

Monday, 7 P.M.

November 26, 2001

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Ernie Amundson
David Maben

Barry Babin
Rebecka Ratcliffe

Matson Haug
Dan Schutter

Members Absent: Bobbi Johnson Myrna Miller

Others Present: Mike Soderquist, Community Development Director
Katherine Tri, Finance Director
Dan Danicic, City Engineer
Debbie Galardi, Consultant

1. Call to Order

The meeting was called to order at 7:00 p.m. by Chair Dan Schutter.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Update on Water SDC Lawsuit

Mike Soderquist reported on the status of the water SDC lawsuit (writ of review). The challenge is based on two conditions, the reimbursement fee and improvement fee. He reported that staff took another look at the calculations; reduced the CIP horizon from five to three years (two years had actually passed); and reduced the water SDC by 10%. The City has not received a response to date except to hear that it wasn't acceptable because it did not address the reimbursement issues. CH2MHill is reviewing the calculation and arguments again, using Debbie Galardi. No court date has been set.

Matson Haug asked if the committee would have a chance to review the revised analysis. Staff responded probably in mid December.

4. Capital Projects

City Engineer Dan Danicic reviewed a spreadsheet listing the anticipated water capital projects for the next five years. He explained that new water quality standards may affect the springs which could be considered surface water. The springs would require a higher level of treatment. The other potential issue is the hydraulic connection between the river and the City's aquifer. The committee noted that it will have additional time to review the capital projects as the rate review process continues.

5. Water Budget

Finance Director Kathy Tri and CDD Director Mike Soderquist reviewed the water budgets for 2001-02. Kathy Tri explained the City's fiscal policy of having 60 days cash on hand and of reserving money for future needs. She indicated that the reserve level was far below the needed amount.

6. Rate Setting Methodology

Debbie Galardi reviewed the rate setting methodology: revenue requirements, operating cost forecast and capital costs. She indicated that the cost increases were less than the historical amount. Committee members asked why. Mike Soderquist indicated that over the past couple of years the engineering staff had been increased in order to complete projects and the utility plant staff was re-organized to recognize the need for management versus technicians.

Rebecka Ratcliffe asked if the additional staff saved money over hiring consultants. Mike Soderquist explained that the added engineering staff has allowed the City to get projects moving and completed. Prior to hiring the additional engineers the City was not able to get the projects to a point in which they could be engineered and built.

Matson Haug asked for an annotated Table 5 (5-year Operating Forecast).

Table 6 split out the capital projects by type (treatment, reservoirs and storage, water supply, transmission, distribution and other). Debbie Galardi stated that the CIP increased from the last study from \$13 million to \$18 million. The inflation factor was from the Engineering Index (ENR) and is projected at 2.5%. She also explained that some of the CIP costs will be covered by debt service, most likely a revenue bond.

7. Adjournment

Barry Babin asked for a new roster of the committee members, an update on irrigation meters, and information on the water resources development plan.

The meeting was adjourned at approximately 8:30 p.m. until the next meeting December 10, 2001.

Approved by the Utility Rate Review Committee on this 14th day of January, 2002.

ATTEST:



Barry Babin, Secretary