

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
WATER, WASTEWATER, STORMWATER
ADMINISTRATIVE PUBLIC HEARING / TOWN HALL AGENDA
TUESDAY, FEBRUARY 25, 2014
7:00 PM MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER & ROLL CALL

Chair Tony Rourke called the meeting to order at 7:00 PM.

Members Present: Tony Rourke, Chair Helen Brown Mike Gougler
 Rick Rogers Charles Zickefoose
 Mayor Bob Andrews, ex-officio

Members Absent: Ernie Amundson (excused) Blair Didway, Vice-Chair (excused)

Staff Present: Lee Elliott, City Manager, Pro Tem Janelle Nordyke, Finance Director
 Jay Harris, Interim Public Works Director DawnKaren Bevill, Minutes Recorder

Others Present: Deb Galardi, Galardi Consulting, LLC

1. Committee and Staff Introductions
2. Overview of Rate Setting Process

Chair Rourke opened the public hearing and stated the purpose of the town hall meeting is to hear the staff recommendations on utility rates for water, wastewater and stormwater and to receive public testimony regarding the proposed recommendations. Unfortunately, there were no audience members present to testify.

Chair Rourke called for any abstentions or conflicts of interest. Hearing none, he introduced Ms. Deb Galardi, Galardi Consulting, LLC.

II. PRESENTATION BY STAFF and CONSULTANT

Ms. Galardi gave her report accompanied by a PowerPoint presentation. She explained there are four primary objectives that is part of the the citizens 'rate review committee (CRRC) framework. Those objectives include revenue sufficiency, to encourage efficient use of resources, equity between new and existing users, and costs recovered to proportion to use.

The three-step rate setting process includes a financial plan, cost of service analysis, and rate design. The financial plan is a cash flow projection beginning with sources of funds, service revenues as well as any existing reserves the city has accumulated from prior rate increases. System development charges (SDCs) are a source of revenue for capital funding. Operating expenses include personnel, material and services, and external utility costs, system repair and maintenance. The next piece is financing for capital projects that can be either cash funded or funded through debt service and other requirements. The drivers of the financial plan are the operations and maintenance costs that are determined by the city's budget process. Capital projects are the result of the city's master planning efforts that look at regulatory requirements, replacement needs, and capital expansion. Revenues are impacted by customer and consumption trends, existing rates, the city's financial

policies, as well as the policies of the CRRC. Revenue from SDCs is subject to legal limitations as SDCs can only be established for capital costs and growth trends determine how the revenues from SDCs are received.

Some items that show a downward pressure on future rate increases is that the city has received favorable borrowing for the wastewater treatment plant that is currently underway, as well as for future phases, keeping the borrowing costs low. Efforts have been made to manage the city staff level, and the city's ability to accumulate reserves for capital projects because of previously deferred costs is a factor in keeping rates lower. Upward pressure on rates is the need to replace aging infrastructure, capacity expansion; cash funding for water and stormwater, and declining water sales.

Mr. Jay Harris, interim public works director, reviewed the water system capital improvements. The water system master plan update was in 2004 and needs to be updated in 2014-2015. A new water treatment plant needs to be built with more storage. Current water storage in need of significant repairs is the North Valley Reservoir Design and construction. Well #8 needs upsizing, Well #9 needs design and construction, and Well #4 is failing. The system is failing and line replacements, valves and looping, and the Springbrook Road waterline needs to be built before the bypass.

The wastewater system capital improvement projects include Phase 1, Phase 2 and disinfection. The Dayton Avenue pumping station needs replacement and upsizing. The collection system at Hess Creek and Springbrook Road trunklines need to be larger. Infiltration and inflow mitigation is needed to find out where the water is going into the wastewater system and limiting those as much as possible, reducing peak flows into the wastewater treatment system.

The goal for the stormwater system is to update the master plan, drainage upgrades in the 99W to Second Street Parking Lot, and pipe replacement in Blaine Street.

The system operation costs include labor cost management; reducing a full-time employee per mile of infrastructure and restructure health benefits. Future increases are related to general cost escalation and a proposed 0.5 employee added for stormwater. Other factors include repair and maintenance, system expansion and additional power costs for the wastewater treatment plant and pump stations. Also, a franchise fee for stormwater of 5% will be added.

Ms. Galardi reviewed the revenue needs for a five-year period. The recommended annual rate increase for water is 7%; wastewater system recommended annual rate increase is 5.75%; and a recommended annual rate increase for stormwater is 9%. The recommended water rates and average residential bill increased revenue from fixed charges are from 20% to 25%. Water rates include service charge, meter charge and a volume charge, varying by customer class. One of the recommendations is to increase fixed charges to 25% of total revenue to enhance the stability of the charges and to be more consistent with wastewater rates.

III. ADMINISTRATIVE PUBLIC HEARING

1. Open Public Comments

Chair Rourke opened and closed the public comments at 7:37 PM as no one was in the audience to testify.

2. Close Public Comments

IV. NEXT STEPS IN PROCESS

Chair Rourke reviewed the upcoming meeting process.

1. CRRC Meeting Wednesday, March 5, 2014: Water, Wastewater, and Stormwater Town Hall Debrief; Springs Town Hall Prep
2. CRRC Springs Town Hall/Public Hearing Tuesday, March 18, 2014
3. CRRC Final Meeting Wednesday, April 2, 2014: Deliberation on Water, Wastewater, Stormwater & Springs rates
4. City Council Public Hearing Monday, May 5, 2014

The committee discussed placing Ms. Galardi's presentation into a press release for the public to view, as well as making the information available on the city website. Mr. Lee Elliott, city manager, pro tem, will work with Brittney Jeffries, public relations officer, in making the information available to the public.

V. ADJOURNMENT

The next citizens' rate review committee meeting is scheduled for March 5, 2014, at 7:00 PM at the Public Safety Building.

The meeting adjourned at 7:48 PM.

Approved by the Citizen's Rate Review Committee on this 2nd day of April, 2014.

Matt Zick 12-3-15
Citizens' Rate Review Committee Recording Secretary

A 12-3-15
Citizens' Rate Review Committee Chair

Minutes approved by current Chair & Secretary on 12/3/15 due to no signature obtained when approved by CRRC.

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