

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, JANUARY 7, 2016
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

Roger Kuhlman, Newberg resident, said if the Committee wanted public comments, citizens needed more information to make good comments and the current process did not provide that.

Branden Thompson, Golf Operations Supervisor for the Chehalem Park and Recreation District, provided information regarding similar situations and rates from a golf course perspective using recycled water. The nearest similar situation was Clean Water Services who provided recycled water to three different golf courses in addition to schools and parks. They provided about 90 million gallons of recycled water in total. The rates they charged for 100 cubic feet of water (ccf) were: for golf courses it was \$.20 per ccf, but the rates were going to be raised to \$.40 per ccf and new customers would be charged \$1.00 per ccf. Chehalem Park and Recreation District was being charged \$3.52 per ccf which was three and a half times more than the nearest competitor.

Don Clements, Superintendent of Chehalem Park and Recreation District, said they were trying to keep the river as clean as possible and in the beginning was the only user for recycled water and had been overcharged. They were part of the community and they tried to do the best for the community, but they felt like they were being taken advantage of. Since July 1, they had paid \$223,767 for water. It was not right and they hoped the Committee would give them what was fair.

IV. CONSENT CALENDAR – None.

V. CONTINUED BUSINESS

1. Conclude Wastewater Rates

Chair Rogers had spoken with Love, Inc. regarding utility vouchers. They said the vouchers were moderately used when someone was facing a shut off situation and they gave clients \$50 towards their bills.

Deb Galardi, Galardi Consulting LLC, said the Committee had requested additional items on the wastewater rate discussion before a decision would be made. They wanted to see a modification to the rate structure to see what

it would look like if there was a higher percent of revenue recovery from the fixed charges. The Committee asked for scenarios for an increase of 40% and 45% from the current 33%. There was also interest in seeing a reduced overall rate increase and what it would take to get to that in terms of deferring capital projects. For the rate structure with the 5.95% increase, the service charge would be \$20.66 per month for all customers and for multi-family units it was \$18.24 per unit. Under the current structure and cost of service analysis, the service charge increased from \$20.66 to \$21.95 and \$23.76 in the first and second years. The volume charges increased as well. For the 40% scenario, the service charge would be \$26.58 and volume rates would decrease because from a revenue neutral standpoint the costs were being shifted to the fixed decreasing the volume charges. For the 45% scenario, the service charge would be \$30.86. Residential would pay more overall and there would be a higher percentage increase for small users that did not use a lot of water. This would be true for small commercial users as well, but the larger commercial and industrial users whose bills had more from the volume would see a decrease. She then discussed the option of deferring some Capital Improvement Projects with a lower rate increase. Those projects were: infiltration and inflow reduction projects, sawdust bays, Wastewater Treatment Plant sewer line, and Hess Creek improvements. Even with these reductions, the rate would need to be increased at least 3.25% due to obligations from borrowing from DEQ and debt service coverage requirements. This reduction would not only defer projects, but would also reduce future reserves to fund the deferred capital to about \$1.5 million.

There was discussion regarding the projects proposed to be deferred and the use of SDCs for future improvements. The projects that were left in were ones the City was already working on or were higher safety priorities.

Chair Rogers said in this discussion with wastewater, there were built in operation and maintenance increases at about 4% per year and there was debt service being locked in because of the debt coming online now. The place to cut was Capital Improvement Projects, and the projected increase would be dropped from 5.95% to 3.25%.

Ms Galardi added there were project costs beyond this window, such as \$18 million for an oxidation ditch, and rate increases that only maintained current debt service coverage did not give the City a lot of capacity to issue new debt.

Ms. van Grunsven asked about the importance of the sawdust bay project. Public Works Director Jay Harris explained the facility was being run right now without the sawdust bays and if there was a large increase in volume it would be a necessary project.

Mr. Didway asked if there was a priority order for the Capital Improvement Projects. City Engineer Kaaren Hofmann said the list was not prioritized. PWSD Harris discussed the projects, the reasons why they were on the list, and how long each project would take to complete.

Ms. Grider would like to hear the presentation on the water rates before deciding on the wastewater rate. Ms. Bradford agreed.

Mr. Rourke said these projects had already been delayed and sometime they would have to make the tough decision to move forward on these necessary projects.

There was consensus to hear more about the water rates before a decision was made on the wastewater rate.

Chair Rogers asked about the drop in consumption that had been previously discussed. Finance Director Matt Zook said staff was still looking into the issue.

VI. NEW BUSINESS

1. Water Capital Improvement Plan Presentation

CE Hofmann gave a status update on the previous five year Water Capital Improvement Projects. She then described the proposed five year Water Capital Improvement Projects which included: the Water Master Plan update, North Valley Reservoirs, S. Springbrook Road bypass project, Hypochlorite Generator, valves on College Street, College Street relocation to Mountain View, new hydrants and valves, fixed base radio read, Water Conservation Master Plan, decommission of Wells #1 and #2, general piping projects, and multi-fund projects.

There was discussion regarding the details of the proposed projects.

2. Water Rates Presentation

Ms. Galardi provided a water rates history. Previous water rate increases had been varied. There were substantial increases in 2011 and 2012 at 12.2%. There was no rate increase in 2013 as operational costs were cut and in 2014 there was an inflationary increase of 3%. Consumption had been decreasing every year, which was happening nation-wide. For 2015 and 2016, 7% rate increases went into effect January 1 of each year, and the increases were due to Capital Improvement Plan projects. The rates for non-potable water had not increased since 2010 and there was a separate Springs rate as well. There was a monthly service charge that did not vary with water usage, but did vary with the size of the meter. Most residential customers were served by a three-quarter inch meter and paid \$11.78 per month plus a billing charge of \$1.93. There was also a volume rate, and the amount depended on the user class. The non-potable and Springs rates used different methodologies. The non-potable rate was 50% of the irrigation rate. It was a significantly lower cost rate than someone receiving water from a potable system paid for irrigation. There had been a drop in consumption from residential customers during the peak season.

There was discussion regarding bringing water to the Greens area, irrigation rates, supplying water to CPRD, and developing rates, bringing in new year-round customers, and cost recovery for non-potable water.

Ms. Galardi said it had been a high priority of committees past to rebalance the water revenue recovery and incrementally phasing in service charge increases to bring the system up to a 33% recovery similar to the wastewater system. The last increase that just happened brought the water system up to 24% recovery. There was a question of whether the committee wanted to bring it up further or maintain the current level. She discussed the Water Use Chart which showed what the City projected and the revenues were more in line than the wastewater system. Staff was projecting lower revenue in the upcoming years due to the elimination of the Springs system and its revenue and factoring in the mill closure. The proposed Capital Improvement Plan was significantly lower in costs than the prior Plan. Operations and maintenance were being projected slightly lower than the previous Plan. However, the Water Master Plan might identify additional improvements. There were existing reserves which were being built up to fund projects. There was also capacity to fund some amount of capital and there were SDC revenues as well, however they did not know how much SDCs would come in year to year. Looking to the year 2021, the inflation adjusted capital improvement plan was \$7.3 million. The rate increase was calculated so it would not draw down all the reserves as additional improvements would be associated with the Water Master Plan update. The proposed 3.5% would fund the projects in the Capital Improvement Plan, would build up the reserves, and fund the inflationary increases to maintenance and operations costs. She explained the assumptions of moderate customer growth, continued reduction in water volumes, operating costs escalation, no additional staff, adjustments to wages and PERS, and no additional debt. She asked what information the committee would want to be brought back.

The committee asked for comparisons with other jurisdictions, operation and maintenance costs for non-potable water, and a summary of all the rates together. There was discussion regarding getting the information and meeting materials out to the public. The information was on the City's website and there would be a few copies available at meetings.

Corey Zielsdorf, resident in the Greens, was aware of the reuse water system at the golf course and the surrounding residents would like to be a part of the system. He heard that CPRD was paying \$40,000 per month for use of the system. With the reduction of the use in wastewater and water, it would be beneficial to look at a business plan around reuse water and the economic feasibility of creating a plan that could off-set the costs. He gave the example of the Tualatin Valley Irrigation District which was intended for agricultural use but was transitioning to industrial users. He thought it was something the City should think about as they planned for industrial parcels coming in. If one of the reservoirs was not able to be retrofitted, it could be used for reused water for a pressurized system.

Ms. Galardi would bring back information on the non-potable system, comparative information, and combined bill. She asked if the rate structure for water needed to be modified or if there were requests regarding wastewater.

There was a request for more information on the meter reader technology and wastewater comparison for a 4% rate increase.

VII. ADJOURNMENT

The meeting adjourned at 8:15 PM.

Approved by the Citizen's Rate Review Committee on this 18th day of February, 2016.

 2/18/16

Citizens' Rate Review Committee Recording Secretary

 2-18-16

Citizens' Rate Review Committee Chair