

CITIZENS' RATE REVIEW COMMITTEE AGENDA – Revised Packet
THURSDAY, MARCH 24, 2016
6:30 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. CONSENT CALENDAR

1. Approve minutes from the February 18, 2016 meeting.

IV. ITEMS FROM STAFF

1. Staff presentation on revised Wastewater Rates

V. 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)

VI. COMMITTEE DISCUSSION

VII. NEXT STEPS IN PROCESS

1. CRRC Public Hearing - Thursday, April 7, 2016

VIII. 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
THURSDAY, FEBRUARY 18, 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	Holly Bradford	Marilynn van Grunsven
	Nick Morace	Bill Rourke, Secretary	Sarah Grider

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 January 7, January 21, and February 4, 2016 meetings

Robert Soppe, Newberg resident, suggested some corrections to the February 4, 2016, meeting minutes. He thought "Others Present" should include the public who attended the meeting. Instead of "the Wastewater SDC fund being in a poor state", it should be the "Water SDC fund". The questions he asked regarding the debt for the Springs project were, "Was the committee made aware of this, if there was an estimate of how much the subsidy had been, and if the expectation was to have the funds repaid by the SDC fund when it was solvent." He also suggested adding, "Mr. Soppe said there was \$4.3 million allocated to the Dayton Avenue Pump Station, which he presumed was being shouldered by all users, not just those who were benefitted by it. He asked if the Committee had considered changing this approach to where those who benefitted from this facility paid for it."

Mr. Rourke arrived at 6:34 PM.

MOTION: Rourke/Grider moved to approve the minutes from the January 7, January 21, and February 4, 2016, meetings. Motion carried (6 Yes/ 0 No).

IV. ITEMS FROM STAFF

1. Staff presentation

Deb Galardi, Galardi Consulting LLC, said at the last meeting the Committee wanted to see a potential option for non-potable rates that would still fall within the framework of a cost of service base rate, but a different assumption for capital costs. In the operation and maintenance costs, the franchise fee went down slightly as it was related to the change in the capital costs that flowed through to the franchise fee, which made the operation and maintenance rate \$1.79 per 100 cubic feet. The capital rate for non-potable was set for the annual debt service for the Wastewater Treatment Plant improvements. Originally the idea was for the debt payment to be 50% water and 50% wastewater, however the funding of the debt service was

coming more from wastewater than water. If the budget allocation of debt was taken out of the non-potable rates, and only on the potable water rates, it would reduce the non-potable capital rate from \$1.39 to \$0.72 per 100 cubic feet. That would provide 6% of the total debt, and potable water would be paying 22% of the debt. The total non-potable rate had already been reduced to \$3.13 from \$3.52, and with this modification to the capital component, the rate would be reduced to \$2.51. That rate would be comparable to the potable customer, irrigation customer, and public agency customer.

Chair Rogers discussed the Intergovernmental Agreement between the City of Newberg and the Chehalem Parks and Recreation District. The agreement gave the intent for the use of the non-potable water, but the agreement was never signed by CPRD. Under the compensation, it said the City would charge CPRD and CPRD would pay for the Otis Springs water and/or the reclaimed water used by CPRD at the current irrigation water rate and in the future at a rate that might be amended from time to time by the City or rates specifically established for Otis Springs water and/or the reclaimed water. Historically this was what happened, they paid the irrigation rate and in the future it was amended. He thought the Committee should recommend to the City Council that the agreement be signed.

Ms. Grider asked if CPRD received a copy of the agreement at the time. Public Works Director Jay Harris said typically a project would not be started without a signed agreement. The issues CPRD had at the time were not addressed, and the agreement had not been signed.

Ms. Galardi continued with her presentation. No other changes had been made to the rates. The potable water rate did continue the past practice of moving some of the revenue recovery from the volume charges to the fixed charges, and in this case it went from 23% to 27%. The overall revenue increase was 3.5%. For an average residential bill using 700 cubic feet of water per month, it would be an increase of \$1.02 in the first year and \$1.47 in the second year. For wastewater, the revenue increased from fixed charges to about 33% from 32%. For an average residential bill using 5.19 ccf per month, it was an increase of \$2.52 for the first year and \$2.61 the second year. For stormwater, the rate was per equivalent dwelling unit. Residential bill charges would increase \$0.78 for the first year and \$0.85 for the second year. The combined bill impact was a 3.8% increase in the first year and a 4.2% in the second year, which meant an increase of \$4.33 in the first year and \$4.92 in the second year. She explained the bill impact for commercial and industrial customers, which had larger increases because they used more water and wastewater and had larger impervious areas. It would be a 4% increase for commercial customers for both years and for industrial customers it would be a 5% increase in the first year and a 4% increase in the second year. The next step was to hold a City Council public hearing on March 7.

There was discussion regarding the fixed rate and volume rate and impacts of the increases to the low volume rate customers.

2. Other reports, letters, or correspondence

Finance Director Matt Zook said there were three submittals for the Committee to discuss.

Chair Rogers said there was written testimony from Tony Roos who commented on capital improvement projects. There was a letter from Don Clements, CPRD Superintendent, regarding non-potable rates, and a letter from Scott Essin who included background information on the reuse rates.

V. PUBLIC COMMENTS

Scott Essin, Newberg resident and City Councilor, had resigned his position as analyst with CPRD and he could testify without conflict of interest. He had submitted the background information so the Committee would have all the information he had concerning the reuse rates. In that information, there were some

statements about the anticipated percentage of water costs the Council expected returned, which was 60 to 70% of potable water. He also pointed out the golf course project cost \$5.5 million and the reuse water project cost \$8 million with \$4 million in interest. CPRD had an 18% cost for water, and the average golf course was 5%. CPRD wanted what was good for the community, but the question was who should pay for the water because it was not drinking water, but wastewater that was made into irrigation water. The park system had a \$20 million swimming pool and sports complex going in which was not being funded by the City. Out of that \$20 million, \$1 million would be paid in SDCs. CPRD also provided the Cultural Center, parks and trails, and programming for the City. They were a benefit to the City of Newberg. It was not fair to expect them to pay half of the reuse project and CPRD would not be able to expand the golf course with the current rates.

Robert Soppe, Newberg resident, said if the Committee accepted that fixed costs for water were 75 to 80% of the total cost, what policy was it that kept them from recommending rates that reflected that? The most challenging issue that night was rates for non-potable water. He thought the Committee should focus on the charge they were given by the Council and by their policies, which was to charge based on the cost of service. The reasons for reducing the rate which could be dismissed easily based on the Committee's charge were: the positive contribution the golf course provided to the community, Newberg's rates were significantly higher than in other areas, the financial benefit to the wastewater system that the reuse system provided by avoiding fines, and the reduced impact in our wells and our water rights. There were some factors that should be considered toward the appropriate rates for non-potable water. These were: fixed and volume costs, infrastructure debt, and lack of additional customers. The share of debt service paid by the non-potable rates was decreasing and was off-set by the increase in the share paid by potable water users. He suggested considering carefully how appropriate it was to charge the potable water users. It was critical to look at the user's alternatives to purchasing non-potable water from the City.

Don Clements, Superintendent of the Chehalem Parks and Recreation District, discussed the IGA. They had several IGAs with the City and other governmental agencies. When this IGA came up, there were a lot of issues. CPRD and the City held meetings on the IGA, there was a change in City Manager, and they were told to come to the CRRC to discuss it further. CPRD had approached the City about reuse water in 2004/2005 and was told no. They started the golf course project in 2006, hooked up to regular City water, and paid \$30,000 to \$50,000 in SDCs. Then the City suggested using the Springs water and then later suggested using reuse water. CPRD had little input in the reuse project, but was in support of it as it was an asset to the community. Unfortunately with the turn-over of City staff, the projections did not come about like they thought it would and CPRD was stuck. They resented it, but tried to live up to their fiduciary responsibility to do what was fair and right. He hoped in the future they would be able to sign the IGA, but the CPRD Board would not sign a blank check. Whatever CPRD had accomplished, it was because the citizens had allowed it and supported it.

There was discussion regarding the costs for Otis Springs, reuse pipe to the Allison which was not connected and would be a multi-million dollar project to connect it, temperature requirement for non-potable water going into the river, fixed vs. variable rates, and distributing costs among all users.

Chair Rogers asked what portion of revenue to the City these rates represented.

FD Zook said it was 35-40% of the entire City's budget.

VI. CONTINUED BUSINESS

1. Committee discussion of water, wastewater, and stormwater rates with motion

Ms. van Grunsven thought citizens should help pay for non-potable water. Part of the ambiance of Newberg was low crime and part of that was having recreation. If CPRD thought they could not run a golf

course and had to bow out, it would hurt the City overall. For now citizens could pay for the rates and the City could work on a solution in the future so the rate payers would not have to continue to fund it, but the users could fund it.

Ms. Grider said CPRD entered into the agreement for reuse water as an investment and there was good faith that the City would find more customers. The City dropped the ball on follow through and oversight. She thought the City should fund some of the costs going forward for the non-potable water.

Ms. Bradford agreed some of the funds should be diverted and not paid by CPRD. In the long run they needed to find a better solution.

Mr. Morace concurred that the City dropped the ball and should help. He was not convinced that charging the potable water customers more was the correct way to go about it. The decrease in the rate was a good start, but it needed to be looked at again in the next cycle.

Mr. Rourke also agreed with those who had spoken, although he thought the City was paying for part of the non-potable costs. He was glad the impact of the reduction was small and the rates of the other users did not have to be raised. He was in support of reducing the rate more in the next cycle.

Chair Rogers said the \$2.51 rate was a 28% decrease. He also was pleased to know there was not much impact in terms of the overall picture. Mr. Essin said they were targeting a rate of somewhere between 60 and 70% of potable water. He thought the \$2.51 was 65% of the residential potable water rate. If that was the original agreement, it closely hit it. The Council needed to look at the agreement in detail and there needed to be a signed agreement. The non-potable water was important and there should be more effort to expand the system, get more customers, and look into the other options. Grade A non-potable water could be used for.

Mr. Rourke was not comfortable with the rate structure that postponed capital improvement projects that were critically important, especially for wastewater. He was concerned about moving the tough decisions off down the road when they were harder to fix.

Ms. Grider thanked the staff for their work on this.

MOTION: Grider/van Grunsven moved to recommend to the City Council the rates for water, wastewater, and stormwater for the respective dates as shown in Exhibit A. Motion passed (5 Yes/ 1 No [Rourke]).

City Engineer Kaaren Hofmann said regarding postponing capital improvement projects, what was proposed could be lived with for the next two years. When the group came together the next time, there might be projects that could significantly raise the rates. The Wastewater Master Plan update would be done in 2017. The Stormwater Master Plan update was completed in 2014 and the Water Master Plan update was currently underway. A Water Conservation Master Plan would also be done in 2017.

VII. FINAL STEPS IN PROCESS

There would be a City Council public hearing on March 7 regarding the proposed rates.

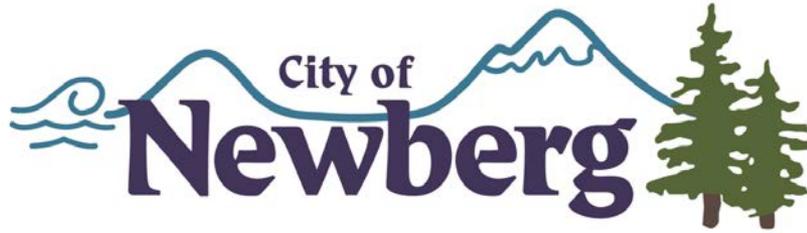
VIII. ADJOURNMENT

The meeting adjourned at 7:45 PM.

Approved by the Citizen's Rate Review Committee on this 24th day of March, 2016.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair



Utility Rate Review

City Council Follow-Up Meeting

March 24, 2016

Agenda

- Revised Wastewater Results
 - Capital improvement costs and funding
 - Revenue increases
 - Rates and bills

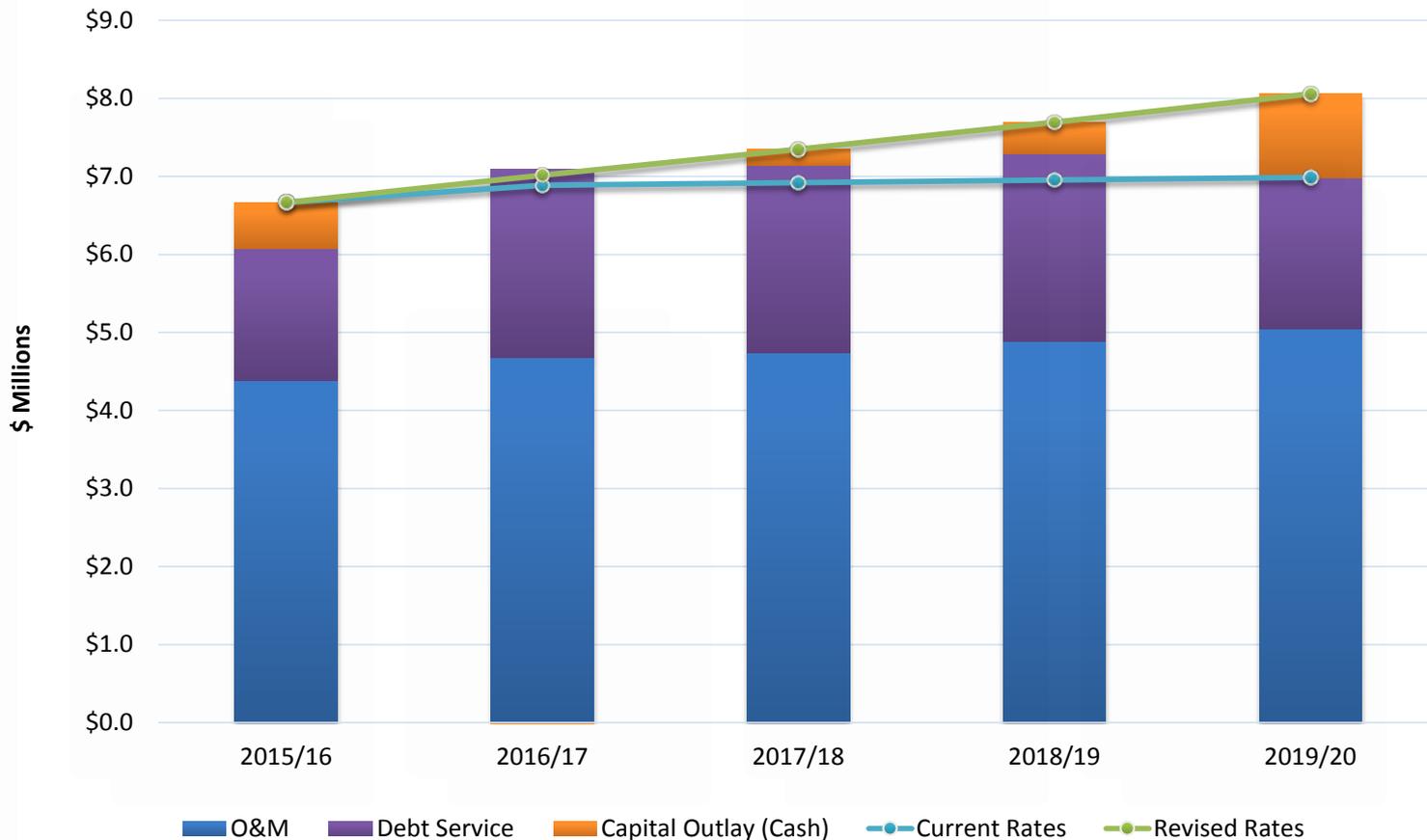
Wastewater Capital Additions & Funding

- Infiltration & Inflow projects:
 - \$450,000 FY2017/18
 - \$450,000 FY2018/19
- Funding
 - 50% SDCs
 - \$100,000 reserves
 - \$350,000 rate increase (0.2%/year)

Capital Sources and Uses of Funds		
	8-Year	5-Year
Capital Funding Sources		
Reserves	\$7,224,004	7,302,450
Rates	\$8,067,983	2,888,182
SDCs	\$6,870,043	2,230,970
Total	\$22,162,030	\$12,421,602
Uses of Funds		
Inflation-Adjusted CIP	\$20,309,010	\$12,407,195
Ending Balance	\$1,853,020	\$14,409
Total	\$22,162,030	\$12,421,604

Wastewater System Revenue Increases

**Recommended annual rate revenue increase = 4.2%*



Recommended Wastewater Rates and Average Residential Bill

**Recommendation to increase revenue from fixed charges to about 33% (from 32%)*

Component	Current 2015/16	Proposed 2016/17	Proposed 2017/18
Service Charge (\$/Month)	\$20.66	\$21.30	\$22.57
Multifamily Unit Charge	\$18.24	\$18.69	\$19.89
Volume Charge (\$/ccf)			
Single Family	\$8.19	\$8.58	\$8.86
Multifamily	\$8.19	\$8.58	\$8.86
Commercial - 1	\$8.19	\$8.58	\$8.86
Commercial - 2	\$10.02	\$10.52	\$10.86
Commercial - 3	\$16.37	\$17.23	\$17.78
Industrial	\$10.02	\$10.52	\$10.86
Outside City	\$8.19	\$8.58	\$8.86
<i>Avg Residential Bill (5.19 ccf)</i>	<i>\$63.17</i>	<i>\$65.82</i>	<i>\$68.56</i>
<i>Bill Increase</i>		<i>\$2.65</i>	<i>\$2.74</i>

Sample Residential Monthly Bill (Combined)

	Adopted	Revised	Revised	Annual % Change	
Utility	2015/16	2016/17	2017/18	2016/17	2017/18
Stormwater	\$8.67	\$9.45	\$10.30	9.0%	9.0%
Wastewater (5.19 ccf)	\$63.17	\$65.82	\$68.56	4.2%	4.2%
Water (7.0 ccf)	\$40.67	\$41.69	\$43.16	2.5%	3.5%
Total	\$112.51	\$116.96	\$122.02	4.0%	4.3%
<i>Difference (\$)</i>		\$4.45	\$5.06		
<i>Difference (%)</i>		4.0%	4.3%		

Sample Other Monthly Bills (Combined)

	Adopted	Proposed	Proposed	Annual Difference	
Customer/Utility	2015/16	2016/17	2017/18	2016/17	2017/18
Commercial (3/4" meter, 3 stormwater EDUs)					
Stormwater	\$26.01	\$28.35	\$30.90	9.0%	9.0%
Wastewater (10 ccf)	\$102.56	\$107.07	\$111.17	4.4%	3.8%
Water (15 ccf)	\$67.98	\$69.58	\$72.03	2.3%	3.5%
Total	\$196.55	\$205.00	\$214.10	4.3%	4.4%
<i>Difference (\$)</i>		\$8.45	\$9.10		
Industrial (3" meter, 10 stormwater EDUs)					
Stormwater	\$86.70	\$94.50	\$103.01	9.0%	9.0%
Wastewater (30 ccf)	\$321.26	\$336.97	\$348.49	4.9%	3.4%
Water (100 ccf)	\$177.00	\$184.95	\$191.74	4.5%	3.7%
Total	\$584.96	\$616.42	\$643.23	5.4%	4.3%
<i>Difference (\$)</i>		\$31.46	\$26.81		