

Wednesday, 7 PM

February 13, 2008

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Dan Schutter Charles Zickefoose Mike Gougler David Maben
Mayor Bob Andrews, Ex-Officio

Members Absent:

Chair Matson Haug (excused) Ernie Amundson (excused)

Staff Present:

Daniel Danicic, PI, Public Works Director
Elizabeth Comfort, Finance Director
Deb Galardi, Galardi Consulting
Dawn Karen Bevill, Recording Secretary

Others Present:

Richard Waldren, Lance Trantham, Dave Scott, Michael Tilden

1. Call to Order/Roll Call/Introduction

The meeting was called to order at 7:04 p.m. by Vice-Chair Dan Schutter.

Roll Call was noted by Dawn Karen Bevill.

Dan Schutter asked for the committee and staff present to introduce themselves to the guests in attendance and welcomed any public comments and/or concerns.

Dave Scott explained he had come to the CRRC with a rate proposal in the past and has come once again with a proposal to be heard by this committee. Dave handed out a Water Rate Proposal dated February 13, 2008 to the committee. Dave stated the rates were fair prior to 2005 when those who invested in the system should receive more benefits. The rate structure is now unfair because it treats outside water users all the same whether they invested \$0 or \$12,500. The system is now broken up and unfair. The City Council voted down the past proposal on May 15, 2006 when the request had been approved by the CRRC in March, 2006. Dave stated he wanted to try this again, changing the resolution that was originally written in 2006, keeping the politics out so there is no need to duplicate it in the rate code.

Dave explained the proposed resolution as follows: Newberg City Code Section 52.14 is amended to add:

(E) Any land using City water and has paid full SDCs and whose water distribution system is built to City code up to the point of delivery, qualifies to pay in-city rate.

The City would benefit in 3 ways: wireless-read meters, future annexation of Aspen Estates will be much easier, and encourages similar properties to annex.

Charles Zickefoose stated it was an excellent presentation.

Dave Scott stated it's good that someone outside the city can now become a committee member.

Elizabeth Comfort, Finance Director replied the time to submit applications closed at 5:00 p.m., February 13, 2008 for applicants. There is an open position on the Planning Commission.

Mike Gougler asked Mr. Scott about the atmosphere regarding annexation.

Dave Scott replied it was a shock but the attitude has changed and the money was paid to pave the way for it.

Lance Trantham added it was difficult trying to get everyone on board but it worked out.

Dan Schutter stated this committee doesn't view the 1.5% rate multiplier as a way to make up for taxes. This has often been discussed with no clear way to make up a proposal for making a change. As part of the rate review in this cycle, the proposal will be taken under consideration, as well as the concerns of the process in 2006.

Richard Waldren stated one of his water bills reached \$120 during the time he was watering his yard.

Michael Tilden moved into Aspen Estates a few years ago and viewed the City water as a good prospect and elected to do it whole heartedly. He has also had to let his grass turn brown due to the expense of watering.

Mayor Bob Andrews asked Mr. Trantham if the community well had been capped off.

Lance Trantham replied it could be turned back on if needed but it pumps salt water.

Dan Danicic, Public Works Director stated that water is an issue out in that part of the county. Unfortunately the land is purchased and wells are dug without clients understanding what the water issues are.

Dave Scott asked if he and the other guests present should return for the next CRRC meeting.

Dan Danicic replied he will be in contact with him concerning future meetings.

2. Minutes

MOTION: Gougler/Maben to adopt the January 30, 2008 minutes. Motion carried by voice vote.

3. Biennial Rate Review – Water

Deb Galardi, Galardi Consulting reviewed the 2006 Rate Cycle which includes the annual rate increases of 5% for 4 years, funding debt service for the water treatment plant improvement, well #8 and parallel river crossing. The financial plan did not build much in terms of funds for the future. Deb explained the operations and maintenance costs estimated for year 2007-2008 with construction being the largest piece.

Deb reviewed the five-year water system CIP, describing the projects. Expansion of the water system is being funded by SDCs within the water fund. Deb explained that now a rate has to be established for re-use water. This is a significant project. The replacement capacity can't be put on the backs of new growth.

There are additional staffing costs in 2008–2009 and those costs are built in and increase with the other costs. The first year, money for water replacement has to be funded. The idea is to fund that with current cash flow then build a reserve for future projects which require cash funding of capital.

Deb explained the preliminary water system five-year financial plan. 6.7 million dollars would require a 12.50% projected rate increase.

The 2008 cost of service issues include the “university” class elimination. Accounts were reclassified as multifamily, and commercial with historical usage allocated to new classes to recalculate peaking factors. The “nonpotable” class is added; the golf course is currently the single user. The level of service is limited to effluent reuse system; new cost allocation category is added.

Deb reviewed the cost of service framework and what the customers would pay for. The peak demands are where the different volume rates come in. It's those factors that lead to the differential volume rates. The peaking factors are based on a multiyear average.

The Cost Allocations by Service Characteristic chart was explained in detail. The nonpotable is the portion that needs to be reviewed this cycle. The debt service associated with the reuse water is a few hundred thousand dollars and doesn't really change. Deb assigned costs to that system that equates to the irrigation rate being paid now, but this will need to be reviewed.

The existing and revised rates were reviewed; customer service and meter costs go up modestly. The volume charges increase significantly.

The customer class impacts table shows the cost shifts with a 12.50% rate increase. Outside City users use more per account on average. The 2007 rate comparison is based on 959 cubic feet per month.

Mayor Bob Andrews asked why West Linn, Hillsboro, and Lake Oswego are lower.

Deb Galardi replied she doesn't know why, but Wilsonville and Albany just underwent a major investment in water treatment plants.

David Maben stated Hillsboro has its own water-shed.

Mike Gougler stated West Linn gets their water from Oregon City.

Deb Galardi added it depends on where you are with planning and capacity. The 12.50% will help Newberg prepare for the future.

Dan Schutter asked about allocation costs that were discussed in the past cycle.

Dan Danicic replied there is no increase to franchise rates and no changes to allocation towards central services.

Deb Galardi continued on to review the budget information and the line items under administration which show some increase.

Dan Schutter asked about the escalation rate.

Deb Galardi explained they were using 20% but that will go down to 10%. She will bring back more information on that for the committee to review.

Mayor Bob Andrews asked if the figure in central service is consolidated.

Elizabeth Comfort replied just in water.

Mike Gougler stated if a customer is paying SDCs they should be treated the same and doesn't understand why someone immediately outside the City doesn't pay the same. The burden is on new development as well as the existing population. If a group of individuals pay the rates and SDCs, they should be charged the same rate. If people are willing to pay SDCs and water rates, then they should be voted inside the City.

Dan Danicic explained it's a political decision by the City Council. All the costs are backed by the taxing of the City. If rate payers aren't paying enough, we can't tax outside customers to help offset costs.

Mike Gougler stated he would feel more comfortable if City Council would say, if you are next to the City and benefit from City services, you're in the City. Otherwise, it's unfair to the residents in the City and the new development in the City. The most

valuable asset is potable water and the most efficient way is through conservation. If the most effective way to delay or avoid future huge capital costs is by creating incentives for conservations, wouldn't it be wise to have a component that rewards conservation before giving this to the City Council?

Deb Galardi replied yes, that's a legitimate policy question.

Mike Gougler stated the CRRC has the opportunity to put together an argument and present this to City Council.

Deb Galardi explained, as an example, how the City of Bend has a 4-tier system.

Mayor Bob Andrews asked how long it took Bend to do this.

Deb Galardi replied the committee in Bend needs to make the final recommendation, which they came up with in a few months. This is not an impossible task for Newberg.

MOTION: Gougler/Zickefoose to refrain from making a decision on the rates until the CRRC has the opportunity to examine a water conservation rate system. Motion carried by voice vote.

Dan Danicic stated there isn't enough time to get this to the City Council. Perhaps the committee should adopt a one year rate and work on other rate categories, establishing conservation after that. It's important to stay on track for what is already before this committee, making time either by having an extra meeting or having an extended meeting.

Charles Zickefoose stated Newberg doesn't have a strong leak detection and water meter calibration which are two areas that don't cut into the revenues.

MOTION: Zickefoose/Maben to adjourn at 8:55 p.m. until the next meeting on March 5, 2008 at the Wastewater Treatment Plant. Motion carried by voice vote.