

Tuesday, 6 P.M.

February 10, 2004

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Ernie Amundson
David Maben
Lon Wall (chair)

Blane Hansen
Jeff Ratcliffe

Dan Schutter

Members Absent: Matson Haug Lou Larson

Others Present: Dan Danicic, City Engineer
Jadene Stensland, Utility Engineer
Kathy Tri, Finance Director
Mike Soderquist, CDD Director
Jim Bennett, City Manager
Debbie Galardi, Consultant

1. Call to Order

The meeting was called to order at 6:05 p.m. by Chair Lon Wall.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Minutes

Ratcliffe/Maben moved to approved the January 27, 2004 minutes. Passed by those present.

4. Rate Presentation

Debbie Galardi reviewed the order of presentation. She then reviewed the revenue requirement development process showing how the Capital Improvement Plan (CIP) and operating and maintenance costs (O & M) affect system requirements. Next she reviewed the financials for the preliminary five year CIP. Dan Danicic then reviewed 29 proposed capital projects. He explained these projects are projected to be completed during the next five years. He did note a few projects which are included on the list are current year projects and it is anticipated that they will be completed this fiscal year. He noted that other projects may get added to the list after the facilities plan and conveyance plan are completed later this year. He further noted that projects could be added due to DEQ regulations due to the City renewing its discharge permit. It was noted that 73% of the funding for these projects is to come from current revenues. Ms. Galardi noted that we can add to the assumptions that debt financing could be used.

Debbie Galardi noted that at this time that the projections do not anticipate any added staff. She explained the cash flow between city funds. Kathy Tri explained how the city funds work. Ms. Galardi then reviewed historical and budget O & M costs. Ms. Tri discussed what is included in Central Services charges.

Next the committee reviewed an historical look at customer growth and historical water

averages. Staff reviewed how sewer averaging worked and that an anomaly has appeared in which the City is billing less than the winter average in high water usage months. Staff noted that it was researching why this anomaly is happening. Several theories were discussed. There is a decline in average use between 2000 and 2002. While the last rate study was conservative, it apparently was not conservative enough.

Ms. Galardi then reviewed four revenue trends. The average customer growth is around 1.8%; average billed sewer volumes per account has been relatively steady and consistent with projections; total billed volumes are lower than projected; and rate increases happen after the fiscal year begins during the averaging months. She then reviewed the preliminary forecast assumptions and cost escalation rates.

Ms. Galardi indicated that at the next meeting the committee will review the preliminary financial plan with an updated CIP which splits the costs between current users and new customers and the updated cost of service analysis.

The next meeting date will be February 24, 2004. The meeting was adjourned at approximately 7:35 p.m.

Approved by the Utility Rate Review Committee on this February 24, 2004.