

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, JANUARY 25, 2018
6:30 PM MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

The meeting was called to order at 6:30 PM.

II. ROLL CALL

Members Present: Rick Rogers, Chair Adam Lundstrom Marilyn Van Grunsven
Bill Rourke Sarah Grider
Mayor Bob Andrews, ex-officio

Staff Present: Matt Zook, Finance Director
Kaaren Hofmann, City Engineer
Caleb Lippard, Assistant Finance Director

Others Present: Deb Galardi, Galardi Consulting LLC

III. CONSENT AGENDA

1. Approve minutes from the January 4, 2018 meeting

MOTION: Rourke/Van Grunsven moved to approve the consent agenda. The motion carried (5 Yes/0 No).

IV. PUBLIC COMMENTS

None.

V. COMMITTEE BUSINESS

1. Transportation Utility Fee Review

City Engineer Kaaren Hofmann gave a background on the Transportation Utility Fee. The goal was to maintain the City's current Pavement Condition Index (PCI) over the next 10 years. In July 2016 an ad hoc committee was formed to work on a funding package. They proposed a Transportation Utility Fee to raise \$1.2 million for pavement maintenance. That was about half of what was needed. Implementation of the Fee occurred in September 2017. She explained how the PCI worked and the needed maintenance to extend the life of the pavement. A maximum of 70% of the funding was to be used for preservation of good and fair streets, and a minimum of 30% was to be used for the poor and very poor streets. There were fee waivers for vacancy, low income, no vehicle, and unemployment. The Fee could not be used for any other purpose. The Fee was imposed on all property owners, including schools and the City. Every year the Public Works Department would present a maintenance program report to the City Council.

Committee Member Rourke asked if a property owner who was providing affordable housing would qualify for a waiver.

CE Hofmann said if the person who received the municipal services statement could prove they were low income, that person could get a 50% reduction. The Fee could be modified biannually based on cost of service, inflationary index, new revenue adjustments, road condition assessments, and Fee termination. The Fee would be reviewed by the CRRC biannually and the CRRC would make recommendations for any changes to the Council. She then reviewed the five year plan for the pavement preservation projects. She discussed other transportation projects the City was working on including N Elliott Road, N Springbrook Road, Villa Road, College Street, Crestview Drive, and multi-funded projects. She explained how these projects would be funded.

Deb Galardi, consultant, reviewed the TUF basics and theory and practice. The Fee was dedicated funding for the preservation of existing roadways. It was charged proportionately to system use and the Fee system must balance fairness with administrative feasibility. Individual property use was not metered, but the use was estimated from trip generation rates by customer type. The basic fee structure was a variable fee within class. Customer bills reflected two primary variables, intensity of use and magnitude/size for nonresidential. The total annual revenue target was \$1.2 million. The cost allocation was 35% from residential and 65% from nonresidential. She discussed the current rates for the different classes, financial forecast for the Street Fund, and Capital Improvement Plan. There was no recommendation for an increase in the Fee at this time.

2. Consideration of Internal Franchise Fee Increase

Finance Director Matt Zook said in 2016 Council had directed staff to create a long range financial plan and to review the City's financial policies. An ad hoc committee was formed to work on those items. The committee developed a model for 17 funds and produced a five year plan. Some of the scenarios were solutions to funding issues. One of those options was to increase internal franchise fees. He explained what franchise fees were for and the companies that had franchises with the City. Water, Sewer, and Storm paid 5% franchise fees to the General Fund. Staff was looking to increase that 5% to 7% which would have an impact either on rates or reserves. The two challenges facing the City were funding for a public safety communications upgrade for \$3.15 million and for closing the ongoing deficit of \$1.3 million in the General Fund. He explained the components of the upgrade project, how it was the Council's #1 priority, and the funding options for the upgrade including sale of the Butler property and Animal Shelter, sale of equipment to TVF&R, and contribution from Dundee Fire. He discussed the impact of a 2% Cost of Living Adjustment (COLA) on the General Fund, General Fund base projection, and how in this fiscal year there would be a shortfall in the budget that would continue declining over time. He then summarized the scenarios for how to address the budget shortfall including a local option levy, internal franchise fee increase, Public Safety Fee increase, and combinations of the three. He showed how much revenue each scenario would generate, the City's current franchise fee rates, WCCCA dispatch model options, police and communications revenue and expenditures, and General Fund impact of FY 16-17 new positions.

There was discussion regarding the funding options for the communications upgrade.

Ms. Galardi shared the possible impacts of a higher internal franchise fee if the rates were not raised accordingly. To replace the revenue that went into the General Fund, they would have to increase the rates at that same percent. That would mean a 2 percentage point increase for all of the utilities. It would add about \$2.52 for a single family bill in the first year and \$2.93 in the second year. She showed the reserves with the additional increases.

FD Zook discussed the rate comparisons with other cities based on the 2018 rates, and how Newberg was on the high side.

3. 2018 Rate Comparison – Water, Wastewater, and Stormwater

Ms. Galardi presented a reserve and bill comparison. She showed a typical residential bill for all systems. This was with a 3.5% increase in water, 3.5% increase in sewer, and 9% increase in storm. The current bill was around \$130, and with the increases it would be \$135 in 2019 and \$140 in 2020. There was a request at the last meeting to look at another water rate increase scenario that targeted a higher rate stabilization reserve level. She showed what would happen if the water rate was increased by 4%. With a 4% increase each year, the water rate stabilization reserve was expected to be about \$1 million which was the requested scenario.

Ms. Galardi asked if the Committee wanted to use the 3.5% or 4% increase for water.

There was hesitation to increase it to 4% due to what was needed if the internal franchise fees were increased. The Committee was not ready to make a decision on the percentage that night.

There was discussion on how the 70/30 split for the TUF was determined.

FD Zook would bring back a comparison of other cities to Newberg's TUF and Public Safety Fee projections. Chair Rogers would also like to know the reasons the City's rates were so high and only trailing Lake Oswego's rates. Committee Member Grider suggested finding out what the cost to other cities would be for a levy.

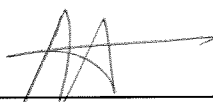
Mayor Andrews announced Chair Rogers had been named Citizen of the Year for 2017.

VI. ADJOURNMENT

The meeting adjourned at 8:37 PM.

Approved by the Citizen's Rate Review Committee on this 15th day of February, 2018.

Citizens' Rate Review Committee Recording Secretary



Citizens' Rate Review Committee Chair

