Monday, 8:00 A.M. October 19, 1992

UTILITY RATE REVIEW COMMITTEE
MINUTES

Wastewater Treatment Plant Newberg, Oregon

The meeting was called to order at 8:05 a.m.

Members Present:

Karlene Ferrell (Chair)
Gary Hay
Tracy Pinder
Mary Lou Dittman
Kathleen Charron

Members Absent:

Clyde Thomas
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:

Minutes of the Utility Rate Review Committee of the meeting held on October 8, 1992 were approved by those present.

Committee member Gary Hay questioned the SDC costs. He suggested that the five year capital improvement budget for extensions and upsizing should be $100,000 per year for a total of $500,000. There was discussion by staff regarding the various projects included in the budget proposal.

John Thomas started the review of the six proposals prepared by staff. These included the original proposal which is named cost to serve; Option 3a and 3b and Option 4-3a and 4-3b.

Option 3a includes a rate subsidy total of $500,000 or $167,000 per year. Option 3b includes a rate subsidy total of $240,000 per year. All subsides are assumed to come from systems development charges.

The Commercial 2 accounts (C2) were considered under Option 3a. Staff indicated that very few of these C2 accounts have a minimum less than 1000 cubic feet. The committee discussed a cubic foot minimum equal to $30.00 per month for C2, industrial school and governmental users. Katherine Tri outlined the number of users in each group.

Industrial	25
Schools	10
Government	49
C2	78
C1	207
Multi-family	250 meter equivalents or 1700 units total.

John Thomas commented that the schools include George Fox college and government includes all of the public schools. His recommendation, at some point, will be to put the government schools back into the schools category. It was also mentioned that the 78 C2 users includes all one inch and larger meters. Committee member Gary Hay observed that under this scenario with the higher minimum, the multi-family would be paying more than they are currently paying. Extra strength charges are being included for the large polluters and this increase in costs for them will have a major impact on their rates.

Option 3b was reviewed by John Thomas. This option is a 60% fix and 40% flow based rate. The flow rate, it was observed, should remain the same in both proposals. The staff indicated that they would relook at the numbers to see that they remain the same.

The committee discussed the increased change in the debt service and Mr. Teitzel indicated that this would be less than a $.05 impact on the flow. The $167,000 debt subsidy should all go to the debt payment.

Tracy asked about the potential for a petition and what would happen if the rates are not changed.

Duane responded that the City would have two options. The first option would be to sell the system to another governmental agency thereby protecting the systems ability to raise funds. The City operates under certain mandates with the sewer system and these mandates require that certain costs be met. By selling the system to another governmental agency, individuals in the community would not have the power to petition on the rates. Duane mentioned that this had been the result in the City of Roseburg which had formed a sewer authority to provide service to the greater Roseburg area. The City of Roseburg actually put the rates into the City charter.

The second option is to increase the rates by clearly communicating to the community what they include. This includes the idea that the rates will stabilize over time and that other communities will catch up with Newberg despite the relatively high rates the City has today.

Committee member Hay suggested that the billing plus the debt service equal the basic charge. He suggested that the City go away from the idea that this is a minimum charge and talk about a basic charge instead. The flow is a measurement of your special need and varies from customer to customer. A basic charge includes the monthly billing and debt retirement. Duane further indicated that the City operates a business that is owned by its sewer users and that while apathy is great in the community, many residents will support the continuing operation of a public utility. If another agency sells service in Newberg they would include a profit margin which is not currently included in the rates.

The Committee discussed the capital improvement projects. It was commented that the east side project may be funded by public works funding through the State of Oregon. This, in conjunction with local improvement districts and other financing, may ease the need for this project out of systems development charges. Bert observed that while this may be possible, the systems development charges would give the City better leverage for a project in that area.

Duane encouraged the committee to consider the good and bad points of each option. Kathy led the discussion and the results were as follows:

3a - Good:

1. Everyone pays fair share of plant debt.

2. Low flow rate makes consistent billing amount.

3. Minimum SDC subsidy on the debt.

3a - Bad:

1. Hurts low users.

2. Hurts multi-family on the minimum charge.

3. High users still pay for non-treated winter water usage.

4 - 3a and b

Good:

1. Debt and billing all in the flat rate and it is easy to identify.

2. Less impact of low end users.

Bad:

1. Same as 3a and b.

The committee then turned to a discussion of additional meters for irrigation use. Kathy Charron raised the idea that it doesn't seem fair to have to pay for water that does not go in the sewer during the winter months. An additional 3/4 inch meter, assuming no additional systems development charge would cost approximately $200.00. It was observed that Cliff Wilhelmson has a second meter to water his horses at his house if he wishes to use it. He simply needs to instruct the City to turn it on. Gary Hay observed that in some situations this may be at a two to three year pay back and would certainly be an option for high end residential users.

After discussion, the committee decided that rates 4-3a and 3b are the best rates to recommend with the debt reorganized.

Tracy questioned what the debt subsidy would be and Gary indicated that the committee should go with the $240,000 debt subsidy. This will mean a less amount in capital since the east side has other options for funding. The committee should focus on the idea that Fred's made the improvements to the sewer and that Werth could find similar funding or boot strap the costs for improvement out of the development.

Kathy Charron raised the idea of who the users are. Thirteen point five percent of the users are over 65 and low water users will have higher rates under both scenarios. Those rates will not be as high as the high water users rates.

It was recommended by the Committee as follows:

1. The public hearing publication include 4-3b; 3b and the proposed cost to serve.

2. The rates assume a $240,000 subsidy from the SDC charge per year.

3. That the BOD and suspended solid include debt service. Bert indicated that the numbers would only change a few pennies if debt service were eliminated and it was recommended by him that it be left alone.

4. Industrial C2- government and schools are to be left on a cost to serve basis with a basic charge of the cost of 1,000 cubic feet of service.

5. That the staff would publish the proposed rates after committee review.

The next meeting of the committee was set for November 10, 7:00 p.m. in order to have the public hearing required by ordinance.

ADJOURNMENT: The meeting adjourned at 9:50 a.m.

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OCTOBER 16, 1992

TO: RATE REVIEW COMMITTEE

FROM: CITY STAFF

SUBJECT: COMMITTEE MEETING MONDAY, OCTOBER 19, 8:00 AM AT THE WASTEWATER TREATMENT PLANT

The proposed agenda for the subject meeting:

1. Approve Minutes
2. Presentation of Options
3. Discussion of Options
4. Reach consensus on Option to be forwarded to the City Council
5. Set time for public hearing on rates

Attached for your review are the options that would set the sewer rate for three years as requested of staff:

1. Option 3: Flat Rate for Fixed costs
   A.--has subsidy from SDC of $500,000 spread over three years ($167,000 per year);
   B.--has subsidy from SDC that would maintain the debt from rates at $500,000 per year for three years ($240,000 per year for a total subsidy of $720,000).

2. Option 4-3: Flat Rate for Debt and Billing costs
   A.--has subsidy from SDC of $500,000 spread over three years ($167,000 per year);
   B.--has subsidy from SDC that would maintain the debt from rates at $500,000 per year for three years ($240,000 per year for a total subsidy of $720,000).

3. Option 1: Cost to service approach
   A.--has subsidy from SDC of $500,000 spread over three years ($167,000 per year);
   B.--has subsidy from SDC that would maintain the debt from rates at $500,000 per year for three years ($240,000 per year for a total subsidy of $720,000).