

**City of Newberg
Rate Review Committee
October 27, 2021**

Meeting held electronically due to COVID-19 pandemic

Chair Morris called the meeting to order at 6:31 p.m.

Members Present: Brenda Morris, Melanie Mildenerger, Jennifer Bean,
Ned Knight, Wesley Clark, Sean Kelso, Ron Sinicki, Alexander Aguilar (student)

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

Others Present: Galardi Consulting LLC, Deb Galardi

COMMITTEE BUSINESS

1. Approval of Minutes

Action:	To approve the October 13, 2021 Committee Minutes
Motion:	Ned Knight
Second:	Wesley Clark
Vote:	7 Yes 0 No

PRESENTATIONS

City Engineer Hofmann presented the Five Year Wastewater CIP (Exhibit A). She discussed the wastewater system, status updates on projects, and proposed five year wastewater projects including Inflow & Infiltration projects and report, dehydration unit rebuild, Hess Creek lining, NE Chehalem extension, Wastewater Treatment Plant hydraulic improvements, roofing replacements, short term lift station improvements, Pinehurst Court improvements, Hess Creek trunk line phase 2, Riverfront lift station, compost sale pile cover, N Springbrook trunk line, multi-fund projects, and longer term projects.

There was discussion regarding the projects, taking inflation into account for the project costs, and funding for the projects.

Deb Galardi, Galardi Consulting LLC, presented the 2021 Utility Rate Review for wastewater (Exhibit B). She discussed the rate review process, revenue analysis, sewer utility enterprise funding, 10 year sewer rate increase history, national wastewater bill and CPI trends, projected national and Newberg wastewater bill changes, projected vs. actual billed wastewater volumes, current sewer rates, fixed charge percent of total revenue, rate revenue comparison, and rate revenue by customer class. She then explained determining annual revenue requirements, operation and maintenance cost components, general forecast assumptions, projected operation and maintenance cost comparison, total capital improvement funding, projected annual capital improvement spending, projected reserves, cash reserve guidelines, existing debt service, projected revenue requirements and ending sewer fund balance, foundation for financial resiliency, and next steps.

There was discussion regarding SDC funding, comparison to other jurisdictions, taxes, and cash reserves for projects.

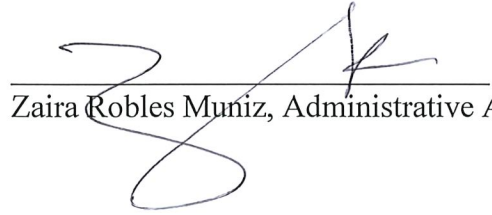
The next meeting would be held on November 17, 2021.

Chair Morris adjourned the meeting at 8:10 p.m.

ATTEST:



Brenda Morris, Chair

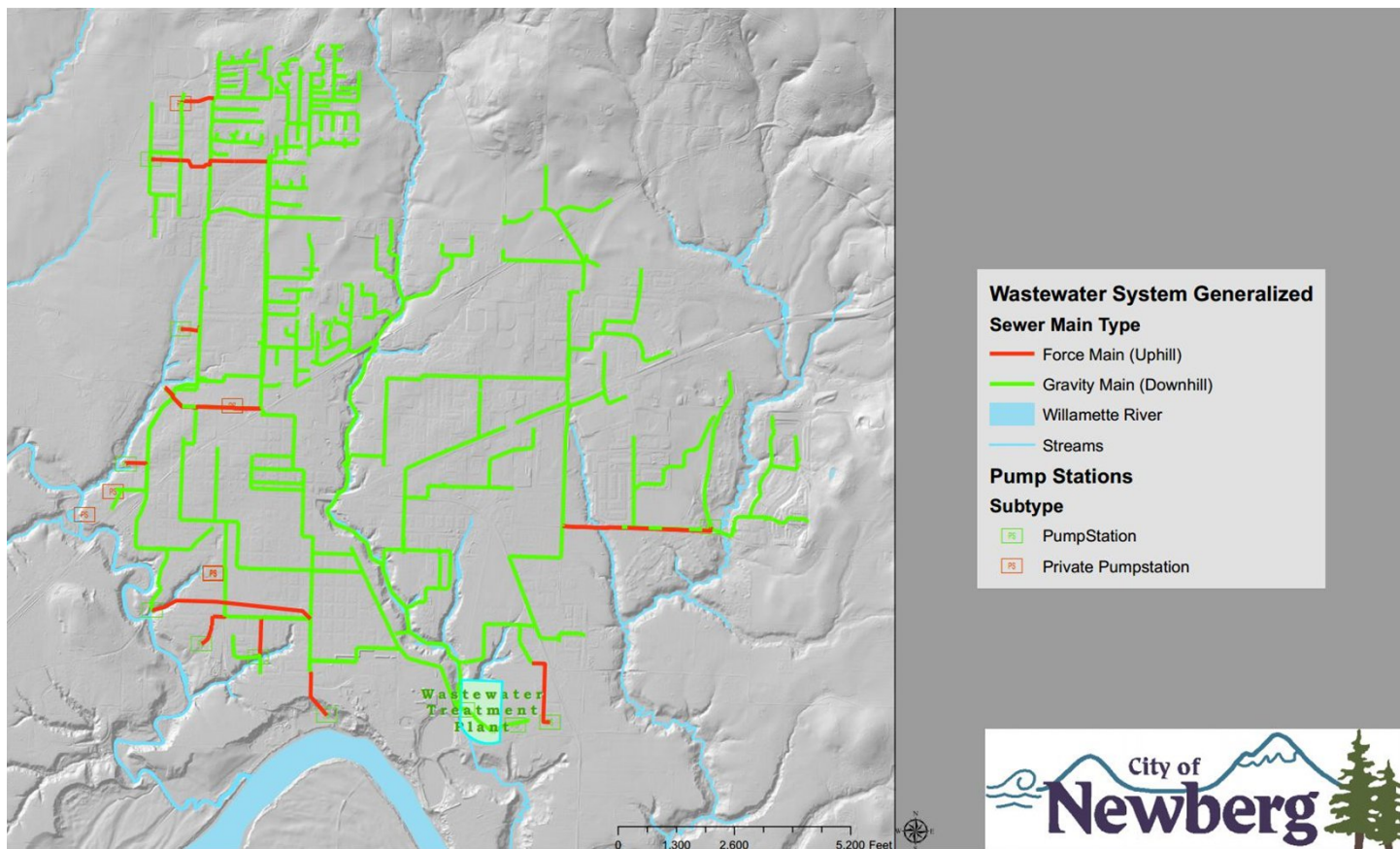

Zaira Robles Muniz, Administrative Assistant

Five Year Wastewater CIP Presentation

Rate Review Committee
October 27, 2021



Wastewater System



Status Update on Projects

- Inflow & Infiltration
- Structural Improvements to Ex. Oxidation Ditch
- Inflow & Infiltration Report
- PLC Replacement
- Maintenance Yard
- Dehydration Unit Rebuild
- Hess Creek Lining
- NE Chehalem Extension
- WWTP Hydraulic Improvements
- Roofing Replacements
- Short Term Lift Station Improvements
- Pinehurst Court Improvements
- Hess Creek Phase 2
- N Springbrook Road Trunkline
- Solar Farm
- E Crestview Drive Extension
- Clarifier Study

Proposed 5 year wastewater projects

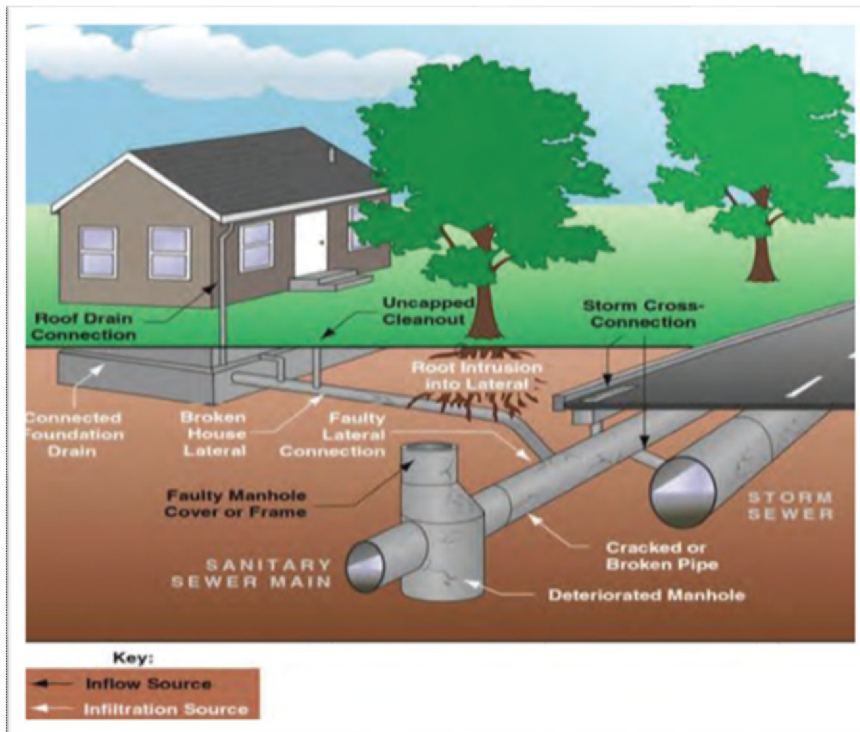
- Inflow & Infiltration
- Inflow & Infiltration Report
- Maintenance Yard
- Dehydration Unit Rebuild
- Hess Creek Lining
- NE Chehalem Extension
- WWTP Hydraulic Improvements
- Roofing Replacements
- Short Term Lift Station Improvements
- Pinehurst Court Improvements
- Hess Creek Phase 2
- N Springbrook Road Trunkline
- Riverfront Lift Station
- Compost Sale Pile Cover

Inflow and Infiltration Projects

- Reduce high flows of stormwater into the Wastewater Treatment Plant
- Delay capacity related pipeline impacts and costs
- 37% reduction of stormwater and groundwater flow to WWTP
- Prior years: N Springbrook Basin, Sixth Street, E Second & Third, W Third, E North, E Franklin, E Sherman & N Edwards
- 2021: S Charles St. area
- 450,000-550,000 over the next 5 years to complete the needed repairs and/or replacements
- 50% SDC eligible



Inflow and Infiltration Report



- The Dayton and Wynooski Basins were completed in 2015.
- This project would evaluate the Hess Basin and evaluate the I & I work that has been completed.
- \$241,000 with 50% SDC eligible

Dehydration Unit Rebuild

- The dehydration unit is used to dry sawdust.
- Last rebuilt 7 years ago.
- The rebuild involves:
 - removing all the existing brick, stacking new brick and
 - installing a coating over the top of it
- \$68,959 with no SDC eligibility



Hess Creek Lining

- Project #C1.A in the 2018 Wastewater Master Plan - a High Priority Project.
- Access to Hess Creek is limited.
- Pipe is undersized in some locations.
- This project will line the upper portion of the Hess Creek trunk line to reduce Inflow & Infiltration influence and extend the life of the pipe.
- \$767,5000 with 50% SDC Eligibility



NE Chehalem Extension



- Properties along NE Chehalem Drive are developing.
- No existing public wastewater and water lines.
- Extension from the current terminus in Hwy 240 to NE Chehalem Drive will allow for orderly development
- Primary funding is system development charges and a total cost of \$1,258,750

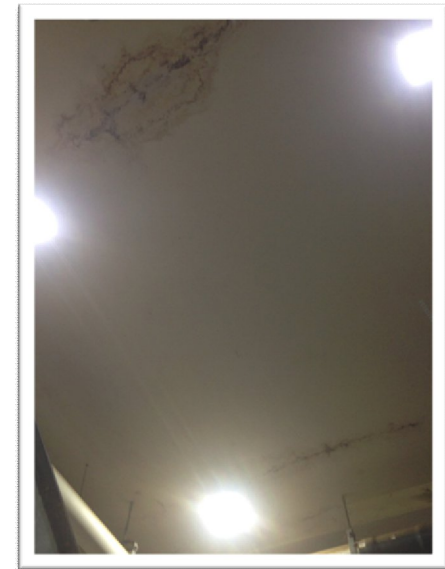
WWTP HYDRAULIC IMPROVEMENTS

- WWTP Hydraulic Improvements are a group of projects to improve the hydraulic flow through the WWTP that were identified in the 2018 Wastewater Master Plan Update.
- They include:
 - modifications to the clarifier distribution box,
 - the effluent weirs, and
 - installation of a second (parallel) pipe from the clarifier effluent to the chlorine contact basin
- \$549,000 with 14% SDC eligible



Roofing Replacements

- The maintenance of roofs on the existing buildings at the WWTP have been deferred
 - Disinfection Building
 - Secondary Buildings
- \$79,000 with no SDC eligibility



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SHORT TERM LIFT STATION IMPROVEMENTS

- This project includes minor improvements to Charles, Chehalem, Creekside, Fernwood, Highway 240, and Sheridan lift stations.
- Examples of the improvements include;
 - adding safety grating to valve vaults,
 - installing bollards for traffic protection,
 - installing additional fencing to stations that don't have it,
 - repainting of building doors, and
 - replacing heaters and heat taping for freeze protection.
- \$106,311 (in the five year plan) with 1% SDC eligible



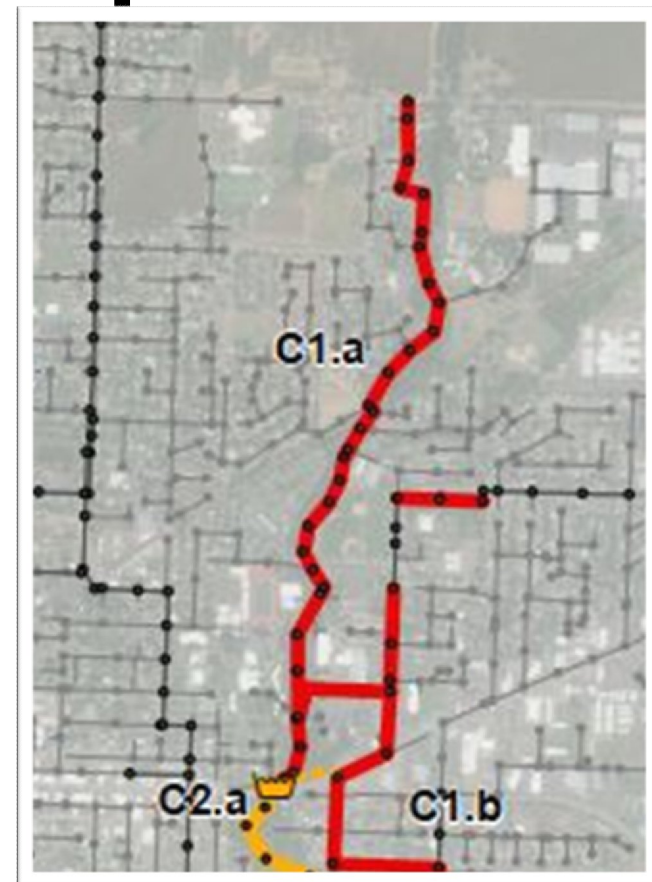
PINEHURST COURT IMPROVEMENTS



- The Wastewater Master Plan identified this location as a possible overflow site due to the grade of Pinehurst Court and the shallow wastewater line. The project (C1.d) will re-direct flow from Pinehurst Court south to existing lines on Creekside Court
- \$361,702 with no SDC eligibility

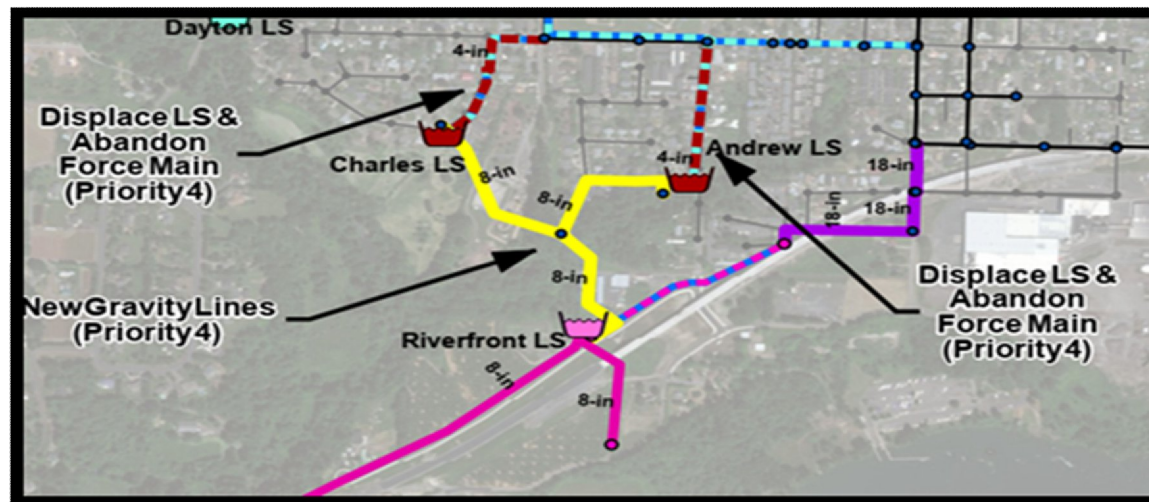
Hess Creek Trunk Line – phase 2

- The existing wastewater trunk line is aging and under sized for future development
- The pipe is located in the Hess Creek Stream Corridor
- The new pipe will be pulled out of the creek and a new pump station will be installed
- \$4.7 million (in the 5 year plan) with 2% SDC eligible



Riverfront Lift Station

- This project will install a new lift station at the Riverfront area. This will serve the new development proposed and will allow for two smaller lift stations to be decommissioned
- \$5 million with 100% SDC Eligibility.

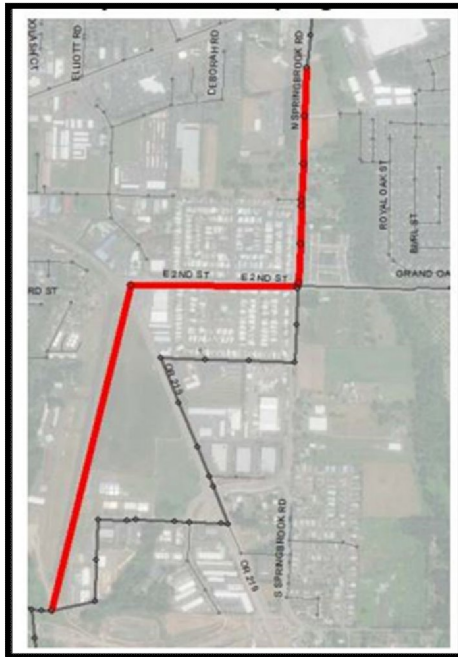


Compost Sale Pile Cover

- This project is to install a cover over the compost that accumulates over the winter months on our sale pile.
- \$205,000 with no SDCs
- There are several benefits to covering this compost.
 - prevent the rain from washing solids out of the compost pile and back into the plant, which then requires us to send those solids back through the treatment process.
 - provide a higher quality product for our customers that come in during the spring, which is our busiest time of year for compost sales.
 - some of this dry compost could be used for dry recycle during the wet months and allowing us to increase our composting efficiency in the winter months when dry recycle is hard to come by.



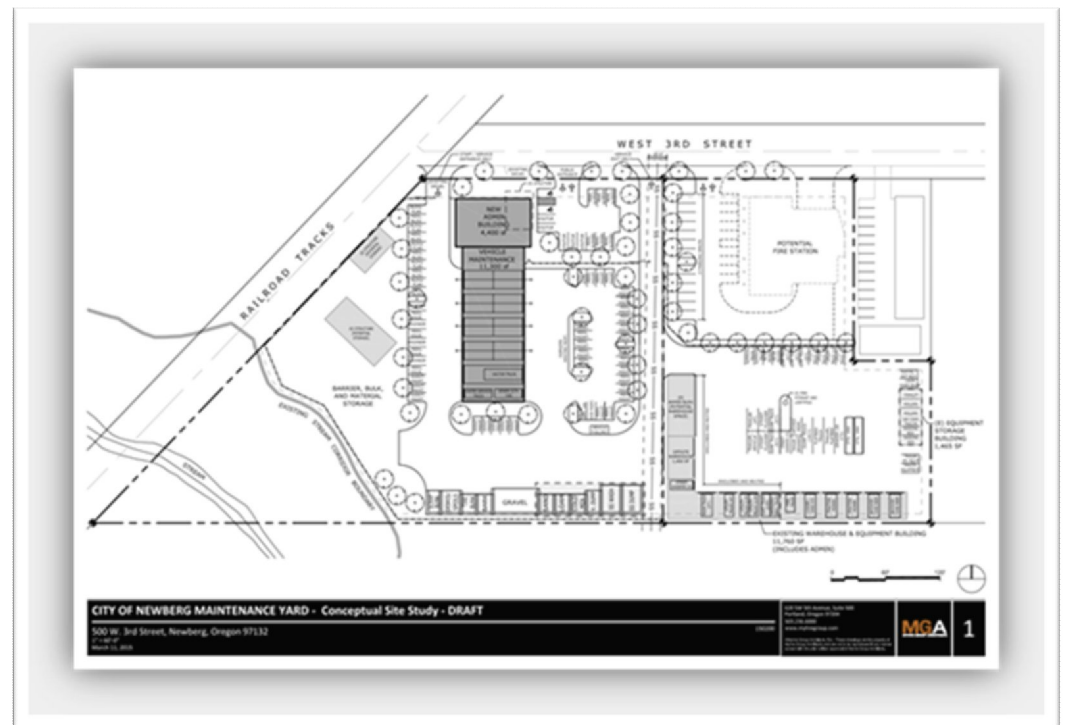
N Springbrook Trunk Line



- This project will increase the capacity of the Springbrook Road line.
- This includes a parallel line and may be eliminated with other wastewater improvements.
- \$911,000 with 20% SDC Eligibility

Multi-fund projects

- Maintenance Facility
- 20% SDC eligible



LONGER TERM PROJECTS

- Master Plan Update
- Lift Station Improvements
- New Oxidization Ditch
- Hess Creek Lift Station
- Chlorine Contact Expansion
- Hwy 240 Lift Station Upsize
- Charles & Andrew Lift Station Removal





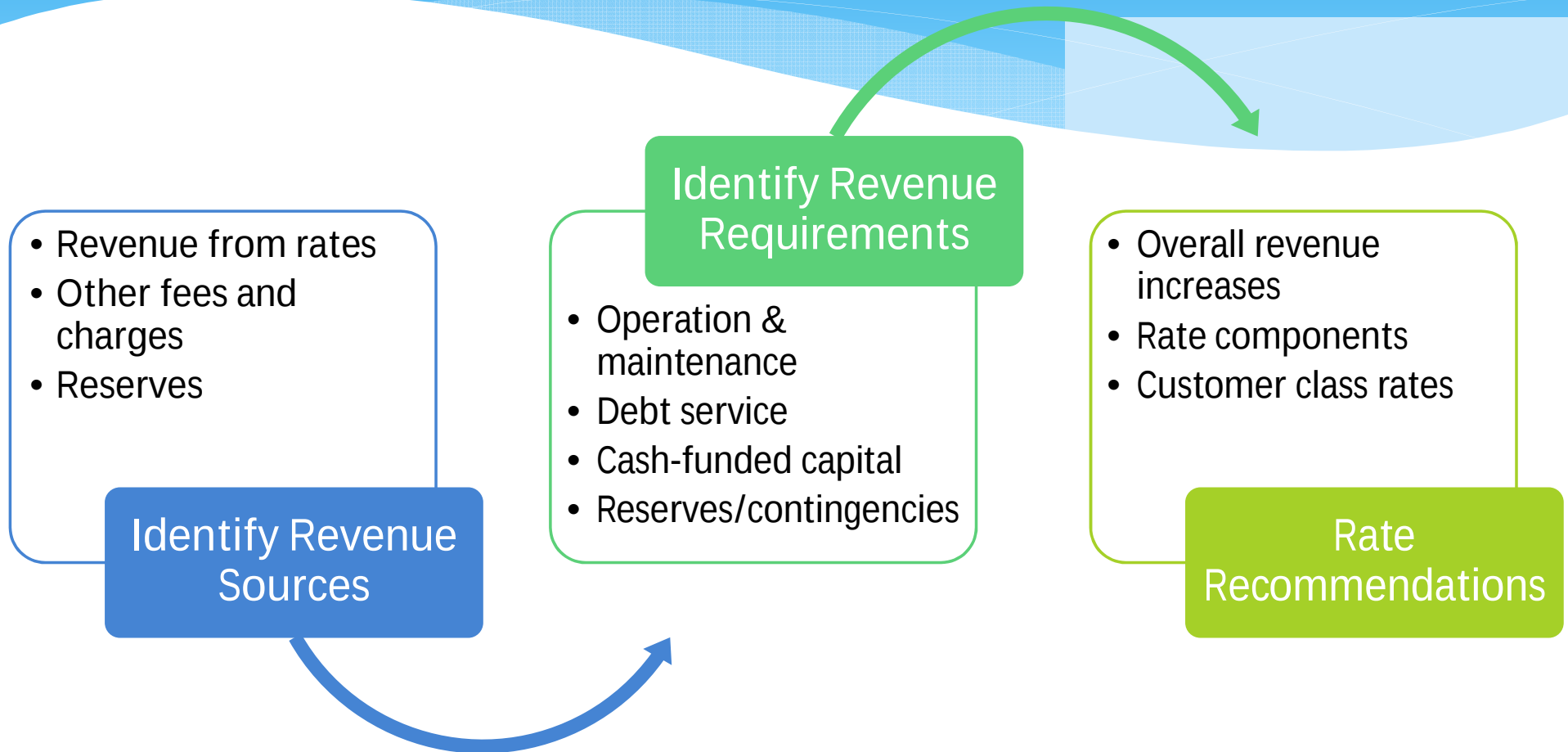
2021 Utility Rate Review

Wastewater Rate Meeting #1

October 27, 2021



Rate Review Process

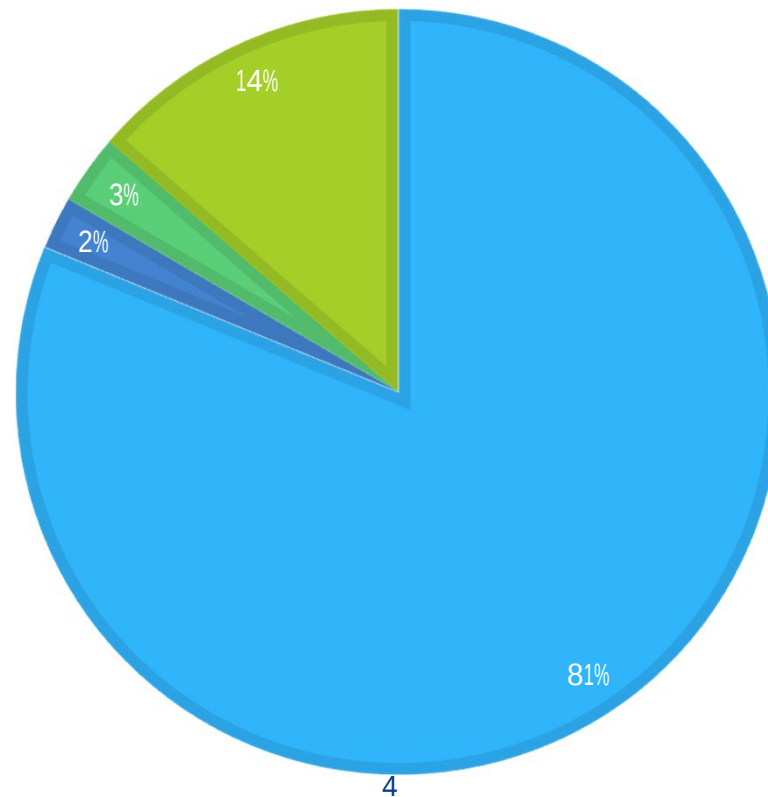


Revenue Analysis

Sewer Utility Enterprise Funding

FY2022 BUDGET

■ Wastewater Rates ■ Other Fees & Charges
■ Interest & Miscellaneous Income ■ System Development Charges



10-Year Sewer Rate Increase History

- * Jan 1, 2013 – 0.00%
- * Jan 1, 2014 – 3.00%
- * Jan 1, 2015 – 5.75%
- * Jan 1, 2016 – 5.75%
- * Jan 1, 2017 – 4.20%
- * Jan 1, 2018 – 4.20%
- * Jan 1, 2019 – 3.50%
- * Jan 1, 2020 – 3.50%
- * Jan 1, 2021 – 3.50%
- * Jan 1, 2022 – 3.50%

City secures Clean Water loans for large portion of capital plan; large increases for water

City proceeds with \$25 million Wastewater Treatment Plant expansion and other capital projects

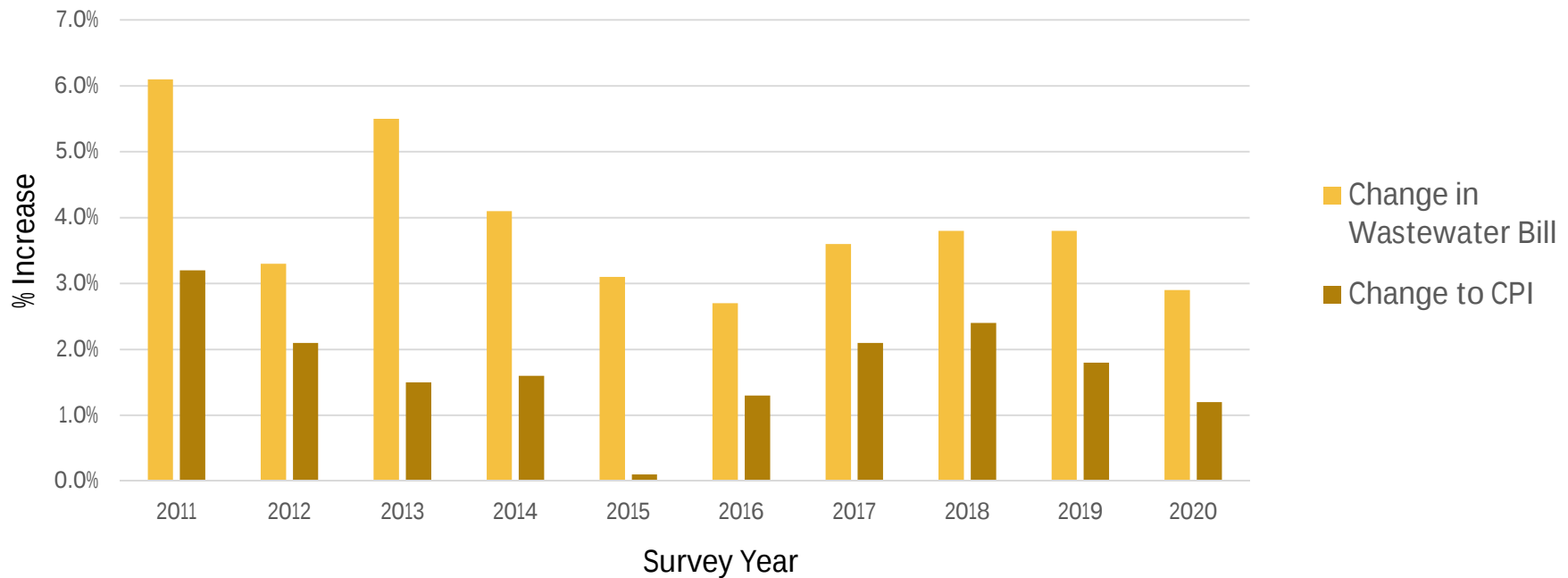
City Council directs additional funding for infiltration & inflow projects

Moderate capital spending; maintain cash reserves

2020 Rate Review projected increases of 3.5% for FY2023 and FY2024

National Wastewater Bill and CPI Trends

Surveyed* Wastewater Rate Increases vs. U.S. Consumer Price Index
2011 - 2020

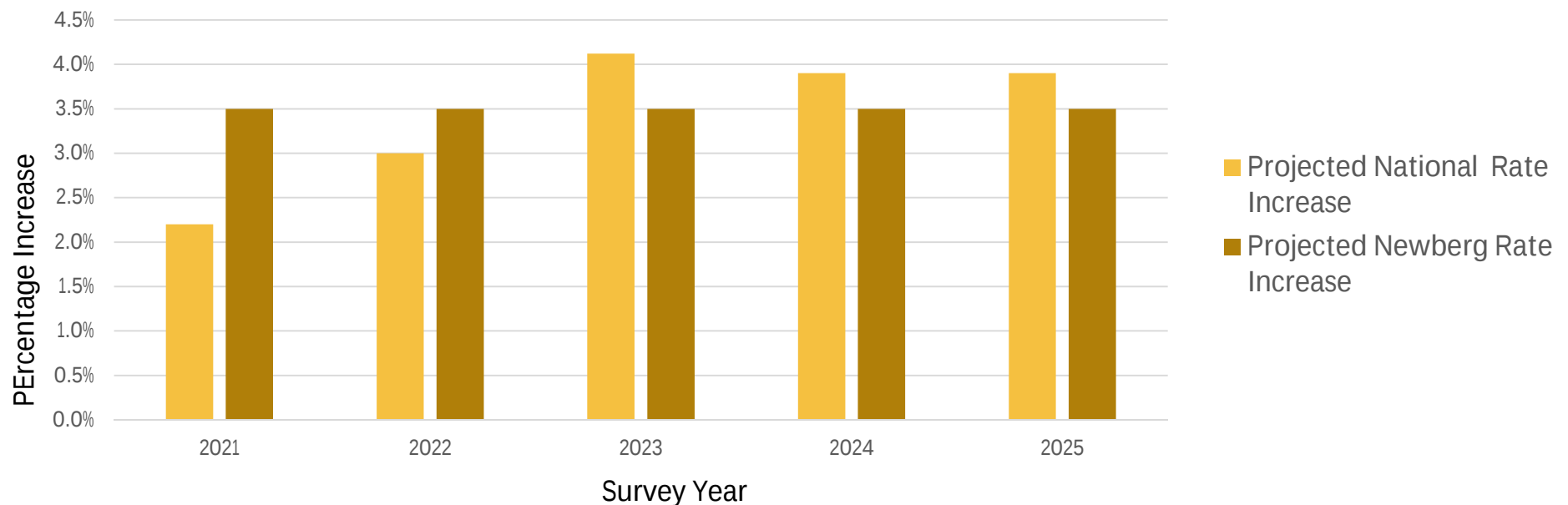


* 2020 Cost of Clean Water Index published by The National Association of Clean Water Agencies (NACWA).

CPI = Consumer Price Index

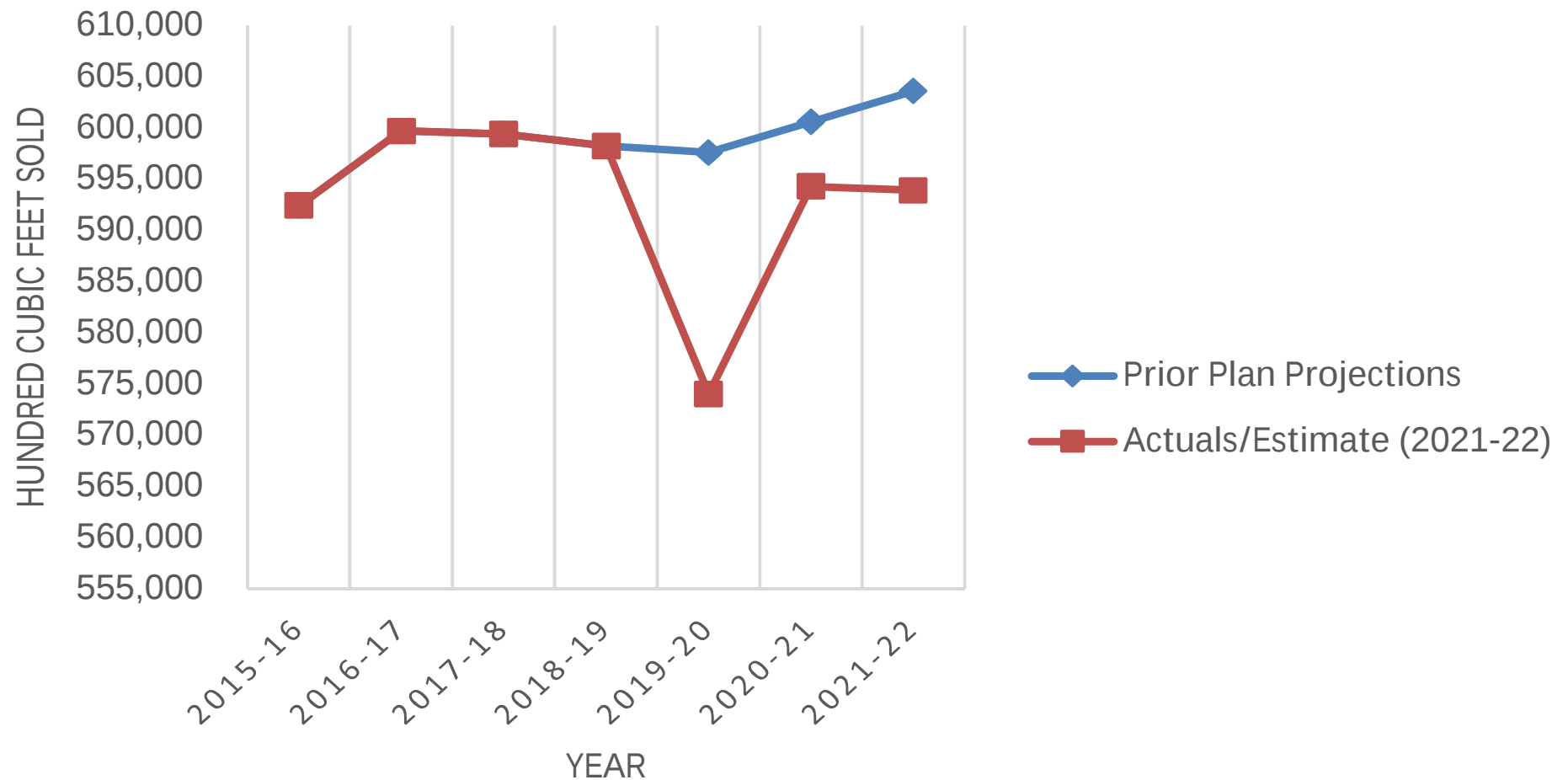
Projected National and Newberg Wastewater Bill Changes

Surveyed* Projected Wastewater Rate Increases vs. Newberg Projected Rate Increase
2021-2025

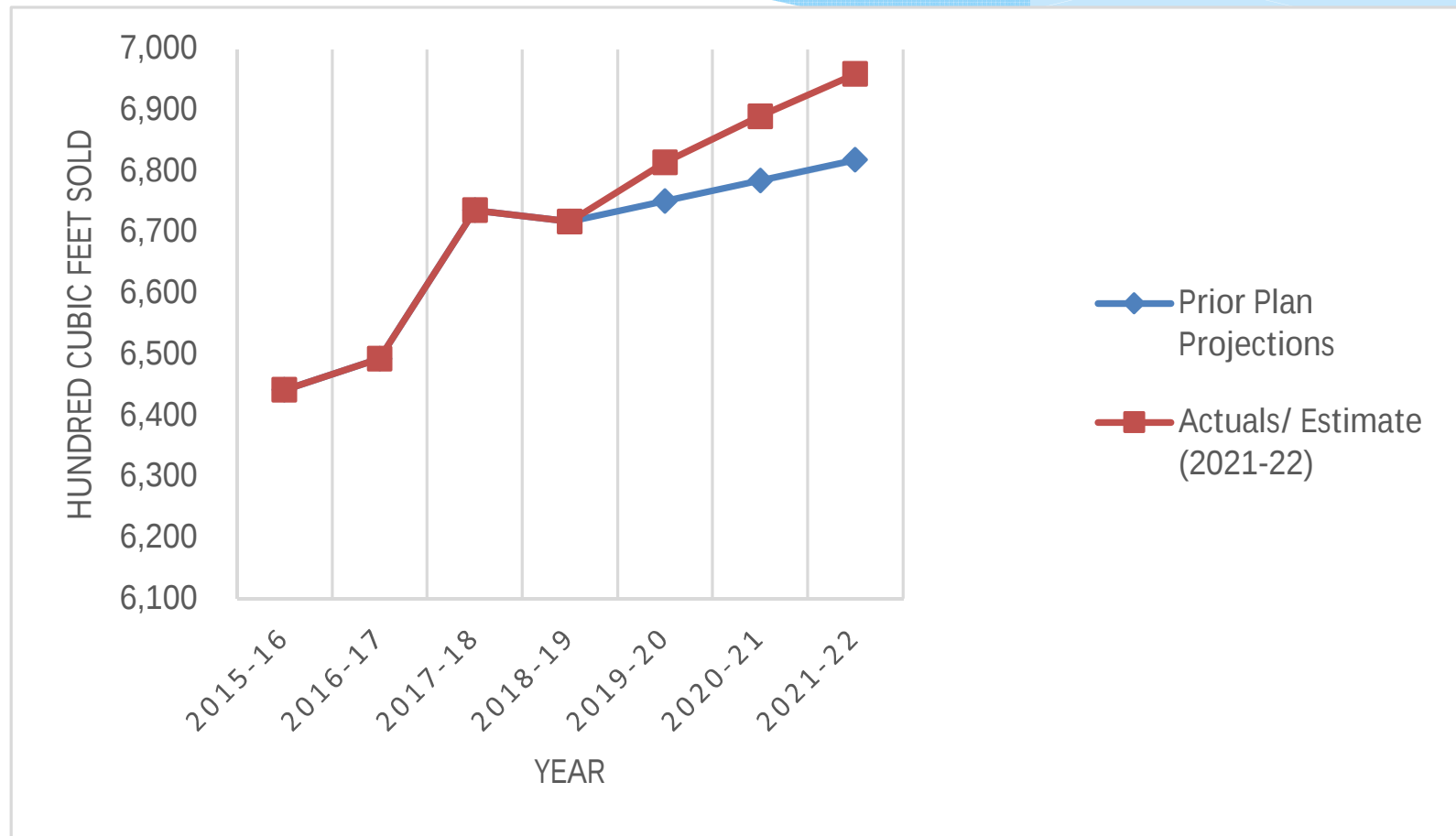


* 2020 Cost of Clean Water Index published by The National Association of Clean Water Agencies (NACWA).

Projected vs. Actual Billed Wastewater Volumes



Projected vs. Actual Wastewater Accounts



Current Sewer Rates

Service Charge (\$/month)	\$30.11
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Multi-family per unit Charge	\$24.88
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Volume Charge (\$/ccf)

Single Family Residential	\$9.46
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Multi-family Residential	\$9.46
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Commercial 1	\$9.46
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Commercial 2	\$12.00
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Commercial 3	\$19.69
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Industrial	\$12.00
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Outside City	\$9.45
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Commercial 1 includes general businesses, public agencies, and schools.

Commercial 2 includes mini-markets, car washes, mortuaries, industrial, and fast food/cafeterias.

Commercial 3 includes restaurants.

Fixed Charge % of Total Revenue

Fiscal Year	% Fixed
2016	30%
2017	31%
2018	31%
2019	33%
2020	34%
2021	36%

Industry standard target is 40% fixed

Rate Revenue Comparison

	2019-20	2020-21	2021-22	2022-23	2023-24
Actual/Updated Projections*	\$8,471,370	\$8,818,862	\$9,106,331	\$9,505,269	\$9,936,333
Prior Projection	\$8,430,622	\$8,754,505	\$9,106,217	\$9,472,059	\$9,852,599
\$ Difference	\$40,748	\$64,357	\$114	\$33,210	\$83,734
% Difference	0.5%	0.7%	0.0%	0.4%	0.8%
Actual					
*Projections include 3.5% annual rate revenue increase					

Rate Revenue by Customer Class

	Estimated FY2021-22	
Customer Class	Revenue \$M	% Total
Single Family	\$5.28	57.9%
Multifamily	\$2.35	25.8%
Commercial - 1	\$0.52	5.7%
Commercial - 2	\$0.72	7.9%
Commercial - 3	\$0.18	1.9%
Industrial	\$0.06	0.6%
Outside City	\$0.01	0.1%
Total	\$9.11	100.0%

Revenue Requirements

Determining Annual “Revenue Requirements”

Cash Basis (Municipal Utilities)

Operations & Maintenance

Debt Service

Cash Funded Capital

Utility Basis (Investor-Owned Utilities)

Operation & Maintenance

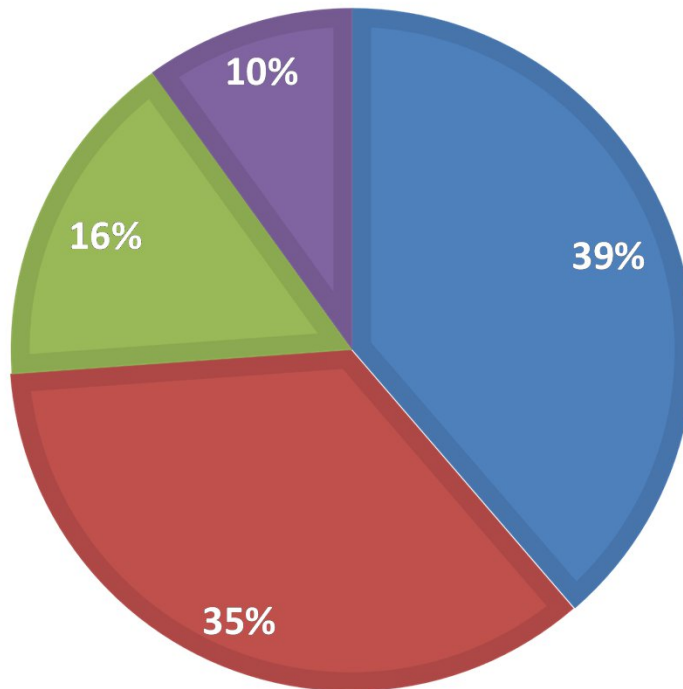
Depreciation

Return on Rate Base

Operation & Maintenance Cost Components

FY2022 O&M BUDGET

■ Personal Services ■ Materials & Services ■ Internal Services ■ Franchise Fees



General Forecast Assumptions

- * Escalation Factors
 - * Capital – 3.5%
 - * Salaries – 3.5%
 - * Benefits (insurance, PERS) – 8%
 - * Materials & Services – 3.5%
 - * Internal Services – 4%
- * Interest earnings = 1%
- * Franchise fee = 7% annual sales revenue
- * Contingency = 60 days of O&M

Projected Operation & Maintenance Cost Comparison

- * Current plan reductions due to:
 - * Reduced repair & maintenance during pandemic
 - * Staff vacancies

	Actual	Actual	Budget	Projected	Projected
Division	2019-20	2020-21	FY 2022	FY 2023	FY 2024
Current Plan					
Engineering	\$ 2,204,107	\$ 2,087,831	\$2,236,206	\$2,313,019	\$2,405,399
Operations	2,071,837	2,102,257	2,639,377	2,557,476	2,671,316
Collection (Maint)	1,329,205	1,209,077	1,544,229	1,629,434	1,734,888
Total	\$5,605,149	\$5,399,166	\$6,419,812	\$6,499,929	\$6,811,603
Prior Plan	\$6,354,144	\$6,529,391	\$6,738,102	\$6,999,838	\$7,275,100
Difference	-\$748,995	-\$1,130,225	-\$318,290	-\$499,909	-\$463,497

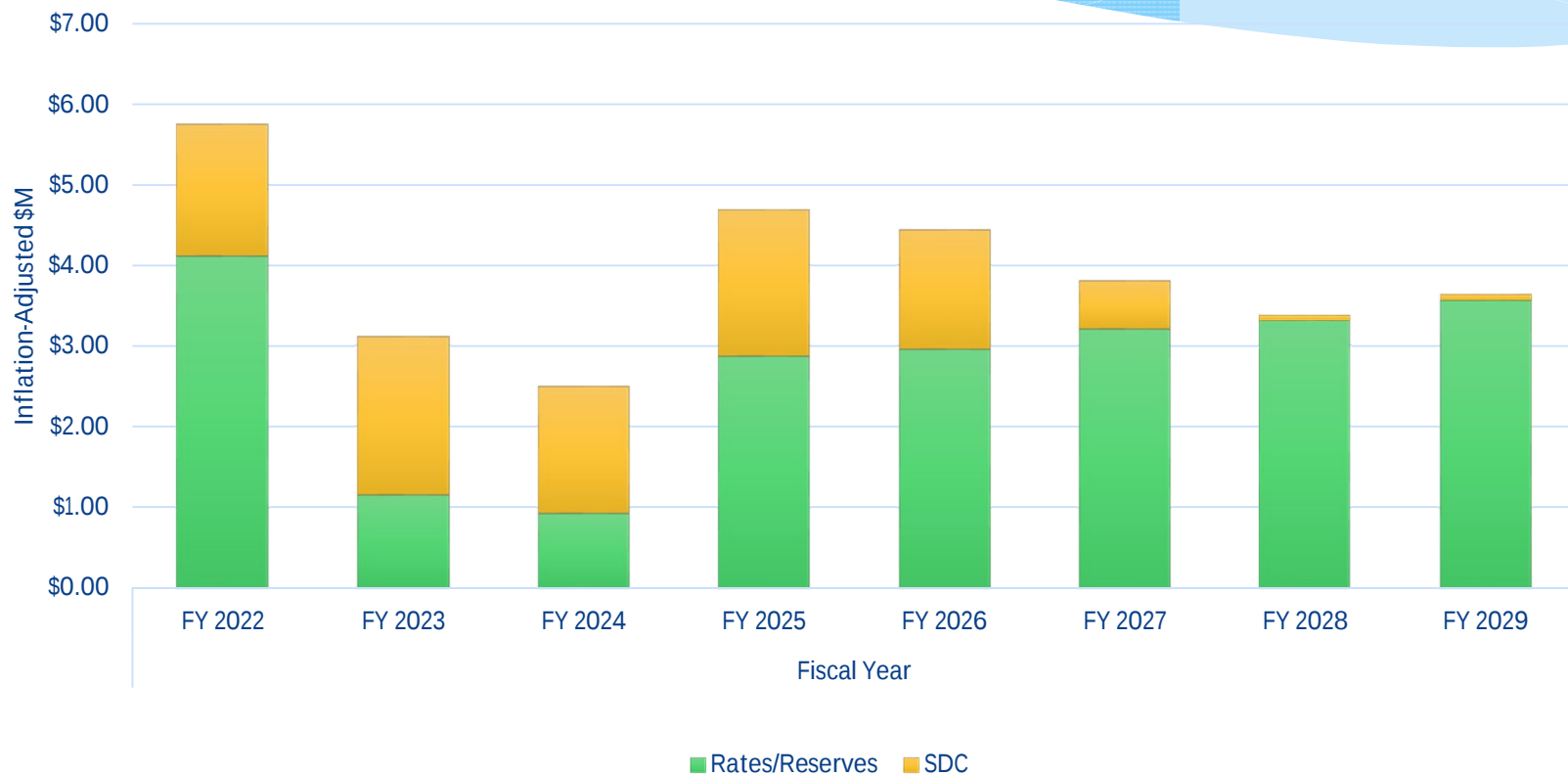
Total Capital Improvement Funding

- * See capital improvement table for detailed project information
- * SDC eligibility determined by master plan and SDC methodology

	Total
Capital Funding Sources	
Wastewater Reserves*	\$ 6,482,929
Rates	15,878,096
SDCs	9,179,731
Total	\$ 31,540,756
Uses of Funds	
Inflation-Adjusted CIP	\$ 31,307,569
Ending Balance	233,186
Total	\$ 31,540,756

*Excludes SDC Fund Reserves

Projected Annual Capital Improvement Plan Spending



Projected Reserves (End of Year)

	FY	FY
Component	2021-22	2028-29
Operating Contingency	\$1,055,311	\$1,397,263
Debt Service	\$1,859,522	\$1,438,342
Capital	\$4,744,212	\$233,143
Other	\$2,277,858	\$4,843,830
Subtotal Operating/Capital	\$9,936,904	\$7,912,577
SDC Fund Balance	\$9,101,094	\$4,180,091
Combined	\$19,037,997	\$12,092,667

Cash Reserve Guidelines

“Cash reserve balances are a critical component to a utility’s financial resiliency and sustainability.”

- * Need for regular review and flexibility to respond to changing conditions
- * Cash reserves types
 - * Operating
 - * Capital
 - * Debt Service
 - * Rate Stabilization



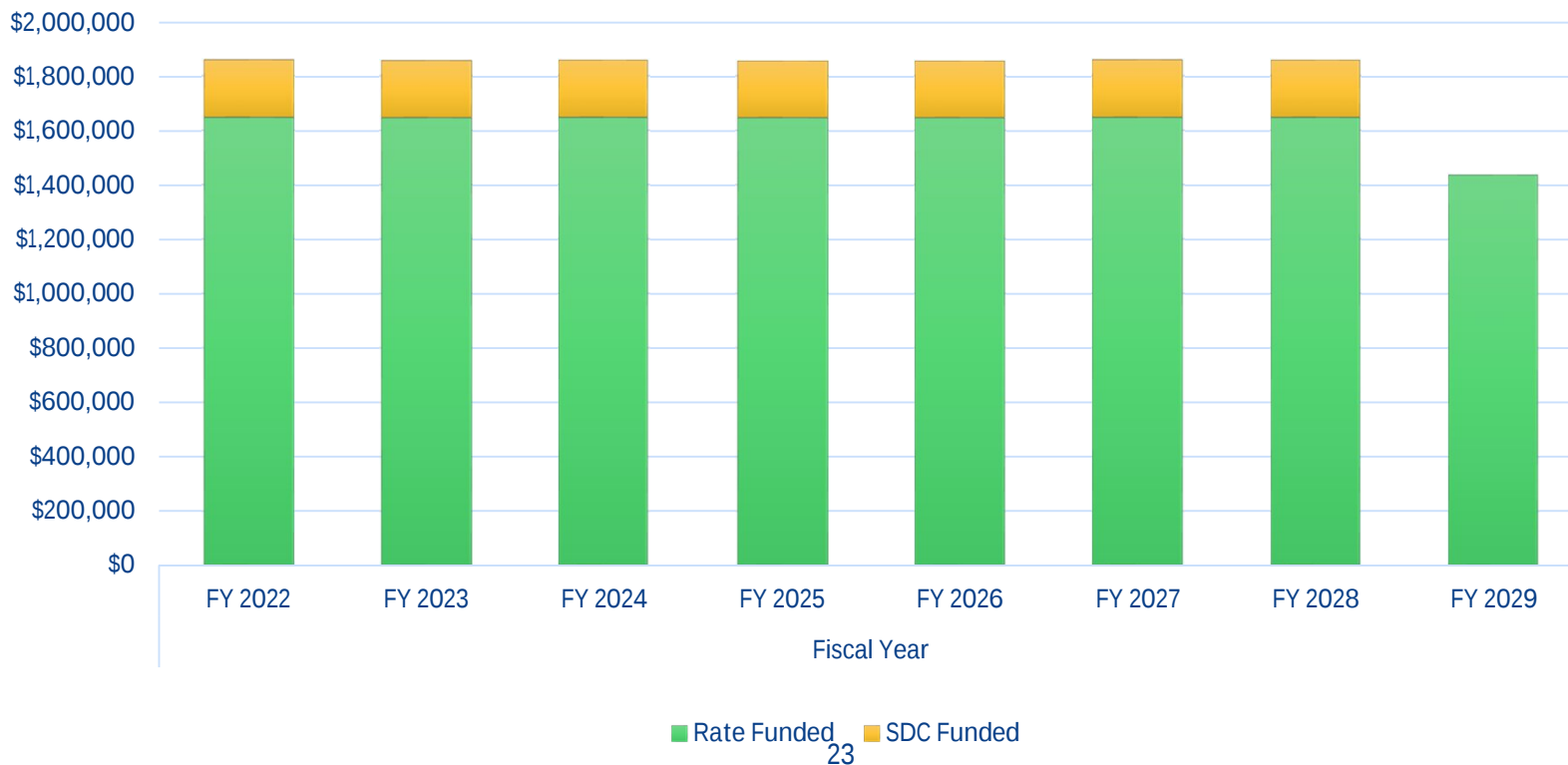
Cash Reserve Policy Guidelines

2018 American Water Works Association (AWWA)

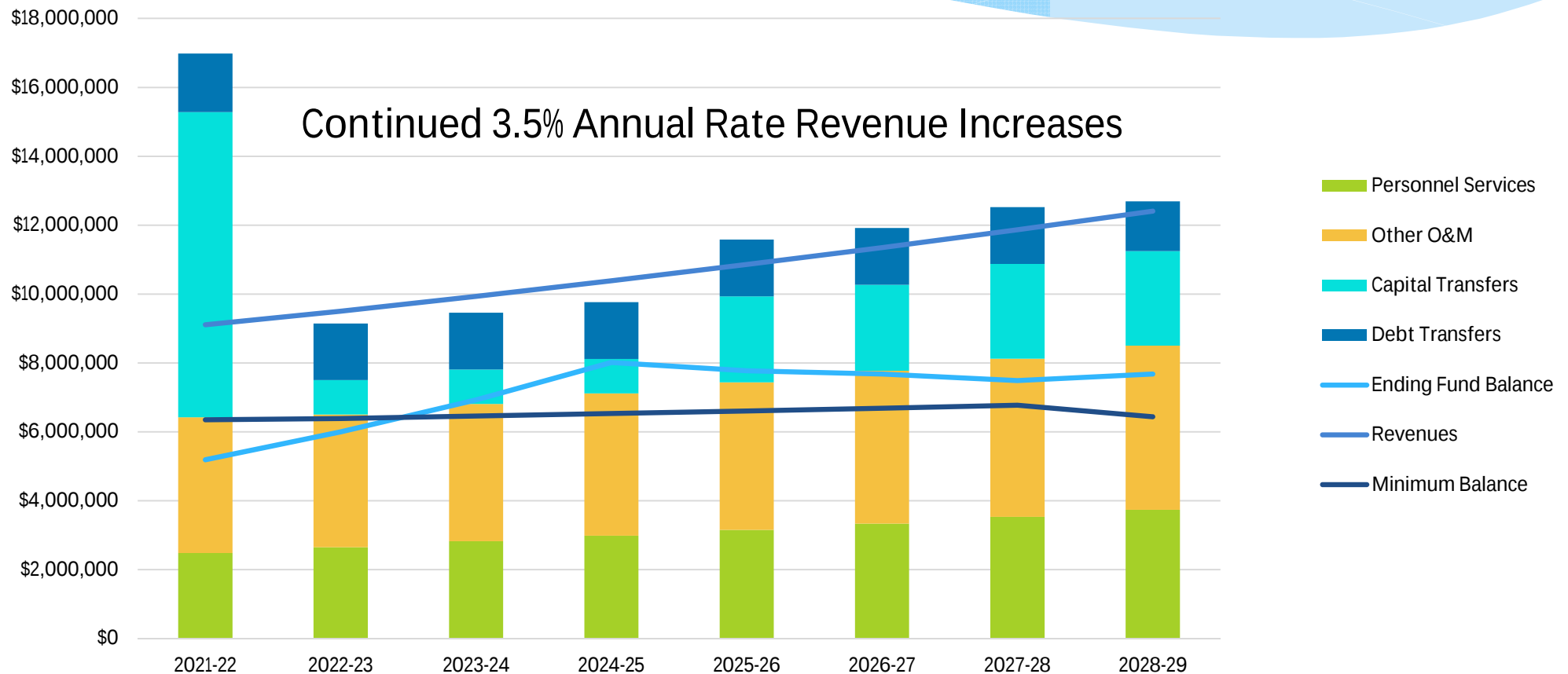
Existing Debt Service

WWTP Loan = \$18.9 million balance

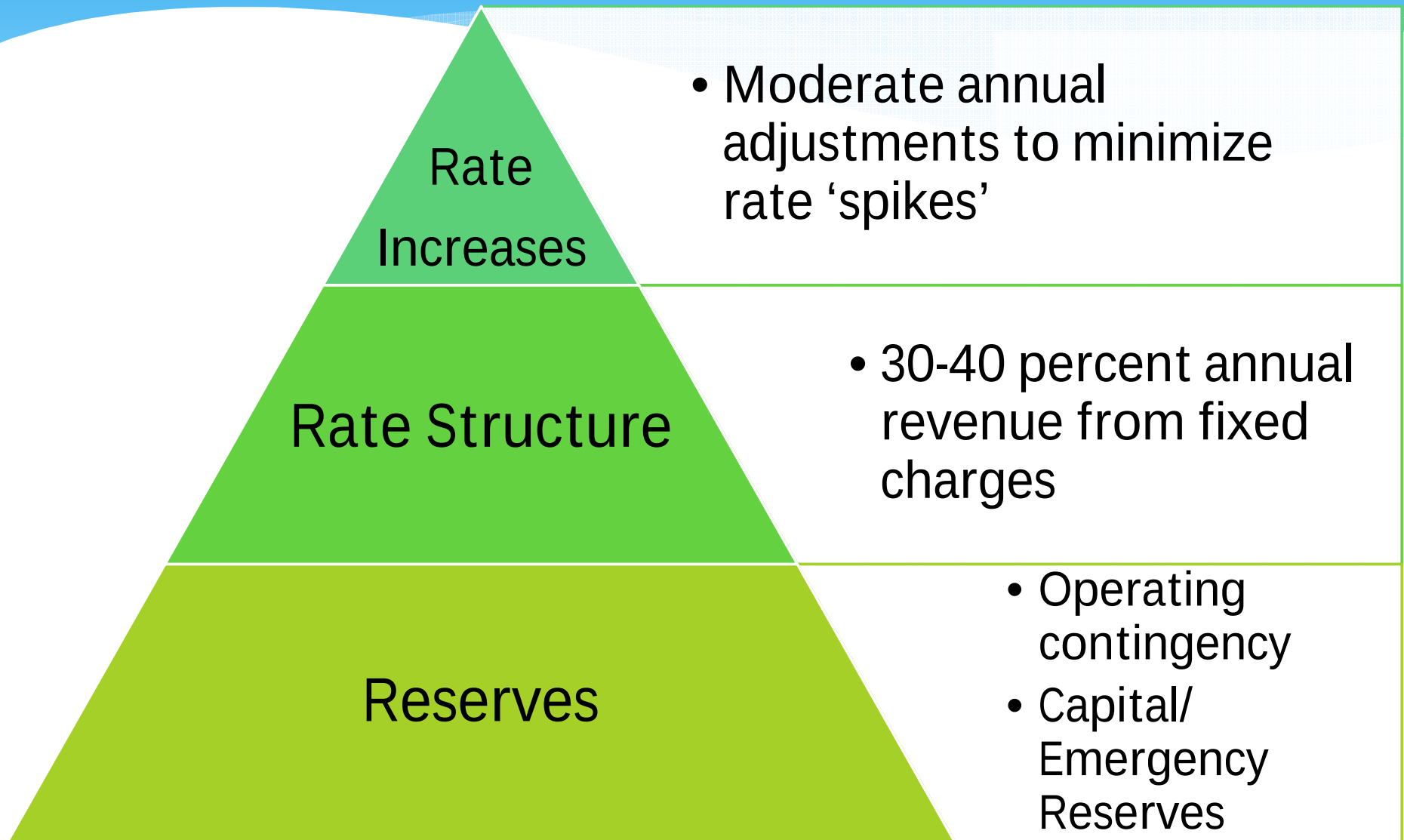
Effluent Reuse Loan (73% wastewater) = \$3.7 million balance (last payment 2028)



Projected Revenue Requirements and Ending Sewer Fund Balance



Foundation for Financial Resiliency



Next Steps

- * Wastewater (Sewer) System Analysis
 - * Rates by customer class and rate component
 - * Bill impacts
- * Review findings with CRRC November 17, 2021

Questions

Wastewater Capital Improvement Plan (Adjusted for Inflation)*

Project	Fiscal Year ending.....								TOTAL	SDC
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029		
Inflow & Infiltration (I&I) Projects	\$520,000	\$452,389	\$482,270	\$514,124	\$548,081	\$0	\$0	\$0	\$2,516,864	50.0%
WWTP Sawdust Bays	\$108,167	0	0	0	0	0	0	0	\$108,167	0.0%
Operations Remodel	\$81,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$81,000	0.0%
Compost Sale Pile Cover	\$0	\$0	\$204,964	\$0	\$0	\$0	\$0	\$0	\$204,964	0.0%
Roofing Replacement	\$0	\$79,168	\$0	\$0	\$0	\$0	\$0	\$0	\$79,168	0.0%
Coating for Fernwood & Creekside Pump Stations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	25.0%
Hess Creek Lining	\$250,000	\$517,500	\$0	\$0	\$0	\$0	\$0	\$0	\$767,500	50.0%
Structural Improvements to Oxidation Ditch	\$750,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$750,000	11.0%
I & I Report	\$0	\$0	\$241,135	\$0	\$0	\$0	\$0	\$0	\$241,135	50.0%
Dehydration Unit Burner Rebuild	\$68,959	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$68,959	0.0%
PLC Study and Replacment	\$1,525,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,525,000	0.0%
Master Plan Update	\$0	\$0	\$0	\$0	\$0	\$146,070	\$0	\$0	\$146,070	50.0%
Pinehurst Court	\$0	\$0	\$361,702	\$0	\$0	\$0	\$0	\$0	\$361,702	0.0%
Lift Station Short Term Improvements	\$0	\$106,311	\$0	\$0	\$0	\$1,219,689	\$126,264	\$0	\$1,452,264	1.0%
Painting & Maintenance to WWTP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
WWTP Hydraulic	\$0	\$549,016	\$0	\$0	\$0	\$0	\$0	\$0	\$549,016	14.0%
Clarifier Study	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	22.0%
Hess Creek Phase 2	\$0	\$0	\$0	\$1,927,962	\$2,740,405	\$1,336,752	\$3,248,921	\$3,644,342	\$12,898,382	2.0%
Riverfront Lift Station	\$212,180	\$1,130,972	\$1,205,673	\$1,330,461	\$1,147,523	\$0	\$0	\$0	\$5,026,810	100.0%
N. Springbrook Trunkline	\$0	\$0	\$0	\$911,283	\$0	\$0	\$0	\$0	\$911,283	20.0%
WWTP Solar Panel Farm	\$602,941	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$602,941	0.0%
Elliott Road Wastewater	\$600,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$600,000	0.0%
NE Chehalem	\$1,000,000	\$258,750	\$0	\$0	\$0	\$0	\$0	\$0	\$1,258,750	100.0%
E Crestview	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,000	100.0%
Maintenance Yard	\$17,000	\$17,595	\$0	\$0	\$0	\$0	\$0	\$0	\$34,595	20.0%
Charles & Andrew PS Displacement	\$0	\$0	\$0	\$0	\$0	\$1,109,000	\$0	\$0	\$1,109,000	44.0%
Total CIP (\$inflated)	\$5,749,247	\$3,111,702	\$2,495,744	\$4,683,830	\$4,436,009	\$3,811,510	\$3,375,185	\$3,644,342	\$31,307,569	

WWTP = Wastewater Treatment Plant

*Reflects 3.5% capital inflation