

Tuesday, 7 P.M.

April 20, 2004

**CITIZENS RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Matson Haug
Dan Schutter

David Maben
Lon Wall (chair)

Blane Hansen

Members Absent:

Ernie Amundson Lou Larson Jeff Ratcliffe

Others Present:

Mike Soderquist, CDD Director
Dan Danicic, City Engineer
Kathy Tri, Finance Director
Debbie Galardi, Consultant

1. Call to Order

The meeting was called to order at 7:00 PM by Chair Lon Wall.

2. Roll Call

Roll call was noted by Kathy Tri.

3. Minutes

The minutes of the April 6, 2004 meeting were passed by those present.

4. Continued Business: Water Rate Review

Kathy Tri reviewed the administrative charges for both water and sewer. She handed out a memo detailing the salary/benefit costs, general office costs, central service charges and facilities rent. She noted that the central service charges equate to 16% for sewer and 14% for water, equal to their portion of the total operating budget of the City.

Dan Danicic reviewed various capital projects. Dan Schutter asked about the looping projects. Dan Danicic explained that these projects took dead end lines and connected them. The projects would improve water quality and would serve neighborhoods in two directions.

Blane Hansen asked about replacement projects. Dan Danicic explained that pipe replacement is continuous. Pipe has a 75 year life and there are still cast iron pipes being used which were installed in the 1920s.

Debbie Galardi then reviewed her revised handout. She added in the General Fund transfer and updated the systems development charge forecast based on new information provided by engineering. The projection still showed a need for a 15% rate increase in 2004 and then a smoothing of rates at 5% for the following three years. She noted that to sufficiently fund depreciation, rates should increase 15% in year 1 and 12%

in year 2, then drop to 4%. She noted that if depreciation is not fully funded, the City will need to sell debt. Mat Haug asked for a one page explanation of the need for the replacement account. He also requested that the staff show the cost of debt.

Debbie Galardi was asked how she came up with the cost allocation. She explained that she used science and judgment and looked at ratios of average day and max day, storage, treatment and distribution. The ratios were based on prior years' data. She noted that the peaking factors for most of the customer classes decreased from the prior study, except public agencies and outside customers.

Ms. Galardi then reviewed the proposed charges. She noted that they included funding depreciation (in the volume rate). She noted that low usage showed a minimal change in the bill due to the fact that the service charge decreased; however, large users will see a greater increase than the system average.

Haug/Hansen moved to approve a 15% (2004-05), 12% (2005-06), 4% (2006-07) and 4% (2007-08) rate increases.

Haug/Schutter moved to amend the motion to include the franchise fee in the rate.

Dan Schutter noted that he did not like the franchise fee and saw no connection to right of way. Dave Maben agreed.

Mat Haug stated that we need to follow established policy but we should send a strong recommendation to change the policy and not charge either utility the fee.

AMENDMENT PASSED 5-0.

Haug/Schutter moved to amend the original motion to include \$200,000 for 2004-05.

Debbie Galardi stated that the rate would have to increase 7%. Mat Haug indicated that the committee should present this as an option to the council. Dan Schutter stated that without pushing the increase higher, what is trimmed is the CIP and not O & M. The City needs to look for cuts elsewhere. He felt the rate increase was too high.

AMENDMENT FAILED 1-4.

The committee then discussed the rate reserve. Dan Schutter was not convinced that O & M costs were streamlined and he was still concerned with overhead costs.

Haug/Schutter moved to amend the original motion to approve 15% and 10% increase with the adjustments coming from replacement funds and in 2006-07 and 2007-08 rate increases at 5% and 5%, respectively and the franchise fee should go to replacement.

AMENDMENT PASSED 4-1.

David Maben agreed that the franchise fee should go to the replacement. Mat Haug felt the council should see that saving money and using replacements funds instead of debt would save the city money overall. He said the staff should review what can be delayed in the CIP. Dan Schutter added that borrowing tends to help evaluate the immediate need of projects and that the CIP could be more defined. Some projects, such as looping, could be delayed.

MAIN MOTION AS AMENDED PASSED 5-0.

The meeting adjourned at 9:20 p.m. The next meeting date will be May 12, 2004 at 6:30 p.m. at the Public Safety Building.

Approved by the Citizens Rate Review Committee on this May 12, 2004.

Next Meeting: Public Hearing on water and sewer rates

