

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, DECEMBER 3, 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 Blair Didway, Vice Chair Holly Bradford
 Nick Morace Bill Rourke, Secretary Sarah Grider
 Marilynn van Grunsven

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 November 5, 2015 meeting

MOTION: Morace/Didway moved to approve the consent calendar. Motion carried (7 Yes/ 0 No).

V. NEW BUSINESS

1. Conclude Wastewater Rates

Deb Galardi, Galardi Consulting LLC, said at the last meeting she discussed the preliminary results of the financial plan for wastewater. Some refinements had been made, but they did not increase or decrease the rate increase that was proposed at the last meeting. She discussed the adjustments to the financial plan. The City did a compensation study that identified increases for non-represented staff that had not been built into the budget for 2016, but would follow with a budget amendment. She had adjusted the financial plan for that increase of \$16,000. There was a court decision regarding PERS that resulted in the City paying more in PERS, but they did not know exactly how much more. She had increased the annual percentage for PERS costs in response. The revenue forecast was reduced as a result of the mill closure. She had a revised operation and maintenance cost forecast as well. She still recommended a 5.95% rate increase for the next two years. The increase would help pay off debt for the expansion of the wastewater treatment plant as well as would help with the reduction of consumption which had been significantly lower in the last few years. There had been a decrease in water consumption as well, but not as significantly as in wastewater. The consumption numbers correlated with the revenue numbers and staff was looking into the winter averaging process. She then gave a rate structure analysis, explaining the framework and the costs incurred for the base flow and infiltration and inflow.

Public Works Director Jay Harris explained the differences in winter months and peak time flows, water basins, and infiltration and inflow projects.

City Engineer Kaaren Hofmann said the infiltration and inflow would be reviewed again in 2021.

Ms. Galardi discussed a chart showing where the infiltration and inflow went and how it affected rates. Because infiltration and inflow costs were a large portion of the total, the City got a higher percent of revenue recovery. Part of the reason to adjust the rates was because consumption went down so much, and having a stable rate structure and significant amount of revenue from fixed charges would stabilize rates over the long term. There was also the revenue from the volume charge, and there was a continued incentive to use less water and pay less in sewer. She then explained the full rate schedule. The rate increase would result in a \$3.50 to \$4 per month increase for a typical single family residential customer who used about 500 cubic feet of water per month. Commercial 2 and 3 customers' bills went up significantly due to the volume of water they used. The 5.95% rate increase would be for the next two year period, and a big part of the increase was related to capital projects and servicing debt. She had run multiple scenarios with CE Hofmann and the CIP to try to stay under 6% and it had already pushed capital beyond what was ideal at the 5.95%. However they were trying to balance affordability and system reliability.

There was discussion regarding the six customers outside of the City limits and the pros and cons to raising the fixed service charge.

Finance Director Matt Zook discussed a chart showing wastewater rate comparisons of Newberg's rates with other jurisdictions. Many of the jurisdictions had service districts which due to economy of scale led to lower rates. For some, there was a Clean Water Services rate charged for treatment and a City rate charged for the collection. There were also some who ran their own wastewater treatment plant.

There was discussion regarding the comparison rates, many of which would be going up 3-5% in July. There was further discussion about Newberg's rates being the second highest and how to explain that to citizens.

Mr. Didway thought the best way to explain was they were bringing the system up to meet basic standards citizens would expect. He thought Newberg was quite efficient in maintaining the system and there was a good plan for going forward. He thought there were too many variables to be able to have a good comparison with other jurisdictions.

CE Hofmann said a question raised at the last meeting was about the roofing project, and she clarified it was for replacement of the roofs, not repair.

Chair Rogers asked about the low income program. FD Zook provided information on the program which began in 2010 and \$20,000 had been allocated in this year's budget for the program. It was given out as grants to local non-profit organizations that received requests and distributed the funds. It was fully used every year. He was not sure if it was meeting the need.

Mr. Didway suggested adding to people's bills an option to round up the bills and donate to the low income program.

Chair Rogers asked for feedback on the 5.95% rate increase.

Mr. Didway was in favor of the amount.

Mr. Morace did not like the 5.95%, as rates continued to go up every year and even a few dollars extra per month was a big impact.

Ms. Bradford also did not like the 5.95%, although she understood the need for it. She would like a true comparison for raising the base rate and how it would impact citizens. If she had to vote that night, she would say no to the 5.95%.

Ms. van Grunsven was undecided. She could see the need, but as a citizen had concern about increasing rates.

Mr. Rourke also did not like rate increases, but the information was compelling and they needed to catch up. He was in support of 5.95%.

Chair Rogers agreed with the general sentiment about rate increases. He was concerned about those on fixed income, and would like to get a list of those who received the grant vouchers. Seeing Newberg among the highest rates was concerning. The public would look at it as a total bill increase. He was generally in favor of the increase.

CE Hofmann said staff could look at the projects again and see if some could be delayed. It could possibly go down to a 5.75% increase, but she did not think it was possible to have no increase in rates. Not having an increase also did not take into account inflation.

PWD Harris said the City was trying to get out of debt financing projects and the goal was to not debt finance projects as long term the City would have to pay more.

There was discussion regarding inflation costs and how they were determined.

Mr. Rourke did not want to return to the previous position of ignoring the problems in favor of keeping rates low. They were still paying the price today because of those poor decisions of the past. He did not like paying more, but he thought they had to.

Ms. Grider was concerned about the implications of not increasing the rate to meet inflation costs and preventative maintenance that in the long run would save money. She did not want to kick it down the road and incur higher costs to deal with the problems that had been deferred. She was comfortable with the increase as proposed by staff.

Chair Rogers said the Committee did not necessarily want to push the rates onto future generations, but he would like to see numbers for debt servicing some of the capital projects.

Ms. Galardi said debt could not be issued for a couple of years as debt was just coming on for the plant improvements and the City was already highly leveraged. In 2020 they could look into issuing debt again.

Mr. Morace thought they should stay out of debt as much as possible.

Mr. Rourke was also not in favor of debt as it moved the cost down the road to future citizens. They were using reserves to help off-set rate increases.

Chair Rogers said the list of outstanding items were: the options for base rate vs. volume charges, getting a list of who received the grant vouchers, and water usage vs. wastewater usage and making sure they were lining up.

Ms. Grider wanted to hear more about the plausibility of adding money to the low income program.

Ms. Galardi asked for scenarios the Committee wanted to look at for base rate vs. volume charges, and the Committee wanted to see a 40% fixed scenario and a 45% fixed scenario, and analysis on how it would impact low income customers.

Mr. Didway wanted to see what a 3% rate increase would mean for 2016/17 and increasing it gradually to still meet the goals. Ms. Galardi said the Public Works department would have to push out projects to do that.

The wastewater rate discussion would be continued to the next meeting in January.

VI. ADJOURNMENT

The meeting adjourned at 8:13 PM.

Approved by the Citizen's Rate Review Committee on this 21st day of January, 2016.

 1-21-16

Citizens' Rate Review Committee Recording Secretary

 1-21-16

Citizens' Rate Review Committee Chair