

Tuesday, 7 P.M.

November 17, 1998

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Paula Fowler, Chair (7:20 p.m.)	Myrna Miller	Barry Babin
Matson Haug	Kelli Highley	

Members Absent:

Rebecka Radcliffe

Others Present:

Mike Soderquist, Comm. Dev. Director
Randy Naef, Utilities Manager
Kathy Tri, Finance Director
Bob Tomlinson, consultant

1. Call to Order

The meeting was called to order at 7:08 p.m. by Secretary Kelli Highley.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Continued Water System Development Charge (SDC's) Discussion

Mat Haug stated that he did not feel that the information provided by Randy Naef on the Water SDC CIP split was sufficient. He was asking for more detail so that in the future the committee and citizens could understand the splits. He was especially concerned with the lack of detail on numbers 1 through 5. He expressed concern over using the word "subjective". The descriptions need good solid objective criteria. They need more detail and substance. Barry Babin agreed and was sure there was considerable detail behind each item, but there is a risk in summarizing. Mat Haug just wants a fair and honest assessment. He said he was willing to review the background documents to help extract details. Bob Tomlinson stated that he had done this before and would help Randy prepare a more detailed version. After some discussion, the committee and staff agreed to prepare a revised version of the methodology before the next meeting.

4. SDC Presentation

Bob Tomlinson, consultant from CH2MHill, reviewed the latest edition of the Water SDC report. He reviewed the changes on each page relative to the

versions presented at the last meeting.

- ▶ Table 1: No changes
- ▶ Table 2: The current max-day system design capacity was reduced from 5.6 to 5.5 mgd. 5.6 represents a value for well raw water supply from the master plan while the 5.5 mgd better reflects current overall system capacity to deliver finished water. This change affected some of the other numbers, i.e., the reimbursement SDC goes up a little. Kelli Highley asked about the cash reserves. Kathy Tri explained that was the cash reserves for all three water funds.
- ▶ Table 3: No changes
- ▶ Table 4: No changes
- ▶ Table 5: No changes
- ▶ Table 6: Bob Tomlinson added a line for the CIP financed by loans and bonds. It is anticipated that the City will need to sell bonds in 2000 and 2002. He explained that there was no direct impact on SDCs but the debt will have an impact on rates. Mat Haug asked for clarification about who was paying for what. Mat Haug also asked which inflation indices were being used. Bob Tomlinson responded that ENR's (Engineering News Record, an respected national journal) construction index was used. Committee members generally agreed that the same construction inflation index should be used. Randy Naef stated that some of the CIP dollar amounts are taken from the master plans and some were recalculated as part of the Water Summit update using 3% CPI. Randy Naef and Bob Tomlinson will review the inflation indices.
- ▶ Table 7: This is the improvement calculation. The additional max-day system design capacity was reduced from 3.5 to 3.04 which increased the improvement SDC slightly. Kelli Highley questioned the figures in footnote (b). Bob Tomlinson stated that the 5.2 mgd was the actual 1998 max day demand. The distinction between 5.2 and 5.5 mgd is demand versus capacity.
- ▶ Table 8: This table adds the revised reimbursement fee and the revised improvement fee.
- ▶ Table 9: This table now includes an estimated cost of new debt and a line including the water CIP allocated to future users. Mat Haug expressed concern with covering actual cost of growth. Bob Tomlinson indicated that the City is not going to collect enough in the first year to cover all the cost of that year. The financing is actually over a 20 year period and over that time, sufficient funds will be collected to recover all the costs. Long-term funding helps to keep rates down since it is spread out over 20 years. All scenarios cover future estimated debt service. Barry Babin stated that he thought the calculation showed that the City would be

collecting more than it needed and he discussed the cost of a house and builders' profit margin. If the cost of building a new house increased too much and with a diminishing amount of property available, the City may not realize the growth needed.

- ▶ Table 10: This table shows the estimated number of equivalent dwelling units (EDUs) required to cover debt service.

Mat Haug asked what if collections were not enough to recover cost. Bob Tomlinson responded that is when the committee reconvenes and recalculates the SDC. Barry Babin added that if growth does not happen as predicted, then debt is not incurred because the projects will not be built. There followed a discussion on the target amount to be raised.

5. Next Step.

The committee generally agreed to vote next meeting on the recommended water systems development charge.

The committee then discussed the next step. The staff will return to the next meeting with new descriptions of the CIP percentage splits; a review of CIP inflation rate indices with a recommendation and an itemized list of permit costs of a new home. Then the committee will proceed with the water rate analysis.

Paula Fowler requested that the minutes of the meeting be sent out with the agenda. Kathy Tri indicated that minutes will be completed in time.

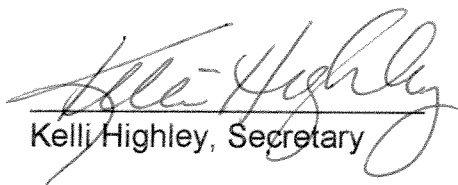
6. Adjournment

The committee agreed to meet on December 8th and 15th and January 12th and 26th, 1999. Kathy Tri pointed out that two members' terms expire at the end of December and she will bring committee appointment applications to the next meeting. Kelli Highley asked if the staff and Council could find two more appointees to fill the vacant positions.

The meeting was adjourned at approximately 8:41 p.m.

Approved by the Utility Rate Review Committee on this 8th day of December, 1998.

ATTEST:


Kelli Highley, Secretary

Example of Permit Fees City of Newberg

Below is a sample of the City of Newberg Permit fees as of December 1998. The below fees were calculated for a single family dwelling with a valuation of \$125,000. The fees are based on development of an existing lot outside of a subdivision.

Category	Fee
Building Permit Fee	\$860.00
Mechanical, Plumbing, Electrical	\$305.00
Community Development Fee	\$625.00
City Hall Fee	\$312.50
Transportation SDC	\$993.20
Sewer SDC	\$2,105.00
Sewer Connection	\$2,500.00
Water SDC and Connection	\$1,150.00
Water Connection	\$2500.00
Residential Driveway and Sidewalk	\$10.00
Parks SDC	\$662.00
Total Fees	\$7,347.70