

Wednesday, 7 PM

October 10, 2007

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Newberg Senior Center, 101 W. Foothills Drive

Members Present:

Chair Matson Haug
Charles Zickefoose

Dan Schutter
David Maben

Members Absent:

Mike Gougler

Ernie Amundson

Staff Present:

Daniel Danicic, PE, Public Works Director
Jennifer Nelson, Recording Secretary

Other Present:

Stan Gaibler, Mike Roos, John Rekow

1. Call to Order/Roll Call/Introductions

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

Roll Call was noted by Jennifer Nelson.

2. Minutes

MOTION: Schutter/Zickefoose to adopt the September 5, 2007 minutes as modified. Motion carried by voice vote.

3. Conclude Springs Customer Class Discussion

Dan Danicic summarized the discussion from the previous meeting and reported on the tables and proposals included in a follow-up memorandum dated October 5th concerning the Newberg Springs Rate Analysis.

Chair Haug asked for an explanation of the pros and cons for the 30-year life versus the 40 and 50-year life.

Dan Danicic explained it was a determination of how long a life span the improvements would have. A typical pipe project has a 75-year design life, but parts of the project include spring boxes and monitoring/testing equipment which is more of a 15 year life and with electronics it is less than that.

Charles Zickefoose asked about the concept of Rate of Return and why it stays constant.

Dan Danicic replied Rate of Return accounts for the interest on the costs of financing the project, which is \$400K invested at a 5% interest rate of annual return. It was discussed that this

was regardless of whether the 30, 40, or 50-year life is chosen; it is paid back over the same amount of time.

Chair Haug referred to the tables as presented and concluded the choice before the committee would be to agree that what is seen in table 2 is accurate and what was requested; and the other item is to choose between the 30, 40, and 50-year life span on table 3. He asked if there were any other issues to be brought up.

Dan Danicic clarified the objective before the committee would be to adopt the methodology and make a recommendation to City Council. He said the water rate schedule is currently in place until June 2008 and they will be looking at this again in two years. He is looking for this to be implemented in July. He stated the project should be complete by then so the current 30% contingency on estimates could disappear resulting in a lower spring rate.

Charles Zickefoose asked when the final number will be known.

Dan Danicic stated they were wrapping up the big documents now and hoping to bring it to Council by December 17th with the bid award.

Chair Haug restated if the committee adopts this scenario at 30 years, they are adopting the mathematical model for a 50% share of capital costs between the Spring's user group and the citizens of Newberg as a whole. He stated his desire to have, in writing, an itemized list of reasons why a 50% share of capital costs is justified, as support of their rationale. He repeated some of the arguments he heard that makes this fair for all: the outside City users using an arbitrary 50% surcharge on rates, until the 1950's the City was dependent on this water source, there is no need for infrastructure because it is such a simple system, if it had been in the City perhaps there would have been ongoing capital improvements, costs should be shared appropriately for different usage.

David Maben also suggested the Spring's user group should get some representation on this Committee.

Chair Haug spoke of not filling the current vacancy and extending the opening availability until Council could give thought to this recommendation as soon as possible.

Dan Danicic stated the first step would be to amend the City Code to state one member may be from the Spring's user group. He was concerned that this motion would be requesting to create a position for a member of the Spring's user class which has not yet been created by Council.

Dan Schutter mentioned he was uneasy saying he felt this model is a fair distribution of the costs, he said it was more of just making a 50/50 split for the investments to bring this up to code as a middle ground solution.

MOTION: Maben/Schutter requesting staff to prepare a recommendation for Council consideration to allow one position on the Citizens' Rate Review Committee to be filled by a Spring's customer representative. Motion carried by voice vote.

Chair Haug directed the committee to move onto the next decision approving the mathematical model and to choosing a depreciation period of 30, 40, or 50-years.

Stan Gaibler asked what is the percentage difference between the three choices.

Dan Danicic stated the volume rate is \$6.09 and an increase of 53%. The increase over the current is 41% for the 50-year, 44% for the 40-year, and 49% for the 30-year.

Stan Gaibler stated the implementing as small of a rate increase as possible would be most palatable for the spring users: consider the reaction if the rate for City customers went up that amount.

Discussions continued concerning the rate increases for water crisis five or so years ago and the concessions made by both the City and the Spring's users and the arguments were raised that the increases were harder for those outside the City because of the extra 50% surcharge.

John Rekow spoke of assumptions about the past lawsuit being ambiguous and that they cannot be used to determine what goes on now. He added they have invested in the City's system and were paying in land value and land rights and easements. He stated they were not getting value for value and City Council said they want to be fair. He argued they paid their fair share of any costs already by being charged 150%.

Chair Haug replied the committee will come up with what they think is fair for the recommendation and when Council decides they can represent themselves that the 50% is not fair. He just wants to make sure their reasoning is there.

John Rekow also stated they would not be in control of the City's costs and expenditures since they are outside of the system, but would still have to pay their 50%.

Chair Haug replied the statement up front that the City does not need the Spring's water anymore and they are free to form their own water districts and do the infrastructure themselves. He said there will be some disagreement, but the final decision will be up to City Council.

John Rekow expressed concerns for what happens when Urban Growth Boundary (UGB) takes this area into the City and the number of users decreasing causing the rate to go up.

David Maben stated if council changes the numbers, they will come back to the committee and he will be notified.

Stan Gaibler added that as rates go up, more people will drill wells, which will decrease the users and cause the rate to rise as well.

Mike Roos asked how the decrease in the number of users impacts that formula and if existing users' administrative costs would go down because there are less meters to service.

Dan Danicic replied meter cost is not included in the volume, there is monthly costs and utility billing which is not affected by the number of customers; it is under operations and maintenance.

The monthly charge is determined by all customers both inside and outside of the City, this does not change.

Mike Roos asked if the volume rate stays the same no matter how many users in the system.

Dan Danicic replied the volume number would have to increase. He discussed historic records and annual estimated consumption use by Spring's customers.

Chair Haug mentioned this Committee meets every other year on this problem and the next time the Springs users will hopefully have their own representation. They may need to move from 50% to something else more appropriate at that time, due to annexations or whatever. This rate will not necessarily be the same for all 30 years.

Mike Roos asked when this would be implemented.

Dan Danicic replied July 1, 2008 is the suggested implementation.

MOTION: Zickefoose/Schutter to adopt the model with the 30-year life span.

Charles Zickefoose felt 30 years wraps it up in timely fashion.

David Maben said he would still like to see it at the 40 years to give a break in between that is more than the 30.

Dan Danicic felt 30 years should be the maximum and any more would get complicated and it should be paid off in less time.

Chair Haug stated he also prefers the 30 years and felt it was appropriate with the arguments made.

John Rekow spoke of those retired and on fixed incomes. He felt anything to help the overall costs would be helpful. He said the rates and taxes keep going up, but the demographics are different out here than in the City. Most are over 50 years old and they are not new developers.

VOTE: To adopt the model with the 30-year life span. (3 Yes/1 No [Maben]) Motion carried.

MOTION: Schutter/Haug to recommend this take affect on the next cycle for July 1, 2008. Motion carried by voice vote.

Mike Roos requested staff presence to explain details to the users' group when they meet.

MOTION: Schutter/Haug to adjourn at 8:12 PM until the next meeting on November 14, 2007 at the Wastewater Treatment Plant. Motion carried by voice vote.