

CITIZENS' RATE REVIEW COMMITTEE
MINUTES
Public Safety Building

Members Present:

Charles Zickefoose	Mike Gougler	Matson Haug (Chair)	David Maben
Tony Rourke	Ernie Amundson	Mayor Bob Andrews (Ex-Officio)	Beth Keyser

Members Absent: None

Staff Present:

Howard Hamilton, Public Works Director	Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary	Dan Danicic, City Manager

Others Present: Douglas Baker, Bonnie Benedict, Ronald Morgan, Al Blodgett, Louis Larson, Ernie Collazo, Helen Brown, and Richard Boyle.

City Council Present: Councilor Stephen McKinney and Councilor Bob Larson

1. Call to Order/Roll Call/Introduction:

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

2. Staff Report:

Chair Haug reminded those present the City Council meeting for the adoption of the recommended rate increases by the Citizens' Rate Review Committee (CRRC) will be on April 5, 2010 at the Public Safety Building.

Deb Galardi presented the staff report (see official meeting packet for full report). The citizens of Newberg do not use the water system the same. Some of them will use a lot of water during peak times. If you use more water during peak periods you will find you pay more for water overall. The rates for use of the wastewater system will be higher based on the volume of use as well as the strength, meaning the quality, of water discharged from the property. The major factors that drive the costs are the aging and failing infrastructure, deferred maintenance and regulatory requirements. The City pays for its capital investments in the system through debt service.

Water rate structures need to encourage efficient use of resources. The rate review process occurs every two years. The CRRC had the challenge of addressing deep revenue short falls. Revenues from the rates are down due to less water usage and a slowing in growth of the population. The CRRC had to consider what projects within the City would need to be deferred due to decreased revenue or consider long-term funding options through debt. The most significant fear of the City is not meeting its regulatory requirement which could result in lawsuits and fines. The rate increases are in hopes of meeting some of those requirements.

There are some serious risks the CRRC understood and evaluated during their consideration for a recommendation of rate increases. They had to consider some maintenance needs for the wastewater treatment plant. The wastewater system has the most acute needs at this time. There are two projects in place to help

address the issues of the plant exceeding capacity during peak times. If the pump stations overflow there will be potential fines and lawsuits for the City.

The CRRC recommends an annual system-wide revenue increase of 12.2 % for residential customers for water which would be between three and four dollars more per month per customer.

The CRRC recommends an annual system-wide revenue increase for wastewater of 16.9% which is higher due to the investment needs for maintenance improvements. This will result in about six to eight dollars more for the average residential bill each month.

The CRRC recommends an annual system-wide revenue increase for the stormwater system of 18% which comes out to less than one dollar more each month for residential customers.

It was recommended by the CRRC that the City not implement a residential credit program at this time. The CRRC felt there was insufficient information on the effectiveness and administrative impacts of various measures with a credit program.

3. Public Participation:

Bonnie Benedict thanked the Committee for their work on the process. She does not like her bill. She would like to know how to eliminate the wastewater usage. The wastewater bill includes some cost for stormwater run-off. She is not sure why they are paying for stormwater run-off. Mr. Hamilton stated the wastewater rates are based on water use from December through March. A fee is also charged monthly for maintenance of the account. To reduce the wastewater rate you need to use less water between December and March. The stormwater fee is based on the average single family residential equivalent dwelling unit and is a fee of \$3.80 per month that is used for operations, maintenance and projects.

Al Blodgett thanked the CRRC for the time they have put in considering utility rates. He has been in Newberg for over 20 years. He is one hundred percent behind the recommended rate increase while still keeping in mind it will be painful for some Newberg residents.

Ernie Collazo stated he is against the increase at this time. It comes down to money. The nation is in a recession right now. He also has improvements that need to be made to his property but he has to take the cost into consideration. He wants to know where the money is going to come from. He has applied for utility assistance through the grant program already. He has been in Newberg since 2001 and he is now paying up to \$50 for utilities.

Louis Larson asked what the current average rate of consumption is. Ms. Galardi stated for water it is 800 cubic feet and for wastewater it is 5.51 hundred cubic feet. Stormwater is a flat fee. He went on to ask if it would be possible for the City to produce a bill that is similar to the electric company that would allow him to sit down and go over the bill and better understand the billing process. Janelle Nordkye stated they can put something on the City website to explain how it is done. They can also see if the software can be reprogrammed to make the utility billing statement easier to understand but it will cost some money.

Mr. Larson stated he was impressed with the openness at the town hall meeting and the willingness to listen to the concerns of the public. He disagrees with the fairness of the rate structure itself. It appears to be a flat structure rather than a progressive rate structure. People who earn more should pay more. In the current system everyone has to pay the same rate regardless of earnings. He would like to see a study done for the community to look into adopting rates that would take income into account and make it fair across the board. He would like

to see the City avoid taking action with the proposed rates until the community has the ability to pay for the increase.

Mr. Larson continued to say family incomes from 1999 are now the same or less. That means the ability for many to pay increased charges is very difficult. The City unemployment rate is running about 11%. He estimates roughly 900 family units in the City have at least one person in the home unemployed. Out of all the people living on social security 40% of them are considered low income. There are roughly 1,200 families in town living on social security. They have not seen an increase in their income even though the cost of utilities has gone up. They are looking at around 2,100 people in our community who are really suffering financially right now. There are more people having to depend on FISH and other organizations in order to make it. In the last decade there has not been any new jobs created. He wants to ensure the Committee understands the depth of the needs the City is facing. It is not just common people being affected by the economy. He again recommended they develop a rate structure that will put the burden for the increase on those who can afford to pay.

Charles Zickefoose asked if there is precedence for the type of fee structure he is describing. Ms. Galardi stated you will find some communities in Oregon which are funded this way but most are funded by consumption. The industry standard relates to the citizen's ability to control their bill based on their usage and is not based on income.

Douglas Baker stated he has been a resident of Newberg for over ten years. He is familiar with how water departments work and he understands what it takes to maintain the department. He is opposed to the rate increase because he is concerned that people are not able to afford it. He is most concerned with those living on a fixed income and the unemployed. As a general rule when people run short of money they tend to do without. Some will borrow money or use credit cards. It is too much to ask the general population to pay more money. He feels all government agencies need to lead by example and look for ways to cut cost. We are all struggling with money just like the City. He does not want to see an increase in rates added to the problems for many in the City. The bottom line is now is not a good time to be asking for more money.

Ronald Morgan stated he feels the main issue is wastewater systems rather than water issues with regards to the maintenance issues. He suggested they take the issues and segregate the improvements to determine what needs to be done first. The City can then break it down into small pieces to determine the most important issues. Is there any chance of refinancing for the City to obtain lower interest rates? There is some money that will start coming into the state since measures 66 and 67 were recently passed. How much water and wastewater are the schools using? Can they make sure they are paying their fair share of the water and wastewater? He is concerned about the senior citizens in the area who are on social security who saw no increase in their income this year. The bills are going up but the income for them is not.

Bonnie Benedict asked what the City would do if they are not able to pay their bill. She would like to see the City eliminate some of the planned improvements to allow them to save some money so the public does not have to pay higher rates. The senior citizens should not be hit so hard. She asked what would happen if her neighbor's sewer ran under her house and hooked into her sewer then went out into the street. Does that make her bill higher? Mike Gougler stated she is not billed for sewer that leaves her house. Her wastewater rate is determined by her water usage during certain months of the year. The sewage that leaves the house is not metered. Only the drinking water is metered. They determine the bill during the low water use for the year.

4. Public Hearing to Recommend New Utility Rates:

David Maben stated he supports the recommended increases. If they do not take care of the increase now they are going to have to deal with it later.

Charles Zickefoose stated some day they are going to have to pay for the needs in the City. They have softened the blow for the last few years. He supports the increase knowing it is not going to get any better. The City is facing things that are required.

Beth Keyser stated she supports the increase. Her income has not gone up and she does not like paying more either. However she recognizes the need for the increase now in order to take care of the needs of the City as well as looking ahead to what is coming.

Chair Haug stated they have discussed the idea of rates based on increasing volumes of use. The rates would be lower if you use less. Ms. Galardi confirmed that would be an inclining block rate structure. He asked if they have some way of making the adjustment on permeable services for smaller homes to pay less than larger homes. They have an assistance program that is still available. It is possible the City Council would like to make the assistance program more aggressive.

Tony Rourke stated they talked a lot about inclining blocks as well as other rate structures. The difficulty would be in the down economic times if they did a significant increase for groups that would cause lower water use that would then lower the revenue. If they did not use the water or pay the bills the City is unable to manage the systems. They already discussed how other rate structures did not make sense. They may want to consider other options at a later time. If they choose not to do anything now they will pay later in a different form. They will pay in the form of lawsuits, fines, and higher interest. He agrees debt is not a smart fiscal policy. It costs a lot of money. If they do not pay the bills and default on the loans it will cost later. Where will the money come from when the fines and lawsuits take place? He does not like giving rate increases but there was a period of no rate increases for nearly ten years.

Ernie Amundson stated he is against the increase they are proposing tonight. He has been doing surveys in the City and many he talked with stated they have been making cuts in their budget in the last year. He is not able to support the increase and will vote against it tonight.

Mike Gougler stated the City is at the point where the boat is sinking and there is no time to take the sail down. As the CRRC, they were asked to find a way to meet the demands that are being placed on the City. The City is being told they must do certain repairs by the State and Federal Government. He is certain no one here is okay with raising debt so our children can pay for it. They will not go away if we keep putting off the necessary repairs to the facilities. The CRRC agreed to try and develop a program to help those who are the most in need. He recommends if members of the public see a huge hike in their water bill they should utilize the resources the City offers to answer questions and help determine if there is something else going on such as a leak on their property. He has to support the increase. If they do not do it now they will have to deal with the issue later.

Motion #1: Gougler/Zickefoose moved to make the recommendation to City Council for a 12.2 percent increase in water rates, a 16.9 percent increase in wastewater rates, and an 18 percent increase in stormwater rates. In the event that grant funds are received which may reduce the need for the increased rates, the CRRC will reconvene and look at adjusting the rates at that time. (6 Yes/1 No) Motion carried.

5. Final Comments from Staff:

Mr. Hamilton stated the costs to operate the City's utilities are continuing to rise. They are seeing mandates from the state which must be paid for from somewhere. They have a number of maintenance issues that will require attention. They are in jeopardy of the system overflowing which could cause Department of Environmental Quality (DEQ) fines and potential environmental lawsuits if something is not done soon. If they start accumulating enough claims from homeowners with flooding issues, the insurance carrier will require the City to come up with the resources to fix the problems. There is also some debt that needs to be taken care of that the City is on the verge of defaulting on.

Ms. Galardi clarified the sample bills they displayed during the staff report are just samples. The recommendation is for a rate structure rather than the actual bills that have been displayed.

A five minute break was taken at 8:25 p.m. The meeting was re-adjourned at 8:30 p.m.

6. Final Comments from CRRC Members:

There were no final comments from the CRRC once the decision was made to approve the recommendations for the rate increases to City Council.

7. Utility Bill Assistance Grants Approval:

Janelle Nordyke presented the staff report (see official meeting packet for full report). Letters were sent to non-profit organizations in the community for the grant program. The City has set aside \$4,000 for the purpose of grant applications. The City received four applications from non-profits in the area for grants. Ms. Nordyke asked if they would like to have the funds disbursed equally among the requests. Mr. Gougler stated the CRRC agreed they would equally disburse the funds to the non-profits that submitted a request.

Ms. Keyser asked what will happen if the non-profit does not use all the vouchers they receive. Ms. Nordyke stated the money would stay in their budget until the funds are used.

Mr. Zickefoose stated he feels Love, Inc. should be the agency that disburses the vouchers. The churches can be the second signer on them. Mr. Rourke stated he believes if the funds are not used this fiscal year they will be gone and they will have to start over. Ms. Nordyke confirmed he is correct. The money stays in the water and wastewater funds and does not go back into the general fund.

Mr. Gougler asked if one of the recipients asked for their money to be assigned to Love, Inc. does the CRRC have to approve that. He proposes they allocate \$1,000 to each applicant with the agreement if one of the organizations decides to have Love, Inc. disburse the vouchers they allow the organization to make that decision. Ms. Keyser stated they would not want it to all go to Love, Inc. She agrees they would allow each organization to use the \$1,000 and determine how they will proceed.

Mr. Zickefoose stated all the other applicants stated in some way they have been working with Love, Inc. from the beginning. They have a voucher program already in place and the partner church can sign the voucher as well as Love, Inc. Mr. Gougler stated leaving it as an allocation for each of the applications does not require them to distribute on their own but allows them the freedom to use Love, Inc. if they choose to. He feels it will offer the best flexibility.

Ms. Nordyke asked if they would like the grant money to be advertised. Mr. Rourke stated if they do not advertise, it will not get used. He would like to see the funds totally used by the end of June. The citizens need

to know the vouchers are available. He recommends they consider using the utility bills as a way of advertising for the availability of the voucher.

Mayor Andrews asked what the four organizations are. Chair Haug stated it was Newberg Seventh Day Adventist Church, Newberg Christian Church, Joyful Servant Lutheran Church, and Love, Inc. in partnership with First Presbyterian Church.

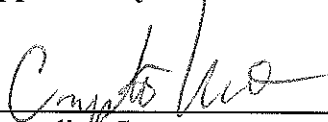
Mr. Zickefoose stated he would like to hear from Ernie Collazo about his application for a voucher. Mr. Collazo stated he went to YCAP and they were out of funds for this type of request. Mayor Andrews asked if they have used the grant for YCAP. Ms. Nordyke stated yes they have and then some.

Motion #2: Rourke/Gougler moved to equally distribute the requested funds for the grant applications with \$1,000 going to each organization with an agreement they advertise for the program. (7 Yes/0 No) Motion carried.

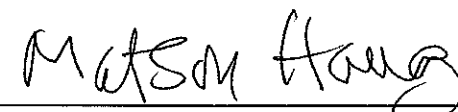
8. Adjournment:

The meeting adjourned at 9:36 p.m.

Approved by the Citizens' Rate Review Committee this 13th day of July 2010.



Recording Secretary



Citizens' Rate Review Committee Chair