

Tuesday, 7 P.M.

April 6, 2004

**CITIZENS RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Matson Haug
Jeff Ratcliffe

David Maben
Dan Schutter

Lou Larson
Lon Wall (chair)

Members Absent: Blane Hansen Ernie Amundson

Others Present: Jadene Stensland, Utility Engineer
Mike Soderquist, CDD Director
Kathy Tri, Finance Director
Debbie Galardi, Consultant

1. Call to Order

The meeting was called to order at 7:04 PM by Chair Lon Wall.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Minutes

The minutes of the March 23, 2004 meeting were passed by those present.

4. Continued Business: Water Rate Review

Debbie Galardi reviewed her handout. She updated the projections without the franchise fee and updated SDC projections. Matt Haug questioned taking out the franchise fee as this was a Council policy.

Ms. Galardi said that with additional revenues from SDCs to fund capital projects and debt service, the rates could be smoothed after 2004-05. In 2004-05 debt service will be paid with reserves as the City will not have the capacity to pay for the debt from operating revenues. She noted that the inability to transfer funds to the water replacement fund will impact future capital.

Kathy Tri indicated that the budget should be transferring around \$500,000 annually to the replacement fund. Lou Larson asked if the City had a fixed replacement program. Mike Soderquist responded that the major future item is a new water treatment plant in 12-15 years. Kathy Tri added that for about 20 years the replacement fund has been paying for pipe and equipment replacements without debt financing. Lou Larson asked for more information by the next meeting.

Debbie Galardi continued reviewing her handout. She explained that the cost of service analysis and rate design was based on the alternative numbers. She reviewed the functional allocations including prior averages and current averages. She noted that

there had not been much change since the prior study. Supply and treatment are the major capital categories for the next five years. She noted the springs issue. She also reminded everyone that the system has to be built to handle the maximum day demand for both operations and capital. Lon Wall asked how the methodology came up with the percentage distributions. Ms. Galardi responded that some are actual mathematical calculations and others are professional judgment. Staff was asked to research how long the City had used this methodology.

Ms. Galardi explained how costs were allocated to customer classes: Peak demand by analyzing monthly usage; meter size determines hydraulic capacity; and billing by number of customers. She noted that peaking factors are significant in determining system size and O & M costs. She looked at a four year average per class. Major factors affecting consumption include weather, conservation and water rate increases. She added that single family, industrial and irrigation classes are the major users. She noted that billing costs decrease to about \$0.50 per account. All volume rates increase.

Matt Haug asked for staff to come back with replacement documentation, franchise fee impact on rates and conservation measures (different rate structures). He expressed concern that the rate increase may not be enough to cover future capital needs from the replacement fund. Lou Larson stated that the franchise fee idea may not be popular and the committee needs to be sensitive to ability to pay issues. Matt Haug countered that the committee needs to look at all costs and see how they impact rates and then decide what to recommend. Jeff Ratcliffe asked about the franchise fee. Debbie Galardi said that at this time it was projected as 1% of revenue; however, it could be looked at as a separate item on the bill. She noted that Wilsonville does this. Dan Schutter asked about administrative costs. He asked staff to explain what percentage of administrative costs and overhead are charged to water.

The meeting adjourned at 8:20 p.m. The next meeting date will be April 20, 2004 at 7:00 p.m. at the Public Safety Building. Approved by the Utility Rate Review Committee on this April 20, 2004.

Next Meeting:

Replacement Schedule
Franchise fee impact
Administrative costs
Maximum Day Data