

**City of Newberg
Rate Review Committee
Public Hearing
March 16, 2022**

Meeting held electronically due to COVID-19 pandemic

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

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

Members Absent: Sean Kelso

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

ADMINISTRATIVE PUBLIC HEARING:

Chair Morris opened the public hearing. She asked if the Committee had any conflicts of interest to declare. There were none.

Deb Galardi, Galardi Rothstein Group, presented the staff report (exhibit A). She discussed the rate review process, utility enterprises, rate setting principles, prior annual revenue increases, national utility bill and CPI trends, and rate increase factors. She then explained utility revenue requirements, near term capital investment priorities, current rate capital funding vs. projected costs, water system capital improvements and summary, average single family residential water bill, sanitary sewer system capital plan and summary, average single family residential sewer bill, projected national and Newberg wastewater bill changes, stormwater system capital plan and summary, single family residential stormwater bill, Transportation Utility Fee summary, and single family residential transportation utility fees. The combined single family bill impact was a 4.1% increase in 2023 and a 4.2% increase in 2024. The fees would go to the City Council on April 4. Rate increases would be effective January 1, 2023 and January 1, 2024.

Public Testimony:

Proponents: None

Opponents: Beatrice Falla, Newberg resident, was concerned about the rate increases at a time when money was tight. She thought there should be an active effort to reduce costs. She hoped new construction was paying for infrastructure improvements to accommodate the growth.

Jim Forkner, Newberg resident, questioned the amount of his water bill and the Transportation Utility Fee. With current inflation, it was a difficult time to raise rates. The City needed to look internally to cut expenses.

Margaret Nava, Newberg resident, also questioned the amount of her bill. She thought a ceiling should be set for what the City charged and the City should work the budget under that ceiling.

Alison Childs, Newberg resident, thought there needed to be a different way to fund the projects than raising rates, especially since they were so much higher than other cities in the area. She thought they should ask other communities how they were managing with less funding.

Chair Morris closed the public hearing.

Ms. Galardi discussed cost containment and postponing capital improvement projects to keep within the 4% increase, how there was not always flexibility in the timing of projects, and savings with the new water treatment plant in operation and maintenance costs.

City Engineer Hofmann said they were going after additional grants for projects. New development did pay System Development Charges for future growth. They were also looking at cost containment options. She explained why there was a difference in what other cities charged.

Ms. Galardi explained how the sewer rates were calculated. These were annual rate increases. It was difficult to compare with other cities.

Committee Deliberation: The Committee discussed distributing information to citizens in their utility bills about the upcoming capital improvements and costs as well as comparison to other cities.

Action:	To Approve All Proposed Rate Increases
Motion:	Chair Morris
Second:	Mildenberger
Vote:	Yes 7 No 0 Absent 1 (Kelso)

The next step would be to present the proposed rates to the City Council on April 4, 2022 at 7:00 p.m.

Chair Morris adjourned the meeting at 7:59 p.m.



Zaira Robles Muniz, Administrative Assistant

ATTEST:

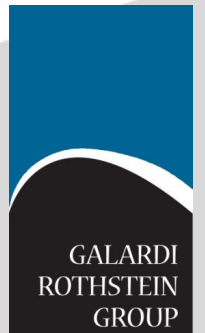


Sue Ryan, City Recorder



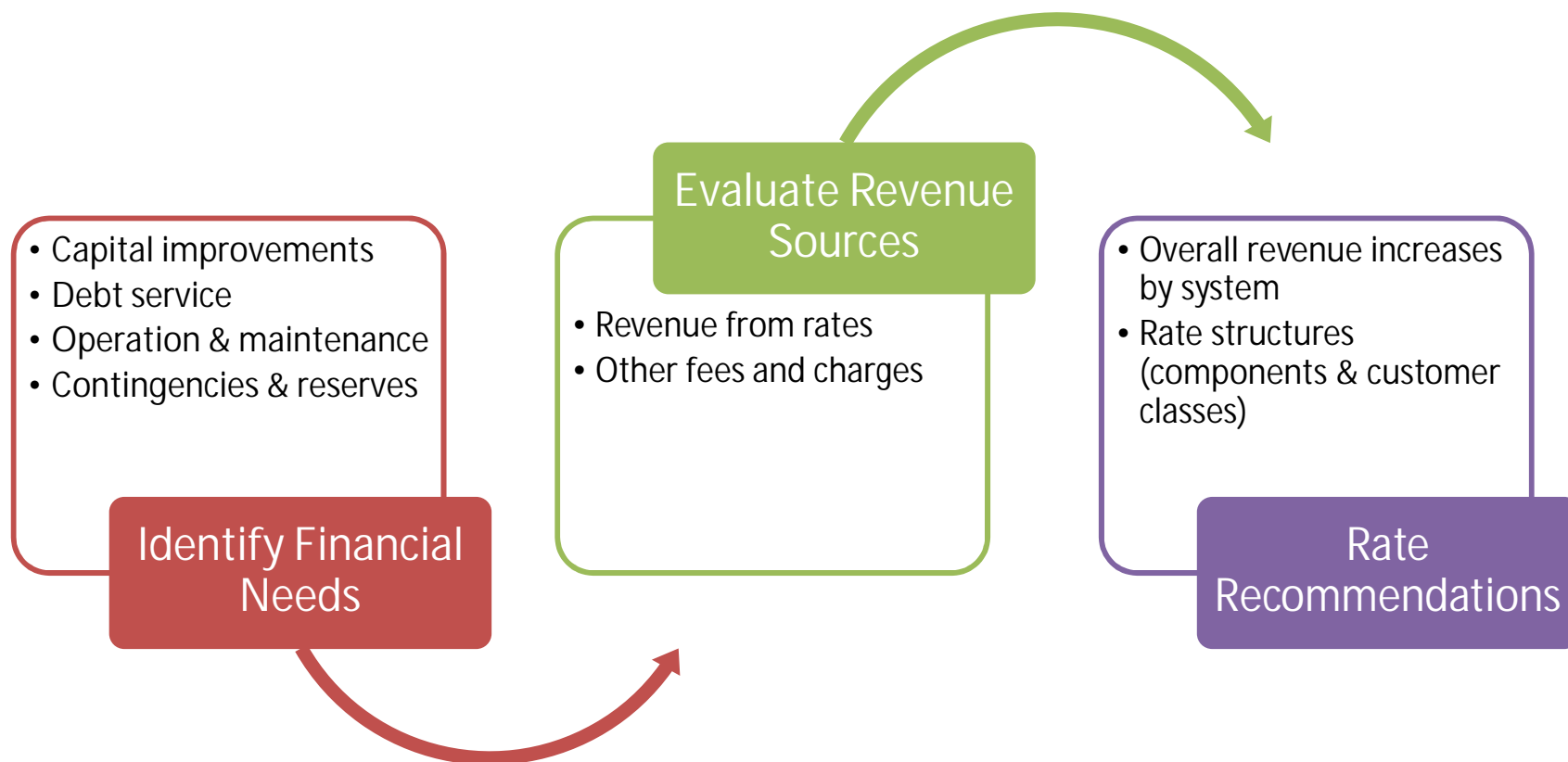
TOWN HALL MEETING

March 16, 2022



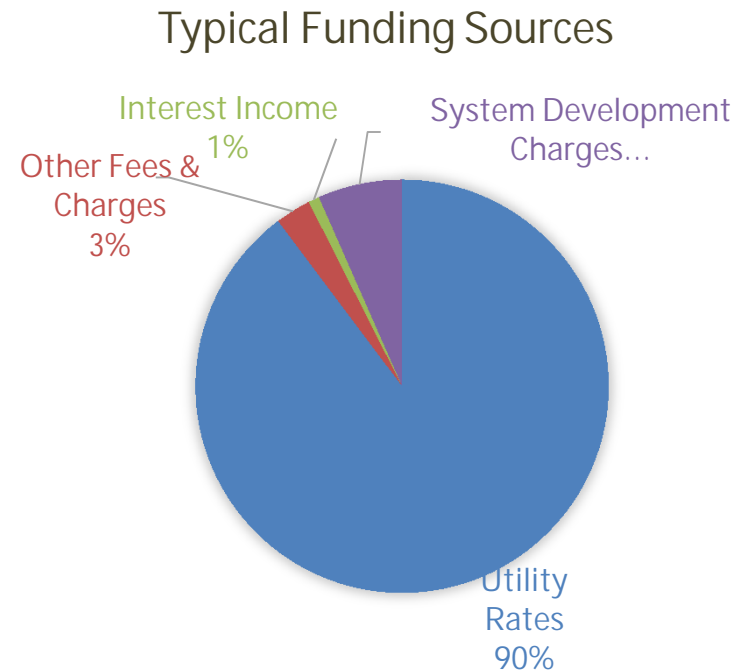
RATE SETTING OVERVIEW

RATE REVIEW PROCESS



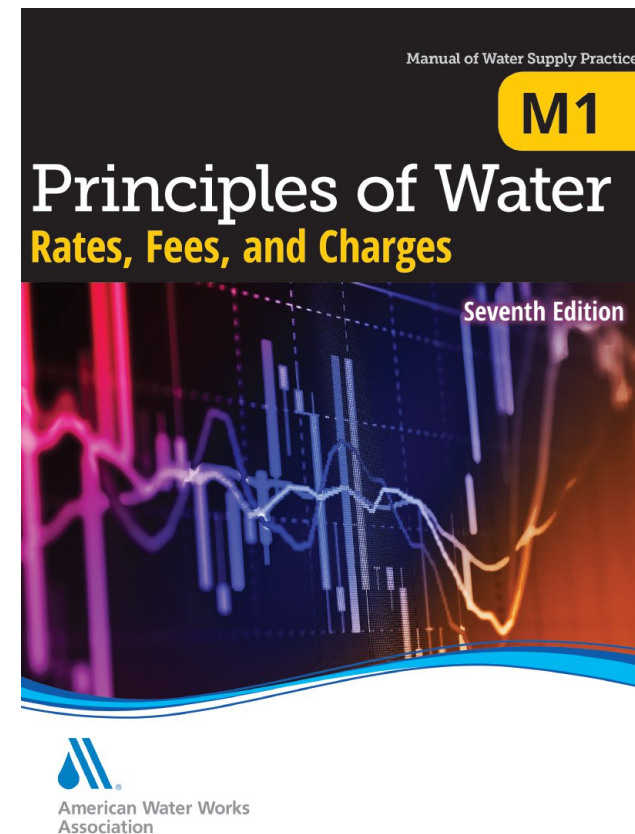
UTILITY ENTERPRISES

- Rates primary funding source for utility enterprises
 - Water
 - Sanitary Sewer (Wastewater)
 - Stormwater
 - Street maintenance
- Rate reviews occur every 2 years



RATE SETTING PRINCIPLES

- Evaluate services provided
 - Potable vs. non-potable water
 - Fixed vs. variable costs
 - Intensity of use (wastewater strength, peak water use, trip generation)
- Recover costs from customer classes in proportion to service requirements

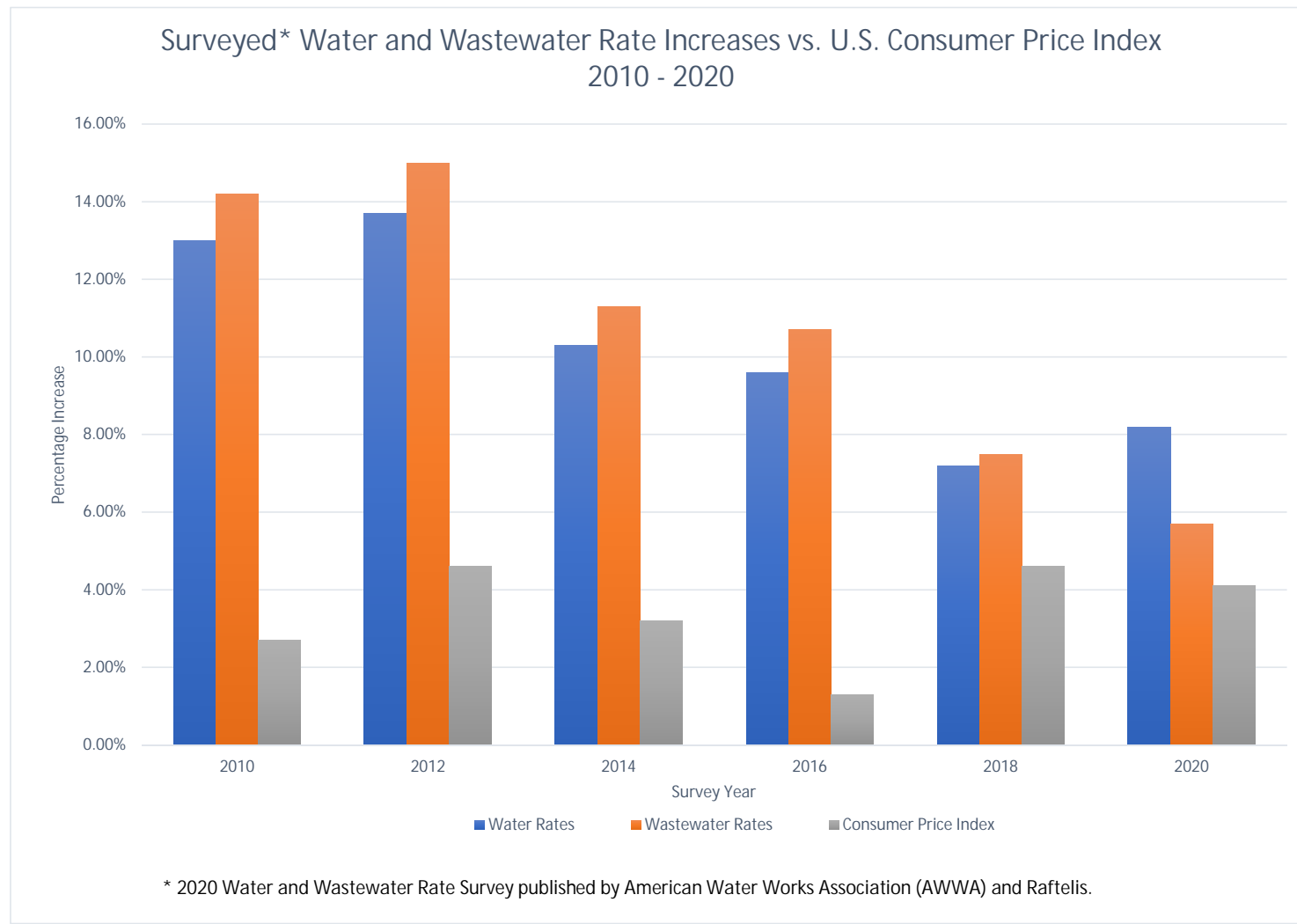


PRIOR ANNUAL REVENUE INCREASES

System	Effective Jan 1, 2021	Effective Jan 1, 2022
Water - Potable	4.0%	4.0%
Water – Non-Potable	10%	2.0%
Wastewater	3.5%	3.5%
Stormwater	9.0%	9.0%
Street Maintenance	2.0%	2.0%

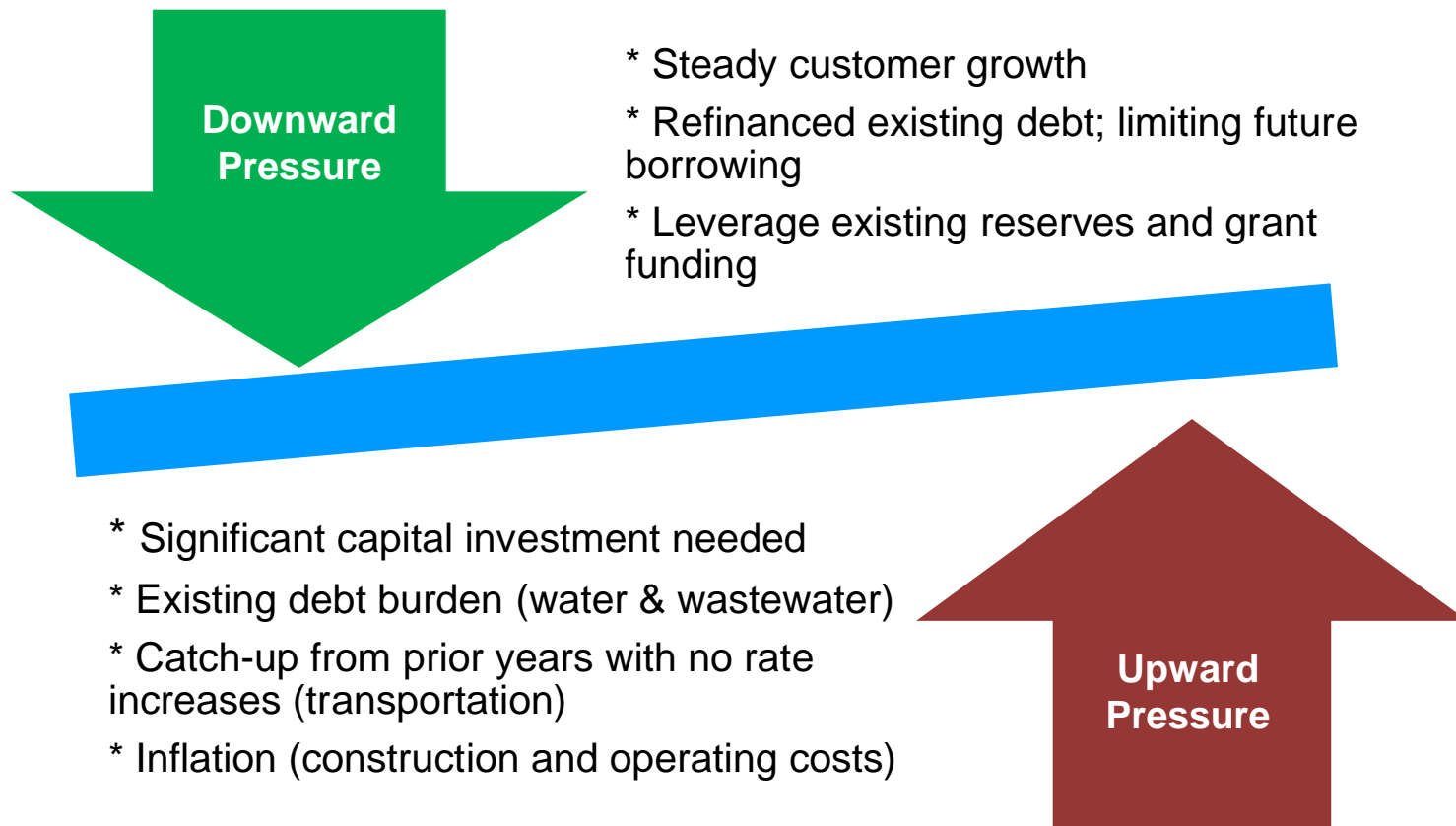
*Projected overall annual increase from all rates collectively;
changes to individual rate components vary

NATIONAL UTILITY BILL AND CPI TRENDS

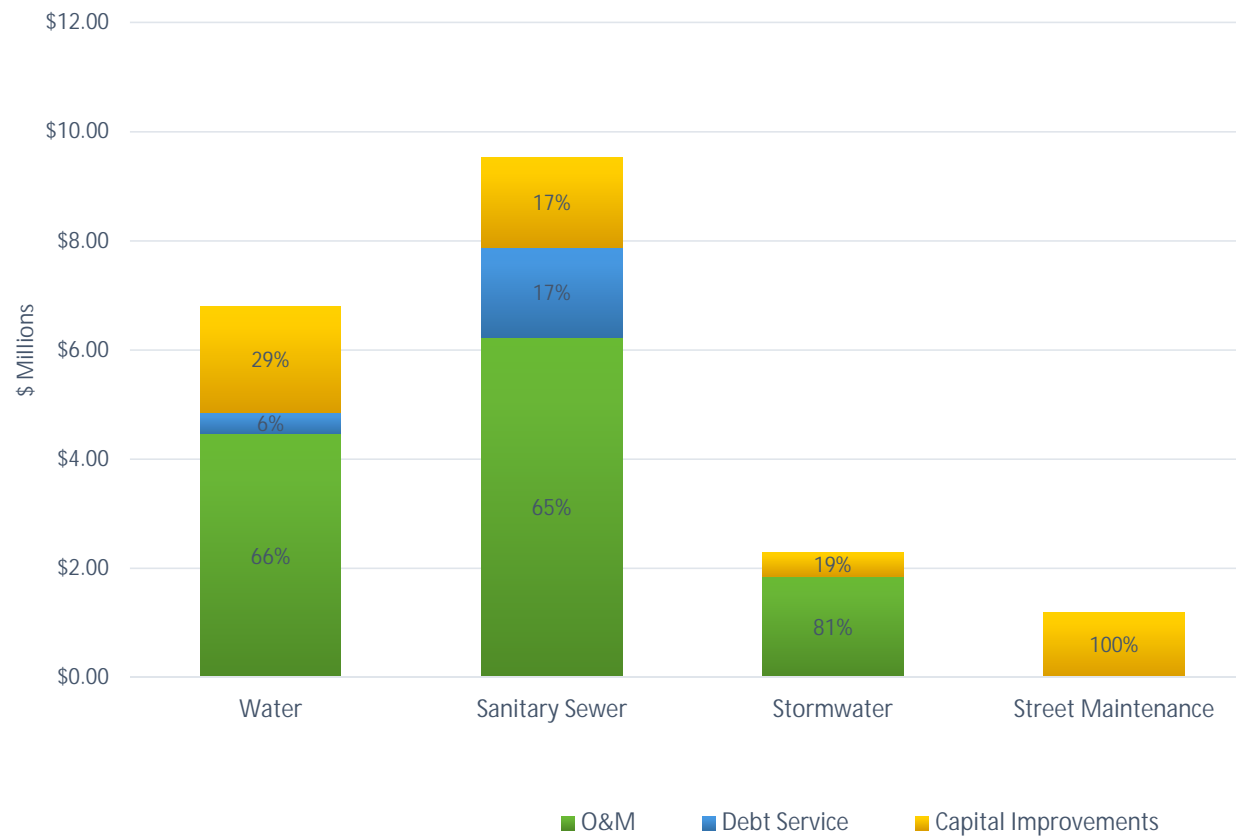


2022 RATE REVIEW FINDINGS

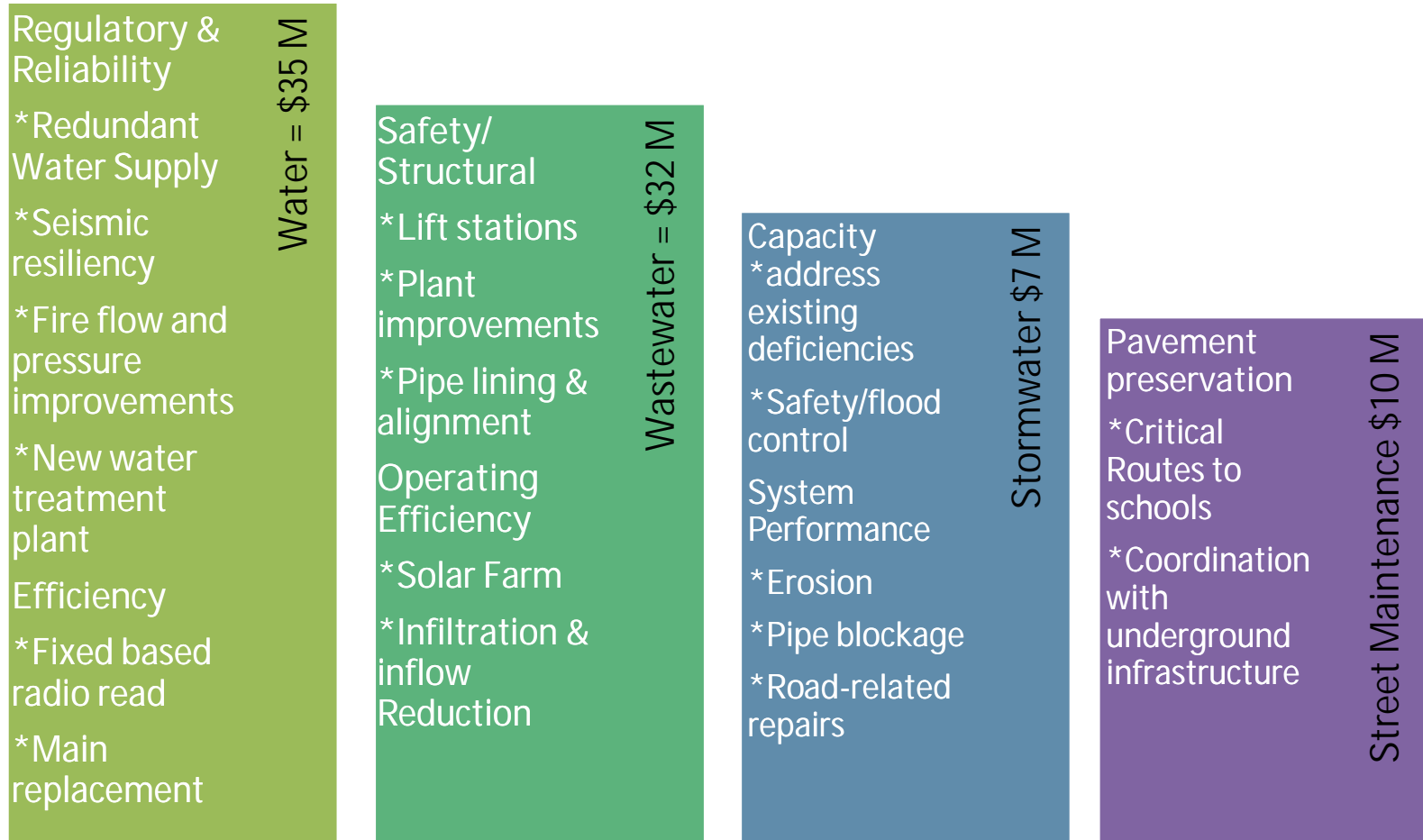
RATE INCREASE FACTORS



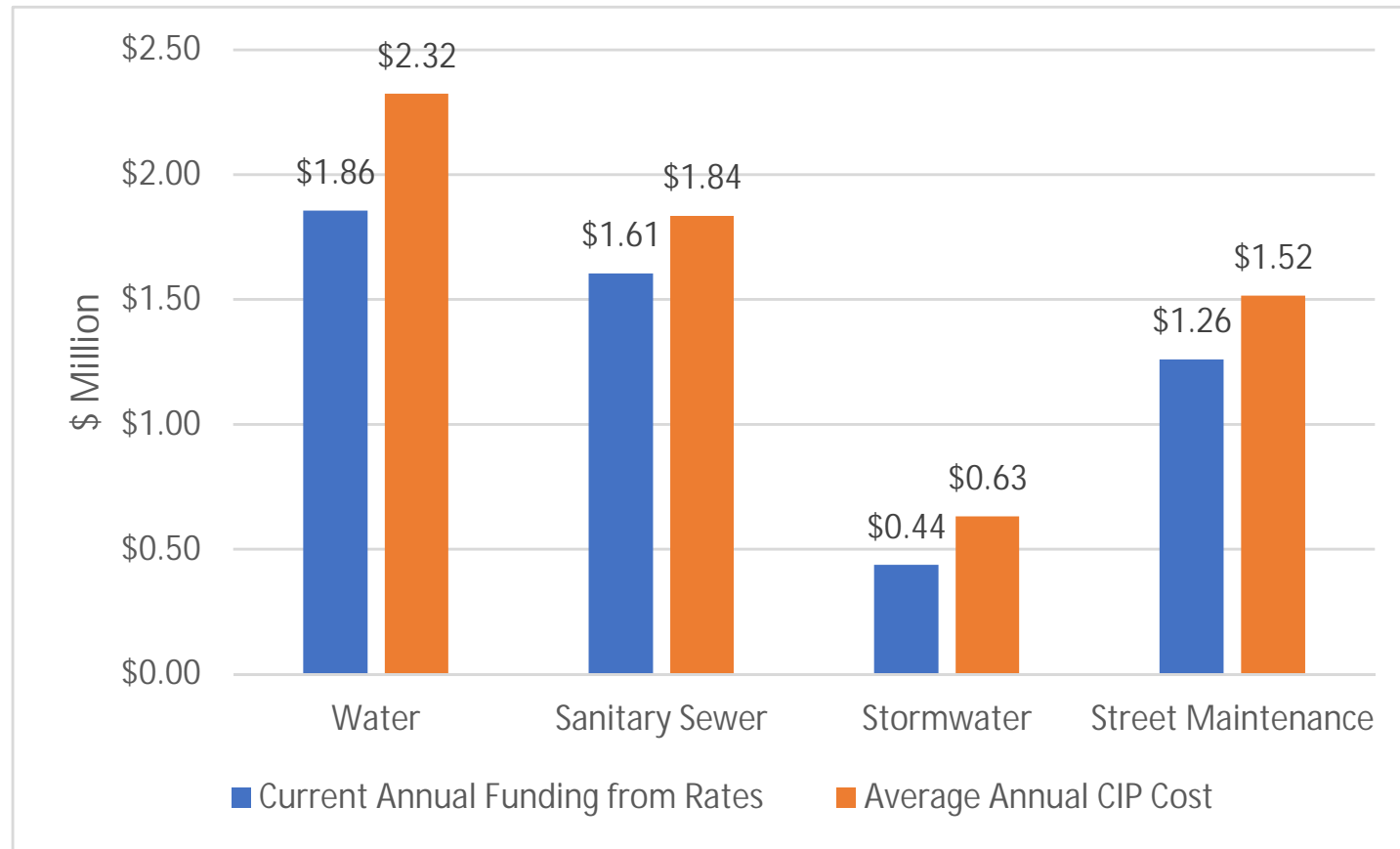
UTILITY REVENUE REQUIREMENTS



NEAR TERM CAPITAL INVESTMENT PRIORITIES

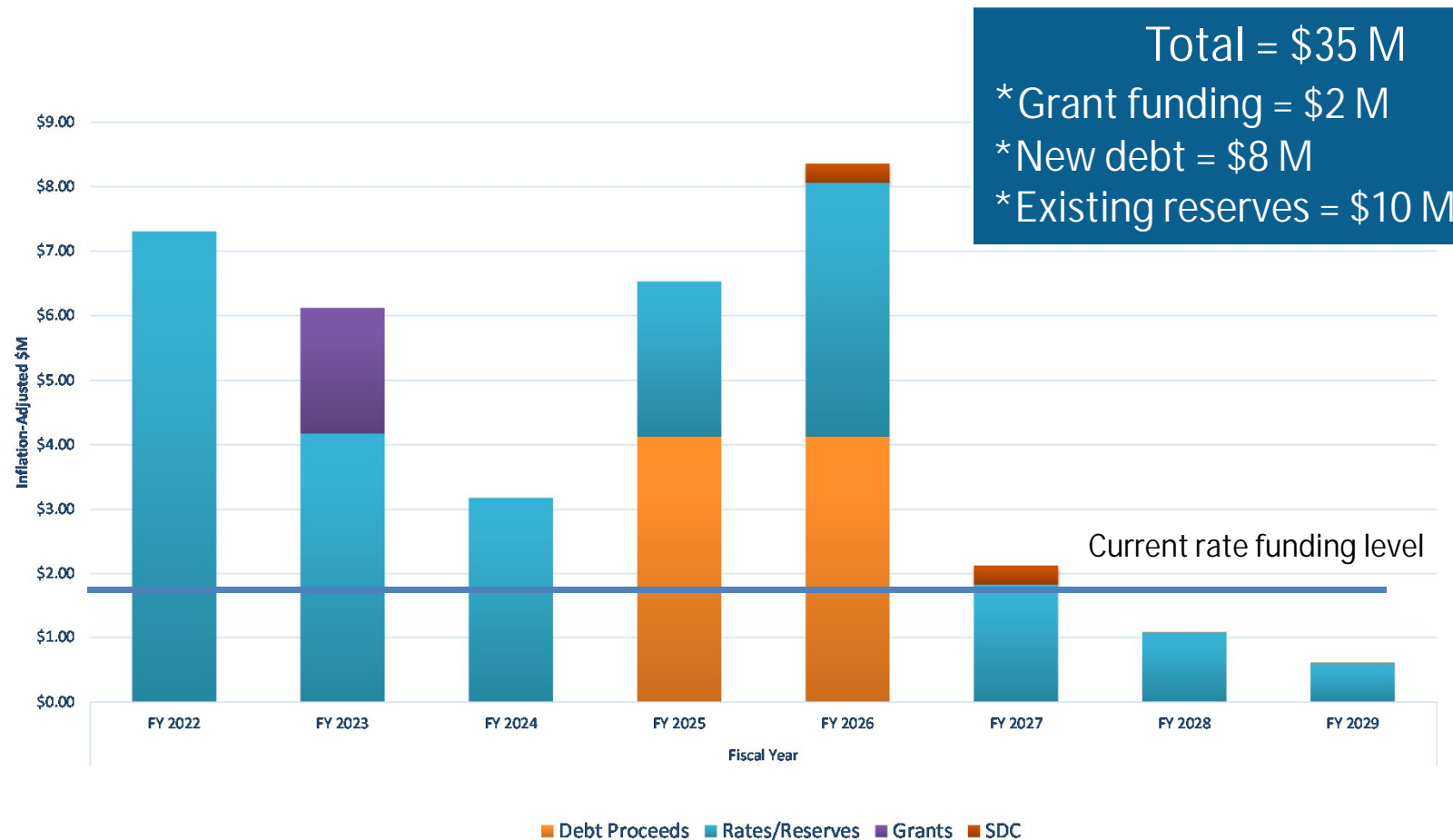


CURRENT RATE CAPITAL FUNDING VS. PROJECTED COSTS*



*Net of assumed debt, grants, reserves and system development charges

WATER SYSTEM CAPITAL IMPROVEMENTS

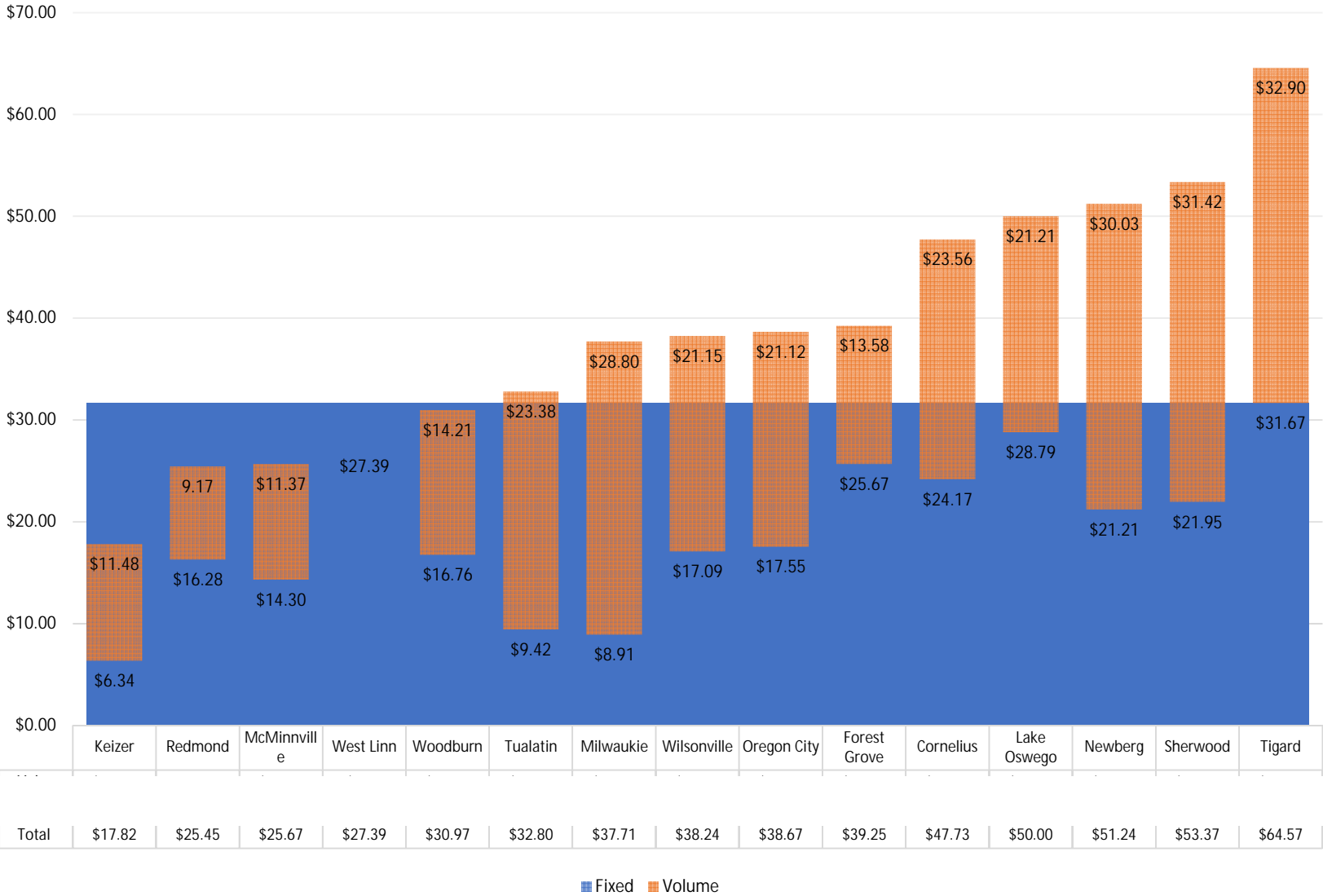


WATER SYSTEM SUMMARY

- Capital improvements driven by regulatory requirements and replacement needs
- Existing debt service retired in FY2026 (\$0.5 M) and FY2029 (\$0.15 M)
 - New debt (net of grants*) 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.

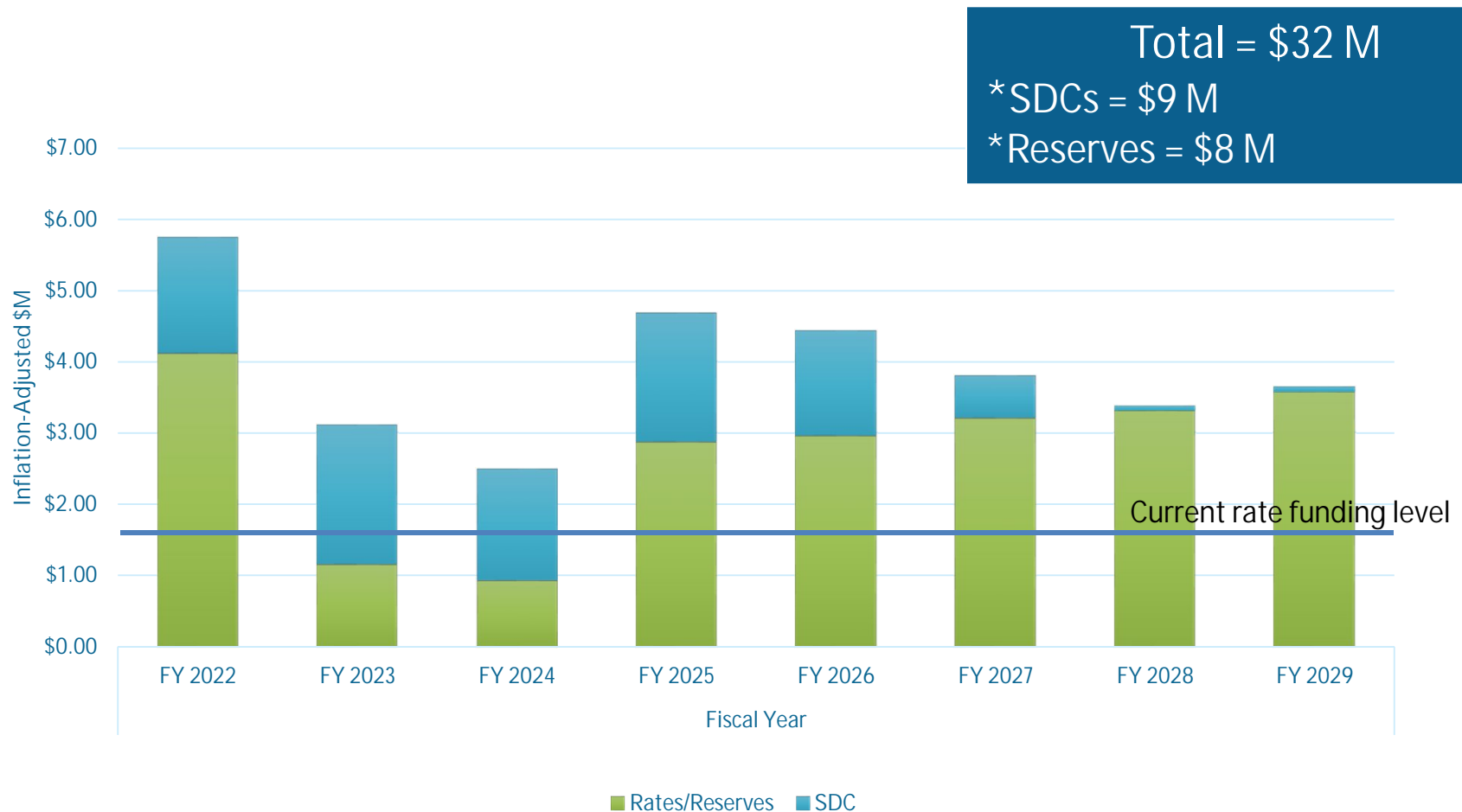
Reduced debt by \$1.5 M from grants to save about \$0.75 M interest costs

AVERAGE SINGLE-FAMILY RESIDENTIAL WATER BILL (7 CCF)



CCF = hundred cubic feet (748 gallons)

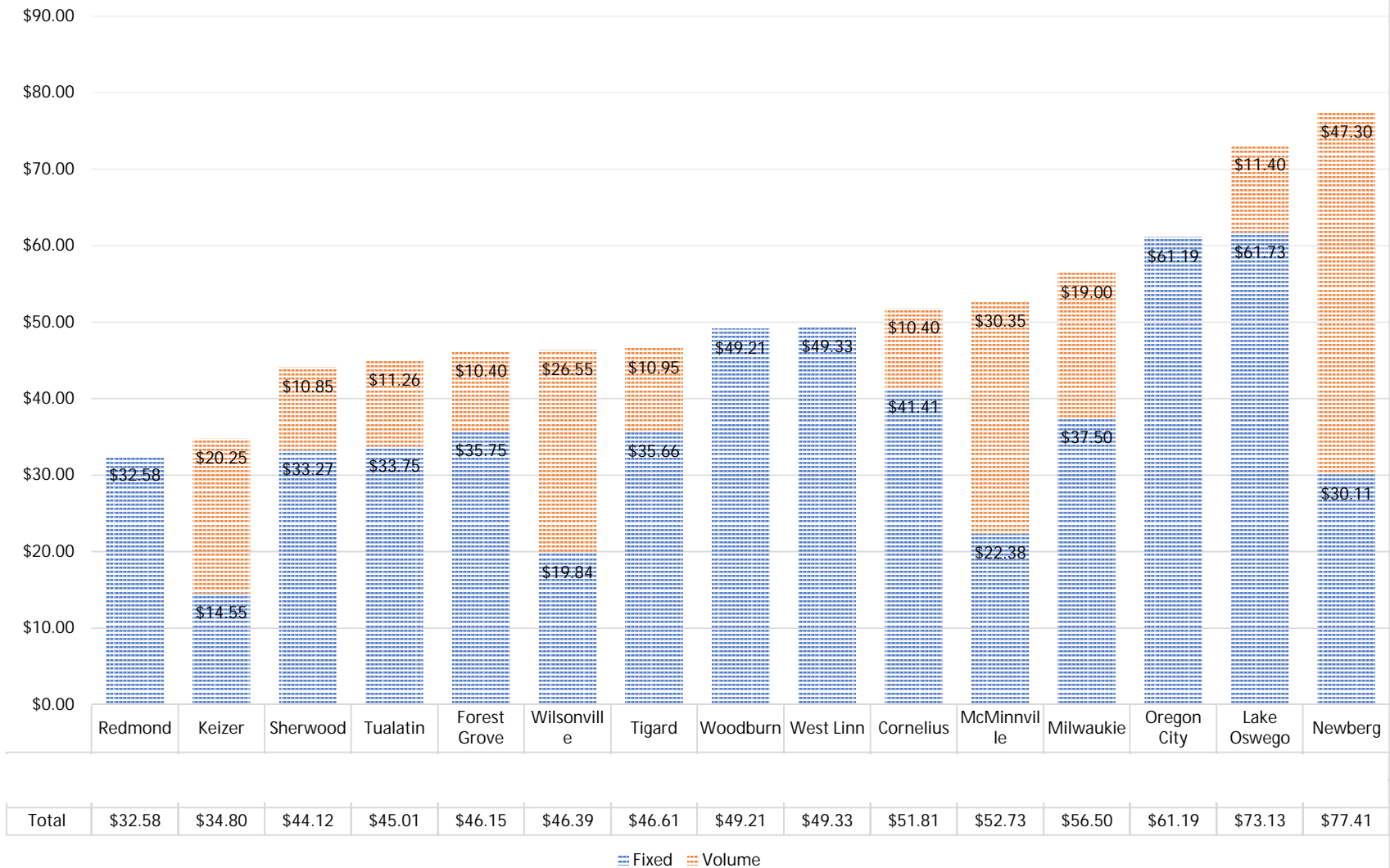
SANITARY SEWER SYSTEM CAPITAL PLAN



SANITARY SEWER SYSTEM SUMMARY

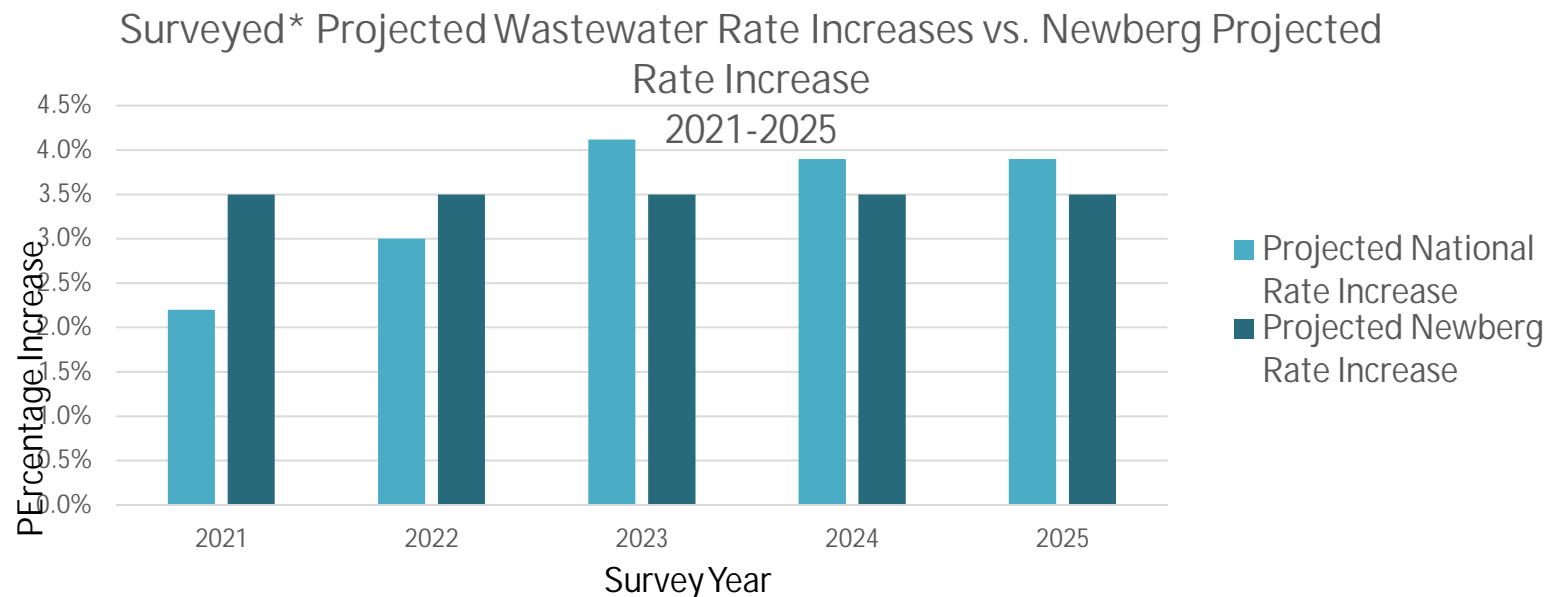
- Capital improvements driven by permit requirements, system replacement and expansion
 - Expansion for growth funded by system development charges
- Small portion of debt service retired in FY2029
 - No new debt planned
- Rate increases = 3.5% per year system average
 - Typical residential monthly bill 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

AVERAGE SINGLE-FAMILY RESIDENTIAL SEWER BILL (5CCF)



CCF = hundred cubic feet (748 gallons)

PROJECTED NATIONAL AND NEWBERG WASTEWATER BILL CHANGES



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

CRRC will review rate increases again in fiscal year 2023-24

STORMWATER SYSTEM CAPITAL PLAN

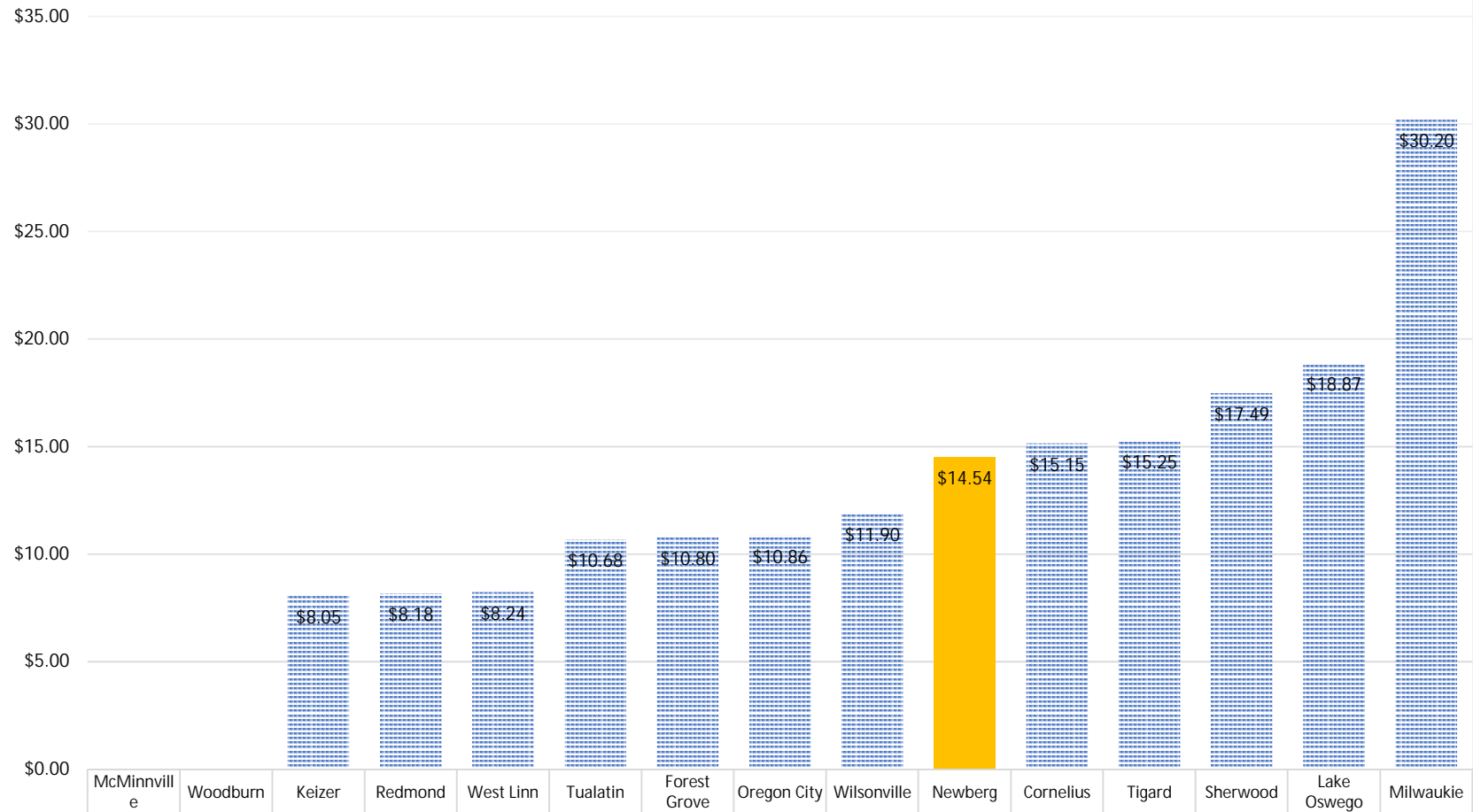
Total = \$7 M
*SDCs = \$0.5 M
*Reserves = \$1.5 M



STORMWATER SYSTEM SUMMARY

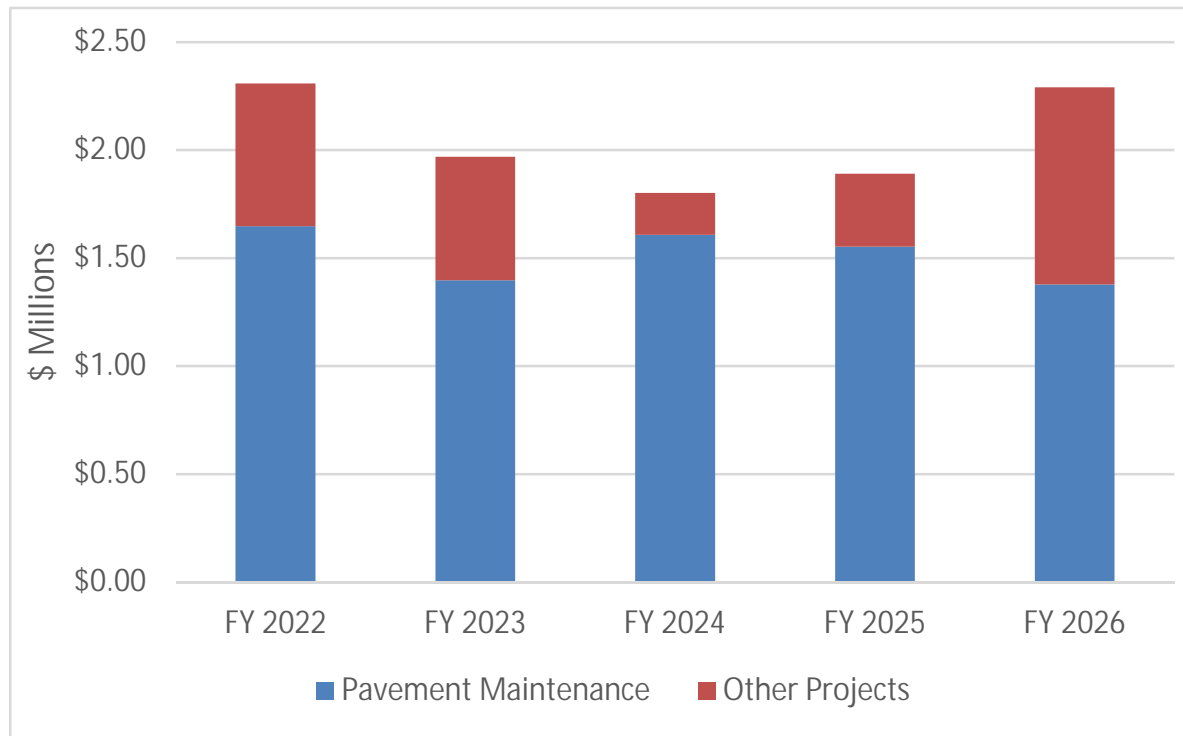
- Capital improvements driven by regulatory, capacity and expansion needs.
 - Initial rate increases have focused on building capacity for operation and maintenance program.
- Rate increases are reduced from last update
 - 7.5% down from 9% per year.
 - Typical residential monthly bill increase = \$1.00-\$1.20.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

SINGLE-FAMILY RESIDENTIAL STORMWATER BILL



STREET MAINTENANCE AND OTHER CAPITAL

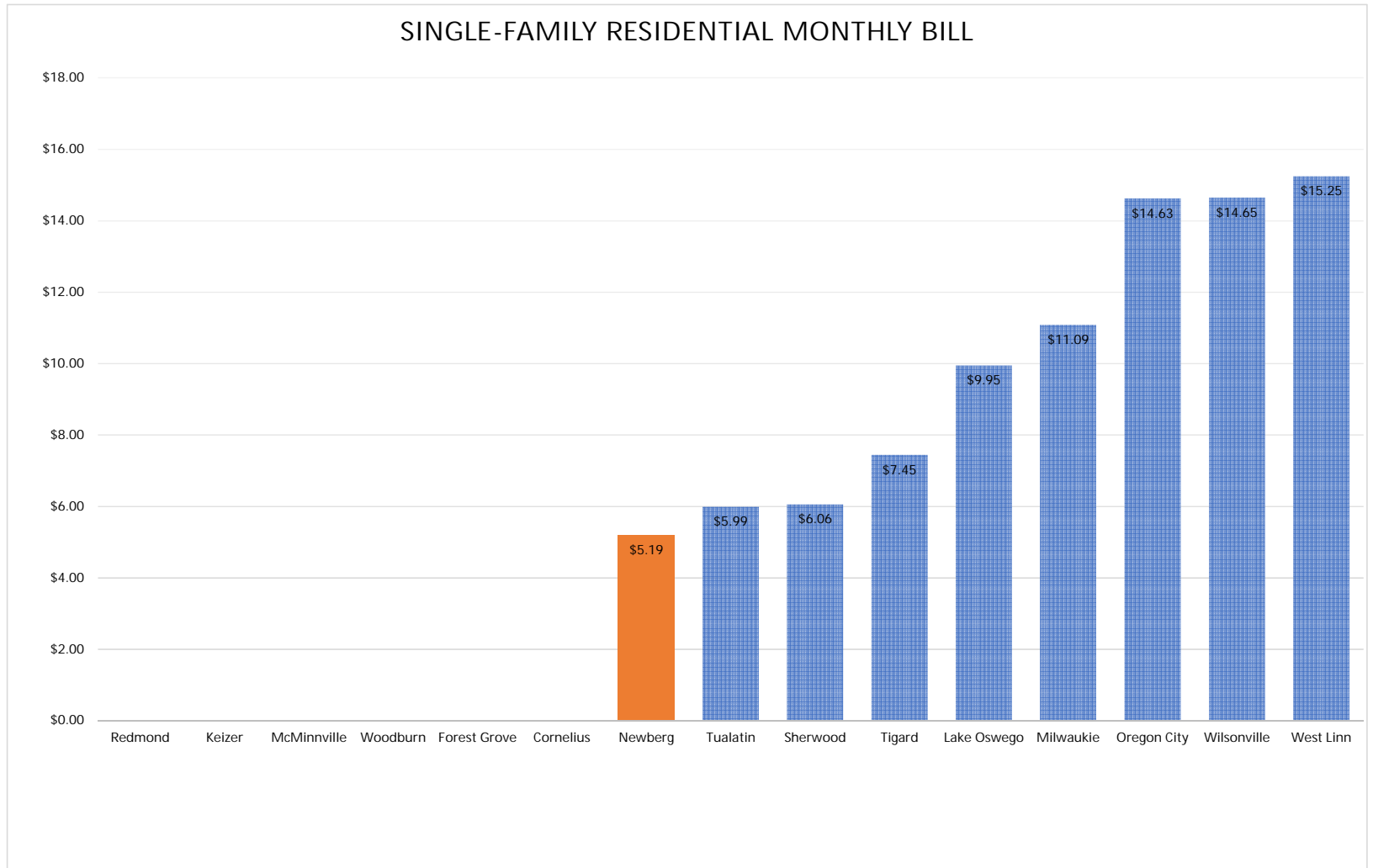
- Pavement maintenance funded by Transportation Utility Fee (TUF)
- Other capital funded by gas taxes, SDCs and grants



TRANSPORTATION UTILITY FEE SUMMARY

- TUF is newest utility fee (implemented in 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 end of other communities (who have implemented street maintenance charges).

SINGLE-FAMILY RESIDENTIAL TRANSPORTATION UTILITY FEES



COMBINED BILL IMPACT

Single Family Average Municipal Bill Comparison						
Overall Increase					1-Jan	1-Jan
2023	2024	System	Units	Current	2023	2024
4.0%	4.0%	Water	7.0	\$51.24	\$53.31	\$55.69
3.5%	3.5%	Sewer	5.0	\$77.41	\$80.28	\$83.09
7.5%	7.5%	Storm	1	\$14.54	\$15.63	\$16.80
4.0%	4.0%	TUF	1	\$5.19	\$5.40	\$5.61
0.0%	0.0%	Public Safety	1	\$3.00	\$3.00	\$3.00
3.0%	3.0%	Communication Officer	1	\$2.26	\$2.33	\$2.40
		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.						

City Council is considering an increase to the Public Safety fee (\$3.96 for a typical single-family customer)

NEXT STEPS

- City Council Meeting
 - April 4, 7:00 pm
- Rate Increases Effective:
 - January 1, 2023
 - January 1, 2024