Tuesday, 7:00 P.M. November 10, 1992

UTILITY RATE REVIEW COMMITTEE
MINUTES

Wastewater Treatment Plant Newberg, Oregon

The meeting was called to order by Committee Chair Karlene Ferrell at 7:00 a.m.

Members Present:

Karlene Ferrell (Chair)
Gary Hay
Tracy Pinder
Clyde Thomas
Kathleen Charron

Members Absent:

Mary Lou Dittman
Ken Bernard
Leon Self

Staff Present:

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

Residents:

Gary Fisher, Smurfit Newsprint
Janice Brentano, Newberg Graphic
Rachael Kennedy
Paul Kennedy

Duane introduced the Public Hearing process and complimented the committee on their many hours of work reviewing the rates with the staff. He also indicated that the staff had done an excellent job preparing for these committee meetings and providing information for the committee to review.

Public Works Director Teitzel gave a brief overview of the budget for the past three years and the ensuing three years. The budget figures provided included the debt service in each year's figures. The budget indicated that the large fluctuations in the operating budget were partially due to the inclusion of debt in the rates. When debt is included as part of the budget each year, the increase is not nearly so dramatic. Rate revenue has increased in order to meet deferred maintenance needs and to pay for the debt.

Bert also indicated that the rates proposed will provide a stable rate for three years.

John Thomas introduced the three rate proposals. Option 1 is the staff's recommendation which is a cost to serve. System development charges in the amount of $240,000 have been used to offset the debt service in each customer class. The entire category or class has been reduced by their percentage share of that amount. The cost to serve study indicated that somebody using 500 cubic feet of water would pay $12.50 this year and this amount would increase to $15.50 for the next three years.

Option 2 is the 60%/40% option. This option provides that 60% of the fixed costs would be in a basic charge and 40% would be based on the flow. The $240,000 from systems development charge is only applied to the fixed cost and not against the volume rate.

Option 3 provides that only the debt and billing are in the basic charge. The charge for sewer service at 500 cubic feet is $17.90 per month.

John then reviewed the advantages and disadvantages of each rate amount. In option 1, he indicated that with the high volume rate the bills tend to fluctuate quite a bit month to month. This makes it somewhat more difficult for individuals in the community to budget their sewer bills. Option 2 provides a 60-40 split on basic charge versus volume charge. This means that everyone pays a little more, but that the volume rate is fairly stable. The bills would not fluctuate as much in price under the 60-40 option. Option 3 has a lower flat rate which includes the debt and billing costs. This specifically identifies these costs for the consumer, but both options 2 and 3 effect multi-family units with a higher bill.

The meeting was then opened to comments from the public. Rachael Kennedy asked about the water that does not go down the sewer and whether there can be adjustments made for that usage. Kathleen Charron also suggested that perhaps people could read their meters and advise the City of water use that does not go in the sewer. Duane indicated that the City is willing to make adjustments and has done so on several occasions for large water use which does not go in the sewer. In general though, the amount of water used by the household during the winter which does not go in the sewer is not significant. He indicated that it might be easier to allow the staff some discretion in those billing procedures to allow credits where they are reasonable. There was a question regarding the placement of the debt on the property tax from Rachael Kennedy. She indicated that the community voted on the debt and that she had assumed that it was on the property tax and was not aware that it was not being charged to the property tax since her taxes had gone up anyway. Gary Hay concurred that taxes had gone up, but that the sewer debt was no longer included on the property taxes. Duane asked if people were willing to pay the debt out of the property taxes and there was discussion regarding that that would not include the non-profit entities in the payment of the debt. The committee and those present at the meeting felt that it should come from the rates since that way everyone pays their fair share.

Kathy Charron and Gary Hay indicated that they were in favor of Option 2, the 60-40 option. Clyde Thomas indicated that he was in favor of Option 3, since most people in the community are in the 800 to 900 cubic feet or below category. These people will pay more with the Option 2 or 3, but 3 would be less than Option 2. He indicated that the folks that move south for the winter would continue to pay the debt, while not in the community and that Option 2 would be a much more dramatic increase for multi-family residents. There was considerable discussion between Gary and Clyde regarding the benefits and disadvantages of Option 2 versus Option 3.

There were further questions regarding the possible increase at year four. If the rates were frozen for three years, then what would happen in year four. Staff discussed this issue and determined that the increase would be roughly 8% in the fourth year. This assumption is based on the idea that the community will remain much the same as it is today. The expansion of the system beyond the 1% per year growth estimates, a large industry and looking at the cost factors involved in operating the system during the next three years may help avoid that large of an increase. These things all make the fourth year rate a question mark.

There was further discussion regarding the benefits of Option 2 versus Option 3. Clyde felt that the committee should back off to a lesser amount for the fixed costs in order to benefit those that are in the 800 to 900 cubic foot category or less. Kathy and Gary were discussing the concept that the difference in the rates between 2 and 3 for the basic charge is not significant. Clyde indicated that 2,140 customers are below 900 cubic feet while 810 are at 900 cubic feet and above. It appeared to him that a larger number would be impacted on Option 2 than on Option 3. Gary made the observation that the dollar amounts involved were just a little more than $1.00 and with either option, most likely, some people will be unhappy with the change in the rates. There was further discussion.

A motion of Gary and seconded by Kathy was made recommending that both rates be considered by the City Council. The committee based their recommendation on the idea that they felt that a base charge to all customers is their intention. All customers except Industrial/Commercial 2 should participate in the base cost. A vote was then take on both options with the results as follows:

Option 2 - 3 committee members - aye; 2 committee members nay.

Option 3 - 2 committee members - aye; 3 committee members nay.

The City Manager announced that the matter would be in front of the Council at the December 7, Council meeting. Committee members are encouraged and invited to attend the Council meeting to discuss the sewer rate options. Staff will also provide a report to the committee prior to the meeting for the committee's review. The committee then received a round of applause from staff and a warm thanks from Duane.

There being no further business for the committee, the meeting adjourned at 8:15 p.m.

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