



CITIZENS' RATE REVIEW COMMITTEE AGENDA

THURSDAY, DECEMBER 19, 2019

6:30 P.M. MEETING

WASTEWATER TREATMENT PLANT CONFERENCE ROOM (2301 N.E. Wynooski Rd)

Mission Statement

The City of Newberg serves its citizens, promotes safety, and maintains a healthy community.

Vision Statement

Newberg will cultivate a healthy, safe environment where citizens can work, play and grow in a friendly, dynamic and diverse community valuing partnerships and opportunity.

I. CALL MEETING TO ORDER

II. ROLL CALL

III. CONSENT AGENDA

1. Approve minutes from the November 7, 2019 meeting.

IV. COMMITTEE BUSINESS

1. Transportation Utility Fee presentation & discussion
2. Non-Potable rate – requested information

V. PUBLIC COMMENTS

(30 minutes maximum, which may be extended at the Chair's discretion, with an opportunity to speak for no more than 5 minutes per speaker allowed)

VI. ADJOURNMENT

Next Meeting: January 9, 2019 at 6:30 pm at City of Newberg Wastewater Treatment Plant, 2301 Wynooski Rd, Newberg, Oregon.

ACCOMMODATION OF PHYSICAL IMPAIRMENTS: *In order to accommodate persons with physical impairments, please notify the City Recorder's office of any special physical or language accommodations you may need as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please call (503) 554-7793.*

The Committee accepts comments on agenda items during the meeting. Fill out a form identifying the item you wish to speak on prior to the agenda item beginning and turn it into the Secretary. The Chair reserves the right to change the order of the items on this agenda.

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, NOVEMBER 7, 2019
6:30 PM MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

Chair Grider called the meeting to order at 6:35 PM.

II. ROLL CALL

Members Present: Sarah Grider Nick Morace Ned Knight
Ron Sinicki Marie Maxwell

Members Absent: Bill Rourke and Adam Lundstrom

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

Others Present: Deb Galardi, Galardi Consulting LLC

III. CONSENT AGENDA

1. Approve minutes from the following meetings: July 11, 2018; May 28, 2019; September 26, 2019; October 10, 2019

MOTION: Morace/Knight moved to approve the minutes of July 11, 2018; May 28, 2019; September 26, 2019, and October 10, 2019. The motion carried (4 Yes/ 0 No/1 Abstain [Maxwell]/2 Absent).

IV. COMMITTEE BUSINESS

1. Wastewater Rate Discussion

Deb Galardi, Galardi Consulting LLC, discussed how they could not make the rate increase lower than 3.5% for wastewater due to the capital projects and operating costs. They would have to watch it closely to make sure they did not get behind the game in terms of where they wanted to be financially.

Committee Member Knight noted in Fiscal Year 2022-23 capital transfers were very small. In that year would there be very little for capital projects? Ms. Galardi stated the costs for capital projects fluctuated as well as the amount that was SDC eligible. The dip was either related to a reduction in the CIP where projects happened earlier and there was a break or it was a more growth related CIP so instead of transferring out of the Wastewater fund it was transferred out of the Development Charge fund. Those were low years and it did happen when there were years of very few projects.

Ms. Galardi said the focus tonight was looking at unit charges for customers based on a 3.5% rate increase. She explained the process for the customer charges which included looking at the financial

plan, updating customer usage profiles, and determining customer class revenue requirements. There were projects that related to the collections system and wastewater treatment as well as reducing inflow and infiltration. Staff also looked at how their time was spent on maintenance and operations and tweaked as needed how the costs were distributed to the various functional components to more accurately and equitably distribute the costs to customer classes. From there using industry standard practices, they distributed the costs to the different categories that were attributed back to the customers. They used the summertime flow to estimate what was coming from customers as the average flow and the delta of what was going into the plant was assumed what was coming from the inflow and infiltration.

Committee Member Knight asked if the TSS and BOD were costs to reduce those at the treatment plant. Public Works Director Harris said the Total Suspended Solids had to do with how they treated these solids and the Biological Oxygen Demand had to be monitored to satisfy state requirements for the City's Discharge Permit.

Ms. Galardi stated that the components that were allocated to customers were the billing charge, infiltration and inflow charge, and volume charge. She discussed the current rates and proposed rates for 2021 and 2022. The rates went into effect every January. The rates were keeping up with inflation. The total service charge for 2019-20 was \$27.21. The two components that made up the service charge were the billing/customer charge which was \$3.42 per month and the multifamily unit charge of \$23.79 which applied to each additional unit over the first unit. The multifamily unit charge paid for the reduction in inflow and infiltration. The proposed service charge for 2020-21 was \$29.00 which was a 6.6% increase, and for 2021-22 it was \$30.11 which was a 3.8% increase. This continued the trend of increasing the portion of revenue coming from the fixed charges to enhance revenue stability. The volume charge did not show any major shifts as they were within a few percentage points of increase. For single family customers for 2019-20 it was \$8.93, and the proposed volume charge for 2020-21 was \$9.15 which was a 2.5% increase and for 2021-22 was \$9.46 which was a 3.3% increase. The commercial volume charge was based on the strength of the wastewater. Commercial 3 was going up a little less than Commercial 2, and that was related to hydraulic flow. There were some minor shifts, but overall not too significant.

Finance Director Zook asked what would happen in about six years when they reached the target of 40% of fixed revenue, did they stay static at that point? Ms. Galardi thought as the inflow and infiltration costs started to decrease, they would reach a point where they were at a stable percent and unless there was a policy basis for increasing it, then they would do more across the board to maintain that percent. The City was close to being in that position on wastewater, and water was catching up. They had made significant progress from a decade ago.

Public Works Director Harris said when he started working for the City, they did not have enough capacity and had to do a \$25 million upgrade on the wastewater treatment plant. Now both the wastewater and water plants were set for the next 20 years.

City Engineer Hofmann said there were still pieces of both plants that needed to be added onto, but the past projects had set them up for the future. Those pieces showed up later in the CIP list. If they could get the inflow and infiltration down, they could push out some of those additional expansions. She explained how they were doing a clarifier rating study for DEQ that she hoped would show how the clarifiers were treating at a higher level than what was expected and another clarifier would not need to be installed at this time. That would save the City \$5 million.

FD Zook said for the average user it might look like they were paying for more than they used, and at the next meeting they were going to see a comparison of the City's water and wastewater rates to

other communities. The Committee would see a difference in how other communities did their fixed charges.

Ms. Galardi said the whole industry had to go through a shift from a pay in proportion to what people used to paying for the ability of the service 24/7. The fixed costs did not go away even when people were conserving water and they had to recover a certain amount to continue the availability of the service. It was more about the availability of the service, not just consumption.

Ms. Galardi then discussed typical bill comparisons for the proposed 3.5% rate increase. For single family customers in 2020-21 it would be an increase of \$2.80 per month, and for 2021-22 it would be an increase of \$2.49 per month.

FD Zook presented a water and wastewater debt summary for the City of Newberg as of June 30, 2019. Most of the debt was from the early 2010's and every debt had been touched since he had started work at the City to try to reduce interest rates. He discussed the Clean Water State Revolving Loan Fund which was for the wastewater treatment plant repair, renovation, and expansion project. The interest rate had been refinanced to 1.75%. For water there was a 2015 refunding bond for the water reservoir, water treatment plant expansion and well #8, and parallel river supply line. That interest rate range was 2.375-4.0%. There was also a Business Oregon Loan that water and wastewater shared for the effluent reuse system. That interest rate range was 4-5% and it was being paid through the wastewater rates (36.3%), wastewater SDC (36.3%), and water SDC (27.4%). The grand total was \$31,099,308. The total outstanding principal by repayment source was as follows: wastewater rates--\$22,742,696; wastewater SDC--\$1,627,865, water rates--\$1,663,552, and water SDC--\$5,065,195. Some debt had fallen off over the last few years as well. He also noted that between 2012-2015, \$3,814,795 of debt service was covered by water rates due to insufficient water SDC revenue. This was not a loan as the SDC fund did not have a high enough balance to repay it.

PWD Harris said they could not control when growth happened as it was market driven and they did not know when those SDC revenues would come in. They also needed to expand the amount of industrial land the City had in order to bring more industries to the City.

V. PUBLIC COMMENTS

None

VI. ADJOURNMENT

Chair Grider adjourned the meeting at 7:25 PM.

Approved by the Citizen's Rate Review Committee on this 19th day of December, 2019.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair

CITIZENS RATE REVIEW COMMITTEE 5 YEAR TRANSPORTATION C.I.P. PRESENTATION

DECEMBER 19,
2019



BACKGROUND

- ▶ In July 2016, an ad-hoc committee was formed and began work on a proposed funding package for Phase 1.
- ▶ The work lead to a proposed Transportation Utility Fee to raise approximately \$1,200,000 for pavement maintenance.
- ▶ Goal was to maintain PCI (73) over the next 10 years.
- ▶ Implementation occurred on the September 2017 Municipal Services Statement.

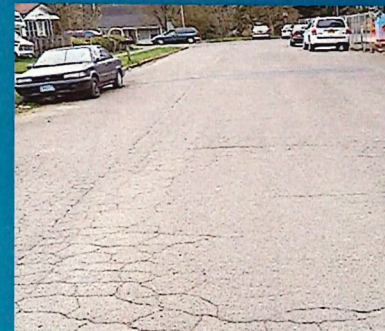
Pavement Conditions



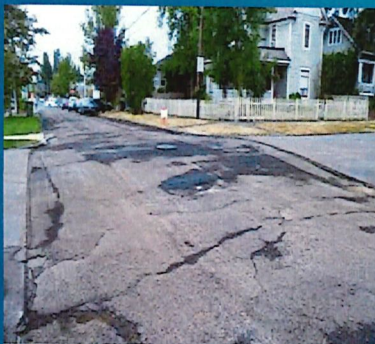
VERY GOOD (PCI=95)



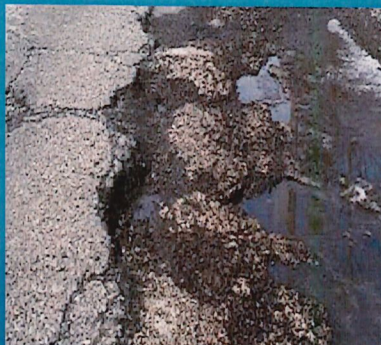
GOOD (PCI=70)



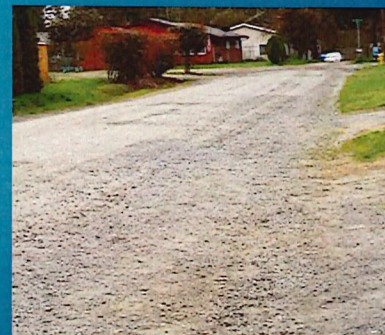
FAIR (PCI=60)



POOR (PCI=45)

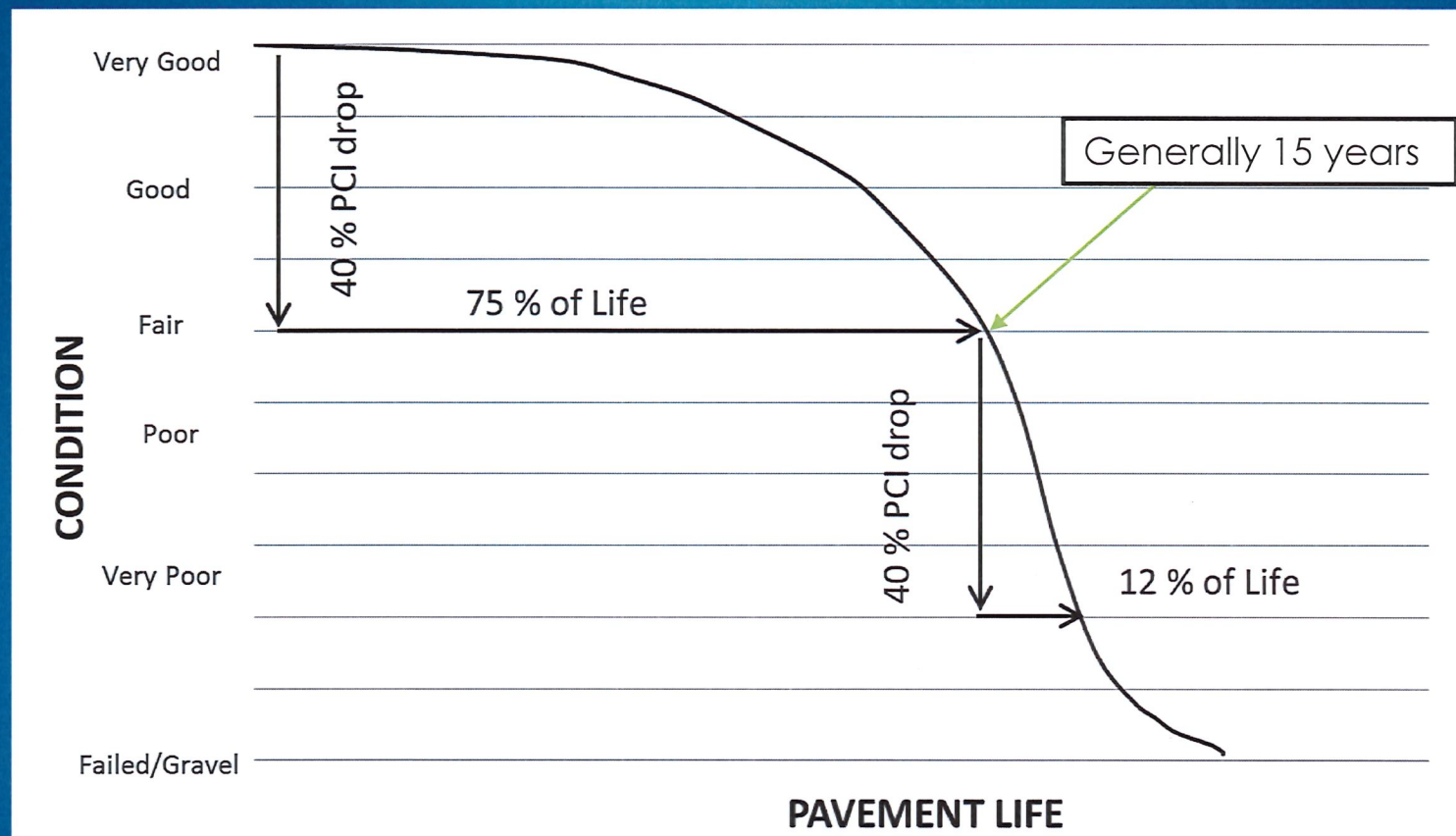


VERY POOR (PCI=20)



GRAVEL (PCI=0)

PCI

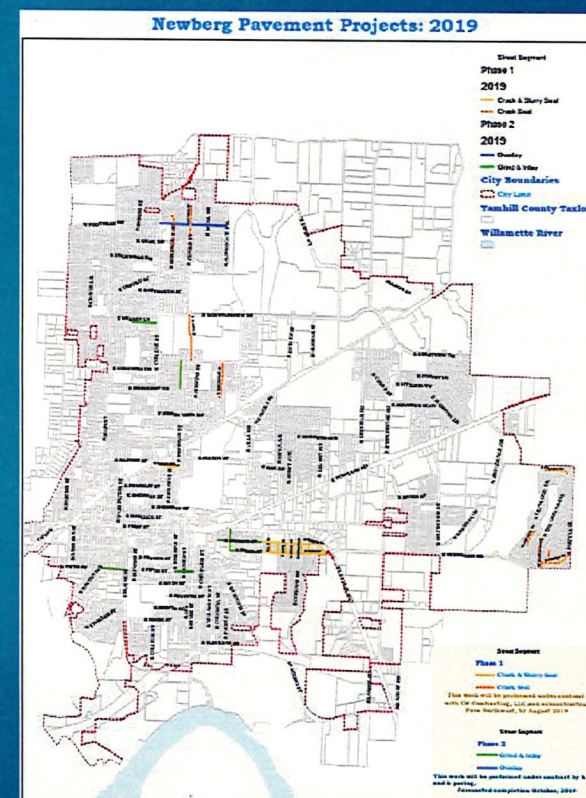
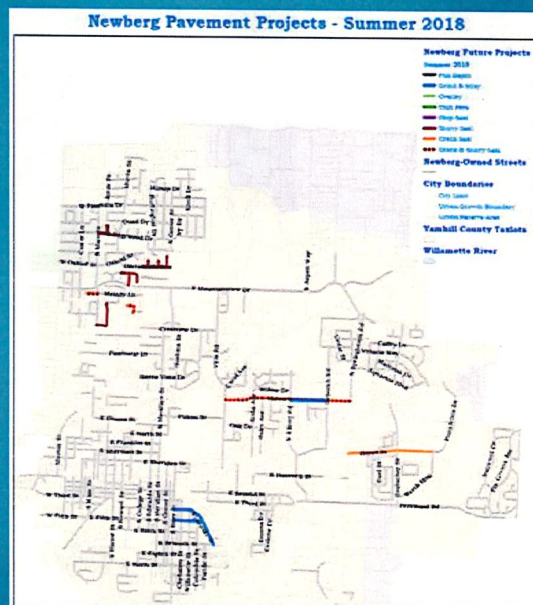


KEY THINGS TO NOTE

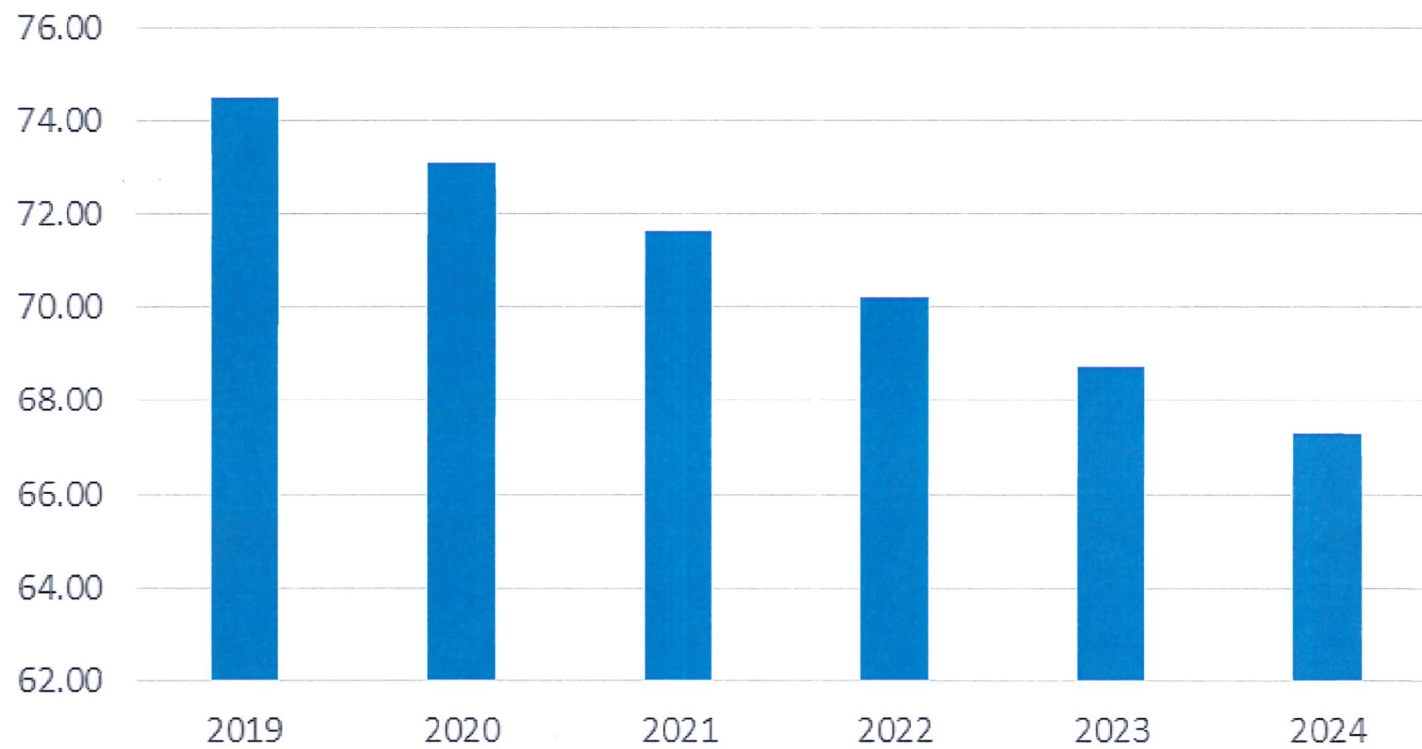
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- ▶ A maximum of 70% of revenue is proposed to be allocated to preservation of the good to fair streets, and a minimum of 30% to reconstruct the poor to very poor streets.
- ▶ Fee waivers – vacancy, low income, no vehicle, unemployment
- ▶ The TUF may not be used for other city purposes. TUF revenues will be used solely to pay items as noted in NMC 3.45.010.
- ▶ A transportation utility fee is imposed upon the owners of all developed property within the corporate limits of the City of Newberg.
- ▶ Each year the public works department shall prepare and present to the city council the “Annual Street Maintenance Program Report.”

- ▶ The TUF may be modified biennially based on one or more of the following factors:
 - ▶ 1. Cost of service adjustment. A rate adjustment reflecting a change in the amount of revenue required to maintain the city transportation pavement facilities defined by this chapter net of other city revenue that may be pledged for that purpose.
 - ▶ 2. Inflationary index adjustment. A rate adjustment reflecting the changes in the cost of labor, materials and other services linked to changes to broader economic conditions as measured by the Oregon Department of Transportation Four-Quarter Moving Average Construction Cost Index.
 - ▶ 3. New revenue adjustment. An adjustment based on revenue received from outside sources (not locally generated) to provide street maintenance.
 - ▶ 4. Road condition assessments. Assessments that forecast reduced costs to maintain the condition of the road system.
 - ▶ 5. Fee termination. The fee can be terminated by the city council if it is determined that the funding is no longer needed to maintain the street system.
- ▶ The adjustment to the TUF will not be automatic or pre-determined. The citizen rate review committee will review the TUF program on a biennial basis and recommend any modification to the amount of TUF collected to the city council. – **No increase was proposed in the 2017 Rate Review cycle.**



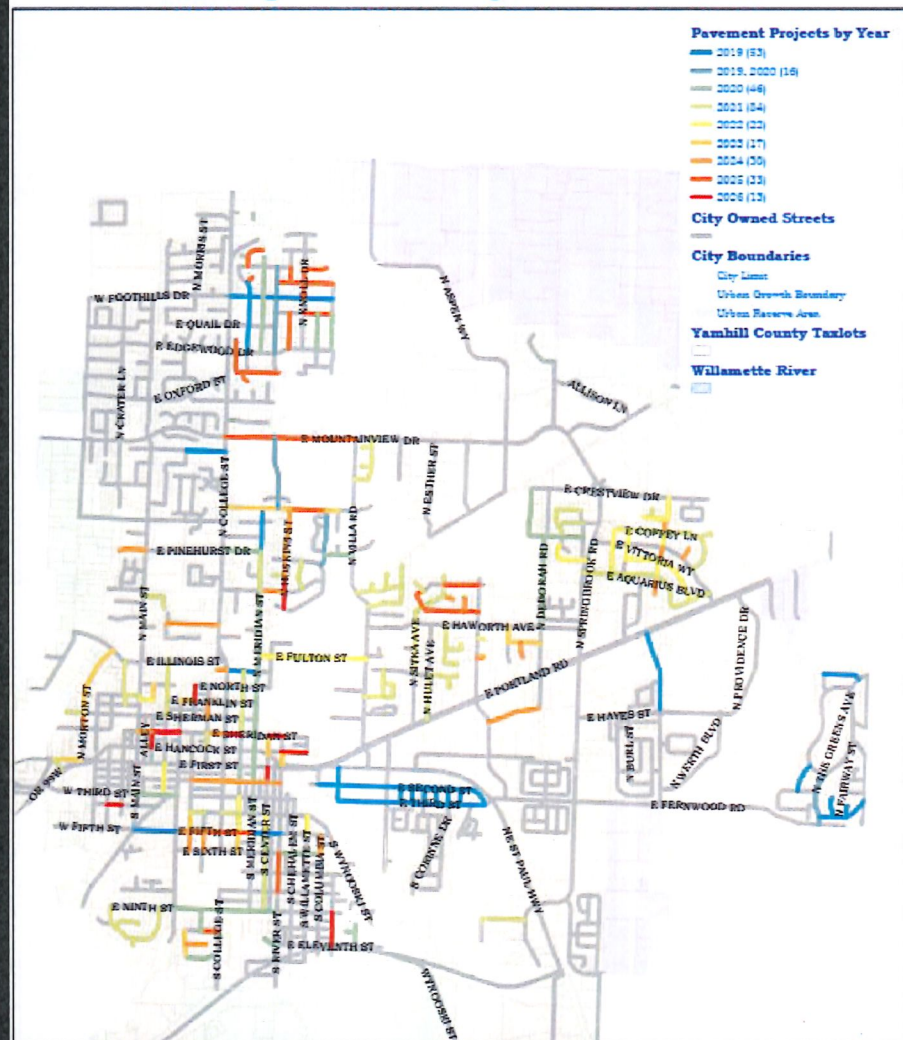
PCI over time

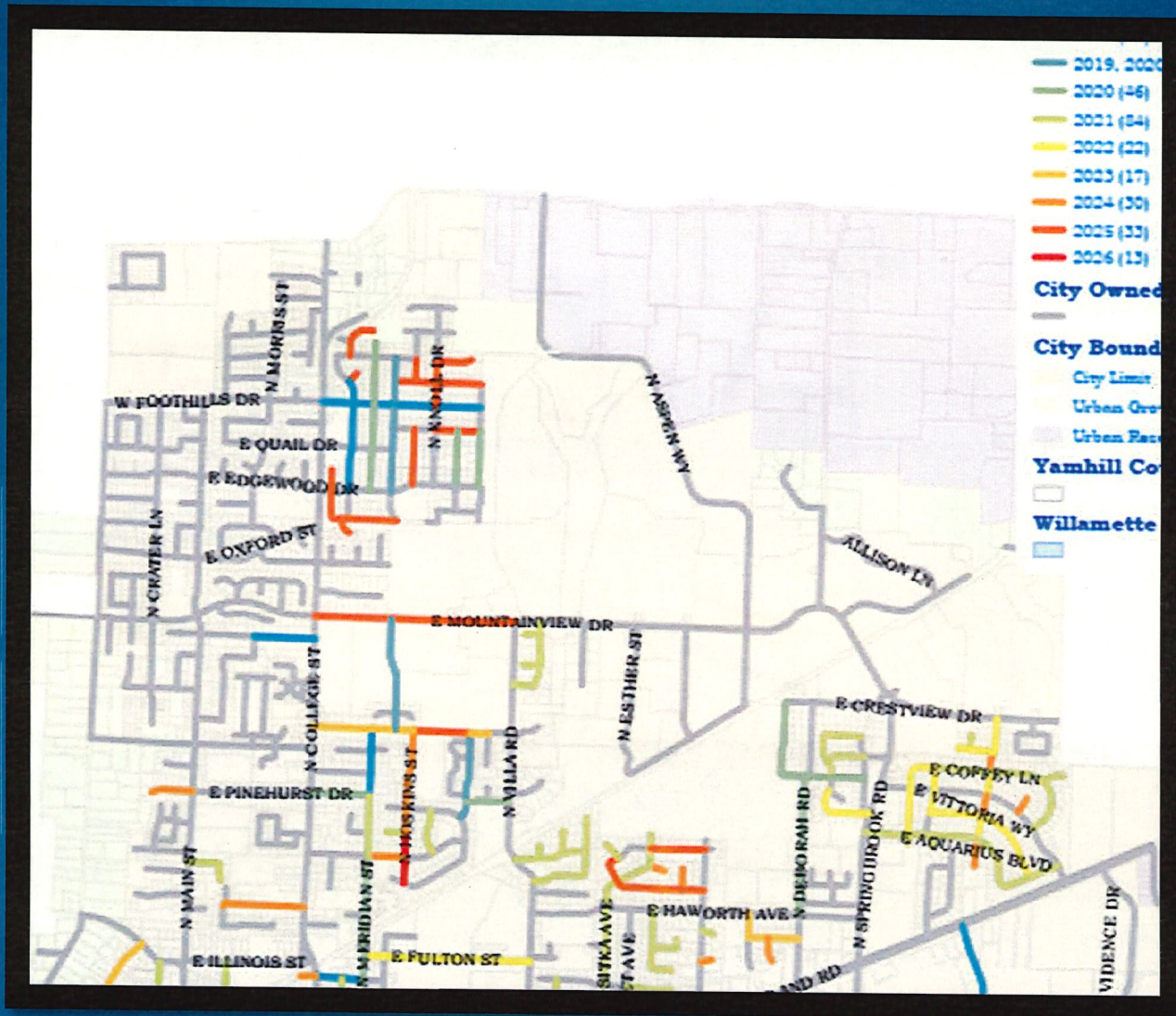


This assumes no additional projects in the next 5 Years.

PAVEMENT PRESERVATION PROJECTS 5 YEAR PLAN

Newberg Pavement Projects: 2019 - 2026



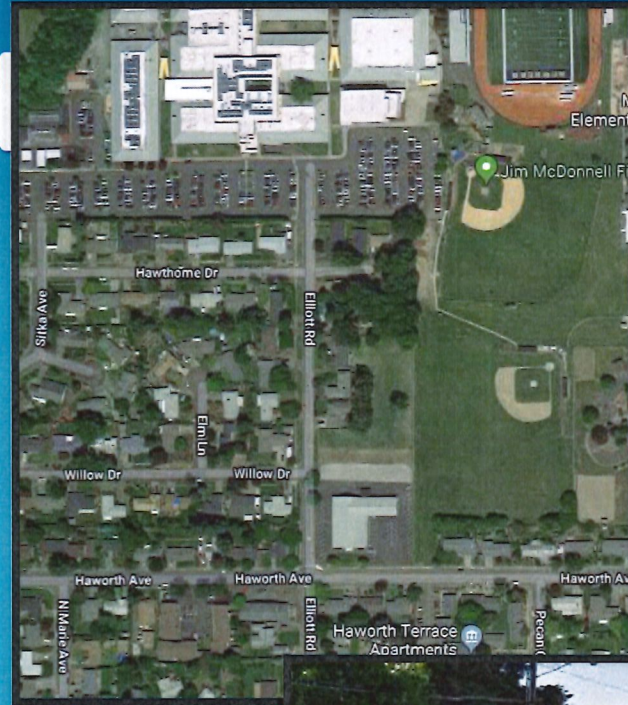




OTHER TRANSPORTATION PROJECTS

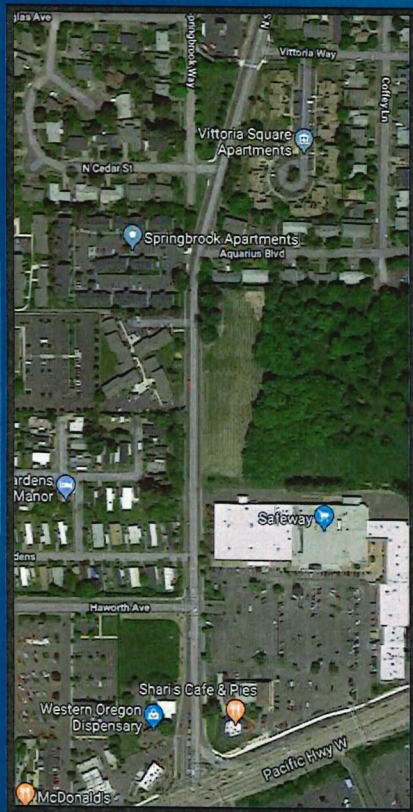
N. Elliott Road

- This is the main entrance into the High School.
- There are no bike or pedestrian facilities on this roadway.
- There is no public drainage system in N. Elliott Road resulting in frequent ponding other than ditches
- \$1,868,175; 61% SDC Eligible



N. Springbrook Road

- There are existing flooding problems along Springbrook Road
- A signal at Haworth Avenue, and other street improvements will also be under construction
- \$781,300; 30% SDC Eligible



College Street; Bikelanes & Sidewalks

1

6



College Street looking
North

- ▶ Aldercrest to Foothills
- ▶ Extend the sidewalks and bikelanes on the west side of the road
- ▶ College Street WL Relocation will be constructed ahead of this project
- ▶ ODOT led project

Crestview Drive; 99W to Springbrook Road

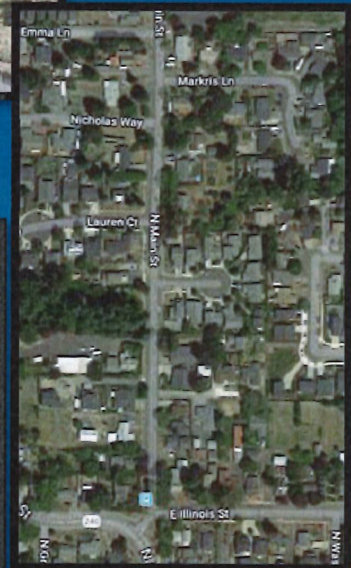
- ▶ Important transportation link to the north portion of the City
- ▶ Includes curbs, gutters, bikelanes & sidewalks, and replace existing substandard roadway segments
- ▶ \$1,100,000 is City's share; \$740,000 from State; \$3,160,000 from Developers – Total Cost = \$5,000,000
- ▶ Gramor & Springbrook Properties are partners



Main Street –

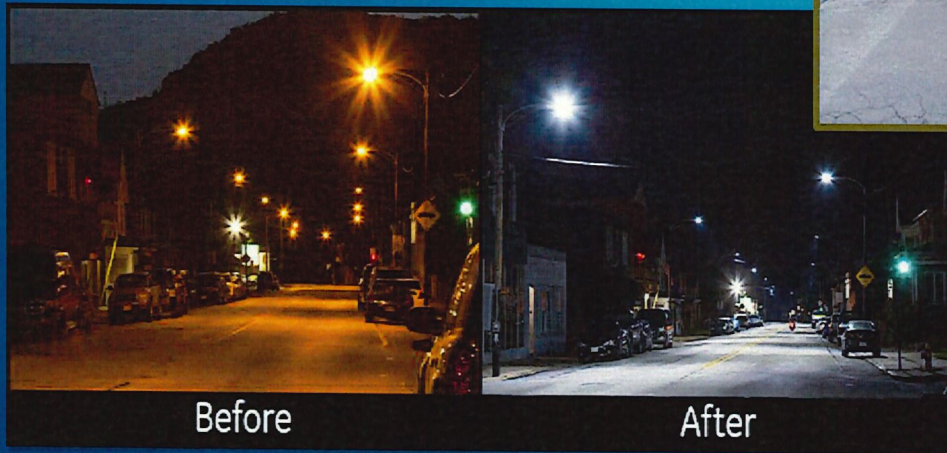
Study of Illinois Intersection Collector Standards

- ▶ A special study to determine the appropriate intersection improvements to address safety and mobility needs. Realignment of the intersection may be required. - \$515,000; 68% SDC
- ▶ This project would construct N Main Street to collector standards including sidewalks and bikelanes. - \$1,370,869; 64% SDC



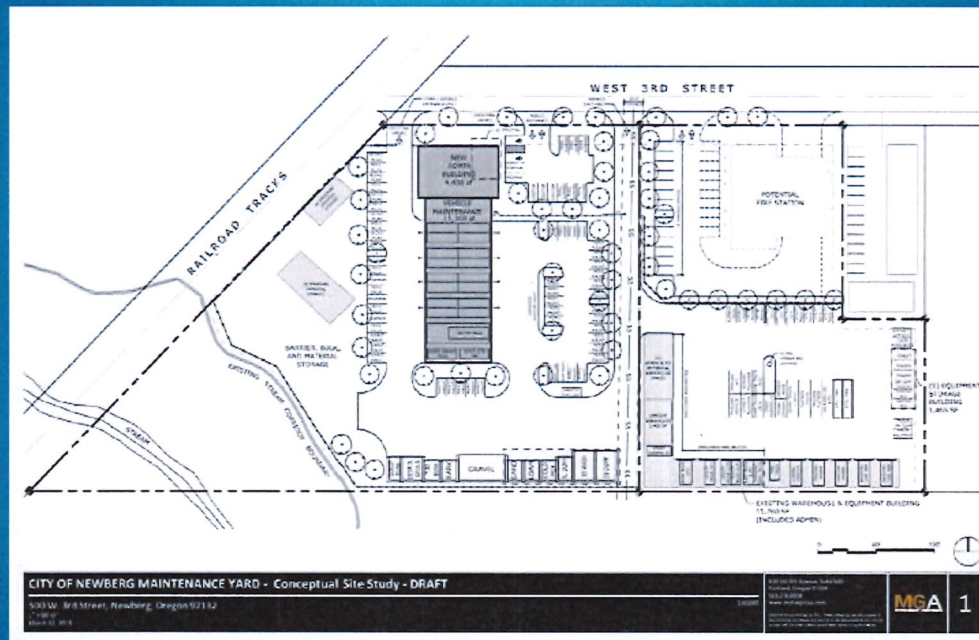
Other Transportation Needs

- ▶ Sidewalks – new, repair, ADA
- ▶ Street Lights – Conversion to LED



Multi-fund projects

► Maintenance Facility



Capital Improvements Project List

Transportation System Financial Plan

	Budget								Inflated CIP Total	SDC SHARE
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027		
CIP Expenditure	\$ 5,313,115	\$ 2,711,475	\$ 1,615,220	\$ 1,932,065	\$ 2,521,140	\$ 2,017,137	\$ 1,611,971	\$ 1,475,849	\$ 19,197,971	
<u>Project Name</u>										
Inflationary Adjustment	0	1	2	3	4	5	6	7		
Bicycle Route Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
ADA/Sidewalk Improvements	30,000	103,000	106,090	54,636	33,765	34,778	119,405	122,987	604,662	50%
Pavement Maintenance Program	1,697,440	1,236,000	1,166,990	1,202,000	1,238,060	1,275,201	1,313,458	1,352,861	10,482,010	0%
Villa Road; Haworth - Crestview	-	-	-	-	-	-	-	-	-	85%
Elliot Road; 99W - High School (S32)	1,095,675	772,500	-	-	-	-	-	-	1,868,175	61%
Crestview Drive; 99W - Springbrook Road (S40)	2,200,000	-	-	-	-	-	-	-	2,200,000	100%
College Street Bikelanes & Sidewalk to Mountainview	200,000	-	-	-	-	-	-	-	200,000	0%
N. Springbrook Road including signal at Haworth (I09)	-	-	-	218,545	562,754	-	-	-	781,300	30%
Traffic Calming	-	-	10,609	10,927	11,255	11,593	-	-	44,384	0%
LED Conversion	-	-	-	-	-	-	-	-	-	0%
PW Facility	40,000	84,975	331,531	341,477	-	-	-	-	797,983	20%
Street Sweeper Replacement (25% street/75% storm)	-	-	-	104,479	-	-	-	-	104,479	0%
Main Street/Illinois Intersection Study (I14)	-	515,000	-	-	-	-	-	-	515,000	68%
N Main Street Collector (S12)	-	-	-	-	675,305	695,564	179,108	-	1,549,978	64%
Safe Routes to School	-	-	-	-	-	-	-	-	-	0%
TSP Update	50,000	-	-	-	-	-	-	-	50,000	50%
SDC Eligible	\$2,916,362	\$889,354	\$119,351	\$161,177	\$617,904	\$462,550	\$174,332	\$61,494	SDC Eligible Total	\$5,402,524
Street Fund Supported	\$2,396,753	\$1,822,122	\$1,495,869	\$1,770,888	\$1,903,235	\$1,554,587	\$1,437,639	\$1,414,355	Tax & TUF Total	\$13,795,447



Transportation Utility Fees

Citizen Rate Review Committee Meeting

December 19, 2019

Background

- TUF implemented September 2017
 - No rate increases since
- Customer bills reflect two primary variables:
 - Intensity of use: higher cost per unit reflecting estimated trip generation
 - Customer size for nonresidential (number of units)
 - Building square footage, hotel/motel rooms, etc
- 3 Residential classes based on type of dwelling
- Nonresidential classes based on type of business
 - 5 General classes (based on building size)
 - Special uses (other variables, like students, rooms, gas pumps)

Cost Allocation

Total Annual Revenue
Target = \$1.2 million*

35%
Residential
(about
\$400K)

65% Nonresidential
(about \$800K)

*FY2020 estimated revenue = \$1.15 million

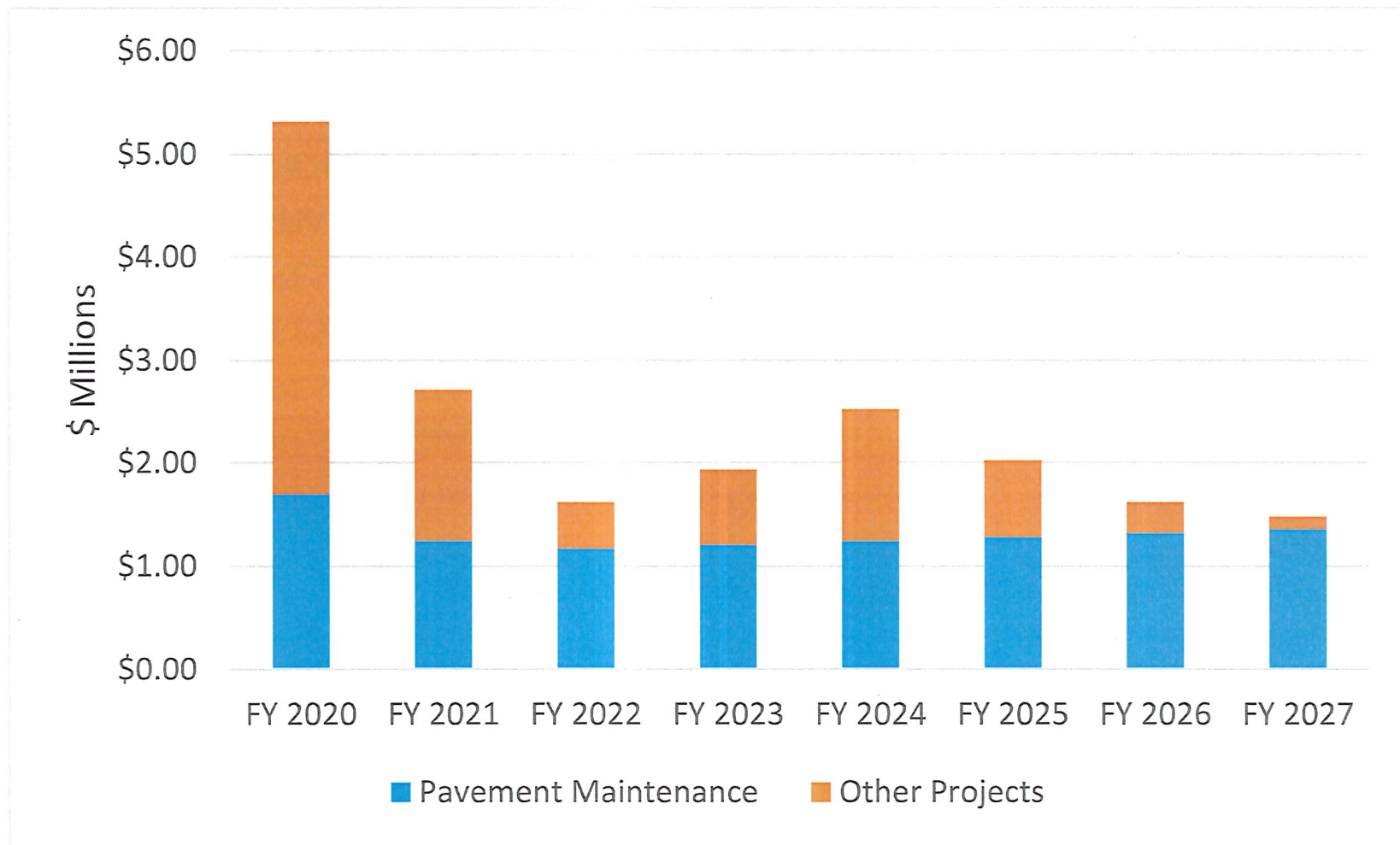
*Allocations reflected estimated trip generation by class

Current Rates

<u>Description</u>	<u>Rate</u>	<u>Units Measured</u>	<u>Examples</u>
CLASS 1 NON-RESIDENTIAL	\$ 3.72	KSF	Industrial, Warehousing
CLASS 2 NON-RESIDENTIAL	\$ 14.66	KSF	Office
CLASS 3 NON-RESIDENTIAL	\$ 21.35	KSF	Medical, Retail
CLASS 4 NON-RESIDENTIAL	\$ 33.46	KSF	Supermarket, Bank
CLASS 5 NON-RESIDENTIAL	\$ 97.16	KSF	Coffee Shop, Fast Food, Conv. Mkt
NON-RESIDENTIAL MINIMUM	\$ 4.99	1	
SF DETACHED HOUSING	\$ 4.99	DU	
MULTI-FAMILY	\$ 3.37	DU	
MOBILE HOME	\$ 2.61	Occupied DU	

KSF = 1,000 square feet

Capital Improvement Plan (CIP)

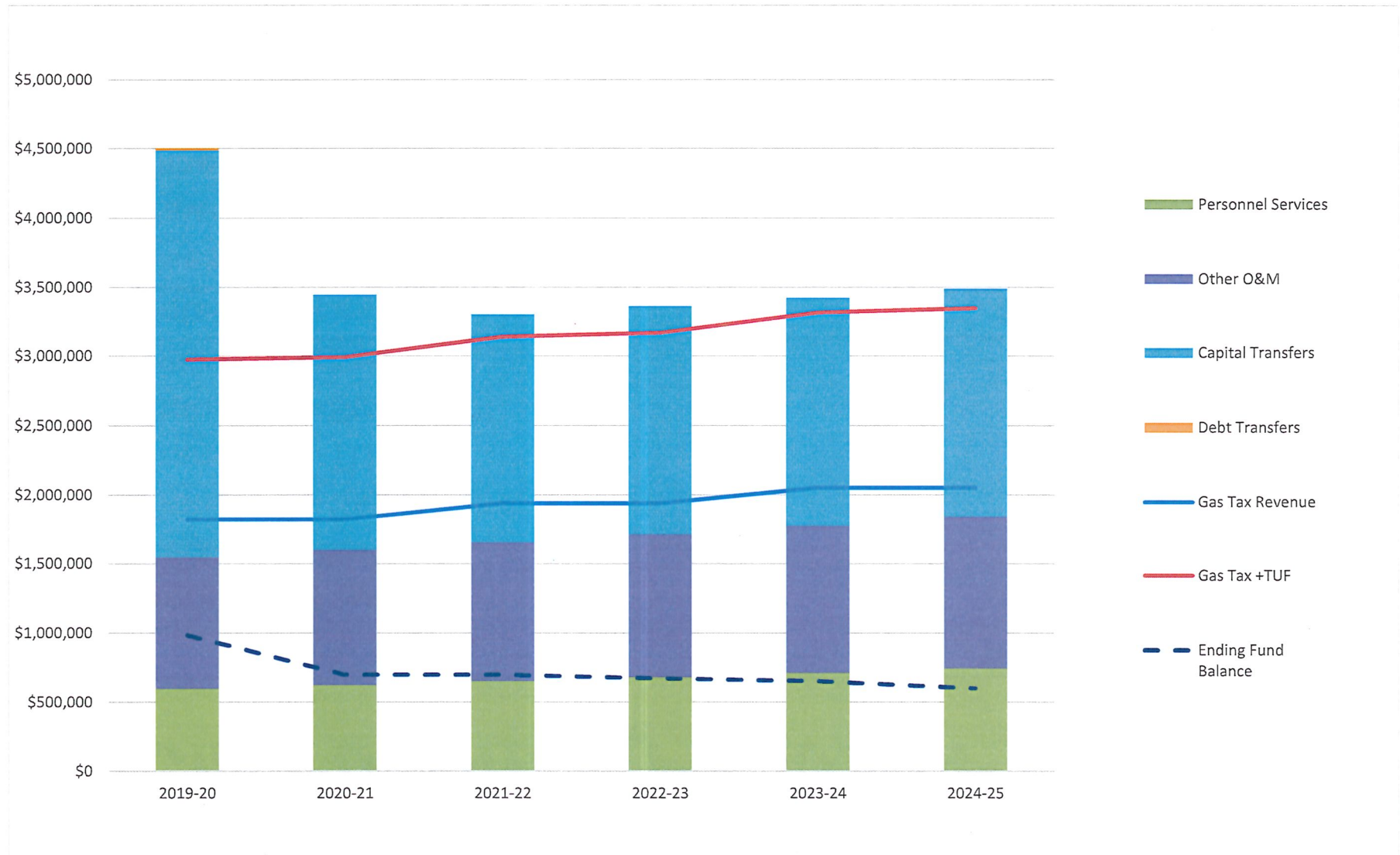


CIP Funding (FY2020-FY2027)

	Total
Sources of Funds	
Beginning Balance	\$203,601
Transfer In-Street Fund	4,042,926
Transfer In-TUF	10,550,000
Transfer In-Street SDC	4,856,351
Interest Earned	36,783
Total Sources	\$19,689,661
Uses of Funds	
Pavement Preservation	\$10,482,010
Other Projects	8,715,961
Ending Balance	491,690
Uses of Funds	\$19,689,661

*TUF Transfer assumes 2% per year TUF increase

Financial Forecast – Street Fund



Comparison of Current and Revised Rates

Description	Current	Revised Rate		Rate Change	
	Rate	FY2021	FY2022	FY2021	FY2022
<i>Rate Increase</i>		2.0%	2.0%		
CLASS 1 NON-RESIDENTIAL	\$ 3.72	\$ 3.79	\$ 3.87	\$ 0.07	\$ 0.08
CLASS 2 NON-RESIDENTIAL	\$ 14.66	\$ 14.95	\$ 15.25	\$ 0.29	\$ 0.30
CLASS 3 NON-RESIDENTIAL	\$ 21.35	\$ 21.78	\$ 22.21	\$ 0.43	\$ 0.44
CLASS 4 NON-RESIDENTIAL	\$ 33.46	\$ 34.13	\$ 34.81	\$ 0.67	\$ 0.68
CLASS 5 NON-RESIDENTIAL	\$ 97.16	\$ 99.10	\$ 101.09	\$ 1.94	\$ 1.98
SF DETACHED HOUSING	\$ 4.99	\$ 5.09	\$ 5.19	\$ 0.10	\$ 0.10
MULTI-FAMILY	\$ 3.37	\$ 3.44	\$ 3.51	\$ 0.07	\$ 0.07
MOBILE HOME	\$ 2.61	\$ 2.66	\$ 2.72	\$ 0.05	\$ 0.05

Comparison of Inflation-Adjusted Rates with Proposed Rates

	FY2018	FY2019	FY2020	FY2021	FY2022
Inflation*		7.4%	4.9%	4.9%	4.9%
SF Rate w/Inflation	\$ 4.99	\$5.36	\$5.62	\$5.90	\$6.19
Rate Increase		0.0%	0.0%	2.0%	2.0%
SF Rate w/Rate Inc.	\$ 4.99	\$ 4.99	\$ 4.99	\$5.09	\$5.19
*Based on Engineering News Record Construction Cost Index for Seattle (September to September); FY2021 and FY2022 estimated					

Combined Bill Impact

Combined Bill Impacts – Single Family Customer

Overall Increase					1-Jan	1-Jan	% Increase	
2021	2022	System	Units	Current	2021	2022	2021	2022
4.0%	4.0%	Water	7.00	\$46.85	\$49.08	\$51.21	4.8%	4.3%
3.5%	3.5%	Sewer	4.55	\$67.84	\$70.64	\$73.13	4.1%	3.5%
9.0%	9.0%	Storm	1	\$12.24	\$13.34	\$14.54	9.0%	9.0%
2.0%	2.0%	TUF	1	\$4.99	\$5.09	\$5.19	2.0%	2.0%
0.0%	0.0%	Public Safety	1	\$3.00	\$3.00	\$3.00	0.0%	0.0%
3.0%	3.0%	Communication Off	1	\$2.13	\$2.19	\$2.26	3.0%	3.0%
		Total		\$137.05	\$143.35	\$149.33		
		Difference \$			\$6.30	\$5.99		
		Difference %			4.6%	4.2%		
Communication Officer Fee estimated; actual increase will be tied to inflation								

Non-Potable Rates (Additional Option)

Non-Potable System Costs

Direct Costs ¹ \$92,000	Indirect Costs \$24,000	Capital Costs \$158,560 + \$43,750
• Labor • Materials & supplies • Equipment • Maintenance • Utilities	• Administration • Franchise Fee (7% of revenue)	• Water share of effluent Re-Use Debt Service (27.4%)² • Depreciation on Otis Springs Improvements³

¹ Estimated specifically for re-use system and Otis Springs

² The remaining debt is recovered through wastewater rates

³ Pump and pipe improvements = \$1.75 million; depreciated over 40 years

Non-Potable Capital Costs per Unit

Effluent Re-Use



Capital
Rate
(\$0.65/
ccf)

Otis Springs



Capital
Rate
(\$0.60/
ccf)

¹ 1 million gallons per day (243,984 ccf per year based on 6 months operation)

² 0.3 million gallons per day (73,195 ccf per year based on 6 months operation)

Non-Potable Rate Options

	Updated			
	Current	Option 1	Option 2	Potable (1)
Volume Rates (\$/ccf)				
Operation & Maintenance (2)	\$1.79	\$2.05	\$2.05	
Capital (3)	\$0.72	\$0.65	\$1.25	
Total	\$2.51	\$2.70	\$3.30	
Potable Irrigation Customer				\$7.83
Public Agency Customer				\$4.62
(1) January 2021 recommended rates				
(2) Includes labor and materials & supplies for Effluent Re-Use and Otis Springs				
(3) Based on 27.4% of annual re-use system debt, spread over total re-use capacity				
Option 2 includes Otis Springs Depreciation				

Impacts to potable water rates (relative to current non-potable rate):

Option 1: \$9,000/year (less than \$0.01 per unit of potable volume)

Option 2: \$37,000/year (about \$0.03 per unit of potable volume)

Discussion

