

**City of Newberg
Rate Review Committee
March 02, 2022**

Meeting held electronically due to COVID-19 pandemic

Vice Chair Knight called the meeting to order at 6:32 p.m.

Members Present: Melanie Mildenberger, Jennifer Bean, Ned Knight, Ron Sinicki, Wesley Clark, Brenda Morris, Sean Kelso, Alexander Aguilar (student), Mayor Roger (ex-officio)

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

COMMITTEE BUSINESS:

1. Approval of Minutes

Vice Chair Knight asked about the change to the Committee terms.

Finance Manager Strode said Committee meeting dates would be changed to fit in with the new timeline.

Action:	To approve the January 05, 2022, January 26, 2022, and February 09, 2022 Committee Minutes
Motion:	Knight
Second:	Aguilar
Vote:	Yes 8 No 0 Absent 0

2. Flyer for Rate Review Public Hearing on 3/16

Finance Manager Strode informed the Committee about the public hearing flyer that had been included in resident utility bills.

3. Utility Rate Review Recap

Deb Galardi, consultant, gave a presentation on Utility Rate Review Recap (Exhibit A). She discussed the water system capital plan and the two water capital funding options considered.

City Engineer Hofmann explained ARPA grant funds the City received for the water rights purchase. The Committee could lower the rate increase or leave the rate increase and finance less for future projects.

Ms. Galardi reviewed the water financial plan with the new Water Treatment Plant which included a 4% annual rate increase, typical water bill impacts, nonportable water rates, national utility bill and CPI trend, and water system summary.

There was discussion regarding the percent change between FY2023 and FY2024, options for either reducing the rate or saving on construction debt, construction debt starting in FY2024-26, and the difference if they reduced the rate to 3.5%.

Ms. Galardi continued with the sanitary sewer system capital plan, sanitary sewer financial plan with a 3.5% annual rate increase, typical sanitary sewer bill impacts, projected national and Newberg wastewater bill charges, sanitary sewer system summary, stormwater system capital plan, current rate funding capacity, stormwater financial plan with an option for a 6.75% rate increase or 7.5% rate increase, bill impacts for both options, and stormwater system summary. She also explained the Transportation Utility Fee and other street-related capital, TUF financial forecast which included a 4% increase, typical TUF residential bill, TUF system summary, combined bill impact, rate comparisons, and rate schedules.

There was discussion regarding simplifying the presentation to the public, making the water, sewer, and TUF at the same rate of 3.5%, and keeping the water rate at the 4% to add to the reserves for water projects.

Ms. Galardi said the difference between the 3.5% and 4% water rate was \$0.25. She reminded the Committee the goal was to get closer to the 35% fixed charge they were trying to achieve. The next meeting was the town hall and they would be presenting these rates. The difference in reduced debt service with a 4% increase as opposed to 3.5% increase was about \$100,000 per year. At 3.5% it would reduce the debt service by \$50,000-\$60,000. The reserves would be going toward the new Water Treatment Plant.

4. Committee Discussion and Decision of Proposed Rates for Rate Review Public Hearing.

Vote on the water rates:

Action:	To recommend a 4% water rate increase
Motion:	Mildenberger
Second:	Bean
Vote:	Yes 5 No 3 (Knight, Morris, Sinicki)

Vote on stormwater rates:

Action:	To recommend a 7.5% stormwater rate increase
Motion:	Knight
Second:	Mildenberger
Vote:	Yes 6 No 2 (Morris, Clark)

There was consensus to recommend a 3.5% sewer rate increase and 4% TUF increase as recommended by staff.

There was discussion regarding what would be presented to the public at the next meeting. The Committee wanted to point out that the rate increases were lower than in previous years and to give some rate history showing that as well as show how the rates were lower than the national average.

The next meeting would be held on March 16, 2022.

Chair Morris adjourned the meeting at 7:55 p.m.

ZRM
Zaira Robles Muniz, Administrative Assistant

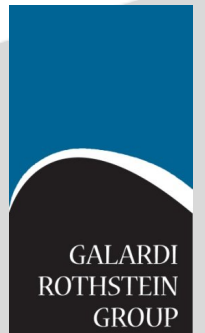
ATTEST:

Sue Ryan
Sue Ryan, City Recorder



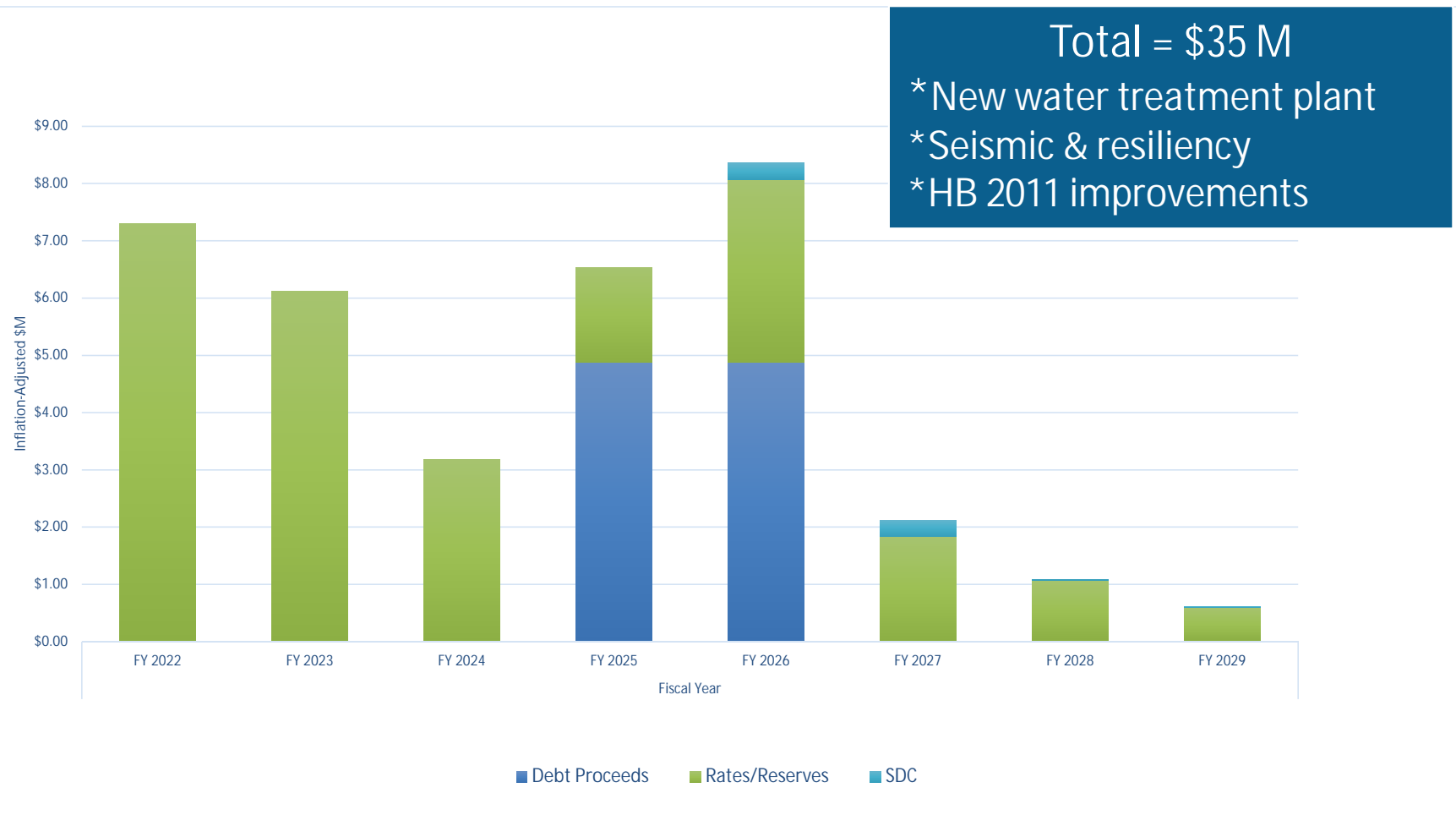
UTILITY RATE REVIEW RECAP

March 2, 2022



FINDINGS BY SYSTEM

WATER SYSTEM CAPITAL PLAN

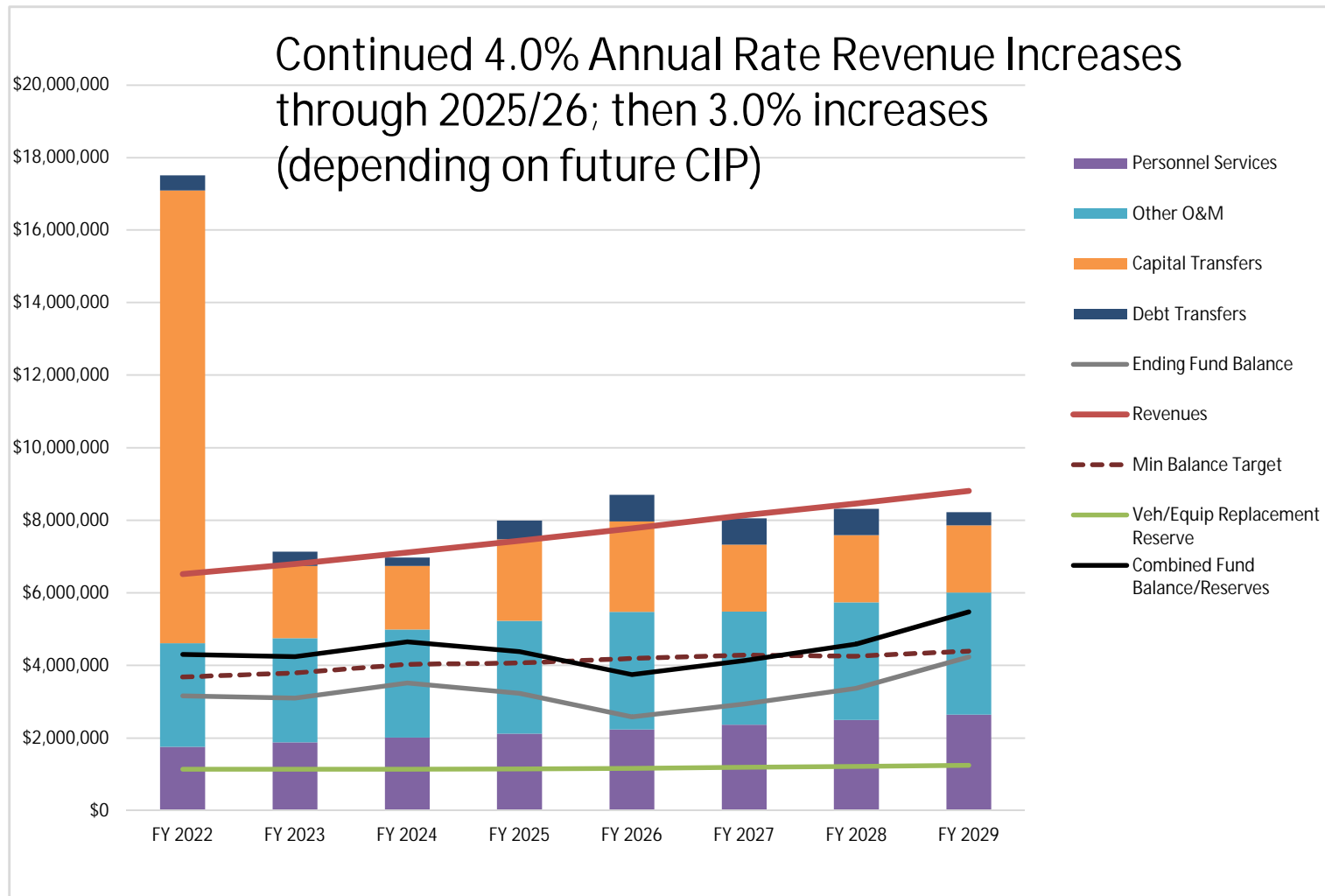


TWO WATER CAPITAL FUNDING OPTIONS CONSIDERED

	Existing WTP Upgrades	New WTP
Sources of Funds		
Beginning Capital Balance	\$ 119,318	\$ 119,318
Grants	450,000	450,000
SDCs	1,339,218	613,907
Operating Transfers (Rates & Reserves)	29,690,122	26,540,122
Bond Proceeds	-	9,750,000
Total	\$ 31,479,340	\$ 37,473,346
Uses of Funds		
Capital Improvements	\$ 31,454,226	\$ 35,327,272
Ending Balance	144,432	2,146,075
Total	\$ 31,598,658	\$ 37,473,346

*New WTP reduce future operation & maintenance costs; debt proceeds help spread construction cost impact.

WATER FINANCIAL PLAN WITH NEW WTP



TYPICAL WATER BILL IMPACTS

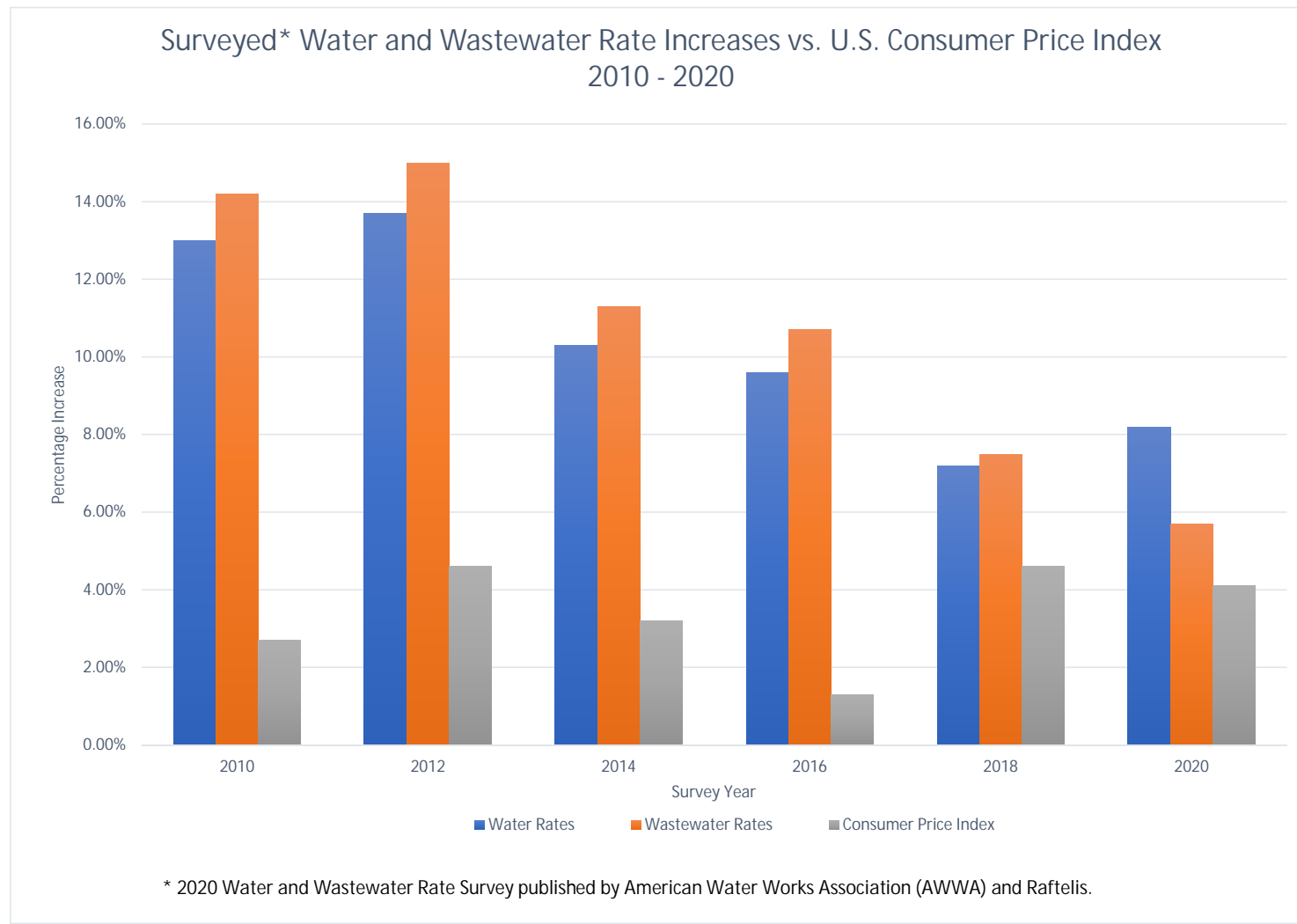
Class	Meter Size	Monthly Use (ccf)	Adopted Jan. 1 2022	Revised		Annual \$ Increase	
				FY 2023	FY 2024	FY 2023	FY 2024
Residential	3/4"	7.0	\$51.24	\$53.31	\$55.69	\$2.07	\$2.38
Multifamily	1"	48.1	\$202.16	\$211.73	\$219.24	\$9.57	\$7.51
Commercial	1"	31.7	\$171.51	\$180.08	\$186.85	\$8.57	\$6.77
Industrial	1 1/2"	97.4	\$538.90	\$568.67	\$593.36	\$29.77	\$24.69
Irrigation	2"	51.0	\$508.05	\$519.96	\$541.18	\$11.91	\$21.22
Outside City	3/4"	7.0	\$66.22	\$68.67	\$71.48	\$2.45	\$2.81
Public Agency	2"	55.2	\$362.22	\$374.78	\$392.78	\$12.56	\$18.00
				Percent Change			
S-F Residential				4.0%	4.5%		
Multifamily				4.7%	3.5%		
Commercial				5.0%	3.8%		
Industrial				5.5%	4.3%		
Irrigation				2.3%	4.1%		
Outside City				3.7%	4.1%		
Public Agency				3.5%	4.8%		
System-Wide				4.0%	4.0%		

NONPOTABLE WATER RATES

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

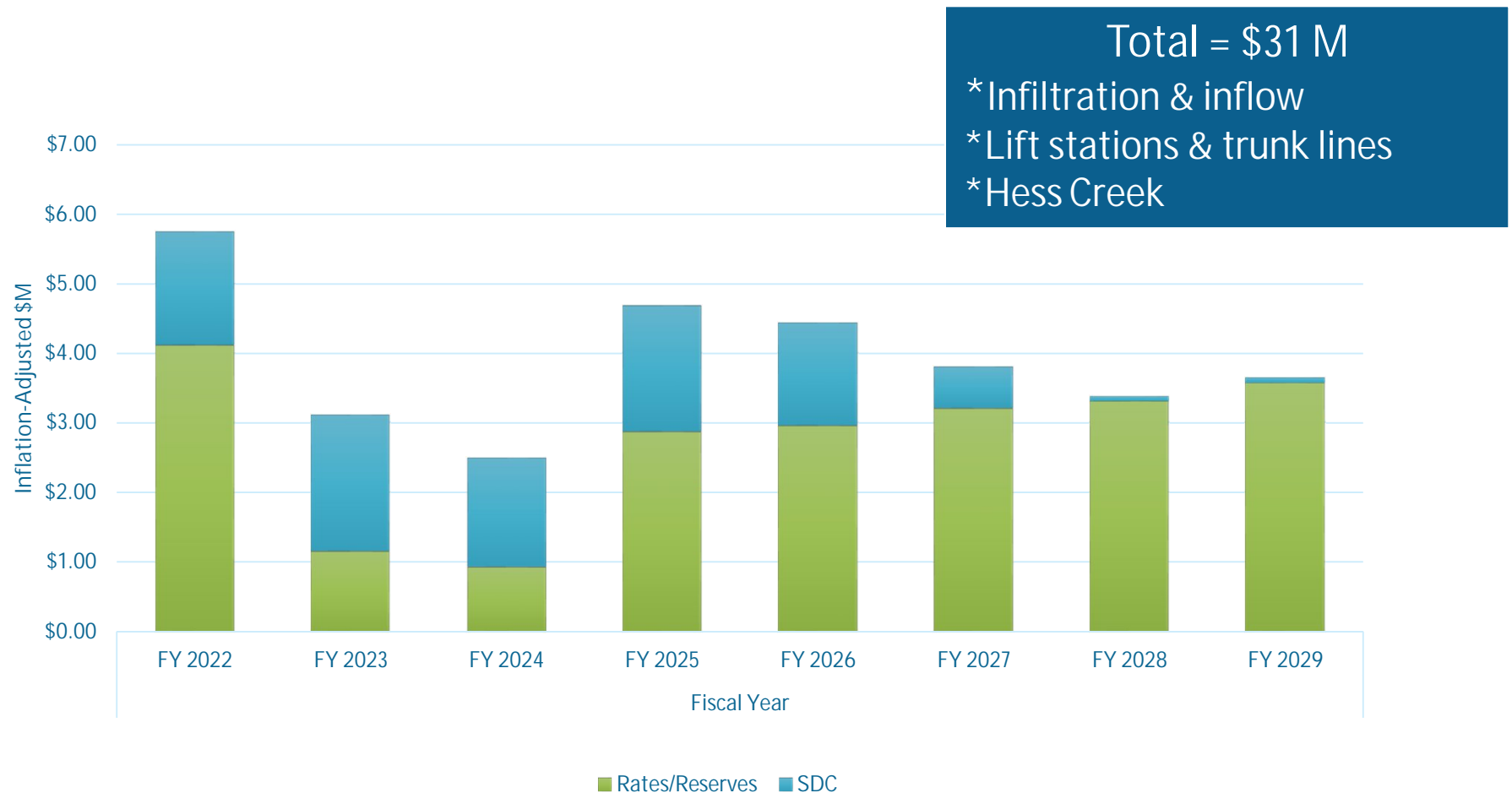
NATIONAL UTILITY BILL AND CPI TRENDS



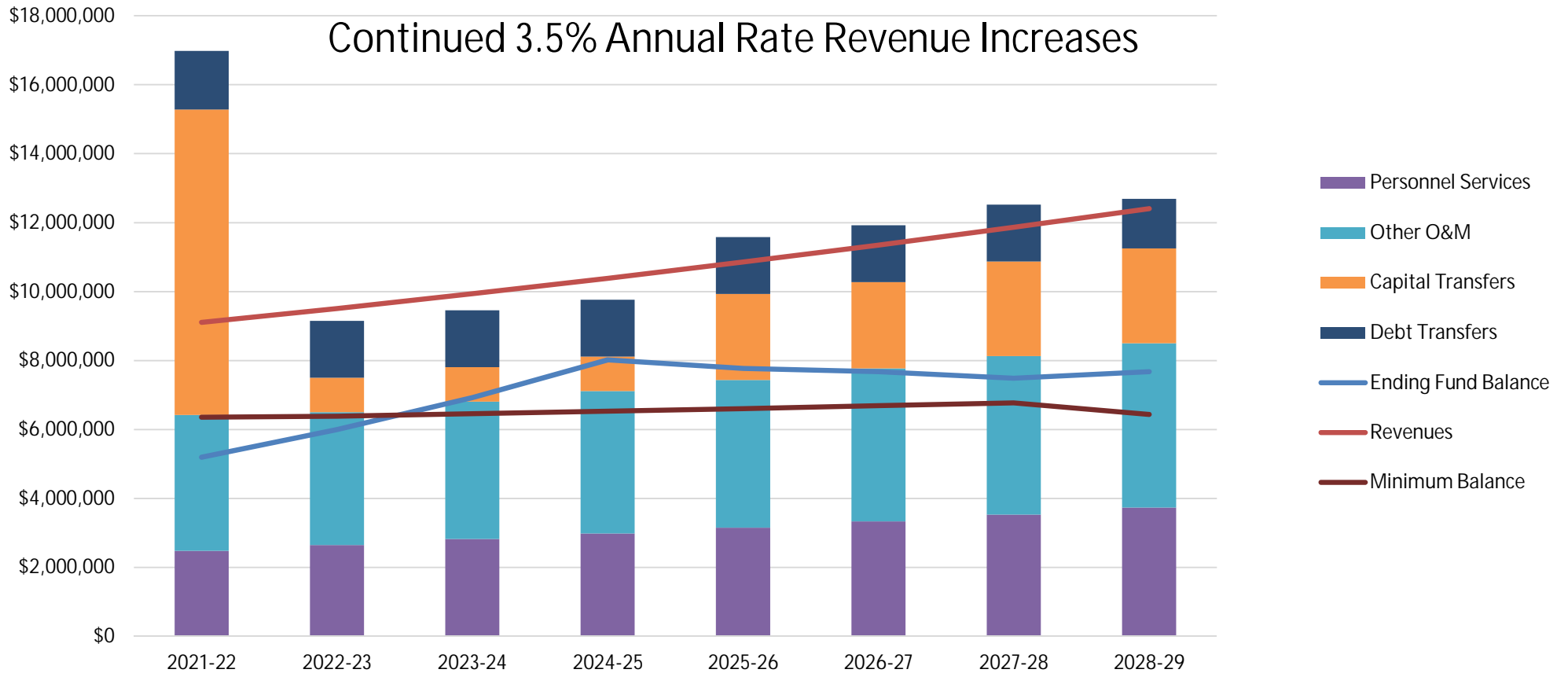
WATER SYSTEM SUMMARY

- Capital improvements driven by regulatory requirements and replacement needs
 - HB2001 (higher residential housing density)
 - Seismic improvements
 - New treatment plant (WTP)
- Existing debt service drops off in FY2026 and FY2029
 - New debt for WTP to spread impact
- Rate increases = 4% per year system average
 - Typical residential monthly bill increase = \$2.00-\$2.50
 - Water rate increases have been less than national average and are consistent with other regional cities.

SANITARY SEWER SYSTEM CAPITAL PLAN



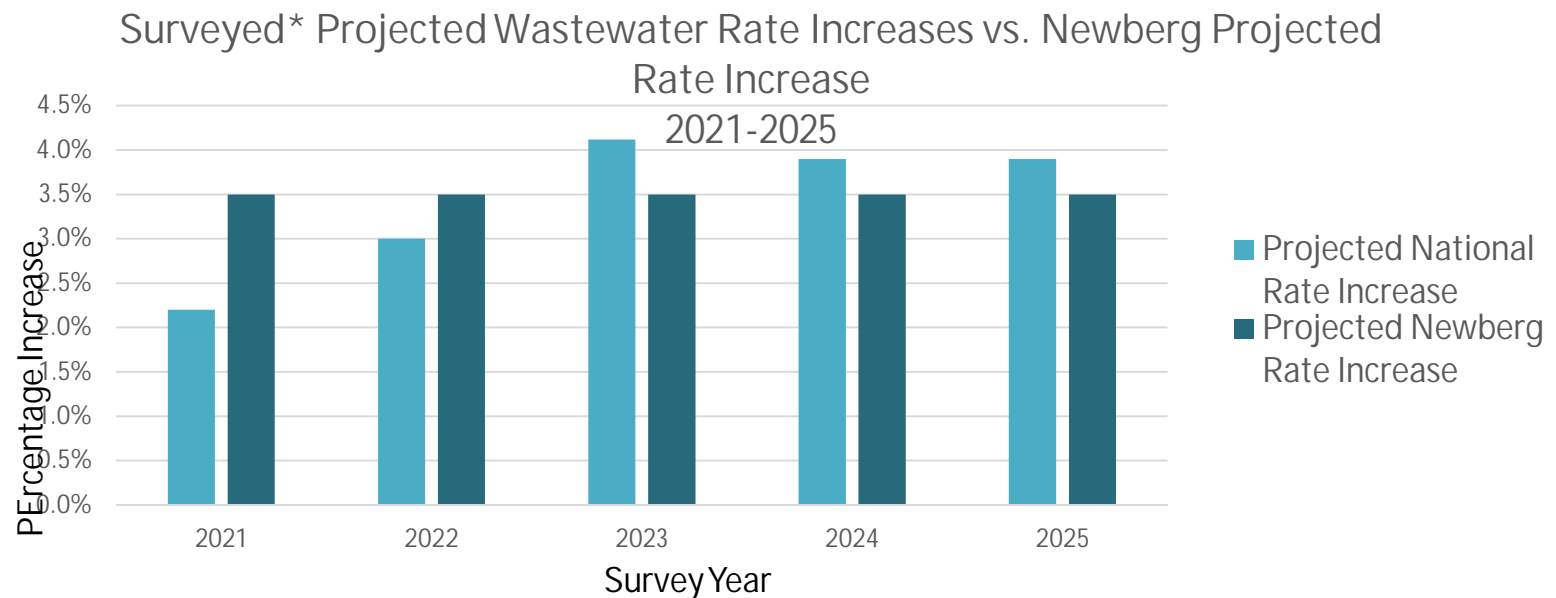
SANITARY SEWER FINANCIAL PLAN



TYPICAL SANITARY SEWER BILL IMPACTS

CUSTOMER CLASS	Monthly Use (ccf)	Adopted Jan. 1 2022	Proposed		\$ Increase	
			2022-23	2023-24	2022-23	2023-24
Single Family	4.5	\$72.68	\$75.44	\$78.09	\$2.76	\$2.65
Multifamily	40.8	\$714.93	\$738.51	\$764.58	\$23.58	\$26.07
Commercial - 1	9.7	\$121.67	\$125.58	\$129.96	\$3.91	\$4.38
Commercial - 2/Industrial	70.6	\$877.21	\$900.62	\$931.35	\$23.41	\$30.73
Commercial - 3	31.1	\$641.53	\$654.96	\$676.87	\$13.43	\$21.91
			Percent Change			
Single Family			3.8%	3.5%		
Multifamily			3.3%	3.5%		
Commercial - 1			3.2%	3.5%		
Commercial - 2			2.7%	3.4%		
Commercial - 3			2.1%	3.3%		
System-wide rate increase			3.50%	3.50%		

PROJECTED NATIONAL AND NEWBERG WASTEWATER BILL CHANGES

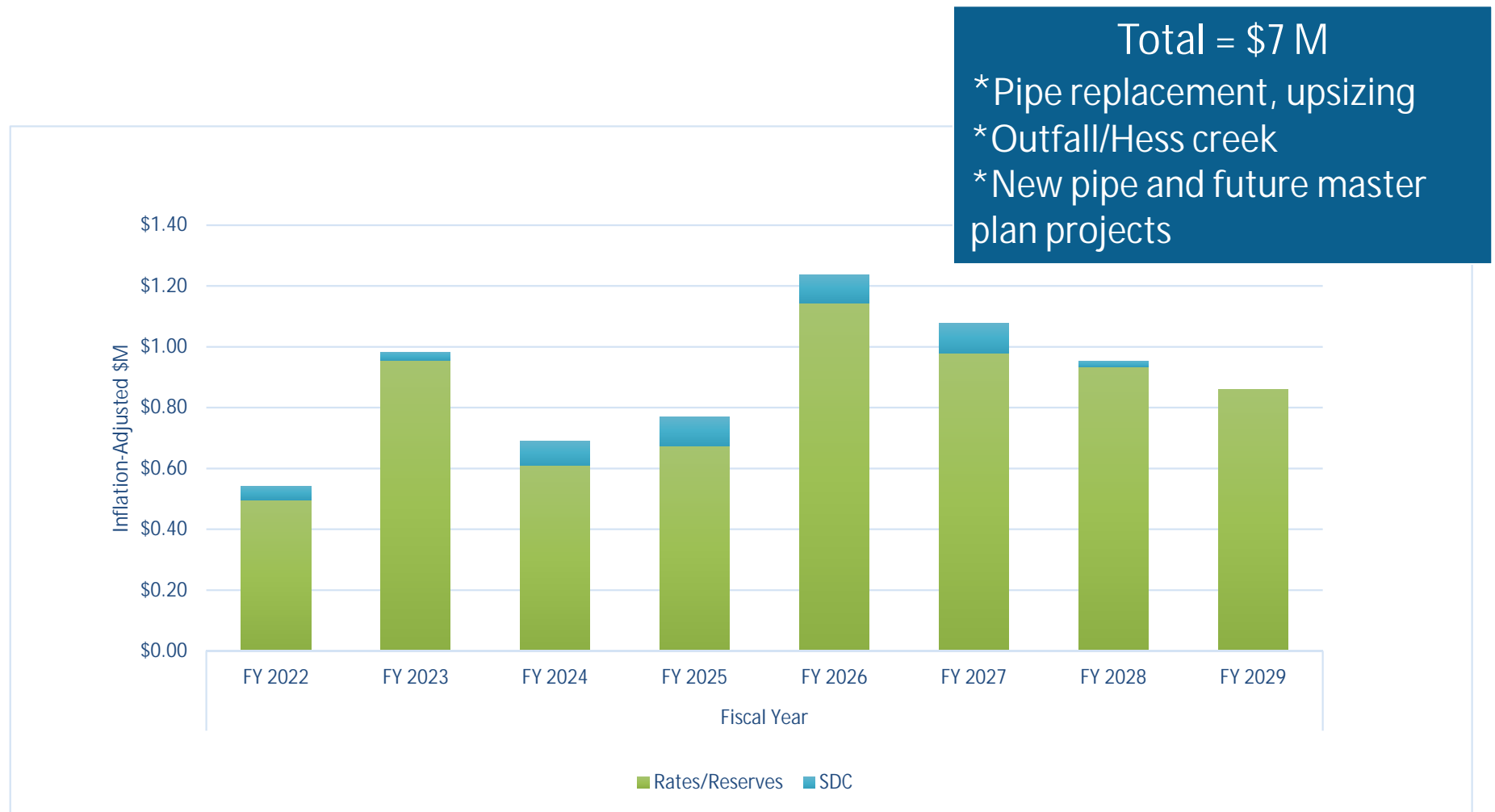


* 2020 Cost of Clean Water Index published by The National Association of Clean Water Agencies (NACWA).

SANITARY SEWER SYSTEM SUMMARY

- Capital improvements driven by permit requirements, system replacement and expansion
 - Expansion for growth funded by system development charges
- Small portion of debt service drops off in FY2029
 - No new debt
- Rate increases = 3.5% per year system average
 - Typical residential monthly bill increase = \$2.50-\$2.75
 - Rates increases slightly below national projections
 - Prior increases to address treatment plant and other needs resulted in highest rates in regional comparison

STORMWATER SYSTEM CAPITAL PLAN

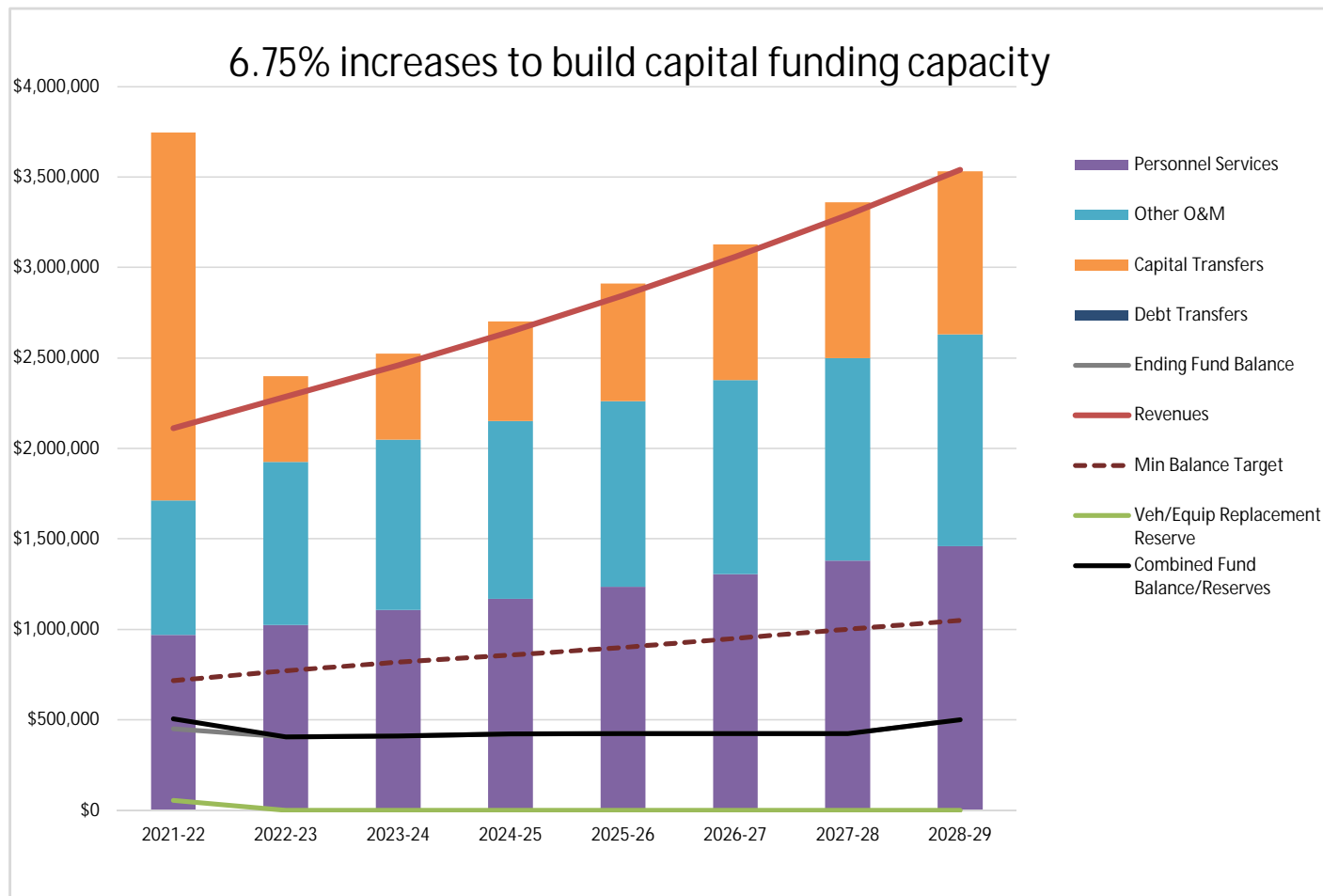


CURRENT RATE FUNDING CAPACITY

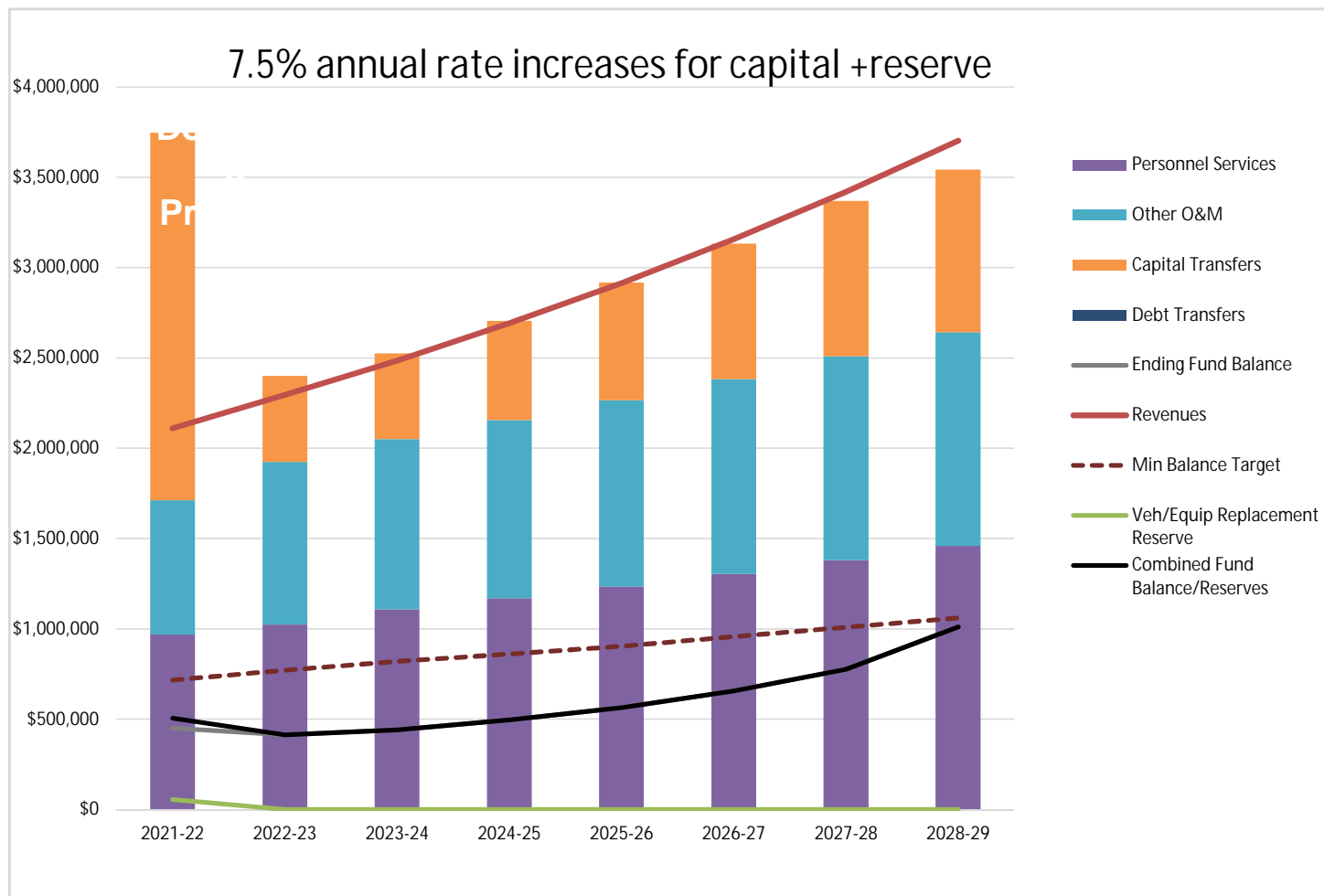
- Current rates can support about \$300K in capital in FY2023 and about \$200K in FY2024; new funding needs average \$800K per year.
- Future operating cost escalation erodes capital funding capacity.



STORMWATER FINANCIAL PLAN: MINIMUM RATE INCREASES



STORMWATER FINANCIAL PLAN: RATE INCREASES TO MEET RESERVE TARGET



BILL IMPACTS (BOTH OPTIONS)

	January	January	January	January
Customer Class	2021	2022	2023	2024
Service Charge (\$/Month)				
Single Family Residential	\$13.34	\$14.54	\$15.52	\$16.57
Nonresidential (\$/EDU)	\$13.34	\$14.54	\$15.52	\$16.57
Rate Change				
\$		\$1.20	\$0.98	\$1.05
%		9.00%	6.75%	6.75%
EDU = 2,877 sq. ft. impervious area				

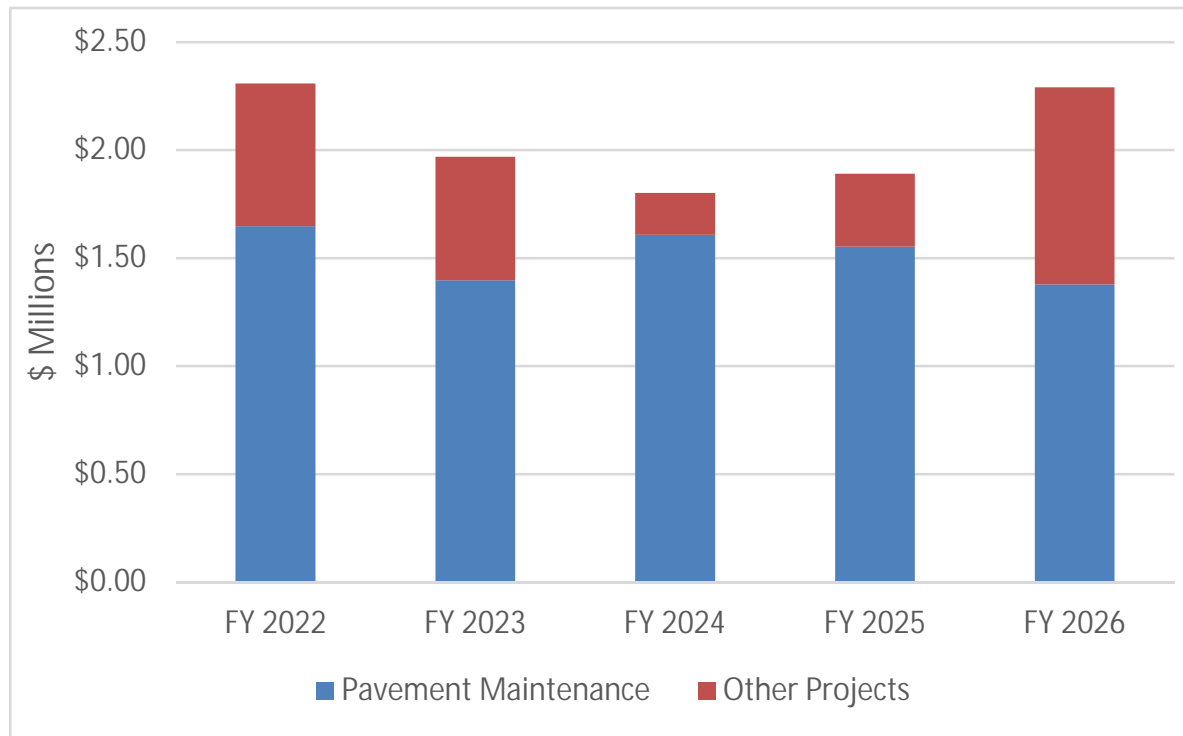
	January	January	January	January
Customer Class	2021	2022	2023	2024
Service Charge (\$/Month)				
Single Family Residential	\$13.34	\$14.54	\$15.63	\$16.80
Nonresidential (\$/EDU)	\$13.34	\$14.54	\$15.63	\$16.80
Rate Change				
\$		\$1.20	\$1.09	\$1.17
%		9.00%	7.50%	7.50%

STORMWATER SYSTEM SUMMARY

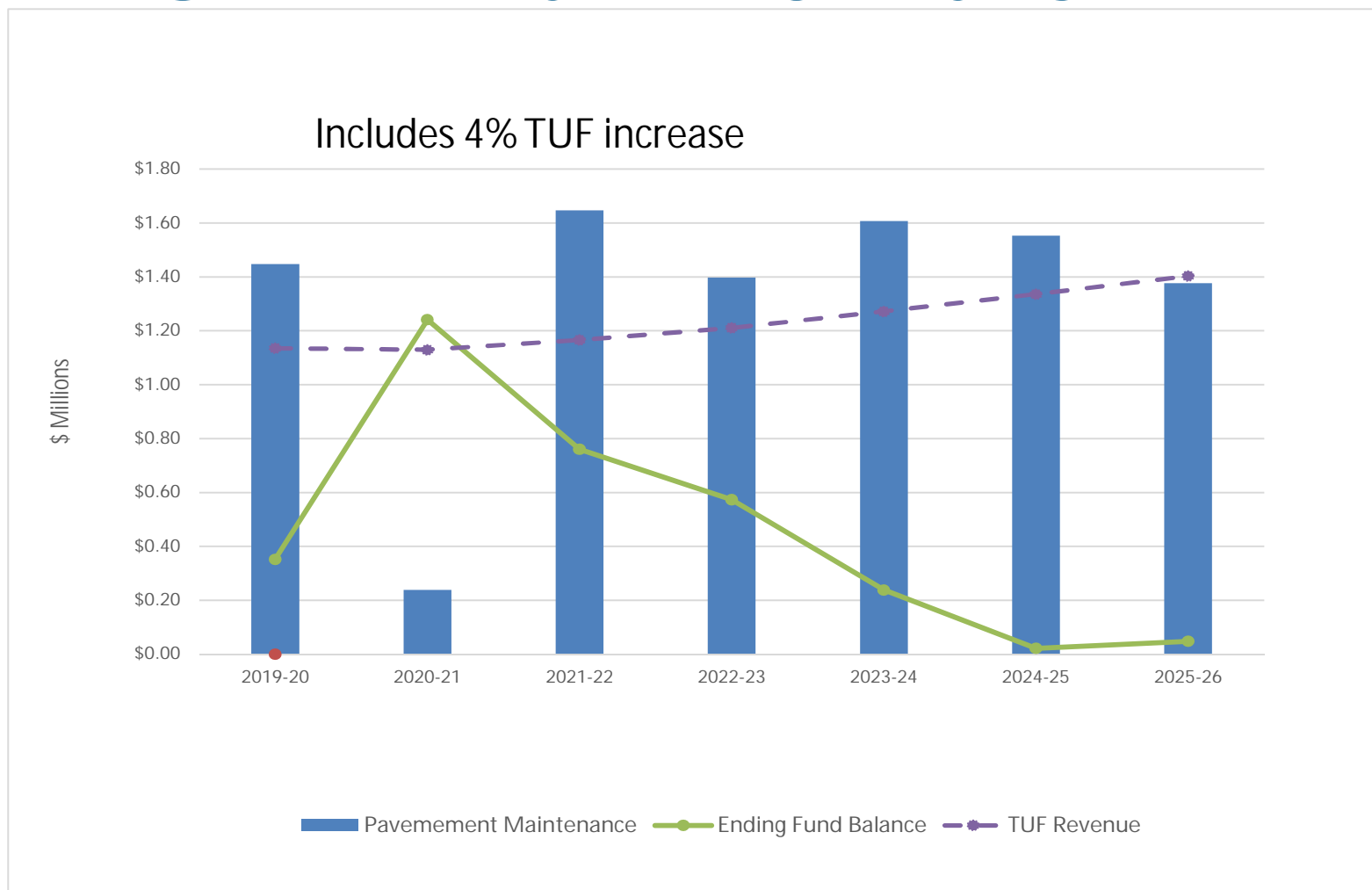
- Capital improvements driven by regulatory, capacity and expansion needs.
 - Current rates insufficient to fund current capital.
 - Initial rate increases have focused on building capacity for operation and maintenance program.
- Rate increases are reduced from last update
 - 6.75% or 7.5% down from 9% per year.
 - Typical residential monthly bill increase = \$1.00-\$1.20.
 - Stormwater bills are in middle range of other communities.

TUF AND OTHER STREET-RELATED CAPITAL

- Avg. TUF-support maintenance = \$1.5 M/year
- Other capital funded by gas taxes, SDCs and grants



TUF FINANCIAL FORECAST



TYPICAL TUF RESIDENTIAL BILL

	1-Jan-22	1-Jan-23	1-Jan-24
Proposed Rate Increase	2.0%	4.0%	4.0%
Single Family Rate	\$5.19	\$5.40	\$5.62
Inflation *	8.4%	3.5%	3.5%
SF Rate w/Inflation	\$5.75	\$5.95	\$6.16
*Estimated			

TUF SYSTEM SUMMARY

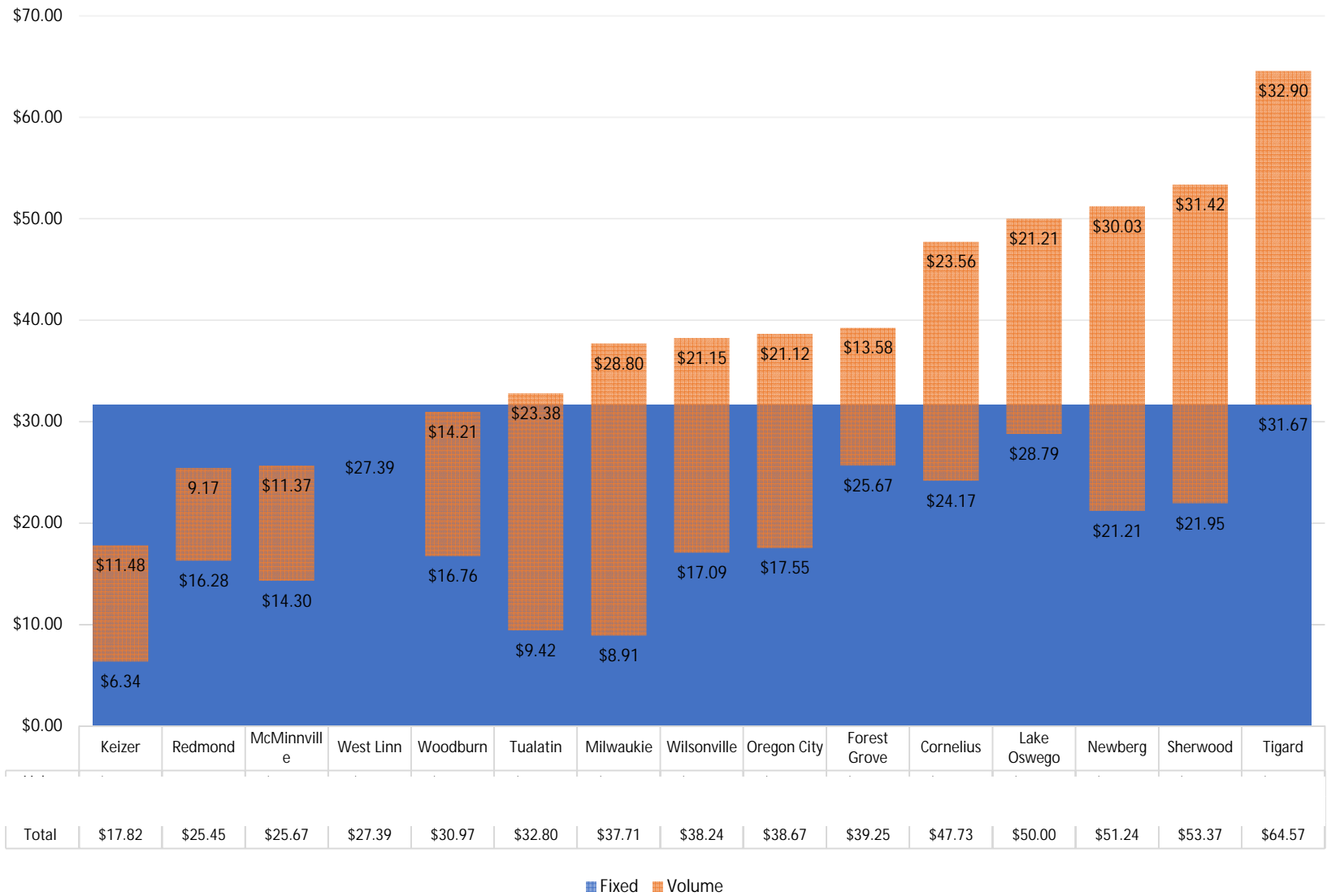
- TUF is newest utility fee (implemented 2017)
 - No rate increases first two years.
 - Actual revenue has been below initial projections of \$1.2M.
 - Rates and revenue have not kept up with inflation.
- Rate increases are increased from last update:
 - 4% up from 2% per year.
 - Typical residential monthly bill increase = \$0.20-\$0.25.
 - TUF bills are on lower of other communities with charges.

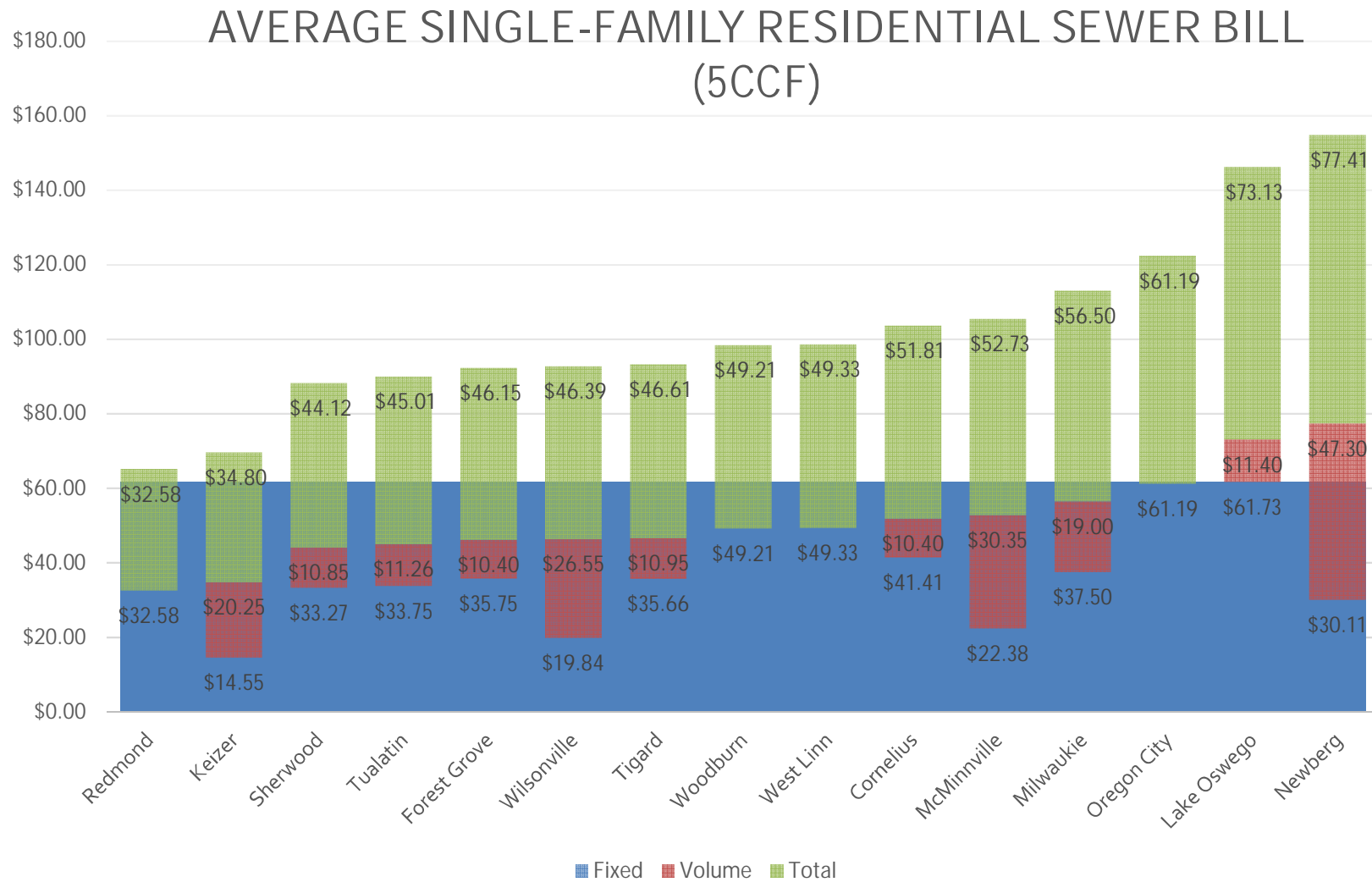
COMBINED BILL IMPACT

Single Family Average Municipal Bill Comparison								
Overall Increase					1-Jan	1-Jan	% Increase	
2023	2024	System	Units	Current	2023	2024	2023	2024
4.0%	4.0%	Water	7.0	\$51.24	\$53.31	\$55.69	4.0%	4.5%
3.5%	3.5%	Sewer	5.0	\$77.41	\$80.28	\$83.09	3.7%	3.5%
7.5%	7.5%	Storm	1	\$14.54	\$15.63	\$16.80	7.5%	7.5%
4.0%	4.0%	TUF	1	\$5.19	\$5.40	\$5.61	4.0%	4.0%
0.0%	0.0%	Public Safety	1	\$3.00	\$3.00	\$3.00	0.0%	0.0%
3.0%	3.0%	Communication Officer	1	\$2.26	\$2.33	\$2.40	3.0%	3.0%
		Total		\$153.64	\$159.95	\$166.59		
		Difference \$			\$6.31	\$6.65		
		Difference %			4.1%	4.2%		
Communication Officer Fee estimated; annual increases are July 1 based on inflation.								

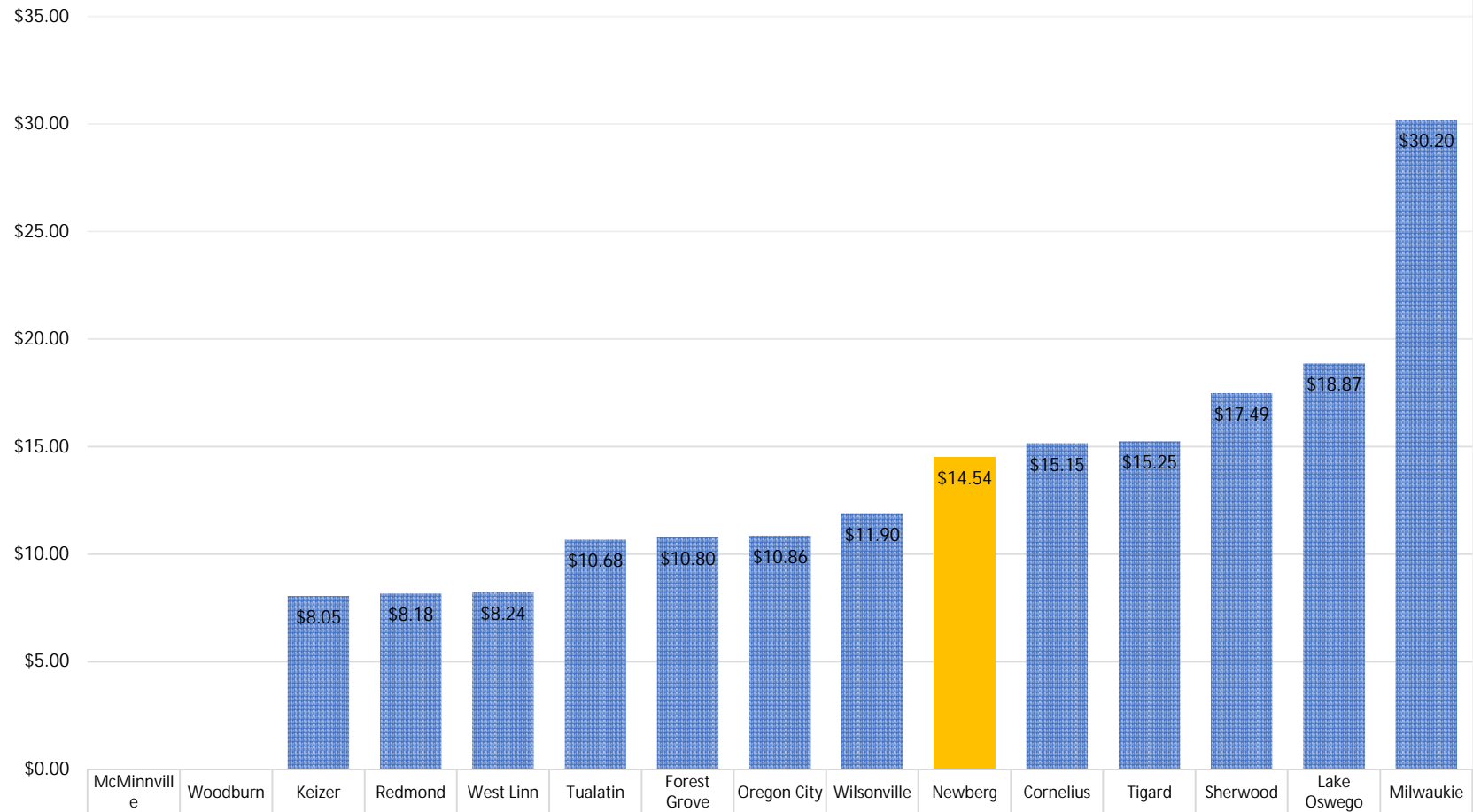
RATE COMPARISONS

AVERAGE SINGLE-FAMILY RESIDENTIAL WATER BILL (7 CCF)

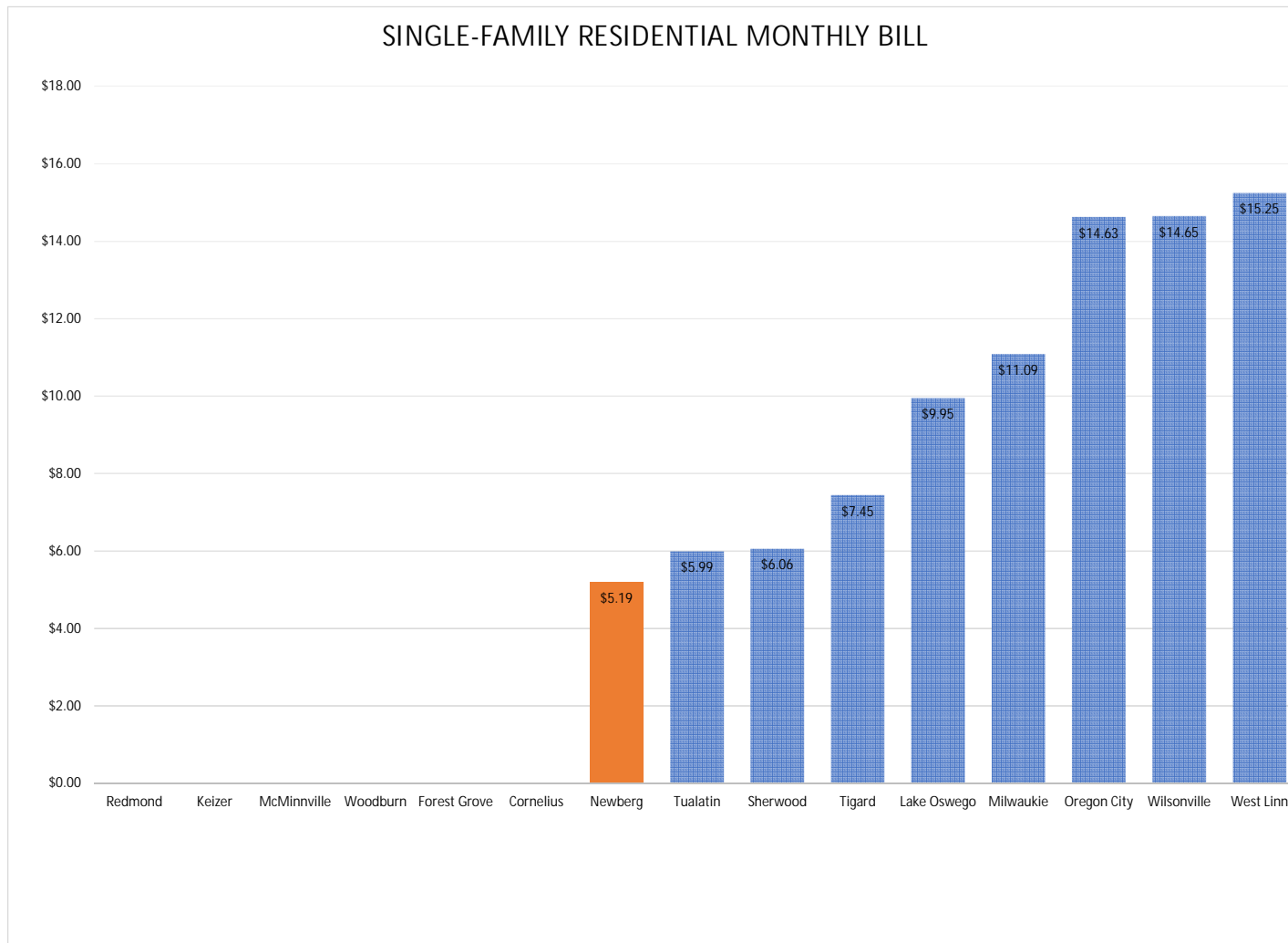




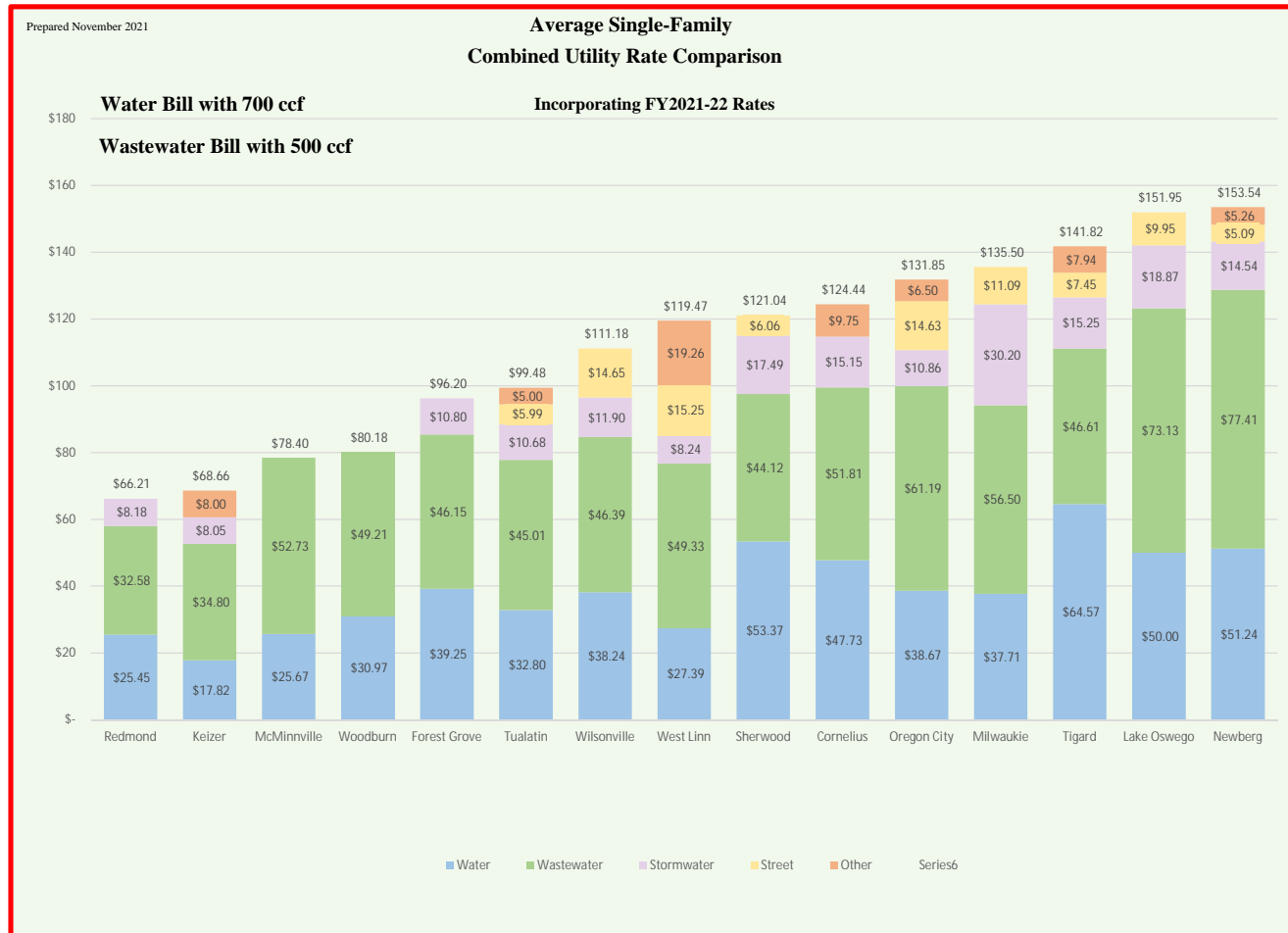
SINGLE-FAMILY RESIDENTIAL STORMWATER BILL



SINGLE-FAMILY RESIDENTIAL TUF



COMBINED AVERAGE RESIDENTIAL BILL



RATE SCHEDULES

PRELIMINARY WATER RATE SCHEDULE

Customer Class	Adopted	Proposed		% Increase	
	FY 2022	FY 2023	FY 2024	FY 2023	FY 2024
Service Charge	\$3.25	\$3.56	\$3.71	9.7%	4.0%
Meter Charge (\$/Month)					
3/4"	\$17.96	\$19.05	\$20.38	6.1%	7.0%
1"	\$30.53	\$32.39	\$34.65	6.1%	7.0%
1-1/4"	\$44.90	\$47.63	\$50.95	6.1%	7.0%
1-1/2"	\$59.27	\$62.87	\$67.25	6.1%	7.0%
2"	\$95.19	\$100.97	\$108.01	6.1%	7.0%
3"	\$179.60	\$190.50	\$203.80	6.1%	7.0%
4"	\$299.93	\$318.14	\$340.35	6.1%	7.0%
6"	\$598.07	\$634.37	\$678.65	6.1%	7.0%
8"	\$957.27	\$1,015.37	\$1,086.25	6.1%	7.0%
10"	\$1,496.07	\$1,586.87	\$1,697.65	6.1%	7.0%
Nonpotable Meter Charge (\$/Month)					
4"	\$62.21	\$63.45	\$64.72	2.0%	2.0%
8"	\$195.75	\$199.67	\$203.66	2.0%	2.0%
Volume Charge (\$/ccf)					
S-F Residential	\$4.29	\$4.39	\$4.51	2.2%	2.9%
Multifamily	\$3.50	\$3.65	\$3.76	4.4%	2.9%
Commercial	\$4.34	\$4.54	\$4.68	4.6%	3.0%
Industrial	\$4.89	\$5.16	\$5.36	5.4%	4.0%
Irrigation	\$8.03	\$8.14	\$8.42	1.4%	3.4%
Outside City	\$6.43	\$6.58	\$6.77	2.3%	2.9%
Public Agency	\$4.78	\$4.90	\$5.09	2.4%	4.0%
Non-Potable	\$2.80	\$2.88	\$2.95	2.8%	2.5%

PRELIMINARY SEWER RATE SCHEDULE

	January		
Rate Component/Customer Class	2022	Jan 1 '23	Jan 1 '24
Service Charge (\$/Month)			
Total Service Charge (\$/Account) ¹	\$30.11	\$31.87	\$33.01
Infiltration & Inflow (\$/additional Multifamily Dwelling Unit)	\$24.88	\$25.94	\$26.88
Volume Charge (\$/ccf)			
Single Family	\$9.46	\$9.68	\$10.02
Multifamily	\$9.46	\$9.68	\$10.02
Commercial - 1	\$9.46	\$9.68	\$10.02
Commercial - 2	\$12.00	\$12.31	\$12.73
Commercial - 3	\$19.69	\$20.07	\$20.74
Industrial	\$12.00	\$12.31	\$12.73
¹ Includes billing charge and Infiltration & Inflow charge.			

STORMWATER RATES OPTIONS

	January	January	January	January
Customer Class	2021	2022	2023	2024
Service Charge (\$/Month)				
Single Family Residential	\$13.34	\$14.54	\$15.52	\$16.57
Nonresidential (\$/EDU)	\$13.34	\$14.54	\$15.52	\$16.57
Rate Change				
\$		\$1.20	\$0.98	\$1.05
%		9.00%	6.75%	6.75%
EDU = 2,877 sq. ft. impervious area				

	January	January	January	January
Customer Class	2021	2022	2023	2024
Service Charge (\$/Month)				
Single Family Residential	\$13.34	\$14.54	\$15.63	\$16.80
Nonresidential (\$/EDU)	\$13.34	\$14.54	\$15.63	\$16.80
Rate Change				
\$		\$1.20	\$1.09	\$1.17
%		9.00%	7.50%	7.50%

PRELIMINARY TUF RATES -- STANDARD CLASSES

Description	FY 2022	1-Jan	1-Jan	Increase		Units Measured
		2023	2024	2023	2024	
		4.00%	4.00%			
Class 1 Non-Residential	\$ 3.87	\$ 4.03	\$ 4.19	\$ 0.15	\$ 0.16	KSF
Class 2 Non-Residential	15.25	15.86	16.50	0.61	0.63	KSF
Class 3 Non-Residential	22.21	23.10	24.03	0.89	0.92	KSF
Class 4 Non-Residential	34.81	36.20	37.65	1.39	1.45	KSF
Class 5 Non-Residential	101.09	105.13	109.33	4.04	4.21	KSF
Non-Residential Minimum	5.19	5.40	5.62	0.21	0.22	1
Sf Detached Housing	5.19	5.40	5.62	0.21	0.22	DU
Multi-Family	3.51	3.65	3.79	0.14	0.15	DU
Mobile Home	2.72	2.82	2.94	0.11	0.11	Occupied DU

KSF = 1,000 Square Feet building area