

WEDNESDAY, 7:00 P.M.

MARCH 6, 1996

**MINUTES OF THE UTILITY
RATE REVIEW COMMITTEE**

WASTEWATER TREATMENT PLANT

NEWBERG, OREGON

Members Present: Karl Roth-Buelتمان Carleen Fowler
Myrna Miller Scott Reinhardt
Brett Veach

Members Absent: Barry Babin

Staff Present: Duane R. Cole, City Manager
Katherine Tri, Finance Director
Chuck Liebert, Utility Manager

1. Call to Order

The meeting was called to order at 7:05 p.m. by Vice-Chair Fowler.

2. Roll Call

Roll Call was noted.

3. Approval of Minutes

The February 7 and February 21, 1996 minutes were approved as written (Miller/Buelتمان).

4. Continued Business

- A. Review Balance Sheet/Depreciation. Kathy Tri reviewed the enterprise fund's balance sheet for the fiscal year ending June 30, 1995. In particular, she focused in on fixed assets and what was included in that audit number. There was discussion about the value of the land, the building and the equipment and how fixed assets were depreciated and accounted for.
- B. Council Assumptions. The staff passed out the Council agenda action item that included the Committee Wastewater Rate Assumptions. There was discussion regarding the cash balance that is necessary to operate the funds. There was a question on whether the million dollars included water and sewer or just sewer. Myrna Miller and Paula Fowler had assumed that the water and sewer funds would

be co-mingled and the cash balance would be for both. Others assumed it had been just for wastewater. Staff reviewed again the need for cash balance with regard to operating expenses, emergencies, and routine replacement. It was agreed that the million dollar cash balance would apply only to the sewer fund and an equal amount would be kept for the water funds, and that both balances would be built to two million at the end of five years. The staff was asked if anything was put into jeopardy or at risk by reducing cash balances to these amounts. Staff didn't think that there would be, but they would give it more thought.

- C. Management Study. Kathy Tri asked that since the committee had received the management study on the water and sewer plants, if they had any questions. Paula Fowler asked questions about the use of Petaluma, California, as an example, but thought that the report generally raised good issues. Committee members expressed that they were pleased to see that the City was using the recommendations and had been taking steps that had been outlined in the report.

Chuck Liebert said one of the key points in the report was that the cost was the same in privatizing or not privatizing. In addition the report recommended combining staffs at the Water Treatment Plant and the Wastewater Treatment Plant, and the City has moved in that direction over a year ago. Many of the staff members at the plants are certified in both water and wastewater. This current year, the City has a project to upgrade the computer systems at both plants. This project should be completed in three to four months. He indicated that the next items to review are power efficiencies, and the City will be looking at variable speed pumps. In addition, he pointed out that the plants have reduced staffing and that one manager's position was reclassified. He thought the report was good and laid out the issues.

- D. Review of Rate Structure. Kathy Tri showed an overhead that showed three basic rate structures: flat rate (which the City used to have); debt and billing cost in a base rate plus volume (basically the current rate structure); and base plus flow (billing and meter reading cost in base only, balance of cost in flow). Committee members asked if we knew how much of the cost were fixed versus variable. Chuck Liebert indicated that about 80% of the cost at the sewer plant are fixed. The plant must run seven days a week, 365 days a year, and most of the costs have been fairly constant for five years.

Vice-Chair Paula Fowler recommended the debt and fixed plus the variable rate was the structure she preferred. There was discussion on what was included in the fixed, and it was agreed that the fixed would include billing and meter reading costs, no matter which structure was used. There was also a discussion about why the debt should be in flow. It is assumed that the more you use, the more you should pay for debt demand on the system. Various committee members expressed their preference for the second rate structure of billing and debt service in the base rate, plus volume.

Other committee members liked some aspects of the base plus flow, but essentially favored the second rate structure.

- E. Other Business. Chuck Liebert indicated that the RFP to review Systems Development Charges had been sent out and staff intends to interview a couple of contractors very quickly. He indicated that this is a fairly straight forward process and information should be available in a fairly short time, i.e. one month, after the contractor has been chosen.

5. Other Business.

The committee discussed the death of Donna John-Watson. The committee generally favored that the City Council should be asked to wait to deal with filling the vacancy until after the committee has completed the review of the sewer charges. They generally expressed that they felt there would be too much catch-up for that person at that point; however, the vacancy should be filled at the time the committee begins to review the water rates.

6. Next Meeting Date.

The committee asked for a calendar of the process for the next few months. Staff agreed to provide one by the next meeting. The next meeting is scheduled for Wednesday, March 20, 1996.

7. Adjournment.

The committee moved to adjourn at 8:30 p.m.

Brett Veach

ATTEST

KT/jdr

