



**CITIZENS' RATE REVIEW COMMITTEE AGENDA
WEDNESDAY, JANUARY 22, 2014
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

1. Approve CRRC Minutes for November 6 and 21, 2013.
2. Updated CRRC Calendar

V. CONTINUED BUSINESS

1. Conclude Wastewater Rates

VI. ADJOURNMENT

Next Meeting: February 5, 2014 at 7 pm at the Public Safety Building. Present Stormwater Rates

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 (503) 554-7793.

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
WEDNESDAY, NOVEMBER 6, 2013
7:00 PM MEETING
NEWBERG PUBLIC SAFETY BUILDING (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: Blair Didway, Vice Chair Helen Brown Mike Gougler
Rick Rogers Charles Zickefoose
Mayor Bob Andrews, ex-officio

Members Absent: Tony Rourke, Chair (excused) Ernie Amundson (excused)

Staff Present: Lee Elliott, City Manager Pro Tem Janelle Nordyke, Finance Director
Jay Harris, Interim Public Works Director DawnKaren Bevill, Minutes Recorder

Others Present: Deb Galardi, Galardi Consulting, LLC

III. PUBLIC COMMENTS

No comments were brought forward.

IV. CONSENT CALENDAR

Approval of October 9, 2013, minutes

MOTION: Gougler/Zickefoose moved to approve the October 9, 2013, Citizens' Rate Review Committee meeting minutes. Motion carried (5 Yes/0 No/2 Absent [Amundson, Rourke]).

V. CONTINUED BUSINESS:

1. Water Rates

Ms. Deb Galardi, Galardi Consulting, LLC, stated the water treatment plant expansion is a large project estimated at \$24 million. The master plan update is scheduled for 2016 and will determine more precise timing of the project. The zone one reservoir will buy time for the needed expansion and most of the existing debt will be retired in years 2026-2027, about the time the expansion will take place. Building capacity within the rates and system development charges will be needed to prepare for funding the expansion. Debt financing for large projects needs to be consistent with the city's financial policies. Long-term borrowing will be confined to capital improvements too large to be financed from current revenues and to avoid depleting the capital reserve funds. Financing needs to be consistent with industry standards, spreading the costs of the capital improvement projects over a 20-30 year period, thus matching the costs to both existing and future customers. Balancing rate impacts can be short term for fiscal years 2015 to 2017, or long term for fiscal years 2028 to 2048. Financing costs add approximately \$16 million to \$24 million in project costs. A proposed short-term funding plan is to utilize cash for the five-year capital improvement projects; increase the building rate capacity to fund the water

treatment plant reserve, beginning in 2017, raising \$8 to \$10 million by the time we need to build the plant; as well as using system development charge revenues and utilizing existing debt capacity to fund the remaining \$12 to \$14 million. Projected revenue increases are 9.5% for fiscal years 2015–2018, allowing for cash funding at approximately \$11.5 million in projects and begin funding the water treatment plant reserve in fiscal year 2017-2018. All rate scenarios include 9.5% annual revenue increases, reflect updated customer use characteristics, and reflect current cost structure. Ms. Galardi reviewed two scenarios, fixed revenue percentage increases to 25% revenue from fixed charges in fiscal year 2016 and fixed revenue percentage increases to 30% revenue from the fixed charges in fiscal year 2016. The committee discussed the two scenarios, the suggestion of looking to various classes of users and if they need to bear a greater rate burden, the consequences of past decisions regarding not preparing for the water treatment plant expansion, being informed on the repercussions of raising the rates, and explaining the information to the public that the current rates do not support the upcoming capital improvements.

VI. NEW BUSINESS

No new business was brought forward.

VII. ADJOURNMENT

Chair Rourke adjourned the meeting at 8:57 PM.

Approved by the Citizens' Rate Review Committee on this 22nd day of January, 2014.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
WEDNESDAY, NOVEMBER 21, 2013
7:00 PM MEETING
NEWBERG PUBLIC SAFETY BUILDING (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 Helen Brown Mike Gougler
 Rick Rogers Charles Zickefoose Ernie Amundson
 Mayor Bob Andrews, ex-officio

Members Absent: Blair Didway, Vice Chair (excused)

Staff Present: Lee Elliott, City Manager Pro Tem Janelle Nordyke, Finance Director
 Jay Harris, Interim Public Works Director Nicole Tannler, Minutes Recorder

Others Present: Deb Galardi, Galardi Consulting, LLC; Donald Guthrie; and Robert Soppe

III. PUBLIC COMMENTS

Chair Tony Rourke moved the public comments to follow New Business.

IV. CONSENT CALENDAR

1. Update CRRC (Citizens' Rate Review Committee) Calendar

Chair Rourke stated some topics have been moved around on the calendar but no dates have been changed.

V. NEW BUSINESS

1. Spring Rates

Mr. Jay Harris, interim public works director, and Ms. Deb Galardi, Galardi Consulting, LLC, presented the report including a PowerPoint presentation (see official meeting packet for full report).

Mr. Rick Rogers asked if the lead and copper lists are individual houses. Mr. Harris replied yes, public works calls to ask if we can test the water, then staff lets the water sit in the pipe, takes a sample, and takes the sample to the lab.

Mr. Charles Zickefoose asked what the 50% was referring to. Ms. Galardi responded the annual depreciation with half of depreciation and half of return on investment; the same is with erosion control.

Mr. Mike Gougler asked that if the customers were in charge of their own water district, would they be held to the same standards. Mr. Harris said yes, the city's entire system is checked regularly.

VI. PUBLIC COMMENTS

Mr. Donald Guthrie testified he built his home in 2008 and at that time council decided to put the home on the springs system. He is concerned there is a discrepancy in rates from the other water system. He asked why the springs have a \$350,000.00 requirement for improvements. He asked if in 2008, the State knew the council intended to approve a resolution restricting the system when it was in place on the city's system. He asked why bring in the \$350,000.00 now when it was already there. Mr. Guthrie stated he has requested from Mr. Harris a map of the lots and addresses and has not been given an accurate one. He thinks the city should reconsider based on the fact springs customers are paying three times the rates of the other systems. This will definitely upset the residents and they deserve an opportunity to know what is happening.

Mr. Robert Soppe stated he believes the 2008 resolution was clear as to how costs would be allocated and his goal is to make sure this resolution will be followed appropriately. The capital would be paid for half by the springs users and half by the rest of the users. The resolution does not state this split directly and he believes it is included as accepting the CRRC recommendation. Beyond that project all costs, including operating, were to be paid for by rates in the springs class. He asked if this has been maintained. When this was brought to the council in October, 2013, the memo said the cost was \$90,000.00 and the revenue was \$61,000.00. These numbers have since been revised and are much closer to each other. Mr. Soppe stated his concern is, if proper accounting is not done, these previous shortfalls and burdens will fall on non-springs users. While this recommendation covers future shortfalls, it does not cover the past shortfalls. The cost overrun was paid for by the non-springs users; this is not consistent with the 2008 council resolution and needs to be resolved. It does seem to have been addressed in tonight's recommendation. The resolutions also stated the rate increases will be phased in over four years and that the shortfall would eventually be made up by springs users. He said he trusts the rates will be consistent with this recommendation and include this expense as the resolution stated clearly all expenses would be covered by rates. The ability to transfer to drawing water directly from the Willamette River was not brought up and should be looked into. His last concern is the ongoing liability for the 2008 project that will take 30 years to be paid.

Mr. Rogers asked if the committee is projecting \$132.00 per water bill in the springs system, how does that relate to city users. Ms. Galardi said for an average residential customer their bill is about \$44.00. Mr. Rogers said he does not recall a well notice coming to his home and residents should be notified of these meetings. He also asked if \$350,000.00 would cover the improvements. Mr. Harris replied as for the cost of the project, he has worked on preparing the bid even though he does not have a complete set of plans. He has asked the contractors for their best estimates and will have a better idea as the project goes on. He continued stating he is currently compiling an updated list of residents because he sent notice to the 2008 list he found.

Chair Rourke stated council makes the decisions on the rates. He thinks it makes sense to submit a recommendation, but they need to show the rates based on what council chooses. He is not quite sure, so council needs to answer questions about disconnects since 2008. The cost at present is if the city continued to run the springs system, but if the rights are turned over to the residents, how would council know if they need to make improvements. Mr. Harris stated there is no doubt the improvement project will happen because of State monitoring; although it could be done differently. Corrosion control is not as ideal as chlorinated water, so suggested a smaller water purveyor could reduce cost.

Mr. Gougler asked if the costs of servicing the springs are the same as servicing the wells. Ms. Galardi said the system is PVC and is in mediocre repair. Staff is constantly repairing things at the springs and involves more work.

Mr. Rogers asked in future city planning, is there anything we can do with future residents and if it could solve the problem by connecting them to city water. Mr. Harris answered new residents are required to be on the city

system. That was analyzed and a majority of users could be connected, but there would need to be significant pipe updates. It is more expensive than corrosion control, costing up to \$1 million.

Mr. Harris said there are four zones and zone four is the highest one used. The existing urban growth boundary has three other pressure zones that are used by a small percentage of the population. They will need to put in a reservoir eventually. He said it would be a good proposition to slowly move people off springs water and move them to city water.

Mr. Rogers asked if there was such a reservoir, where would the water come from. Mr. Harris answered the water would come from the North Valley Reservoir. He said it is in the city's best interest to eventually install one large reservoir.

Chair Rourke asked if rates would change for people left on the system. Ms. Galardi responded yes, the rates would increase, but operation and maintenance costs would remain the same.

Mr. Harris stated they currently receive hardship requests for out of city customers and staff can only work with infrastructure built before a certain date. There is potential for customers to be added, which would reduce costs for everyone. Mr. Gougler asked if a limit can be placed on a common well. Chair Rourke answered no more than three. Mr. Gougler said either annexation or decoupling from the city and running the system themselves seems like a good resolution. He knows in other states, when there is an emergency, there are emergency annexations and the state is allowed to take over due to lack of septic control.

Chair Rourke said the committee needs to recommend to the council whether to split the cost 50/50 or take 100% of the cost. Mr. Rogers recommended continuing on the historical precedence. He thinks if it is going to be more than \$350,000.00, the spring costumers should take on some of it.

Chair Rourke asked if the revenue from the 2007 rates are accounted for in the \$350,000.00. Ms. Galardi answered some of the cost is covered because the amount of water usage has increased. Ms. Galardi stated the additional cost associated with the project cost at \$700,000.00 is \$27,000.00 per year, which is only a \$7,000.00 increase. The capitol cost is covered, but the operating and maintenance cost is not. Chair Rourke said so we are still short \$30,000.00.

Mr. Gougler stated he proposes revised rates based on the 50% scenario provided. As a condition for that rate, city and springs customers need to devise a divestiture plan or give customers the opportunity to look at other options. It seems likely, if they ran it themselves, they would be able to run it for less. There should be a way of working towards annexation to connect to city water and sewer.

VI. ADJOURNMENT

Chair Tony Rourke adjourned the meeting at 9:03 PM.

Approved by the Citizen's Rate Review Committee on this 22nd day of January, 2014.

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Citizens' Rate Review Committee
Meeting Schedule – Revised 01/22/14
Public Safety Building Training Room
(401 E. Third St)
7:00 p.m.

These Topics may be subject to revision, based on Council agendas

<i>DATE</i>	<i>TOPIC</i>
October 9, 2013	Introduction
October 24, 2013	Present Water Rates
November 6, 2013	Conclude Water Rates
November 21, 2013	Present Springs Rates
December 11, 2013	Conclude Water Rates and Springs Rates
December 19, 2013	Conclude Water Rates
January 8, 2014	Present Wastewater Rates
January 22, 2014	Conclude Wastewater Rates
February 5, 2014	Present Stormwater Rates
February 12, 2014	Conclude Stormwater Rates / Present Rate Increases for all Funds / Final Wrap-Up / Town Hall Preparation
February 25, 2014	Town Hall Meeting for W, WW, SW at Public Safety Building
March 5, 2014	Town Hall Debrief / Springs Rate Increase
March 18, 2014	Town Hall Meeting for Springs at PSB
April 02, 2014	Town Hall Debrief / Recommend Rates to City Council