

Tuesday, 7 P.M.

June 29, 2004

**CITIZENS RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Ernie Amundson

Blane Hansen

Lou Larson

David Maben

Dan Schutter

Jeff Ratcliffe

Lon Wall (chair)

Members Absent: Matson Haug

Others Present:

Dan Danicic, City Engineer

Kathy Tri, Finance Director

Jadene Stensland, Utility Engineer

Debbie Galardi, Consultant

James Bennett, City Manager

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

None.

4. Old Business: Storm Water Rates

Debbie Galardi reviewed the changes to the financial plan: reduced CIP by \$350,000 (moved two projects to 2009-10), added \$10,000 for public education program, added 60 day contingency and phased in rates. She then reviewed the rate scenarios: different rate schedule or equal rates between classes. She noted that current rates are not fully funding the program. To fund the current program would require a differential rate increase of 30% and to fund O&M and capital would require a 65% increase. For an equal rate the increases would be 9% and 40%, respectively.

The staff recommendation was to fund the CIP with cash, including systems development charges (no debt service), fully fund O&M and phase in capital, have equalized rates and include a credit program. These recommendations would result in a 22% increase and assumed some credits (10% eligibility).

Lon Wall asked what composed the non-rate revenue. Debbie Galardi responded that non rate revenue included interest earnings, fund balances, and reimbursements from capital projects. She added that the "transfer" was only rate money. Dan Danicic added that only a small portion of the projects were SDC eligible. Dan Schutter asked if the city's EDU measurement was comparable to other jurisdictions. Debbie Galardi

responded that Newberg's EDU (2877 sq feet) is average and that they generally range anywhere from 2500 to 3300 square feet. Most jurisdictions have an EDU in the upper 2000 square feet range.

Ernie Amundson asked if any of the projects were new construction. Dan Danicic indicated that the project list addressed current deficiencies of the existing system. Blane Hansen asked how the projects were selected. Dan Danicic reviewed the list of top 26 projects and how the list was developed.

Dan Danicic then reviewed the credit program. He showed three examples: GFU, Fred Meyer and A-dec. He also reviewed proposed City Code language which would give up to a 50% credit. He noted that the language came from Prince William County, Virginia. Lou Larson asked what it would cost a development to install a storm water detention system which would earn 50% credit. Dan Danicic stated it could cost around \$20,000 for a small subdivision. Lou Larson asked how likely it would be for a property owner to earn up to 50% credit and added that it would be more likely an owner could earn 30%. Dan Danicic indicated that currently most do it because they want to, not because it would be cost effective. However, in the future when rates are higher, it probably would be more economically feasible.

Dan Danicic indicated that the credit provisions were stairstepped with "a-d" relating to quantity and "e-g" relating to quality. The provisions were also consistent with the Ad Hoc Committee's recommendations. Debbie Galardi also indicated that most communities do not give up to 100% credit because there are fixed costs from which everyone benefits.

Larson/Hansen moved to accept the proposed credit language. Passed by those present.

Debbie Galardi added that it does not make sense to have a different rate with a credit program.

Larson/Schutter moved to approved an equalized rate. Yes = 4, No = 2, 1 abstain. Passed.

Larson/Hansen moved to approve a rate of \$2.44 per EDU for 2004-05 and \$2.98 per EDU for 2005-06.

Jeff Ratcliffe asked what would a two year rate be. Debbie Galardi indicated she would have to go back to recalculate.

Jeff Ratcliffe suggested phasing in capital projects and do a phase in rate. Lon Wall stated that the rates are probably structured okay and that people are skeptical about future rate increases. Dave Maben stated that it is a tax and that the system must be maintained now. A 10% break will not make much difference and those with a 20% to 30% credit may do something but the credit won't cover the cost.

David Maben moved to amend the motion to make the rate \$2.00 per EDU. Motion failed for lack of second.

Lou Larson called for the question. Yes = 4, No =3. Passed.

The meeting adjourned at 8:00 p.m. The next meeting date will be July 13, 2004 at 7:00 p.m. at the Public Safety Building.

Approved by the Citizens Rate Review Committee on this July 13, 2004.

Next Meeting: Public Hearing on Storm Water Rates