

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, NOVEMBER 9, 2017
6:30 PM MEETING
WASTEWATER TREATMENT PLANT (2301 WYNOOSKI ROAD)**

I. CALL MEETING TO ORDER

The meeting was called to order at 6:30 PM.

II. ROLL CALL

Members Present: Rick Rogers, Chair Nick Morace Marilyn Van Grunsven
 Holly Bradford Sarah Grider
 Mayor Bob Andrews, ex-officio

Staff Present: Matt Zook, Finance Director
 Kaaren Hofmann, City Engineer
 Jay Harris, Public Works Director
 Caleb Lippard, Assistant Finance Director

Others Present: Deb Galardi, Galardi Consulting LLC

III. COMMITTEE BUSINESS

1. Wastewater Capital Improvement Plan Presentation

City Engineer Hofmann and Public Works Director Harris explained how the Wastewater Treatment Plant functioned and the equipment used.

CE Hofmann reviewed the status of the list of projects from the last rate review process. These included inflow and infiltration projects and several had been done, Dayton Avenue pump station which was currently out to bid, compost facility which had been put on hold, roofing replacements which still needed to be completed, coating on pump stations which had yet to be done, Wastewater Master Plan which was underway, improvements to the oxidation ditches which had been completed and more would be done in a few years, Inflow and Infiltration Report which had yet to be done, and Hess Creek trunk line which had yet to be done. She then went over the proposed projects for the next five years. These included more inflow and infiltration projects, the Dayton Avenue pump station would be completed by the fall of 2018, dehydration unit rebuild, completing the roofing replacements, coating on the Fernwood and Creekside pump stations, Wastewater Master Plan update, oxidation ditches, Hess Creek trunk line, Inflow and Infiltration Report, sawdust bays, Operations Building remodel, Villa Road funnel fix, Sixth Street sewer replacement, Fifth Street sewer replacement, oxidation ditch rotor replacements, PLC study and replacement, Chehalem extension, and multi-fund projects.

There was discussion regarding the marketing for and revenue from the City's compost as well as discussion regarding future pump station improvements.

2. Wastewater Revenue Presentation

Deb Galardi, consultant, said the City had completed the draw-downs on some large loans for capital improvements to the Wastewater Treatment Plant. These were two Clean Water State Revolving Fund Loans that totaled almost \$25 million with interest rates between 2.5 to 3.5%. In 2011 and 2012 there were large rate increases due to the uncertainty of funding these improvements. When the loans were taken out, which were less expensive than anticipated, there was no rate increase in 2013. There was a 3% inflation increase in 2014, and in 2015 and 2016 the rate was increased by 5.75%. In 2017 and 2018, the rate was increased by 4.2%. The Committee had recommended 4%, however the Council prioritized the need for inflow and infiltration projects and approved the 4.2%. The projected rate increase for 2019 and 2020 was 3.5%, but if they wanted to continue to make progress on the inflow and infiltration projects it would need to stay at the 4.2%. She then explained the fixed charge and volume charge for the wastewater rate. The volume charge had to do with how many pollutants were in the waste with restaurants having the most volume. There were customer categories that were charged differently for their amount of concentration of the pollutants. The fixed charge included a service charge for each account that included the billing costs, customer service costs, and 80% of inflow and infiltration costs. It also included a multi-family unit charge for inflow and infiltration costs only. One of the policy issues was how much were they going to recover from the fixed charge versus the volume charge. It did have an impact on how the costs were shared by the different customer classes. It was common to have a shared burden between the fixed and volume charges, typically more heavily weighted on the fixed charge because it was more equitable and gave more revenue stability. Wastewater had a 30% fixed charge and she thought the Committee could consider increasing that to 35%. The Capital Improvement Plan was roughly \$16.5 million and the Wastewater Master Plan could add projects or change the projects. There would be no new debt. Funding the CIP would include reserves, rate revenue, and SDCs. There was a significant increase in operation and maintenance for administrative support services, franchise fees, and PERS. She explained the utilization of reserves for capital improvements and gave reasons why it was not a good idea to minimize rate increases by drawing down on reserves even if there was a positive cash flow. There should be an operating contingency for unforeseen expenses. Reserves met debt service coverage requirements and were a cushion for the projects that would be added in the Wastewater Master Plan update. Typically jurisdictions had an operating contingency of 45-90 days of operations maintenance costs. The City's practice had been 60 days. They also had a year of debt service. There had not been a specific policy for capital reserves, but the practice had been a 1% additional revenue increase to fund reserves. She gave examples of how McMinnville and Salem treated reserves. The City currently had \$6.7 million in reserves and \$4 million in SDCs. The reserves had been drawn down significantly, and the projection was around \$5 million in reserves towards the end of the current rate period.

There was discussion regarding the effect on the reserves if the rate stayed at 4.2% instead of the proposed 3.5% and the City's reserve policies for different funds.

3. Committee Discussion

PWD Harris asked if Council should consider adopting reserve policies for each fund to put in the Long Range Financial Plan.

Mayor Andrews said one of the goals was to fund capital projects without doing it through debt service.

Ms. Galardi could look at the Government Finance Officers Association to see if there was more specificity regarding reserve policies. If the goal was to fund 100% from current revenues, it necessitate a certain amount of cash flow. They also had to consider saving for asset management and replacements.

Mayor Andrews asked for a projection of 4.2%. Chair Rogers asked what it would require for 60 days of operating, a year of debt service, and some level of capital reserves.

FD Zook said they could also look at the rate to stay at the same level of \$6.7 million in reserves. They also could discuss what an adequate level of operating capacity was.

Mayor Andrews said the goal was zero debt service.

Ms. Galardi said staff would look into the standards for capital reserves and example policy language. They would also run the 4.2% numbers and the numbers for what it would take to stay at the same level.

Chair Rogers said Blair Didway resigned from the Committee and staff was working on a replacement.

IV. PUBLIC COMMENT

None.

V. ADJOURNMENT

The meeting adjourned at 8:03 PM.

Approved by the Citizen's Rate Review Committee on this 7th day of December, 2017.



Citizens' Rate Review Committee Recording Secretary



Citizens' Rate Review Committee Chair



Sewer Rates #2

Citizen Rate Review Committee Meeting

December 7, 2017