

Wednesday, 7 P.M.

September 5, 2007

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Newberg Senior Center, 101 W. Foothills Drive

Members Present:

Chair Matson Haug
Charles Zickefoose

Dan Schutter
David Maben

Ernie Amundson

Members Absent:

Mike Gougler

Michael Sylvester

Staff Present:

Daniel Danicic, PE, Public Works Director
Elizabeth Comfort, Finance Director
Dawn Bevill, Recording Secretary

Other Present:

Debbie Galardi, Galardi, Consulting
Alan & Barbara Meyer, Foothills Water District
Michael Roos
Stan Gaibler
Gloria Driske
Richard Taeubel

1. Call to Order/Roll Call/Introductions

The meeting was called to order at 7:05 p.m. by Chair Matson Haug.

Roll Call was noted by Dawn Bevill.

2. Minutes

MOTION: Maben/Schutter to adopt the August 1, 2007 minutes as modified.
Motion carried by voice vote.

MOTION: Schutter/Maben to adopt the August 15, 2007 minutes. Motion carried by voice vote.

3. Michael Sylvester Resignation

MOTION: Zickefoose/Schutter to accept the resignation of Michael Sylvester. Motion carried by voice vote.

MOTION: Schutter/Amundson to post the open position on the Citizens' Rate Review

Committee. Motion carried by voice vote.

4. Springs Customer Class Discussion

Dan Danicic gave the background and history concerning the service area. The City of Newberg provides potable water service to approximately 69 customers located outside the City limits through four springs: Oliver, Snider, Skeleton, and Atkinson Springs. The springs' system provided water to the primary system prior to 2005. All of the springs with the exception of Oliver have been disconnected from the City's main water system due to exceeding DEQ potable water standards. The water quality requires significant investment and additional labor costs. Current rates reflect an outside-city surcharge of 50%. If the users were placed in a separate class, what would that group look like from a rate model stand point? The City Council has asked this committee to look at the economics and rates themselves and not the legal aspect of the agreement, which states the City is required to provide service to customers served by the springs, based on a 1922 agreement and much discussion has been had on the obligations and responsibility of that agreement.

Deb Galardi spoke about user classes, levels of service and the costs associated with those. Standard rate is not an attempt to recover costs in a year, but over the useful life of those improvements, so that a little will be collected every year to pay off the principal and interest costs. Deb explained the cost elements in relation to facilities as opposed to labor costs, depreciation expense, and rate of return on assets. Other costs associated with operation and maintenance includes sampling, water quality issues, and on-going pipe repair and maintenance.

Discussion:

Ernie Amundson asked where the springs are located.

Dan Danicic replied to the northwest and some above Bell Road.

David Maben questioned if it will be hooked back up to the reservoir when the project is finished.

Dan Danicic explained that it would not.

Dan Schutter inquired about the well capacity.

Dan Danicic stated the unused amount was not metered and he is not sure how much is lost.

Ernie Amundson asked how close the properties are to the Urban Growth Boundary.

Dan Danicic pointed those out on the map.

Stan Gaibler explained those areas more in detail since he lives in that area.

Alan Meyer stated their water district is small and includes four people on Bell Road.

Mat Haug asked about the Austin property proposal and if it will be serviced with city water.

Dan Danicic explained the City code states when a lot is annexed into the City, it must be served by city water.

Discussion followed concerning the Urban Reserve Area and the Urban Growth Boundary.

Deb Galardi continued on to explain the five Cost Recovery Options:

Option 1 – full cost recovery

Option 2 – cost recovery not including a rate of return on capital assets

Option 3 – direct cost recovery only (no rate of return or indirect costs)

Option 4 – system-wide pipe replacement (prorated based on consumption, not linear feet)

Option 5 – direct O & M only

Dan Danicic discussed the costs based on each option under estimated rates.

Mat Haug asked Dan what is paid now and what will be paid with capital improvements per household.

Dan Danicic stated that looking into the future is something he hasn't yet considered. The average now for residential customers is \$30 a month in the City.

Deb Galardi outlined the Sensitivity Analysis and shared examples in other communities, such as Albany in the North Albany Service District and in Bend, in the Juniper Irrigation Area; Bend being the most recent example. In summary, Deb explained the industry standards supporting the system-wide average costs and direct assignment of cost concepts.

Dan Danicic asked for a recommendation concerning the springs' customers and whether they should be considered a separate class, and if so, which option is the best choice for them.

Discussion:

Mike Gougler, who could not be in attendance for this meeting, submitted a letter stating his opinion.

Dan Danicic read the following:

"I have reviewed the material that you sent and if I were at the meeting I would propose adoption of Option #4. My experience supports the assertion that water line (pipe) replacement in different areas does not occur in proportion to actual pipe length. Pipe that is not under a busy roadway tends to last longer than a pipe that is subject to constant vibration. You would know better than anyone if the costs of road repair versus the costs access and repair of 'cross county' pipeline are directly proportional. I would hope that they are not and the 'county' lines can be accessed and repaired for less than 'street' lines."

Dan Schutter: This committee is to look at user classes and fair distribution which he believes is Option #1. The 1922 agreement is complicated and is difficult to understand who the agreement is made with. The City has no obligation to what was agreed upon back in 1922.

David Maben: Option #4, since they were part of the City for a long time.

Mat Haug: Option #1 to make sure there is a clear and fair assessment for the time being.

Ernie Amundson: Option #3, but would also like to see the City absorb the maintenance costs.

Charles Zickefoose: Option #3. Credit should be given for past history and believes it should be a separate class.

Stan Gaibler: The springs customers have been involved with the expense and none of the other water districts were charged for the benefit of the facility. The 50% surcharge is what helped pay for the infrastructure today. There was an agreement/court order in 1922 stating the City will supply water and the system. Option #5 is his choice, but would prefer to see current rates maintained and spread over time.

Richard Taubel stated it isn't fair. When the City wanted to change it over to the new system they just let this system go. He agrees with Stan.

Mike Roos agrees with Richard and Stan and reinforced that if the City hadn't left the system alone and kept up with the maintenance, it would be different today.

Alan & Barbara Meyer also agree. Mr. Meyers took a moment to thank the committee for their service and time.

Dan Schutter made a suggestion and shared his perspective on the 50% rate surcharge. He stated that these customers have been an integral part of the City for years and perhaps an approach with all sharing in the cost of the system, and getting it up to date with the improvements is what needs to be done.

Gloria Driske asked when this will be heard by City Council.

Dan Danicic replied at the November 5, 2007 meeting. Two meetings may be required for additional data.

Gloria Driske asked if they will be billed for piping and will rates fluctuate or will it be all at one time.

Dan Danicic explained that a line reserve item will be created to prevent the fluctuation and would keep it stable. It's done in two year increments.

The committee discussed combining portions of Option #1 and Option #4 with a footnote suggested by Dan Schutter and is as follows:

This model assumes the City share half the cost of the capital improvements, which may be more than half, depending on the interpretation.

Mat Haug stated the committee would like to see a range of values on depreciation and rate of return not only on a fifty year life span but a thirty year life span, as well.

MOTION: Schutter/Zickefoose to conclude the meeting this evening; having Staff take the ideas voiced on combining variations of Options # 1 & #4 with the footnote; continuing discussion on October 10, 2007. Motion carried 4 – 1. (Mr. Amundson opposing.

Meeting was adjourned at 9:34 p.m.