

Thursday, 7:00 P.M.

January 10, 1996

UTILITY RATE REVIEW COMMITTEE

MINUTES

Wastewater Treatment Plant

Newberg, Oregon

Members Present:

Brett Veatch
Paula Fowler
Barry Babin
Myrna Miller
Donna John-Watson
Karlene Ferrell
Scott Reinhardt

Members Absent:

Karl Rolf Buelتمان

Staff Present:

Duane Cole, City Manager
Chuck Liebert, Utility Manager
Katherine Tri, Finance Director
Greg Scoles, Community Development Director
Alan Lee, Operations Supervisor

1. Call to Order

The meeting was called to order at 7:04 pm by Chairperson Reinhardt.

2. Roll Call

3. Terms of Office

It was noted that Ordinance No. 95-2418 requires the committee to establish rotating terms of 1, 2 and 3 year duration.

The Committee unanimously moved to establish the following terms.

3 years

Karlene Ferrell

Scott Reinhardt

Donna John-Watson

2 years

Paula Fowler

Brett Veatch

1 year

Myrna Miller

Barry Babin

Karl Rolf Buelتمان

4. Approval of Minutes

The December 7, 1995 minutes were approved as written.

5. New Business

A. Review of 1995-1996 Budget

Finance Director Kathy Tri reviewed the 1995/1996 sewer budget with the committee. She presented slides of the sewer fund cash flow. She discussed the user fees, system development changes, operation and maintenance, replacement, debt service and capital projects funds.

There were questions raised regarding the depreciation of equipment and buildings. Ms. Tri noted that equipment is depreciated but that the buildings are not.

There was general discussion regarding the replacement fund and its use. Donna John-Watson asked how the City decides to replace or repair capital equipment such as pumps. It was noted by Utility Manager Chuck Liebert that although there are many variables, most often it is more cost effective to repair equipment than to replace. He stated that this is more often the case during the first twenty years of a facility. After that the equipment needs to be replaced due to obsolescence.

The committee discussed the alternatives to fully funding replacement in the sewer fund. It was noted that full replacement value may not be the most prudent way to budget.

Ms. Tri stated that the replacement fund has been funded at a lower level in the past couple of budgets in order to make up for the revenue reduction created by the loss of Allen Fruit.

Debt service was also discussed and Ms. Tri indicated that the current debt is financed through the rates rather than property tax.

B. Review of Rate Assumptions

The committee reviewed the sewer rate assumptions dated December 1995. The committee agreed that while these may change as the process continues, the assumptions will be a good basis for creating potential rate evaluation scenarios in the rate model.

C. Review of Rate Model

Mr. Liebert presented slides of the sewer rate model. He indicated that the number shown in the model represented unadjusted totals based on

the 95/96 budget. He described in detail how all twenty-one of the tables were developed. He said that this model was used three years ago in developing the current rates. Mr. Liebert noted that based on the current model assumptions, the rate levels would have a considerable increase over the current rates. The level of funding for debt service and replacement could reduce the estimate. Also, an increase in the system development charge could help to maintain the rates.

The committee requested that staff prepare some alternative rate structures for consideration at the next meeting. They also wanted to see a chart which would illustrate the volume of sewer usage by class or type.

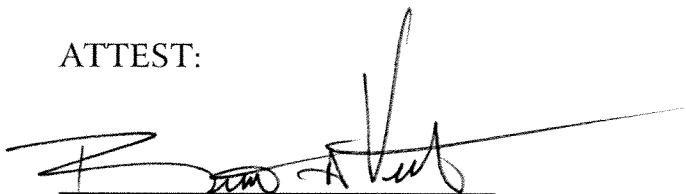
6. Adjournment

The chair adjourned the meeting at 8:45 pm. The next meeting is scheduled for January 24, 1996.

Passed by the Utility Rate Review Committee on this 24th day of January, 1996.

Passed Unanimously.

ATTEST:



Brett Veatch, Secretary