



AMENDED - CITY COUNCIL AGENDA

OCTOBER 28, 2013

7:00 PM MEETING

PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

I. CALL MEETING TO ORDER

II. ROLL CALL

III. PLEDGE OF ALLEGIANCE

IV. NEW BUSINESS

Discussion on Springs Water System

V. EXECUTIVE SESSION

Executive Session pursuant to [ORS 192.660\(2\)\(h\)](#) to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

VI. COUNCIL BUSINESS

VII. 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 business hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please dial 711.

Council 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 City Recorder. The exception is land use hearings, which requires a specific public hearing process. The City Council asks written testimony be submitted to the City Recorder before 4:30 p.m. on the preceding Wednesday. Written testimony submitted after that will be brought before the Council on the night of the meeting for consideration and a vote to accept or not accept it into the record.

The Mayor reserves the right to change the order of items to be considered by the Council at their meeting. No new items will be heard after 11:00 p.m., unless approved by the Council.

THIS PAGE INTENTIONALLY LEFT BLANK



**CITY COUNCIL AGENDA
OCTOBER 28, 2013
7:00 PM MEETING**

PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

I. CALL MEETING TO ORDER

II. ROLL CALL

III. PLEDGE OF ALLEGIANCE

IV. NEW BUSINESS

Discussion on Springs Water System

V. COUNCIL BUSINESS

VI. 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 business hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please dial 711.

Council 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 City Recorder. The exception is land use hearings, which requires a specific public hearing process. The City Council asks written testimony be submitted to the City Recorder before 4:30 p.m. on the preceding Wednesday. Written testimony submitted after that will be brought before the Council on the night of the meeting for consideration and a vote to accept or not accept it into the record.

The Mayor reserves the right to change the order of items to be considered by the Council at their meeting. No new items will be heard after 11:00 p.m., unless approved by the Council.

THIS PAGE INTENTIONALLY LEFT BLANK



MEMORANDUM
ENGINEERING SERVICES
DEPARTMENT

To: Newberg City Council
From: Jay Harris, City Engineer
cc:
Subject: Springs Special Council Work Session
Date: October 28, 2013

Council:

Below is a memorandum that provides background of the City-owned Springs water system for the October 28th Council Special work session, as follows:

The Springs water system was the city's primary source of water from 1894 to 1948. In 1948, the first well was installed on one acre of property adjacent to the Willamette River in Marion County. Over the last 65 years the well field system has been expanded, and now encompasses 5 active wells on approximately 110 acres of property.

Four water sources make up the springs system, which are named Snider, Skelton, Atkinson and Oliver.

In 1922, an agreement between the City and the Springs customers allowed 24 customer varying degrees of "free" water. Since 1948 the city has been gradually supplementing spring water with well field water to serve customers in the City as it expanded.

In 2008 all connections between the City Springs water systems and the City well field water system were eliminated, as the Springs water supply during the winter months is subject to high turbidity after periods of heavy rainfall, requiring the City to post boil water notices throughout the entire City. Also in 2008, Council adopted Res. No. 2008-2776 which created a separate Springs customer class for the 75 users in this system, all being located outside of the current City limits. The 2008 Resolution also eliminated the "free" water provisions and also expressed desire for the City to transfer operations and maintenance to a separate "responsible party".

Oliver Springs and Snider/Skelton Springs have been identified as two separate systems by Department of Human Services (DHS) Drinking Water Program. Atkinson spring is no longer used due to water quality issues.

Approximately a full ½ of a FTE is dedicated to maintaining the Springs water system 75 customers. The cost to maintain the system is approximately \$90,000 annually. The revenue from the water sales is approximately \$61,000 annually.

In 2008, the State of Oregon mandated upgrades to the spring boxes, chlorination and monitoring systems. The cost of the upgrade project was estimated at \$472,500, being equally split (\$236,000) by the City and springs customers. The project encountered design and construction problems and eventually cost the City approximately \$200,000 in cost overruns. The Springs customers are billed monthly for their \$236,000 portion of the 2008 upgrade project.

Recently, the State of Oregon is requesting that the City to install corrosion control improvements to reduce the amount of damage to metal water piping and to reduce copper and lead in the drinking water. City staff has completed a pilot program to treat the spring water and has estimated a cost of approximately \$275,000 to install permanent buildings, pumps, and monitoring equipment to meet State standards.

At the special Council work session on October 28th, Staff will provide Council additional information about the Springs water systems and provide several potential alternatives for Council to consider such as full cost recovery by the City for the actual cost to improve and maintain the system or consider full divestiture from the springs water system and transfer ownership to a separate “responsible party”.

Also included is Council resolution 2008-2776 that provides additional findings of fact for Council consideration.

Please do not hesitate to contact me or Russ Reed at 503-537-1289 if you have any questions regarding the information.

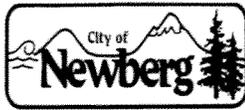
Thanks,

James (Jay) O. Harris
City Engineer

City of Newberg

503-537-1211, Fax 503-537-1277

jay.harris@newbergoregon.gov



RESOLUTION No. 2008-2776

A RESOLUTION ESTABLISHING A SPRINGS SYSTEM CUSTOMER CLASS, IMPLEMENTING A RATE IN THE WATER RATE STRUCTURE, PROVIDING FOR THE PHASE-IN OF THOSE RATES, ADOPTING A FINDINGS OF FACT, AND SETTING AN EFFECTIVE DATE FOR THE NEW RATES

RECITALS:

1. The City of Newberg holds water rights to four springs known as Oliver, Snider, Atkinson and Skelton which were the original and only source of potable water for the City.
2. In the course of operating the spring system, the City agreed to provide connections and certain volumes of free water to some customers. Over time additional connections were granted under hardship conditions.
3. The City's source of water for its water system is the well field located in Marion County, and the only water users served by the springs system is the springs customers who are all outside the corporate limits of the city of Newberg.
4. The City no longer needs potable water from the springs and will soon complete disconnection of the springs from the well field fed water system.
5. This will create a separate and unique water system for which a specific class of customer may be designated.
6. The City has held a number of informational hearings with the water users who would be included in the springs system customer class. The council held a public hearing on April 7, 2008, to hear testimony concerning the establishment of this class. That hearing was continued until August 4, 2008.
7. On July 14, 2008, the City held a Town Hall meeting to hear additional input and have a discussion with the water users who would be in the springs customer classification and any other citizens of the city.
8. The City has deliberated concerning the engineering report. The material presented included testimony of the citizens.
9. The City has sought and heard legal advice from the city attorney and special outside legal counsel (Jack Hammond).

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. **Springs System Customer Class.** A separate class of water users shall be established who receive water from the City's springs system. This separate class shall be known as the Springs System Customer Class (SSCC). There is created within the water rate methodology a separate rate structure for this class to account for operational, maintenance, capital, and customer costs associated with the springs system.
2. **Structure and Volume Rate.** The new structure and volume rate is set out in attached Exhibit "A" and by this reference incorporated. Exhibit "A" is approved by the Council, with the following exception:

In order to lessen the immediate impact upon the customers and allow time for the customers to adjust to the new cost, the rates shall be "phased-in" in accordance with Alternative Recommendation # 2 presented at the April 7, 2008, Council Meeting by the Four Springs Water Association (Water Association). This alternative is attached as Exhibit "B," which by this reference incorporated.

3. **Phased-in Rates Execution.** The city manager is authorized, directed, and delegated the authority to determine the exact "phased-in" rates, to notice the customers, and to implement those rates in substantial accordance with the Alternative (Exhibit "B").
4. **Treatment of Customers within the Classification.** The Springs system is being operated for the benefit of the customers within the class and not for the benefit of the remainder of city water users. Therefore, all customers within the class shall be treated as equally as possible. The City will no longer furnish water to customers within the class free of charge because the covenant and agreements to do so were entered into for the benefit of the entire City system. This benefit is no longer applicable.
5. **Findings of Fact.** The Council adopts the following findings of fact:
 - a) The Council adopts the entire record of these proceedings.
 - b) All Springs customers are outside the corporate limits of the city of Newberg.
 - c) The Springs (Oliver, Atkinson, Snider, and Skelton springs) are no longer required as water sources for the City's main water system, nor for any water users served by the City, except for the users within the springs system classification.
 - d) The only spring (Oliver Springs) connected to the City system is in the process of being disconnected.
 - e) The City has the legal right to cease the operations of the springs system and has no legal obligation to furnish the water to the springs customers.

The City is aware and sympathetic to the needs of the springs customers, but also recognizes its fiduciary obligation to other city water users to have rates reflect costs of system operations.

- f) The City is willing to continue to operate the springs system for the benefit of the Springs customers. However, the customers will be responsible for payment of all necessary expenses associated with the operation and maintenance of the system.
- g) The covenants and agreements entered into by the City were to secure the water from the springs for general City use within the City's overall system. The City does not use the water in the overall system. Therefore, the covenants and agreements are no longer legally binding.
- h) It would be unfair to require some members of the Springs Customer Classification to furnish free water to other customers within the class when no benefit is derived.
- i) In recognition of the past benefit of spring water to the overall City system, the City shall pay half the cost of the immediate necessary improvements to the Springs System in order to comply with the requirements of the Oregon State Drinking Water Program.
- j) The City will review the operation and maintenance of the system on a regular schedule and strive to operate the system efficiently.
- k) The Springs System Customer Class will pay rates designed to pay for the cost of the system, as well as the operation and maintenance of that system.
- l) The City is in a unique position to assist the Springs customers in the operation of their system because of the City's past history in operating the system and the City's ability to finance the necessary improvements to the system. Although the City has no legal obligation to continue operating the springs, by doing so and establishing this Class, the City assists the springs customers in obtaining potable water.
- m) The City, by establishing the Class and continuing to operate the springs system, does not legally bind itself to future operations or improvements of the system and reserves the right to cease operations if the City deems it necessary.

6. **Continued Operations of the Springs System.** The Council declares it is open to divesting itself of ownership of the springs and operations of the springs system. The City will, in good faith, consider any proposals for the transfer of ownership and operation of the springs system from Four Springs Water Association or any responsible organization.

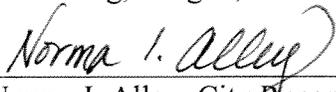
7. **Extra Territorial Services and Annexation.** The City is operating the springs system for the benefit of the customers receiving water from the springs. Some of those

property served through the springs system. The City notifies the customers of the springs system within the SSCC that when it is financially feasible to connect the property to the City's main water system, the City will request the property to annex and connect to the main water system. The City may discontinue operation of the springs system whether it transfers the operation to another entity or merely desists operation.

8. **Effective Date of New Rates.** The new structure and volume rate shall go into effect September 1, 2008. Hence forth, these rates will be reviewed on a two (2) year schedule along with other utility rates by the Citizens Rate Review Committee (CRRC). The Council specifically requests that the CRRC address the replacement of distribution piping and make a recommendation to address this issue as part of the next scheduled review.

➤ **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is: August 5, 2008.

ADOPTED by the City Council of the City of Newberg, Oregon, this 4th day of August 2008.



Norma I. Alley, City Recorder

ATTEST by the Mayor this 7th day of August 2008.



Bob Andrews, Mayor

LEGISLATIVE HISTORY

By and through the Citizens' Rate Review Committee at 9/5/07 and 10/10/07 meetings.

Spring Customer Class Water Rate Structure

| Component | Current Rates | CRRC Recommendation |
|---|---------------|---------------------|
| O&M Costs | | |
| Labor, Mileage, Materials | | \$29,761 |
| Pipe Replacement (3) | | \$941 |
| Public Works Administration | | \$7,490 |
| Subtotal O&M | | \$38,192 |
| Capital Costs (Springs Improvements) | | |
| Project useful Life (years) | | 30 |
| Springs share | | 50% |
| Costs | | |
| Depreciation | | \$8,319 |
| Rate of Return | | \$12,479 |
| Subtotal Capital | | \$20,798 |
| | | \$3,083 |
| Customer Costs | | |
| Total Costs | | \$62,074 |
| Estimated Rates | | |
| Monthly Charge | \$3.86 | \$3.86 |
| Springs Volume Charge | \$3.89 | \$6.09 |
| Percent Change | | 64% |
| General System Rate Impact | \$0.034 | |
| Capital cost share | | \$20,798 |
| Rate (\$/ccf) | | \$0.017 |

City Council Meeting
Date: April 7, 2008
Re: Springs Water - Res. 2008-2776
No: 11

Alternate Recommendation #2

- Accept Recommendation From Citizen's Rate Review Committee
- Step Increase Over 4 Year Period
 - 12% per year
- Year 1 Year 2 Year 3 Year 4
\$4.45 \$4.98 \$5.58 \$6.25 (\$6.09)
- Allows Spring's Families Opportunity to Absorb Increasing Rates

#6.35 is 13.8% over #5.58

April 7, 2008

Four Springs Water Association

7