

Monday, 7 P.M.

March 11, 2002

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

City Hall

Newberg, Oregon

Members Present:

Barry Babin
David Maben

Matson Haug
Dan Schutter

Rebecka Ratcliffe

Members Absent: Ernie Amundson

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. Continued Business

The meeting was turned over to Debbie Galardi who presented the following information.

Slide 3 Debbie Galardi began by reviewing the operating forecast of the sewer system. She used the same assumptions as were used in the water study. She indicated that expenditures increases are around 9%; the historical increase has averaged 7%.

Slide 4 The CIP revisions included the composter (\$700,000) and delayed projects (master plan, facility plan and property purchase). She assumed debt funding for several other projects. She indicated that the current debt is paid off in September 2004 and the staff tried to delay major projects until the debt is paid off. One other change was reducing line rehabilitation to \$200,000 per year. Two projects were added: security and the influent pump station. Because of low cash flow, debt will need to be issued if more major projects are included in the capital plan. Mat Haug asked about sewer rehabilitation. Debbie Galardi explained. The staff assesses the whole system as part of the conveyance Master Plan. The longer the City delays repairs, the more costly they become. There is some catch up, but basically the City is doing a good job. Mike Soderquist added that parts of the new system are reaching an age where they will need major attention.

Debbie Galardi indicated that capital projects equal \$10.4 million.

Slides 5-
7

Ms. Galardi reviewed the revenue requirements

Slide 9

Ms. Galardi indicated that existing billable volumes are based on actual winter water use and that she is using a 2% growth rate.

Slide 10

This slide listed the historical billable average winter use per account type. The table shows that usage has decreased. Mat Haug stated that as water capacity increases, you would expect that water usage would increase. Ms. Galardi stated that rate increases work against that theory. Dan Schutter added that new construction is plumbed with low flow facilities.

Slide 11

This slide projected sales revenue from existing rates. Ms. Galardi noted that there is a slightly higher revenue recovery through customer charges than through water volume due to debt costs in the fixed charge for residential.

Slide 12

This slide showed that the City needs a significant rate increase, primarily due to capital costs. Current rates barely cover O & M costs. The table projected a 20% increase in June and another 18% increase in the Spring of 2003.

Slide 13

This slide compared rates of various cities, based on 800 cf. Newberg's current rate is on the low side and the new rate will move the city up four spots. Committee members discussed timing and impacts of the rate increase.

Slide 15

Ms. Galardi outlined a number of financial plan policy options. These included adopting 5 year projections, revisiting the CIP (delaying projects), revisiting other forecast assumptions and implementing the first two year increases with the committee revisiting the forecast in two years.

The meeting was adjourned at approximately 8:00 p.m. until the next meeting March 25, 2002.

Approved by the Utility Rate Review Committee on this 22nd day of April, 2002.