

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, JANUARY 21, 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. CONSENT CALENDAR

1. Approve minutes from the June 4, 2014, November 19, 2015, and December 3, 2015 meetings

MOTION: Morace/Rourke moved to approve the November 19 and December 3, 2015, Minutes. Motion carried (6 Yes/ 0 No).

MOTION: Rourke/Grider moved to approve the June 4, 2014, Minutes. Motion carried (6 Yes/ 0 No).

IV. CONTINUED BUSINESS

1. Wastewater Rate Follow-Up Information

Deb Galardi, Galardi Consulting LLC, discussed a third alternative for wastewater, projects that could be added back to the Capital Improvement Plan if there was a 4% rate increase. Inflow and infiltration projects would still be cut by \$750,000, sawdust bays were put back into the plan, part of the roofing replacement was put back in, the Wastewater Treatment Plant sewer line was still cut, and a portion of the Hess Creek improvements were put back in. Wastewater rates with a 4% increase would mean an increase of \$2.52 for 2016/17 and \$2.61 for 2017/18 for an average residential bill.

2. Water Rate Follow-Up Information

Ms. Galardi said a 3.5% rate increase was needed for potable water rates. This increase would allow for continued operation of the utility at current staffing levels, would increase the rate revenue for non-growth related CIP, and would help with significant additional capital improvements forecasted beyond the planning period. Non-potable water rates were calculated based on separate system costs and had not been changed since 2010.

City Engineer Kaaren Hofmann explained the non-potable water system, which consisted of Otis Spring and reuse water from the Wastewater Treatment Plant. There was some non-potable pipe in Villa Road and Mountain View. The system was not well developed to serve other entities. It would be looked at further during the Water Master Plan update. Newberg had Class A recycled water, the highest class an entity could have, and could currently produce one million gallons. The City's DEQ permit allowed them to use the reuse water at the golf course only. To add more users, the DEQ permit would have to be modified. There was a 1919 water right for use of Otis Spring for 2.58 million gallons per day. It currently produced .3 to .5 million gallons per day. There was on-site storage of 1,000 gallons. She gave a comparison of the volume charges, percentages of the potable rate, and cost for service for different entities, most of which were in California as there were few entities in Oregon that used recycled water. She also compared Newberg's rates with Clean Water Services' rates.

Ms. Galardi then gave a non-potable water rate analysis for operation and maintenance and capital costs. Prior estimates had been based on the 2009 Engineer's Predesign Report. The revised annual use was based on a three year average from 2013-2015. The operation and maintenance cost went down from \$1.91 per 100 cubic feet to \$1.82 per 100 cubic feet. The capital costs assumed the system was operated six months out of the year. Instead of a \$3.59 rate which was what was currently being charged, staff proposed to reduce it to \$3.13 based on the actual operation and maintenance costs, actual average usage, and slightly adjusted capital costs. She gave a comparison of the potable water rate and non-potable rate. The non-potable rate was 70% of the potable rate and 80% was the median. She then gave a comparison with other jurisdictions and gave reasons why other jurisdictions were lower, such as technology, level of treatment, how capital was shared between wastewater and water, and policy decisions on full cost recovery. She compared the current and revised potable water rates and discussed the sample bill impacts and rate schedule for potable water. The revenue from the fixed charge would go from 23% to 27% in the next two years. Average residential bills using 700 cubic feet of potable water showed an increase of \$1 for 2016/17 and \$1.50 for 2017/18.

3. Summarization of Combined Bill Impacts

Ms. Galardi said for stormwater rates, the Committee agreed to a 9% rate increase, which was not even an increase of a \$1 in the bills. The Committee discussed a 4% rate increase for wastewater and 3.5% increase for water. A sample of an average residential monthly bill with all three rates combined was an increase of \$4.32 in the first year and \$4.93 in the second year.

V. PUBLIC COMMENTS

Don Clements, Superintendent of the Chehalem Parks and Recreation District, said they had been paying what he considered an exorbitant amount of money since the reuse system was put in. The national standard for total utilities for golf courses was about 5%. Their water budget took up roughly 18% of their budget. He did not think that was fair. The golf course put in the system from their property up to Wilsonville Road to connect to the system. A fair rate would be \$1 to \$1.50. The reuse was good for the community and they wanted to do right by the community. They were asking for the community to do right by them.

Tom Lasonde, resident of Newberg, thought the water and sewer rates in Newberg were high. They were 56% higher than Tualatin and 73% higher than when he lived in Colorado. He asked if new development would give a rate decrease.

Mr. Galardi said new development would pay System Development Charges which could help fund the capital improvements. If SDC revenue was robust and could help pay debt service and construct projects, it would put less pressure on rates. Currently they were building less and there was not enough revenue to support the debt. Reducing rates in the future depended on many variables.

Mr. Lasonde was concerned about those who were struggling financially, especially with all the other fees on the water bill that were not only for water.

Mr. Didway arrived at 7:00 PM.

Committee Discussion and Decision of Proposed Rates for Town Hall/Public Hearing

There was discussion regarding the operations remodel project, alternatives for CPRD, length of the reuse pipe, comparing the full bill to other communities which would be brought back to the next meeting, increasing fixed base costs and reducing volume charges for rate stability, and the purpose of the utility master plans.

Chair Rogers asked what the Committee thought about the proposed combined bill.

Ms. van Grunsven thought the rates were high as she was on a fixed income and used less water since her kids were grown and the bills were still going up. However she understood that some costs were fixed and the services had to be paid for. She thought they should use the 4% for wastewater, possibly 5%.

Mr. Didway said no one liked rate increases and spending more money for utilities. They were paying for the availability of that service. He wanted to look at the big picture of where they had been as far as rate adjustments, costs, and capital improvements. He wanted to make sure the 5% would not lead to 8% in the future because of putting things off. They needed to be clear about the future moving forward based on the past.

Ms. Grider had researched water in other communities and what people were willing to do to save money and what that had cost those communities. She thought the plan was more stable than what had been done in the past and that they had done their due diligence in looking at other cities. She wondered if it was ethical in passing something on to future committees and having huge costs in the future that could have been mitigated. She was comfortable with the 4%.

Ms. Bradford also felt comfortable with the 4%.

Mr. Morace did not feel comfortable with any increase as pay checks were decreasing, and he could not afford an increase. He wanted the least amount of increase as possible. He thought the 3.25% was sufficient for wastewater and 3.5% for water.

Mr. Rourke thought the 4% was kicking the can down the road to future Committee members and residents. They were still recovering from a time where there were low rate increases and had needed double digit increases to catch up. He did not want to perpetuate that pattern. He was sorry they had to make the decision to put off capital improvements for a smaller rate increase. He supported a 5% increase in order to avoid a big hit that would come later.

Chair Rogers agreed increases were tough, but there were needed capital improvement projects that they could not continue to avoid. There were built in costs that were increasing that were beyond their control. He thought the 4% was necessary due to the situation the City was in.

There was discussion regarding what rates to forward to the Town Hall for public comment.

MOTION: Rogers/Grider moved to forward the proposed water rate increase of 3.5%, wastewater rate increase of 4%, and stormwater rate increase of 9% to the Town Hall. Motion passed (6 Yes/ 1 No [Morace]).

Chair Rogers then discussed the non-potable water issue. He thought putting in the reuse pipe before it was needed was a good idea and when roads were being torn up in the future, more reuse pipe should be installed in the hopes

that someday it would be used. He asked what the impact of changing Chehalem Parks and Recreation District's non-potable bill would be on the overall water bill of the City.

Ms. Galardi would run the numbers.

Mr. Rourke asked if there were some services that CPRD provided for which they were not compensated that could be used as a rationale for reducing their fees.

Public Works Director Jay Harris said there were some parks where the City owned the property and there was an agreement for CPRD to operate them. There was cross over both ways where the City did things for CPRD and CPRD did things for the City.

Chair Rogers said if they wanted to reduce the non-potable rate, the revenue would have to be redistributed among the rates for all users. Did they want to subsidize the non-potable rate?

Ms. Galardi said the 3.5% rate increase for water was projected to increase revenue for the potable customers at about the same amount as the non-potable water revenue. If the charge was cut in half, it would need to be made up by other users.

Mr. Didway said if the City did not have the water reuse program, what would they be doing with that water and what did they do now with the water that was not supplied in the winter. Was there a cost savings for not pumping the water back into the river?

CE Hofmann said if the City was not providing the reuse water, the water would be discharged into the river. The reuse system was not tied into the permit and would not change the City's permit requirements. There were increased operation and maintenance costs to provide the service and those costs would go down if there was no reuse service. Although they only provided reuse water for six months out of the year, they still had to maintain the filter year round.

Mr. Didway thought it was a large cost without benefit to the customer. Unless there was a strategic plan to keep maintaining the system and trying to attract more customers, he did not know why they were doing it.

PWSD Harris said part of the Water Master Plan update was to master plan the non-potable system and look for new customers and ways to increase the system. The Water Master Plan would be completed by fall of 2016.

Mr. Morace thought they could lower the rate in the short term by pulling the water through the treatment plant to keep the filters going and pulling the needed water from Otis Spring. Hopefully they would get new customers in the future.

PWSD Harris was going to suggest running Otis Spring for the whole season for the golf course to see if it could produce enough water. He explained how the reuse system worked and the operation and maintenance of the system. The operation and maintenance costs were fixed and there was debt to pay off for the capital improvements. The way to reduce the rate was to attract more customers and do so in a way that the capital costs were low.

Ms. Galardi clarified the capital costs would not increase with customers coming onto the system as they would pay for their own pipes, the debt service was fixed, the capacity was underutilized as the current customer paid for 11% of the capacity. There was no way to reduce the costs because they were fixed and the rate was a policy decision. A very small portion of the total annual debt service was being recovered right now directly from that system. It was about 10%. The rest was being paid from SDCs, potable water rates, and wastewater rates.

Chair Rogers asked if they wanted to subsidize the use of non-potable water because of its benefits. He wanted more information on dropping the capital portion of the rate, which would change the rate to \$1.82.

Mr. Didway said the golf course brought in a lot of people and revenue into the City. CPRD did a lot for the community and one of the costs of business was keeping the lawn green and well maintained to keep people coming and using it. They should do whatever they could to help CPRD out.

CE Hoffman said when the non-potable system was being designed, there was a conceptual master plan and potential users identified. However subsequent decisions were made to move the trunk lines and some of the possible customers were reduced. There were several who were still interested, but it was a matter of coming up with the capital dollars to extend the service to them.

Ms. Galardi said if there was a reduction in the revenue from the non-potable system, it would be shifted back to the potable system and spread over the units of volume. It was about \$.08 on average for the system. They had an irrigation class which was a high rate for summer irrigators and wanted to make sure the Committee considered those users in this context as well.

2. Committee Discussion on Town Hall/Public Hearing Format

FD Zook said the Town Hall would be held on February 4. If there was a change to the non-potable rate, it would have an impact on the potable rate. He asked if he should move forward with the non-potable rate as presented by staff for the Town Hall/Public Hearing.

Ms. Galardi said if the capital rate was taken out of the non-potable, it would add \$.08 or be a 1.5% increase to the potable water rate.

MOTION: Rourke/Morace moved to forward a \$3.13 rate for non-potable water to the Town Hall meeting. Motion carried (7 Yes/ 0 No).

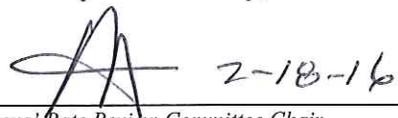
VI. ADJOURNMENT

The meeting adjourned at 8:38 PM.

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



Citizens' Rate Review Committee Recording Secretary



Citizens' Rate Review Committee Chair

