

**CITIZENS' RATE REVIEW COMMITTEE AGENDA  
WEDNESDAY, APRIL 02, 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 the following minutes:

December 11, 2013	February 12, 2014
December 19, 2013	February 25, 2014
January 8, 2014	March 5, 2014
January 22, 2014	March 18, 2014
February 5, 2014	

**V. CONTINUED BUSINESS**

1. Staff recommend Water, Wastewater, Stormwater rates
2. Deliberate Water, Wastewater, Stormwater rates with motion
3. Staff recommend Springs rates
4. Deliberate Springs rates with motion
5. Final overview on rate recommendation to City Council

**V. FINAL STEPS IN PROCESS**

1. City Council Public Hearing Monday, May 5, 2014

**VI. ADJOURNMENT**

*ACCOMMODATION OF PHYSICAL IMPAIRMENTS: In order to accommodate persons with physical impairments, please notify the City Recorder's office of any special physical or language accommodations you may need as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please call (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.**

**CITY OF NEWBERG  
 CITIZENS' RATE REVIEW COMMITTEE  
 WEDNESDAY, DECEMBER 11, 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 7:05 PM.

**II. ROLL CALL**

Members Present: Tony Rourke, Chair                      Mike Gougler                      Rick Rogers  
 Charles Zickefoose

Members Absent: Ernie Amundson (unexcused)                      Helen Brown (excused)  
 Blair Didway, Vice-Chair (unexcused)                      Mayor Bob Andrews, ex-officio

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

Others Present: Deb Galardi, Galardi Consulting, LLC; Donald Guthrie; Ken Lookabill; Bonnie Lookabill; Lisa Rogers; Deborah Tilden; Ralph E. Johnson; Steve Jaquith; Paul Jellum; Robert Soppe; Michael Roos; and John Rekow

**III. PUBLIC COMMENTS**

Ms. Lisa Rogers understands the springs customers pay additional funds for the use of the water, but is surprised as water is a necessity, not a luxury item. Many have no option and cannot dig a well. Morally, it is the city's obligation to include them as city users and the cost should be divided among all.

Ms. Deborah Tilden concurs with Ms. Rogers. The first day she took possession of her home in July, 2008, it had the first copper piping leak due to corrosion, which was the first of a long road of water issues. However, she was covered by American Home Shield (AHS), a home warranty provider. However, over the subsequent years from 2008 – 2012, there were so many copper leaks AHS cancelled the policy. Since then, she has replaced all the copper pipes in her home.

Mr. Ralph Johnson has lived in his home since 1956. Mr. Johnson asked the city to put in a new line due to rust sometime in the 1970's; the city declined, so Mr. Johnson and a neighbor replaced the 3,000 foot line. The county then blocked off Chehalem Drive and he was told he would not have to pay for the water because of the new pipeline run through a culvert under the road. The county also told Mr. Johnson he would have to pay for the water and he went before the county commissioner to work it out. In November, 1977, the water bill was \$10.00 and is now near \$140.00.

Mr. Steve Jaquith represents Gospel Chapel and has been on Oliver Springs since the mid-1980's. He appreciates the city helping them hook up to the springs, but now understands the hardship of coming into compliance with the improvements on the system. We pay 50% higher than others in the city and the pressure coming into the church without a reduction would still be at 100 pounds per square inch (PSI). There are occasions when the accumulating sediment in the baptistery is a concern.

Mr. Ken and Mrs. Bonnie Lookabill donated their testimony time to Mr. Donald Guthrie for his presentation.

Mr. Donald Guthrie handed out his presentation to the committee members (see official meeting packet for presentation). He testified the springs water users urge the committee to make a recommendation to the city council that fairly assesses rate increases consistent with past recommendations and stepping increases over a period of years to allow springs families an opportunity to absorb increasing rates without financial hardship. The springs families should not be unfairly treated or accept the financial burden of the city's spring's water system which has been used and in place as the city's water system for the past 90 years. It would appear the city's desire is to divest of a very old system, which by their own admissions is struggling to maintain operations at a reasonable cost, and saddle the current families with the financial hardship and challenge of making the system improvements necessary to pass state drinking water standards. Unfortunately, these challenges, as stated by city staff, include the need to upgrade or replace aging infrastructure. During the last rate review committee meeting the city engineer described the system as, "A spaghetti of different size and type of pipes of different age and conditions," such that the city is replacing sections each year. Today under ORS 448.131 and OAR 333-061-0034 treatment requirements and performance standards for corrosion control adopted in 1991, twenty-two years later they find the springs may still exhibit water quality issues with regards to lead and copper corrosion levels. Mr. Russ Reed, water treatment plant manager, testified on October 28, 2013, at the city council workshop presentation of the springs, that corrosion testing has always been a requirement, but it just has not been a problem because the sample testing for the corrosion has come from the city's main well and reservoir system. Mr. Guthrie asked if it was an omission that testing should have included a representative sampling of all distribution points of the system and would you not want to know if one well was going bad and quickly isolate the problem. Given the springs are located above the elevation of the reservoir and are gravity fed to families ahead of the reservoir there should have been much earlier concerns. The City of Newberg water quality report of 2012, mailed May, 2013, renames the Skelton and Snider Springs, "The Newberg Springs" and "Oliver Springs." The report sent to springs customers and state authorities states the Newberg Springs was created in 2009 and Oliver Springs in 2010 and the city is currently in the process of performing lead and copper testing. Both springs were disconnected and assigned their own Public Water System I.D. by the Oregon Drinking Water Program. This action gives the appearance of being disingenuous to past commitments and obligations to the spring's customers whose sole source of water quality protection since 1991 has been the City of Newberg. The financial hardship being imposed by Resolution No. 2008-2776 should require time be given to the springs families to evaluate all future options available to them including alternatives for private corrosion improvements in lieu of the city's proposed \$350,000.00 capital improvements, management of maintenance and operations, independent inspection of the current systems, and restructuring of contingency plans for system failures, contamination, emergency plans and back-up water supply.

Mr. Paul Jellum testified in 1986 he purchased seven acres to build a home and visited with the city attorney at that time, Mr. Terrence Mahr, showing him the deed to their property. Mr. Mahr told them they would be supplied with free water from the city and directed the city to not charge Mr. Jellum for water. That changed in 2008, when the city decided to no longer honor those deeds; after 80 years they decided they no longer needed the springs water, discontinued springs system support, and negate the deeds. Even though the city continues to hold ownership of the water system and the water rights they began charging for the maintenance and operation of the system. He said in August, 1980, he received a letter from the city stating they would no longer provide courtesy water to him and he must immediately pay for a water account or have his water shut off. In 2007, the city indicated they would fully honor all agreements and commitments to the customers, but Resolution No. 2008-2776 stated covenants and agreements are no longer legally binding. He asked why the city then continues to claim water rights and the delivery system, why was the copper problem not addressed earlier, why has he been drinking potentially harmful water since 1991 without being notified, and why should he pay the same amount for water as others. The city owns the water and the system and has been the beneficiary of the

water and is shifting the responsibilities to the users. It is distressing and unreasonable for the citizens' rate review committee to recommend he pay more than other outside users.

Mr. Robert Soppe said he has several concerns. First, Chair Tony Rourke commented the citizens' rate review committee (CRRC) only makes recommendations to the city council and does not set rates, but it has been his experience that recommendations of this committee are greatly considered by the council. Second, the proposed rate structure was not consistent with city council Resolution No. 2008-2776. In particular, the resolution stated all costs other than the specific capital project would be covered through the rate structure. Since the passing of the resolution, this has not been the case. Setting the capital project aside, he has heard nothing in the last meeting or in the presentation to account for the fact revenues have not been covering expenses since the resolution. While it is appropriate the new rate structure attempts to ensure this deficit does not repeat itself, it should not overlook the imbalance occurring for the last five years. The deficit occurred because the phasing in of the rate increases and the absence of a rate increase two years ago. Phasing of rates was asked at the council meeting two years ago and it was made clear this would not relieve the spring's users of the obligation to cover expenses during those years. There have been questions raised regarding the intent of the city council when the resolution was passed and is very unfortunate the resolution is not written more clearly, that minutes are not more thorough, and the city policy was to destroy audio recording for council meetings after one year; any one of these could have clarified the intent. Three questions of the council's intent were raised; the first on how urgently the council wanted to divest the city from the spring's system, and while the intent was clear to those attending that meeting, the council divestiture should have no impact on the appropriate rates to recommend at this meeting. There was also a question raised about whether the council was including capital projects other than the chlorine injection project when it agreed to 50% participation by the resident water users. While Mr. Soppe agrees the council should have worded the resolution more precisely, there was no question at the meeting as to what project was being specified. The third and most significant question was what the council had resolved to pay for by springs user rates, specifically were capital projects to be covered by rates. Close reading of the resolution makes it very clear, as it states it was created within the water rate methodology a separate rate structure for this class to account for operational, maintenance, capital and customers costs associated with the spring's system. Item 5(f) in the resolution states customers will be responsible for payment of all necessary expenses associated with the operation and maintenance of the system and capital costs were not mentioned in this item but also did not exclude them. Item 5(k) states the springs customer class will pay rates designed to pay for the cost of the system, as well as the operation and maintenance of the system. He urged the committee to follow the Resolution No. 2008-2776 and recommend rates covering the deficit occurring over the last five years, as well as the full cost of the current corrosion control project.

Mr. Michael Roos stated all the information presented by Mr. Guthrie was very thorough, but did take exception to the testimony regarding the spring's costs and the obligation of the customers on the system. In Resolution No. 2008-2776, Item 5(i) states the city shall pay half the cost of immediate necessary improvements to the spring's system. Springs customers should not be held 100% responsible for the improvements. In regard to the erosion testing obligation the city had from 1991, by taking those samples below the spring's system represents a failure to acknowledge a different water source than the city was testing.

Mr. John Rekow testified he submitted testimony into the record (see official meeting packet for full report). He has paid to have some research done and is unsure how the committee can offer an opinion on the water rights of springs families without everyone looking at the court agreement because that was the agreement everyone was working off of. He asked what the consequences are if the city forces the spring's customers into a lawsuit. If the customers were to win the lawsuit the city would have to pay court costs and then there could be damages. The city may have to go back and repair and live up to the court agreement. The theory that the city only has to fix what is broken goes squarely against what was spelled out in the lawsuit. As Mr. Rekow sees it, if the city is forced to go back and abide by the court order it could cost the city much money.

Mr. Don Guthrie stated 5(f) in Resolution No. 2008-2776 says the city is willing to continue operating the springs system but the customers will be responsible for payment of all necessary expenses associated with operation and maintenance of the system; not for capital costs. He asked in 2008, after 20 years of not doing proper testing for copper and lead, now springs customers should have to pay the costs for fixing the system. Springs customers pay their taxes and for city services such as fire and police. It is disingenuous to ask 75 customers to pay for a chlorination system and triple the rates.

#### IV. CONSENT CALENDAR

Approval of October 24, 2013, minutes

**MOTION:** Rourke/Gougler moved to approve the October 24, 2013, citizens' rate review committee meeting minutes. Motion carried (4 Yes/0 No/3 Absent [Amundson, Brown, Didway]).

#### V. CONTINUED BUSINESS:

TIME – 7:46 PM

##### 1. Springs Rates

Ms. Deb Galardi, Galardi Consulting LLC, gave the springs rate evaluation, explained the two summary slides from the last meeting, reviewed the operation and maintenance (O&M) costs for the chlorine treatment (CT) project at 50%, and then the corrosion control and 100% and 50%.

Mr. Rick Rogers asked if the \$350,000.00 of needed improvements were distributed over all users in the city what that total would be. Ms. Galardi replied less than 10 cents. Mr. Rogers stated the city made efforts in the mid-1990s to treat for corrosion in the city system but not for the springs users and contends that in 2008 the necessary improvements were not handled and cannot see how the intent of the resolution was addressed. He believes part of the contention among the spring's customers is the deferred maintenance. Also, what are the costs to be covered is the question.

Mr. Lee Elliott stated the council wants 100% recovery; the 50% recovery is dialogue begun by the spring's customers. Chair Rourke suggested the committee recommend to council to consider various elements; a two-prong approach to answer directly 100% recovery and add on any other recommendations other than the 100% cost recovery.

Mr. Rogers recommended not asking the spring's customers to pay \$350,000.00 because of the known need in 1991 and no retroactive charge for any shortfall. If there is additional debt service in the future should be run into the rates, but if the estimates have been off and to charge more because of it, he does not believe is customary.

Mr. Guthrie clarified the springs customers are asking the city to allow them to look at alternatives such as an outside, independent professional water group to provide this at far less cost than \$350,000.00 as all are skeptical as to the last chlorine improvement that was over a 100% estimated cost. He asked for three months to do so.

Mr. Elliott recommended first establishing the 100% recovery cost rate as the city council requested and suggested staff meet with the springs customers during this process to look at divestiture, whatever that

definition may be. In speaking with staff, Mr. Elliott explained part of the challenge faced by the customers and the city are the Department of Environmental Quality (DEQ) requirements.

**MOTION:** **Gougler/Zickefoose** moved to recommend the two options; provide a rate based on O & M to include pipe replacement costs and old capital costs; and a second rate with O & M and future capital costs of the project chlorine corrosion project; and recommend city council allow the springs customers a time certain to determine if it be more cost effective to act independently. (3 Yes/1 No [Rogers]/3 Absent [Amundson, Brown, Didway])

2. Water Rates

Committee consensus was to move the water rates discussion to the next meeting, scheduled for Thursday, December 19, 2013.

VI. ADJOURNMENT

Chair Rourke adjourned the meeting at 9:18 PM.

**Approved by the Citizens' Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

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**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
WEDNESDAY, DECEMBER 19, 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 Mike Gougler Rick Rogers  
Charles Zickefoose Mayor Bob Andrews, ex-officio

Members Absent: Ernie Amundson (unexcused) Blair Didway, Vice-Chair (excused)  
Helen Brown (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 as there were no audience members present.

**IV. CALENDAR DISCUSSION**

Mr. Jay Harris, interim public works director, explained staff's opinion is to hold separate public hearings for springs rates apart from the water rates; bringing the springs rates before the city council in February, 2014. Mr. Harris explained the request came about because the city needs to embark on the corrosion control sooner than later and the facility needs to be installed. The committee consensus is to hold a public meeting for springs customers on January 22, 2014, at the public safety building.

**V. CONTINUED BUSINESS:**

**1. Conclude Water Rates**

Ms. Deb Galardi, Galardi Consulting, LLC, gave a PowerPoint presentation (see official meeting packet for details) and reviewed the financial plan stating the prior meeting identified 9.5% annual rate increases. Staff revised the capital improvement plan to defer the reservoir project to fiscal year 2019-2020, instead of fiscal year 2017-2018, and cut the funding for the water treatment plant reserve to help buy down the 9.5% rate increase. The financial plan model has been extended to fiscal year 2028-2029, to attempt to balance over a time period in the best way possible. The revised plan recommends 7% annual rate increases needed for operations and maintenance (O&M) escalation (about 4% per year), increasing in cash funding of capital. Current rates support less than \$500,000.00 per year. This will increase the capital component to \$1.4 million by fiscal year 2020-2021, to fund the reservoir and future increases beyond fiscal year 2020-2021, needed to fund the water treatment plan reserve; building \$8,000,000.00 by fiscal year 2028-2029. The master plan will be updated in the next few years and will help with the planning process. Ms. Galardi presented a 25% fixed

rate scenario, phased in over two years, stating small volume customers will increase up to 18% because of the increase in the fixed charge. Other customer bill impacts vary based on use and meter size, generally between 3% – 9% and a 30% fixed rate scenario. She explained differential fixed charges by customer class stating the need to balance rate setting objectives. The existing structure already charges nonresidential customers more by scaling charges on meter size. Ms. Galardi also explained the percent breakdown of revenue by class.

Mr. Harris explained there is a potential industrial expansion in the master plan because the revenue from industrial versus residential will help the city gain more financial stability in the future. The system development charges (SDCs) will be reviewed and ensuring they are up to date will help fund the water treatment plant.

**MOTION:** **Zickefoose/Gougler** moved to recommend the 7% annual rate increase and the 25% rate structure. Motion carried (4 Yes/0 No/3 Absent [Amundson, Brown, Didway]).

## **VI. ADJOURNMENT**

The next meeting is scheduled for Wednesday, January 8, 2014, at 7:00 PM in the public safety building.

Chair Rourke adjourned the meeting at 8:10 PM.

**Approved by the Citizens' Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
WEDNESDAY, JANUARY 8, 2014  
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 Ernie Amundson Helen Brown  
Rick Rogers Charles Zickefoose  
Mayor Bob Andrews, ex-officio

Members Absent: Mike Gougler (excused) Blair Didway, Vice-Chair (unexcused)

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 as there were no audience members present.

**IV. CONTINUED BUSINESS**

1. Springs Update

Mr. Jay Harris, interim public works director, gave a PowerPoint presentation (see official meeting packet for full report) and stated he, Mayor Bob Andrews, and City Manager Pro Tem Lee Elliott met with the springs customer group today regarding potential transfer of ownership options, schedules, the general system, and legal matters. Mr. Harris reported after speaking with the State of Oregon regarding corrosion control testing requirements, they stated construction in the summer of 2015 would be adequate. The information was conveyed to the springs customer group and they requested the springs public meeting be rescheduled to a later date; giving ample time to research corrosion control and various legal processes.

**MOTION:** Rourke/Zickefoose moved to reconsider the dates and reschedule the springs public hearing from January 22, 2014, to March 18, 2014. (6 Yes/0 No/2 Absent [Didway, Gougler]).

Mr. Harris stated there are 15 wastewater capital improvement projects in the next five years. The 2007 wastewater treatment plant facility plan identified the need for significant repairs, renovations and expansion of the Wastewater Treatment Plant (WWTP) to meet Department of Environmental Quality (DEQ) requirements. Projects have been prioritized and phased in over the next five years or more, as funding allows. The construction of emergency repairs, the influent pump station maintenance road, and the fourth secondary clarifier are completed. Mortenson Construction will begin the next phase of construction in February, 2014; constructing a new headworks and solids screening facility, upsizing of the influent pump station, and dewatering facility upgrades. The city has received several low interest loans to fund the current phases of the

project, totaling \$25,900,000.00. When completed, the total project cost is estimated to be \$50,000,000.00. The city is completing a portion of the WWTP repair, renovation, and expansion project, outside of the Mortenson Construction contract; replacing the aging disinfection storage and delivery system (\$600,000.00) with a hypochlorite chlorine generation system similar to the system at the water treatment plant. The city is also proposing to expand the existing covered storage facilities at the composting site for \$250,000.00.

The Oregon Department of Transportation (ODOT) plans to improve Springbrook Road south of Highway 99W to Highway 219, for access to the first phase of the Newberg-Dundee Bypass. The city needs to improve its utilities on Springbrook Road in advance of ODOT's work. The existing 15-inch city wastewater conveyance system is being replaced or upsized to piping 21-27 inches in diameter. Construction is to commence in December, 2014, along with the other city utilities. This project will also pay for 50% of the new reuse waterline. The overall project cost is estimated to be \$3,200,000.00 in wastewater system improvements.

During large winter rainfall events, the wastewater conveyance system is subjected to a significant increase in flow compared to the summertime dry weather flows. Reducing stormwater infiltration into the wastewater collection system will reduce the maintenance costs for the wastewater piping systems and also reduce the pumping and treatment plant costs. Keller and Associates, Inc., is currently preparing the infiltration/ionized study to determine the type of projects needed and formulate a capital project improvement plan. The report will be completed in the summer of 2014. There is \$500,000.00 allocated in the next four fiscal years for a total project cost of \$2,000,000.00 for the construction of the infiltration/ionized projects to reduce wintertime stormwater flows into the wastewater mainline piping and the public/private lateral systems.

The wastewater system improvements are proposed to be completed with the Second Street parking lot rehabilitation project. The wastewater improvements will consist of the replacement of the eight-inch mainline and service laterals to the existing buildings adjacent to the alleyway on the north side of the parking lot as needed. The estimated cost is \$50,000.00.

Approximately 3,900 feet of existing 21-30 inch aging concrete sewer lines are to be replaced with new, larger 24-36 inch trunklines. The estimated cost of replacement is \$2,085,000.00. The Chehalem Park & Recreation Department (CPRD) has also expressed interest to participate in the project to complete sections of the planned Hess Creek trail system. Approximately 3,300 feet of existing 15-21 inch aging concrete sewer line is to be replaced with new, larger 18-24 inch trunklines. The estimated cost of the proposed trunkline replacement project is \$1,649,000.00.

The south area industrial master plan has property proposed for inclusion into the city Urban Growth Boundary (UGB) in the near future. The proposed amendment to the UGB has been adopted by city council, but has been appealed to the Oregon State Land Use Board of Appeals (LUBA). The proposed \$75,000.00 project in fiscal year 2015-2016 will fund a preliminary design report to consider the various options to provide sanitary sewer service to the area. Depending on the progress of the inclusion of the south industrial area master plan into the UGB, there is a possibility that funding will be needed to finance a large local improvement district to provide sanitary sewer service to the master plan area. Other funding options may exist allowing the industrial area properties to develop, such as advanced financing agreements, system development charge (SDC) credits, and the formation of a tax increment financing district for the roadway and utility improvements. The current five-year wastewater capital improvement project does not include funding for the construction of projects to serve the new industrial area; but, the project is listed for tracking purposes.

The existing Dayton Avenue pump station and the 4,000 foot long 12-inch force main were constructed in 1993. The Gorman-Rupp top-side dry pumps are nearing the end of their service life and the volume of the station wet-well is significantly undersized for the flows to the station. Prior to 2010, the Dayton Avenue pump station would overflow into Chehalem Creek approximately five or more times per year during periods of heavy

rainfall, resulting in DEQ fines. The Highway 240 pump station was constructed in 2010 to bypass flows away from the Dayton Avenue pump station and has reduced the number of overflow events to once in January, 2012. The preliminary design report, at an approximate cost of \$50,000.00, will evaluate the performance of the existing station and recommend the needed upgrades to the station, such as new submersible pumps and a larger wet-well, to increase the pump station capacity and reliability. The estimated cost for the Dayton Avenue pump station is \$3,500,000.00, with the construction of a pump station similar in design and capacity to the Highway 240 pump station constructed in 2010. Because of the proximity of the station to a tributary at Chehalem Creek, existing topography, and the size of the existing site; the station may need to be relocated as evaluated in the preliminary design report.

Approximately 2,800 feet of existing 10-12 inch sewer lines are to be replaced with new, larger trunklines. Design of the needed improvements will cost approximately \$200,000.00 and is scheduled to commence in fiscal year 2017-2018 in conjunction with the North Springbrook Road street improvement project. The replacement of the Springbrook Road line numbers 4-6 is to be completed with the bypass improvements to Springbrook Road in 2015.

Small sections of the city are not served by the city wastewater collection system and utilize private septic systems for onsite wastewater disposal. Local improvement districts are formed by the city and/or residents and the city finances the project cost. The project cost and interest is reimbursed by the property owner(s) over a specified time period. The intent of the \$150,000.00 reserve fund is to have a portion of the needed funds in place to be utilized for new local improvement districts as they are formed in the future.

The city master plans are updated at maximum every ten years. The current wastewater master plan was prepared in 2007, and the update to the plan is proposed for fiscal year 2017-2018, with costs estimated at \$250,000.00. The master plan update includes the analysis of urban growth boundary expansion areas proposed to be added to the city and modeling of the hydraulic capacity of the system to identify the needed system improvements.

## 2. Present Wastewater Rates

Ms. Deb Galardi, Galardi Consulting, LLC, gave a PowerPoint presentation (see official meeting packet for full report), reviewed the preliminary wastewater system financial plan, and gave a preview of rate increases. Capital outlay fluctuates due to non-recurring vehicle and other purchases. Budgeted materials and services reflect key increases in the collection system rehab and replacement, as well as the treatment operating supplies and utilities. There are increases in other costs, such as personnel services and materials. Applying the same assumptions as water, materials and services reflect inflation and modest system growth. The current contingency (days of cash) show industry standards at 30 – 120 days and franchise fees are based on projected sales revenue. The capital improvement projects cash flow shows an increase to \$61,784,240.00 in capital improvement projects for year 2014, including the wastewater treatment plant phase one and two. The preliminary revenue forecasts for fiscal year 2014-2015 include additional revenue from a 3% increase on January 1, 2014. Projected capital funding sources debt service is based on a 20-year term with an interest rate of 2.88-3%. The accumulated debt service would be approximately \$3,500,000.00. Ms. Galardi reviewed the preliminary financial plan from fiscal year 2014-2015 to fiscal year 2020-2021 with a 7.75% annual rate increase.

**VI. ADJOURNMENT**

The next meeting is scheduled for Wednesday, January 22, 2014, at 7:00 PM in the public safety building.

Chair Rourke adjourned the meeting at 8:55 PM.

**Approved by the Citizens' Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizen's Rate Review Committee Recording Secretary*

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*Citizen's Rate Review Committee Chair*

**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
WEDNESDAY, JANUARY 22, 2014  
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 Ernie Amundson Helen Brown  
Mike Gougler Charles Zickefoose  
Mayor Bob Andrews, ex-officio

Members Absent: Blair Didway, Vice-Chair (excused) Rick Rogers (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 as there were no audience members present.

**IV. CONSENT CALENDAR**

- 1. Approve the citizens' rate review committee (CRRC) minutes for November 6 and November 21, 2013.

**MOTION:** Rourke/Amundson moved to approve the November 4 and November 21, 2013, Citizens' Rate Review Committee (CRRC) Minutes. Motion carried (5 Yes/0 No/2 Absent [Didway, Rogers]).

- 2. Updated CRRC meeting calendar was presented to the committee.

**V. CONTINUED BUSINESS**

- 1. Conclude Wastewater Rates

Ms. Janelle Nordyke gave an update regarding fiscal year 2013-2014 personnel increases, stating Mr. Jay Harris' position was added to payroll after the past rate cycle and has been very beneficial as there is no engineering manager at this time. In addition, there were increases in retirement and health insurance costs; an increase over projected costs and savings are being seen in the administration department. She also reviewed the rate increase history and reviewed the revised wastewater system financial plan.

Ms. Deb Galardi, Galardi Consulting, LLC, reviewed the revised wastewater financial plan, rates and customer bill impacts. The capital improvement projects have not changed from the presentation given at the last meeting regarding the need and timeframe of \$61,000,000.00 over an eight year period of time. Ms. Galardi

went through a scenario comparing the Department of Environmental Quality (DEQ) plan from the last meeting to the revised plan. The prior plan's annual rate increases equals 5% and the preliminary 2014 plan equals 7.75%. The projected debt service coverage would be highly leveraged with the revised plan and while the DEQ contract and covenants do not exclude gross revenues, relying on system development charges (SDCs) can be risky. Ms. Galardi explained the revised wastewater rates current fixed revenue equals 28% and the proposed equals 29.5%. Relative to where the current rates were a few years ago, rates will now need to cover the anticipated cost of treatment such as infiltration and inflow. Ms. Galardi also reviewed the residential combined water and sewer bill impacts for residential customers, using the actual averages for the individual systems, an average increase of \$6.00-\$7.00 per month.

Mr. Charles Zickefoose believed it could be detrimental for SDCs if the city charges more for commercial use.

Mr. Mike Gougler said for six years the city has tried to increase industrial land within the city. He asked if Newberg will still be able to attract businesses if they are charged three times more than other cities. Portland and Lake Oswego are the only cities paying more than Newberg and asked if we have what those cities offer. The city needs to understand since 2008, water has gone up 100% and wastewater 200%. As much as he appreciates what the city is trying to do, he does not believe new businesses will come into the city if given a choice to go somewhere with less charges. Mr. Gougler stated the community will pay the price of the local government, but not understand economic competitiveness. He does not understand why being competitive is not considered by city council. He believes for the municipal purposes of the city, the committee should choose the low-end of rate increases with rate flexibility.

## **VI. ADJOURNMENT**

The next meeting is scheduled for Wednesday, February 5, 2014, at 7:00 PM at the public safety building.

Chair Rourke adjourned the meeting at 8:08 PM.

**Approved by the Citizens' Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
WEDNESDAY, FEBRUARY 5, 2014  
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                     Blair Didway, Vice-Chair     Ernie Amundson  
                              Helen Brown                                     Mike Gougler                     Rick Rogers  
                              Charles Zickefoose                     Mayor Bob Andrews, ex-officio (arrived at 7:08 PM)

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 as there were no audience members present.

**IV. CONTINUED BUSINESS**

1. Five-Year Stormwater Capital Improvement Projects Presentation

Mr. Jay Harris, interim public works director, stated the city strives to update all master plan documents every ten years. The last stormwater master plan was completed in 2001. Last fall, Brown and Caldwell was contracted to complete the new stormwater master plan by June, 2014. The new master plan hydraulic models the existing system to determine system deficiencies and will reflect recent Oregon Department of Environmental Quality (DEQ) changes in stormwater quality and detention control requirements for impervious surfaces. The cost of the master plan update is estimated to be \$150,000.00.

Mr. Harris reviewed the five-year capital improvement projects list, explaining the Highway 99W to Second Street parking lot pipe rehab/replacement involves the existing 8 and 10 inch pipes extending south from Highway 99W under the existing commercial buildings to the Second Street parking lot. The pipes were recently video taped and found to be in poor condition. Because of their small diameter, poor condition, and undesirable location, the existing pipes are poor candidates for a rehab lining project. The proposal is to replace both pipes with a new system that extends west on Highway 99W and then south on Howard Street.

Mr. Harris reported in the design of the Sheridan Street improvements it was found portions of the downstream storm drainage systems on Blaine and School Streets require additional conveyance system improvements. The downstream storm drainage work, estimated to cost \$70,000.00, is proposed to be completed as a separate project from the Sheridan Street road improvement project, which opened for traffic last week.

Mr. Harris added a capital improvement plan, identifying the locations of necessary infrastructure upsizing and the corresponding estimated costs, will be prepared as part of the 2014 stormwater master plan update. The

stormwater system development charges (SDCs) will need to be adjusted per the new capital improvement project list. The current stormwater SDC rate is \$311.00 per equivalent single family home dwelling unit (2,877 square feet per unit). The cost for the consultant study is estimated to be \$15,000.00.

Mr. Harris continued that there is a section of 12-18 inches of existing stormwater piping that crosses under Newberg fire station #20 and under multiple homes. Flooding occurs on 6<sup>th</sup> Street and Blaine Street. Large sections of the existing pipe are also constructed of corrugated metal and is nearing end of life. The \$1,127,000.00 project will decommission the existing stormwater pipes and construct a new 24-inch stormwater mainline along South Blaine and Second Streets. Sections of the existing piping system will also be upsized to convey the existing and future flows.

Mr. Harris concluded that a section of 21-inch existing stormwater piping extends through private property and crosses under multiple structures. In ten year storm events, flooding occurs in existing sections of pipe on 7<sup>th</sup>, 8<sup>th</sup>, and Center Streets. The \$1,206,000.00 project will decommission the existing stormwater pipes and construct a new 24-inch stormwater mainline along Center Street. Sections of the existing piping system will also be upsized to convey the existing and future flows.

2. Present Stormwater Rates

Ms. Deb Galardi, Galardi Consulting, LLC, reported on the last two years of revenue. Almost \$1,000,000.00 has been recovered each year from stormwater. On the cost side, there are positive variations from the prior plan, such as the current budget is in line where staff estimated for year 2013-2014. Capital projects came in well below estimates. There is \$809,000.00 in reserves and assuming a 5% increase, rates would generate close to \$500,000.00 to fund the inflation adjusted capital improvement projects. The sales revenue is expected to increase based on the 5% rate increase, as well as some amount of customer growth proven to be on the conservative side. On the expense side, the forecasted operation and maintenance increases include 5% franchise fee and a 0.5 additional staff position. Ending reserves of about 50% would take a 9.5% annual increase and annual capital funding capacity equaling \$300,000.00. Use of all reserves for funding in the current plan would take 5% annual increase and annual capital funding capacity equaling \$100,000.00.

**MOTION:** Gougler/Zickefoose moved to approve a 9% increase to the stormwater monthly bill per year. Motion carried (5 Yes/ 2 No [Amundson, Brown]).

**V. ADJOURNMENT**

The next meeting is scheduled for Wednesday, February 12, 2014, at 7:00 PM at the public safety building.

Chair Rourke adjourned the meeting at 8:55 PM.

**Approved by the Citizens' Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
WEDNESDAY, FEBRUARY 12, 2014  
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 7:06 PM.

**II. ROLL CALL**

Members Present: Tony Rourke, Chair Blair Didway, Vice-Chair  
Helen Brown Rick Rogers  
Charles Zickefoose Mayor Bob Andrews, ex-officio

Members Absent: Ernie Amundson (excused) Mike Gougler (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 as there were no audience members present.

**IV. CONTINUED BUSINESS**

**1. Conclude Water, Wastewater, and Stormwater Rates**

Ms. Deb Galardi reviewed the highlights of the financial plan for water capital improvements driving the rate increase. The recommended 7% annual rate increases are projected to meet operations & maintenance escalation of approximately 4% per year and increase cash funding of capital as no new debt is in the planning window to fund the water treatment plant. The 7% annual rate balances the need for future planning without raising the rates for projects in 2028. In the past the committee agreed to increase the fixed charge rate schedule more than the volume in order to recommend rates at 25% over two years instead of the current 20%.

Ms. Galardi reported water bill impacts for small volume customers will increase up to 18% by fiscal year 2015-2016 due to the increase in the fixed charge; other customer bill impacts vary based on use and meter size, generally between 3-9%. A residential average on an annual basis is \$3.00 per month for fiscal year 2014-2015. There is currently \$3,000,000.00 in the capital reserve fund but will be spent down due to projects in the planning period.

Ms. Galardi said the eight-year wastewater capital improvement plan adjusted inflation shows a longer look at planning in the future due to the wastewater treatment plant. Wastewater, pump stations, and infiltration and inflow improvements, which are all very high priority projects, will cost \$62,000,000.00. There is funding from the Oregon Department of Environmental Quality (DEQ) and the state revolving loans of \$3,800,000.00 will fund most of the wastewater treatment plant. The 5.75% annual rate increases for operations and maintenance

(O&M) escalation are about 4% per year and increased fixed charge revenue to about 30%. The current fixed revenue equals 28% and the proposed fixed revenue is 29.5% for fiscal year 2015-2016.

Ms. Galardi explained the bill impacts for wastewater for an average residential customer is \$3.27 in fiscal year 2014-2015, and \$3.44 for 2015-2016; a 5.8% change for both years.

The five-year stormwater capital improvement plans total \$1,710,000.00. The recommended plan of a 9% annual rate increase covers the annual O&M escalation of about 4% per year; increasing cash funding of capital as it draws down existing reserve by about \$450,000.00 with the need to build capital funding capacity to about \$250,000.00 per year. One-hundred percent of the revenue from stormwater is fixed charges.

Ms. Galardi recommended rates and bills for stormwater with an assumed rate increase of 9% per monthly bill in fiscal year 2014-2015, would be \$7.96 and \$8.67 in fiscal year 2015-2016.

The residential combined utility bill impacts for small users would be between \$5.71 - \$5.82; an average consumption customer at \$7.18 - \$7.41; and a large consumption customer at \$12.27 - \$13.12.

2. Decision of Rates for Town Hall

**MOTION:** Rourke/Zickefoose moved to increase water rates to 7% with a 25% fixed rate over two years. Motion carried (5 Yes/ 0 No /2 Absent [Amundson, Gougler]).

**MOTION:** Rourke/Brown moved to increase wastewater to 5.75% with a fixed cost to 29.5% over two years, and stormwater at 9% fixed. Motion carried (4 Yes/0 No/2 Absent [Amundson, Gougler]/1 Abstain [Rogers]).

3. Discussion on the Town Hall Format

Chair Rourke wants to treat the town hall more formally. He will open the meeting; provide announcements and the process, followed by the staff presentation and recommended rates just approved. Public comments will follow and be accepted until the presentation is finished. Public comments are five minutes, reserving the right to change if needed. The hearing will be officially closed and recess until the following meeting for discussion. Chair Rourke will be out of state for the scheduled meeting on March 5, 2014, to discuss the water, wastewater and stormwater town hall meeting. The town hall meeting for springs customers will be held on March 18, 2014. On April 2, 2014, the committee will recommend rates for all three systems to city council. The record will be closed on February 25, 2014. The public can attend city council meetings to present further written and oral testimony.

**V. ADJOURNMENT**

The water, wastewater and stormwater town hall is scheduled for Wednesday, February 25, 2014, at 7:00 PM at the public safety building.

Chair Rourke adjourned the meeting at 8:25 PM.

**Approved by the Citizens' Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

**CITY OF NEWBERG  
 CITIZENS' RATE REVIEW COMMITTEE  
 WATER, WASTEWATER, STORMWATER  
 ADMINISTRATIVE PUBLIC HEARING / TOWN HALL AGENDA  
 TUESDAY, FEBRUARY 25, 2014  
 7:00 PM MEETING  
 PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

**I. CALL MEETING TO ORDER & ROLL CALL**

Chair Tony Rourke called the meeting to order at 7:00 PM.

Members Present:    Tony Rourke, Chair                      Helen Brown                      Mike Gougler  
                                  Rick Rogers    Charles Zickefoose  
                                  Mayor Bob Andrews, ex-officio

Members Absent:    Ernie Amundson (excused)    Blair Didway, Vice-Chair (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

1. Committee and Staff Introductions
2. Overview of Rate Setting Process

Chair Rourke opened the public hearing and stated the purpose of the town hall meeting is to hear the staff recommendations on utility rates for water, wastewater and stormwater and to receive public testimony regarding the proposed recommendations. Unfortunately, there were no audience members present to testify.

Chair Rourke called for any abstentions or conflicts of interest. Hearing none, he introduced Ms. Deb Galardi, Galardi Consulting, LLC.

**II. PRESENTATION BY STAFF and CONSULTANT**

Ms. Galardi gave her report accompanied by a PowerPoint presentation. She explained there are four primary objectives that is part of the the citizens 'rate review committee (CRRC) framework. Those objectives include revenue sufficiency, to encourage efficient use of resources, equity between new and existing users, and costs recovered to proportion to use.

The three-step rate setting process includes a financial plan, cost of service analysis, and rate design. The financial plan is a cash flow projection beginning with sources of funds, service revenues as well as any existing reserves the city has accumulated from prior rate increases. System development charges (SDCs) are a source of revenue for capital funding. Operating expenses include personnel, material and services, and external utility costs, system repair and maintenance. The next piece is financing for capital projects that can be either cash funded or funded through debt service and other requirements. The drivers of the financial plan are the operations and maintenance costs that are determined by the city's budget process. Capital projects are the result of the city's master planning efforts that look at regulatory requirements, replacement needs, and capital expansion. Revenues are impacted by customer and consumption trends, existing rates, the city's financial

policies, as well as the policies of the CRRC. Revenue from SDCs is subject to legal limitations as SDCs can only be established for capital costs and growth trends determine how the revenues from SDCs are received.

Some items that show a downward pressure on future rate increases is that the city has received favorable borrowing for the wastewater treatment plant that is currently underway, as well as for future phases, keeping the borrowing costs low. Efforts have been made to manage the city staff level, and the city's ability to accumulate reserves for capital projects because of previously deferred costs is a factor in keeping rates lower. Upward pressure on rates is the need to replace aging infrastructure, capacity expansion; cash funding for water and stormwater, and declining water sales.

Mr. Jay Harris, interim public works director, reviewed the water system capital improvements. The water system master plan update was in 2004 and needs to be updated in 2014-2015. A new water treatment plant needs to be built with more storage. Current water storage in need of significant repairs is the North Valley Reservoir Design and construction. Well #8 needs upsizing, Well #9 needs design and construction, and Well #4 is failing. The system is failing and line replacements, valves and looping, and the Springbrook Road waterline needs to be built before the bypass.

The wastewater system capital improvement projects include Phase 1, Phase 2 and disinfection. The Dayton Avenue pumping station needs replacement and upsizing. The collection system at Hess Creek and Springbrook Road trunklines need to be larger. Infiltration and inflow mitigation is needed to find out where the water is going into the wastewater system and limiting those as much as possible, reducing peak flows into the wastewater treatment system.

The goal for the stormwater system is to update the master plan, drainage upgrades in the 99W to Second Street Parking Lot, and pipe replacement in Blaine Street.

The system operation costs include labor cost management; reducing a full-time employee per mile of infrastructure and restructure health benefits. Future increases are related to general cost escalation and a proposed 0.5 employee added for stormwater. Other factors include repair and maintenance, system expansion and additional power costs for the wastewater treatment plant and pump stations. Also, a franchise fee for stormwater of 5% will be added.

Ms. Galardi reviewed the revenue needs for a five-year period. The recommended annual rate increase for water is 7%; wastewater system recommended annual rate increase is 5.75%; and a recommended annual rate increase for stormwater is 9%. The recommended water rates and average residential bill increased revenue from fixed charges are from 20% to 25%. Water rates include service charge, meter charge and a volume charge, varying by customer class. One of the recommendations is to increase fixed charges to 25% of total revenue to enhance the stability of the charges and to be more consistent with wastewater rates.

### **III. ADMINISTRATIVE PUBLIC HEARING**

#### **1. Open Public Comments**

Chair Rourke opened and closed the public comments at 7:37 PM as no one was in the audience to testify.

#### **2. Close Public Comments**

**IV. NEXT STEPS IN PROCESS**

Chair Rourke reviewed the upcoming meeting process.

1. CRRC Meeting Wednesday, March 5, 2014: Water, Wastewater, and Stormwater Town Hall Debrief; Springs Town Hall Prep
2. CRRC Springs Town Hall/Public Hearing Tuesday, March 18, 2014
3. CRRC Final Meeting Wednesday, April 2, 2014: Deliberation on Water, Wastewater, Stormwater & Springs rates
4. City Council Public Hearing Monday, May 5, 2014

The committee discussed placing Ms. Galardi's presentation into a press release for the public to view, as well as making the information available on the city website. Mr. Lee Elliott, city manager, pro tem, will work with Brittney Jeffries, public relations officer, in making the information available to the public.

**V. ADJOURNMENT**

The next citizens' rate review committee meeting is scheduled for March 5, 2014, at 7:00 PM at the Public Safety Building.

The meeting adjourned at 7:48 PM.

**Approved by the Citizen's Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

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**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
WEDNESDAY, MARCH 5, 2014  
7:00 PM MEETING**

**PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

**I. CALL MEETING TO ORDER**

Vice Chair Blair Didway called the meeting to order at 7:07 PM.

**II. ROLL CALL**

Members Present: Blair Didway, Vice Chair Ernie Amundson Helen Brown  
Rick Rogers Charles Zickefoose  
Mayor Bob Andrews, ex-officio

Members Absent: Tony Rourke, Chair (excused) Mike Gougler (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: Robert Soppe and Donald Guthrie

**III. PUBLIC COMMENTS**

Vice Chair Didway opened the public testimony.

Mr. Robert Soppe stated the summary of springs rate options should have been made available to the public before the meeting tonight as it is difficult to comment when there has been no time to review the material. In 2008, the Newberg City Council established a spring's customer class. It was very clear at that meeting that the rates for this class were to cover all expenses attributed to the springs system other than a 50% allocation of the capital improvement project that was near to be undertaken. It was also made clear that the phasing of rate increases would not change the standard. Mr. Soppe asked if Option B is completely consistent with this mandate; both for the expenses since it was established and for the future including opportunity costs.

**IV. CONTINUED BUSINESS**

- 1. Water, Wastewater, Stormwater Town Hall debrief

Ms. Janelle Nordyke, finance director, referred to the February 25, 2014, draft minutes regarding the water, wastewater, and stormwater town hall discussion and asked the committee for any comments or questions. Nothing was brought forward.

- 2. Decision of Springs Rates for Town Hall

Vice Chair Didway reviewed the three options regarding springs rates and asked for questions or comments.

Rick Rogers asked the impacts on the rates of a typical user based on Option B. Ms. Nordyke is not sure. He also asked if the single year or two-year payback is new. Ms. Nordyke replied a sample bill based on 10 cubic

feet a month would be \$132.71 at 100% corrosion control or \$118.11 at 50% corrosion control. She is not sure if the two-year payback is new.

Mr. Harris answered Mr. Soppe's question regarding whether Option B is consistent with the 2008 resolution for full cost recovery. Options A & B are both consistent with the 2008 resolution, but Option A does not have the corrosion control project in it.

Mr. Donald Guthrie stated he has been in meetings with the city, city manager pro-tem, and city engineer. The spring's customers were told they could have an extension until March 18, 2014, for the spring's customers to proceed with a formal motion, a second motion to the city council. They want to give a formal motion to city council for review and vote. Springs customers oppose Options A, B & C. Mr. Guthrie asked if a placeholder could be made so that they will be able to come back with a formal option prior to March 18, 2014, so the CRRC knows there is another motion coming. Mr. Harris stated this committee can modify motions as long as it meets the 2008 resolution.

Ernie Amundson asked staff if a motion could be prepared and emailed to the CRRC by March 16, 2014. Ms. Nordyke replied, yes, as long as it is received by March 16, 2014.

Vice Chair Didway called for a four-minute recess at 7:26 PM.

Vice Chair Didway stated there will be another option presented by the spring's customers before the springs town hall meeting on March 18, 2014.

Mr. Rick Rogers stated the three options are not the only options. Option A is calling for a dramatic increase in operations and maintenance by 100%; calling for an increase in pipe replacement and is including the amount of cost overrun that the city did not correctly project in the budget. Even with these options, the least of the options presented is a 58% increase for a small group of users. Option B is looking at 102% and Option C at 80%. The rest of the city users are only going to have a 7% increase. He does not believe and thinks it unfair the cost overrun needs to be funded by 65 users and the doubling of the operation and maintenance budget needs to be reviewed. The spring's customers have not doubled the city costs. 58% is extraordinarily high. .

### 3. Discussion on the Springs Town Hall format

Mr. Charles Zickefoose asked if staff has a recommendation regarding the format. Mr. Harris stated the city attorney should be in attendance regarding the decision. Staff needs his input regarding a recommendation not consistent with the 2008 resolution.

Mayor Andrews stated three options can be carried into the hearing on March 18, 2014, and at the same time the committee can be committed to reviewing and honoring a fourth option that the springs customers plan to bring to the CRRC by March 16, 2014. Recommendations can be made during deliberations on March 18, 2014.

**MOTION: Zickefoose/Rogers** moved to consider the three options presented by staff plus a fourth option presented by the spring's customers at the town hall meeting on March 18, 2014, while following the town hall meeting procedure. Motion carried. (5 Yes/ 0 No/ 2 Absent [Rourke, Gougler])

**V. ADJOURNMENT**

The Springs Town Hall/Public Hearing is scheduled for Tuesday, March 18, 2014, at 7:00 PM at the Public Safety Building.

The meeting adjourned at 7:46 PM.

**Approved by the Citizen's Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*

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**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
SPRINGS ADMINISTRATIVE PUBLIC HEARING / TOWN HALL AGENDA  
TUESDAY, MARCH 18, 2014  
7:00 PM MEETING  
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

**I. CALL MEETING TO ORDER & ROLL CALL**

Chair Tony Rourke called the meeting to order at 7:00 PM.

Members Present: Tony Rourke, Chair Ernie Amundson Mike Gougler  
Rick Rogers Charles Zickefoose  
Mayor Bob Andrews, ex-officio

Members Absent: Helen Brown (excused) Blair Didway, Vice-Chair (unexcused)

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

Others Present: Deb Galardi, Galardi Consulting, LLC

- 1. Committee and Staff Introductions
- 2. Overview of Rate Setting Process

Chair Rourke opened the public hearing and stated the purpose of the town hall meeting is to hear the staff recommendations on utility rates for the springs and to receive public testimony regarding the proposed recommendations.

Chair Rourke explained the procedures for the meeting. He announced the committee would meet again on April 2, 2014, to discuss and deliberate the official recommendations to City Council on all four systems: springs, water, wastewater, and storm water. The City Council will conduct a public hearing on May 5, 2014, on the Committee's recommendations. He introduced Ms. Deb Galardi, Galardi Consulting, LLC.

**II. PRESENTATION BY STAFF and CONSULTANT**

Ms. Galardi gave her report accompanied by a PowerPoint presentation. She summarized the methodology and results that had been reviewed at previous meetings comparing the 2007 methodology with the 2014 updated costs for the springs system. All methodologies include O&M costs and pipe replacement costs (based on the length of pipe and estimated useful life). She explained that capital costs for the springs rate methodology differs from the regular inside city rates following the 2007 methodology where the capital costs are restricted to those facilities serving the springs customers and recovering the cost over the life of the facility. Previously the costs were based on the estimated costs (\$499,000.00) of the Chlorine Treatment (CT) Project but the 2014 update shows the actual costs (\$708,000.00) of the CT Project. There are two components of the capital costs 1) depreciation, and 2) the rate of return. The difference between the 2007 and 2014 numbers is that the 2007 numbers are estimated costs while 2014 includes actual costs of the CT Project and 100% or 50% of the estimated cost of the Corrosion Control Project (CC). Also, the 2007 methodology for the CT Project was based on the springs customers paying 50% and other rate payers paying 50% of the costs. For the 2014 update two scenarios were developed for the CC Project; 1) the springs customers and other rate payers each paying 50%, and 2) the springs customers paying 100% of the costs. The pipe replacement and O&M costs are

basically the same under both scenarios with a slight difference due to the added element of a 5% franchise fee that didn't exist in 2007. The final element is the customer costs (costs of billing and meters) that change with inflation. The total annual cost to the springs estimated in 2007 was \$62,000.00. This would increase to \$157,000.00 (assuming 100% cost recovery of the CC Project) or \$138,000.00 (assuming 50% cost recovery) in the 2014 update.

Ms. Galardi reported that another issue is that the actual costs of the CT Project were almost 50% higher than the estimated costs, so should those costs be recovered because the rates charged were not sufficient to recover 50% of the actual project. In calculating the shortfall, the higher than projected revenue generated offset the lower than needed rates making a net difference estimated to be \$25,000.00. The policy questions are what to charge going forward and whether or not to recover the shortfall. She explained that the monthly service charge would increase from \$3.86 to \$5.00. The volume charge rates would increase from \$6.18 for 100 cf to \$12.77 (based on 100% recovery of the CC Project) or \$11.24 (based on 50% recovery of the CC Project). Recovering the shortfall would add a dollar or two to 100 cf of the volume rate. The monthly bill for a customer using 1,000 cf per month would go from \$65.66 to \$117.00 - \$132.00.

Ms. Galardi asked if there were any questions of the Committee.

Committee Member Charles Zickefoose asked what is the asterisk at the top of the sample bills. Ms. Galardi said these slides were from a previous presentation and a note was attached to say they had not changed since then. The note was removed but not the asterisk.

Committee Member Rick Rogers asked if \$65.66 was the rate for 10ccf for springs users in 2007, what is the rate for in city users at present and the proposed rate? Ms. Galardi said \$45.21 for 10ccf is the current and would increase to \$48.74 in 2015 and \$52.22 in 2016.

### **III. ADMINISTRATIVE PUBLIC HEARING**

#### **1. Open Public Comments**

Chair Rourke opened the public comments at 7:30 PM.

Robert Soppe: It would be helpful to have the information before the meeting. Regarding the Motion on page 11, were you asked by the council to make a recommendation on divestiture? If the answer is no, then do you have the authority to address divestiture? Divestiture is better for all. The 1922 agreement is in question. If we are going to factor in the agreement, then we need to stipulate who is and who isn't covered. If the agreement is being considered, the springs group should be split into those who are covered and those who are not.

John Rekow: One thing interesting is that all the work is being done by city employees. Since employees are paid higher than prevailing wage, contractors can do a cheaper job. Social Security only went up 1.3% and yet you are going to raise rates 100%. Most of the springs customers are in retirement so the increased rates would be a heavy burden. All you would have to do is add a few cents onto the rest of the city water customers and have it covered. It seems the springs customers have been singled out. Also, have the city contract with a private contractor instead of doing it themselves. The city employees waste a lot of time standing around.

The Newberg Springs System Customer Class (NSSCC) delivered a motion that is attached to the complete agenda packet. Donald Guthrie, as representative of the NSSCC, came to the table to answer questions of the Committee.

Committee Member Mike Gougler commented that several meetings ago when the CRRC discussed the springs fee structure the discussion went towards the possibility of divestiture. The CRRC asked the springs to organize into a group to facilitate discussion so that the CRRC would be talking to an entity and not 75 customers. Mr. Guthrie stated that 42 of the 66 springs customer class have retained an attorney under the NSSCC and are working through the process of a letter of intent as a binding agreement towards the divestiture. If the City Of Newberg is in agreement, then the vote will be taken by the NSSCC to accept the nomination.

Committee Member Mike Gougler commented that the top paragraph on the 2<sup>nd</sup> page of the NSSCC Motion is unclear.

Mr. Guthrie explained that there is a disagreement between the city and the springs legal team regarding the 1922 contract that if an adjustment needs to be made to the 2008 resolution in order for it to be allowed to divest. The springs group wants to divest but are waiting for a letter of intent from the city.

Committee Member Mike Gougler asked if the motion is to keep the rates the same while they are working through the divestiture process, however long that is? Mr. Guthrie stated yes, to leave the rates as they are until they divest, with the intent to divest within the next six months.

Committee Member Rick Rogers stated that Mr. Guthrie, Stan Gaibler and Mike Roos have worked diligently in trying to see how they can go through the process of divesting. The city is in an unenviable position. However, divestiture is not under this committee's scope, only the rates.

Chair Rourke asked what happens if the divestiture takes longer than 6 months and the city has to do this capital project? Mr. Guthrie said that the city may then want to meet with the CRRC to review the rates.

Chair Rourke stated that at the April 2, 2014 meeting, as the Committee discusses the rates to recommend to the City Council, that we are being asked with this NSSCC Motion to include a recommendation to hold the rates steady for the springs.

Committee Member Chuck Zickefoose mentioned that rates can't be raised until 01/01/2015, so it is a mute point.

Chair Rourke stated that technically the rates could be raised on 7/01/2014. Historically rates have been raised on January 1, but rates could be raised at other times.

Committee Member Rick Rogers commented that Mr. Guthrie mentioned that the springs customers would be willing to pay the increased rates that are going to be applied to the inside city limit customers.

Mr. Guthrie confirmed that the springs customers would be willing to pay the 7% rate increase that is proposed for the rest of the city, or tabling the increase because they are in discussions about doing the corrosion control themselves.

Mr. Guthrie also asked when is the meeting before the City Council. Chair Rourke stated it was on May 5, 2014.

Chair Rourke closed the public comments at 8:01 PM.

## 2. Close Public Comments

**IV. NEXT STEPS IN PROCESS**

Chair Rourke reviewed the upcoming meeting process.

1. CRRC Final Meeting Wednesday, April 2, 2014: Deliberation on Water, Wastewater, Stormwater & Springs rates
2. City Council Public Hearing Monday, May 5, 2014

**V. ADJOURNMENT**

The next citizens' rate review committee meeting is scheduled for April 2, 2014, at 7:00 PM at the Public Safety Building.

The meeting adjourned at 8:02 PM.

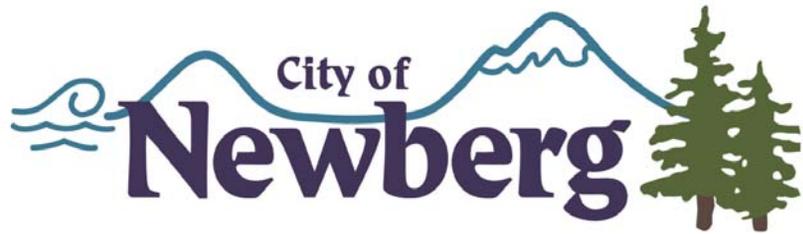
**Approved by the Citizen's Rate Review Committee on this 2<sup>nd</sup> day of April, 2014.**

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*Citizens' Rate Review Committee Recording Secretary*

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*Citizens' Rate Review Committee Chair*



# ***Town Hall Meeting***

Citizen Rate Review Committee

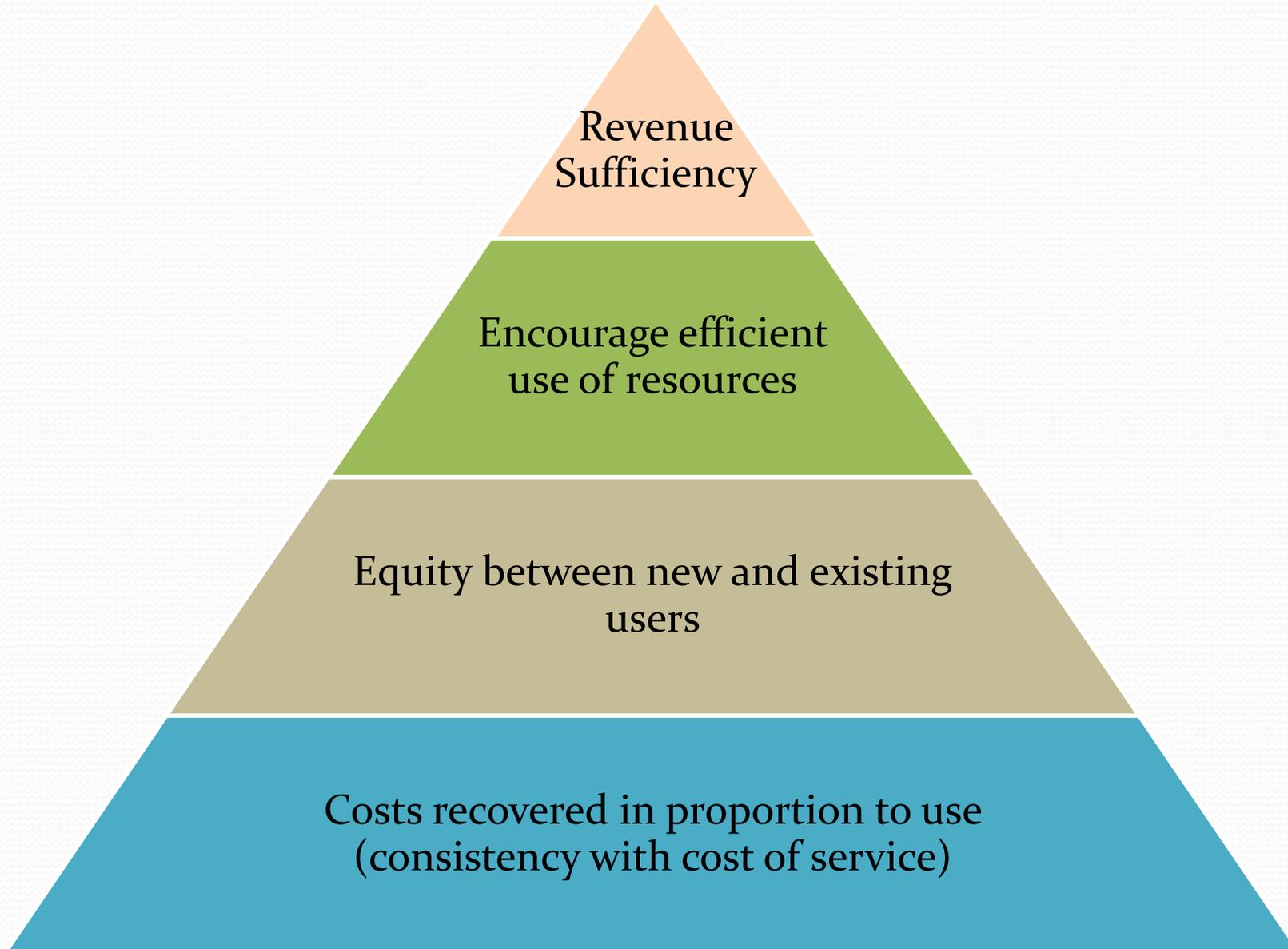
February 25, 2014

# Agenda

- CRRC History and Objectives
- Overview of Rate Setting Process
- System Requirements
  - Capital improvements
  - Operations
- Recommended Revenues and Rates
- Bill Comparisons
- Next Steps

# ***CRRC History and Objectives***

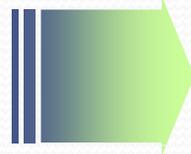
# CRRC Objectives



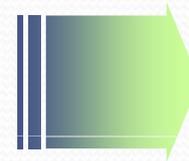
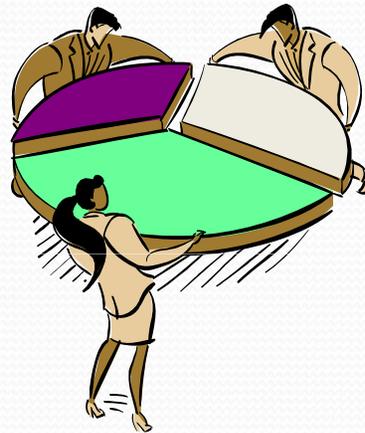
# *Overview of Rate-Setting Process*

# 3-Step Rate-Setting Process

Financial Plan



Cost of Service Analysis

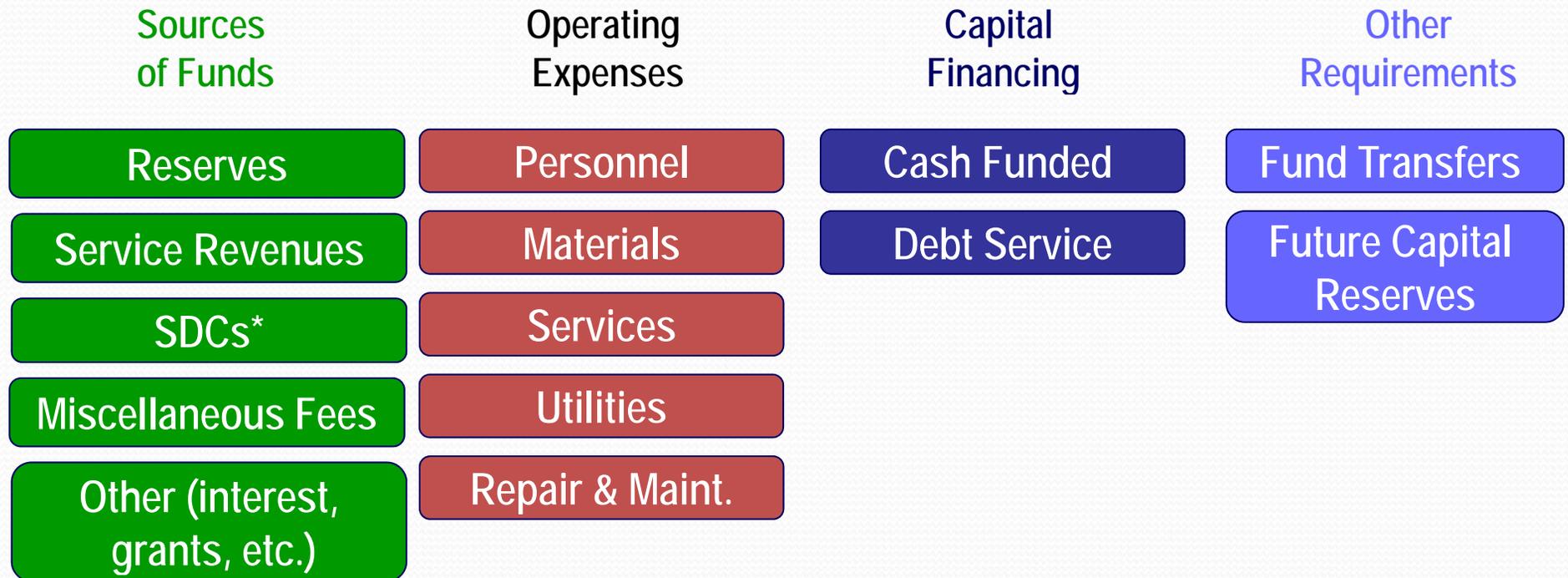


Rate Design



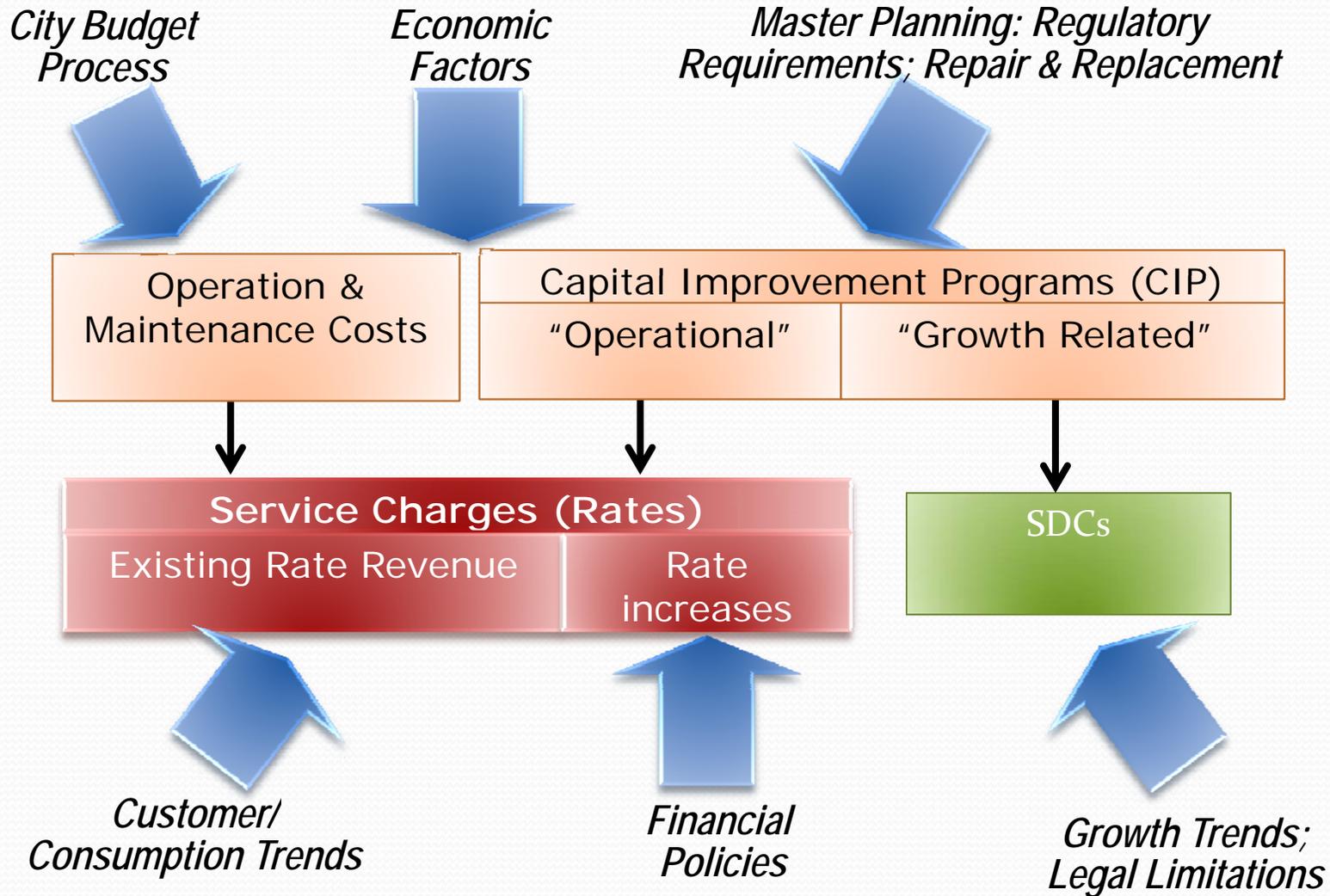
# Financial Plan Development

- Annual cash flow projections over 5-10 year periods



\*SDCs = System Development Charges

# Financial Plan Drivers



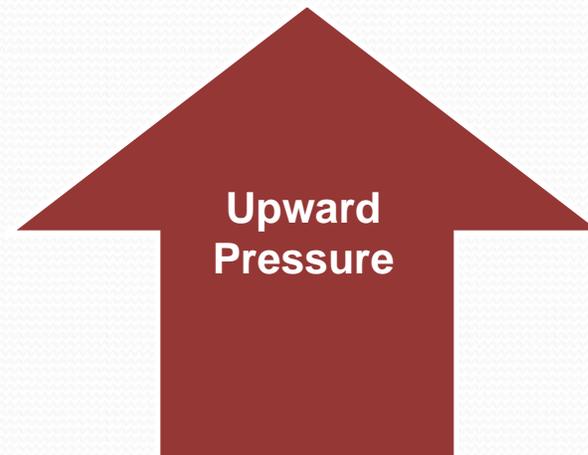
# Current Rate Pressures



- \* Favorable borrowing terms (wastewater)
- \* Staff position management
- \* Existing reserves



- \* Replacement of aging infrastructure
- \* Capacity expansion
- \* Cash funding for water and stormwater
- \* Declining water sales per account



# *System Requirements*

# Water System CIP Highlights

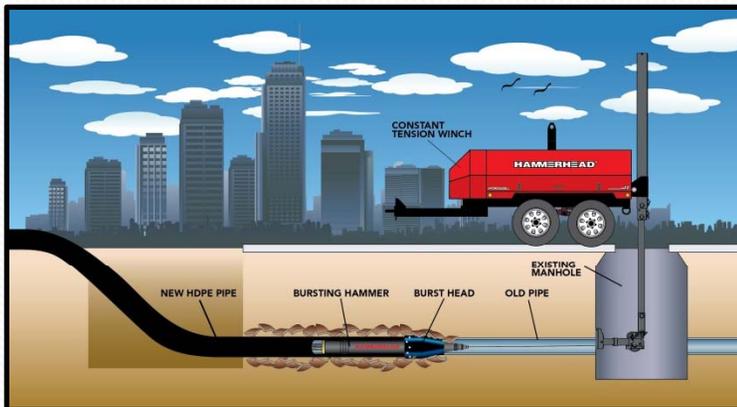
- Water system master plan update (\$0.25 m)
- Water Storage
  - North Valley Reservoir Design & Construction (\$3 m)
  - Zone 1 Design & Construction (\$6 m)
- Supply
  - Well #8 Upsizing (0.1 m)
  - Well #9 Design & Construction (\$0.6 m)
- Transmission/Distribution
  - Line replacements, valves & looping (\$0.5 m per year)
  - Springbrook Rd. Waterline (\$1.1 m)





# Wastewater System CIP Highlights: Other

- Pumping
  - Dayton Avenue replacement & upsizing (\$3.5 m)
- Collection
  - Hess Creek (\$2.5 m)
  - Springbrook Rd. (\$3.1 m)
  - Infiltration & inflow mitigation (\$0.5 m per year)

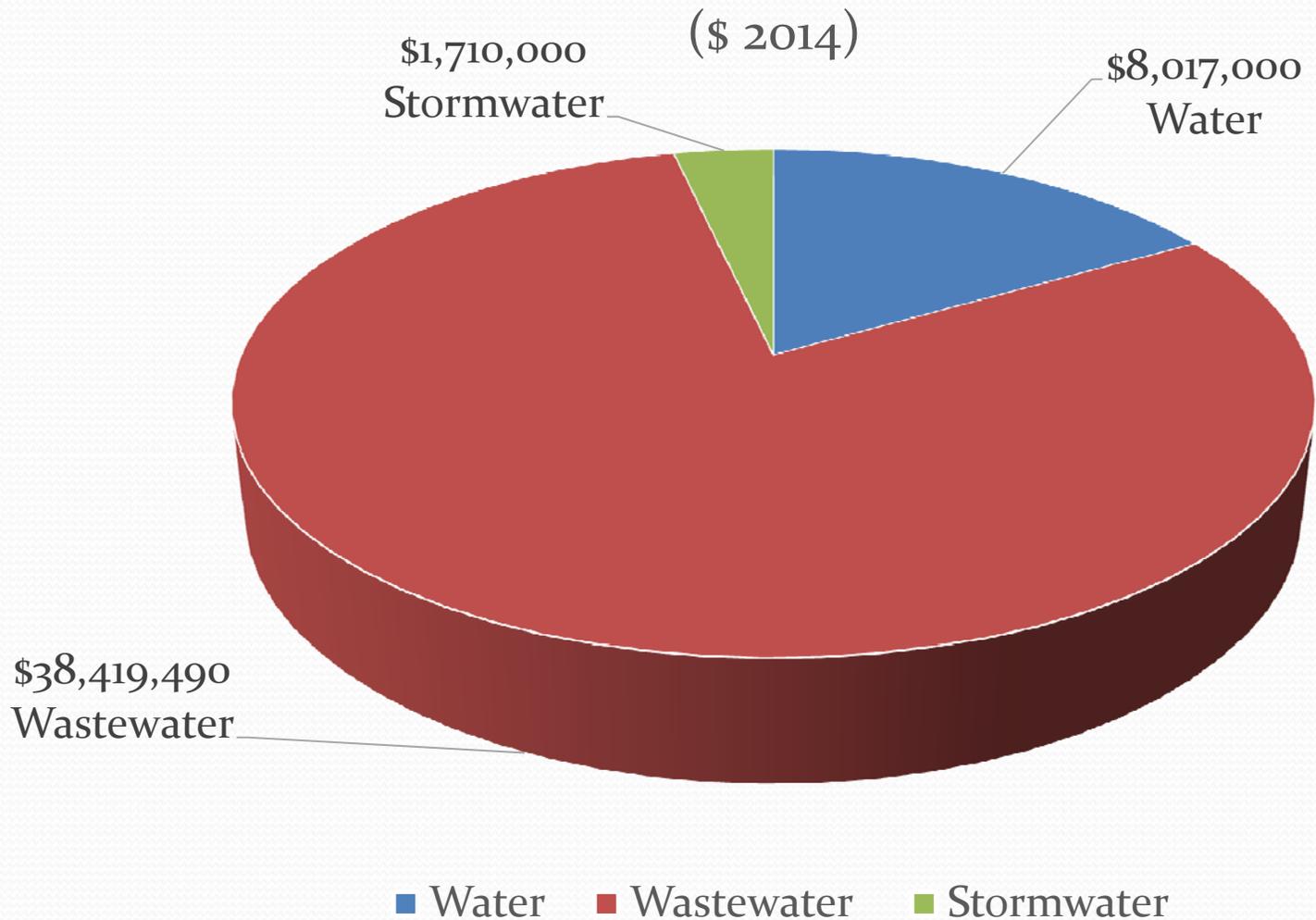


# Stormwater System Highlights

- Master Plan (\$0.15 m)
- Drainage Upgrades
  - 99W to 2<sup>nd</sup> St. Parking lot (\$0.2 m)
- Pipe replacement
  - Blaine St. (\$1.1 m)



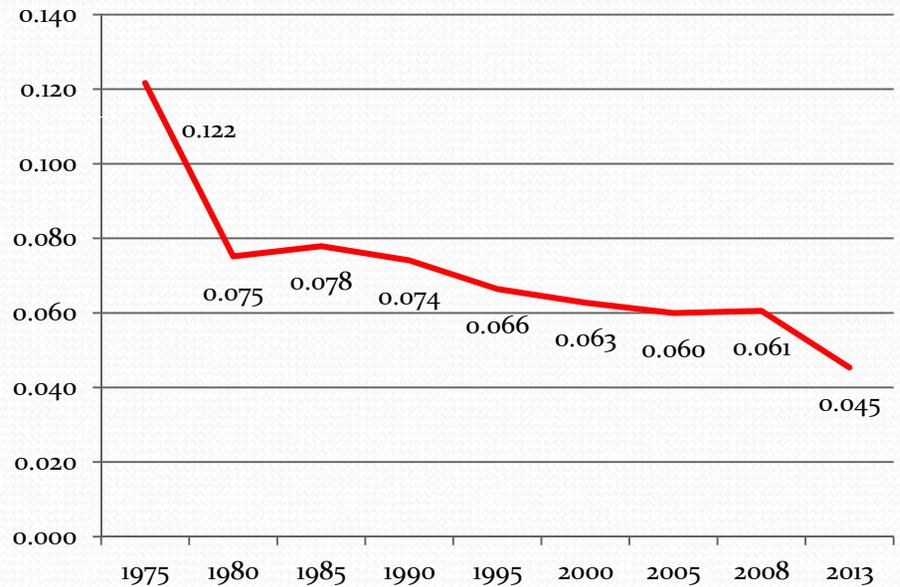
# 5-Year Capital Improvement Plan Summary



# System Operation Cost Highlights

- Labor cost management
  - Reduced FTE / mile of infrastructure
  - Restructured health benefits
- Future increases related to:
  - General cost escalation
  - 0.5 FTE added for stormwater
- Other factors
  - Repair & maintenance (e.g., I/I)
  - System expansion (e.g., additional power costs)
- Franchise fee for stormwater

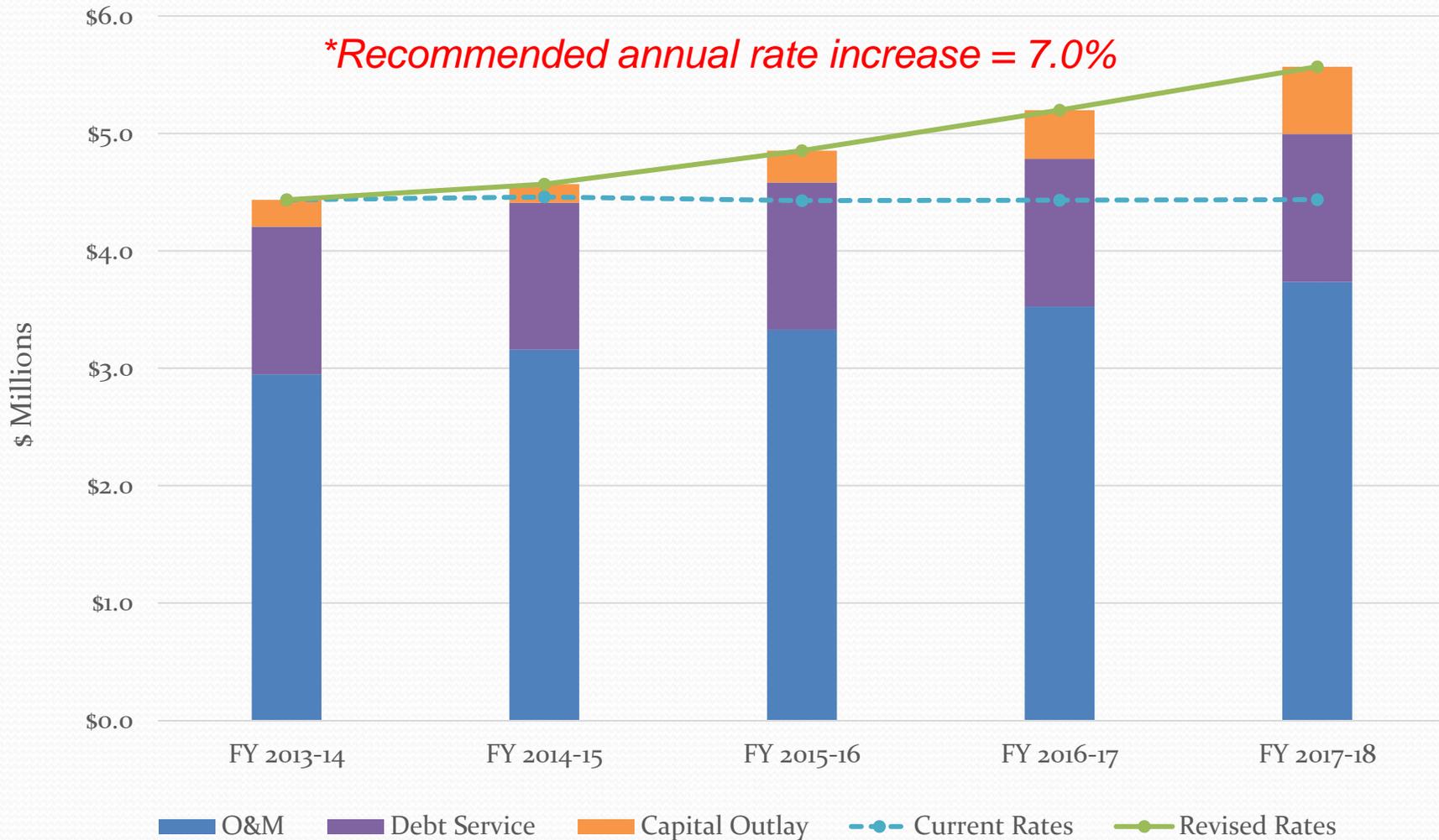
FTE Per Mile of Infrastructure



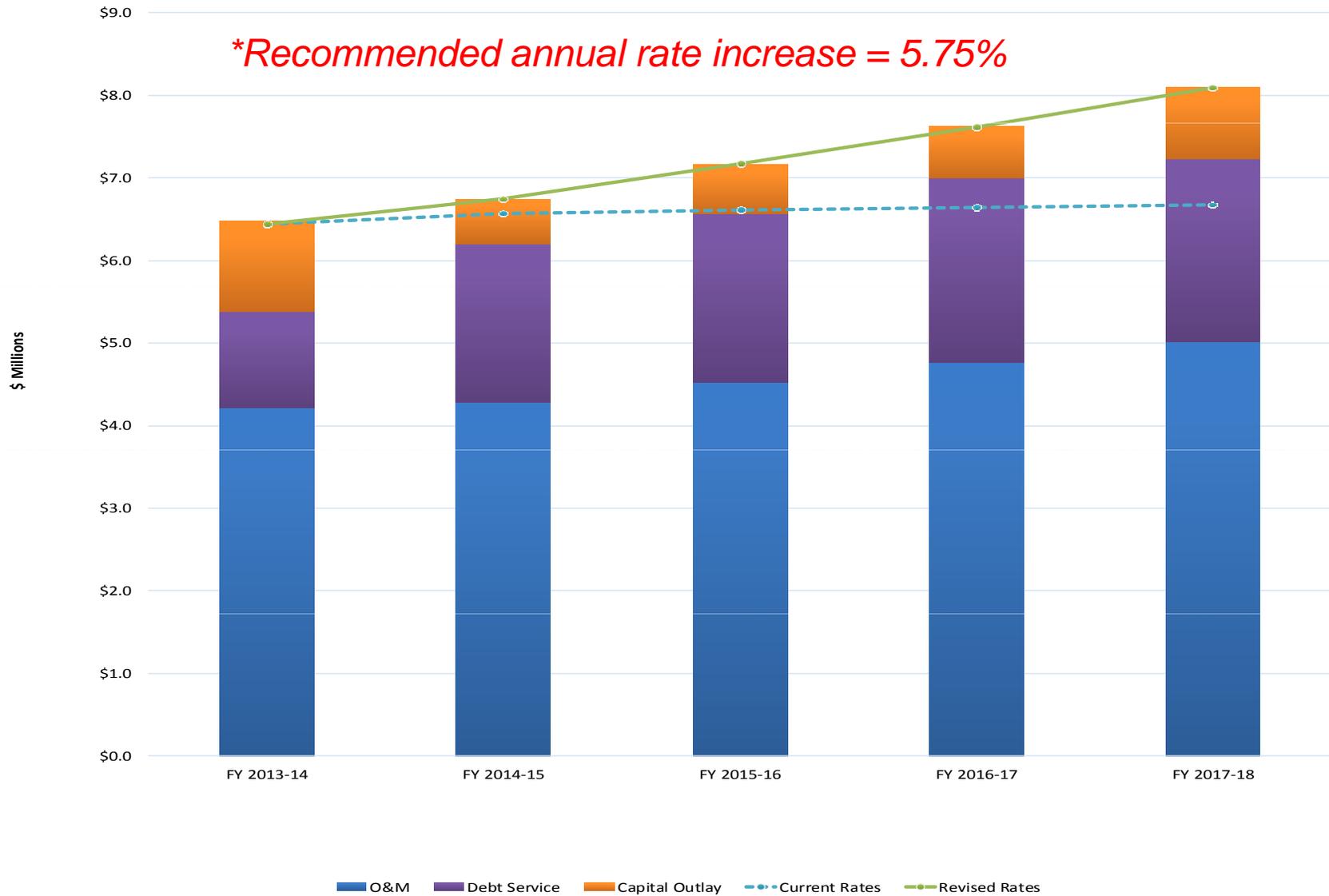
FTE = Full Time Equivalent staff positions

# *Recommended Revenues & Rates*

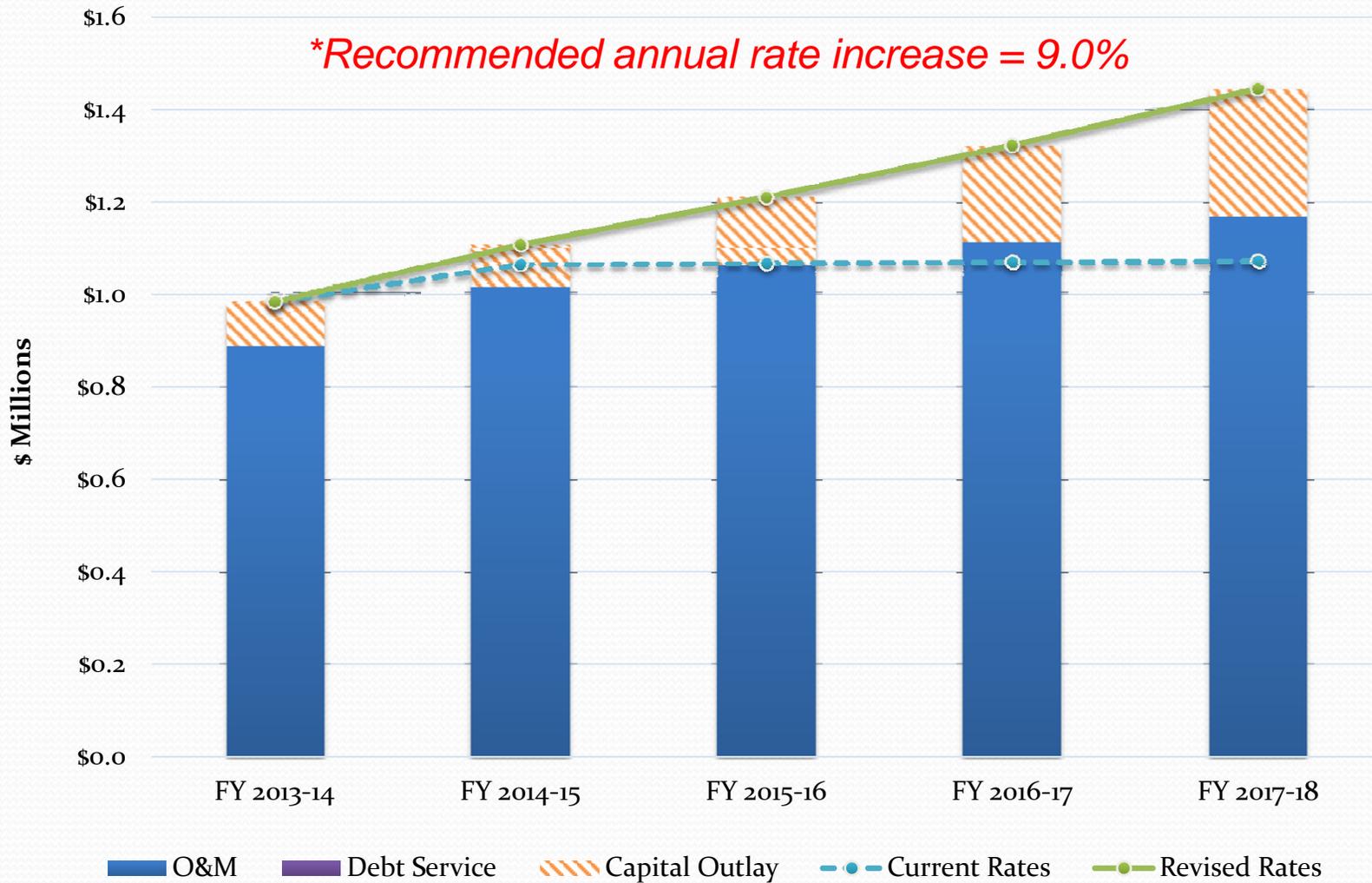
# Water System Revenue Increases



# Wastewater System Revenue Increases



# Stormwater System Revenue Increases



# Recommended Water Rates & Average Residential Bill

*\*Recommendation to increase revenue from fixed charges to 25% (from 20%)*

	Adopted	Proposed	Proposed
Customer Class	2013/14	2014/15	2015/16
<b>Service Charge (\$/Month)</b>	\$1.18	\$1.93	\$1.93
<b>Meter Charge (\$/Month)</b>			
3/4"	\$8.13	\$9.55	\$11.78
1"	\$13.82	\$16.24	\$20.03
1-1/2"	\$26.83	\$31.52	\$38.87
2"	\$43.09	\$50.62	\$62.43
3"	\$81.30	\$95.50	\$117.80
4"	\$135.77	\$159.49	\$196.73
<b>Volume Charge (\$/ccf)</b>			
Residential	\$3.59	\$3.73	\$3.85
Multifamily	\$2.91	\$3.06	\$3.15
Commercial	\$3.47	\$3.63	\$3.75
Industrial	\$3.75	\$3.83	\$3.95
Irrigation	\$6.40	\$6.50	\$6.69
Outside City	\$5.39	\$5.59	\$5.78
Public Agency	\$3.57	\$3.77	\$3.88
<b>Average Residential Bill</b>	<b>\$34.44</b>	<b>\$37.56</b>	<b>\$40.67</b>
<b>Bill Increase</b>		<b>\$3.12</b>	<b>\$3.11</b>

# Recommended Wastewater Rates and Average Residential Bill

*\*Recommendation to increase revenue from fixed charges to about 30% (from 28%)*

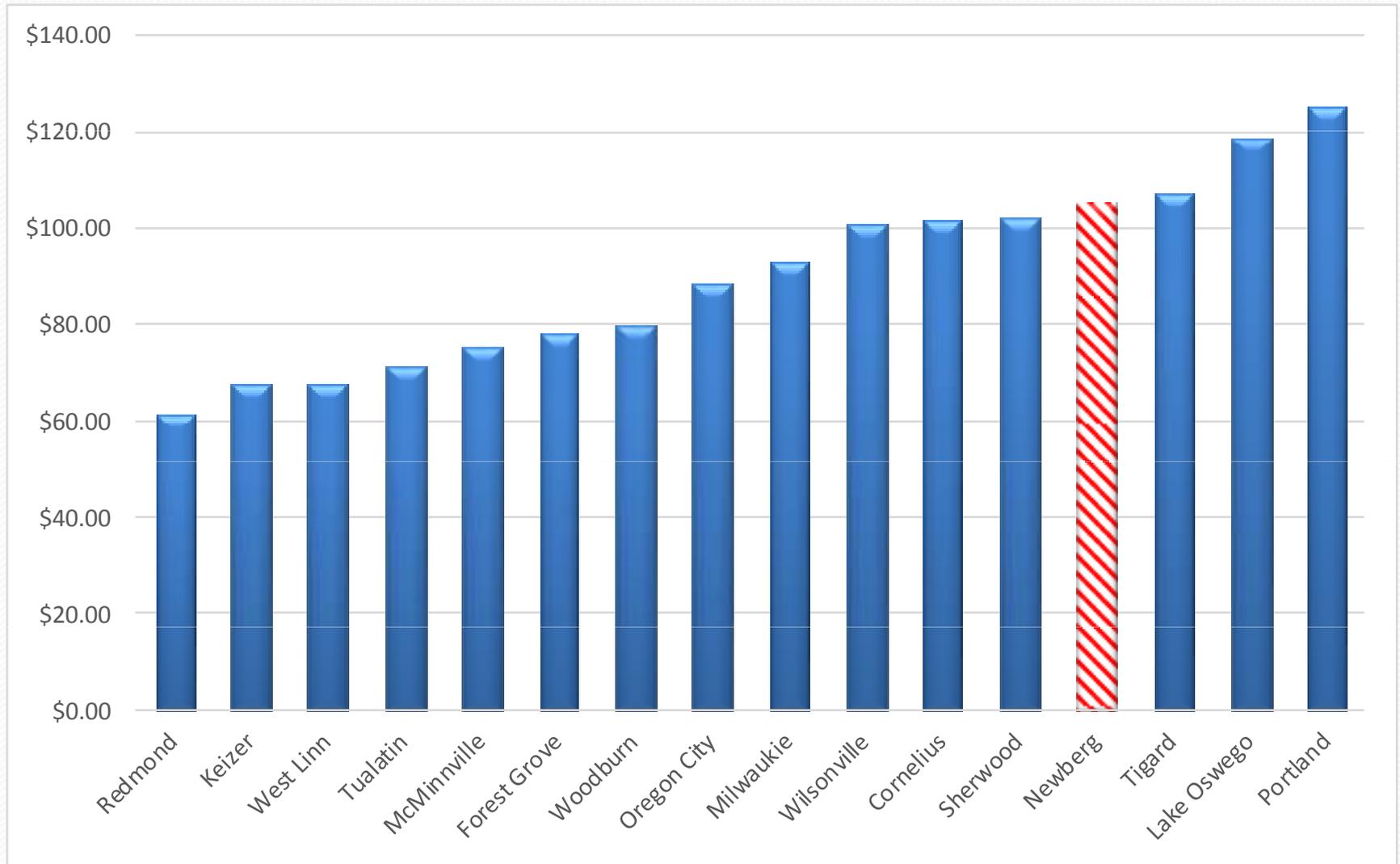
Customer Class	Current 2013/14	Proposed 2014/15	Proposed 2015/16
<b>Service Charge (\$/Month)</b>	\$18.07	\$19.43	\$20.66
Multifamily Unit Charge	\$16.69	\$17.13	\$18.24
<b>Volume Charge (\$/ccf)</b>			
S-F Residential	\$7.40	\$7.77	\$8.19
Multifamily	\$7.40	\$7.77	\$8.19
Commercial - 1	\$7.40	\$7.77	\$8.19
Commercial - 2	\$9.19	\$9.50	\$10.02
Commercial - 3	\$15.39	\$15.50	\$16.37
Industrial	\$9.19	\$9.50	\$10.02
Outside City	\$7.40	\$7.77	\$8.19
<b>Average Residential Bill</b>	<b>\$59.06</b>	<b>\$62.46</b>	<b>\$66.05</b>
<b>Bill Increase</b>		<b>\$3.40</b>	<b>\$3.59</b>

# Recommended Stormwater Rates & Average Residential Bill

	Current 2013/14	Proposed 2014/15	Proposed 2015/16
Rate per Equivalent Dwelling Unit		\$7.96	\$8.67
Monthly Bill Residential Customer	\$7.30	\$7.96	\$8.67
Bill Increase		\$0.66	\$0.72

*\*Equivalent Dwelling Units are determined based on square footage impervious area for nonresidential customers*

# Residential Utility Bill\* Comparison (2014)

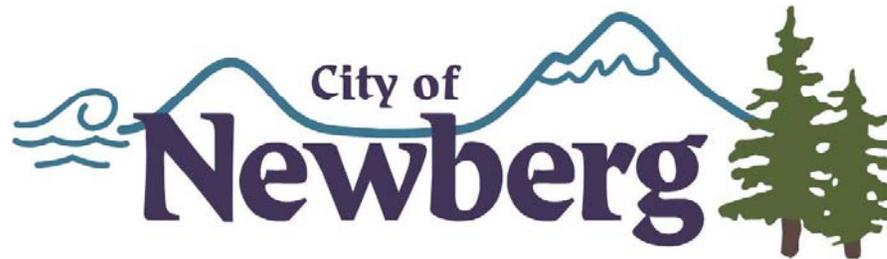


*\*Includes all fees (including public safety and fire)*

# *Next Steps*

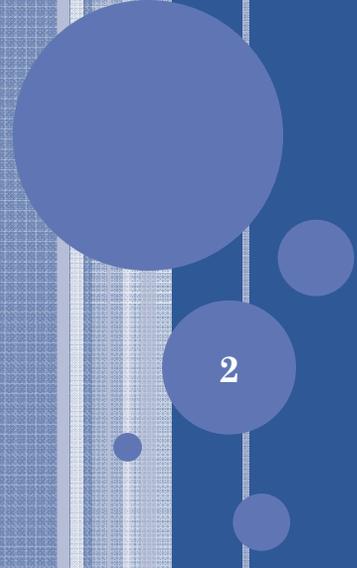
## *Next Steps*

- CRRC Deliberations: April 2, 2014
- City Council Public Hearing: May 5, 2014



# CITIZEN RATE REVIEW COMMITTEE PRESENTATION

March 18, 2014

A decorative graphic on the left side of the slide. It features a vertical line with a fine grid pattern. To the right of this line are several overlapping circles of varying sizes, all in shades of blue. The largest circle is at the top, and smaller ones are arranged below it, some overlapping each other.

# SPRINGS RATE EVALUATION

2

# SUMMARY OF SPRINGS ANNUAL REQUIREMENTS\*

Component	2007 Methodology	2014 Updated	
		100% CC Project	50% CC Project
O&M Costs	\$37,251	\$74,437	\$73,562
Pipe Replacement (1)	\$941	\$16,500	\$16,500
Capital Costs (2)			
Depreciation	\$8,319	\$29,298	\$20,548
Rate of Return	\$12,479	\$32,837	\$24,087
Subtotal Capital	\$20,798	\$62,135	\$44,635
Customer costs (3)	\$3,083	\$3,957	\$3,957
<b>Total Costs</b>	<b>\$62,073</b>	<b>\$157,029</b>	<b>\$138,654</b>

(1) 2007 methodology based on % of budget; 2014 based on replacement cost of existing pipes over 75 years

(2) 2007 & 2014 methodologies based on 50% Springs share for CT Project

(3) Based on customer service, meter and billing costs

CC = Corrosion Control

# SUMMARY OF SPRINGS ANNUAL REVENUE VS. COST OF SERVICE

Item	2009	2010	2011	2012	2013	Total
<b>Rates</b>						
Volume	\$4.45	\$4.98	\$5.58	6.18	6.18	
Fixed	\$3.86	\$3.86	\$3.86	\$3.86	\$3.86	
Volume (ccf)	968,700	1,245,426	1,112,326	1,073,270	1,198,600	
Avg. Customers	66	66	66	66	66	
Actual Revenue	\$46,164	\$65,079	\$65,125	\$69,385	\$77,131	\$322,884
Est. Cost of Service	\$62,073	\$62,073	\$62,073	\$62,073	\$62,073	\$310,365
Difference	-\$15,909	\$3,006	\$3,052	\$7,312	\$15,058	\$12,519
Adttl Capital Cost <sup>1</sup>	(\$8,697)	(\$8,107)	(\$7,517)	(\$6,927)	(\$6,337)	(\$37,585)
Net Difference	(\$24,606)	(\$5,101)	(\$4,465)	\$385	\$8,720	(\$25,066)

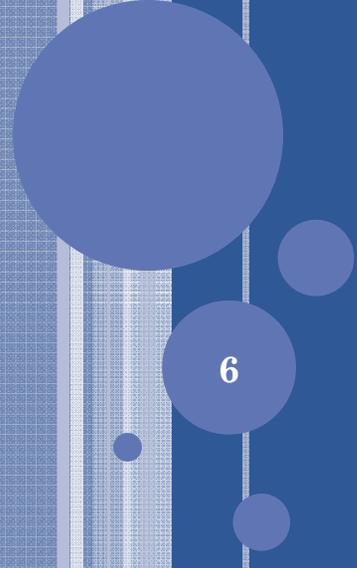
<sup>1</sup> Additional shortfall due based on actual project costs for CC project

CT = Chlorine Treatment

# REVISED RATES & SAMPLE BILLS\*

Component	2007 Methodology	2014 Updated	
		100% CC Project	50% CC Project
<b>Estimated Rates</b>			
Monthly Charge	\$3.86	\$5.00	\$5.00
New Springs Volume Charge	\$6.18	\$12.77	\$11.24
Percent Change		107%	82%
Additional Volume Charge to Recover CT Shortfall			
Single year payback		\$2.09	\$2.09
2-year payback		\$1.05	\$1.05
Volume Rate w/Shortfall			
Single year payback		\$14.86	\$13.33
2-year payback		\$13.82	\$12.28
Sample Bill based on 10 ccf/month			
Without additional volume charge	\$65.66	\$132.71	\$117.38
With single year payback	\$65.66	\$153.62	\$138.29
With 2-year payback	\$65.66	\$143.16	\$127.83

CC = Corrosion Control  
 Ccf = hundred cubic feet



THE END

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