

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Members Present:

Dan Schutter	Charles Zickefoose	Mike Gougler
Chair Matson Haug	Ernie Amundson	David Maben
Tony Rourke	Mayor Bob Andrews, Ex-Officio	

Staff Present:

Dan Danicic, City Manager
Elizabeth Comfort, Finance Director
Howard Hamilton, Interim Public Works Director
Deb Galardi, Galardi Consulting
Dawn Karen Bevill, Recording Secretary

Others Present:

Dave Scott, Aspen Estates Water District

1. Call to Order/Roll Call/Introduction

The meeting was called to order at 7:00 p.m. by Chair Mat Haug.

Roll Call was noted by Dawn Karen Bevill.

2. Minutes

MOTION: Gougler/Maben to adopt the March 19, 2008 minutes. Motion carried unanimously by voice vote.

3. Regarding Outside User Charges (Aspen Estates)

Dan Danicic, City Manager provided the background on the last time this issue was brought up. The proposal was taken to City Council which created a scenario not to have the 50% surcharge. Deb Galardi put together background information on how some other cities have a surcharge outside the City limits. Dan read what was actually taken to City Council on May 15, 2006 which was a proposal to modify the municipal code. Aspen Estates and the City signed an agreement to have no annexation for 10 years from the time the water system is put in place.

Questions of Staff:

David Maben asked if Aspen Estates can be annexed before 10 years is up.

Dan Danicic replied yes, if they elect to before that.

Mat Haug asked if the waivers apply to the property or the owner of the property.

Dan Danicic replied to the property.

Dave Scott stated after reviewing the new information in the packet regarding indirect costs, he has changed his mind and suggested a compromise. Maybe the surcharge could be lowered to 10% or 25%.

Deliberation:

Mat Haug recommended the same proposal with a compromised position.

Dan Schutter stated the 50% surcharge isn't as valid as it once was since some costs are included.

Mat Haug asked to what extent it makes sense that Aspen Estates become their own customer class.

Dan Danicic stated he's unsure and that will take extra effort if proposed.

Mat Haug inquired as to the background on them getting City water now.

Dan Danicic explained there was an existing community well that had poor water quality and needed to be supplemented. The water table is low in that area and their position is they need better water and the City water is close enough.

Ernie Amundson asked if the residents paid for the City hook up.

Dan Danicic replied yes, and they needed to install a system to City standards. The City maintains that water.

Dan Schutter inquired about water associations.

Dan Danicic replied water associations provide their own lines.

Mat Haug stated it won't be expensive to give them a break on the surcharge with some added conditions which would give them the incentive to annex.

Dan Schutter asked if they paid SDCs.

Dan Danicic replied yes, they did.

Charles Zickefoose asked if there's a statement for the basis of this discussion.

Mat Haug replied the CRRC had made a recommendation to the City Council which was sent back to this committee on May 15, 2006. Now the CRRC needs to make another recommendation to the City Council or modify it to include requirements.

Mayor Bob Andrews stated it was not remanded back to the CRRC.

Charles Zickefoose asked if the recommendation is for Aspen Estates only or if this will be setting a precedent.

Mat Haug replied setting a precedent.

David Maben asked if it should include SDCs already paid.

Dan Danicic replied part of the Municipal Code states they must pay SDCs.

MOTION: Schutter/Gougler moved to not forward a recommendation to the City Council. (5 No/Yes 2 [Schutter, Zickefoose]) Motion failed.

Discussion on motion:

Dan Schutter stated dividing everything isn't always fair, but the City has to lump it together as an efficient way to divide up the cost. The differences are very small. The 50% surcharge is not intended to cover costs.

Mike Gougler asked if the 50% surcharge needs to be used to cover punitive costs or recover costs.

Dan Danicic replied it is not punitive.

Mat Haug stated charges need to be covered somehow.

Mike Gougler stated there needs to be an incentive to annex. As a municipality, if individuals are willing to play by the same rules, they should all be treated the same. They have to be up to City standards. A private system is lesser money, but if a group of individuals pay SDCs, have a City standard water system, and are willing to annex, they should be provided with equal rates and economic incentives to annex to the City. A modification could be the purpose of establishing the rule; for those inside the UGB to be sure they have a system up to City standard and therefore can come into the City.

Ernie Amundson asked if the City set the 10-year limit to annex.

Dan Danicic replied the City's initial desire was to annex right away but through negotiations, decided 10 years.

MOTION: Gougler/Amundson that any community within the UGB that desires City water at City water rates, applying immediately for annexation, and agree the water system be at City standards and pay SDCs, and be so willing to be charged City water rates. *(No roll call vote was taken or voice vote.)*

Discussion on the motion:

David Maben asked about Aspen Estates and the signed agreement.

Mike Gougler explained they have an agreement with the 50% surcharge.

Mat Haug added for them, it's one more hurdle.

Tony Rourke asked: since annexation is up to City voters, if it fails will they have to reapply.

Mike Gougler replied yes, they would.

Tony Rourke stated that should be included in the motion.

Mayor Bob Andrews stated this is a code change recommendation to the City Council.

Mat Haug suggested modifying the wording in the motion from "applying immediately for annexation" to "an active application for annexation".

Ernie Amundson expressed concern for the agreement currently established for Aspen Estates and annexation.

Dan Danicic explained the contract is the City won't initiate annexation for 10 years.

Mike Gougler asked if this recommendation really changes the agreement. The 50% surcharge can be removed when they annex.

The CRRC asked Dave Scott his opinion of the recommendation wording.

Dave Scott replied he doesn't believe the agreement is being changed at all and asked how long the process takes from application to annexation.

Dan Danicic replied anywhere from 6 months to 2 years out. One concern Dan has is the clarification of applying.

Mat Haug suggested the modification should state the City will accept only a complete application.

Mayor Bob Andrews asked what will happen if the fee has been waived and the annexation is turned down.

Mike Gougler stated encouraging annexation is for the community's good, and if they choose by vote not to allow them to annex, that community shouldn't have to pay 50% as long as the annexation is in process.

MOTION: **Gougler/Amundson** moved to modify the previous stated motion, recommending to the City Council that any community within the UGB that desires City water at City water rates must have an active and complete application for annexation, accepted by the City, being up to City water system standards, paying SDCs, and be charged water rates. (6 Yes/No 1 [Schutter]) Motion carried.

4. Public Hearing for Water, Wastewater and Stormwater Rate Increases

Chair Mat Haug opened public hearing.

Dan Danicic read the email received from Edna Chambers and entered into record.

Deb Galardi reviewed the following:

2008 Wastewater Rate Summary: The 5-year capital improvement plan equals \$68.5 million as compared to \$18 million in the last update; Wastewater Treatment Plant Upgrades/Expansion totaling \$54 million along with other projects for the pump station and sewer upsizing. Capital financing needs to balance long-term financing with debt coverage requirements (limitations on debt vs. cash funding to meet rating agency standards). The operation & maintenance costs include minimal additional staffing and \$220K private contract for sewer maintenance. Annual rate increases equal 21% system-wide; rate increases by customer class vary based on flow/load contributions and customers.

2008 Water Rate Summary: The 5-year capital improvement plan equals \$15 million. The Water Treatment Plant replacement just beyond the current planning window is approximately \$20 million, and the financial plan builds \$3 million cash reserve and additional debt funding capacity to smooth future rate increases. The operation & maintenance costs include minimal additional staffing. Annual rate increases equal 12.5% system wide. Potable rates increase relatively more, assuming some displacement by nonpotable for irrigation and potable rates reflect customer class usage characteristics.

2008 Stormwater Rate Summary: The 5-year capital improvement plan equals \$1.6 million. The current rates just cover O&M; additional funding is needed for capital. Operation & maintenance cost projections include continue building of the stormwater program and some additional staffing for routine storm sewer maintenance. Annual rate increases equal 15% system-wide. Newberg's current rates are among the lowest in the region.

Questions:

Mike Gougler asked if there are any funds for public education.

Dan Danicic replied yes, for water conservation and storm water. Information has been included on the bills that have been sent out as well as published on the website.

Mike Gougler suggested an advertisement be placed in the Newberg Graphic.

Dan Danicic stated it was published in the paper in the legal section.

Mike Gougler suggested buying a page in the paper to inform the public, since many may not read the information inserted with their bill.

Mat Haug closed the public hearing.

MOTION: Zickefoose/Gougler to adopt the rates that have been deliberated on and published. (6 Yes/No 1 [Amundson]) Motion carried.

Dan Schutter voiced his concern that not enough time was allowed to discuss the rates issue before a motion was presented.

Mat Haug apologized to Dan Schutter and opened up discussion on the matter.

Dan Schutter stated it's a huge rate increase. The CRRC has talked about contributing factors and hopefully staff and City Council will look at managing these huge increases. Just as was stated in the email received from Edna Chambers, there was a line item that amounted to money for City positions. If you have these kinds of increases, people will comment at the time the rate increases go into effect. A clear message needs to be sent to the City Council that the committee is working on this to the best of its ability; hoping City Council reads through the minutes from the CRRC meetings.

Mike Gougler stated he would like to see Mr. Schutter testify at the upcoming City Council meeting regarding his concerns. The rates affect Mr. Gougler very much because he's a developer. Last year his cost was \$16,000 due to rates and this year will be approximately \$22,000 with the increases. Mr. Gougler's clientele are on fixed incomes and are concerned with these increases as well. He has listened to staff, looking for something to criticize or stop this increase, but he has been unable to find anything. There seems to be no error in the math. The two extra positions are easy to jump on, but the City has grown with little growth to staff. The City has been fiscally responsible and expects there will be very hard decisions on provisions of services.

Charles Zickefoose added the customers need to remember for years the City did nothing. Costs went up but the rates remained the same for 10 years leaving the City customers paying for the past, due to the fact the infrastructure has been depleting.

Mat Haug stated if compared to other cities rates, Newberg is in the middle. The only argument that's been heard is new employees need to be paid less. Outside contractors have been discussed and the City will experiment with that.

Mike Gougler understands the concerns expressed by Mr. Amundson, who has been articulate in voicing how this will affect those on a limited income, but the City cannot place future generations in debt like the national government. Newberg needs to keep things improved for the future.

Ernie Amundson figured, based on the rate increases, the average rates will cost more than heating bills. The City is doing the best they can, but raising the rates means great hardship for many residents.

Mat Haug understands but no one else has come up with another solution. The City is attempting to hold down the costs and there's no indicator that the committee is missing any opportunities.

Tony Rourke agreed with the arguments he's heard, as well as criticizing predecessors. If this had been handled better in the past, these increases would not be happening in this manner. Now the City is planning so it won't happen like this again.

Mike Gougler added that the committee and staff deserve credit for discussing system conservation, and educating people on taking care of storm water and water run-off. He reiterated the importance of taking out an ad explaining the Water Treatment Plant situation and the upgrades that are needed.

Mat Haug stated there's no one even present from the community concerning this. Cable TV was once used to cover many of the City's meetings and there was a visibility for the public. At some point, the City Council put a stop to all of that. When you take away the visibility you take away the transparency on what the government does.

Mike Gougler agreed there needs to be some vehicle to advertise this.

Dan Danicic stated there is money in the budget to place an ad in the Graphic.

Mike Gougler suggested Deb Galardi have some input in writing the ad so the bullet points are included. If a reporter writes it, the information will not be clear.

Dan Danicic stated the City Council will meet on May 19th, allowing time to put a visible notice in the Graphic, but too late for any flyer in the utility bills.

Mat Haug suggested having a workshop before the vote; taking the time at a City Council meeting to give the community a chance to be educated before they make a vote.

Mike Gougler stated the City Council needs to be educated on this matter, as well.

Mat Haug added a workshop would give the Council and the Mayor an opportunity to explain to the public where these costs are coming from. Maybe staff could meet with the Council to inform them.

Dan Danicic explained staff will go through that with them at the City Council meeting and they may elect to do some of these ideas.

Mat Haug asked Mr. Schutter his opinion on the deliberation.

Dan Schutter replied he's comfortable with deliberation.

5. Review of the years' Rate Review Process

Dan Danicic asked the CRRC to comment on how satisfied/unsatisfied they've been with the information gathered and presented, etc., and if there are any suggestions they may have for staff concerning future meetings.

Ernie Amundson asked why is Deb Galardi needed as an outside consultant.

Dan Danicic replied primarily because staff doesn't have enough time to do the work needed. It's more cost effective to hire out for that kind of work.

Dan Schutter asked how many hours had Deb put in this cycle.

Deb Galardi replied she doesn't know off hand. Much work was done since the SDCs were a comprehensive update with changes being made to the models.

Dan Schutter stated this cycle went well and liked the layout of the binder.

Mat Haug complimented staff on the timely rates, scheduling, and stated Deb Galardi is a specialist who is needed to be sure the numbers are correct. This helps with the quality of understanding.

Mike Gougler stated one advantage of hiring a consultant is receiving the bad news as well as the good news, without worrying their job is at risk or having to make it more politically acceptable. The information received is extremely valuable but is worried about the disconnect in relaying that to the public.

Mat Haug thanked the Mayor, Bob Andrews for coming to the meetings.

David Maben stated the meetings were great, moved through the material in a timely manner, and having Deb Galardi is a benefit to the committee.

Tony Rourke stated his appreciation in having an outside consultant on board in these situations. Accountability is needed and an asset. The organization of the binders has been very helpful.

Charles Zickefoose agreed and appreciates staff and the efforts Dan Danicic has made in organizing it as well as Deb Galardi.

Mayor Bob Andrews thanked the committee for letting him participate. By charter, he's a non-voting member. The first take he had is the community and the City Council has a profound indebtedness for the time, struggles, etc. of the CRRC. They have no idea of what this committee goes through in making a recommendation. On behalf of the City Council, he thanked the committee, the City staff, and the consultant who have sorted through and analyzed various issues; bringing a "sound" proposal as possible to the City Council. Maybe, in the future, he can task some of the councilors to come and listen to see what is going on at the CRRC meetings.

Mat Haug thanked Mayor Andrews, stating the committee hasn't had the effort in the past that he has shown.

Mike Gougler would like to encourage the councilors to attend at least the presentations given by the future Public Works Director and Deb Galardi at future meetings, stating it would be helpful and valuable. Mr. Gougler also added thanks to the minute taker stating the minutes have been on target.

Howard Hamilton, Interim Public Works Director commented on wages and staff, explaining in 2000 the wastewater had a wage analysis performed and they ended up setting wages in the middle, leaving some frozen and some increased. No changes have been made since 2000.

MOTION: Amundson/Maben to adjourn at 9:00 p.m. Motion carried by voice vote.

Approved by the Citizens' Rate Review Committee this 30th day of September 2009.

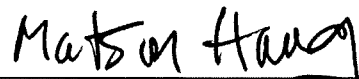
AYES: 6

NO: 0

ABSENT: 1 (Haug)

ABSTAIN: 0


Recording Secretary


Citizens' Rate Review Chair