

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Beth Keyser	Charles Zickefoose	Mike Gougler
Ernie Amundson	David Maben	Tony Rourke
Mayor Bob Andrews, Ex-Officio		

Members Absent: Matson Haug (excused for NUAMC meeting)

Staff Present:

Dan Danicic, City Manager
Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Deb Galardi, Galardi Consulting
Dawn Karen Bevill, Recording Secretary

Others Present:

Louis C. Larson	Mart Storm	Don Clements
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1. Call to Order/Roll Call/Introduction

Howard Hamilton began the meeting at 7:05 p.m. and welcomed the citizens in attendance. He introduced the Citizens' Rate Review Committee (CRRC) members and Beth Keyser as the newest committee member. Mr. Hamilton then introduced himself as well as Newberg City Staff in attendance and asked for roll call.

2. Elect Co-Chair:

Motion #1: Maben/Gougler moved to nominate Tony Rourke as CRRC Co-Chair. Motion passed unanimously by voice vote.

3. Introduction/Calendar:

Howard Hamilton referred to the meeting calendar and explained the City Council has called for the CRRC to convene every 2 years; members consist of citizens living in Newberg. Ordinance 2008-2685 states, *"The Committee shall consist of eight members. Seven members shall be residents of the City, one of which may be a water customer outside of the City and who would be eligible to vote only on water rate issues. The eighth member shall be the Mayor who shall serve as an ex-officio non-voting member."*

4. Membership/Expiration Dates:

Howard Hamilton stated CRRC term for members David Maben and Tony Rourke will be expiring on December 31, 2009. If these members so choose to be re-appointed, they must go before the City Council for their decision.

5. Public Participation Process Review:

Howard Hamilton asked if the three citizens in attendance would like to speak before the end of the meeting. Mr. Larson stated he would. Mr. Hamilton explained there would be time for public comments later in the meeting.

6. Minutes:

In review of the April 23, 2008 minutes, Mayor Bob Andrews found a typographical error on page 5. The word, "system-side" should be, "system-wide" and Charles Zickefoose believes he voted, "Yes" on the failed motion, page 3 of the minutes. The total under the vote should be as follows: (5 No/2 Yes [Schutter, Zickefoose]).

Motion #2: Zickefoose/Maben moved to accept the minutes as amended. Motion passed unanimously by voice vote.

7. Utility Bill Assistance Program:

Janelle Nordyke referred to Resolution 2008-2767, Exhibit A of the meeting packet. Ms. Nordyke explained there are four assistance programs available. The YCAP Voucher Program is managed by Yamhill County. Applicants must go through an interview process to qualify. The Military Credit Program information went out in utility bills but no one has taken advantage of it to date. Only one individual has inquired about a Voluntary Donation Program, although no donations have been received. A utility bill assistance flyer was sent out in the utility bill statements.

Ernie Amundson asked if an ad could be placed in the local newspaper to advertise the assistance programs. Mr. Amundson thought the information would be on the statement itself. Ms. Nordyke replied that has not been done in the past but can be in the future.

Charles Zickefoose asked for clarification on the shut off notification procedure. Janelle Nordyke explained customers are notified through their billing statements that their account is past due. The first past due bill is sent out approximately one month after payment is due; the second bill states shut off will happen, and then a letter is sent out stating the date of shut off. The amount of time the customer has is approximately 2 ½ months from the time payment is due to shut off.

Beth Keyser asked if customers are offered the available programs when they are in arrears. Janelle Nordyke replied they are not.

Charles Zickefoose asked if any non-profit organization has applied for a grant. Ms. Nordyke replied, not to her knowledge.

Mayor Bob Andrews asked if there has been any marketing to the non-profit organizations. Janelle Nordyke is not aware of any but that can certainly be done. Co-Chair Tony Rourke believes the City should advertise to the non-profits.

Ernie Amundson asked approximately how many shut-off notices are sent out per month. Ms. Nordyke replied, 140-170 per month. 75%-80% get turned back on the same day as the shut-off occurs.

Co-Chair Rourke suggested adding information in the second notice about YCAP for assistance. The non-profits should be solicited for donation of funds as well.

Beth Keyser asked what areas the majority of the shut-offs occur. Janelle Nordyke replied they take place all over the city due to loss of jobs.

Mayor Bob Andrews asked if there's been any discussion on the second notice being a different color paper to catch the attention of the customers. Janelle Nordyke replied, it was mentioned but no action has been taken to date.

Co-Chair Rourke stated the Military Credit Program should be used by many who qualify. Mayor Andrews suggested contacting the Veterans Services for Yamhill County about the availability of the program. Ms. Nordyke admitted public awareness was not very good.

Mayor Andrews asked for a CRRC future gathering with a report back from staff on the progress on public outreach.

Beth Keyser suggested George Fox University students could put together a project to help with a plan so Newberg City Staff doesn't have to coordinate.

Co-Chair Rourke asked about how much the post card cost the City in advertising this meeting to the public. Howard Hamilton replied \$4,000. Mr. Rourke stated it may not be cost efficient to advertise the meetings that way, although the information publicizing the meetings in the Newspaper hasn't helped either.

8. Irrigation Meter Memorandum:

Howard Hamilton explained there was a clarification request from Dan Schutter during the last rate process regarding irrigation meters. Mr. Hamilton referred to the memorandum regarding irrigation meters included in the meeting packet. The potable metering has a sewer rate component associated with it; whereas the irrigation metering does not. The sewer charges are based upon actual consumption during the low usage period of December through March, which is favorable to the customer. All irrigation customers pay the same per unit for base costs. Irrigation users have a very high summer

average peak ratio; they pay proportionately more of the peaking related costs. Thus, there is a higher consumption charge associated with irrigation meters.

9. Present Water Conservation Plan:

Howard Hamilton introduced Deb Galardi and explained that the City has hired Ms. Galardi to evaluate budget data and to generate computer models for costs analysis and to help in determining comparable rates, as well as water conservation, SDCs, etc.

Deb Galardi began her overhead presentation by stating there will be no recommendations at this meeting; only the discussion concerning general concepts in thinking about water conservation, water usage, system statistics, and implementation considerations, as well as comparing national averages. Ms. Galardi explained during the last rate process, the CRRC recommended to the City Council a system-wide two year water rate increase of 12.5%, which was adopted May 19, 2008. On June 2, 2008 the City Council agreed to reconsider the rate based on the concerns of Newberg citizens. On June 16, 2008 the water rate increase was reduced from 12.5% to 6.5% for the fiscal year 2009 and 2010. The City Council then directed the CRRC to investigate and make recommendation concerning a conservation rate structure. Subsequent action included SDCs rolled back to 2007 levels for low-moderate income homes for a limited period of time.

Deb Galardi explained the previous rate cycle included limited discussion about conservation rates. Rate objectives include sending price signals about the cost of water and encouraging reduced usage (overall or during peak periods). Typical types of conservation rates are: residential-inclining blocks and seasonal rates and nonresidential-budget rates. Various objectives need to be balanced. For example, the need for revenue adequacy has to be balanced with conservation, because as conservation begins, there isn't a short term cost savings; thus a corresponding reduction in usage and revenue may result in the need to increase rates to balance the objectives. Conservation rates are generally implemented where water shortages are found.

Residential is an inclining block which shows the cost of water increases at each block threshold applied year round. Seasonal rates apply all year and in the summer, usage above a certain quantity is charged at a higher rate. The more discretionary uses are billed at a higher rate. Each customer class varies on how they contribute to the peak utility. Rates are higher for irrigation that has a higher peaking factor than a commercial class. Newberg's rate structure does provide some conservation incentive due to the low fixed rate and higher volume rate. The rate structure is also equitable because those classes who contribute to the additional demands pay a higher volume rate. Far end of the spectrum – implemented budget rates; each customer is given a water budget based on lot size, occupants, etc. Larger families can be penalized using the inclining block rates. The budget rates are used for commercial due to variability across the City in terms of size of business. An inclining block rate could penalize large water users who use water efficiently, by charging them higher rates.

Hillsboro just adopted the inclining block rate using a 3-block structure where the rates increase as volume increases over the 3 blocks. This compares to a 4-block inclining rate in Ashland. The two cities differ in where they set the blocks; Ashland's first block includes only 300 cf of water, while in Hillsboro, block 1 covers the first 800 cf of monthly water use. Part of the difference in rate structures is likely due to demographics, with Ashland potentially having some very low volume retired users. Ashland's first usage block is also potentially a "life-line" rate which is a small basic amount of water charged at an economical price. In many communities indoor water use averages are often 700-800 cubic feet which is likely the basis for Hillsboro's first usage block.

Newberg has conservation incentives already through the uniform volume rate. In this case, the more you use the more you pay. The assessed fixed charges and meter charges recover customer related costs only and are very low compared to Ashland. All meter charges increase with the size of the meter.

Deb Galardi plotted out what the monthly bills would be under the rate structures; comparing Newberg, Ashland and Hillsboro. Inclining block rate structures show a steeper increase between each block. Newberg's residential rate of \$3.18 per 100 cf represents the average for that class but changing to an inclining rate block may result in much higher rates and bills for high volume residential users, while others might have a reduction.

Ernie Amundson asked if Ms. Galardi is looking to change Newberg rates to another structure. Deb Galardi replied she's only providing information about rate structures that encourage water conservation so that the CRRC may make a recommendation to the City Council.

Ms. Galardi reviewed the Newberg residential user statistics. This type of information is analyzed to help select thresholds for the usage blocks in an inclining block rate structure. The winter average use per account is 600 cubic feet which is on the low end but quite common. The summer average use is 1,100 cubic feet which is comparable to other communities; 1,500 cubic feet is the average. There is some opportunity for conservation, particularly in the summer. National statistics show if you are a conserving household and are a typical household size of 2.5, the usage would be 4.5 ccf/mo. Newberg statistics don't suggest a lot of water use. Hillsboro would be a reasonable basis for establishing the inclining block. For purposes of revenue recovery, use has to be estimated at each block. With only 15% of usage at higher levels, it would have to be set high to generate much revenue.

Deb Galardi reviewed the Newberg water production and capacity from 2007-2009 which showed a peak day demand of 5.92 mg in July, 2008 and a maximum sustained system production of 7.92 mg. This shows there is about 25% capacity remaining. One consideration on whether to charge a conservation rate structure is the available system capacity. Howard Hamilton stated the current plant can't be built out further. Additional

property is needed in readiness for a new water plant. The planning process is lengthy and needs to start now in order to be ready when the capacity runs out.

Dan Danicic stated the Master Plan predicted the year 2015 for a bump up in capacity. Now is the time to develop a new rate structure.

Deb Galardi continued on to review water sales and explained the variability on how a system can be impacted by weather. In fiscal year 2008, there was a sharp decline in usage. That climbed up in fiscal year 2009; with some customer growth but there is still a decline in usage levels.

Ernie Amundson feels the City Council needs to be involved in these meetings to hear the information for themselves. Deb Galardi stated whatever the recommendation the CRRC makes will be clearly communicated to the City Council.

Dan Danicic stated the CRRC Chair should be at the City Council meetings as well as Mayor Andrews.

Howard Hamilton stated the CRRC was commissioned to take this on by the City Council. The next two meetings we will look over the water rate situation and then return to the conservation plan. The CRRC's final recommendation will then be taken back to the City Council.

Deb Galardi stated a conservation oriented rate structure could be very attractive in a different economic climate, but under the current circumstances it may be the larger families and people irrigating that are penalized at a higher compounded effect.

Howard Hamilton pointed out the chart shows a peak demand in July. If the CRRC recommends a conservation plan, normally the City Council would approve it effective July 1st. January 1st would be a better time to start an inclining block structure to allow time to adjust.

Newberg considerations include customer growth, weather impacts, and economic impacts. Reserves have been reduced significantly due to the reduction in the proposed rate increase and reduced SDCs. The system has excess capacity but as Mr. Danicic and Mr. Hamilton have mentioned, it's on the planning horizon for a new water treatment plant now and should be addressed soon. There is some conservation potential compared to National statistics.

Implementation considerations include revenue adequacy; costs are not reduced in the short-term, though revenues likely will be. The need to predict a usage by block is also a consideration. Additional reserves required protecting against shortfalls and more frequent rate reviews are needed. The conservation objective is to find out where the system capacity constraints are. Affordability and equity issues include higher usage blocks designed to recover more of the peaking costs, significant bill increases for large users, and potential bill reductions for small users.

The next steps include a financial plan to determine annual revenue needs fiscal year 2011 and fiscal year 2012 as well as system-wide rate increases. Cost of service analysis is needed to allocate costs to base use, peak demand use, and customer costs. The rate design includes looking at the existing rate structure, inclining block rate structure for residential, and rate impacts within customer class. Rates will be designed under the current and conservation rate structure.

Mike Gougler believes one thing to consider is the non-metered water used due to faulty structure. He asked if there is a way of conserving water without starting out with the step program and ways to fund and prepare a project; building into the rate structure to have a reduction in usage and an extension of the life of the plan. Shower heads have been distributed to help with conservation, but the committee needs to look at ways to incentivize landlords, hotels, etc., to establish conservation. Looking into pre-meter loss and funding repairs is needed.

Charles Zickefoose asked the number for the pre-meter loss. Dan Danicic replied about 6%, and the State goal is 10%; so Newberg is doing better than the goal.

10. Public Participation:

Howard Hamilton invited the public to speak at this time.

Mart Storm stated he doesn't have enough information to comment at this time.

Mike Gougler asked the three citizens in attendance if they came because of the flyer. Louis Larson stated the flyer convinced him to come.

Don Clements asked for clarification from Ms. Galardi about the irrigation and peak rate and whether that is done on the seasonal rate. Ms. Galardi replied when the rate is set, it's based on the peak rate, therefore a higher rate for any usage used. Mr. Clements then asked if Newberg already has the capacity, would there be no additional operational costs. Ms. Galardi replied debt service costs are fixed on that capacity but there are some costs considered, such as usage fluctuations during the year. There isn't much flexibility in operational and maintenance costs.

Louis Larson stated he been a member of the CRRC, Budget Committee, and Planning Commission in the past. He sensed after the CRRC's recommendations were changed last year that feelings were hurt. The public did not agree with the 12% increase that was recommended with a 6% increase finally agreed upon. A 20%-25% rate increase across the board is difficult no matter what economic structure you're from and Mr. Larson opposed it himself. No social security increase illustrates a flat line of costs nationwide. During his time on the CRRC and Budget Committee he never heard any setting factors on what can be afforded by people. The median family income has changed drastically since 2006 and in this community it's far less than the national average. In one year of the recession, the median family income dropped \$8,000. All the

increases over the last ten years has now been flat lined and wiped out. He suggested the same thing has happened here in Newberg and impacts the ability for the community to pay for the services. After the economy recovers, employment will not come back to prior levels, reducing the amount of income to pay for services. Newberg's future growth, in his opinion, will be reduced because of the affordability of homes going down not up. In the short term 3-5 years the growth factor in Oregon will be low. The current level of delinquencies is 1 in 12. In his neighborhood alone, 21 homes are in foreclosure. He asked for all this to be taken into consideration.

Mike Gougler stated the level of misunderstanding and ignorance of the Committee is less than those who stood up to oppose the CRRC meetings. He's offended. The CRRC didn't ask for a rate increase but after a year of meetings prior to the economic downfall, knew it would require a certain amount of money to take care of the need for a new facility that was never put aside previously. The CRRC recognizes rate payers and their ability to pay and that will be taken into consideration.

Howard Hamilton announced the next meeting will be held on October 7, 2009.

The following CRRC members stated they will be absent for upcoming meetings as follows:

Ernie Amundson - October 28
David Maben - October 28

Beth Keyser – November 10
Charles Zickefoose – November 10

11. Adjournment:

The meeting adjourned at 8:57 p.m.

Approved by the Citizens' Rate Review Committee this 14th day of October 2009.

AYES: 7

NO: 0

ABSENT:

0

ABSTAIN: 0


Recording Secretary


Citizens' Rate Review Chair