

**CITY OF NEWBERG  
CITIZENS' RATE REVIEW COMMITTEE  
THURSDAY, OCTOBER 26, 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 6:30 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  
                         Caleb Lippard, Assistant Finance Director

Others Present: Deb Galardi, Galardi Consulting LLC

**III. COMMITTEE BUSINESS**

1. Election of Chair, Vice Chair, and Secretary

Ms. Bradford volunteered to be Secretary.

Mr. Morace nominated Bill Rourke for Vice Chair.

Mr. Rogers agreed to continue as Chair.

**MOTION: Morace/Grider** moved to accept the slate of officers. Motion carried (5 Yes/0 No).

2. Presentation of Rate Structure

Deb Galardi, consultant, said new information had been received regarding the non-potable water. There was some missed meter reading issues which made it look like the irrigation at the golf course had dropped off when it really had not. At the last meeting she had given the Committee some estimates on the impact of reducing the non-potable rate to \$2. She gave the Committee the updated numbers. At the current \$2.51 rate, the revenue from non-potable would be \$95,000 per year. At the \$2 rate, the revenue would be \$75,000. It was a relatively small decrease in the context of the whole system. She reviewed the revised capital costs. The capital costs were intended to recover the non-potable's share of debt service as those improvements were financed. The rate was not intended to recover from the only user the whole cost of the system. As customers were added, the rate would not change. CPRD was paying their share based on the usage of the system. The operation and maintenance costs might increase as other users were added to the system, but they would be paying for the portion that they were using.

Chair Rogers clarified CPRD was using about one fifth of the total capacity. He asked about the request to reduce the rate to \$2.

Ms. Galardi said that was direction from the City Council. They would still be contributing some to capital at the \$2 rate. The rate used to be \$3.52, and was significantly reduced to \$2.51. Reducing the rate to \$2 would require the \$20,000 loss to be absorbed by the potable water system. Those rates would not have to be increased; it would reduce the amount in reserves. This reduction was minimal.

Chair Rogers disclosed that his wife was on the CPRD Board.

There was discussion regarding potable water subsidizing the non-potable system and whether or not to reduce the rate to \$2. There was further discussion regarding the Council's direction on this issue.

There was consensus to get further clarification on Council's direction before making a decision.

### 3. Continue/Conclude Water Rate Discussion

Ms. Galardi said at the last meeting the Committee had discussed the financial plan and overall revenue needs for the water system and Capital Improvement Plan. The proposed 3.5% rate increase would fund the needs. The increases would begin in January of 2019 and January 2020. She then discussed the cost of service analysis, which allocated a portion of the rates in customer classes based on usage. To calculate that portion, the costs of maintenance and capital improvements were aligned with the different functions of the system and meter usage. Some of the functions had to do with how the water was used throughout the year and there were different rates for different classes. She explained variations of how cost of service could be calculated, such as subsidizing or incentivizing certain customers.

Discussion ensued regarding the irrigation rate.

Chair Rogers asked for the revenue of each class per year.

Ms. Galardi illustrated the differences by class and how it impacted cost of service. She then discussed how the fixed charges and volume charges were determined. The Committee had requested she come back with some scenarios showing an increase in the fixed charge closer to the 40%. Currently 26% of the revenues went to the fixed charge, but that was still below the benchmark levels. Best practices said it should be 35% to 40%. One scenario showed small incremental adjustments, 2% or so per year, and another scenario showed larger adjustments, getting to 35%. To get to 30%, they would have to increase the \$13 for the three-quarter inch meter to \$14-\$16 by 2020. The other meters would go up by the same proportion as well. For the volume charge, she showed the different customer classes and peak factors. Irrigation had the most significant peak than any other class. She then discussed the rate design, and how some would pay more towards the overall rate increase than others due to the updated cost of service. One option was to make it even across the board, but that would be a policy decision. The bill was comprised of both the fixed and volume charges. The average single family residential user's bill for 700 cubic feet of water per month would go from \$43.16 to \$44.54 the first year and the second year to \$46.37. The average bill for outside city was incorrect in the previous information, and those numbers had been updated. The outside city users paid a higher volume rate than inside city users. The overall percent rate increase might be higher for some classes than the 3.5% because the cost of service update had changed some of the usage characteristics and some of the classes were allocated more of the increase. Other classes benefitted from the redistribution and would pay less. All of the residential would go up less than the system average.

Finance Director Zook said staff had looked into the Code requirement that said when the rates exceeded the CPI plus a certain amount it would have to go to a vote. The difficulty with that was the variability in the rates, and how some were going up and some were going down. The Code did not specify if they

were measuring per rate, and it was something to discuss further. The proposed rate was for a 3.5% overall system increase, but there were different percentages for the different classes.

Ms. Galardi said not only were there differences across the classes, there were differences in the classes for the fixed and variable charges. A low volume user's bill would be impacted more than a large volume user due to the increase in the fixed charge. In another scenario where they went to 30% the first year and 35% the second year, instead of a \$1 to \$1.50 increase per month in the fixed charge, it would be a \$2.50 increase per month. That would also mean the volume charge would go down. This would affect low volume users even more than what was stated previously, such as an 8% to 10% increase. It would make great gains in terms of revenue stability, but there did need to be a balance of how the rate increase would be distributed. She would bring back the revenues by class and information on the Council's direction on the non-potable water rate.

Chair Rogers asked about assistance for low income if the fixed rate was increased. FD Zook said there was discretion for the Finance Director to approve documentation for eligibility for \$5 to \$10 off. There had been recommendations for changes to the assistance program, and it could be a future agenda item.

#### IV. PUBLIC COMMENT

None.

#### V. ADJOURNMENT

The meeting adjourned at 7:53 PM.

**Approved by the Citizen's Rate Review Committee on this 7<sup>th</sup> day of December, 2017.**



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*Citizens' Rate Review Committee Recording Secretary*



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*Citizens' Rate Review Committee Chair*