



CITIZENS' RATE REVIEW COMMITTEE AGENDA

THURSDAY, NOVEMBER 7, 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 following meetings: July 11, 2018; May 28, 2019; September 26, 2019; October 10, 2019.

IV. COMMITTEE BUSINESS

1. Wastewater rate discussion

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: November 21, 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, July 11, 2018
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 Marilynn Van Grunsven
Bill Rourke Sarah Grider Holly Bradford
Mayor Bob Andrews, ex-officio

Staff Present: Matt Zook, Finance Director
Caleb Lippard, Assistant Finance Director

Others Present: Leslie Murray, John Germain, Karen Henry, and Mandy Goff

III. CONSENT CALENDAR

1. Approve minutes from the February 15, 2018 and March 1, 2018 meetings

MOTION: Rourke/Morace moved to approve the minutes from the February 15 and March 1, 2018 meetings. The motion carried (6 Yes/ 0 No).

IV. PUBLIC COMMENT

Leslie Murray, North Valley Friends Church, said the church received phone calls several times a week from people needing assistance. The energy assistance program was another way her church was able to serve the community. They received \$500 and they tried to help 10 people through the grant program. Some years the money was used quickly, however last year there was money left over. They were getting a lot more requests for help with rent instead of utilities.

John Germain, Newberg Church of Christ, helped disburse the funds for the church. They also were getting more requests for rent money, and only got one request for utilities last year. It was a good program and had been used in the past.

Karen Henry, Love Inc., said they tried to limit the vouchers to \$50 per person so the money would last longer. Two churches in the City signed their vouchers over to Love Inc. because they screened the applicants and made sure they were not doubling up. This year they ended up with money left over from one of those churches, but the rest was used up.

Mandy Goff, YCAP, shared that they served 30 families with these funds last year. They did short term case management with the families and helped them connect to other resources besides the utility program. With the burden of rent becoming heavier on everyone's budget, even middle income families were having a hard time saving money. This program was helpful for easing the burden.

Chair Rogers asked for conflicts of interest or ex parte contacts on the part of the Committee.

Committee Member Rourke stated he was a member of North Valley Friends Church and volunteered in a number of capacities but received no remuneration for his work.

Chair Rogers said he was affiliated with Habitat for Humanity.

V. NEW BUSINESS

1. Review and recommend for adoption by Council the Municipal Services Assistance Policies & Procedures

Committee Member Rourke noted there were some people who had needs but were excluded from the program, such as renters.

Chair Rogers said the program was only for single family residences and the vast majority of low income lived in multi-family apartments or manufactured home parks.

Assistant Finance Director Lippard said multi-family units had one meter and there was no way to tell how much each family was using.

Finance Director Zook was open to changes to the policy.

Committee Member Rourke thought the policy should be changed to allow renters access to the program. Chair Rogers agreed.

Assistant Finance Director Lippard said the dollar amount had been changed to \$15 for a customer who only had water service and \$25 for people who had water and wastewater. People could apply for this money once per year.

MOTION: Rourke/Morace moved to direct staff to modify the policy to allow multi-family renters to have access to these funds.

Committee Member Morace discussed the active military and veterans assistance. This assistance did not get used often due to lack of exposure. The program needed to be advertised more. He also thought it should be raised to \$50 per month for water and wastewater and \$30 per month for water only.

Assistant Finance Director Lippard asked for input on how to implement allowing multi-family renters to have access to these funds.

Committee Member Grider suggested people bring in their rental agreement that showed the property owner was paying the water for them and that it was rolled into their cost of residence.

Chair Rogers said the voucher should go to the tenant who would have to apply it through the bill of the landlord.

Committee Member Bradford recommended giving the tenant a receipt which they could take to the landlord.

Assistant Finance Director Lippard would come back with options for this change.

Committee Member Rourke withdrew his motion to allow staff time to look into the rewording. Committee Member Morace withdrew his second as well.

2. Review and approve the utility assistance grant applications to nonprofits

Committee Member Rourke asked since there was grant money left over from last year, was there a way to increase the visibility of the program.

Chair Rogers was surprised that all the money had not been used. He asked members of the audience why that might be.

Ms. Henry stated they had been giving \$50 to each person, which was much less than their past due amount. They were trying to spread the money further. If they went back to serving each person who came in and when the money was gone, it was gone, the money would be used up faster. They were willing to manage other church's money or refer people to other churches when they ran out.

Ms. Goff said there was a time gap when the funds stopped on June 30 and they had received requests after that date. They were only allowed to pay the past due portion and it would be helpful if they could pay the whole bill.

Assistant Finance Director Lippard said there was an advertisement last year in the utility bills about this program.

Committee Member Grider asked if staff was trained to let people know about the program when people called the City. Assistant Finance Director Lippard said staff did let people know about the program.

Chair Rogers said there was one application that had been submitted after the deadline date. He asked if that applicant should be included or not.

MOTION: Van Grunsven/Grider moved to include Red Hills Church, which would reduce the amount distributed from \$450 to \$409 per recipient. The motion carried (6 Yes/ 0 No).

MOTION: Van Grunsven/Bradford moved to approve the grant applications of \$409 each for all of the agencies that had applied. The motion carried (6 Yes/ 0 No).

The Committee discussed raising the amount for the active military and veteran assistance program.

Committee Member Rourke said there was a history of the funds not being spent and he did not think the amounts should be changed. If the money was spent more this year and there was additional need, they could reconsider the amounts.

Committee Member Grider thought more veterans were moving into the City and a lot of their resources were being cut and changed. It was difficult to live on a military salary and difficult when people were transitioning out of the military. She thought whatever could be done to help would be beneficial. She thought the program should be advertised more this year and that they should look into increasing the individual amounts people could get.

Committee Member Van Grunsven also supported increasing the amount, but until they had a track record where the funds were being used, it should stay as it was until they saw a demand for it.

Chair Rogers said the current limitation was active within 12 months. He asked if that should be increased. Committee Member Grider recommended allowing anyone possessing a DD214 with an honorable discharge to have access to the program.

Chair Rogers thought opening it up to all veterans whenever they served would be a way for the funds to be used more.

Committee Member Morace said a lot of the veterans did not live in a single family home, but in apartments. A lot of people could not use the program because of that policy. He would like to make the program more appealing to veterans by making it an amount that would actually help them.

Committee Member Rourke knew a number of veterans who did not use the services that were available.

There was consensus to expand the program to include all veterans.

Committee Member Grider thought Veterans Day was a great day to advertise services for veterans in the community and reaching out to the VFW to advertise as well.

Chair Rogers said they should also announce it through the veterans discount program with the County and at veterans' meetings.

Chair Rogers asked about the suggestion of paying the full bill rather than just the past due portion.

Committee Member Morace thought it was a good idea, but it would be difficult to decide who would get their full bill paid and who would not.

Assistant Finance Director Lippard explained how YCAP and the churches administered those funds. There were limitations on how frequently a person could receive the funds as well.

There was consensus that it should be up to the discretion of those administering the money whether or not to pay the past due only or the whole bill.

Chair Rogers asked about the timing and covering the summer months.

Assistant Finance Director Lippard suggested the Committee meet earlier to approve the grants so that funds could be distributed in July as well.

There was further discussion regarding raising the amount of the assistance for both the military and low income groups.

Chair Rogers suggested noting this expenditure in the water and wastewater rate budgets so the CRRC would know if the funds needed to be raised.

There was consensus to give the agencies discretion on the amount of assistance for the military and low income programs.

Chair Rogers announced the privilege tax increase was approved by the Council. The funds would be taken out of reserves.

VI. ADJOURNMENT

The meeting was adjourned at 7:34 PM.

Approved by the Citizen's Rate Review Committee on this 7th day of November, 2019.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
TUESDAY, MAY 28, 2019
6:00 PM MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

The meeting was called to order at 6:08 PM.

II. ROLL CALL

Members Present: Bill Rourke, Vice Chair Ron Sinicki Marilyn Van Grunsven
Sarah Grider Adam Lundstrom

Staff Present: Matt Zook, Finance Director
Caleb Lippard, Assistant Finance Director

Others Present:

III. CONSENT CALENDAR

1. Approve minutes from the August 29, 2018 meeting

MOTION: Grider/Sinicki moved to approve the August 29, 2018 meeting minutes. Motion carried (4 Yes/ 0 No).

IV. PUBLIC COMMENTS

Cindra Gray, St. Michael San Miguel Episcopal Church, stated they had not used the grant money they had received this year. Most appeals they received were for cash, gas, and hotel accommodations. She wanted to work on getting the word out better.

Violet Ketley, Newberg Seventh Day Adventist Church, said they had a Community Service Center and helped people with the electricity, water, and lodging. They also gave gift cards and food boxes. They had put people up in hotels as well.

V. NEW BUSINESS

1. Review and approve the utility assistance grant applications to non-profits

Assistant Finance Director Lippard said there were ten non-profit organizations who applied for the grant funds. In the past this fund had been split evenly among the applicants. The amount for Fiscal Year 2019-20 was \$5,000, which would be \$500 per organization.

Vice Chair Rourke said one organization from last year released their funds to Love, Inc. to distribute and Love, Inc. had said they administered this fund for four organizations. Did they know which applicants were giving their money to Love, Inc. to administer?

AFD Lippard said he did not know other than Red Hills Church.

Committee Member Grider asked if the churches were cross-advertising the grant programs so that if a church ran out of funds, they could send applicants to another church.

AFD Lippard said the City advertised the whole list in the utility bills. YCAP had the largest allocation, and that was usually who the City directed people to.

Committee Member Sinicki asked if the program could be advertised in the Graphic. AFD Lippard said it would cost some funds to post it. The funds would have to come from the billing department. The information was put on the City's website and Facebook page.

Finance Director Zook stated staff monitored the use of the funds, which were currently being underspent, and contacted the program managers to remind them they had these funds. In this fiscal year, they were one month out to the end of the year and only \$3,390 had been spent out of the \$5,000. They were not at the point of taking funds away and reallocating them, but it was challenging being good stewards of the funds.

There was discussion that at three-quarters of the year, such as in April, staff would look at the numbers and reach out about the option to allocate the funds to a different organization and the need for better sharing of information.

There was further discussion regarding giving the four church's allocations to Love, Inc. instead of to the individual churches.

Vice Chair Rourke would like to know the churches who were giving their allocations to Love, Inc.

FD Zook suggested setting up a meeting with all of the organizations for a time to share information.

Committee Member Grider suggested administering a survey to get the information needed.

MOTION: Sinicki/Grider moved to divide the utility assistance grant applications equally among the non-profits, \$500 each, and to follow up with Love, Inc. on who was giving them allocations. The motion carried (4 Yes/ 0 No).

2. Discuss military assistance program

AFD Lippard said this was the first year that the City had extended the program to all military instead of only active military. The amount allocated to the program was \$2,000. This year they were able to give the funds to 10 people. It was a first come first serve program. The Committee could make a recommendation to change the amount. They could also gather all of the applications in at one time, and select them through a lottery. For this year, 2-3 people were not able to receive the funds when they applied because it had all been spent.

FD Zook thought more people would have applied if the funds had not been limited. He thought there was a greater demand for the program.

There was discussion regarding how the military assistance was non-need based and the reasons for keeping it that way and reallocating some of the monthly assistance funds to the military assistance funds.

FD Zook was in agreement with increasing the funds, however he expressed concerns about the program being first come first served. He thought they needed to come up with a more equitable way of determining the distribution.

Committee Member Grider asked how often someone could apply and receive the monthly assistance. AFD Lippard said every three months.

Committee Member Grider asked how many people utilized the assistance more than once per year. AFD Lippard said about a handful.

Vice Chair Rourke clarified that the military assistance program applications were approved once per year and the applicants received assistance for 12 months.

Committee Member Sinicki suggested reducing the amount of assistance for returning applicants so there were funds available for new applicants. He also proposed creating a flex program of \$5,000 that came from 25% from the other funds and if one of the other four programs used up their funds, they could tap into the flex on a first come first served basis. He thought this change could be made for the fiscal year of July 1, 2020.

Committee Member Lundstrom arrived at 7:00 p.m.

FD Zook thought there could be a policy change to lower the monthly financial assistance to its actual anticipated usage and reallocate the extra to the military assistance program for the upcoming fiscal year. He thought a flex program should begin on a July 1 calendar.

There was discussion regarding the allocation of money for the programs.

Committee Member Van Grunsven thought it should be \$3,000 for the low income monthly assistance program and \$3,000 for the military assistance program.

Committee Member Lundstrom asked if that reallocation worked, would there still be a need for a flex program.

Committee Member Sinicki explained the proposal was to combine the low income and military together and the priority would be low income and then what was left went to the military.

Vice Chair Rourke pointed out that currently the low income program allowed people to apply throughout the year, while the military assistance program was applied for in June. He did not see how it would work to combine and prioritize them as proposed. He thought what was proposed by Committee Member Van Grunsven might work better.

MOTION: Van Grunsven/Lundstrom moved to take \$1,000 from the low income program and move it to the military assistance program, making it \$3,000 for each program for the next fiscal year. The motion carried (5 Yes/ 0 No).

MOTION: Lundstrom/Grider moved to add a new section for the military assistance program that stated the program was based on an honors system where documentation of financial need was not necessary. It was implied that those who applied had need of the assistance, but it did not need to be documented. The motion carried (5 Yes/ 0 No).

AFD Lippard asked for direction on the first come first served policy.

Committee Member Sinicki thought they should keep it as first come first served. It was ok if the same people applied because they had the need. He thought it should be advertised at the veterans meeting in June.

Committee Member Grider asked if the materials for the programs were available in Spanish. She thought more funds would be used through better information to that community. AFD Lippard did not know.

MOTION: Grider/Lundstrom moved to direct staff to make sure the program information was available in Spanish. The motion carried (5 Yes/ 0 No).

Committee Member Lundstrom thought they should defer creation of a flex fund until they had more data about the effectiveness of reaching out to the public.

Vice Chair Rourke thought they should review it in six months.

FD Zook said the Committee would be meeting again in September.

Committee Member Sinicki would be emailing all of the non-profits asking them how they were advertising the grant programs and would possibly assist in getting the word out.

VI. ADJOURNMENT

The meeting was adjourned at 7:45 PM.

Approved by the Citizen's Rate Review Committee on this 7th day of November, 2019.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, SEPTEMBER 26, 2019
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:	Bill Rourke	Nick Morace	Ned Knight
	Sarah Grider	Adam Lundstrom	Ron Sinicki

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

Others Present: Deb Galardi, Galardi Consulting LLC

III. COMMITTEE BUSINESS

1. Election of Chair, Vice Chair, and Secretary

Committee Member Sarah Grider was nominated for Chair. The nomination passed unanimously.

Committee Member Adam Lundstrom was nominated for Vice Chair. The nomination passed unanimously.

Committee Member Nick Morace was nominated for Secretary. The nomination passed unanimously.

2. Water Capital Improvement Plan Presentation

City Engineer Kaaren Hofmann presented the five year Water Capital Improvement Plan. She explained the projects that were included in the plan and gave the status of those projects. They were: redundant water supply, Bell Road east and west pump stations, fire flow projects, water line in N College Street/N Terrace Street, Chehalem Drive water system extension, valves on College Street, relocation of the water line on College Street, routine water line replacements, resiliency projects, fixed base radio read, Public Works maintenance yard projects, Zimri Drive extension, Water Master Plan update, non-potable water improvements, WTP filter covers, and N. Valley Reservoir driveway.

There was discussion regarding the percentage of SDCs for funding these projects, clarification and details of the projects, new equipment, acquisition of property, non-potable water use, SDC methodology, and projects that were required by the state and those needed for development.

3. Water Rates Presentation

Deb Galardi, Galardi Consulting LLC, gave an overview of the rate setting process, projected system revenue and requirements, preliminary summary water system finance plan, and next steps. The sources of funds included rates, SDCs which could support some of the costs, miscellaneous fees, interest income, and reserves. The expenses included personnel, repair and maintenance, materials and services, and utilities. They had to determine how they would pay for the capital projects, whether cash or debt funded. During the recession in 2011/2012, the City had a hard time meeting debt service requirements and the system was highly leveraged over debt and was vulnerable. At that time there was an effort to defer projects and go to a cash funded, pay as you go system. Since that time the capital funding had been cash based. She then explained fund transfers, such as for the franchise fees, and capital reserves as well as how revenues were forecasted. They had to balance the risk and make sure they were not too conservative and raised rates too high or not conservative enough and raised rates too low. The policy had been to smooth the increases as much as possible to avoid double digit increases.

Ms. Galardi stated reserves had been a significant topic at the CRRC in the past. She discussed the different reserve types and gave a history of the City's rate increases including years with no increases and those with double digit increases. She described the rate structure with a fixed charge that included service charge and meter charge and a volume charge that recovered the remaining system costs and varied by the class of customer. She noted the non-potable charges were less than the potable charges.

There was discussion regarding the difficulties of finding comparable systems to compare rates.

Ms. Galardi said since 2012, there had been a concerted effort to get to a more resilient rate structure that would withstand rate fluctuations in water usage. There had been more conservation of water recently, although most of the costs of the system were fixed and still had to be covered. Fixed charges recovering 5% to 10% would not cut it when 85% of the costs were fixed. Now the standard was 30 to 50% fixed charge recovery through methodical and incremental adjustments. The City still had more to go to get to that percentage. She explained the rate drivers and what had happened since the last time the CRRC had met. There had been a steady consumption and stronger than projected customer growth. The existing debt was being paid off and there were existing reserves that were more substantial than projected. However, the capital plan projects had increased, there still was a lot of debt, water revenue remained sensitive to weather conditions, they were selling a lot less water in the region, and there was an increase in the franchise fees. She explained the water sale volume trends and how the annual fluctuations were plus or minus 3% to 8%. It made sense that more of the money came through the fixed charge due to this revenue fluctuation. She then reviewed the prior projections and actuals for 2017-18 and 2018-19. She expected water sales would be lower for 2019-20 due to the cooler summer. They were still projecting customer growth in the next two years. Expenses were projected to be slightly higher driven primarily by the increase in franchise fees from 5% to 7% and an additional staff person in 2020-21. There were also inflationary increases. The capital plan fluctuated significantly from year to year and there were projects that did not happen in certain years. The total costs for the projects had increased from \$18 million to \$21 million and there were significant changes in the timing which impacted the reserves. The industry standard for operating contingency was a minimum 45 days of operational maintenance expenses, and many systems had up to 180 days or more. She thought a 60 day level was acceptable for Newberg and that was what was already programmed in. They needed to have a one year debt service reserve, which was cut in half from 2019-20 to 2024-25 because a lot of debt service would be dropped at the end of the plan. Both the reserve level associated with the debt service and debt payment would go down. The rest of the debt dropped off in 2028. Currently in 2019-20 there was \$8 million in reserve that could help with rate stabilization and repair/maintenance as well as capital reserve. However, due to the need for \$6 million for the capital improvements, there would be a reduced total operating capital reserve at the end of the planning period. They had a target range for the rate increase that was discussed at the last rate review

process that they wanted to be somewhere in the middle of the typical range. This would help with asset value and depreciation and replacing the system to avoid a huge backlog plus for rate fluctuations and stabilization.

Ms. Galardi showed a graph on projected expenses and revenues. For the years where expenses exceeded revenues there was a decline in the reserve, and they wanted to make sure they did not decline over a certain line for the minimum target reserve. She would be coming back to the next meeting with more rate structure information and a recommendation on the rate schedule.

4. Committee Discussion

There was discussion regarding the non-potable water rate analysis and future users. Public Works Director Harris explained there was only one user currently, the golf course, and discussed the possible future users. Ms. Galardi said since there was only one user, the rate was set as a cost per unit of capacity. There was a lot more capacity than what the one user was using. PWD Harris explained the capacity in the non-potable system.

A member of the audience asked about the capital improvement project for redundant water supply. CE Hofmann replied they did not know exactly what the supply would be yet. At first they had thought it would be putting in another well on the north side of the river. The Council had been discussing the need for 2 to 8 million gallons per day of redundant water supply. They would be looking at the alternatives and bringing them back to Council in March. Currently if something happened to the City's wellfield they had no other source of water. The idea was to come up with another supply option.

IV. PUBLIC COMMENTS

Chair Grider read the email sent by Jeanna Burgin on September 12 about the burden the municipal bill was on her family.

Robert Soppe, Newberg resident, questioned the allocation between the different sources of revenue. The revenue from developers directly contributing by constructing improvements was missing in the list of sources. He thought every project that was contributing to rates should have a percentage that would be funded by rates, by SDCs, and by the developer. Some of the capital projects supplied services to a limited area, and he did not think it should be paid for only by SDCs or rates. Some of the facts presented had concerned him, such as decommissioning the wells that would be funded by rates and SDCs but in the document it had 0% coming from SDCs. He encouraged the Committee to trust, but verify the facts. There were other projects that had 0% SDC funds and they should question whether all of the projects would really be paid by rates. They needed good numbers to make good decisions. He thought they should bill water rates by season, as there were some seasons that cost more than others to provide water. Regarding non-potable water, it was not cheaper to produce than potable water and the rates should pay for the whole cost. To get additional customers for the non-potable water would be expensive. He suggested they look into waivers of remonstrance for the College Street water line to help fund it.

Finance Director Matt Zook reported that Marilynn van Grunsven had resigned from the Committee on Wednesday due to time constraints with her business. He had provided a calendar of meetings for the Committee. He explained the other documents that had been included in the packet, especially information about public meetings law. He explained the recruitment process for a new Committee member.

The Committee wanted historical information on the non-potable water system forwarded to them.

The next meeting would be held on October 10, 2019.

V. ADJOURNMENT

The meeting was adjourned at 8:44 PM.

Approved by the Citizen's Rate Review Committee on this 7th day of November, 2019.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, OCTOBER 10, 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 6:32 PM.

II. ROLL CALL

Members Present:	Bill Rourke	Nick Morace	Ned Knight
	Sarah Grider	Adam Lundstrom	Ron Sinicki

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

Others Present: Deb Galardi, Galardi Consulting LLC

III. COMMITTEE BUSINESS

1. Presentation of Rate Structure

Deb Galardi, Galardi Consulting LLC, reviewed the financial forecast that was discussed at the last meeting. They had talked about the projected revenues and expenditures within the five year forecast period. The bottom line was staying with the 4% rate increase per year would be necessary and sufficient based on the updated forecasts of revenues and expenditures. They wanted not only to meet expenditures, but end the period with a reserve level that was sufficient in terms of providing operating contingency and some rate stabilization funds as well as continuing to be able to cash fund capital improvements. The rates she was presenting embedded the 4% increase into Fiscal Years 2021 and 2022 rates.

Ms. Galardi said the rate update components included the City's Financial Plan with the overall annual revenue increase, cost of service analysis that included customer usage and customer class revenue requirements, and rate design with fixed and volume rates. The cost of service framework had not changed. They classified costs by the specific services provided, potable vs. non-potable, fixed vs. variable, and customer service vs. water use. They needed to recover costs from customer classes in proportion to service requirements. She explained the cost allocation process which began with the Financial Plan with the capital and operating costs, then distributed the costs to functional categories such as supply, delivery, storage, customer service, and fire protection, then further distributed the costs to the service characteristics such as the average demand, peak demand, and billing and meters, then allocated those costs to customer classes, and then they were able to design the rates.

There was discussion regarding the cost benefit of the new water meters and how they would help better define usage characteristics.

Ms. Galardi described the operating cost allocations to the water system functions and average vs. peak demand costs. She noted they had to size the costs to meet peak demand, which was more than average demand. She then discussed costs by service characteristic which was used for the allocation to the different customer classes. She gave examples of how they determined peak demands by class by using the ratio of average annual use to system peak month use and 5 year average billing data. She gave a comparison of class peak factors for single family, multi-family, commercial, industrial, irrigation, outside city, and public agency uses. She then reviewed the current and revised fixed charges. The cost to the customer classes was distributed based on the various use categories. If the residential customers were using 60% of the water, they were allocated 60% of the average demand costs and if they represented 90% of the bills, they would pay 90% of the billing costs. There was an average cost for sending out a bill which for the year 2020 was \$2.38. That would go up in 2021 to \$2.82 (an 18% increase) and in 2022 to \$3.25 (a 15% increase). The meter charge was based on the meter size and recovered a portion of the fixed costs. The meter charges would go up about 6% in 2021 and 5% in 2022. Approximately 80 to 90% of the costs were fixed. The standard in the industry was to move towards a fixed charge revenue recovery that balanced out the risk associated with reduced water use and other factors. Most utilities did not charge 80% for the base charges and they had to balance the objectives. Industry wide, it had moved to about 40% and the City was making progress towards that number and making the system more sustainable. With the proposed 4% rate increase, the fixed charged revenue would be at 31% in 2021 and 32% in 2022. This would be a moderate impact to users. A 4% revenue increase did not translate into 4% across the board for each rate component for each customer in each class. The non-potable meter charge would be increased by 2% in both 2021 and 2022 for inflationary increases.

Ms. Galardi then reviewed the current and revised volume charges. Many of these increases were less than 4% and a few were more than 4% due to the peak factors previously discussed. There was no increase in non-potable because they did not have that information yet. She gave a sample bill comparison that showed bills for small users went up at a higher percent due to the increase in the fixed charge. The amount of increase was by class and how much water they used. Bill changes across the classes reflected revised peak demand factors. For a small residential user, bills would increase by \$1.50 per month for both years and for an average residential user, bills would increase by just over \$2 per month for both years. It was a little over 4% increase for residential users, less than 4% increase for commercial and irrigation, and industrial would see the largest increase.

There was discussion regarding how they were using the peaking factors and annual usage.

Ms. Galardi summarized that the overall revenue increase of 4% was to meet the forecast requirements and informal reserve targets. Bill impacts would vary for customer classes and usage levels. The non-potable rates would be presented at a future meeting. She did not think the non-potable rates would make a significant difference to the numbers that had been presented.

2. Continue Water Rate Discussion

There was discussion regarding the capital projects for future growth and the costs that would be paid for by the City and the developers' share of those costs as well as the use of SDCs and other funding sources.

City Engineer Hofmann explained the funding for the projects and how her goal was to reduce costs as time went on, or at least not significantly increase costs.

Ms. Galardi said the trends showed that this year was the peak for project costs and in future years it was lower.

Finance Director Zook noted the CIP tracking spreadsheet might help explain the past projects and costs.

Public Works Director Harris said the CIP program was a proactive program instead of reactive. The projects needed to be done for the future, and there were some years where the City fell behind and the rates had to be increased significantly. When they were proactive, they could keep the rate increases down because they were planning far enough out to adjust the rates over time. This was instead of a yo-yo scenario where the rates went up and down depending on the projects for the year.

Chair Grider agreed that they had moved from reactive to proactive and were maintenance based. It might seem like more money now, but it saved them money further down the road so there were not significant failures in the system.

Ms. Galardi said the last few cycles the CIP was smaller than this one as some of the projects were pushed back. They had spent more on wastewater CIP projects over the last few years.

There was discussion regarding the Summary Financial Plan and the use of the fund balance for rate stabilization. Ms. Galardi explained this was used when the revenues were lower than the expenditures and reserves were used so they did not have to raise rates. It was the CRRC that had been steadfast in making sure that there were enough in reserves for this purpose.

CE Hofmann stated next year they would be updating the City's master plans to incorporate the Riverfront Master Plan. Those plans were where the CIP projects came from. Generally the master plans were updated every ten years. They were still catching up and still somewhat reactive and were getting closer to being truly proactive.

PWD Harris said the new asset management system they would be implementing would allow them to manage their assets better as well.

IV. PUBLIC COMMENTS

Scott Essin, Newberg resident, thought the irrigation rates for athletic fields should be looked at as he thought they were too high and no one would water them in the summer. There needed to be more funding for the roads. He agreed that there had been many issues in the past when they did not raise rates and could not do the projects needed.

Committee Member Rourke asked if the athletic fields had separate meters for irrigation, such as George Fox and Friendsview. Ms. Galardi said while the peaking factor had come down a little, the water use for that classification as a whole had stayed pretty steady.

CE Hofmann said it would be for parks and schools, A-deck, Friendsview, the Hospital, etc. PWD Harris said for irrigation, they planned to expand the non-potable system and there would be a new meter system installed which would give customers their past use to help them forecast and adjust their irrigation systems.

Chair Grider said there was a vacancy on the CRRC and encouraged people to apply. The next CRRC meeting would be held on October 24.

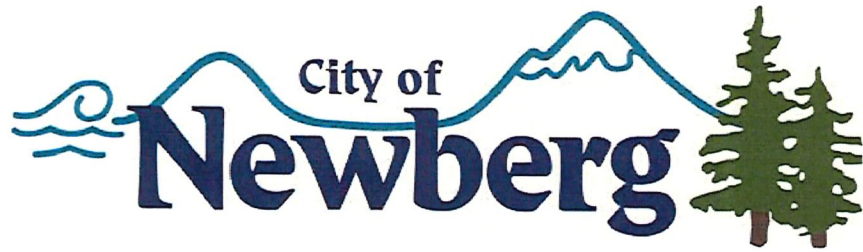
V. ADJOURNMENT

Chair Grider adjourned the meeting at 7:45 PM.

Approved by the Citizen's Rate Review Committee on this 7th day of November, 2019.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair



Wastewater Rates Meeting #2

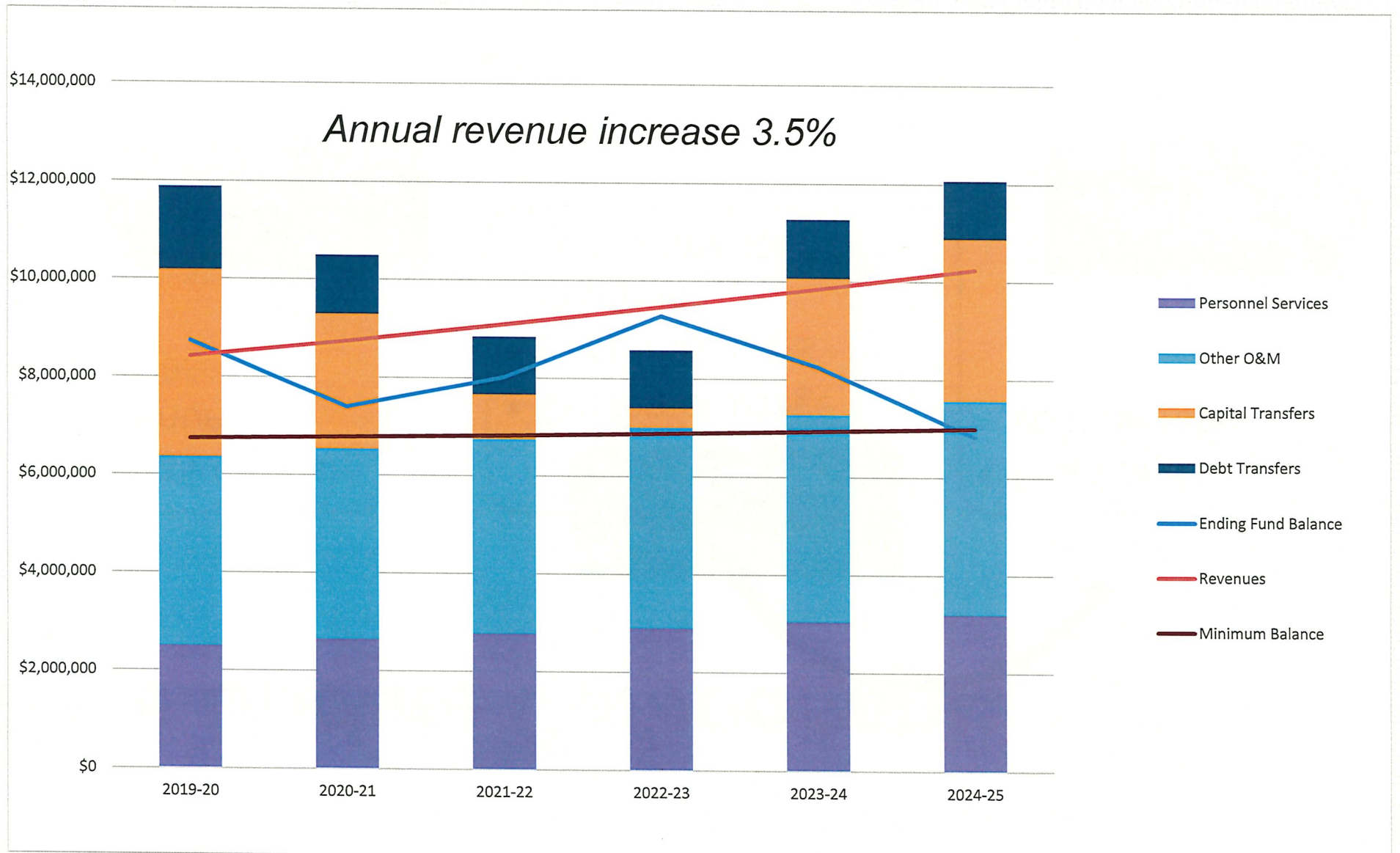
Citizen Rate Review Committee

November 7, 2019

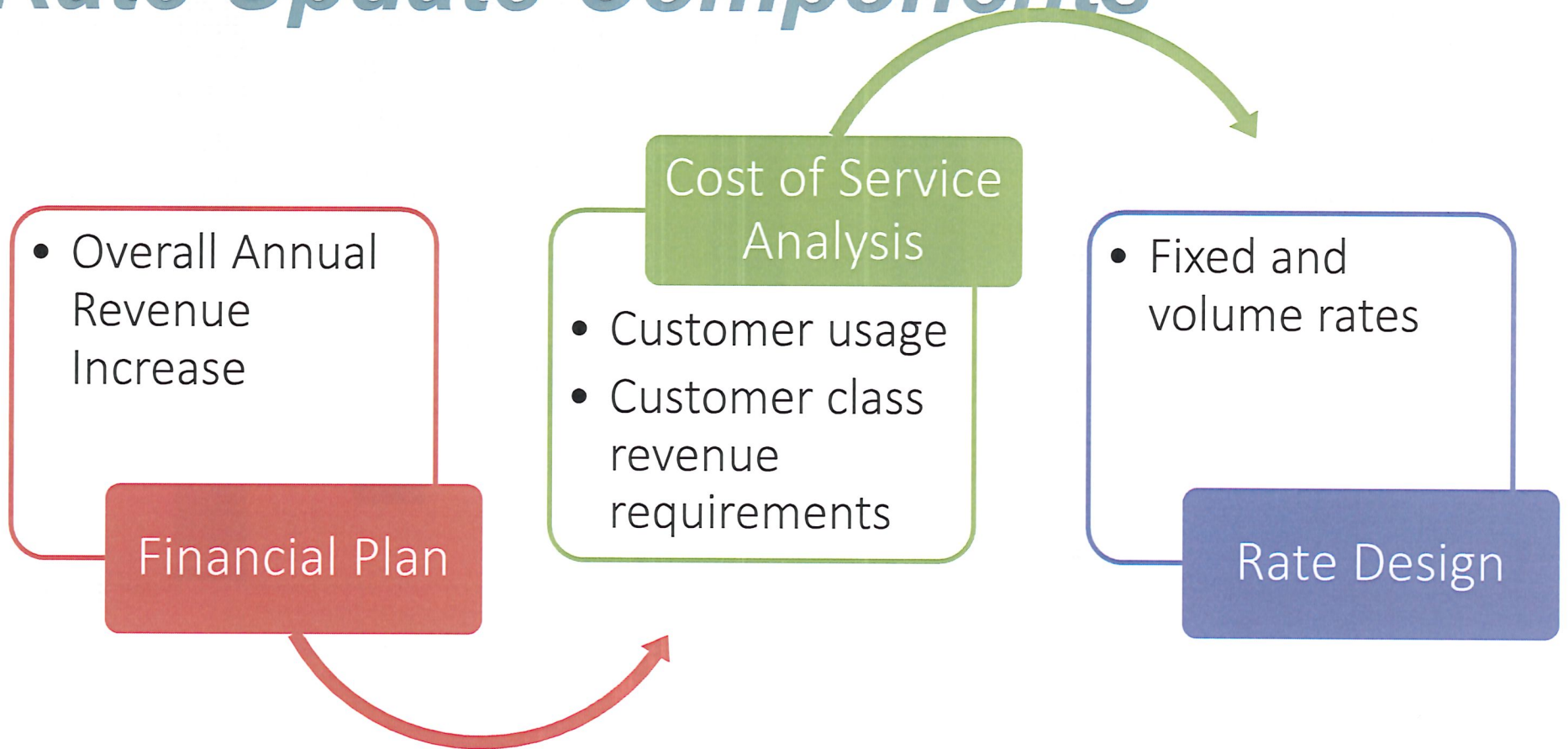
Agenda

- Financial Forecast Review
- Cost of Service Analysis
- Rate Design

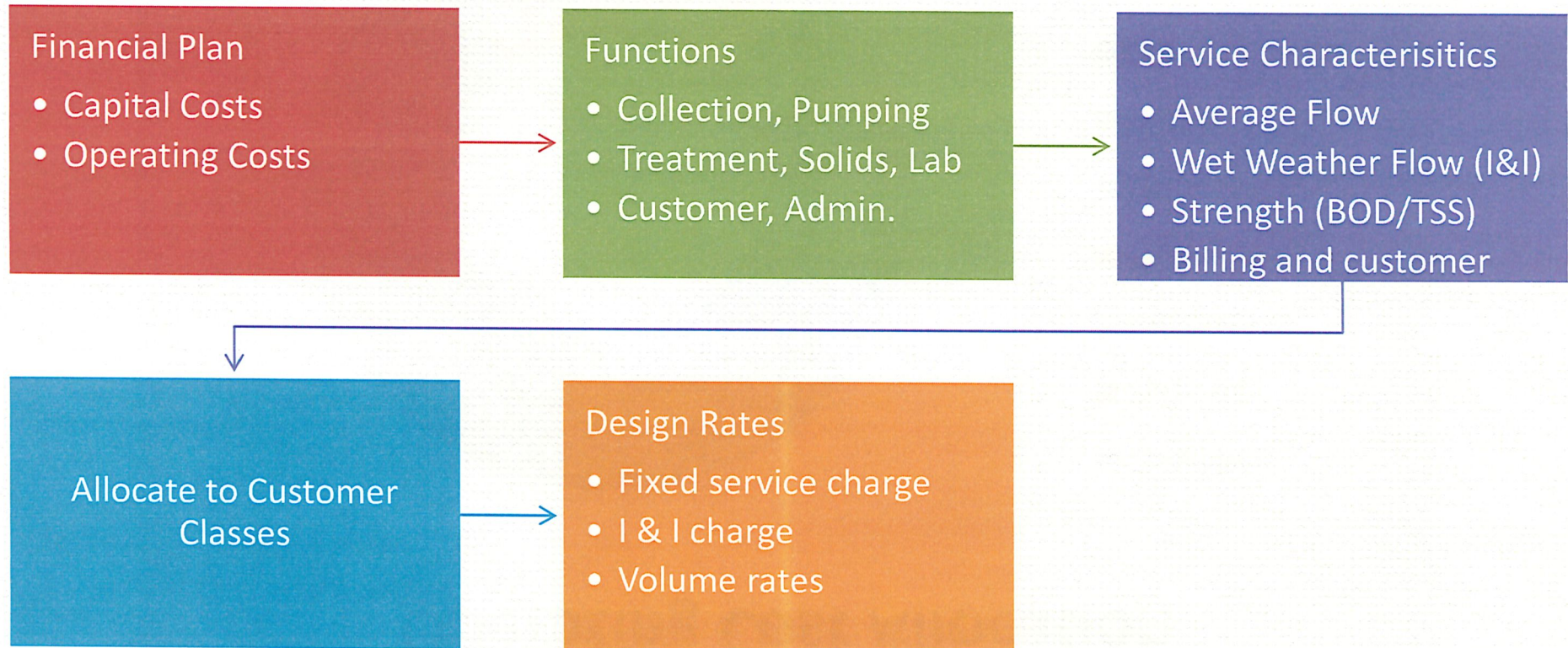
Preliminary Financial Plan



Rate Update Components

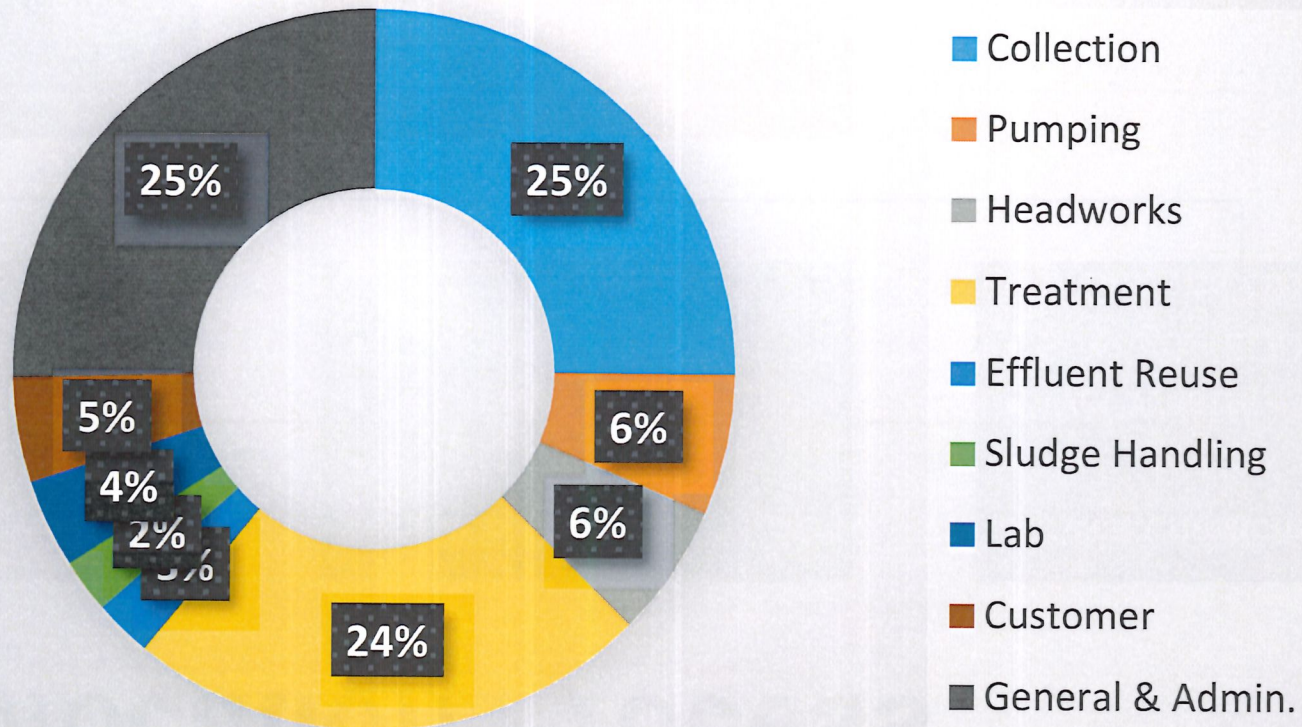


Cost Allocation Process



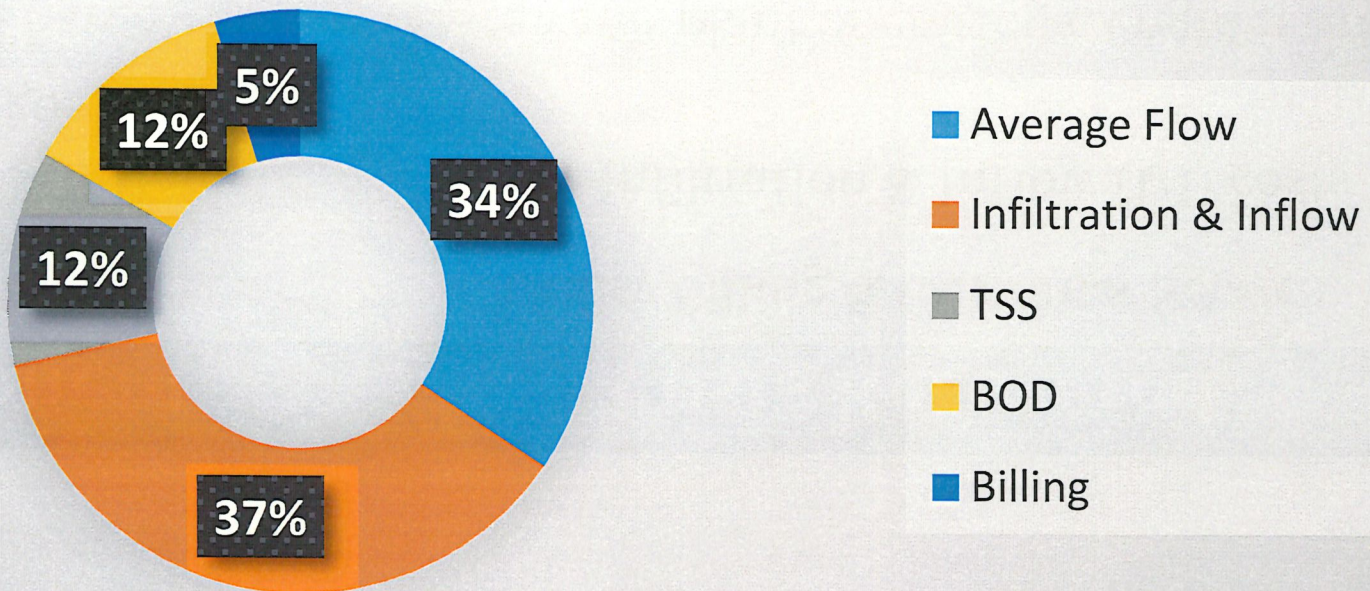
Allocations to Wastewater Functions

Operating Cost Allocation



Costs by Service Characteristics

FY2020/21 Allocation



Costs Recovered by Rate Component

Component	Costs Recovered
Billing Charge	Utility Billing & Customer Service
Infiltration & Inflow Charge	80% Infiltration & Inflow (I/I) costs
Volume Charge	Wastewater plant operations, engineering & maintenance costs +capital (20% I/I portion)

Current and Projected Rates

Component		Adopted	Preliminary	Preliminary	% Increase (from Prior Yr)	
		2019-20	2020-21	2021-22	2020-21	2021-22
Total Service Charge (\$/Month/Account)		\$27.21	\$29.00	\$30.11	6.6%	3.8%
Billing/Customer Charge (\$/Month)		\$3.42	\$5.07	\$5.23	48.2%	3.2%
Multifamily Unit Charge*		\$23.79	\$23.93	\$24.88	0.6%	4.0%
<i>*Applies to each additional unit over first unit</i>						
Volume Charge (\$/ccf)						
Single Family		\$8.93	\$9.15	\$9.46	2.5%	3.3%
Multifamily		\$8.93	\$9.15	\$9.46	2.5%	3.3%
Commercial - 1		\$8.93	\$9.15	\$9.46	2.5%	3.3%
Commercial - 2		\$11.15	\$11.62	\$12.00	4.2%	3.3%
Commercial - 3		\$18.83	\$19.07	\$19.69	1.3%	3.2%
Industrial		\$11.15	\$11.62	\$12.00	4.2%	3.3%
Outside City		\$8.92	\$9.15	\$9.45	2.6%	3.3%

Current and Projected Bills

CUSTOMER CLASS	Units	Monthly Use (ccf)	2019-20	Proposed		\$ Increase	
				2020-21	2021-22	2020-21	2021-22
Single Family	10	4.5	\$67.84	\$70.64	\$73.13	\$2.80	\$2.49
Multifamily		39.7	\$620.03	\$632.10	\$654.73	\$12.07	\$22.63
Commercial - 1		10.3	\$119.11	\$123.19	\$127.42	\$4.08	\$4.23
Commercial - 2		88.2	\$1,011.04	\$1,054.17	\$1,088.93	\$43.13	\$34.76
Commercial - 3		41.7	\$812.02	\$823.97	\$850.82	\$11.95	\$26.85
Industrial		33.5	\$401.02	\$418.52	\$432.42	\$17.50	\$13.90
Outside City		1.5	\$40.96	\$43.11	\$44.69	\$2.15	\$1.58
				Percent Change			
Single Family				4.1%	3.5%		
Multifamily				1.9%	3.6%		
Commercial - 1				3.4%	3.4%		
Commercial - 2				4.3%	3.3%		
Commercial - 3				1.5%	3.3%		
Industrial				4.4%	3.3%		
Outside City				5.2%	3.7%		