CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, NOVEMBER 5, 2015
6:30 PM MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

I. CALL MEETING TO ORDER

The meeting was called to order at 6:30 PM.

II. ROLL CALL

Members Present:	Rick Rogers, Chair	Sarah Grider	Marilynn Van Grunsven
	Nick Morace	Blair Didway, Vice Chair	Bill Rourke, Secretary

Staff Present:	Steve Rhodes, City Manager Pro Tem	Matt Zook, Finance Director
	Jay Harris, Public Works Director	Kaaren Hofmann, City Engineer

Others Present: Deb Galardi, Galardi Consulting LLC

III. PUBLIC COMMENTS – None.

IV. CONSENT CALENDAR

1. Approve minutes from the October 15, 2015 meeting (as amended, see below)
2. Updated meeting calendar

Mr. Rourke noted in the minutes where it stated family members were not able to serve on the same committee. He thought it should state that they could not serve if a family member was another City official.

MOTION: Van Grunsven/Rourke moved to approve the consent calendar as amended. Motion carried (6 Yes/ 0 No).

V. NEW BUSINESS

1. Review Requested Information from October 22 meeting

Deb Galardi, Galardi Consulting LLC, provided some corrections to the historical rate information. Upon further research by City staff, they found what was adopted in 2003 was $2 per equivalent dwelling unit (EDU) and there had been increases every year except in 2010. She discussed the projected operation and maintenance costs. There would be no increases in staff, they had assumed the budget would not be completely spent, and minor capital equipment had been included. She then reviewed the Capital Improvement Plan and SDC funding as well as the need to include an inflation adjustment. The proposed 9% rate increase did assume the SDCs would contribute to the projects. The projects cost $500,000 to $700,000 per year which was not supported by the current rates and SDC contributions. She explained the funding sources and how existing reserves would fund a portion of the capital improvement costs as opposed to raising rates even more than the 9%. She described the revenue requirements. Rates were currently only covering operation and maintenance and reserves were funding the CIP. The rates needed to keep up with inflation, but the increase was mostly to build capacity in the rates to fund capital so the capital reserves were not depleted and so they could continue

to cash fund projects and not issue debt. The new rate would go into effect in January 2016. It resulted in less than a dollar increase per month for customers. The 9% was needed to continue operations at current staffing levels, keep pace with inflation, increase rate revenue for the non-growth related CIP, and maintain an operating contingency. The rates were evaluated every two years.

There was discussion regarding preserving the reserve funds by proposing a higher rate.

Ms. Galardi gave a comparison of Newberg's rates with other jurisdictions. They were in the middle in comparison.

City Engineer Kaaren Hofmann discussed how the residential and commercial rates were determined and how the impervious area was calculated.

2. Conclude Stormwater Rates

Mr. Didway did not think a 9% increase was enough.

Mr. Morace thought the public was not educated on what was going on with the system and was concerned about the perception of raising it more than 9% even though it meant less than a dollar increase per month. They needed to be careful with percentages.

Ms. Van Grunsven agreed that it would be a hard sell to the public to accept the increase beyond the recommended 9%. She thought the 9% would be difficult for the public to accept.

Mr. Didway said looking at the historical increases, they had been a lot larger than 9%. If they needed the money, they could set it now instead of having to make it up later.

Ms. Grider agreed that being proactive was important and going above the 9%, but it also needed to be predictable for the public in the future.

Mr. Rourke liked the idea of a reserve and raising the percentage would protect it. However, the public needed to be better educated regarding the needs of the system. He could go with a higher rate.

Chair Rogers said the 9% would be consistent with the past few years of rates. He agreed about increasing public education.

Ms. Galardi discussed possible rate increases that would better preserve the reserve fund.

Public Works Director Jay Harris discussed the differences between the reserve and operating contingency funds. There was a 16% reserve for emergencies. He discussed insurance coverage for pipes under buildings and the need to eliminate those as soon as possible while balancing rates.

CE Hofmann said the highest priority CIP project was the Blaine Street project from Hancock to 11th. It was scheduled to happen over the next 3-4 years in phases. The other was Villa Road which was currently under construction and Center Street also had pipes under buildings. They did not have enough in reserves to complete the Blaine Street project next year. If there was more money they could possibly get the project done in a shorter amount of time. All of the CIP projects were playing catch up, and did not have much to do with new development. New development had to keep the stormwater at the same rate that it was before development.
Ms. Galardi said for every 1% increase over the 9% for the two year period, it would increase the reserve by $120,000.

Mr. Rourke said since these were not emergency projects in the CIP, he did not have a problem spending down the capital reserves and leaving the rate at 9%. They had to balance expediting important projects against the increases of all the rates including water and wastewater.

Chair Rogers thought stormwater was important and they should do more than what was required. He did not think the $120,000 was worth a double digit increase especially taking it to the public. There would be increases in the other utilities as well.

Mr. Didway said with the 9% they would stay the course, although he did not know if that was where they wanted to stay.

Ms. Van Grunsven and Ms. Grider were comfortable sticking with the 9%.

Mr. Morace said the projects were being done according to the master plan and the City planned to do them with the 9% rate. He did not think the reserve needed to be increased. He thought 9% was acceptable.

Mr. Rourke could live with the 9% and thought it would be easier to explain to the public. He did not want the rate to go to a double digit. This was a prudent plan to move forward with the projects.

Mr. Didway would like to know what could be achieved by raising the rates to a higher level and getting the projects done sooner.

CE Hofmann said the Master Plan was not specific for timing of the projects. She did not have the numbers with her to know what other projects could be added if the rates were raised. There were some smaller projects that could be added with a $120,000 increase. Some projects were a million dollars, and it would only push them forward a small amount. There were other funding options, such as grants and loans, however these funds were becoming harder to get.

PWD Harris explained how revenue bonds worked.

Ms. Galardi said most of the projects were too expensive to push forward without issuing debt. Last time the water and wastewater rates went up $3 each per month, and that was where the accumulated effect of all three systems made it difficult for the public.

CE Hofmann said when the water and wastewater projects were included with the proposed stormwater projects, it was already a lot for the current staffing level. Increasing projects would also increase operation and maintenance so the extra $120,000 would not only go to the projects.

PWD Harris thought this was a reasonable pace to address the needs of the City.

Mr. Didway was comfortable with the pace and rate as proposed.

MOTION: Morace/Van Grunsven moved to approve the 9% increase as proposed by staff. Motion carried (6 Yes/ 0 No).

VI. ADJOURNMENT

The meeting adjourned at 8:00 PM.

Approved by the Citizen's Rate Review Committee on this 3rd day of December, 2015.

Matt Zook 12-3-15
Citizens' Rate Review Committee Recording Secretary

12-3-15
Citizens' Rate Review Committee Chair