

Thursday, 7:00 P.M.

February 21, 1996

UTILITY RATE REVIEW COMMITTEE
MINUTES

Wastewater Treatment Plant

Newberg, Oregon

Members Present:

Paula Fowler
Myrna Miller
Donna John-Watson
Scott Reinhardt
Karl Rolf Buelتمان
Barry Babin

Members Absent:

Brett Veatch
Karlene Ferrell

Staff Present:

Duane Cole, City Manager
Chuck Liebert, Utility Manager
Greg Scoles, Community Development Director

1. Call to Order

The meeting was called to order at 7:05 pm by Chairperson Reinhardt.

2. Roll Call

3. Approval of Minutes

The February 7, 1996 minutes were not in the packet and the Committee asked to consider them at the next meeting.

4. Continued Business:

A. Committee Discussion

The Committee reviewed the rate assumptions developed at the last meeting. These assumptions are contained in a February 14, 1996 memorandum to the City Council and in the minutes of February 7, 1996.

Barry Babin asked how the Committee made the assumption regarding the

minimum net working capital of \$1,000,000. It was noted this was a combination of replacement and cash carryover.

Paula Fowler stated that the net working capital was a combination of a number of funds and would be more efficient and would allow for the elimination of built-in contingencies in each fund.

Committee member Babin felt the amount of the fund should be less arbitrary and based on a ratio of assets to working capital.

Staff will bring back some historical numbers for the Committee to consider at the next meeting.

The Committee asked the staff to be prepared to explain the networking capital in a manner that the general public could better understand it. A history would be helpful.

Chair Reinhardt asked if there were any other comments regarding the assumptions.

The Committee discussed the rate assumptions based on summer months, annual average and winter months.

Staff indicated that the preliminary analysis demonstrates that using summer months or annual average would result in shifting the burden of the sewer use fees to those users with less fluctuation in their water use (landscaping), it would also result in potentially encouraging, or at least not discouraging, higher water use in the summer.

Chair Reinhardt asked if the Committee would eliminate the summer and annual average from consideration.

Mr. Babin noted that winter average is the preferred way to calculate actual sewer use.

Ms. Fowler noted she would like to see other alternatives.

After considerable discussion regarding this matter the Committee decided to only consider the winter average.

The Committee then reviewed the memo which was to be presented to the City Council on March 4, 1996. The Committee made a number of modifications which are contained in the attached revised memo (dated February 22, 1996).

Myrna Miller asked for some information regarding the balance sheet, specifically building and equipment. Mr. Cole noted that this information is contained in the audit and could be provided at the next meeting.

There was a question as to whether the \$1,000,000 net working capital applies to water. Mr. Cole will check his notes from the previous meeting and make appropriate changes in memo to Council, if necessary.

Staff will prepare a rate summary based on these new assumptions for consideration by the Committee at the next meeting.

Chair Reinhardt noted he would not be able to attend the March 4, 1996 Council meeting and Vice Chair Fowler stated she would attend.

The Committee asked for the staff to prepare a calendar for the next few weeks work.

5. Next Meeting Date(s)

The next meeting is scheduled for March 6, 1996.

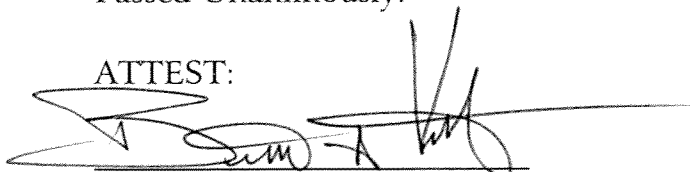
6. Adjournment

The chair adjourned the meeting at 8.35 pm.

Passed by the Utility Rate Review Committee on this 6th day of March 6, 1996.

Passed Unanimously.

ATTEST:



Brett Veatch, Secretary

Request for City Council Action

Date Submitted: February 22, 1996	XX	MOTION
Date Action Requested: March 4, 1996		RESOLUTION
Subject: Preliminary report from the Citizens Rate Review Committee for Wastewater Rates		ORDINANCE
		INFORMATION

RECOMMENDATION: The Staff recommends that the Council instruct staff to proceed with an analysis of the Wastewater System Development charge and review and comment on the Committee's wastewater rate assumptions.

COMMITTEE RECOMMENDATION: The Committee recommends that the Council instruct staff to proceed with an analysis of the Wastewater System Development charge, and, advise the Committee on the assumptions. These assumptions were reviewed by the Committee at their February 21st meeting.

BACKGROUND: The Citizens Rate Review Committee was appointed by the City Council on October 2, 1995 and instructed to review and make a recommendation on the City's Wastewater rates. The Committee, as of the Council meeting March 4, will have met five (5) times and spent over 10 hours reviewing the financial condition, operations and projections for the City's wastewater system. Based on this thorough review, the Committee has developed a set of assumptions which will be used to develop the wastewater rates. The purpose of this preliminary report is to advise the Council of the progress to date and consider the City Council's comments. The assumptions are as follows:

COMMITTEE WASTEWATER RATE ASSUMPTIONS

1. Wastewater rates shall be developed to provide two scenarios -- one would provide rate stability for 3 years and the other rate stability for 5 years.
2. Debt shall be allocated to Current and Future Users in a fair and equitable manner.
 The Committee recommends an analysis of SDC's to make sure that the fees are allocated in a fair and equitable manner.
 The analysis shall include an assumption that no federal grant was received for plant. (The reason would be to provide information on the benefit the City still receives from Federal funding.)

3. Net Working capital in the wastewater fund shall be \$1,000,000 or more at the end of 3 years and 5 years; with a \$2 million option at the end of 5 years. The total amount in the depreciation for replacement reserves shall be at least \$1,000,000. (This shall be included in the net working capital and shall not be in addition to net working capital.)
4. The Staff shall provide a marketing plan for the compost and maximize revenue by considering selling the plant's services to other communities.
5. The wastewater rates shall be composed of the base and volume charge.
6. The wastewater rate assumption shall be calculated based on the winter average for the months of December, January, February, and March.
7. The wastewater rate assumptions shall include amounts equal to 95% of the budget dollars and 100% of budget. (Wastewater fund expenditure histories indicate expenditures have been equal to 95% of the operating budget.)

The Committee has requested that City staff do an anonymous survey of the line staff in order to solicit their recommendations on expenditures and possible revenues in the utility systems. Fortunately, the City culture is such that suggestions and ideas are not held by staff for implementation unless there are budget concerns. In addition, the Rate Review Committee has decided that for now they will evaluate Wastewater and Water as separate funds, but may consider combining the funds if the two systems are integrated.

FISCAL IMPACT: No fiscal impact from this report from the Committee. Future impacts will come from the rate recommendation

STRATEGIC IMPACT: The ownership of municipal utility services provides the opportunity for the City residents to be responsible for the operation and management of their utility. The rate review process is an example of the very best aspects of the responsibility of citizenship at work in Newberg.

SUBMITTED BY:



Duane R. Cole
City Manager