

**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
SPRINGS ADMINISTRATIVE PUBLIC HEARING / TOWN HALL AGENDA  
TUESDAY, MARCH 18, 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                      Ernie Amundson                      Mike Gougler  
                         Rick Rogers                      Charles Zickefoose  
                         Mayor Bob Andrews, ex-officio

Members Absent:    Helen Brown (excused)              Blair Didway, Vice-Chair (unexcused)

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

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 the springs and to receive public testimony regarding the proposed recommendations.

Chair Rourke explained the procedures for the meeting. He announced the committee would meet again on April 2, 2014, to discuss and deliberate the official recommendations to City Council on all four systems: springs, water, wastewater, and storm water. The City Council will conduct a public hearing on May 5, 2014, on the Committee's recommendations. 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 summarized the methodology and results that had been reviewed at previous meetings comparing the 2007 methodology with the 2014 updated costs for the springs system. All methodologies include O&M costs and pipe replacement costs (based on the length of pipe and estimated useful life). She explained that capital costs for the springs rate methodology differs from the regular inside city rates following the 2007 methodology where the capital costs are restricted to those facilities serving the springs customers and recovering the cost over the life of the facility. Previously the costs were based on the estimated costs (\$499,000.00) of the Chlorine Treatment (CT) Project but the 2014 update shows the actual costs (\$708,000.00) of the CT Project. There are two components of the capital costs 1) depreciation, and 2) the rate of return. The difference between the 2007 and 2014 numbers is that the 2007 numbers are estimated costs while 2014 includes actual costs of the CT Project and 100% or 50% of the estimated cost of the Corrosion Control Project (CC). Also, the 2007 methodology for the CT Project was based on the springs customers paying 50% and other rate payers paying 50% of the costs. For the 2014 update two scenarios were developed for the CC Project; 1) the springs customers and other rate payers each paying 50%, and 2) the springs customers paying 100% of the costs. The pipe replacement and O&M costs are

basically the same under both scenarios with a slight difference due to the added element of a 5% franchise fee that didn't exist in 2007. The final element is the customer costs (costs of billing and meters) that change with inflation. The total annual cost to the springs estimated in 2007 was \$62,000.00. This would increase to \$157,000.00 (assuming 100% cost recovery of the CC Project) or \$138,000.00 (assuming 50% cost recovery) in the 2014 update.

Ms. Galardi reported that another issue is that the actual costs of the CT Project were almost 50% higher than the estimated costs, so should those costs be recovered because the rates charged were not sufficient to recover 50% of the actual project. In calculating the shortfall, the higher than projected revenue generated offset the lower than needed rates making a net difference estimated to be \$25,000.00. The policy questions are what to charge going forward and whether or not to recover the shortfall. She explained that the monthly service charge would increase from \$3.86 to \$5.00. The volume charge rates would increase from \$6.18 for 100 cf to \$12.77 (based on 100% recovery of the CC Project) or \$11.24 (based on 50% recovery of the CC Project). Recovering the shortfall would add a dollar or two to 100 cf of the volume rate. The monthly bill for a customer using 1,000 cf per month would go from \$65.66 to \$117.00 - \$132.00.

Ms. Galardi asked if there were any questions of the Committee.

Committee Member Charles Zickefoose asked what is the asterisk at the top of the sample bills. Ms. Galardi said these slides were from a previous presentation and a note was attached to say they had not changed since then. The note was removed but not the asterisk.

Committee Member Rick Rogers asked if \$65.66 was the rate for 10ccf for springs users in 2007, what is the rate for in city users at present and the proposed rate? Ms. Galardi said \$45.21 for 10ccf is the current and would increase to \$48.74 in 2015 and \$52.22 in 2016.

### **III. ADMINISTRATIVE PUBLIC HEARING**

#### **1. Open Public Comments**

Chair Rourke opened the public comments at 7:30 PM.

Robert Soppe: It would be helpful to have the information before the meeting. Regarding the Motion on page 11, were you asked by the council to make a recommendation on divestiture? If the answer is no, then do you have the authority to address divestiture? Divestiture is better for all. The 1922 agreement is in question. If we are going to factor in the agreement, then we need to stipulate who is and who isn't covered. If the agreement is being considered, the springs group should be split into those who are covered and those who are not.

John Rekow: One thing interesting is that all the work is being done by city employees. Since employees are paid higher than prevailing wage, contractors can do a cheaper job. Social Security only went up 1.3% and yet you are going to raise rates 100%. Most of the springs customers are in retirement so the increased rates would be a heavy burden. All you would have to do is add a few cents onto the rest of the city water customers and have it covered. It seems the springs customers have been singled out. Also, have the city contract with a private contractor instead of doing it themselves. The city employees waste a lot of time standing around.

The Newberg Springs System Customer Class (NSSCC) delivered a motion that is attached to the complete agenda packet. Donald Guthrie, as representative of the NSSCC, came to the table to answer questions of the Committee.

Committee Member Mike Gougler commented that several meetings ago when the CRRC discussed the springs fee structure the discussion went towards the possibility of divestiture. The CRRC asked the springs to organize into a group to facilitate discussion so that the CRRC would be talking to an entity and not 75 customers. Mr. Guthrie stated that 42 of the 66 springs customer class have retained an attorney under the NSSCC and are working through the process of a letter of intent as a binding agreement towards the divestiture. If the City Of Newberg is in agreement, then the vote will be taken by the NSSCC to accept the nomination.

Committee Member Mike Gougler commented that the top paragraph on the 2<sup>nd</sup> page of the NSSCC Motion is unclear.

Mr. Guthrie explained that there is a disagreement between the city and the springs legal team regarding the 1922 contract that if an adjustment needs to be made to the 2008 resolution in order for it to be allowed to divest. The springs group wants to divest but are waiting for a letter of intent from the city.

Committee Member Mike Gougler asked if the motion is to keep the rates the same while they are working through the divestiture process, however long that is? Mr. Guthrie stated yes, to leave the rates as they are until they divest, with the intent to divest within the next six months.

Committee Member Rick Rogers stated that Mr. Guthrie, Stan Gaibler and Mike Roos have worked diligently in trying to see how they can go through the process of divesting. The city is in an unenviable position. However, divestiture is not under this committee's scope, only the rates.

Chair Rourke asked what happens if the divestiture takes longer than 6 months and the city has to do this capital project? Mr. Guthrie said that the city may then want to meet with the CRRC to review the rates.

Chair Rourke stated that at the April 2, 2014 meeting, as the Committee discusses the rates to recommend to the City Council, that we are being asked with this NSSCC Motion to include a recommendation to hold the rates steady for the springs.

Committee Member Chuck Zickéfoose mentioned that rates can't be raised until 01/01/2015, so it is a mute point.

Chair Rourke stated that technically the rates could be raised on 7/01/2014. Historically rates have been raised on January 1, but rates could be raised at other times.

Committee Member Rick Rogers commented that Mr. Guthrie mentioned that the springs customers would be willing to pay the increased rates that are going to be applied to the inside city limit customers.

Mr. Guthrie confirmed that the springs customers would be willing to pay the 7% rate increase that is proposed for the rest of the city, or tabling the increase because they are in discussions about doing the corrosion control themselves.

Mr. Guthrie also asked when is the meeting before the City Council. Chair Rourke stated it was on May 5, 2014.

Chair Rourke closed the public comments at 8:01 PM.

## 2. Close Public Comments

**IV. NEXT STEPS IN PROCESS**

Chair Rourke reviewed the upcoming meeting process.

1. CRRRC Final Meeting Wednesday, April 2, 2014: Deliberation on Water, Wastewater, Stormwater & Springs rates
2. City Council Public Hearing Monday, May 5, 2014

**V. ADJOURNMENT**

The next citizens' rate review committee meeting is scheduled for April 2, 2014, at 7:00 PM at the Public Safety Building.

The meeting adjourned at 8:02 PM.

Approved by the Citizen's Rate Review Committee on this 2<sup>nd</sup> day of April, 2014. \_\_\_\_\_

Mark Zuck 12-3-15  
Citizens' Rate Review Committee Recording Secretary

[Signature] 12-3-15  
Citizens' Rate Review Committee Chair

*Minutes signed by current Chair & Secretary on 12/3/15 due to no signature obtained upon approval by CRRRC.*