

Thursday, 7:00 P.M.

October 8, 1992

UTILITY RATE REVIEW COMMITTEE
MINUTES

Wastewater Treatment Plant

Newberg, Oregon

The meeting was called to order at 7:00 p.m.

Members Present:

Karlene Ferrell (Chair)
Clyde Thomas
Gary Hay
Tracy Pinder
Mary Lou Dittman

Members Absent:

Kathleen Charron
Ken Bernard
Leon Self

Staff Present:

Duane R. Cole, City Manager
Katherine Tri, Finance Director
John Thomas, Utility Manager
Bert Teitzel, Public Works Director

MINUTES:

Motion: Thomas/Hay moved to approved the minutes of the Utility Rate Review Committee of the meetings held on September 10, 1992, September 23, 1992, September 28, 1992 and October 1, 1992. Vote on the Motion: Carried unanimously by those present.

RATE PROPOSALS:

The Committee reviewed the rate proposal based on a five year projection prepared by staff. The key assumptions in the rate proposals was an increase in one-half position for maintenance; electricity and sawdust for the composter and the depreciation amounts for the composter. Mr. Hay commented that we needed to inform the community that the composter, while costing a little more to operate, is an environmentally sound and necessary action by the community. There were questions regarding the economic value of having the composter. The City Manager indicated that the debt to refund the composter would run about \$400,000 per year while the operating costs are about \$360,000 a year. This is a net of approximately \$40,000 per year

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savings. Not to have built the composter at all would have meant that the total project would not have been fundable by EPA. This would have cost the City much more to build the treatment plant.

John Thomas outlined the collection of \$1.79 million dollars with two different rates during the year requires a higher rate during the second half of the year in order to meet the revenue target. John also indicated that it would be difficult to assign a flat rate for large commercial and industrial users. In order to handle these groups, it was recommended that the revenue be based on the cost to serve. This further indicated that the reason that the commercial and industrial large users should remain on the cost to serve is the large variance in the amount of effluent put in the treatment plant by these various users.

Staff then began to review the three scenarios presented at the meeting. Scenario 1, option 3 included no subsidy for the property tax but a flat rate. Scenario 4-3, suggested a subsidy of the property taxes with the SDC charges. The projections indicated that the flow based rate would go up from \$2.20 to \$3.10 for the businesses remaining on the cost to serve. Clyde Thomas indicated that the sixty businesses in the large user category would see their bills skyrocket based on this rate scenario.

Tracy indicated that she liked the residential rates presented last time. The rates she indicated included a subsidy of the debt to be paid from the systems development charge account. The idea was to buy down the debt with the SDC funds so that the debt remains constant at \$500,000.

It was felt that the flat rate, that can be lived with that will not change, will be easier to sell over a five year period.

Mr. Teitzel indicated that the City is hard pressed for development funds and there was a discussion of the logic of using systems development charges when the City is so strapped in terms of plant operations. Mr. Hay raised the idea of using LIDs to construct sewers to areas that need development. There was a discussion of this entrepreneurial approach versus the pay in advance approach being used by the City. The Manager pointed out that there was substantial risk in the entrepreneurial approach as was experienced by cities around Oregon that developed property with improvements prior to a recession. The recession made it very difficult for these cities to meet their debt obligations.

Mr. Teitzel indicated that there is \$60,000 to \$80,000 per year coming in systems development charges.

The committee came back to lowering the debt service to \$500,000 over three years. Mr. Thomas made the comment that perhaps the City could give the sewage to Smurfit and let the
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little blue Smurfits provide treatment. The committee members made the observation that in the coming years the average sewer bill is going to be higher than gas or electric.

The committee was against putting the debt back onto the property taxes and wanted to look at a three year rate based on conservative projected costs.

The Manager summed up the committee's discussion as follows:

1. A three year proposal;
2. Subsidize the debt service on the plant at \$500,000 over three years;
3. Look at Scenario 1, option 3 and option 4-3;
4. Provide examples on the potential bill for the C-2 users.

The committee set their next meeting for 8:00 a.m. on October 19, at the Wastewater Treatment Plant. The meeting adjourned at 9:00 p.m.

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RATE ANALYSIS

SCENARIO 1 OPTION #3

60/40 %

92-93 FEES 1,954,000

CUSTOMER BASE	DOLLARS NEEDS		NUMBER OF CUSTOMERS	DWELLING UNIT EQUIVALENT	FLAT RATE PER UNIT	FLOW RATE	CHARGE ANALYSIS		
	PERCENT	PER CUSTOMER CLASS					300 CF	900 CF	1500 CF
RESIDENTIAL	0.427	834,358	3045	3045	13.70	1.13	17.08	23.85	30.61
MULTI-FAMILY	0.193	377,122	244	1700	11.09	1.04	14.21	20.45	26.70
COMMERCIAL 1	0.047	91,838	229	229	20.05	0.82	22.50	27.40	32.30

1993-94 FEES 2,351,561

CUSTOMER BASE	DOLLARS NEEDS		NUMBER OF CUSTOMERS	DWELLING UNIT EQUIVALENT	FLAT RATE PER UNIT	FLOW RATE	CHARGE ANALYSIS		
	PERCENT	PER CUSTOMER CLASS					300 CF	900 CF	1500 CF
RESIDENTIAL	0.427	1,004,116	3,075	3,075	16.32	1.34	20.36	28.42	36.48
MULTI-FAMILY	0.193	453,851	246	1,717	13.22	1.24	16.94	24.37	31.81
COMMERCIAL 1	0.047	110,523	231	231	23.89	0.97	26.81	32.65	38.48

1994-95 FEES 2,575,309

CUSTOMER BASE	DOLLARS NEEDS		NUMBER OF CUSTOMERS	DWELLING UNIT EQUIVALENT	FLAT RATE PER UNIT	FLOW RATE	CHARGE ANALYSIS		
	PERCENT	PER CUSTOMER CLASS					300 CF	900 CF	1500 CF
RESIDENTIAL	0.427	1,099,657	3,106	3,106	17.70	1.46	22.07	30.81	39.55
MULTI-FAMILY	0.193	497,035	249	1,734	14.33	1.34	18.36	26.43	34.49
COMMERCIAL 1	0.047	121,040	234	234	25.91	1.05	29.07	35.40	41.73