

Thursday, 7:00 P.M.

October 1, 1992

UTILITY RATE REVIEW COMMITTEE
MINUTES

Wastewater Treatment Plant

Newberg, Oregon

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

Members Present:

Clyde Thomas
Gary Hay
Tracy Pinder
Kathleen Charron
Mary Lou Dittman
Karlene Ferrell

Members Absent:

Ken Bernard
Leon Self

Staff Present:

Duane R. Cole, City Manager
Katherine Tri, Finance Director
John Thomas, Utility Manager

John Thomas indicated that the residential customers comprise 43% of the cost of operating the sewage treatment plant and system. This means that 43% of the BOD and suspended solids are generated by the residential customers. This contrasts with the fact that 84% of the total customers are residential customers on the system. This relationship means that dividing the cost of the service equally by customer base would unfairly place costs on the residences. Since the residential number of customers is very high, a flat type of charge distributes the costs more to the residences than the other customers. In addition, Mr. Thomas pointed out that there are 1,700 multi-family housing units but only 250 accounts and that 50% of the housing units are residential. Mr. Thomas then turned to the various alternatives proposed at the last meeting.

Several charts depicting the impact of the various alternatives were presented. Alternative #1 was the staff proposal. Alternative #2 comprised a flat rate for residential of \$21.60 and multi-family at \$17.60.

Alternative #3 provided for 60% of the cost to be fixed with a residential rate of \$13.00 and a flow rate of \$1.10, while multi-family was \$10.00 flat rate with a \$1.00 flow rate.

Alternative #4-1 suggested putting the debt on the property taxes which made it for \$2.00 flat rate with a \$1.90 per 100 cubic feet flow rate.

Alternative #4-2 suggested putting the debt on the taxes and provided for a \$15.80 residential rate and a \$12.90 family rate with no flow based rate.

Alternative #4-3 provided that the debt would be on the flat rate and the flow would pay for all other costs. This alternative provided a rate of \$7.80 for residential and \$1.85 for flow, while multi-family would pay \$6.80 per unit with \$1.70 based on flow.

Mr. Thomas reiterated the idea that maintaining the class relationships in the billing system was important so that the 43% use of the system by the residential accounts would not be unfairly charged based on a higher amount due to the number of residential customers.

Mr. Thomas then proceeded to review each alternative based on the benefit of each. Under Alternative #2, 1,488 of the 3,100 City customers would pay more for their sewer bill. Committee members recognized that this would lead to a few unhappy customers.

Under Alternative #3, the 60% fixed cost with a flow based on the balance was felt to be more fair and subject to further consideration. Alternative #4-1, the no debt in the rates alternative, was felt to provide large differences in the costs as cubic feet consumption increased. It is also not an option until July 1, 1993 when the tax levy can be changed.

Alternative #4-2 would make the rate higher for 820 customers and Alternative #4-3 was shown to not impact as many customers as #4-2. Mr. Thomas pointed out that the primary complaint received by the City is the major change in the bill month to month. He indicated that staff has spent time with customers explaining the billing system to them and still they are concerned that the costs rise so quickly as consumption increases. With the proposed \$2.60 flow based rate, the difference in a few 100 cubic feet could be pretty substantial for customers and his opinion was that he would like to see this change.

The committee acknowledged that the fixed cost, if it was too high, would really upset the low sewer users.

After considerable discussion Alternative #3 or Alternative #4-3 were felt to be the most reasonable with the customers. The committee requested that on the bill, the fixed costs in either case be noted so that customers could monitor that over the years as the debt increases and decreases and fixed costs change. The committee discussed subsidizing the debt with SDC funds until it decreases or the community grows to offset it.

Mr. Thomas then led the discussion of the capital improvement plan and how it will reduce

flows and hopefully reduce the costs of operation.

Mr. Thomas explained that no new pipe was put in the ground this past year due to the amount of new development which required all of the Engineering Department staff time. The City has decided to hire design firms to design various projects for the City despite the fact that the City has purchased a CADD system. While the CADD system will increase the productivity in the design area, the Engineering Department can barely maintain their responsibility to monitor development in the community. This will be monitored as the CADD system comes on line.

The committee discussed the cost to hire in-house design engineers versus contract services and felt that if in-house is a possibility, it should be pursued since it is generally cheaper than hiring consultants.

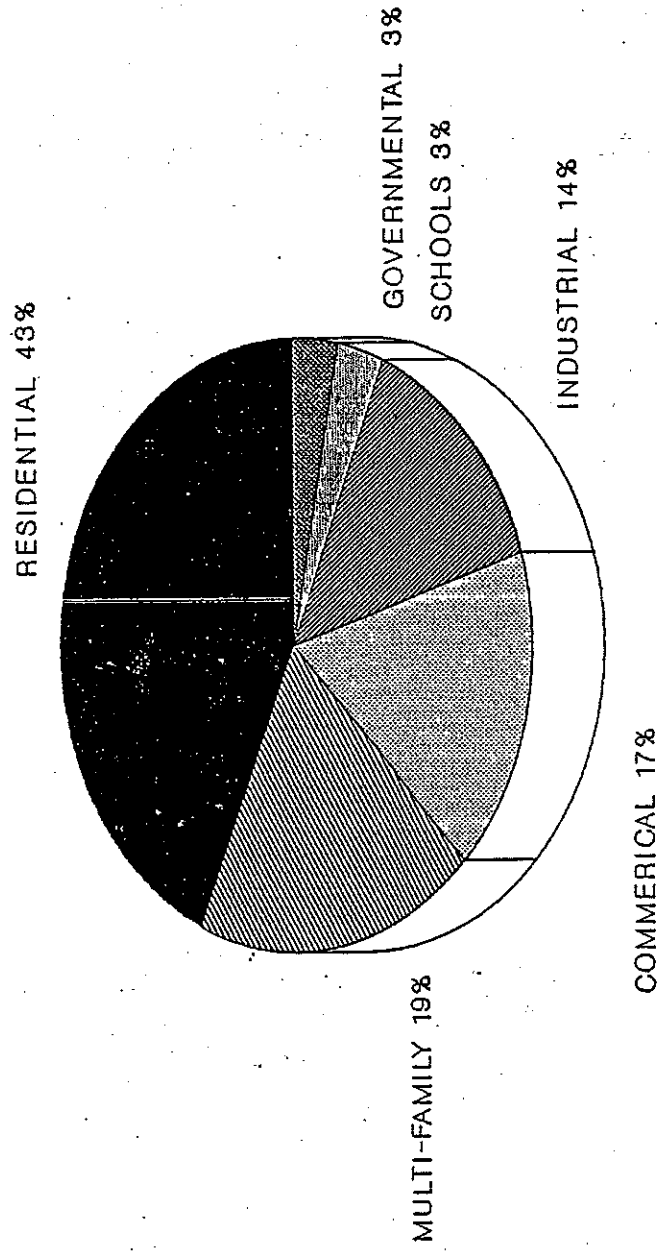
The committee members then suggested that they look at a three to five year rate commitment from the City. Alternative #3 and Alternative #4-3 were discussed with regard to ways they might be developed into a longer term rate alternative. Staff indicated that they would return with a complete package looking at three to five years of rate stability.

Mr. Thomas indicated that he would look at splitting the commercial users into two groups, low users and high users. The low users would be billed similar to the residential users with a higher minimum and a lower flow rate. The high commercial users would have a little different rate based more on the City's original proposal. The committee recommended that systems development charges provide a realistic contribution to the payment of the debt. The committee discussed the contingency amount in the fund and using it for protection in the case of an emergency.

The Utility Committee scheduled their next meeting for October 8, 1992, at 7:00 p.m. at the Wastewater Treatment Plant. The meeting adjourned at 8:50 p.m.

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CUSTOMER CLASS SHARE OF COSTS FOR PROVIDING SERVICE



PERCENT OF TOTAL COSTS