

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, DECEMBER 7, 2017
6:30 PM MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

The meeting was called to order at 6:40 PM.

II. ROLL CALL

Members Present: Rick Rogers, Chair Nick Morace Adam Lundstrom
Bill Rourke
Mayor Bob Andrews, ex-officio

Staff Present: Matt Zook, Finance Director
Kaaren Hofmann, City Engineer
Caleb Lippard, Assistant Finance Director

Others Present: Deb Galardi, Galardi Consulting LLC

III. CONSENT AGENDA

1. Approve minutes from the October 5, October 26, and November 9, 2017 meetings

Committee Member Morace asked about the October 26 minutes where the Committee requested staff to find out the Council's intent for the proposed reduction of CPRD's reuse water rate. He would like to know why the Council wanted it reduced more than what was originally recommended. Chair Rogers said they would also like to know if this would set a precedent for any future users or if this was specific only to CPRD.

Finance Director Matt Zook would bring that information back to the CRRC.

MOTION: Rourke/Morace moved to approve the consent agenda. The motion carried (4 Yes/0 No).
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IV. COMMITTEE BUSINESS

1. Discussion on fund balance/reserves

Deb Galardi, consultant, reviewed the best practices for operating cash reserves. The recommendation was to have 1 to 3 months of operating expenses in reserves, and the City's policy was two months. Other than capital reserves, there should be reserves for rehabilitation/replacement, rate stabilization, equipment replacement, and emergencies. An appropriate level for rehabilitation/replacement reserves was \$3 million and rate stabilization was an additional \$.5 to \$1 million. She then gave a scenario summary with the current reserves, one based on the 3.5% rate increase, and one based on the 4.2% rate increase. The 4.2% rate increase would bring the rehabilitation/replacement and rate stabilization reserves to about \$3.7 million, and the 3.5% rate increase would bring those reserves to about \$3 million. The Committee needed to consider the additional rate impacts as well.

Committee Member Rourke clarified in either scenario they were in the ballpark for what was needed. Ms. Galardi confirmed that was the case.

There was discussion regarding the reserve policy for other City funds.

2. Wastewater rate discussion

Ms. Galardi gave an overview of the wastewater rates and what they were based on. There were different customer classes based on the strength of waste or level of pollutant load. There was a fixed charge and variable charge for this rate as well. She explained the cost allocation process, what drove the costs for rate setting, and rate structure. The fixed charge included billing and 80% of the inflow and infiltration (I & I) costs. She discussed the current rate schedule and proposed rate schedule based on a 3.5% increase. The rate consisted of the fixed charge, multi-family units which were charged for I & I, and the variable charge which was based on winter wastewater usage. In the updated rates the service charge increased significantly and in some cases the volume rates went down slightly or stayed the same. This was due to an increase in the billing charge and I & I load charge. It resulted in a 35% fixed cost recovery for wastewater. She discussed the impact to the average single family customer's bill. The current bill was \$64.59 and the 3.5% would increase it to \$67.19 in 2018/19 and \$69.56 in 2019/2020. It was a range of \$2.37 to \$2.60 more per month. Based on the updated cost of service, some customer classes would go up more than the 3.5%, about 4.3% due to the I & I charge, and some would go up less than 3.5%.

There was discussion regarding reserves. Ms. Galardi clarified for the 3.5% rate increase, it would bring the reserves for rate stabilization and rehabilitation/replacement to \$3 million, but the total reserve would be \$6.2 million with the operating and capital reserves as compared to the current \$8.7 million in reserves. The Committee needed to look at the appropriate level that balanced the rate increase, financial resiliency, and flexibility.

There was further discussion regarding how the SDC fund balance affected reserves. Ms. Galardi said the SDC fund balance helped the City not have to dip into the rates to pay for capital projects. City Engineer Kaaren Hofmann clarified SDCs could not be used for rehabilitation/replacement projects.

Chair Rogers asked if the Committee wanted to stay at the 3.5% rate increase or have staff look into a different percentage and if a reserve policy should be suggested to Council. He thought it would be helpful in the future to create a reserve target.

FD Zook said the Long Range Financial Planning Committee forwarded a reserve policy to the Council for operating contingency and debt service, but not for rate stabilization or rehabilitation/replacement. He thought creating a policy was worth considering.

MOTION: Rogers/Morace moved that for the purpose of future meetings to look at a low to medium level of rate stabilization and rehabilitation/replacement reserve, which at this point was a 3.5% rate increase. The motion carried (4 Yes/0 No).

There was consensus for staff to draft a policy stating that a medium level of reserves was the target.

V. PUBLIC COMMENTS

Desiree Neel, Newberg resident, discussed her concerns about being a small business owner and having to pay the new Transportation Utility Fee. She thought what she had to pay was out of proportion, but

was not opposed to paying it as long as the road repairs were done properly. She thought the water fee was not being properly charged and people should pay for what they were using.

Chair Rogers said the Committee would be discussing the TUF on January 25. He explained how the Committee was trying to balance the fixed charge and usage charge for the water fees.

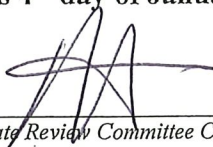
CE Hofmann explained how the TUF was calculated. Mayor Andrews clarified the TUF was only to be used for street maintenance in the City.

VI. ADJOURNMENT

The meeting adjourned at 8:10 PM.

Approved by the Citizen's Rate Review Committee on this 4th day of January, 2018.

 1/4/18
Citizens' Rate Review Committee Recording Secretary


Citizens' Rate Review Committee Chair