

Monday, 7 P.M.

December 10, 2001

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Barry Babin
Myrna Miller

Matson Haug
Dan Schutter

Bobbi Johnson

Members Absent: Ernie Amundson David Maben Rebecka Ratcliffe

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 7:10 p.m. by Chair Dan Schutter.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Old Business

Finance Director Kathy Tri reviewed the history of the Water Fund. She indicated that with the passage of Ballot Measure 50 staff had to carefully review all General Fund expenses and determined that some expenses should be shifted to other funds, including the utility funds. Since 1997, four FTE (full time equivalent employees) had been added to the Water Fund. These shifts plus filling all the engineering positions and hiring a utility plant manager have added to the expenses over and above the normal cost of living increases. She concluded that the 12%-13% increase is reasonable.

Dan Schutter reiterated that the main focus of the committee was rate setting methodology and that the committee could not change the budget. Kathy Tri added that the City Budget Committee, which is composed of the City Council and equal number of citizens, reviews all budgets each spring. He added that it was important to review the capital projects and review the fairest way to split the costs between existing users and new users.

4. Water System Revenue Requirements

Debbie Galardi made a presentation on water system revenue requirements. She indicated that the committee would review cost allocations and rate design at the next meeting.

Slide 4 This slide outlined the changes made to the operating forecast and capital

improvements. The FTE of the new clerical help was reduced because it will be shared with the Sewer Fund. Several capital projects were delayed one year; costs were reduced; and funding was adjusted for debt and reimbursements. Myrna Miller asked if the ODOT reimbursement for the 99W water line was firm. Mike Soderquist responded that the City had sent a letter to ODOT requesting \$407,000 and will be meeting with them soon to review the billing.


- Slide 5 The annual five year operating forecast was projected to be 8.3%. This increase reflected a decrease in growth, inflation rates and stable staffing.
- Slide 6 The revised five year CIP is now projected to be \$18.6 million. This was an increase even though a number of capital projects were pushed out one year. The increase is due to inflation factors. However, the added year will give the City time to build its cash reserves.
- Slide 7 This slide projected the revised CIP cash flow. The slide showed over \$1 million was needed annually over the study period.
- Slide 8 This slide showed the total annual revenue requirements. Total requirements increase 16% per year over the study period. Barry Babin asked about which part of the increase is growth related. Debbie Galardi indicated that she will offset the costs with growth related charges (SDCs).
- Slide 9 This slide listed the non-rate revenue supporting the system, including systems development charges. Other non rate revenues included interest earnings, engineering fees, connection charges and miscellaneous fees, and averaged \$466,000 per year.
- Slide 10 This slide outlined the water sales forecast. The forecast included projected number of water meters (customers) times the annual use per meter in order to get the projected annual consumption. Factors considered included growth, weather, water curtailments and price elasticity.
- Slide 11 This slide showed the historical average use per customer class. Ms. Galardi pointed out that in 1999 a new class for irrigation accounts was created and mainly affected the university and public agency classes. She noted that there was no decrease in residential use, even with curtailments. Barry Babin asked if there were any major water users on the horizon. Staff was not aware of any. Members also asked why the university usage varied. Staff will research.
- Slide 12 This slide showed the projected increase in sales revenue, based on current rates and usage. It averaged 1.9% per year. Barry Babin asked if lowering the price would increase usage. Debbie Galardi did not think so. She added that communities are moving away from declining block rate structures which were developed to keep future costs down.

- Slide 13 This slide showed the projected rate increase necessary to meet the revenue requirements. The projections assumed a March 1, 2002 implementation date. Rate increases will average 20% per year. Matson Haug requested that staff create a chart that identifies projected revenues between strictly growth and existing users. In other words, what are the revenue requirements strictly due to growth. He also asked if there were other CIP scenarios which could delay projects, such as delayed growth. Staff indicated that many projects, which had been identified in the Water Summit, had already been delayed due to the amount of time it took the City to get Well #7 in place.
- Slide 14 This slide compared Newberg's current water bill for 1250 ccf with 10 other cities. Newberg was third lowest. The projected rate increase will put Newberg third highest in 2001-02, assuming none of the other cities increase rates.
- Slide 16 This slide showed options for the financial plan. Dan Schutter suggested to staff that it review the projected rate increase with the City Council.
- Slide 18 This slide reviewed the historical peaking factors for each customer class. It was noted that only the university's peaking factor increased. Curtailments have affected all classes except the university. Before the next meeting, staff will review the university's data with Dan Schutter.

The meeting was adjourned at approximately 8:35 p.m. until the next meeting January 14, 2002.

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

ATTEST:



Barry Babin, Secretary