

**City of Newberg  
Rate Review Committee  
December 22, 2021**

Meeting held electronically due to COVID-19 pandemic

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Vice Chair Knight called the meeting to order at 6:39 p.m.

Members Present: Melanie Mildenerger, Jennifer Bean, Ned Knight, Ron Sinicki, Alexander Aguilar (student)

Members Absent: Brenda Morris, Sean Kelso, Wesley Clark

Staff Present: Finance Manager Kady Strode, City Engineer Kaaren Hofmann, Senior Engineer Paul Chiu, Senior Engineer Brett Musick, Administrative Assistant Zaira Robles Muniz.

Others Present: Galardi Rothstein Group, Deb Galardi

## **PRESENTATIONS**

Deb Galardi, consultant, continued her presentation on Water Rates (Exhibit A). She discussed the water rate review process, water utility enterprise funding, prior meeting recap, projected annual Capital Improvement Plan spending, and water financial plan with continued 4% annual rate increases through 2025/26 then 3% increases depending on the future CIP.

There was discussion regarding the reduction to 3% even with the improvements needed for HB 2001. Ms. Galardi said the 3% took those improvements into account and would still meet the reserve targets.

Ms. Galardi then discussed the current water rates, cost allocation process, and water cost structure.

Senior Engineer Chiu explained the differences between transmission and distribution functions.

Ms. Galardi explained the costs by service characteristics, average vs. peak demand costs, how peak demands varied by class, projected rate revenue by customer class, rate components, current and updated rates with the 4% increase, fixed charge percentage of total revenue, and current and updated sample bills.

There was discussion regarding the low irrigation percent change compared with other customer classes. Also, the reasons for the percent change from 1.9% in 2023 to 4.2% in 2024. Ms. Galardi said the 1.9% was due to the irrigation customers already paying very high rates and their usage characteristics remained stable or decreased in terms of peak demand while other classes were contributing more. Irrigation customers were still paying by far the highest rates. The 2023 rates adjusted for the changes in the usage characteristics, which created more variation than the average in the first year than in the second year. If there was concern, they could smooth it to 3% for both years.

Ms. Galardi said the 4% rate increase meant an increase of \$2.12 in 2023 and \$2.33 in 2024 for residential customers. She compared Newberg's average single family residential water bill with other cities. Newberg was the third highest.

There was discussion regarding West Linn's rates, which were only a fixed charge.

Ms. Galardi then discussed the non-potable water rates. She explained the non-potable system costs, non-potable unit costs, FY2023 updated rates, and summary of non-potable unit costs. The rate would be \$2.88 in 2023 and \$2.95 in 2024. Non-potable volume rates were about 1/3 of the irrigation rate and 2/3 cost of the commercial rates.

There was discussion about why other businesses were not using the non-potable system. Senior Engineer Chui said they did not have the infrastructure to deliver the non-potable water. To develop a fully usable system was costly.

City Engineer Hofmann said they were close to having the Allison and A-dec being able to use the system. The problem was needed improvements at the source. Because there was only one non-potable user currently, the potable system users had to subsidize the cost of the improvements. If facilities did not construct non-potable pipes through their system, they would also have to redo their system in order for them to use it. The Council had requested that staff write code language that required new facilities to use the non-potable system for irrigation if the system was available to them.


There was discussion regarding improvements to Otis Springs. City Engineer Hofmann said once the improvements were completed, Otis Springs would be available for the hospital and other buildings in that area. That project would be done in the next two years.

Ms. Galardi said at the next meeting they would discuss the storm system analysis. The next meeting would be held on January 5, 2022.

Vice Chair Knight adjourned the meeting at 7:36 p.m.

  
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Zaira Robles Muniz, Administrative Assistant

**ATTEST:**

  
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Brenda Morris, Chair

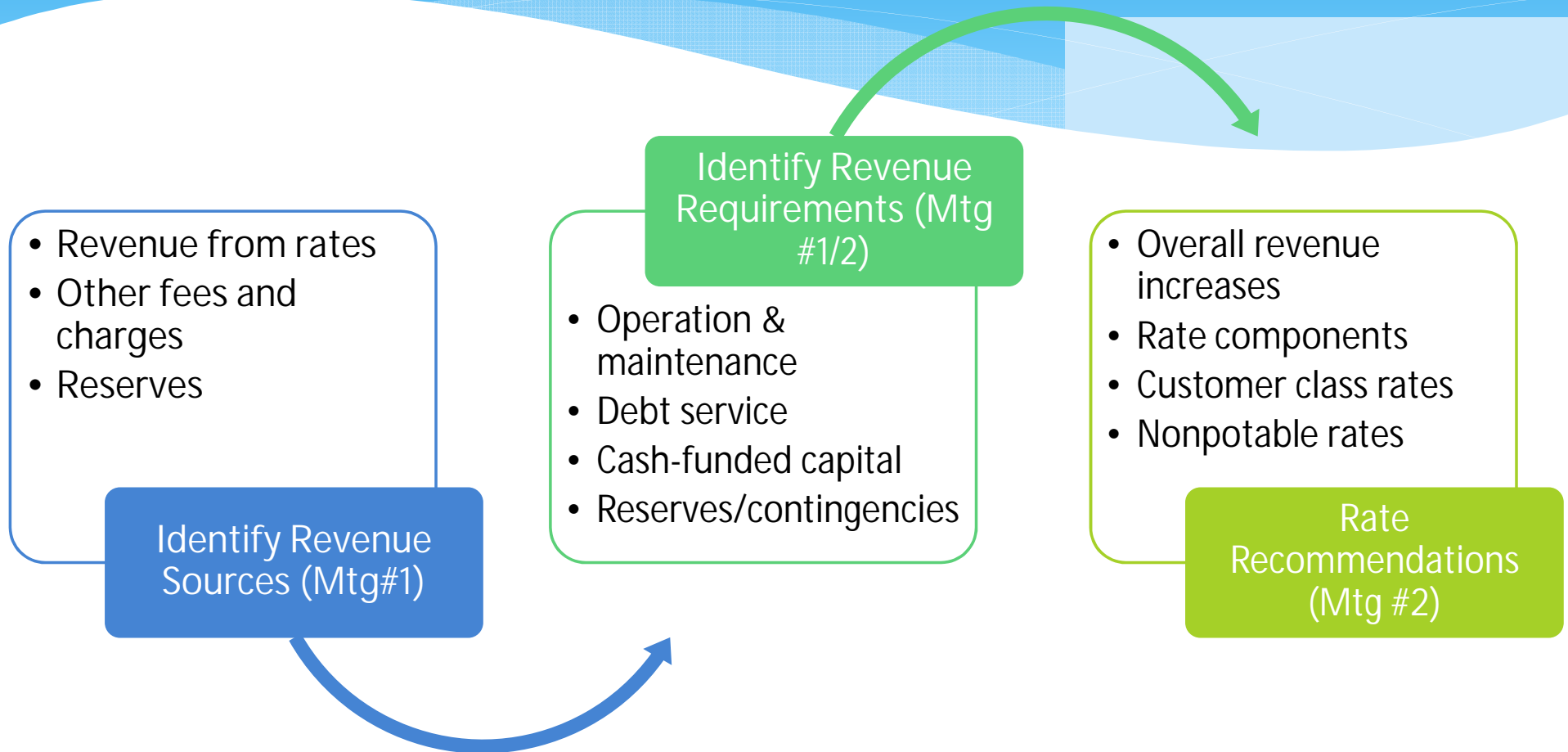


# 2021 Utility Rate Review

Water Rate Meeting #2  
December 22, 2021



# Water Rate Review Process

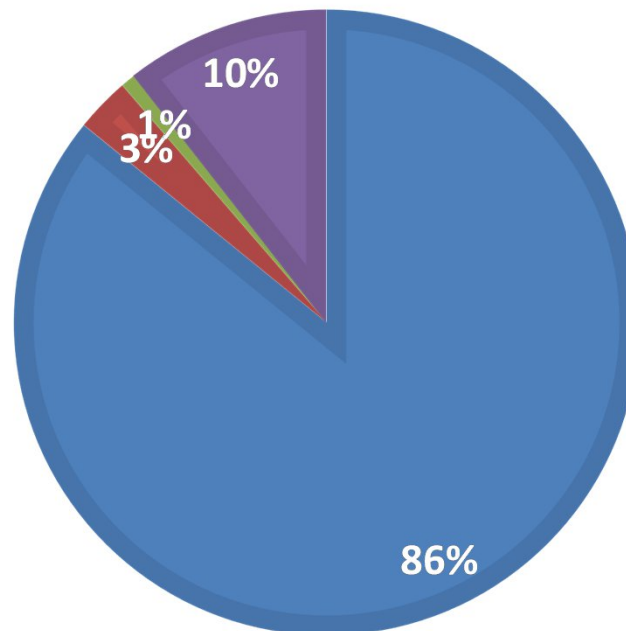


# Financial Plan Review

# Water Utility Enterprise Funding

## FY2022 BUDGET

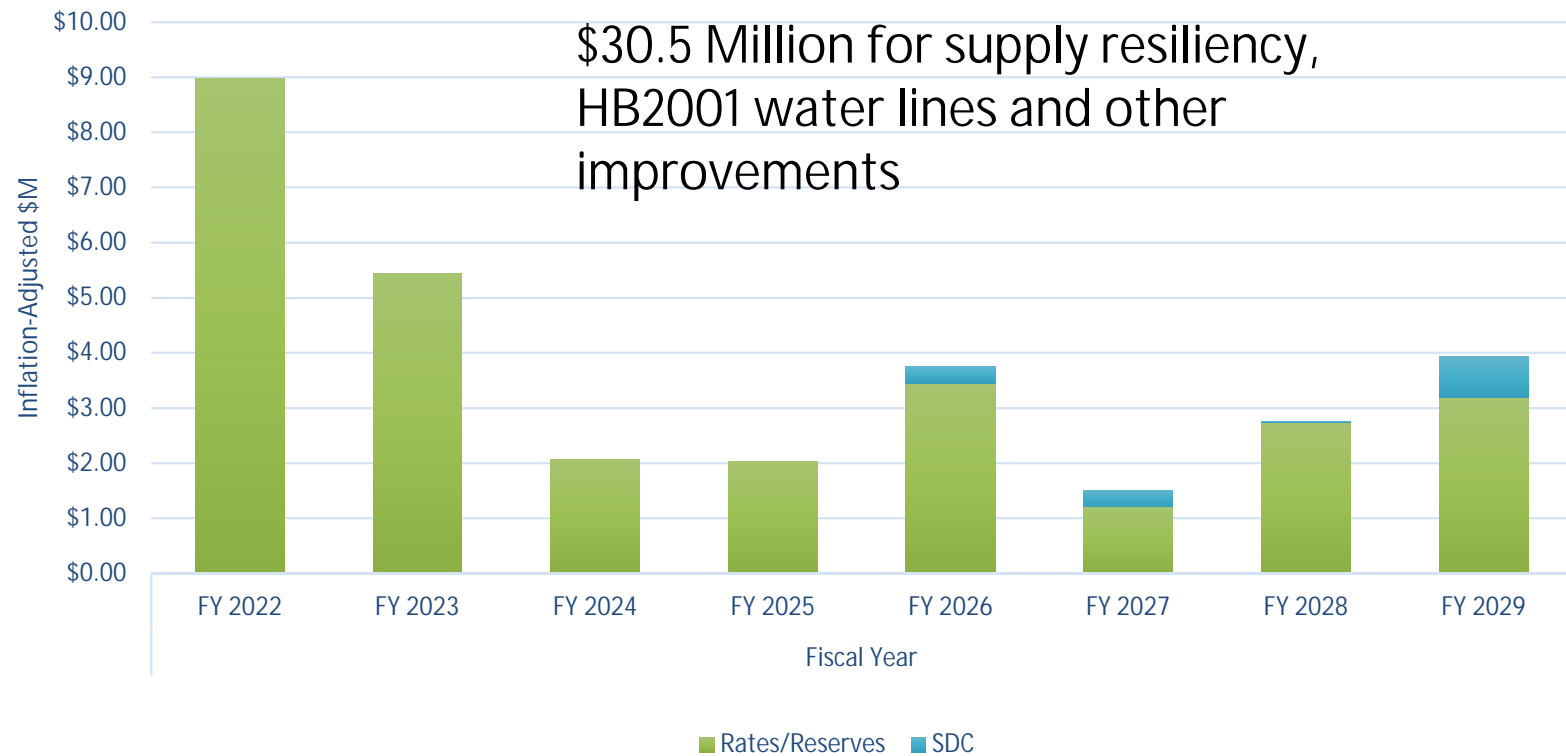
■ Water Rates ■ Other Fees & Charges ■ Interest ■ System Development Charges



# Prior Meeting Recap

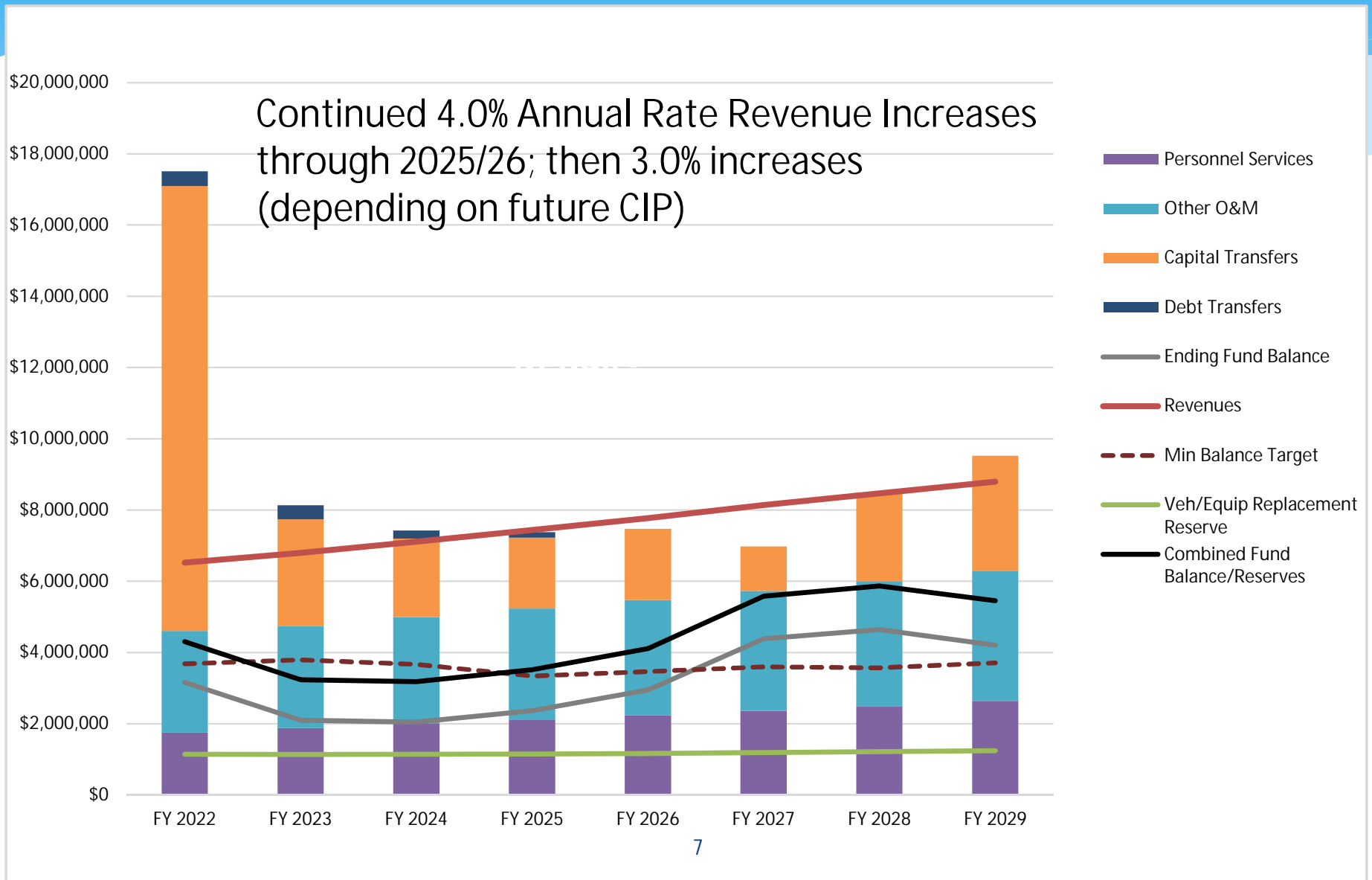
- \* Water rate revenue projections consistent with prior (2020) financial plan
- \* Expenses
  - \* Some operations & maintenance “savings” due to reduced activity/staff vacancies during initial phase of pandemic
  - \* Projected capital improvement costs:
    - \* Through FY2024/25 same as prior plan
    - \* FY2025 through FY2029 \$4.5 M higher than prior plan due to HB2001 and seismic improvements
  - \* Debt service drops off in FY2026 and FY2029

# Projected Annual Capital Improvement Plan Spending





# Water Financial Plan 4% Rate Increases



# Cost of Service Analysis

# Current Water Rates

**Service Charge (\$/month)** \$3.25

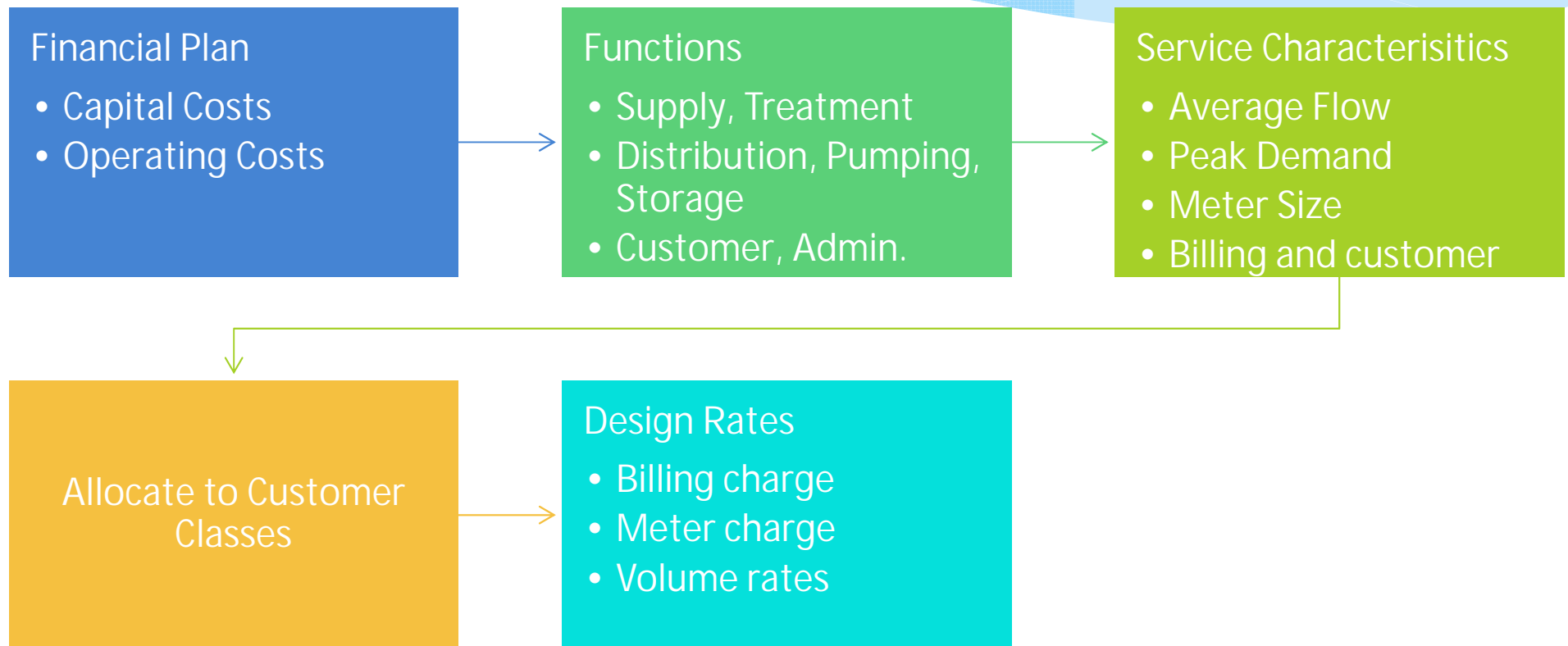
**Meter Charge (\$/month)**

3/4" meter	\$17.96
1"	\$30.53
1 1/2"	\$59.27
2"	\$95.19
3"	\$179.60
4"	\$299.93
6"	\$598.07
8"	\$957.27
10"	\$1,496.07
Non-potable 4"	\$62.21
Non-potable 8"	\$195.75

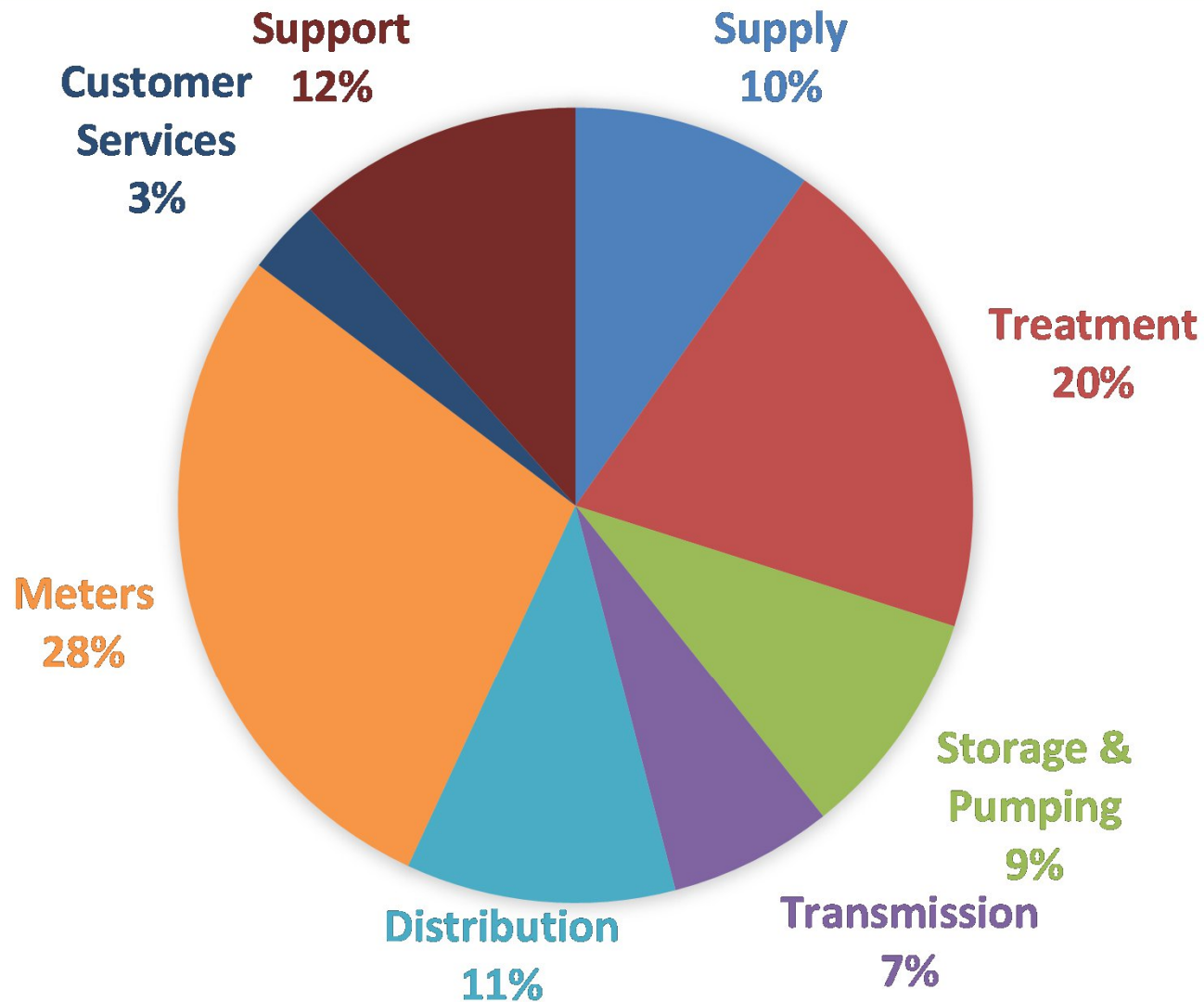
**Volume Charge (\$/ccf)**

Single Family Residential	\$4.29
Multi-family Residential	\$3.50
Commercial	\$4.34
Industrial	\$4.89
Irrigation	\$8.03
Outside City	\$6.43
Public Agency	\$4.78
Non-Potable	\$2.80

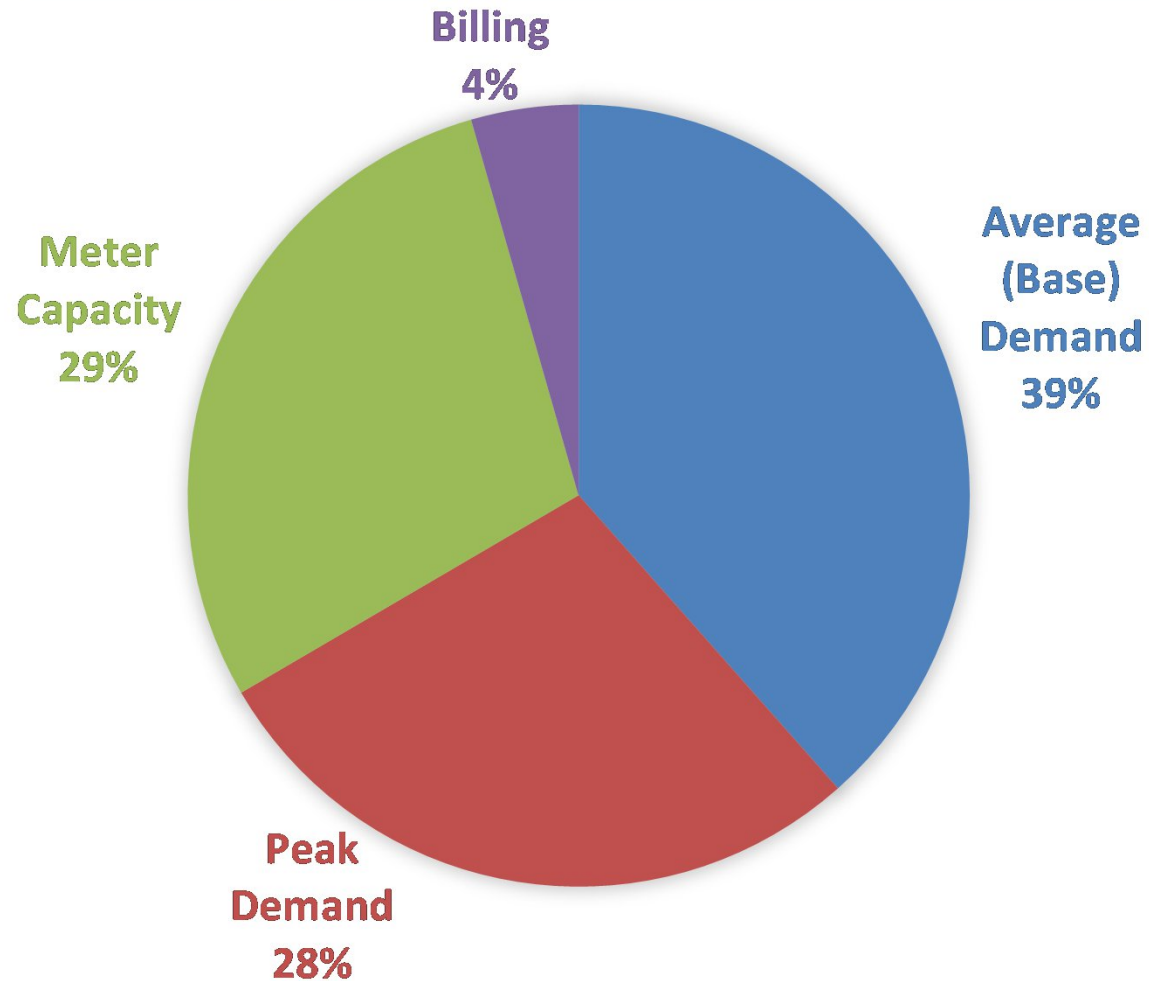
# Cost Allocation Process



# Water Cost Structure (Functions)

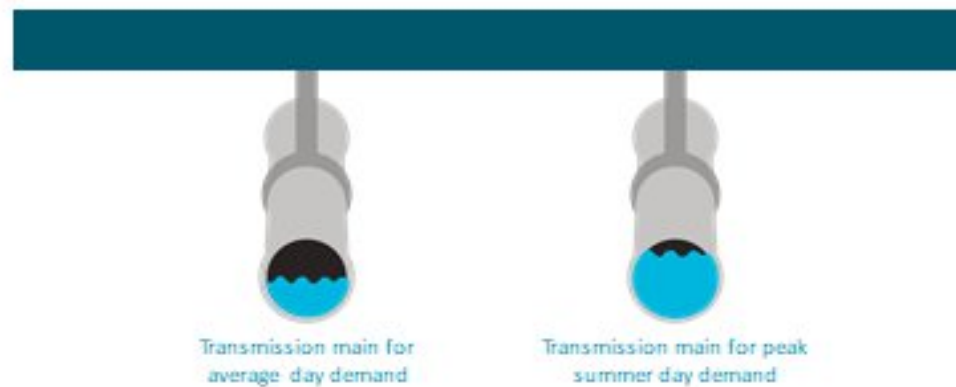


# Costs by Service Characteristic



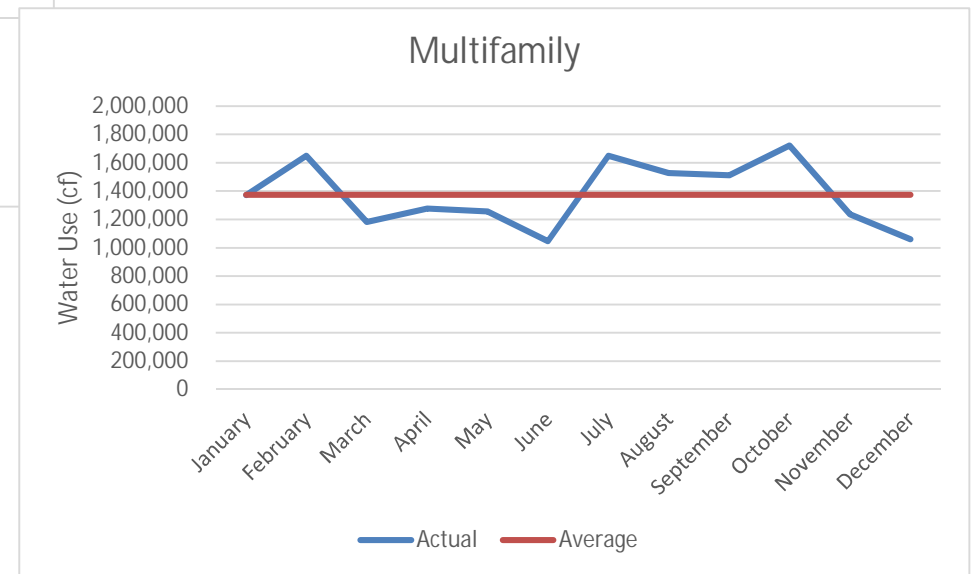
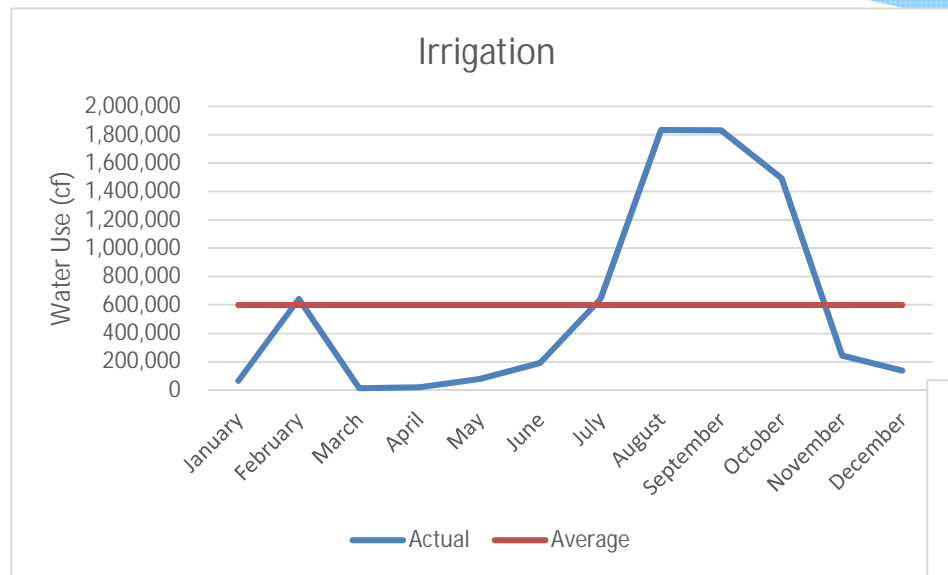
# Average vs. Peak Demand Costs

## TRANSMISSION MAIN EXAMPLE



\*Peak to average ratios based on 2017 Water System Master Plan factors

# Peak Demands Vary by Class





# Projected Rate Revenue by Customer Class

	2021-22		2023-24	
<b>Customer Class</b>	<b>Revenue \$M</b>	<b>% Total</b>	<b>Revenue \$M</b>	<b>% Total</b>
S-F Residential	\$3.57	54.8%	\$4.03	55.3%
Multifamily	\$0.73	11.2%	\$0.82	11.2%
Commercial	\$0.90	13.8%	\$1.01	13.9%
Industrial	\$0.11	1.7%	\$0.12	1.7%
Irrigation	\$0.73	11.2%	\$0.79	10.8%
Outside City	\$0.22	3.3%	\$0.24	3.3%
Public Agency	\$0.14	2.1%	\$0.15	2.1%
Nonpotable	\$0.12	1.9%	\$0.12	1.7%
<b>Total</b>	<b>\$6.52</b>	<b>100.0%</b>	<b>\$7.29</b>	<b>100.0%</b>

# Rate Components

- \* Fixed meter charge helps balance fixed/volume cost recovery and equity

Component	Costs Recovered
Billing Charge (Fixed)	Utility Billing & Customer Service
Meter Capacity Charge (Fixed)	Meter costs; some distribution system costs (fire protection & availability to serve)
Volume Charge (Variable)	Supply, Treatment, Transmission, Storage & Pumping

# Current and Updated Rates (4% Increase)

Customer Class	January 2021	January 2022	January 2023	January 2024
Billing Charge (\$/Account)	\$2.82	\$3.25	\$3.57	\$3.71
<b>Meter Charge (\$/Month)</b>				
3/4"	\$17.06	\$17.96	\$19.14	\$20.34
1"	\$29.00	\$30.53	\$32.54	\$34.58
1-1/4"	\$0.00	\$0.00	\$47.85	\$50.85
1-1/2"	\$56.30	\$59.27	\$63.16	\$67.12
2"	\$90.42	\$95.19	\$101.44	\$107.80
3"	\$170.60	\$179.60	\$191.40	\$203.40
4"	\$284.90	\$299.93	\$319.64	\$339.68
6"	\$568.10	\$598.07	\$637.36	\$677.32
8"	\$909.30	\$957.27	\$1,020.16	\$1,084.12
10"	\$1,421.10	\$1,496.07	\$1,594.36	\$1,694.32
<b>Volume Charge (\$/ccf)</b>				
S-F Residential	\$4.17	\$4.29	\$4.38	\$4.52
Multifamily	\$3.41	\$3.50	\$3.66	\$3.77
Commercial	\$4.23	\$4.34	\$4.53	\$4.68
Industrial	\$4.73	\$4.89	\$5.14	\$5.36
Irrigation	\$7.83	\$8.03	\$8.09	\$8.38
Outside City	\$6.26	\$6.43	\$6.57	\$6.78
Public Agency	\$4.62	\$4.78	\$4.88	\$5.09
Non-Potable	\$2.75	\$2.80	\$2.88	\$2.95

# Fixed Charge % of Total Revenue

Fiscal Year	% Fixed
2016	23%
2017	25%
2018	26%
2019	28%
2020	30%
2021/2022 (est.)	32%
2023/2024 (proj.)	33-34%

# Current and Updated Sample Bills

- \* Reflects 4% annual increase overall and updated cost of service analysis.

CUSTOMER CLASS	Meter Size	Monthly Use (ccf)	Adopted Jan. 1 2022	Revised		Annual \$ Increase	
				FY 2023	FY 2024	FY 2023	FY 2024
Residential	3/4"	7.0	\$51.24	\$53.36	\$55.69	\$2.12	\$2.33
Multifamily	1"	48.1	\$202.16	\$212.03	\$219.81	\$9.87	\$7.78
Commercial	1"	31.7	\$171.51	\$179.95	\$186.91	\$8.44	\$6.96
Industrial	1 1/2"	97.4	\$538.90	\$567.30	\$592.96	\$28.40	\$25.66
Irrigation	2"	51.0	\$508.05	\$517.53	\$539.19	\$9.48	\$21.66
Outside City	3/4"	7.0	\$66.22	\$68.70	\$71.51	\$2.48	\$2.81
Public Agency	2"	55.2	\$362.22	\$374.50	\$392.57	\$12.28	\$18.07
				<b>Percent Change</b>			
S-F Residential				4.1%	4.4%		
Multifamily				4.9%	3.7%		
Commercial				4.9%	3.9%		
Industrial				5.3%	4.5%		
Irrigation				1.9%	4.2%		
Outside City				3.7%	4.1%		
Public Agency				3.4%	4.8%		
<b>System-Wide</b>				<b>4.0%</b>	<b>4.0%</b>		

# AVERAGE SINGLE-FAMILY RESIDENTIAL WATER BILL (7 CCF)



Fixed Volume

# Nonpotable Water Rates

# Non-Potable System Costs

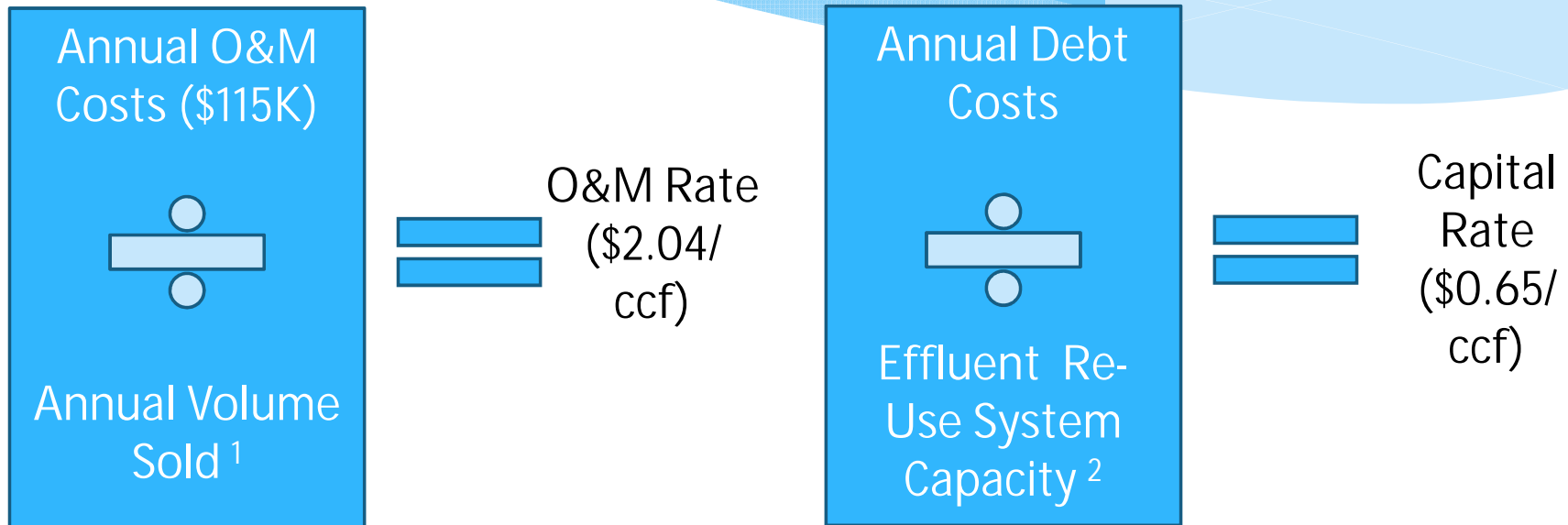
Direct Costs <sup>1</sup>	Indirect Costs	Capital Costs
<ul style="list-style-type: none"><li>• Labor</li><li>• Materials &amp; supplies</li><li>• Equipment</li><li>• Maintenance</li><li>• Utilities</li></ul>	<ul style="list-style-type: none"><li>• Administration</li><li>• Franchise Fee (7% of revenue)</li></ul>	<ul style="list-style-type: none"><li>• Water share of effluent Re-Use Debt Service (27.4%)<sup>2</sup></li></ul>

<sup>1</sup> Estimated specifically for re-use system and Otis Springs; adjusted for inflation

<sup>2</sup> The remaining debt is recovered through wastewater rates



# Non-Potable Unit Costs (FY2023 Updated Rates)



$$\text{Combined Rate} = \$2.69 \times 1.07 = \$2.89$$

<sup>1</sup> 56,824 ccf based on 2-year average

<sup>2</sup> 1 million gallons per day (243,984 ccf per year based on 6 months operation)

# Summary Non-Potable Unit Costs (Rates)

	Jan. 1 2022	Jan. 1 2023	Jan. 1 2024
<b>Volume Rates (\$/ccf)</b>			
Operation & Maintenance	\$1.97	\$2.04	\$2.11
Capital	\$0.65	\$0.65	\$0.65
Combined	\$2.62	\$2.69	\$2.76
<b>Total Rates (\$/ccf)<sup>1</sup></b>	<b>\$2.80</b>	<b>\$2.88</b>	<b>\$2.95</b>
<i>Percent Change</i>		2.8%	2.5%
<sup>1</sup> Includes 7% franchise fee			
<b>Fixed Charge (\$/Month)</b>			
4"	\$62.21	\$63.45	\$64.72
6"	\$195.75	\$199.67	\$203.66

Nonpotable volume rates are about 1/3 of irrigation rate and 2/3 cost of commercial rates

# Next Steps

- \* Storm System Analysis
- \* Review findings with CRRC January 5, 2021

# Questions