

**City of Newberg**  
**Rate Review Committee**  
**January 26, 2022**  
Meeting held electronically due to COVID-19 pandemic

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

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

Members Absent: Melanie Mildenerger

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. Discussion on approval of Ordinance 2021-2892 committee system changes**

Administrative Assistant Muniz explained the changes to the Committee including the name of the committee, there would be no secretary position, the student member could vote, no residency requirements, and members had to attend 75% of the meetings per year.

Committee Member Knight voiced concerns about the duration of the committee terms. Changing them to a calendar year did not work for the continuity of the committee and the dates they met. Administrative Assistant Muniz would bring that up to staff.

Committee Member Sinicki suggested the dates of the meetings could change instead.

### **2. Approval of Minutes**

Action:	To approve the December 22, 2021 Committee Minutes
Motion:	Knight
Second:	Sinicki
Vote:	Yes 7 No 0 Absent 1 [Mildenerger]

### **3. Updated Five Year Water CIP Presentation**

City Engineer Hofmann presented an updated Five Year Water CIP (Exhibit A). She reviewed the water system, updated list of proposed projects, redundant supply, water rights acquisition, aging treatment plant, upgrade costs for the existing plant vs. a modern, resilient treatment plant, and timeline for the work.

There was discussion regarding what the old treatment plant property would be used for, reuse of existing infrastructure, taking a loan from the water fund to be paid back by SDC funds, and water line replacement.

### **4. 2021 Utility Rate Review Water Rate**


Deb Galardi, consultant, gave a presentation on the water rates (Exhibit B). She gave a recap of the preliminary financial plan of 4% water rate increases through 2025/26; then 3% depending on the future CIP. The debt service dropped off in FY2026 and FY2029, the same time the City would need to consider taking out financing on the new plant. She discussed the preliminary capital funding and updated analysis with two financial plan scenarios, one for the existing water treatment plant upgrades and one for the new water treatment plant. She showed the revised scenarios with capital costs and funding comparison for the two options, and revised financial plans. If they chose to upgrade the existing water treatment plant, the recommendation was to continue 4% annual rate increases through 2025/26; then 3.5% increases due to higher operation and maintenance costs. For the new water treatment plant, the recommendation was to continue 4% annual rate increases through 2025/26; then 3% increases. She then gave the current and updated rates and sample bills with the projected 4% increases overall and updated cost of service analysis. For residential customers, it would be an increase of \$2.07 per month in FY2023 and \$2.38 per month in FY2024.

There was discussion regarding options for the old plant that would not receive seismic upgrades or filter covers in the six years the new one was built, reserves and issuance of debt, and Council decision on pursuing the new treatment plant option.


Senior Engineer Chiu added numbers in the chat for the Committee's information. He said out of 540K LF of water pipelines, they had 390K LF of ductile iron pipe (=72%) and 120K LF of cast iron pipe (22%).

The next meeting would be held on February 09, 2022.

Chair Morris adjourned the meeting at 7:26 p.m.

  
\_\_\_\_\_  
Zaira Robles Muniz, Administrative Assistant

**ATTEST:**

  
\_\_\_\_\_  
Brenda Morris, Chair

# Updated Five Year Water CIP Presentation

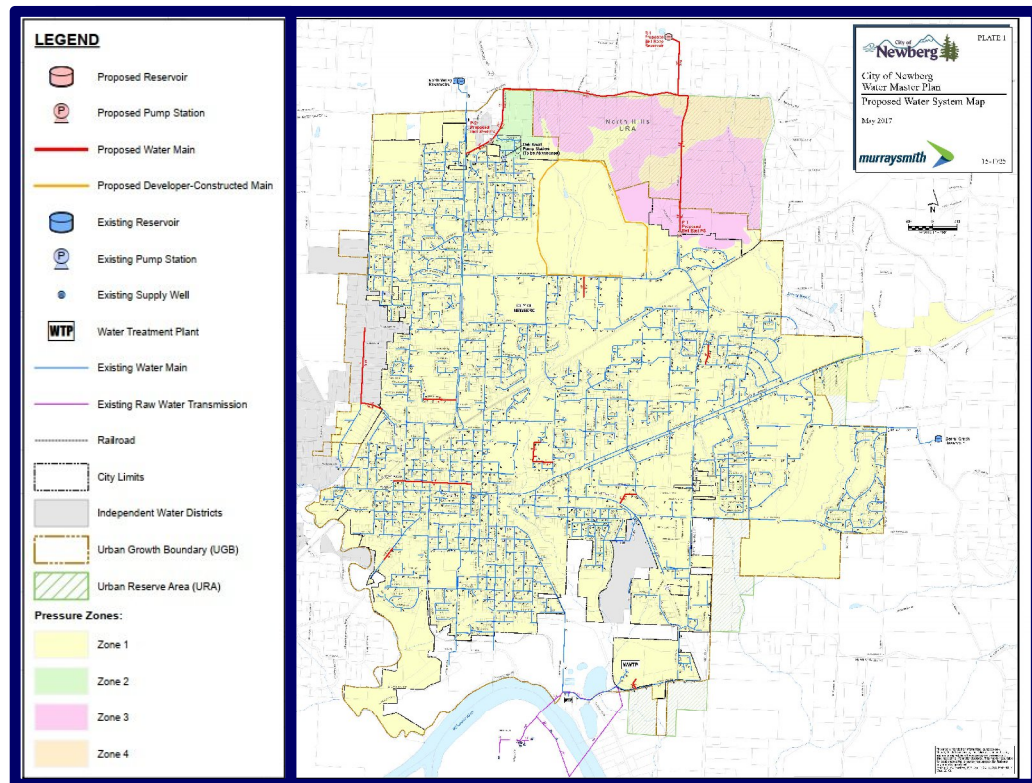
Rate Review Committee  
January 26, 2022





# Water System

- Many water projects are added to the list due to new mandatory requirements.
- City water system has many watermains that are less than 8" in diameter and many are cast iron pipes that eventually need to be replaced.

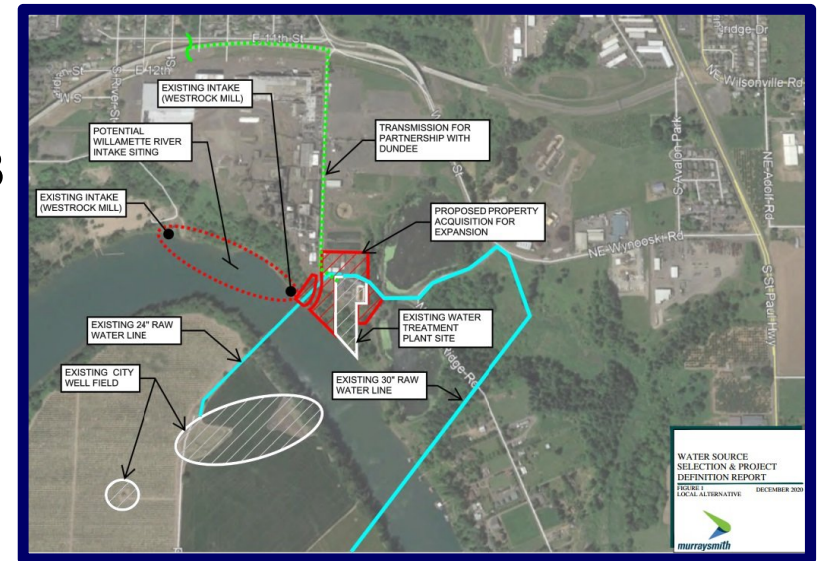


# Proposed 5-year water projects

- Redundant Water Supply
- Bell West Pump Station/N College – N Terrace Watermain
- Fire Flow Projects
- Routine Waterline Replacement
- North Non-potable/Otis Springs Pumping Improvements
- Fixed Base Radio Read
- Decommission Wells #1 and #2
- North Valley Reservoir Driveway
- WTP Emergency Connection & Controls
- Reservoirs Seismic Improvements
- Waterline Seismic Improvements and Replacement
- HB 2001 Waterlines – 8 major projects:
  - \*Main/4<sup>th</sup>/Lincoln/5<sup>th</sup> \*Blaine
  - \*Meridian \*7<sup>th</sup>/Pacific/9<sup>th</sup>/Paradise
  - \*River \*5<sup>th</sup>
  - \*11<sup>th</sup>/Boston Square \*Vermillion
- AWIA (America's Water Infrastructure Act: Periodic Risk Assessments and Emergency Response Plans)

# Redundant Supply

- Search for another supply option on the north side of the Willamette River – primarily for emergency purposes
- Council provided direction to use 2 MGD - 8 MGD for the amount
- Council provided direction to move forward with the Local Willamette alternative
- Council authorized the purchase property from WestRock Northwest, LLC for future WTP expansion.
- \$3,711,000 over 5 years



# Water Rights Acquisition

- On July 20, 2020, City Council gave direction to secure water rights and property as part of the Local Willamette Alternative for the Safe and Reliable Future.
- The property purchase was completed in November 2021.
- Purchase is for 8.0 cfs (5.17 mgd) of water rights on the Willamette River.
  - Oregon Water Right Certificate 90014
- Escrow Deposit of \$95,563.00 within 14 days of the effective date of the agreement.
- Total Purchase Price at closing of \$3,185,435.00.
- Closing will occur after the Water Resources Department issues a final order approving the Transfer Application.
- Resolution notes that the Water SDC fund will pay the Water Fund back as funds allow for the amount that is SDC eligible.



# Aging Treatment Plant

- Vulnerable to severe damage due to earthquake – needs seismic upgrades
- OHA requires covers for filters and basins
- Many parts aging and near end of life
- Can't support full capacity





# Upgrade Costs for Existing Plant

Seismic upgrades to mitigate risk

## Cost for Required Upgrades

**\$6.5 million**  
for seismic upgrades

+

Covers for filters and basins  
OHA compliance

**\$1.5 million**  
for covers

=

**\$8.0 million**  
total investment to existing plant

Upgrades don't extend the life or capacity of the aging plant

# Modern, Resilient Treatment Plant

- Modern facility and treatment
- Designed and built to current requirements and code standards
- Can build what we need now
- Expandable and flexible for community's future
- Approximately a 25-50% reduction in Operations & Maintenance Costs

New Seismically Resilient Ground  
Water Treatment Plant

**\$12 million**

Proposed new facility with  
30- to 50-year  
design life

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# Cost Break Down

FY 21-22

Pilot Testing and Preliminary Design.  
Included in existing project budgets.

FY 22-23

Begin design  
**\$500k**

FY 23-24

Final Design \$750k  
Start Construction \$1M  
**TOTAL = \$1.75M**

FY 24-25

Construction  
**\$5.25M**

FY 25-26

Construction completion, close-out and  
decommission of existing GWTP  
**\$4.5M**

=

New Seismically Resilient Ground  
Water Treatment Plant

**\$12 million**

# Advance Incrementally

## NOW

Build new GWTP on recently purchased property



## NEXT

Demolish current GWTP to use for Willamette River surface water intake



## FUTURE

Build new SWTP on existing/new site

Safe & Reliable Water Future



# 2021 Utility Rate Review

Water Rate Meeting #3  
January 26, 2022





# Recap of Preliminary Financial Plan

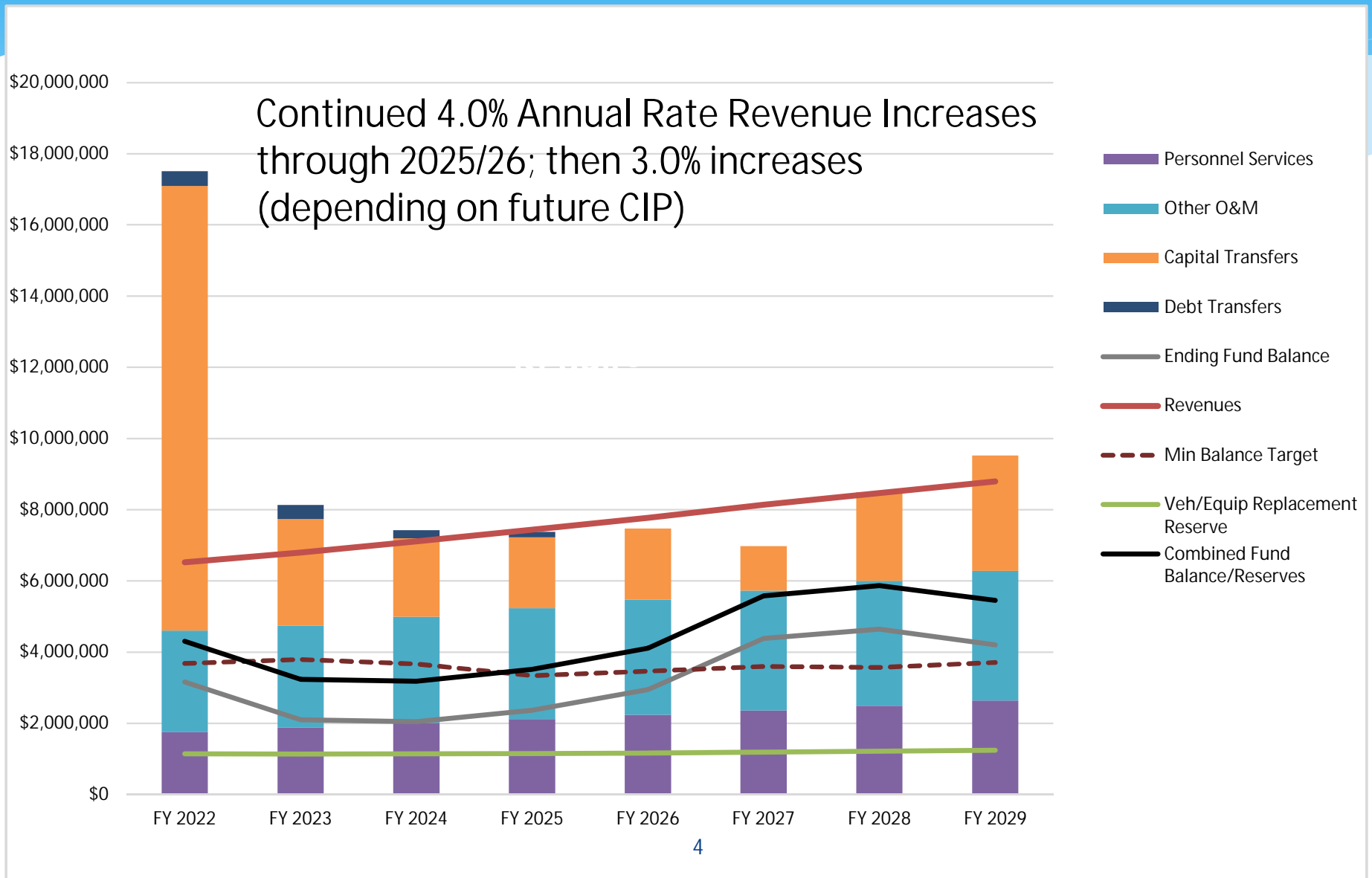
- \* Projected annual rate increases:
  - \* 4.0% through 2025/26; then 3.0% (depending on future CIP)
- \* Capital improvement plan comparison with 2019 CRRC updated
  - \* Costs about the same through FY2024/25
  - \* FY2025 through FY2029 \$4.5 M higher than prior plan due to regulatory requirements
    - \* HB2001 (higher residential housing density)
    - \* seismic improvements
- \* Debt service drops off in FY2026 and FY2029
  - \* All new CIP was assumed to be cash funded

# Preliminary Capital Funding

## *Capital Sources and Uses of Funds*

	<b>Total</b>
<b>Sources of Funds</b>	
Beginning Balance	\$ 119,318
Grants	450,204
SDCs	1,339,218
Operating Transfers	28,690,122
<b>Total</b>	<b>\$ 30,598,861</b>
<b>Uses of Funds</b>	
Capital Improvements	\$ 30,474,122
Ending Balance	124,739
<b>Total</b>	<b>\$ 30,598,861</b>

# Preliminary Financial Plan





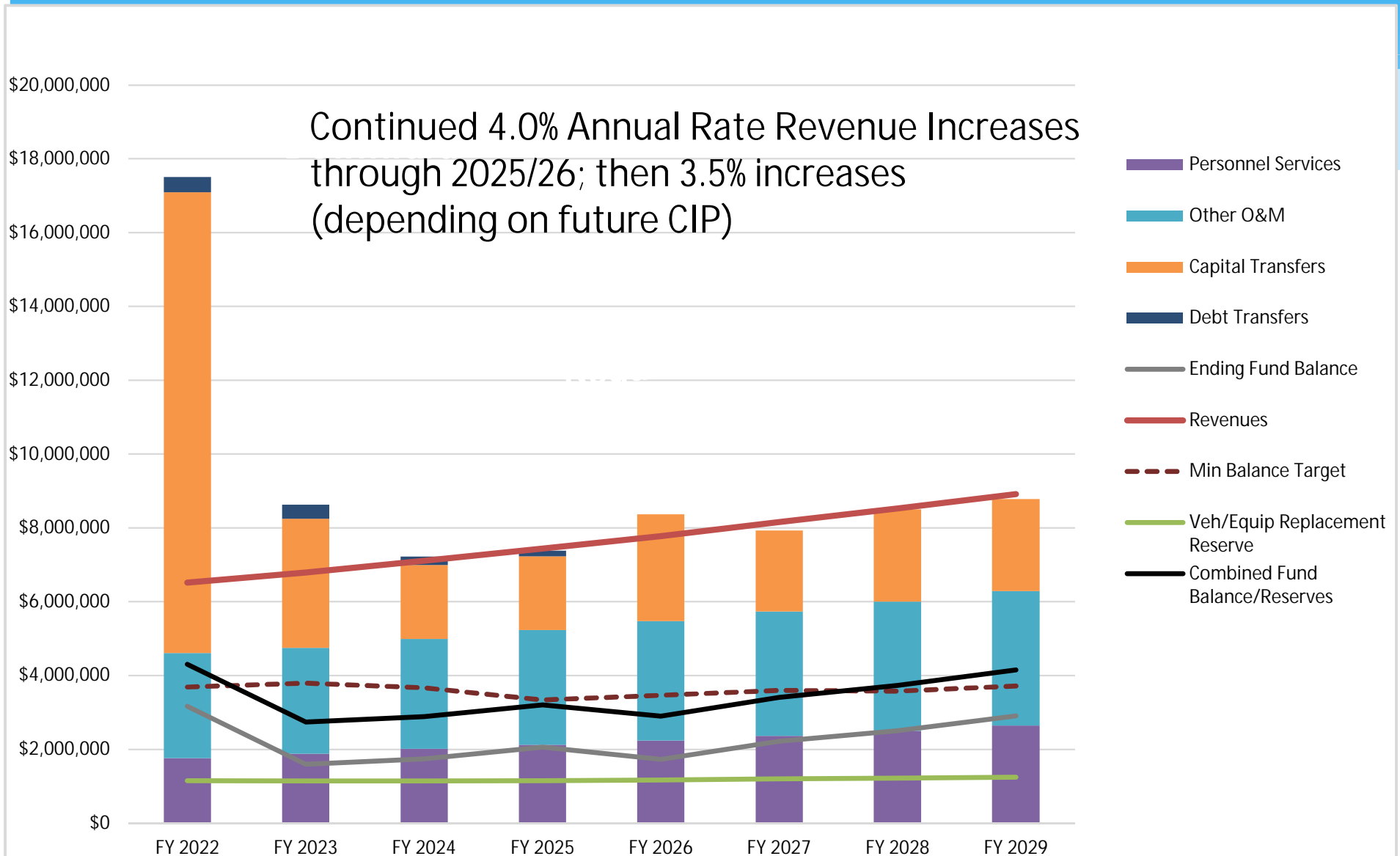
# Updated Analysis

- \* Eliminated (\$500K) grant funding in FY2021-22
  - \* May change in the future as other funds become available
- \* Added WTP property purchase costs to FY2021-22 CIP (\$500K)
- \* Two Financial Plan Scenarios
  - \* Original CIP (existing water treatment plant upgrades)
    - \* Added \$500K to WTP filter cover cost (\$1.5 M total)
  - \* CIP with new water treatment plant (\$12 M 2022 dollars)
    - \* Debt funding (\$9.75 M)
    - \* Reduced operating costs (\$250K)

# Revised Scenario Capital Cost and Funding Comparison

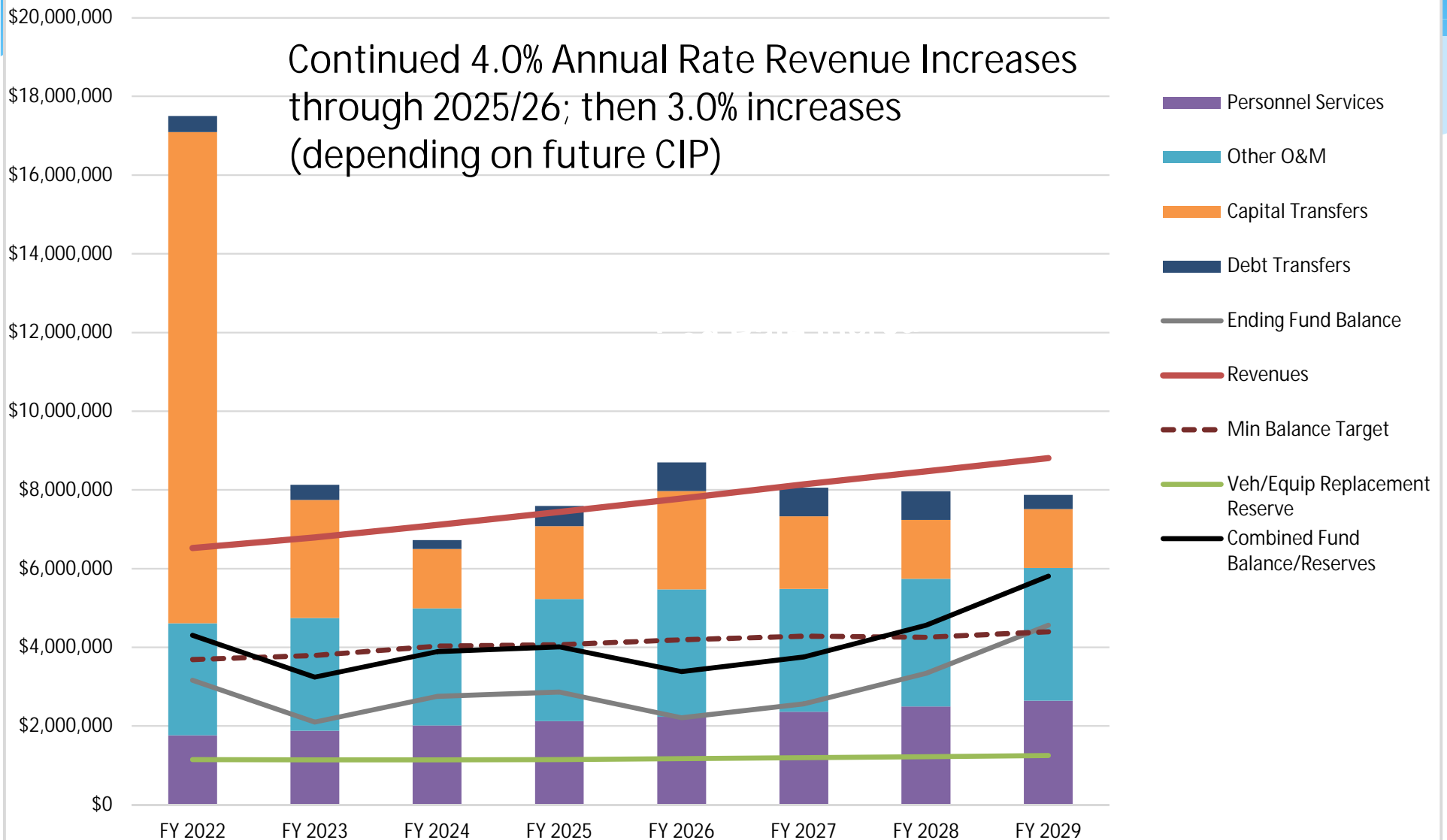
	Existing WTP Upgrades	New WTP
<b>Sources of Funds</b>		
Beginning Balance	\$ 119,318	\$ 119,318
Grants	-	-
SDCs	1,339,218	613,907
Operating Transfers	30,090,122	26,190,122
Bond Proceeds	-	9,750,000
<b>Total</b>	<b>\$ 31,429,340</b>	<b>\$ 36,673,346</b>
<b>Uses of Funds</b>		
Capital Improvements	\$ 31,454,226	\$ 35,327,272
Ending Balance	94,432	1,346,075
<b>Total</b>	<b>\$ 31,548,658</b>	<b>\$ 36,673,346</b>

# Revised Financial Plan – Existing WTP



# Revised Financial Plan – New WTP

Continued 4.0% Annual Rate Revenue Increases through 2025/26; then 3.0% increases (depending on future CIP)





# Current and Updated Rates (4% Increases)

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

# 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>		

# Next Steps

- \* Transportation Fee Analysis
- \* Review findings with CRRC February 9, 2022



# Questions