

Tuesday, 7 P.M.

June 23, 1998

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Paula Fowler, Chair

James Gigandet

Barry Babin

Rebecka Ratcliffe, Co-chair

Matson Haug

Kelli Highley

Members Absent:

Myrna Miller, Karlene Ferrell

Others Present:

Mike Soderquist, Comm. Dev. Director

Donna Proctor, Mayor Ex-Officio

Randy Naef, Utilities Manager

Bob Tomlinson, CH2M HILL

Katherine Tri, Finance Director

Roger Currier, City Councilor

1. Call to Order

The meeting was called to order at 7:00 pm by Chair Paula Fowler.

2. Roll Call

Roll call was noted by Kathy Tri, Finance Director.

3. Meeting Dates

Ms. Tri asked for clarification on the meeting days and times. After discussion, it was confirmed that the meetings would remain on the second and fourth Tuesdays of the month at 7:00 pm. The next meeting is scheduled for Tuesday, July 14, 1998.

4. Approval of Minutes

The June 3 and June 9, 1998 minutes were distributed for review. The committee will approve at the next meeting.

5. Water Rate/SDC Evaluation

Mr. Naef mentioned that the interviews for a consultant to do the water rate/SDC evaluation, were completed last Thursday. He thanked Ms. Highley, Ms. Tri and Mike Soderquist for their assistance with those interviews. The selection committee unanimously chose CH2M HILL to perform the work. Mr. Naef reminded the committee that this is the firm that Mr. Tomlinson works for so we will be working with a familiar face. Mr. Tomlinson will be working with his associate Debbie Galardi on this project.

5. Review of Sewer Systems Development Charges (SDC's)

Randy Naef, Utility Manager, re-introduced Bob Tomlinson, CH2M HILL, and reminded the committee of Mr. Tomlinson's presentation at the last meeting. Mr. Naef stated that staff has met with Mr. Tomlinson several times since the last committee meeting to revise the numbers used in the calculations of the sewer

SDC's.

Mr. Tomlinson reviewed six different methods of establishing the value of existing facilities to demonstrate the range of potential SDC values.

Mat Haug stated that it is important to look at the different growth rates when calculating these figures.

Kelli Highley asked if the Fernwood Road project was included in the updated numbers. Mr. Tomlinson confirmed that it was.

Mr. Tomlinson continued his presentation of the sewer systems development charges with a review of the definitions and the applicable Oregon Legislation, then presented the system valuation methods.

Mr. Haug asked if the SDC monies help pay for the additional staff needed in the City government to manage the growth. Mr. Tomlinson responded that the State mandates do not allow for the SDC funds to pay for any operation and maintenance costs. Mr. Soderquist stated that portions of salaries are recovered by the other permit fees that are paid at time of development.

Mr. Haug suggested setting fees based on zoning designations. Mr. Tomlinson did not recommend that method as it would be too confusing to track administratively.

Mr. Tomlinson showed the schematic of how the reimbursement fee is determined. He then reviewed the six different methods of establishing the values of existing facilities.

Barry Babin asked for a list of the major dischargers in the City. Mr. Naef explained that there was not a singular largest discharger. Restaurants, supermarkets, businesses that process meat, etc. are all high water system users. Mr. Babin requested a list of specific companies. Mr. Naef stated he would prepare a list for the committee. Mr. Babin said he would also like to see how the fees are calculated for those high water users. There was further discussion on how the basic sewer fees are charged. Mr. Haug requested a copy of the ordinance that directs staff how to bill.

Roger Currier, City Councilor, suggested the committee review the water ordinance to see if it is legal to charge the different rates that we charge now. Chair Fowler and Mr. Naef stated that the rate structure was already approved by City Council.

Mr. Tomlinson continued with a schematic of the "improvement fee" calculation. He explained that this is where the Capital Improvement Program costs are used. Mr. Haug asked for the CIP list to be arranged in order of decreasing cost,

so it would show the relative cost at a quick glance. It was explained that the overall cost of the improvement does not necessarily reflect its importance, but the list would be put in that order.

Mr. Haug asked staff to explain each one of the capital improvement projects so that the committee would have a better understanding of what each project was and what category it belonged in, (rates or SDC's).

Mr. Tomlinson explained that for each capital project, staff has identified that portion that adds capacity to the system, that portion that improves the current system (and does not add capacity) and those few components that both improve and add capacity to the system (i.e., pump stations).

Chair Fowler asked for a comparison between the 1996 report and this latest report. She thought it might be helpful to know which projects remain on the list from 1996 and which ones have been added. Staff stated they would prepare a comparison for the committee's review.

Mr. Naef explained each one of the capital improvement projects in detail.

Mr. Tomlinson continued his presentation and discussion on how costs are paid by rates and SDC's. Ms. Highley asked why rates are paying for some costs when they should be paid solely by SDC's. Ms. Tri explained that the intent was to pay costs with SDC's, however if development slows, decreasing the amount of SDC's collected, the rates might need to be used as a backup method of payment. As there was still some confusion, Mr. Tomlinson suggested he meet with staff and prepare a more thorough explanation for presentation at the next meeting.

Mr. Tomlinson stated that the combined reimbursement fee can range anywhere from \$1780 to \$3000 per edu for the total SDC. He then mentioned a few of the SDC's charged by surrounding cities and explained how they were calculated. Mr. Haug asked the consultant to prepare a list of the advantages and disadvantages of the six scenarios discussed in his presentation.

Mr. Tomlinson showed his final slide, which depicted projections of SDC revenues per year using the various methodologies. There was some discussion about the amount of revenues projected and how they relate to the costs of the capital improvement projects.

In conclusion, Mr. Tomlinson explained that Newberg's current sewer SDC is on the low end. He explained how the proposed rates would move Newberg in to the mid-to-high-end range, depending on the methodology chosen. Also, many municipalities have created a separate storm water fee. Newberg currently does not have one, but it can be anticipated in the near future, said Mr. Soderquist.

Chair Fowler asked staff to summarize all the information that the committee requested they supply at the next meeting. The following is a summary of those requests:

Mr. Tomlinson will:

- add "original cost" for the wastewater treatment plant back into the fixed assets for the original costs calculation;
- arrange the CIP list in order of decreasing costs;
- identify the important differences between the 1996 and 1998 CIP's;
- inflate the \$1,100 current SDC from 1991 forward;
- look at the loan credit;
- prepare list of advantages and disadvantages of the six methodologies;

Mr. Naef will:

- prepare a list of significant industrial/commercial users and review the ordinance regarding sewer rates;

Mr. Soderquist will:

- distribute the CDD abbreviation list;
- distribute the industrial waste ordinance;
- review the water ordinance;
- review the 1991 resolution.

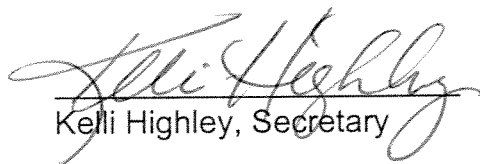
Chair Fowler stated that the committee would continue this discussion based on the new information provided by staff, at the next meeting on Tuesday, July 14.

6. Adjournment

The meeting was adjourned at 8:35 pm

Approved by the Utility Rate Review Committee on this 15 day of September, 1998.

ATTEST:


Kelli Highley, Secretary