would like the minimum at 6%. They are not going to understand why it would go to 16% the next year. Tony Rourke stated he would add the public would not understand why they can't smooth the rates out over several years. He went on to say the committee would like to fund future projects which would be made possible with the smooth rather than the minimum. It would be nice to have a smoothing out over time. Chair Haug stated he is in favor of the July 01 move. He went on to say the City Council would have a difficult time with the January 01 level of increase.

Beth Keyser asked if there was adequate education provided to help the City Council understand why the rate was increased last year. Chair Haug stated the CRRC needs to make sure the City Council understands the issue. Mayor Andrews pointed out the City Council initially accepted the recommendations by the CRRC last year until the political realities came into play. They ended up with a significant reduction as a result. Tony Rourke made sure Beth Keyser understood the City Council had been educated.

Mike Gougler stated the job of the CRRC is easy. The City Council has a different responsibility. They have to answer to the public. They made a decision as the elected officials to reduce the rates. The job of this committee is to present the information and educate them the best we can.

Mayor Andrews stated he wants to put out for discussion how the CRRC can assist the City Council in getting a solid educational format for the public. Chair Haug reminded the CRRC and the Mayor they made a recommendation for a joint session with the City Council for that purpose.

Beth Keyser clarified her question earlier was for the purpose of helping the City Council educate the public. Tony Rourke stated they attempted to educate the public with advertisements in a variety of media outlets. The public indicated they do not notice the information on the bills and they do not all read the graphic or access the City website. Mike Gougler stated we cannot be successful if we keep trying to appeal to the lowest common denominator. They are going to respond to what they hear others saying. He went on to say if you want to influence public policy and assure your recommendation is heard, show up for City Council with more people

in support of the issue rather than against. He recommended all CRRC members each consider bringing three friends to the meeting.

Deb Galardi went back to her slides focusing on the allocation of costs to service parameters. She continued her presentation saying if everyone used water the same all year they would pay the same rate but they rarely use water the same. The maximum use per day would drive the difference in volume rates by customer classes. She went on to talk about the minimum rates as the existing structure. She took the committee through the current and preliminary costs as noted on the slide. The meter charge increase is to offset the decrease. The bulk of the increase falls on the volume rates. The customer service costs don't increase much from year to year. She presented a chart for the peaking factors and rates for each class. She explained to the committee how to read the chart. She went on to say the industry standard approach is to group customers with standard use factors. They took an average of the historical data for use. There are some significant shifts therefore the irrigation and public class had some significant increases in their peaking factors. That includes some system wide rate increases of around 11%.

Tony Rourke asked if the peaking factors would adjust from year to year. Deb Galardi stated they would stay from year to year. She went on to say once you get through the major shift in the first year it will go up to the system wide average.

Mayor Andrews asked if re-use rate is different than the irrigation rate. Deb Galardi stated the rates are different.

Janelle Nordyke stated an example of a public agency would be the City and school district. The baseball field would be an example of irrigation and the hospital would be a public agency.

Beth Keyser asked where CPRD gets their money from. The CRRC clarified all agencies get their money from taxes.

Chair Haug asked if the spring's class is outside the City. Howard Hamilton stated it is in the county. He went on to explain the springs is a separate rate class. Chair Haug asked what the City Council's decision was on sharing costs with the springs. Howard Hamilton stated they had a CIP project in which the City picked up half the cost and the spring's picked up the other half of the cost.

Mayor Andrews asked if the 11% in the smoothing would really be 11.2% for single family residential. Deb Galardi clarified he is correct. She went on to say the single family residential bills are calculated based on estimated use. Newberg would be based on the 11% rate. We will likely have rate increase next year as well. The current rate is \$34.61.

Chair Haug asked Deb Galardi to clarify that she took the numbers from the existing scenario and used them to ensure they brought in the same amount of money. She confirmed he is correct. She went on to say that elasticity assumption comes in at that time. It is more elastic with summer usage which includes water for irrigation purposes. She then presented a slide showing what would happen with the minimum bills using the inclining block. She explained that on many accounts throughout the year people would actually see a reduction.

Chair Haug asked her to clarify with a conservation plan, a family conserving water may actually see a reduction in their bill even with the rate increases. Deb Galardi confirmed that is correct.

Mayor Andrews asked how it would work with a smoothing and a January 1, 2010 start date. He went on to ask how that would impact the 32% under smoothing. Deb Galardi explained how you would not see any bill decreases and would see some increase.

Chair Haug raised the question for the CRRC to think about what they are going to do for households they later determine are being hit with a 50% increase and what the consequences of that would be. Mike Gougler stated he would prefer to wait until they find out if the plan makes financial sense.

Deb Galardi continued her presentation with details on the residential inclining blocks. She went on to explain there are other options available they can look at as to how they want to set up the structure.

Howard Hamilton recommended they might consider a January 1, 2010 date to implement the rate structure if implementation is deemed prudent. Chair Haug asked Howard Hamilton to confirm he is suggesting they adopt the rate structure in the low usage time. Howard Hamilton stated that if the CRRC decides to propose implementation it would not be such a big surprise to the citizens.

Deb Galardi went on to share the items to consider are related to revenue as well. They can encourage people to use less which will impact the revenue they would have to increase rates even more.

Deb Galardi went on to explain that they would be looking at a life line rate. They can't make the assumption that low volume usage equates to low income. Chair Haug stated they are shifting the cost so lower volume users do not have to pay as much. Deb Galardi went on to say if you are going to do this you need to plan for additional reserves in case the plan is not correct. It becomes more difficult to project the outcome. Deb Galardi went on to say another best practice would be more frequent rate reviews. There is a correlation with those using more water driving the system peaks. What they want to encourage is efficient water usage rather than water conservation. She went on to explain the inclining block rate structure penalizes those who use more.

Motion #2: Gougler/Rourke moved to recommend to City Council to adopt a smooth rate of 11.2 projected over four years to include a one page summary of the consequences of acceptance. (6 Yes/0 No/1 Absent [Amundson]). Motion carried.

5. Conclude Water Conservation Plan

Deb Galardi continued with her presentation stating there was a directive from City Council that a recommendation was made by the CRRC on water conservation rates. She went on to share the national water use statistics stating you want to encourage people to use water efficiently. You don't want to penalize people for their indoor use since this is driven by things like the number of occupants in the household. In considering the chart for national statistics, she had to choose where to set the blocks. She continued with her presentation by sharing how she determined where to set each block. Once the use is over 1500 they assume you are irrigating. The idea is to encourage people to use less.

Mike Gougler stated he has a strong feeling Newberg does not want to implement the water conservation program as described at this time. He went on to explain that type of program is usually driven by supply shortages. If they restrict their use they are crippling the ability to provide additional supply. He proposed they do not recommend the plan as described. Instead they recommend City Council look at providing more ways for efficient water use. If they were to reduce the revenue by encouraging less use it would reduce the amount of money and improve the system infrastructure. This would provide more usable water when it is needed.

Chair Haug stated the inkling block scenario would not be equitable. He went on to say it would not be fair to higher volume users with no purpose but to shift the cost.

Mike Gougler asked if they are going to make a recommendation for the declining blocks conservation plans. Chair Haug replied they do not want to use the declining block rate. He went on to say they do not want

aconservation plan where they use finances to discourage water use. They are not going to use financial punitive measures.

Motion #3: Gougler/Rourke moved that under the directive to the CRRC by the City Council to investigate and make recommendations concerning a conservation rate structure, the CRRC does not recommend a conservation program based on rate structure to be considered at this time. (6 Yes/0 No/1 Absent [Amundson]). Motion carried.

6. Council and CRRC Work Session:

Chair Haug asked Mayor Andrews if they are going to need to sit down with City Council. Mayor Andrews stated that the idea is for the CRRC to float the topic with the public. He recommends the CRRC would consider hosting a town hall meeting to get feedback from the public. This may be the way to build the backing they can then bring to the City Council meeting. He went on to explain when you have only people in a meeting against an issue and none in support of your plan it makes getting support from the City Council difficult. He would encourage them once they have the pieces together to have one or two town halls to get the feedback to help them determine if they want to reexamine the plan before bringing it to City Council.

Chair Haug asked how much time City Council needs to determine the rates. Howard Hamilton stated the schedule shows the final meeting to wrap up the plans will be January 6, 2010. The notice will need to be mailed to the public on January 18, 2010, with the public hearing scheduled for January 27, 2010.

Chair Haug recommended they could run the public hearing as a work session similar to the setting for the CRRC meetings.

Howard Hamilton pointed out the City Council directed a mailing be done after what transpired last year.

Chair Haug stated he is concerned they are not going to get anyone to show up at the meetings until the issue gets to City Council. He recommends they advertise why they are recommending rate increases.

Tony Rourke asked if they would have City Council at the public hearing that is conducted by the CRRC. Mayor Andrews stated they would since they are looking for education.

Beth Keyser agreed stating the CRRC needs to back up the City Council. She went on to say they need to do a presentation for the public and include the City Council.

Mike Gougler stated he thinks the only way to get the public to a CRRC meeting is to invite the press and get them to make an announcement. He went on to say they need to make sure they know they can come with questions and concerns. They would need to have this covered on the front page. The CRRC also needs to personally invite neighbors and friends. The people need to be at the City Council meeting in approval of the plan. Currently the only people who come to the public hearing are those who are oppose to the plan.

Chair Haug recommended they present comprehensive scenarios as to why they are making the recommendations. They need to make the complete package clear. He went on to state they would agree to continue this discussion at the next meeting.

7. Public Participation:

Richard Boyle stated he thinks you have to raise rates to show you have an aging infrastructure. He went on to say that every jurisdiction is raising rates at this time. He recommends they need to stand up and say this is our town and we are doing what has to be done.

The next scheduled CRRC meeting will be November 10, 2009 at 7:00 p.m. Beth Keyser and Charles Zickefoose have asked to be excused from the November 10, 2009 meeting.

8. Adjournment:

The meeting adjourned at 9:25 p.m.

Approved by the Citizens' Rate Review Committee this 10th day of November 2009.

Recording Secretary

Citizens' Rate Review Chair

DRAFT