



Ann Delano 709 S. Columbia
-Grants? Lowering expenses?
Doug Martin
530 Ironwood

**CITIZENS' RATE REVIEW COMMITTEE
ADMINISTRATIVE PUBLIC HEARING / TOWN HALL AGENDA
THURSDAY, FEBRUARY 20, 2020
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. INTRODUCTIONS

IV. COMMITTEE BUSINESS

1. Approve minutes from the January 9 and January 30, 2020 meetings.
2. Election of officers.
3. Presentation of comparative financial statement information for each utility.

V. ADMINISTRATIVE PUBLIC HEARING

VI. NEXT STEPS IN PROCESS

1. CRRC Meeting Final Meeting : Thursday, March 12, 2020. This meeting is a place-holder in the event that the CRRC does not reach a decision upon a final recommendation of rates to the City Council. This meeting will be cancelled if the CRRC reaches a decision for final recommendation at the conclusion of the Public Hearing on February 20, 2020.
2. City Council Public Hearing : Monday, April 6, 2020

VII. ADJOURNMENT

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, JANUARY 9, 2020
6:30 PM MEETING**

WASTEWATER TREATMENT PLANT CONFERENCE ROOM (2301 NE Wynooski Rd)

I. CALL MEETING TO ORDER

Chair Grider called the meeting to order at 6:30 PM.

II. ROLL CALL

Members Present:	Sarah Grider	Ned Knight	Bill Rourke
	Adam Lundstrom	Marie Maxwell	Nick Morace

Members Absent: Ron Sinicki and Rick Rogers, ex officio

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 November 21 and December 19, 2019

MOTION: Rourke/Morace moved to approve the minutes of November 21, 2019. The motion carried (6 Yes/0 No).
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MOTION: Lundstrom/Maxwell moved to approve the minutes of the December 19, 2019. The motion carried (6 Yes/0 No).
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IV. COMMITTEE BUSINESS

1. Pavement Preservation Street Selection Matrix

City Engineer Kaaren Hofmann said there was a question at the last meeting about how the pavement projects were chosen and she had provided that information for the Committee.

The Committee asked clarifying questions about the matrix.

Committee Member Morace mentioned that the slurry seal binder made the road too slick for motorcycles, and staff said they would look into other options.

2. Review of Rate Recommendations Presented

Deb Galardi, Galardi Consulting LLC, gave a rate review recap. For the water system, the overall revenue increase of 4% was to meet forecast requirements and informal reserve targets. They needed approximately \$20.5 million for the capital improvement projects for FY 2020-2025. The reserve target for FY2024-25 was \$3.2 million. The proposed rate structure reflected the increased fixed revenue share to 32% (from 30%). The two non-potable water rate options were: Option 1—7.5% increase based on updated costs or Option 2—31.5% increase based on additional Otis Springs capital costs.

There was discussion regarding the Otis Springs capital costs and whether they should be paid by the potable or non-potable rates, especially the fairness of having the one non-potable customer paying for all the capital costs.

Ms. Galardi showed a graphic of the water system financial forecast.

There was discussion regarding phasing in the 31.5% non-potable rate.

Public Works Director Harris stated the Otis Springs project set the framework for others to connect to the non-potable system. He recommended leaving this project in the potable rate system and to attract more non-potable customers with the goal of reducing the potable rate.

Ms. Galardi said Option 1 was an additional \$9,000 per year, and Option 2 was an additional \$37,000 per year.

CE Hofmann said getting new customers was an active goal they were pursuing, but the issue was where the current lines were, they were not useful for most other irrigation customers. The plan for Springbrook properties was to connect to the non-potable system, and that was the Otis Springs improvement project. They were also looking at the Crestview Crossing project near the hospital as also hooking up to the system.

Ms. Galardi clarified the non-potable rate was currently \$2.51, with Option 1 it would be \$2.70 and Option 2 was \$3.30. For the potable irrigation customer it was \$7.83 and for public customer it was \$4.62.

There was discussion regarding what other cities were charging, and how there were not many who had a system to compare. Ms. Galardi would bring back comparisons, but thought these rates were competitive, especially since it was based on cost of service.

Ms. Galardi then reviewed the current and proposed water rates, for both the fixed and volume charges. She discussed the current and proposed water bills and how an average residential bill would go up around \$2 per year.

For the sewer system, there would be an overall revenue increase of 3.5% to meet forecast requirements and informal reserve targets. They needed approximately \$17.2 million for capital improvements for FY 2020-2025. The reserve target for FY2024-25 was \$6.8 million. The proposed rate structure maintained the fixed revenue share of 35%. Ms. Galardi showed a graphic of the sewer financial plan and discussed the current and projected rates. She also explained the current and projected bills, and how the average single family customer bill would go up by \$2.80 in the first year and by \$2.50 in the second year.

For the stormwater system, there would be an overall revenue increase of 9% to meet forecast requirements and informal reserve targets. They would need approximately \$4.3 million for capital projects in FY 2020-2026. The reserve target for FY2025-26 was \$0.8 million. Ms. Galardi displayed the stormwater system forecast graphic as well as the current and proposed stormwater rates. This would mean a \$1 increase per year on the bills.

For the transportation system, there had been no rate increases since the fee was implemented in FY2018. Inflation over the last two years was 7.4% (FY2019) and 4.9% (FY2020). The proposed rate increase was 2% per year. The pavement preservation projects would cost \$7.8 million for FY2020-2025. Ms. Galardi showed a chart of the street fund financial forecast and gave a comparison of current and revised rates. For single family detached housing, the current rate was \$4.99, and the revised rate would be \$5.09 for FY2021 and \$5.19 for FY2022. This would be a \$0.10 per month per year increase.

Ms. Galardi then reviewed the combined bill impacts for single family customers.

Committee Member Knight noted that the Communications Officer fee already went up to \$2.20 per month. It looked like the 9% increase in the stormwater fee was already in effect.

PWD Harris explained the 9% was approved by the CRRC two years ago, so this was a continuation of raising the fee by 9%.

3. Committee Discussion and Decision of Proposed Rates for CRRC Public Hearing

Finance Director Zook said once the Committee made a decision on the proposed rates, staff would publish the numbers for the public hearing.

Committee Member Rourke would have a hard time explaining the increase proposed for the non-potable water rate.

Committee Member Morace asked if the Transportation Utility Fee (TUF) was supposed to be temporary. CE Hofmann said there was no end date. It could be terminated if it was determined no longer necessary.

Committee Member Morace thought there would be push-back from the public on the increase to the TUF because of the opinions on what should be fixed first and there were some roads that were really bad that had not been touched. He did not think it should be increased. He asked why the Public Safety Fee never changed.

FD Zook said when it was established there was no language to include inflation. They had to stretch the fee to cover three police officers as it was intended by rotating the least expensive and newest officers into that fund. It was getting to the point where that fund would be compressed beyond being able to cover three officers and it would need to be increased. This was a Council decision, however the Committee could make a recommendation that it be increased.

Committee Member Morace was not in favor of any rate increases, especially for fixed income and low income families. Regarding the non-potable, the only customer, CPRD, had not signed a contract with the City and continued to raise the SDC rates. He did not think the City should bear the weight of their mismanagement. The City did not do a great job in implementing the non-potable system, however he did see the potential of it. He did not think the public should pay for the improvements. He would like the non-potable system to cover the capital improvement costs.

Committee Member Knight said if they kept it in the potable system, everyone was paying for it. It seemed like it should be paid for by the non-potable system.

Committee Member Rourke pointed out that there was a benefit to the potable system.

PWD Harris said there were minimum landscaping requirements for development, and the larger developments had to put in landscaping. If there was no non-potable system, they would be hooking up to the potable system and charged the irrigation rate. The non-potable system also helped off-set improvements on the potable system for piping, treatment, and pumping because it added capacity to the potable system long term.

Committee Member Lundstrom said the 31.5% increase was still a lot less than the potable rate. It also put the burden where it should be. It would decrease the single family potable rate by .75 to 1%. He was an advocate for the citizens and thought they could create a schedule to phase it in which was more than fair.

Committee Member Knight said one of his overall concerns was lower charges, particularly fixed service charges, and the recommendations were for higher increases. He understood inching to the 40% over time to reduce rate instability, but he questioned if they had had rate instability.

Chair Grider stated yes, they had. It was something they had discussed at length. People had increased water conservation, but that did not decrease the amount of usage on the water treatment system. They still had to build out for the peak flows and maintain the system.

Committee Member Knight recommended showing the service charge and volume charge breakdown on the water and sewer bills.

PWD Harris said they would be going to a radio read system for the whole city and customers would be able to log onto their accounts through a portal and see the usage by day and a more detailed breakdown of all the items.

Committee Member Maxwell appreciated that they were being proactive instead of reactive. She was concerned about how limited the non-potable system was and the costs of the improvements. It had been going for many years but only had one customer, however it was environmentally sound and helped save the potable water.

Chair Grider thought it was common sense to move to the increased fixed rate and being more proactive. If CPRD was paying the irrigation rate, it would cost them much more and be a bigger impact than the non-potable rate. Overall she thought the rates were good.

Committee Member Maxwell asked if the City encouraged CPRD to participate in the non-potable system, or did CPRD ask the City. PWD Harris said when the golf course was being developed, the City told them the water treatment plant did not have the capacity. It was a project that the City and CPRD worked together to design. Subsequent to that, the City took on some debt and expanded the pipeline and upgraded the water treatment plant, and put in a reservoir and recycled water facility. There was not a need to upgrade the plant in the near future, however, it would not survive a Cascadia earthquake and in the next rate cycle they would be including capital projects for seismic upgrades.

Chair Grider asked for the non-potable rate options, what variables would factor into how many years the 31.5% increase would span over. Ms. Galardi said it would depend on when it got built and the actual costs of the project and there would be ongoing inflation associated with operation and maintenance.

Chair Grider asked if it would be a steep increase over a short amount of time, or a moderate increase over a longer period of time. Ms. Galardi said that would be a policy choice about how to implement it over what period of time. The Committee could make a recommendation to the Council on that.

FD Zook said they would be setting the rates for the next two years, and could revisit it in the next rate cycle.

There was discussion regarding a possible Option 3 that would be in between Options 1 and 2, or a modified Option 2 taking into account that it was only one customer and CPRD's service to the community.

Ms. Galardi said the options reflected the cost of service, and if they modified Option 2 it should be for specific reasons. It was very common to subsidize non-potable systems due to the benefits to the potable system in terms of delaying costly expansions for capacity.

There was consensus for staff to come back with more information regarding the non-potable system including inflation costs to the next meeting.

V. PUBLIC COMMENTS

None

VI. ADJOURNMENT

Chair Grider adjourned the meeting at 8:08 PM.

Approved by the Citizen's Rate Review Committee on this 20th day of February, 2020.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, JANUARY 30, 2020
6:30 PM MEETING**

WASTEWATER TREATMENT PLANT CONFERENCE ROOM (2301 NE Wynooski Rd)

I. CALL MEETING TO ORDER

Vice Chair Lundstrom called the meeting to order at 6:30 PM.

II. ROLL CALL

Members Present:	Adam Lundstrom	Ned Knight	Bill Rourke
	Ron Sinicki	Marie Maxwell	Nick Morace

Members Absent: Sarah Grider and Rick Rogers, ex officio

Staff Present: Matt Zook, Finance Director
Caleb Lippard, Assistant Finance Director
Jay Harris, Public Works Director

Others Present: Deb Galardi, Galardi Consulting LLC

Finance Director Zook announced Sarah Grider had resigned from the Committee.

III. COMMITTEE BUSINESS

1. Present additional information on non-potable rates and wastewater rates

Deb Galardi, Galardi Consulting LLC, said as requested from the last meeting she had put together projected non-potable costs adding inflation to align with the rate setting period and to allow for phase in. She followed the same methods as the other rates in terms of applying escalation factors to the different categories of personnel and materials and services and determining the cost of service rate for the two options. Option 1 continued with the same method used in the past, including full cost recovery of operation and maintenance and a portion of the debt service for the reuse system. Option 2 added in the capital costs of the Otis Springs system. There was also a 7% franchise fee that was charged to the water, sewer, and stormwater rates based on the revenue. For Option 1, the rate starting January 2021 would be \$2.57 and with the franchise fee increase it would be \$2.75. For Option 2, the rate starting January 2021 would be \$3.39 with the franchise fee included. That was escalated over five years using the same escalation factors as the other utilities. The Committee had asked to see other options for phasing in the higher rate, and she had done a two year and a four year option. She had also supplied additional comparative information. There were very few examples in Oregon of non-potable systems.

Public Works Director Harris discussed his non-potable water rate comparison memo. There were not many systems in the Pacific Northwest as the primary users of non-potable water were irrigation users and there was not as much need because it rained more here than in other places like California and Texas who used these systems all year. He had called Clean Water Services Reuse Manager in Hillsboro, and found out they had to treat the water to level 3 treatment before they could discharge it into the Tualatin River. In Newberg they only treated it to level 2, until it went to the golf course at level 3. In Hillsboro they already had the capital costs to treat the water and it was a well-developed, older system. When they got a new customer, the customer was responsible for the cost of putting in the new piping to

hook up and Clean Water Services had their own internal projects to help with their temperature problems. In the next ten years they would be increasing the recycled water users to help with the temperature issues. They charged \$1 per 100 cubic feet (ccf). They did not have any fixed meter charges. In Denver, Colorado they had fixed charges at about \$1 per 100 cubic feet also. Long Beach Water Department in California used theirs for sea water barrier intrusion. They had a peaking volume rate for the middle of the day and middle of the night. Pleasanton, California had fixed meter charges and a volume rate at \$3.71. For San Margarita in California, they had year-round customers and a quarter of their water was sold as recycled water. They were trying to get more people to switch over to the recycled water rather than the retail system. They had meter charges and a tiered rate system. There was an AWWA Reuse Survey Report that discussed all the different organizations' rates which the Committee could review.

Ms. Galardi said from the study, there was a table that talked about the pricing strategies and what was most relevant was how many of the utilities set their rates not based on cost of service but based at some percentage of the potable water rate or at market rate that would incentivize the use. When they looked nationally at some of the pricing models it was common in these systems to deviate from cost of service. There had to be a balance. She also noted that some of these comparators had lower potable rates than Newberg. They had to look at these in the context of what the potable rate was and how they were pricing the reclaimed water.

PWD Harris said when the City's DEQ permit was reissued, temperature would be a requirement. If they did not have the reuse water system or a customer for that system, there would be a high cost to take that warm water and chill it.

Ms. Galardi pointed out that that benefit to the wastewater system was already realized in the rates. A portion of the debt for the reuse system was being paid by both the reuse system, 23%, and the wastewater system, 77%.

Vice Chair Lundstrom asked about the Option 2 phase in options, after 2022 would those still be the rates continuing on. Ms. Galardi said yes, barring some major change it would be the same but there would also be a 2 to 3% increase for inflation. The inflation was included in the projected numbers.

Committee Member Knight asked if water from Otis Springs was being used for anything currently. PWD Harris said it was going into Springbrook Creek. During irrigation season, it was turned on to be used for the golf course. When there was high demand, they stopped using Otis Springs and brought in the recycled water from the wastewater treatment plant. There was not enough water in Otis Springs for the golf course at peak times. The temperature requirement was related to the water temperature of the Willamette River, which did not warm up until June or July.

Committee Member Knight said if the goal was to have Otis Springs for the golf course and new users, would they still need the wastewater facility? PWD Harris said the Otis system would be serving the north side of the City and the recycled water system would serve the south side up to the golf course and stop. Unless there was an emergency, Otis water would not be going up to the golf course. They were doing a study now to see how many customers Otis could serve. Someday down the road, 20 to 30 years, they would need to supplement the Otis system.

Committee Member Rourke said the benefit of Otis Springs was trivial to the golf course, and in the future there would be no benefit to the golf course. PWD Harris said the benefit to the golf course was they were not paying an irrigation rate from the potable system. The capital costs for Otis Springs that was in the potable water rates made more sense because it would benefit the north side of the City, not

the one user. It did not have to benefit the golf course, and in the future it would not benefit the golf course.

Committee Member Rourke thought CPRD should not have to bear the cost for the Otis Springs improvements. He was in favor of Option 1.

Ms. Galardi explained she had added inflation to Option 1. It was a change from the current \$2.51 to \$2.75 in 2021. That was a 9.5% increase.

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

Committee Member Maxwell was concerned about the increase to the rate, especially since it might discourage new customers to the non-potable system. She thought CPRD did not assume they would be the only customer for ten years and bearing the brunt of the whole cost. They wanted to get as many customers as possible. If they went with Option 2, they would be raising the rate by 20%.

Committee Member Knight said if Otis Springs was not included in the non-potable rate, all of the other potable water customers were paying for it.

Ms. Galardi clarified that the golf course did not have to use Otis water, it was more efficient for the City to supply it early in the season. They could be served by the other system. PWD Harris said CPRD would prefer not using Otis as the quality of the Otis water was lower than the recycled water at the wastewater treatment plant. When other users came online for the Otis system, the water quality would be significantly improved. Option 1 assumed that the potable system would be paying for the Otis Springs improvements and Option 2 was the non-potable paid for those capital costs.

Committee Member Rourke said currently 77% of the costs were being paid by the potable system, and 23% by the non-potable. PWD Harris said SDC charges helped off-set some of the costs to the potable system.

FD Zook said there were times when the SDC fund did not cover it.

Committee Member Sinicki asked what the benefits of the non-potable system were to the potable system. PWD Harris said during the summer on peak days, the non-potable system relieved the potable system significantly in capacity and as they added more customers, it would continue to benefit potable customers. It also helped with the wastewater permit in the future.

Ms. Galardi reviewed the wastewater rate schedule comparison, stating none of the numbers had changed except for an addition of the sewer only no water service flat rate customer charge. These were for customers who had their own wells, but were using sewer service. It was based on 7 ccf which was the average at the time, and if they kept it at that, the rate would go up to \$93.07 in 2021. There were only seven customers who had this rate, and if they used 5 ccf, which was the current average, the rate would go up to \$74.75 in 2021 and \$77.41 in 2022. This was a 10% increase. The rate had been flat and had not been updated in the last rate cycle. She asked if they wanted to phase it in over a longer period of time and if they wanted to use 5 ccf instead of 7 ccf. The rate had not been increased since 2011.

There was discussion regarding making sure this rate got updated regularly so there would not be such a high increase in the future.

MOTION: Maxwell/Sinicki moved to add the sewer only rates as presented using the 5 ccf. Motion carried (6 Yes/0 No).

FD Zook said a Food Cart line item had accidentally been omitted on the Transportation Utility Fee list. It would go up the average 2% inflationary adjustment as all the other customer classes. The Fee had been charged all along, but just left off of the list that had been given to the Committee earlier.

2. Committee discussion and decision of proposed rates for CRRC Public Hearing

There was discussion regarding the non-potable rate options.

Committee Member Sinicki was in favor of Option 1 as there was a benefit to the potable water for this system.

Committee Member Knight thought Option 1 would be more attractive to new customers and had a better future.

Committee Member Maxwell was also in support of Option 1 because the people who would be using Otis Springs should be the ones to pay for it.

Committee Member Rourke concurred that Option 1 was the best choice as Otis Springs did not have a benefit to the golf course, and all the potable users benefitted from recycled water.

Committee Member Morace was in favor of Option 2 with the four year phase in. Going with Option 1 would not make any headway with this system and did not solve the issues. They needed more revenue in this account to do anything with it and Option 1 was more of the same.

There was discussion regarding how expansion of the non-potable system was a sustainability goal and it was likely there would be new customers in the future. PWD Harris said it also depended on development and they didn't know when Crestview Crossing would happen which was the line that they were waiting for to go in. There were reserve funds, and when the debt was paid off in a few years there would be more money for capital projects. New customers would also help with the costs.

Vice Chair Lundstrom said the City had worked hard to be proactive and they needed to be proactive for the non-potable system as well. Right now the non-potable system had one customer and any rate increase would be borne by the one customer. The City would continue to grow and the Otis Springs system would be used in the future. The benefits would be spread out over three systems, but the burden was borne by two systems. At the last meeting, they talked about shoring up the capital funds for improving Otis Springs and at the same time reducing the residential unit rate. He understood they wanted to attract new customers to the non-potable, but he was also in favor of Option 2 with the four year phase in.

Ms. Galardi noted that option would not be a noticeable change to the residential unit rate.

MOTION: Sinicki/Knight moved to use Option 1 for the non-potable water rates, \$2.75 for 2021 and \$2.80 for 2022. Motion passed (5 Yes/1 No [Morace]).

There was discussion that it was likely that in two years when they met again that there might not be any new customers to the non-potable line. PWD Harris explained the Crestview Drive extension project which would be putting in the lines, and he thought Crestview Crossing would be connected and getting ready to take it up to the Allison and A-dec.

Committee Member Sinicki discussed the need to repair Mountainview Drive due to the safety issues and to fix the pot holes in downtown. These were not on the list for the Transportation Utility Fee.

PWD Harris said the potholes on 99W were for ODOT to fix, but people could call the City for any other potholes to fix. The TUF was specifically to be used for pavement surface only, not widening the road or putting in sidewalks. The reason why Mountainview was not on the capital projects list was because the Springbrook Master Plan was supposed to redevelop all of that area including updating the road to City standards. These were policy decisions about the City making the improvements that should be developer funded and having the developer pay them back. That would still be 3-4 years out because Elliot and Crestview Drive were the next priorities. In the next 5 years the project should be done by a developer, and it would not come out of this fund.

MOTION: Sinicki/Rourke to present to the public the rest of the rates as presented along with the modified rates. Motion passed (5 Yes/1 No [Morace]).

V. PUBLIC COMMENTS

None

VI. ADJOURNMENT

Vice Chair Lundstrom adjourned the meeting at 8:12 PM.

Approved by the Citizen's Rate Review Committee on this 20th day of February, 2020.

Citizens' Rate Review Committee Recording Secretary

Citizens' Rate Review Committee Chair



Town Hall Meeting

Citizen Rate Review Committee

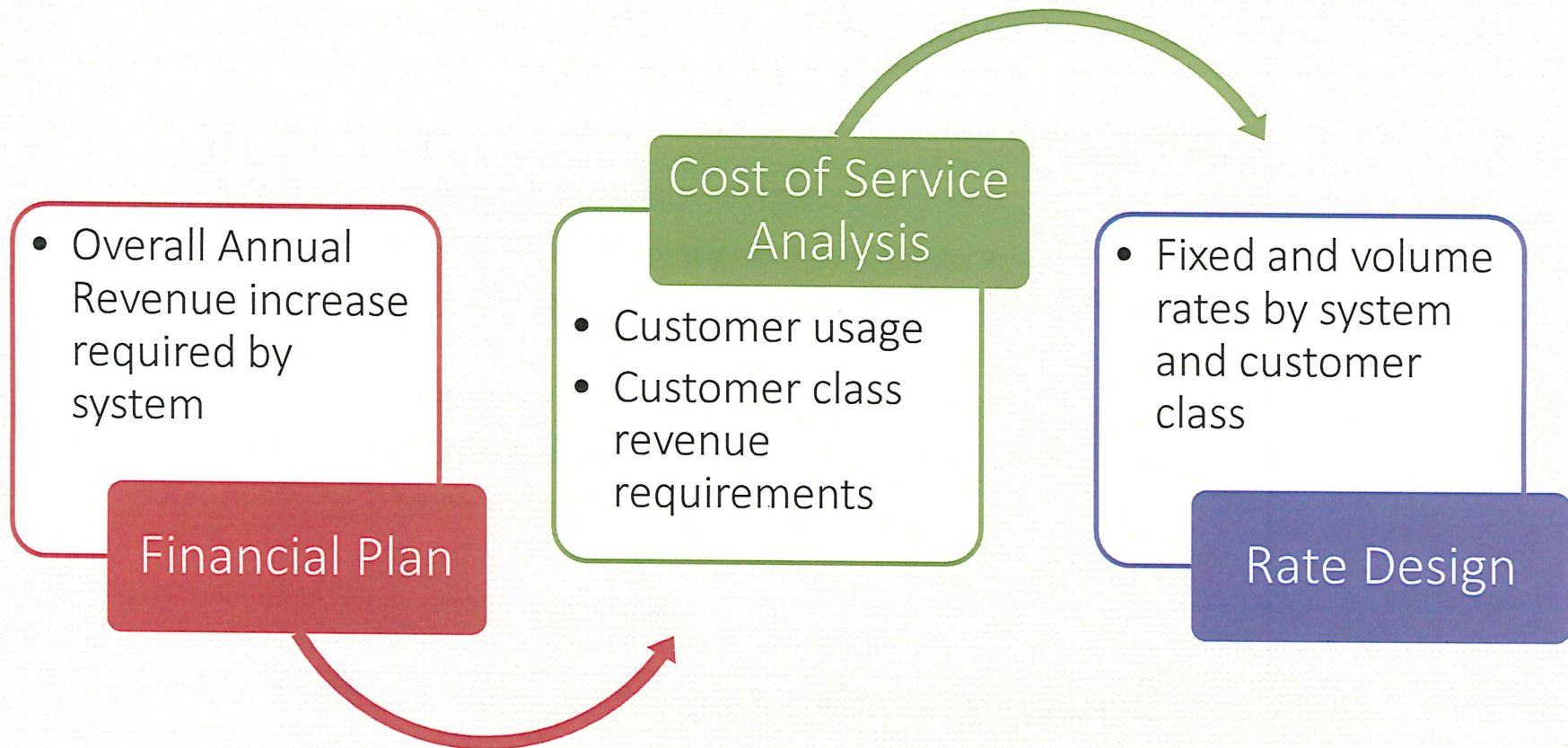
February 20, 2020

Agenda

- Overview of Rate Setting Process
- Findings by System
- Summary
- Next Steps

Overview of Rate-Setting Process

Rate Update Components



Scope of CRRC Review

Monthly Utility Service Statement

CRRC Review

Water

Sewer (Wastewater)

Stormwater

Transportation Utility Fee

Set by Separate Council Resolution

Public Safety Fee

Communications Officer Fee

Financial Plan Development

- Annual cash flow projections over 5-10 year periods

Sources of Funds	Operating Expenses	Capital Financing	Other Requirements
Reserves	Personnel	Cash Funded	Fund Transfers
Service Revenues	Materials	Debt Service	Future Capital Reserves
SDCs*	Services		
Miscellaneous Fees	Utilities		
Other (interest, grants, etc.)	Repair & Maint.		

*SDCs = System Development Charges

Water Industry Reserve Guidelines

“Cash reserve balances are a critical component to a utility’s financial resiliency and sustainability.”

- Need for regular review and flexibility to respond to changing conditions
- Cash reserves types
 - Operating
 - Capital
 - Debt Service
 - Rate Stabilization

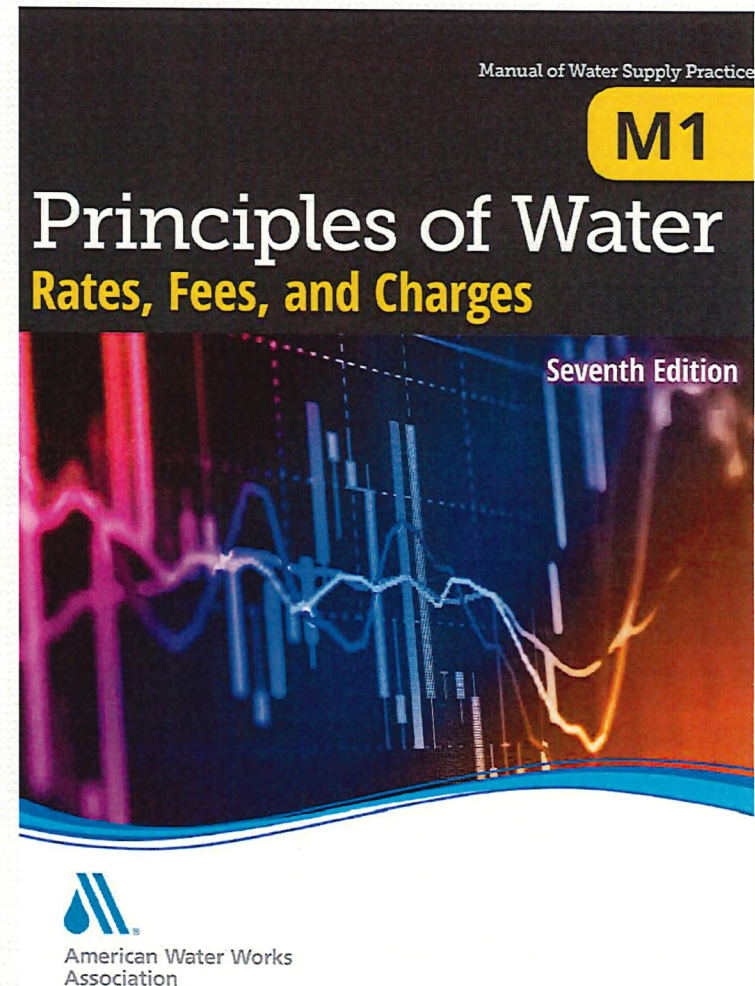


Cash Reserve Policy Guidelines

2018 American Water Works Association (AWWA)

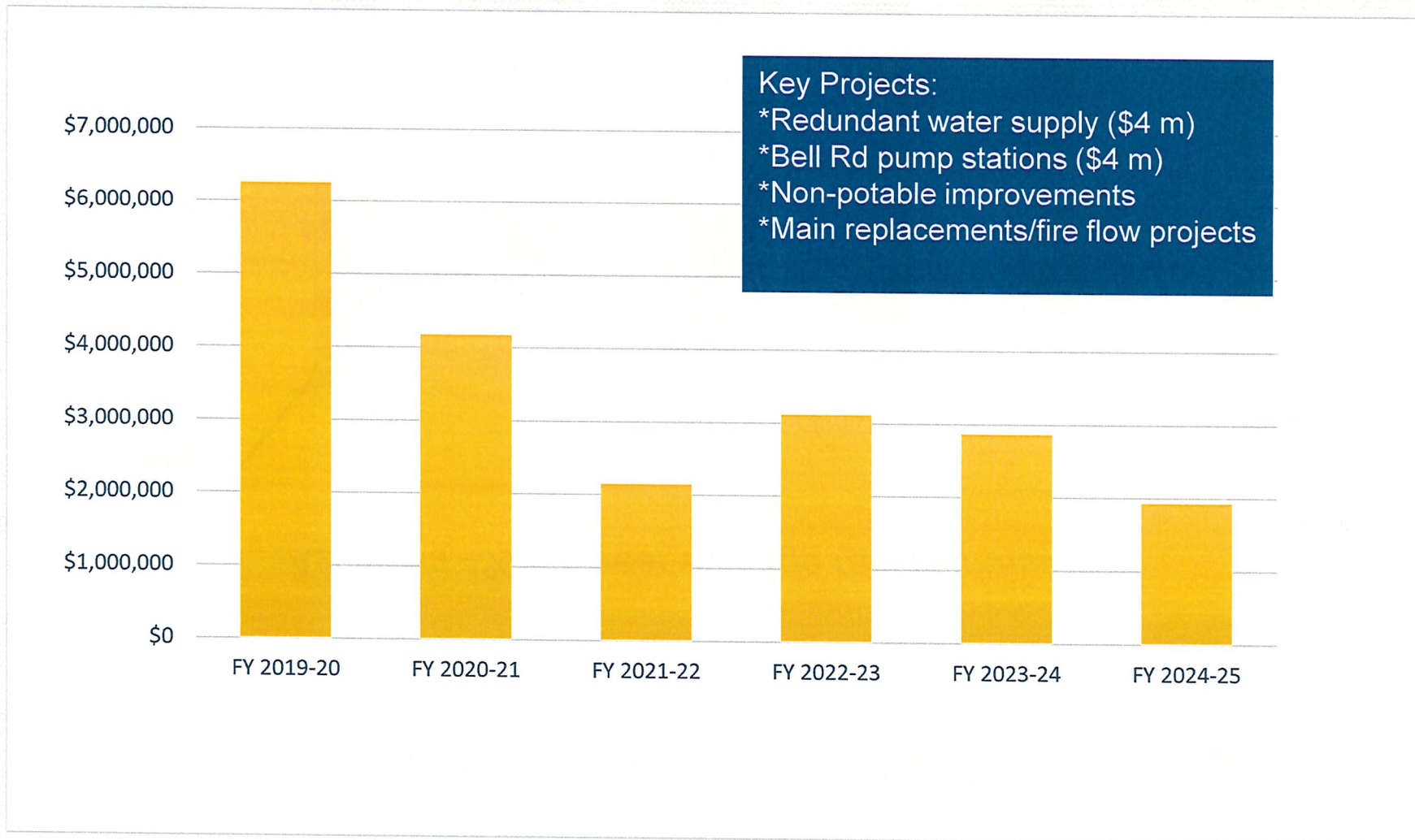
Cost of Service Principles

- Classify costs by specific services provided
 - Potable vs. Non-potable
 - Fixed vs. Variable
 - Customer account vs. volume of use
- Recover costs from customer classes in proportion to service requirements

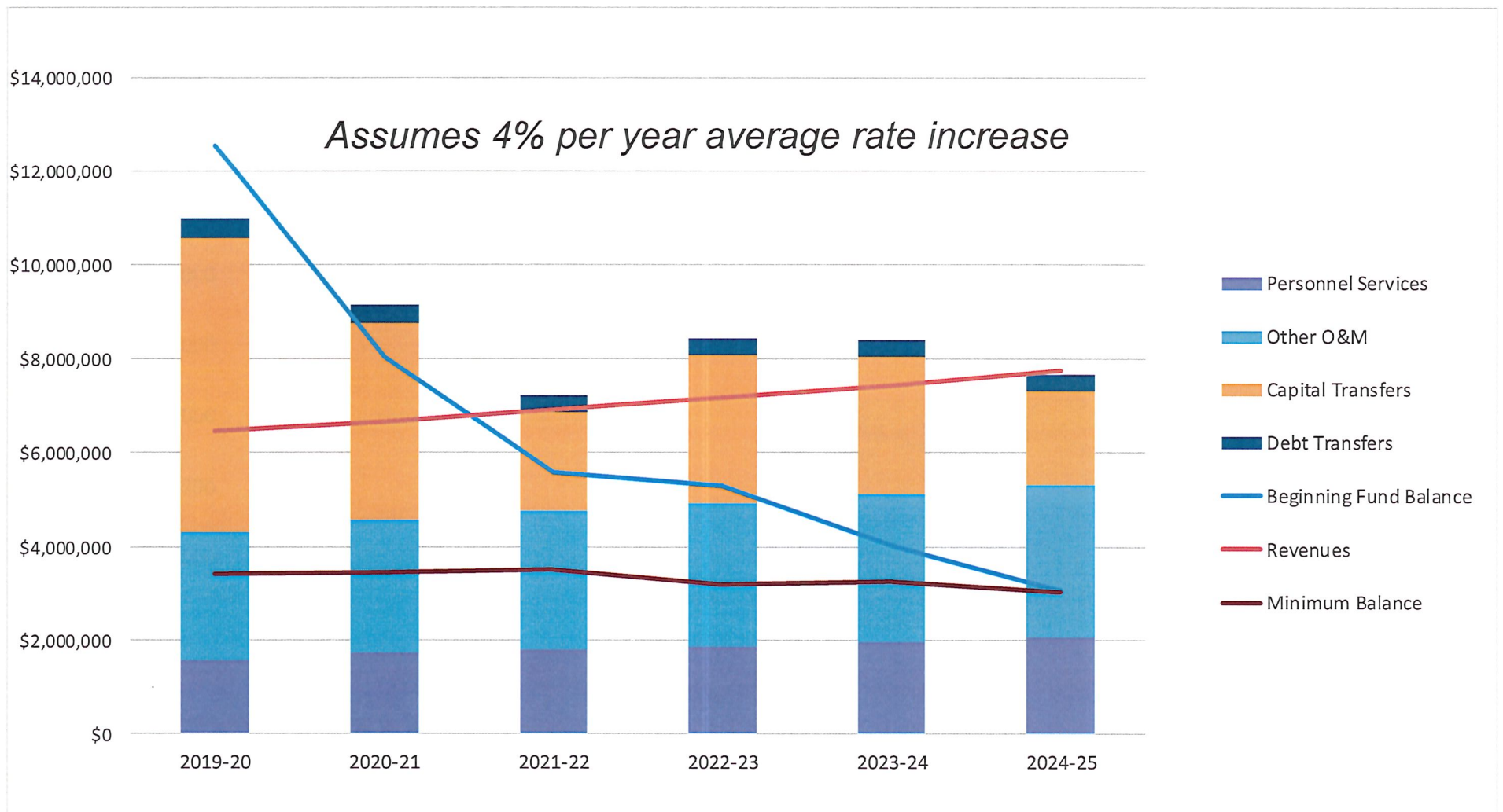


Findings by System

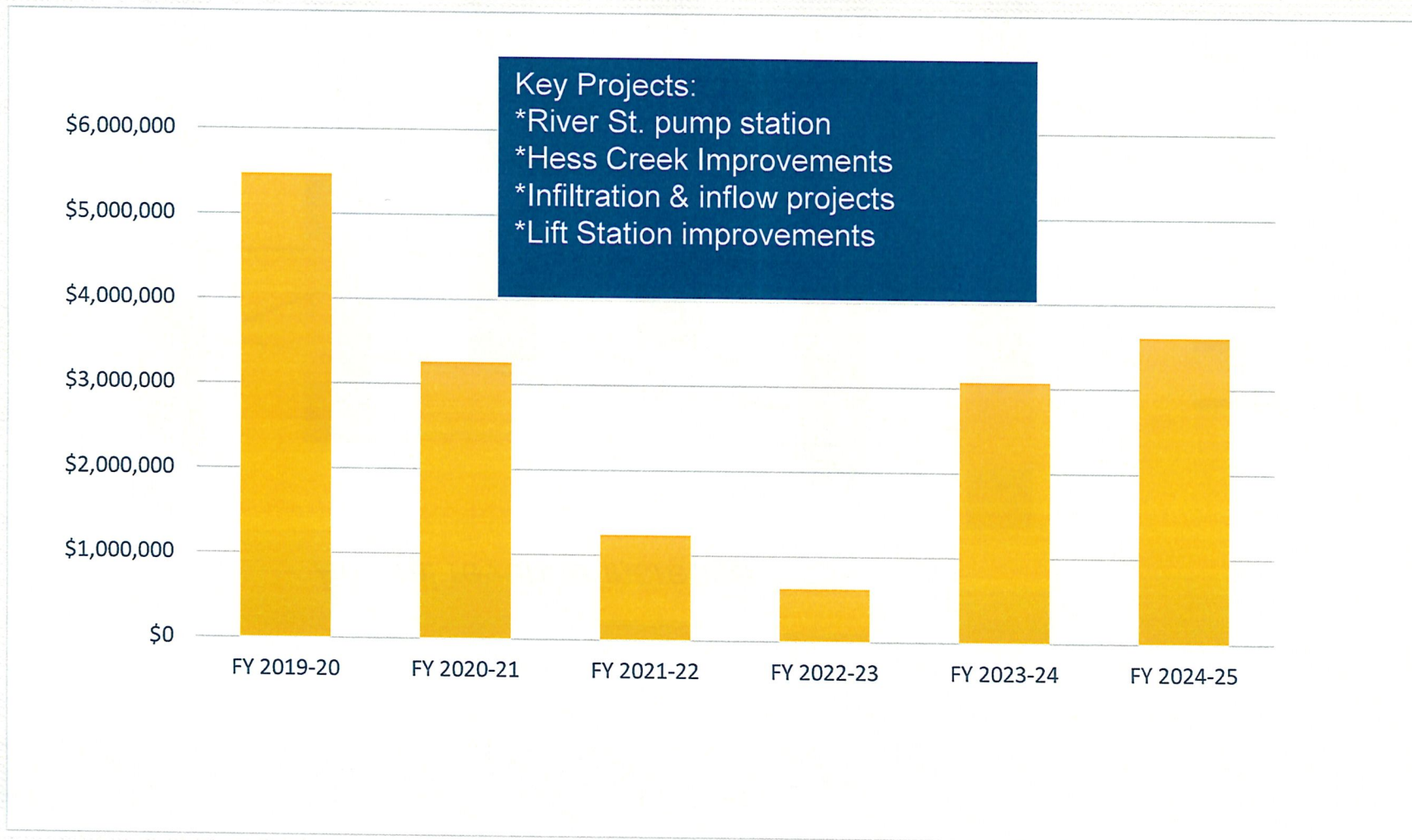
Water System Capital Plan (\$20.5 m)



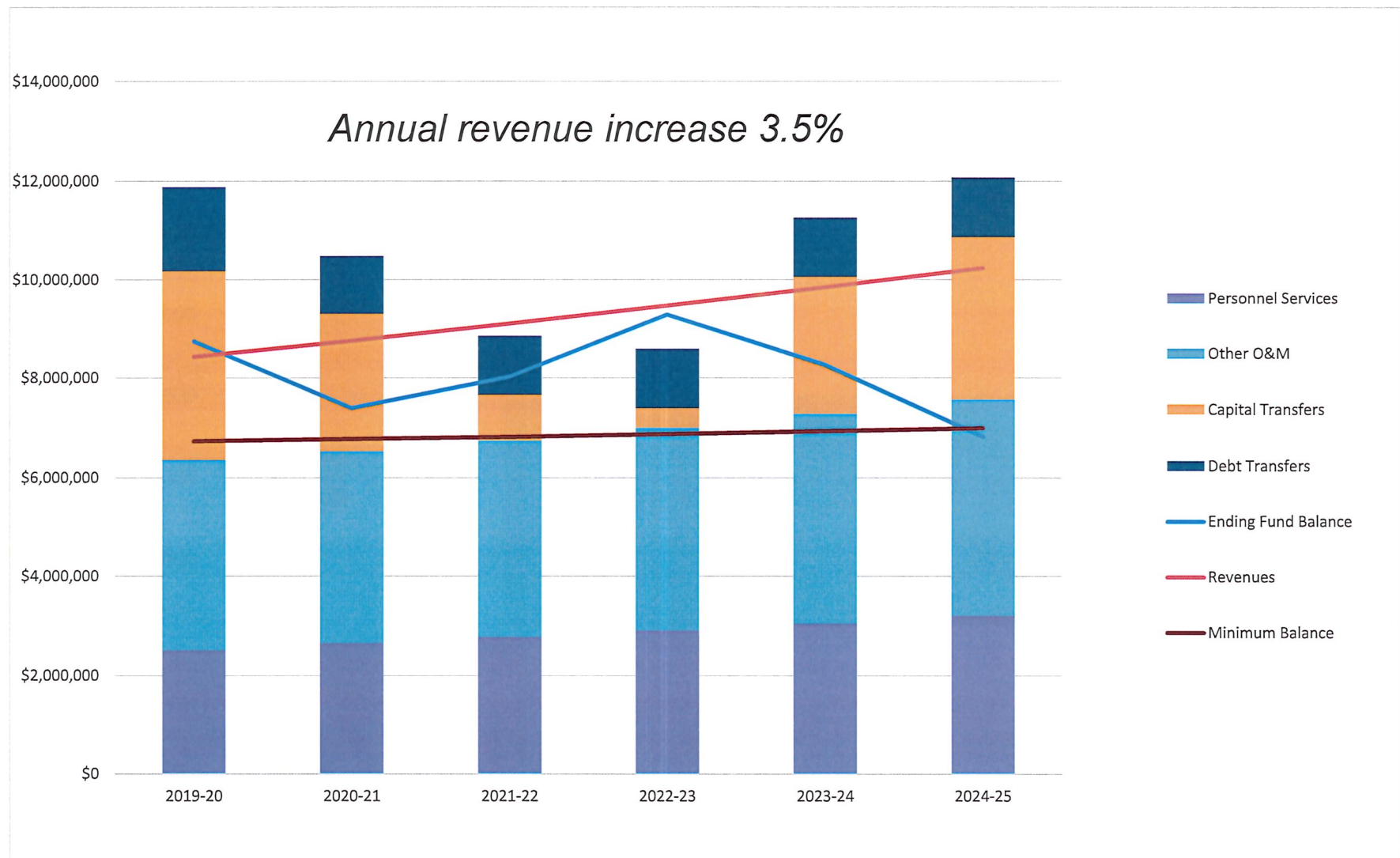
Water System Financial Forecast



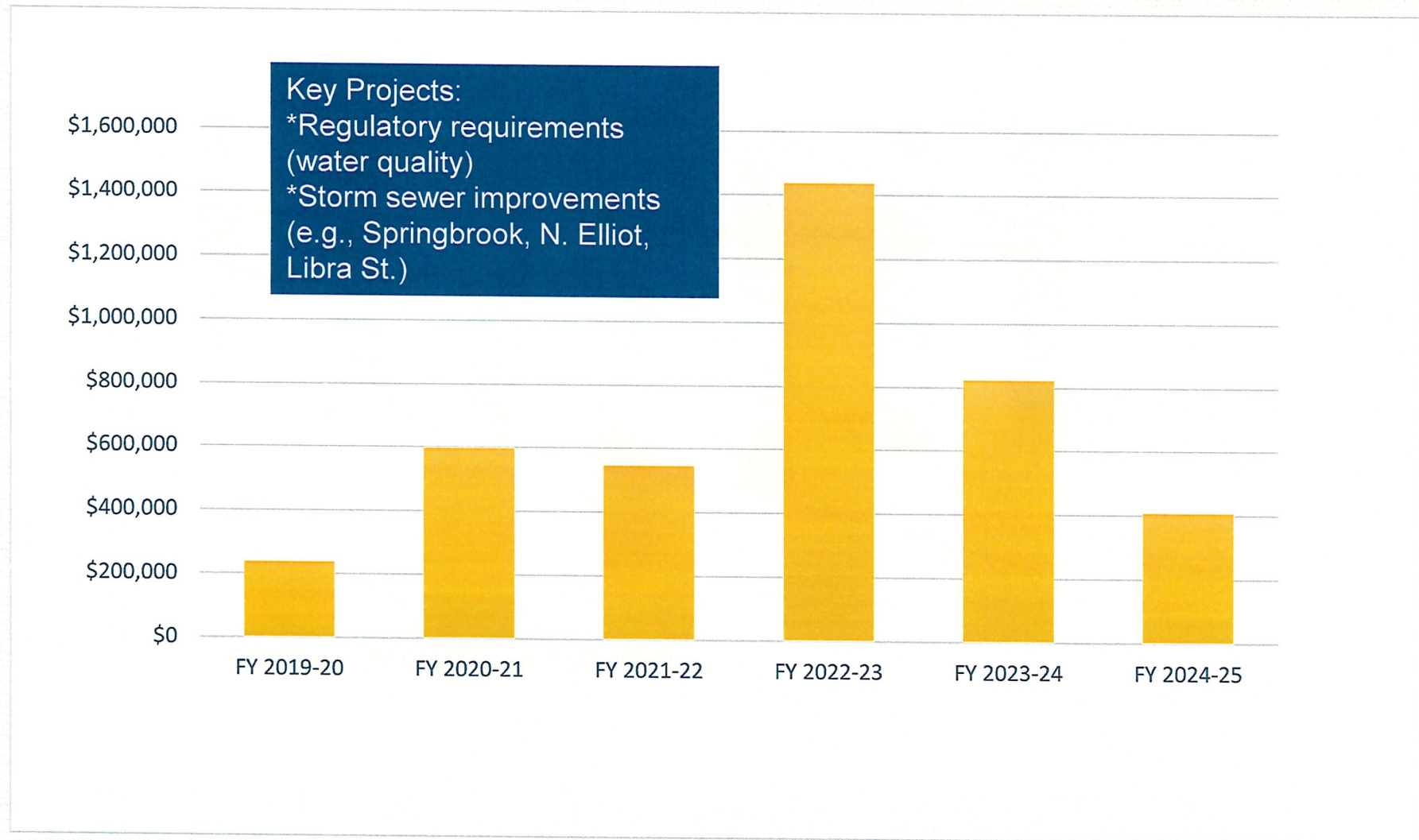
Wastewater System Capital Plan (\$17.2 m)



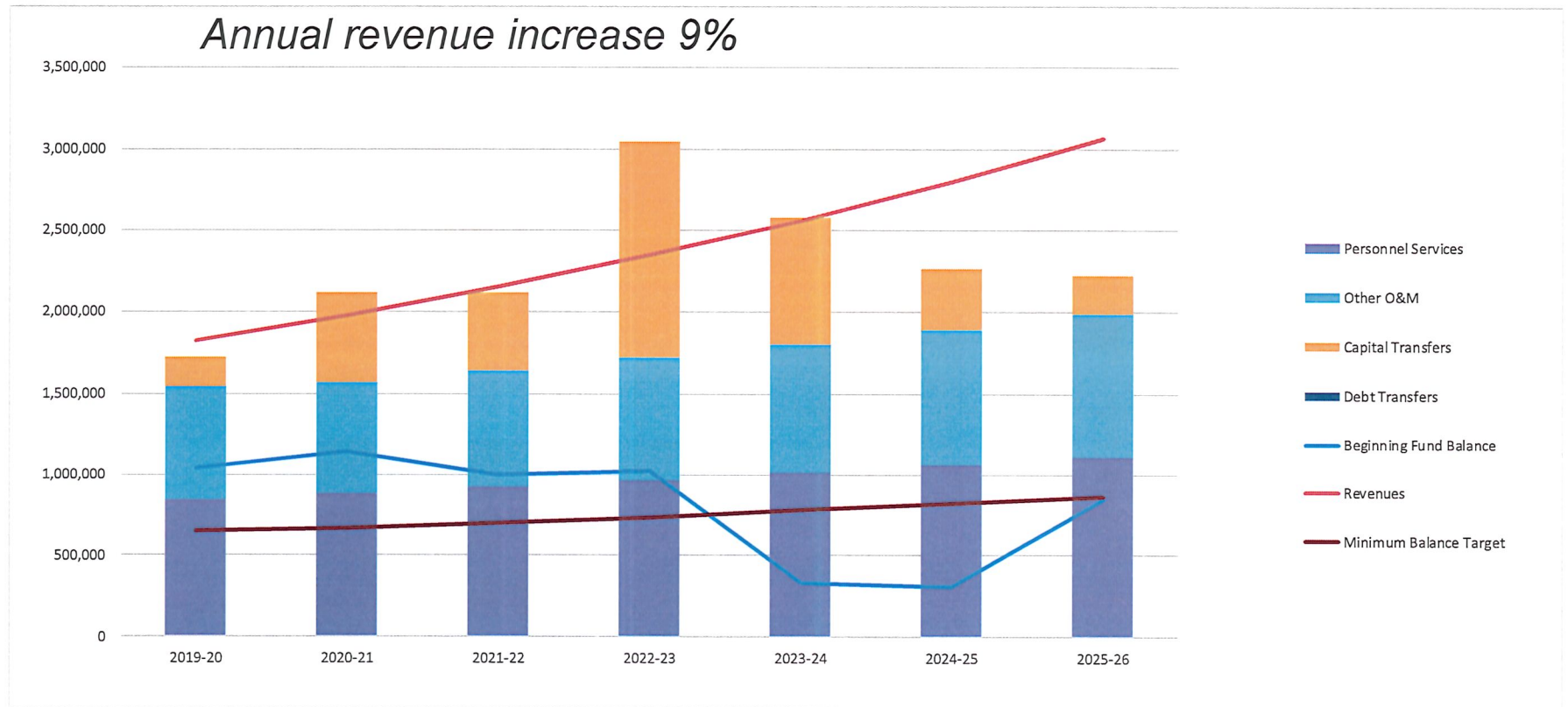
Sewer Financial Plan



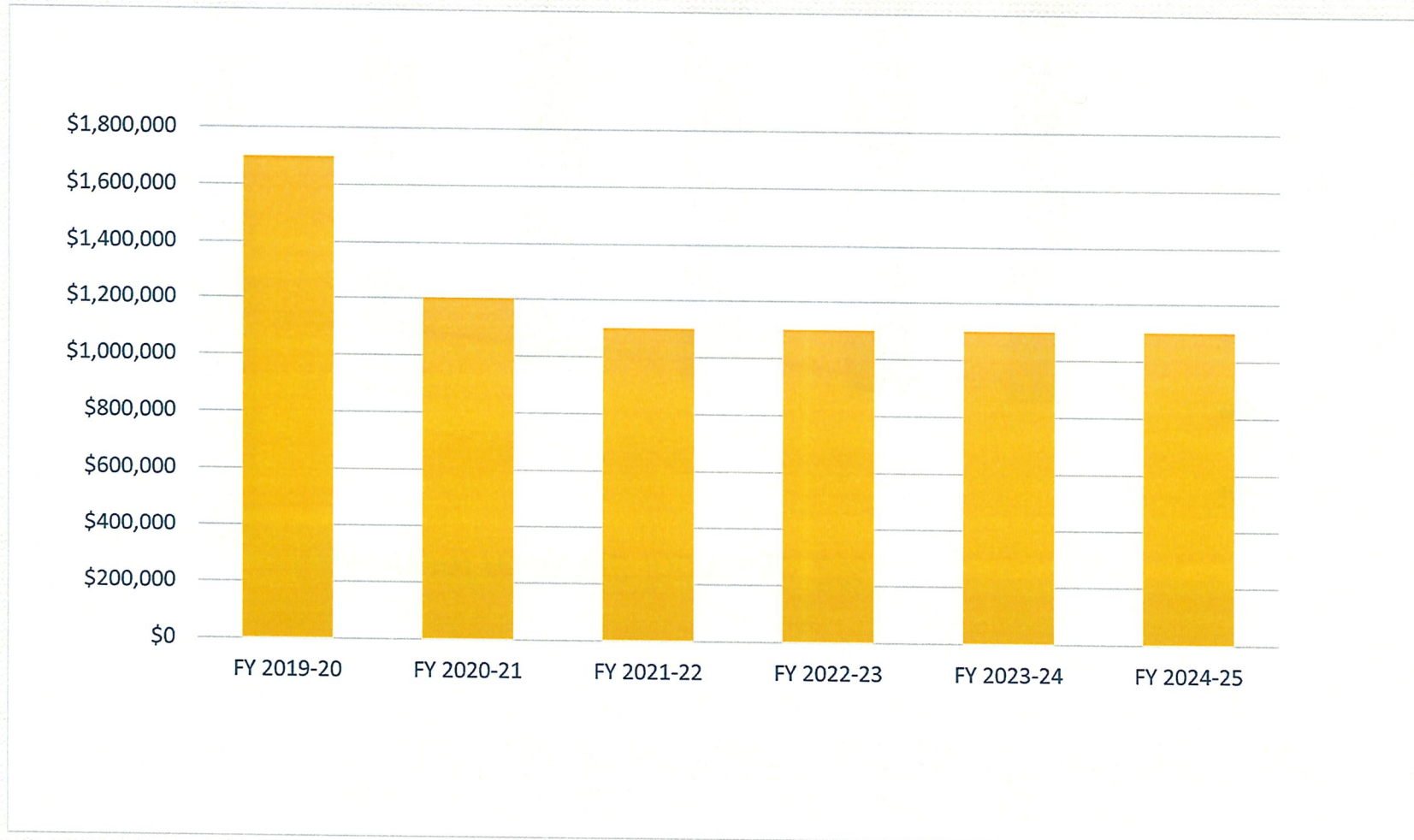
Stormwater System Capital Plan (\$4 m)



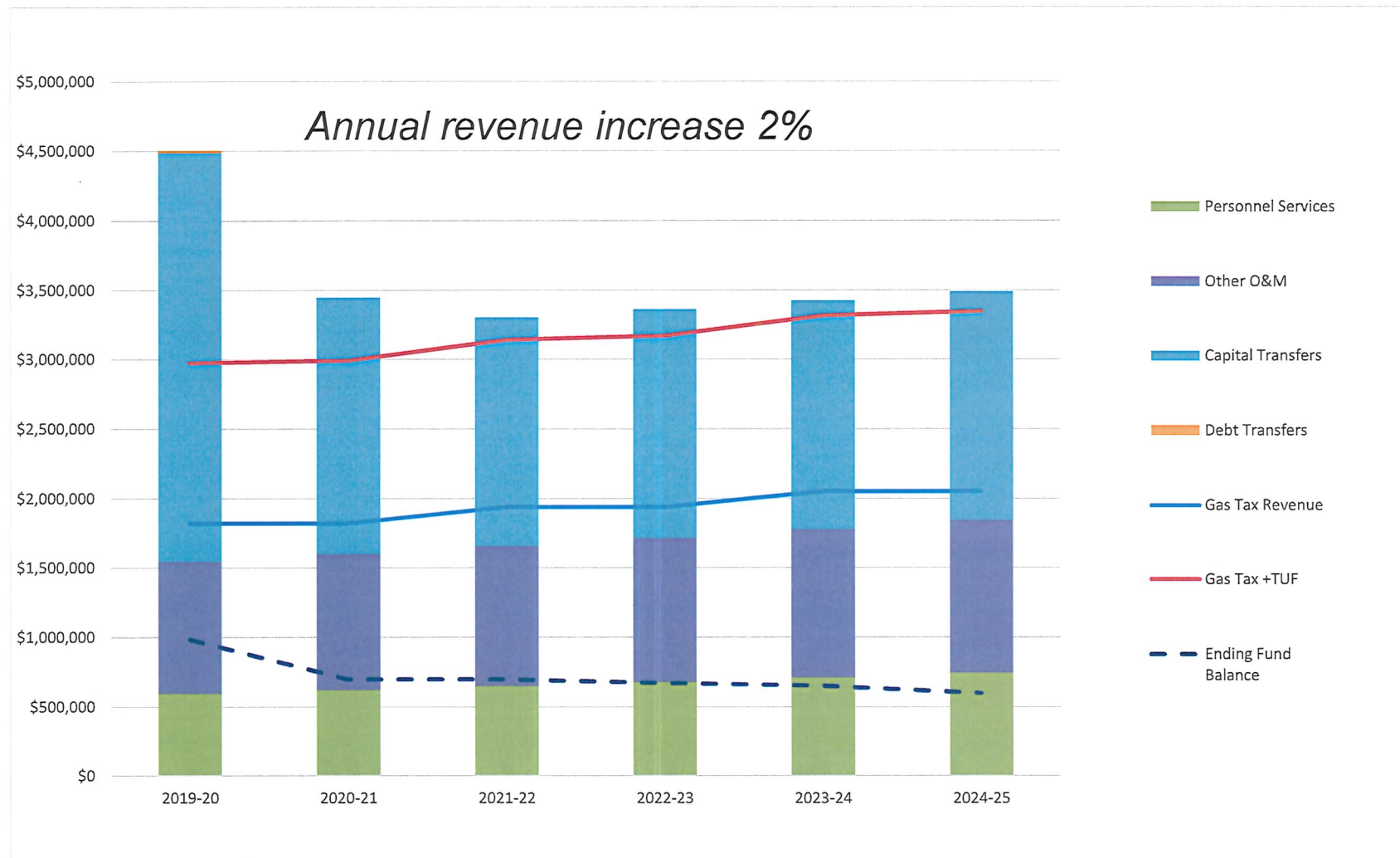
Stormwater System Forecast



TUF Capital Plan (\$4 m)



Street Fund Financial Forecast



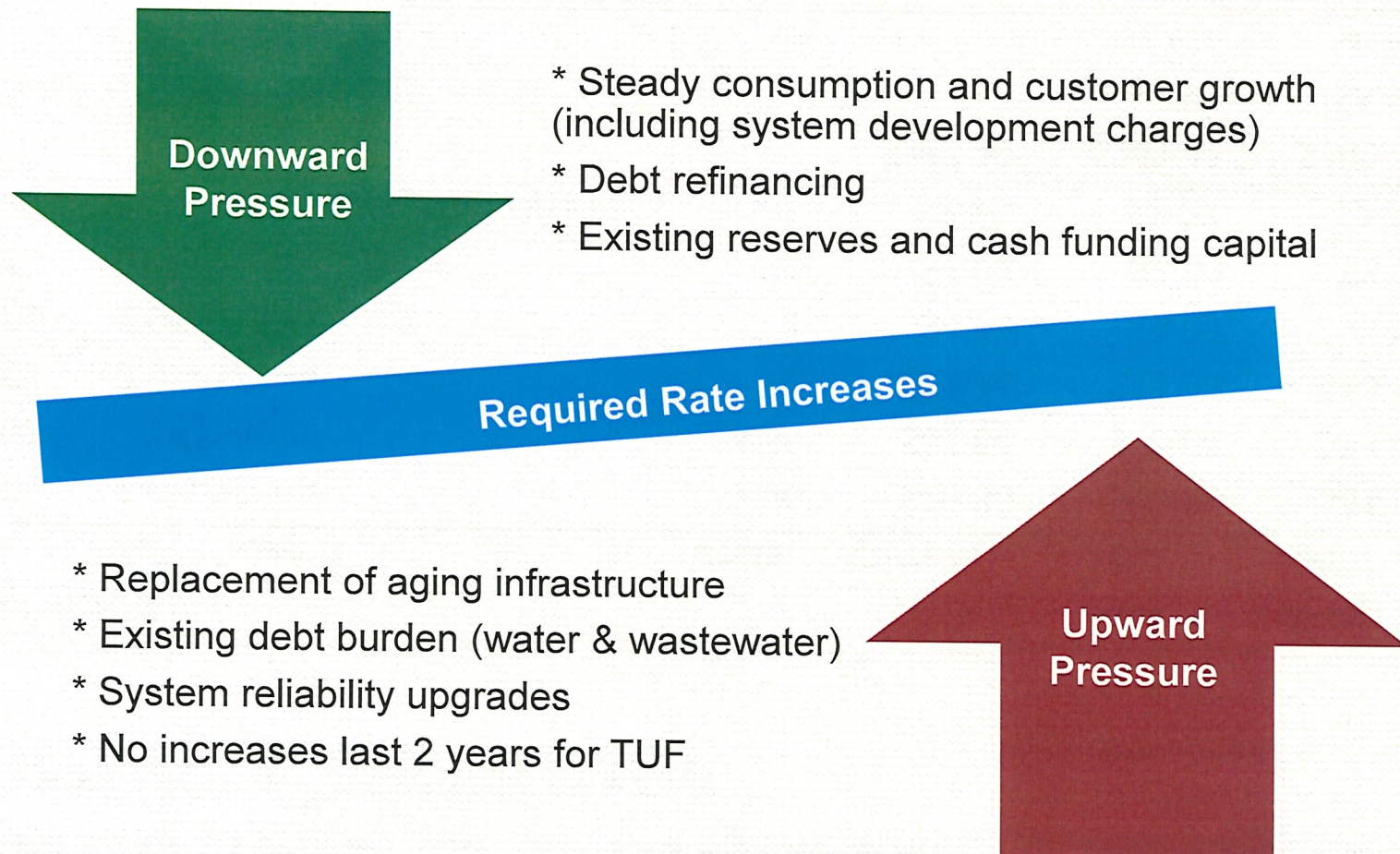
Non-Potable Water Rates

- Rates reflect cost of service of non-potable system specifically
 - Updated review of system-specific operating costs
 - Revised debt service costs for re-use system

	Jan. 1	Jan. 1	Jan. 1
	2020	2021	2022
Volume Rates (\$/ccf)	\$2.51	\$2.75	\$2.80
Percent Change		10%	2%

Summary

Current Rate Drivers



Combined Bill Impacts – Single Family Customer

Overall Increase					1-Jan	1-Jan
2021	2022	System	Units	Current	2021	2022
4.0%	4.0%	Water	7.00	\$46.85	\$49.08	\$51.21
3.5%	3.5%	Sewer	4.55	\$67.84	\$70.64	\$73.13
9.0%	9.0%	Storm	1	\$12.24	\$13.34	\$14.54
2.0%	2.0%	TUF	1	\$4.99	\$5.09	\$5.19
0.0%	0.0%	Public Safety	1	\$3.00	\$3.00	\$3.00
3.0%	3.0%	<i>Communication Officer</i>	1	\$2.20	\$2.27	\$2.33
		Total		\$137.12	\$143.42	\$149.41
		<i>Difference \$</i>			\$6.30	\$5.99
		<i>Difference %</i>			4.6%	4.2%
<i>Communication Officer Fee estimated; annual increases are July 1 based on inflation.</i>						

Proposed Water Rates

Customer Class	Current Through Dec 31, 2020	Effective Jan 1, 2021	Effective Jan 1, 2022
Service Charge (\$/Month)	\$2.38	\$2.82	\$3.25
Meter Charge (\$/Month)			
3/4"	\$16.05	\$17.06	\$17.96
1"	\$27.29	\$29.00	\$30.53
1-1/2"	\$52.97	\$56.30	\$59.27
2"	\$85.07	\$90.42	\$95.19
3"	\$160.50	\$170.60	\$179.60
4"	\$268.04	\$284.90	\$299.93
6"	\$534.47	\$568.10	\$598.07
8"	\$855.47	\$909.30	\$957.27
10"	\$1,336.97	\$1,421.10	\$1,496.07
Nonpotable Meter Charge (\$/Month)			
4"	\$59.79	\$60.99	\$62.21
8"	\$188.15	\$191.91	\$195.75
Volume Charge (\$/ccf)			
Residential	\$4.06	\$4.17	\$4.29
Multifamily	\$3.28	\$3.41	\$3.50
Commercial	\$4.16	\$4.23	\$4.34
Industrial	\$4.42	\$4.73	\$4.89
Irrigation	\$7.75	\$7.83	\$8.03
Outside City	\$6.09	\$6.26	\$6.43
Public Agency	\$4.45	\$4.62	\$4.78
Non-Potable	\$2.51	\$2.75	\$2.80

Proposed Wastewater Rates

Customer Class	Current Through Dec 31, 2020	Effective Jan 1, 2021	Effective Jan 1, 2022
Service Charge (\$/Month)	\$27.21	\$29.00	\$30.11
Multifamily Unit Charge (applies to each multifamily unit over the first unit, which is included in the Service Charge)	\$23.79	\$23.93	\$24.88
Volume Charge (\$/ccf)			
Single Family	\$8.93	\$9.15	\$9.46
Multifamily	\$8.93	\$9.15	\$9.46
Commercial - 1	\$8.93	\$9.15	\$9.46
Commercial - 2	\$11.15	\$11.62	\$12.00
Commercial - 3	\$18.83	\$19.07	\$19.69
Industrial	\$11.15	\$11.62	\$12.00
Outside City	\$8.92	\$9.15	\$9.45
Sewer Only (no water service) Flat Rate	\$67.80	\$74.75	\$77.41

Proposed Stormwater Rates

	Current Through Dec 31, 2020	Effective Jan 1, 2021	Effective Jan 1, 2022
Service Charge (\$/EDU/Month)	\$12.24	\$13.34	\$14.54

EDU = Equivalent Dwelling Unit (2,877 square feet of impervious area)

Proposed TUF Rates

Customer Class	Current Rate Per Unit Per Month	Effective Jan 1, 2021	Effective Jan 1, 2022
Single-Family Detached Housing	\$4.99	\$5.09	\$5.19
Multi-Family	\$3.37	\$3.44	\$3.51
Mobile Home	\$2.61	\$2.66	\$2.72
Non-Residential Class 1	\$3.72	\$3.79	\$3.87
Non-Residential Class 2	\$14.66	\$14.95	\$15.25
Non-Residential Class 3	\$21.35	\$21.78	\$22.21
Non-Residential Class 4	\$33.46	\$34.13	\$34.81
Non-Residential Class 5	\$97.16	\$99.10	\$101.09
Non-Residential Class 6			
Senior Adult Housing Attached	\$2.04	\$2.08	\$2.12
Congregate Care	\$1.12	\$1.14	\$1.17
Assisted Living	\$1.47	\$1.50	\$1.53
Continued Care Retirement Community	\$1.33	\$1.36	\$1.38
Hotel	\$4.52	\$4.61	\$4.70
Motel	\$3.12	\$3.18	\$3.25
City Park	\$1.05	\$1.07	\$1.09
County Park, Farmland, Commercial			
Agriculture	\$1.25	\$1.28	\$1.31
Golf Course	\$19.77	\$20.17	\$20.57
Public Elementary School	\$0.36	\$0.37	\$0.37
Public Middle/Junior High School	\$0.45	\$0.46	\$0.47
Public High School	\$0.48	\$0.49	\$0.50
Private School (K-12)	\$1.37	\$1.40	\$1.43
Junior/Community College	\$0.68	\$0.69	\$0.71
University/College	\$0.95	\$0.97	\$0.99
Quick Lubrication Veh. Shop	\$12.87	\$13.13	\$13.39
Gas/serve Station	\$54.10	\$55.18	\$56.29
Gas/Serv. Station with Conv. Market	\$39.64	\$40.43	\$41.24
Food Carts	\$47.66	\$48.61	\$49.58

Next Steps

- CRRC Deliberation
 - February 20
 - March 12 (if necessary)
- City Council Public Hearing: April 6

Rate & Fee Summary as Proposed to the Citizens Rate Review Committee
as of January 30, 2020

Monthly Water Rates				
Customer Class	Current Through Dec 31, 2020	Effective Jan 1, 2021	Effective Jan 1, 2022	
Service Charge (\$/Month)	\$2.38	\$2.82	\$3.25	18.487% 15.248%
Meter Charge (\$/Month)				
3/4"	\$16.05	\$17.06	\$17.96	6.293% 5.275%
1"	\$27.29	\$29.00	\$30.53	6.266% 5.276%
1-1/2"	\$52.97	\$56.30	\$59.27	6.287% 5.275%
2"	\$85.07	\$90.42	\$95.19	6.289% 5.275%
3"	\$160.50	\$170.60	\$179.60	6.293% 5.275%
4"	\$268.04	\$284.90	\$299.93	6.290% 5.276%
6"	\$534.47	\$568.10	\$598.07	6.292% 5.275%
8"	\$855.47	\$909.30	\$957.27	6.292% 5.275%
10"	\$1,336.97	\$1,421.10	\$1,496.07	6.293% 5.275%
Nonpotable Meter Charge (\$/Month)				
4"	\$59.79	\$60.99	\$62.21	2.007% 2.000%
8"	\$188.15	\$191.91	\$195.75	1.998% 2.001%
Volume Charge (\$/ccf)				
Residential	\$4.06	\$4.17	\$4.29	2.709% 2.878%
Multifamily	\$3.28	\$3.41	\$3.50	3.963% 2.639%
Commercial	\$4.16	\$4.23	\$4.34	1.683% 2.600%
Industrial	\$4.42	\$4.73	\$4.89	7.014% 3.383%
Irrigation	\$7.75	\$7.83	\$8.03	1.032% 2.554%
Outside City	\$6.09	\$6.26	\$6.43	2.791% 2.716%
Public Agency	\$4.45	\$4.62	\$4.78	3.820% 3.463%
Non-Potable	\$2.51	\$2.70	\$2.70	7.570% 0.000%

Monthly Wastewater Rates				
Customer Class	Current Through Dec 31, 2020	Effective Jan 1, 2021	Effective Jan 1, 2022	
Service Charge (\$/Month)	\$27.21	\$29.00	\$30.11	6.578% 3.828%
Multifamily Unit Charge	\$23.79	\$23.93	\$24.88	0.588% 3.970%
Volume Charge (\$/ccf)				
Single Family	\$8.93	\$9.15	\$9.46	2.464% 3.388%
Multifamily	\$8.93	\$9.15	\$9.46	2.464% 3.388%
Commercial - 1	\$8.93	\$9.15	\$9.46	2.464% 3.388%
Commercial - 2	\$11.15	\$11.62	\$12.00	4.215% 3.270%
Commercial - 3	\$18.83	\$19.07	\$19.69	1.275% 3.251%
Industrial	\$11.15	\$11.62	\$12.00	4.215% 3.270%
Outside City	\$8.92	\$9.15	\$9.45	2.578% 3.279%
Sewer Only (no water service) Flat Rate includes monthly service charge	\$67.80	\$93.07	\$96.30	37.271% 3.471%

Rate & Fee Summary as Proposed to the Citizens Rate Review Committee
as of January 30, 2020

Monthly Stormwater Rate			
Customer Class	Current Through Dec 31, 2020	Effective Jan 1, 2021	Effective Jan 1, 2022
Service Charge (\$/EDU/Month)	\$12.24	\$13.34	\$14.54

8.987% 8.996%

Monthly Transportation Utility Fee				
Customer Class	Per 1000 sf or other uni	Current Rate Per Unit Per Month	Effective Jan 1, 2021	Effective Jan 1, 2022
Single-Family Detached Housing	-	\$4.99	\$5.09	\$5.19
Multi-Family	-	\$3.37	\$3.44	\$3.51
Mobile Home	-	\$2.61	\$2.66	\$2.72
Non-Residential Class 1	Less than 18 trips	\$3.72	\$3.79	\$3.87
Non-Residential Class 2	From 18 to 30 trips	\$14.66	\$14.95	\$15.25
Non-Residential Class 3	More than 30 to 51 trips	\$21.35	\$21.78	\$22.21
Non-Residential Class 4	More than 51 to 80 trips	\$33.46	\$34.13	\$34.81
Non-Residential Class 5	More than 80 trips	\$97.16	\$99.10	\$101.09
Non-Residential Class 6				
Senior Adult Housing Attached	Per Dwelling Unit	\$2.04	\$2.08	\$2.12
Congregate Care	Per Dwelling Unit	\$1.12	\$1.14	\$1.17
Assisted Living	Per Bed	\$1.47	\$1.50	\$1.53
Continued Care Retirement Community	Per Unit	\$1.33	\$1.36	\$1.38
Hotel	Per Room	\$4.52	\$4.61	\$4.70
Motel	Per Room	\$3.12	\$3.18	\$3.25
City Park	Per Acre	\$1.05	\$1.07	\$1.09
County Park, Farmland, Commercial				
Agriculture	Per Acre	\$1.25	\$1.28	\$1.31
Golf Course	Per Hole	\$19.77	\$20.17	\$20.57
Public Elementary School	Per Student	\$0.36	\$0.37	\$0.37
Public Middle/Junior High School	Per Student	\$0.45	\$0.46	\$0.47
Public High School	Per Student	\$0.48	\$0.49	\$0.50
Private School (K-12)	Per Student	\$1.37	\$1.40	\$1.43
Junior/Community College	Per Student	\$0.68	\$0.69	\$0.71
University/College	Per Student	\$0.95	\$0.97	\$0.99
Quick Lubrication Veh. Shop	Per Service Position	\$12.87	\$13.13	\$13.39
Gas/serve Station	Per Fueling Position	\$54.10	\$55.18	\$56.29
Gas/Serv. Station with Conv. Market	Per Fueling Position	\$39.64	\$40.43	\$41.24
Food Carts	Per Cart	\$47.66	\$48.61	\$49.58

2.004% 1.965%
2.077% 2.035%
1.916% 2.256%
1.882% 2.111%
1.978% 2.007%
2.014% 1.974%
2.002% 1.992%
1.997% 2.008%
1.961% 1.923%
1.786% 2.632%
2.041% 2.000%
2.256% 1.471%
1.991% 1.952%
1.923% 2.201%
1.905% 1.869%
2.400% 2.344%
2.023% 1.983%
2.778% 0.000%
2.222% 2.174%
2.083% 2.041%
2.190% 2.143%
1.471% 2.899%
2.105% 2.062%
2.020% 1.980%
1.996% 2.012%
1.993% 1.995%



CITIZENS' RATE REVIEW COMMITTEE AGENDA

THURSDAY, JANUARY 30, 2020

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. COMMITTEE BUSINESS

1. Present additional information on non-potable rates and wastewater rates.
2. Committee discussion and decision of proposed rates for CRRC Public Hearing.

IV. 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)

V. ADJOURNMENT

Next Meeting: February 20, 2020 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.

Table 1
City of Newberg
Nonpotable Rate Assumptions

	FY2016	FY2020	2020-21	2021-22	2022-23	2023-24	2024-25
O&M Costs							
Direct Costs							
Labor	\$16,570	\$21,229	\$21,654	\$22,087	\$22,528	\$22,979	\$23,439
Operations Division	\$13,170	\$14,234	\$14,519	\$14,809	\$15,105	\$15,407	\$15,715
Maintenance Division	\$3,400	\$6,995	\$7,135	\$7,278	\$7,423	\$7,572	\$7,723
Materials & Equipment	\$61,720	\$70,823	\$72,684	\$74,596	\$76,560	\$78,577	\$80,649
Chemicals	\$2,800	\$2,800	\$2,884	\$2,971	\$3,060	\$3,151	\$3,246
Materials	\$6,800	\$9,000	\$9,270	\$9,548	\$9,835	\$10,130	\$10,433
Filter maintenance	\$8,000	\$8,000	\$8,240	\$8,487	\$8,742	\$9,004	\$9,274
Electricity	\$7,200	\$4,800	\$4,944	\$5,092	\$5,245	\$5,402	\$5,565
Equipment	\$1,330	\$10,830	\$11,155	\$11,490	\$11,834	\$12,189	\$12,555
Contractual Services	\$5,400	\$5,650	\$5,820	\$5,994	\$6,174	\$6,359	\$6,550
Building/grounds maintenance	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159
Software, monitoring, telemetry	\$2,400	\$2,400	\$2,472	\$2,546	\$2,623	\$2,701	\$2,782
Otis Springs	\$0						
Operations Division	\$18,990	\$17,582	\$17,934	\$18,292	\$18,658	\$19,031	\$19,412
Maintenance Division	\$7,800	\$8,761	\$8,936	\$9,115	\$9,297	\$9,483	\$9,673
Subtotal	\$78,290	\$92,052	\$94,338	\$96,683	\$99,088	\$101,556	\$104,088
Indirect Costs							
PW Administration	\$12,570	\$14,291	\$14,720	\$15,161	\$15,616	\$16,085	\$16,567
Franchise Fee	\$6,497						
Total Annual O&M	\$97,357	\$106,343	\$109,058	\$111,844	\$114,704	\$117,641	\$120,655
Projected annual use (100 cf)	54,382	56,824	56,824	56,824	56,824	56,824	56,824
O&M Rate (\$/100 cf)	\$1.79	\$1.87	\$1.92	\$1.97	\$2.02	\$2.07	\$2.12
Capital Rate							
Re-Use Debt Service (1)	\$175,360	\$158,560	\$159,437	\$159,300	\$158,958	\$158,410	\$159,026
Re-Use Capacity (mgd)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Re-Use Capacity (100 cf) (2)	243,984	243,984	243,984	243,984	243,984	243,984	243,984
Re-Use Capital Rate	\$0.72	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65
Otis Springs Depreciation		\$43,750	\$43,750	\$43,750	\$43,750	\$43,750	\$43,750
System Capacity (mgd)		0.30	0.30	0.30	0.30	0.30	0.30
System Capacity (100 cf)		73,195	73,195	73,195	73,195	73,195	73,195
OS Capital Rate (\$/100 cf)		\$0.60	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60
Total Capital Rate		\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
Nonpotable Volume Rate (3)	\$2.51	\$3.12	\$3.17	\$3.22	\$3.27	\$3.32	\$3.37
Nonpotable Volume Revenue		\$177,236	\$180,155	\$182,909	\$185,690	\$188,499	\$191,656
Capital Cost Recovery							
Projected annual use (100 cf)	54,382	56,824	56,824	56,824	56,824	56,824	56,824
Annual capital cost recovery	\$39,086	\$36,928	\$37,133	\$37,101	\$37,021	\$36,893	\$37,037
% of Total Debt		6%	6%	6%	6%	6%	6%
% of Water Debt		23%	23%	23%	23%	23%	23%
Otis Springs cost recovery		\$33,964	\$33,964	\$33,964	\$33,964	\$33,964	\$33,964
Total capital cost recovery		\$70,893	\$71,097	\$71,065	\$70,985	\$70,858	\$71,001

(1) Reflects current budget allocation of debt (27.4% water)

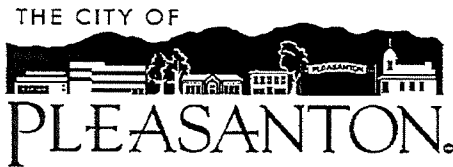
(2) Assumes system is operated for 6 mos. Of year

(3) Meter and service charges would still apply, same as other customers

Table NP-2

Nonpotable Rate Options and Phase-In

	2019	Jan. 1 2020	Jan. 1 2021	Jan. 1 2022	Jan. 1 2023	Jan. 1 2024	Jan. 1 2025
Volume Rates (\$/ccf)							
Option 1							
Operation & Maintenance	\$1.79	\$1.79	\$1.92	\$1.97	\$2.02	\$2.07	\$2.12
Capital	\$0.72	\$0.72	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65
Total	\$2.51	\$2.51	\$2.57	\$2.62	\$2.67	\$2.72	\$2.78
Rate with Franchise Fee	\$2.51	\$2.51	\$2.75	\$2.80	\$2.86	\$2.91	\$2.97
Projected Revenue	\$136,444	\$142,569	\$156,424	\$159,371	\$162,346	\$165,352	\$168,730
Option 2							
Operation & Maintenance	\$1.79	\$1.79	\$1.92	\$1.97	\$2.02	\$2.07	\$2.12
Capital	\$0.72	\$0.72	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
Total	\$2.51	\$2.51	\$3.17	\$3.22	\$3.27	\$3.32	\$3.37
Rate with Franchise Fee	\$2.51	\$2.51	\$3.39	\$3.44	\$3.50	\$3.55	\$3.61
Projected Revenue	\$136,444	\$142,569	\$192,765	\$195,713	\$198,688	\$201,693	\$205,072
Option 2 - phase in							
2-year phase in		\$2.51	\$2.98	\$3.44			
% increase			19%	16%			
Projected Revenue		\$142,569	\$169,141	\$195,713			
4-year phase-in		\$2.51	\$2.77	\$3.03	\$3.29	\$3.55	\$3.61
% increase			10%	9%	9%	8%	2%
Projected Revenue		\$142,569	\$157,350	\$172,131	\$186,912	\$201,693	\$205,072



2020 WATER CHARGES

The City of Pleasanton collects fees on the Utility bill for multiple outside agencies.
The rates charged by these outside agencies are NOT controlled by the City of Pleasanton.
Here is the scheduled increase for each water agency effective January 1, 2020.

Zone 7 Water Agency

Zone 7 wholesale water cost will **INCREASE 6%** from \$3.35 to \$3.55 per Ccf Unit (1 Ccf Unit = 748 Gallons)

To stay informed about current and future increases from Zone 7,
public meetings are held on the third Wednesday of each month at 7:00 p.m. at the Zone 7 offices located at 100 North Canyon Parkway in Livermore.
For more information, please call (925) 454-5000 or visit www.zone7water.com

City of Pleasanton

Bi-Monthly Fixed Meter Charges and Distribution Charges will increase by 2.72% based on the Consumer Price Index for
All Urban Consumers, All Items, San Francisco-Oakland-San Jose, CA, August 2018-August 2019.

Current Rate Structure, as of January 1, 2019

1 Ccf Unit = 100 cubic feet = 748 gallons		Zone 7 Water Cost	Pleasanton Distribution Charge	Recycled Water Surcharge	Capacity Expansion Surcharge	Total per Ccf Unit
Single Family	0 - 20 Ccf	\$3.35				\$3.35
	21 - 40 Ccf	\$3.35	\$0.28	\$0.10		\$3.73
	41 - 60 Ccf	\$3.35	\$0.53	\$0.10		\$3.98
	over 60 Ccf	\$3.35	\$1.24	\$0.10	\$0.13	\$4.82
Comm. & Multifamily		\$3.35	\$0.30	\$0.10		\$3.75
Potable Irrigation		\$3.35	\$0.46	\$0.10		\$3.91
Recycled Irrigation						\$3.52

New Rate Structure, as of January 1, 2020

1 Ccf Unit = 100 cubic feet = 748 gallons		Zone 7 Water Cost	Pleasanton Distribution Charge	Recycled Water Surcharge	Capacity Expansion Surcharge	Total per Ccf Unit
Single Family	0 - 20 Ccf	\$3.55				\$3.55
	21 - 40 Ccf	\$3.55	\$0.29	\$0.10		\$3.94
	41 - 60 Ccf	\$3.55	\$0.55	\$0.10		\$4.20
	over 60 Ccf	\$3.55	\$1.27	\$0.10	\$0.13	\$5.05
Comm. & Multifamily		\$3.55	\$0.31	\$0.10		\$3.96
Potable Irrigation		\$3.55	\$0.47	\$0.10		\$4.12
Recycled Irrigation						\$3.71

Pleasanton Bi-Monthly Fixed Meter Charges

Meter Size	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Current Cost	\$19.41	\$29.09	\$48.52	\$97.03	\$155.25	\$339.66	\$970.44	\$1,940.88	\$3,396.53	\$5,337.40
as of 1/1/2020	\$19.93	\$29.89	\$49.84	\$99.67	\$159.48	\$348.90	\$996.83	\$1,993.67	\$3,488.91	\$5,482.57

In addition to recovering a base unit cost of water, the District also imposes a power surcharge for customers residing in higher elevations in order to recover the additional electrical cost incurred for pumping water to the District's upper hydraulic zones. The rates for the proposed charges are decreasing based on the District's current cost to pump water.

TABLE 1-8 POTABLE WATER POWER SURCHARGE RATES - FIVE-YEAR OUTLOOK (\$/CCF)

WATER ZONE	CURRENT	PROPOSED		PROJECTED		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
3	\$0.28	\$0.11	\$0.11	\$0.11	\$0.12	\$0.12
4	\$0.40	\$0.18	\$0.19	\$0.19	\$0.20	\$0.20
5	\$0.55	\$0.30	\$0.31	\$0.32	\$0.33	\$0.34

As the table above illustrates, the pumping charges decrease in all zones. The charges are simply calculated by dividing the total power costs in a zone by the number of units of water sold.

Recycled Water Commodity Charge Rates

Approximately, one-fourth of the retail water sold by the District is recycled water. The District has been successful in converting many of its irrigation customers to recycled water. And, while there is an upfront capital investment, implementing recycled water has allowed the District to reduce the cost of buying imported water through MWDOC and its reliance on non-local supplies. Similar to the potable water rates, the recycled water commodity charge recovers the cost of recycled water supplies, storage, and pumping.

The calculated recycled water rates are presented as follows:

TABLE 1-9 RECYCLED WATER COMMODITY CHARGE RATES - FIVE-YEAR OUTLOOK (\$/CCF)

RECYCLED - TIERED	CURRENT	RECYCLED - TIERED	PROPOSED		PROJECTED		
	FY 2019		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Tier 1	\$1.82	Tier 1	\$2.21	\$2.41	\$2.67	\$2.71	\$2.76
Tier 2	\$2.39						
Tier 3	\$2.44						
Tier 4	\$2.66						
Tier 5	\$5.32						
RECYCLED - UNIFORM	FY 2019	RECYCLED - UNIFORM	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Commercial	\$1.82	Commercial	\$2.17	\$2.36	\$2.61	\$2.66	\$2.71
Construction	\$2.39	Construction	\$2.62	\$2.87	\$3.22	\$3.23	\$3.24

City of Newberg
Sewer System Financial Plan
Rate Schedule Comparison

	Jan 1 '20	Jan 1 '21	Jan 1 '22	% Increase (from Prior Yr)	
	Adopted	Preliminary	Preliminary	2020-21	2021-22
Component	2019-20	2020-21	2021-22		
Total Service Charge (\$/Month/Account)	\$27.21	\$29.00	\$30.11	6.6%	3.8%
Multifamily Additional Unit Charge ¹	\$23.79	\$23.93	\$24.88	0.6%	4.0%
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%
Sewer Only (no water service) Flat Rate ^{2/3}		71.15	76.30		
includes monthly service charge	\$67.80	\$93.07	\$96.30		

¹Applies to each Multifamily unit over first unit (first unit is included in Service Charge)

²Based on 7 ccf

³ " " 15 ccf

Commercial 1 includes general business, public agencies, and schools

Commercial 2 includes mini-markets, car washes, mortuaries, industrial and fast food/cafeterias

Commercial 3 includes restaurants.

Wednesday, 7 PM

October 7, 2009

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES
Wastewater Treatment Plant**

Members Present:

Matson Haug (Chair)
Charles Zickefoose

Tony Rourke
Mike Gougler

Beth Keyser

Members Absent:

David Maben (excused) Ernie Amundson (excused)

Staff Present:

Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Barton Brierley, Planning and Building Director
David Beam, Economic Development Coordinator/Planner
Deb Galardi, Galardi Consulting
Dawn Karen Bevill, Recording Secretary

Others Present: Don Clements

1. Call to Order/Roll Call/Introduction:

Chair Haug called the meeting to order at 7:01 p.m. and asked for roll call.

2. Updated Calendar:

Howard Hamilton explained the revised CRRC Meeting Schedule dated October 2, 2009.

3. Winter Average Rate – Transferable?

Janelle Nordyke explained Dan Schutter had sent an email to the City Manager asking why he would have to establish a new winter averaging rate when transferring from one residence to another. Mr. Schutter had just moved to a much more efficient home and his winter averaging is higher than before. The formula is based on the number in a household and the rates do not transfer from one home to another.

MOTION: Rourke/Gougler moved to keep the formula intact as is. (5 Yes/0 No/2 Absent [Amundson and Maben]). Motion carried.

Chair Haug stated further discussion would take place regarding the matter when Mr. Schutter arrived at the meeting. *(Note: Mr. Schutter did not arrive for the meeting.)*

4. Affordable Housing Presentation:

David Beam began the presentation by explaining the Newberg Affordable Housing Action Plan is Phase One of a longer process to help support the development of affordable housing in Newberg. The Affordable Housing Ad Hoc Committee formed by the City Council began meeting in July 2008 and met for approximately 9 months.

ATTACHMENT 3

To assist with the further development of the affordable housing tools described in the Plan, the City Council approved the formation of an Affordable Housing Action Committee through Resolution No. 2009-2857. One of the charges of the new Committee is to examine current development fees and make recommendations as to which fees could be reasonably reduced or waived to assist affordable housing. The City Council directed the Committee to work with the CRRC in its examination of development fees. The Council also stated that two members of a subcommittee of the full Committee will work with the CRRC in looking at the applicable development fees (e.g. SDCs.)

“Affordable Housing” is defined as when a household spends no more than 30% of its income for housing. For homeowners, housing costs include mortgage payment (principal and interest), property taxes, and insurance. For renters, housing costs would include rent and tenant paid utilities. Based on that definition, about 40% of homeowners and 37% of renters are in housing that is unaffordable, according to recent US Census data.

The Ad Hoc Committee that created the Action Plan spent considerable energy looking into the development fees issue. One of the Action Plan Committee’s main concerns had to do with revenue balance. Reductions in development fees are usually accompanied with a corresponding increase in fees somewhere else. Many of the options involve raising fees on some other specific sector. The Committee did not favor this approach. They recommended that the offset mechanism should be a burden that is shared by the entire city such as through an increase in some form of monthly fee. Their feeling was that if affordable housing is a community goal, then everyone in the community should contribute to the solution.

Development fees pertinent to the CRRC are utility system development charges (SDCs.) City staff is considering two options that would appear to meet the recommendations of the Action Plan regarding a community shared burden:

- Lower SDCs for low income housing, then raise utility rates (for all or everyone not low income); or,
- Lower utility rates for low income housing, and then raise utility rates for everyone else.

The following are two more options. However, it should be noted that the first option does not meet the Ad Hoc Committee’s recommendation to spread the cost of lowering permit fees through a citywide mechanism.

- Lower SDCs for low income housing, the raise SDCs for others; or
- Lower utility rates for low income housing, and then raise SDCs (for all or everyone not low income.)

Also, it should be noted that any of the four options that include changes to utility rates to assist low income housing are not part of Council’s specific charge to the CRRC, which is to review development fees. However, there is nothing that prevents the CRRC from making such a recommendation to the Council.

When discussing this issue with the Ad Hoc Committee, City staff prepared a list of suggested options regarding how all the City’s SDCs (not just utility SDCs) could be reduced for the construction of housing for low income households. Mr. Beam reviewed the following suggestions:

- For affordable housing projects, assess the SDCs at time of occupancy instead of time of building permit.
- Allow the City to finance the SDCs.
- Base the SDC on fixture units instead of meter size.
- The City does have a storm water credit program applicable to multi-family development which could be expanded to single family.
- The City currently allows for SDC fee waivers for two low income housing units built by a non-profit organization. This exemption could be expanded.

- The housing shortage is greatest for apartments. Fee reductions/waivers could focus on the construction of this type of housing.

Low income housing is defined as affordable housing for those at or below Newberg's annual median household income. The U.S. Housing and Urban Development Department (HUD) currently state this number to be \$70,000 annually for a family of four. The most recent American Community Survey (2005-2007 average) by the U.S. Census Bureau states that Newberg annual median household income for a family of four is \$46,066. The Planning Commission recently recommended that the limits defining low income housing be established by the City's Director of Planning and Building using the best available data.

Obviously, SDCs could be reduced or waived completely, which would affect the level of revenue that would need to be raised somewhere else to counter the revenue reduction. Some/all/or none of the fees could be charged.

5. Present Water Rates:

Deb Galardi gave the background on the Water Rate Implementation Process. On May 19, 2008 City Council adopted the rate increases based on 12.5% per year. On June 2, 2008 the Council agreed to reconsider rates. On June 16, 2008, the water rate increases were reduced from 12.5% to 6.5% for FY 2008/09 and FY 2009/10. The Council then directed the CRRC to investigate and make recommendations concerning a conservation rate structure.

Deb Galardi reviewed the 5-10 year forecast of revenues and expenses and explained the objective is to establish the overall revenue slope. All sources of funds such as cash on hand, connection fees, SDCs, utility rates themselves, expenses and operating budget for personnel and services, and the different financing methods for capital improvement including new and existing debt service and other requirements.

Ms. Galardi explained the financial plan drivers include operation and maintenance costs and capital improvement programs (CIP); operational CIP, and growth related CIP. Existing rates, what they generate, and annual cash needs determine what additional money comes from rates and charges.

Customer trends showed healthy growth for Newberg FY 2003/04 to FY 2006/07 at 5% and FY 2007/08 was 2.7%. This growth trend was almost at a standstill in FY 2008/09 at 0.5%. Factors causing the decline are due to weather and the economy. The previous financial plan projected 3% growth and the current plan's projection is 1%. The FY 2009/10 revenue estimates are 13% lower than budgeted a couple years ago.

Development related revenue reductions include reduced growth and the reduction in SDCs for some developments. Interest earning reduction includes lower fund balances and earning rates.

Constraints to the operating budget include pass-through costs, regulatory compliance, system repair and replacement, system operation, staffing and supplies. Operating cost management includes the reduction in FTE during current budget year, no new FTE planned in next year, deferred vehicle replacement, and shared equipment and staffing across utilities.

What is needed to balance the uses of reserves roughly equals the capital expenses; not much revenue is generated by current rates and cannot cover capital expenses. The rates FY 2008-09 generated are 3.9M which doesn't leave much room to finance capital projects.

One key issue the water utility is facing is running the risk of not meeting debt service requirements. Defaulting on debt is risky and expensive since it negatively impacts financing at a low interest rate. Debt service coverage is total reserves less your debt maintenance costs. The pledge is to operate and maintain the City and once that

is paid there is money remaining to pay the debt. There is quite a bit of debt from the parallel river line, reservoir, etc. There are loans from the Oregon Economic Community Development Department and there is a million dollar purchase for land needed for the future water treatment plant facility due to not being able to expand on the existing site. A plan needs to be put in place to cover the debt service. SDCs can be used to pay for debt service but lending agencies don't want you to rely on it.

Charles Zickefoose would like to see what the 12.5% rate increase would have done. Ms. Galardi stated she will calculate that for next week.

Chair Haug asked about senior lien and what that was borrowed for. Ms. Galardi replied, OECCD loans were for The Effluent Reuse Project, the Parallel River Line Crossing, Corral Creek Reservoir, and the Water Plant Upgrade.

Chair Haug asked if Ms. Galardi is suggesting an increase in SDCs. Ms. Galardi replied the SDCs are set to compensate for upsizing costs and are correctly valued. The problem is the lack of growth. Even still, the rates would need to be increased without SDCs revenue.

Chair Haug asked if the SDC charges are fairly covering the cost of the expanded infrastructure. Deb Galardi replied, yes but there are policy issues that come into play in balancing the objectives of the community. Mr. Haug stated the only way to cover SDCs is through utility rate increases.

Beth Keyser isn't sure just how much people are conserving, but there are many empty homes. What do we do if the Mill goes out of business? Of course the Allison and properties at the airport may help but there is a reduction in people living here.

Deb Galardi continued with her presentation by reviewing the preliminary revenue available to capital and the following assumptions: Rate revenues assume minimum coverage increases; loan for treatment plant land purchase, no additional financing, and revenues are net of funding for existing debt service. Other projects have already been deferred several times because the City can't afford it. Either we'll need to defer again or accrue more debt. Preliminary financing is needed to front the costs. By recommending the 12.5% rate increase, the CRRC was trying to ensure there would be money put aside for the water treatment plant since it takes 10 years to build a plant.

Chair Haug suggested the possibility of a joint meeting with the City Council to deliberate on this with them before any decisions are made on this; possibly a workshop.

Mike Gougler believes the City Council understood the need for the requested increase.

Deb Galardi concluded her presentation by reviewing the next steps as follows:

Regarding the financial plan - refine annual revenue needs FY 2010/11 and FY 2011/12; prioritize capital projects and consider financing; and a system-wide rate increase recommendation. The cost of service analysis would include allocating costs to base use, peak demand use, and customer costs and rate impacts by customer class. The rate design includes the existing rate structure, an inclining block rate structure for residential, and rate impacts within customer class.

Discussion:

Mike Gougler reiterated the charge to the Ad Hoc Committee which is to review the development fees but not address the methods to use to offset the affordable housing costs.

ATTACHMENT 3

Beth Keyser asked why Newberg developed an Affordable Action Plan. David Beam explained there are many practical reasons from an economical development and environmental standpoint. There is also a moral obligation to provide a stable home for all.

Mike Gougler stated there's a need to provide affordable housing to those with the least paying jobs in the City. Incentives are needed to encourage landlords to improve the efficiency of rentals without penalizing them. The part the CRRC needs to keep in mind is they won't be able to modify SDCs and meet the budget. Using SDCs as a dependable source of revenue is unwise.

Chair Haug wrote the following on the white erase board to review:

1. Lower SDCs for low income housing, then raise utility rates (for all or everyone not low income); or,
2. Lower utility rates for low income housing, and then raise utility rates for everyone else.
3. Lower utility rates for low income (not SDCs) and increase the utility rates for others.
4. Lower the utility rates for some and raise SDCs somehow.

(The Ad Hoc Committee did not recommend the last two since they want to spread the costs.)

Deb Galardi stated you can't raise SDCs unless its impact based.

Tony Rourke asked if any thought was given to making an inclining block rate structure for SDCs which is raising and lowering SDCs.

Deb Galardi stated the City of Eugene charges water rates on the size of the house. The City of Corvallis charges water rates based on fixture units; the fewer the fixtures the less SDCs.

Chair Haug said perhaps SDCs could be based in part on lot size or size of the home; spreading it out on larger homes. Deb Galardi said you would need to show they are using more water in order to have a direct link.

Beth Keyser stated the need to define what a big home is and also need to be careful in raising rates on the people who can't afford it. The City's decision regarding affordable housing was a good one but she fears that everyone won't be treated equally.

David Beam stated raising the utility rates over a large group of people would minimize the impacts on individuals.

Deb Galardi suggested expanding the Affordable Assistance Program for those in need.

Chair Haug stated the costs should be identified. The City Council should know if they lower the SDCs for certain homes, the amount lost would have to come in from a rate increase. Everyone should be treated equally.

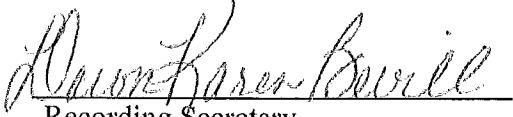
Tony Rourke suggested giving the City Council option to choose from. The CRRC can recommend one and then give alternatives.

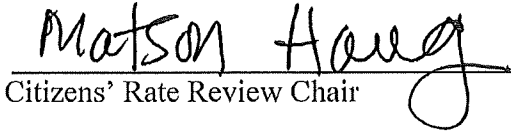
5. Other Business:

Janelle Nordyke gave the CRRC an update regarding the Utility Bill Assistance Program. Ms. Nordyke passed out the program description pamphlet for each in attendance to view. This brochure was not sent out in the water bill as previously stated. She would like feedback regarding the pamphlet and program from the CRRC at the next scheduled meeting on Wednesday, October 14, 2009. The public has not viewed this although the information is available on the City of Newberg website.

6. **Adjournment:** The meeting adjourned at 9:35 p.m.

Approved by the Citizens' Rate Review Committee this 28th day of October 2009.


Recording Secretary


Citizens' Rate Review Chair

Wednesday, 7:00 PM

October 14, 2009

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:Chair Matson Haug
Beth Keyser
Charles ZickefooseErnie Amundson
David MabenMike Gougler
Tony Rourke**Staff Present:**Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Deb Galardi, Galardi Consulting
Jennifer L. Nelson, Recording Secretary**Others Present:**

Helen Brown

Don Clements

1. Call to Order/Roll Call/Introduction

Chair Matson Haug began the meeting at 7:00 pm and asked for the roll call.

2. Proposed Utility Bill Grant Program

Chair Haug wished to go over changes to the brochure and had Charles Zickefoose read his feedback concerning the draft proposed utility bill grant program procedure. Discussions followed concerning implementation of the Citizens' Rate Review Committee (CRRC) role.

Motion #1: Zickefoose/Gougler to recommend City Council adopts the proposed draft policy to implement the Proposed Utility Bill Grant Program CRRC procedure.

Janelle Nordyke spoke of all policies being placed into one standard operating procedure book because they are dealing with more than just the one grant. Charles Zickefoose replied this was the only one addressed to the CRRC. David Maben added this is the only one that involves another organization; other requests come individually to the City.

Tony Rourke asked who deems it necessary to conduct interviews. Ms. Nordyke replied that if a non-profit agency providing utility assistance, such as YCAP is involved, they can apply for a grant from the City and then the individuals needing assistance would go through the non-profit organization first. The CRRC would not be approving the individual.

Chair Haug spoke of there being a need to publicly review any requests for dispersing funds and this being the public body appointed to complete that review.

Beth Keyser suggested requiring all applications to be made within a specific time frame and then review them all at the same time at a scheduled CRRC meeting. She believed this would allow for equal distribution between all applications in need at the same time. Discussions followed concerning the benefits of creating a limitation versus the idea of "first come, first serve" and what would be the best time frame to receive applications.

Motion #2: Keyser/Maben to amend the proposed utility grant program procedure to establish a start and stop time for the application period from May 1st through June 30th with all applicants being reviewed at one time by the CRRC during the July or August scheduled meeting.

Motion #3: Rourke/Gougler to amend the amendment to the proposed utility grant program procedure by establishing an additional time frame from now until November 30, 2009 to accept grant application requests within the current fiscal year to be reviewed at a regularly scheduled CRRC meeting following the deadline.

Vote #3: (6 Yes/0 No/1 Abstain [Amundson]) Motion carried.

Vote #2: To amend the policy as amended. (7 Yes/0 No) Motion carried.

Vote #1: To recommend City Council adopt the proposed draft policy to implement the Proposed Utility Bill Grant Program CRRC procedure as amended. (7 Yes/0 No) Motion carried.

3. Continuation of Water Rates Discussion:

Deb Galardi presented the staff report including a PowerPoint (see official meeting packet for full report).

The discussion started with debt service coverage and the need for annual net revenues to generate in excess of the actual annual debt service, the projections for fiscal year 2010/11 are at a deficit of some \$580K which needs to be reduced by either increasing gross revenue or decreasing spending. Trends were reviewed with historical rate increases, price elasticity, weather impacts, and economic impacts. For every \$100K reduction in System Development Charge (SDC) revenue to promote economic development in 2009 correlates to a 2.5% increase to the rates; so the \$480K reduction in SDCs has to be made up for someplace.

Chair Haug stated that it was the policy of this committee to determine a fair allocation of those costs. Ernie Amundson added he felt it was also necessary for the committee to represent the citizens' interests, not the City's. Ms. Galardi mentioned there are benefits with an increased tax base and new water bills from the new homes would also be factored into the balance.

Ms. Galardi continued with the staff report by reviewing the revised schedule of Capital Improvement Projects (CIP), Capital funding sources, and preliminary rate increases. She showed how \$4.36 million would be needed from rates (net of debt service) if no new debts incurred. The only options would be to further defer capital projects, reduce operation & management (O&M) costs, or growth needs to make up for the 12% projected rate increase.

Tony Rourke spoke of impacts of Springbrook 24" Mainline upsizing being needed for the Austin property. Howard Hamilton discussed how development on that property has been deferred because of the economy and they can only speculate on maybe 50 houses being built in 2010 and maybe 250 in 2011. If the 250 permits were pulled, then the upsize would be put in the following year.

Ernie Amundson asked if the rates would be raising 50% over next 4 years. Ms. Galardi said this was correct according to the preliminary results and it is a matter of balancing the risks of deferring certain capital projects.

Howard Hamilton discussed critical projects like reservoirs that do not meet seismic standards and replacing mainline valves so small areas can be isolated for waterline repairs. Discussions followed about the Potable Zone 1 Reservoir Study and CIP project.

Ernie Amundson spoke of penalizing current rate payers for future residents of new homes. Ms. Galardi mentioned reimbursement fee money collected through future SDCs being used for any kind of capital improvements and the rates would not have to increase to pay for those kinds of things. Mr. Hamilton added that costs are never flat nor do they go down, they are always on the rise such as electric utilities, the costs for federal and state fees, additional required testing and dramatic chemical cost inflation.

Tony Rourke asked what could be done if they were asked to cut \$4 million more out. Mr. Hamilton stated they would shove projects further into the future, defer O&M wherever possible and at some point we would reach a minimum safe production buffer capacity, at that point we could not have any additional customers or increases to demand and then they would have to declare a moratorium on growth.

Don Clements mentioned how a city must have a plan in order to declare moratorium and the federal government usually steps in as well. He said that raising the rates is not the problem; it is how fast they are raised.

Mike Gougler said they can't just keep raising rates; they have to cut costs, too. He said the rates weren't raised for ten years and now there is a question of how to fund needed projects.

Don Clements asked if SDCs can be used to pay for debt coverage. Ms. Galardi said that they can but cannot be relied on for debt payment; rates have to be enough to pay for debt, O&M, and coverage. Rates have to be high enough to cover costs if the SDCs do not come in.

Ms. Galardi continued with the staff report by discussing the cost of service rate issues and special rates, including the Springs customers' rate with a four year phase in and the reclaimed water rate. She covered allocation of O&M costs, costs to service parameters, peaking factors, and the next steps in the process.

4. Public Participation:

Chair Haug passed around a sheet of paper for winter averaging considerations concerning establishing a sewer rate when moving from one house to another. An issue came up when a citizen, Dan Schutter, requested being able to keep the old rate when he moves to a new home.

The four possible choices given to resolve this request were: 1) to keep the same established rate as the previous residence; 2) use the rate of the new residence; 3) use the number of people in the household to set the rate; and 4) make a bill adjustment up or down according to the difference between the rate established at the next December –March period and the rate established when moving into the new residence.

Discussions followed about whether someone would be requesting this if they moved out of town or into town from another area and how much extra work it would make for the Finance Department to change the policy or to make exceptions by request.

Motion #4: Rourke/Zickefoose to keep the current policy in place. (7 Yes/0 No) Motion carried.

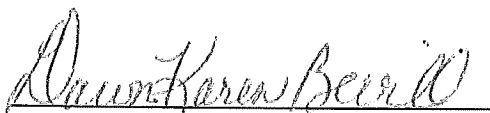
5. Approval of Meeting Minutes:

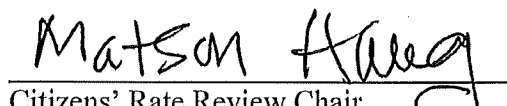
Motion #: Amundson/Gougler moved to accept the meeting minutes from September 30, 2009. (7 Yes/0 No) Motion carried.

6. Adjournment:

The meeting adjourned at 9:19 pm.

Approved by the Citizens' Rate Review Committee this 10th day of November 2009.


Recording Secretary


Citizens' Rate Review Chair

Wednesday, 7 PM

October 28, 2009

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES****Wastewater Treatment Plant**

Members Present:

Beth Keyser

Charles Zickefoose

Mike Gougler

David Maben

Tony Rourke

Mayor Bob Andrews, Ex-Officio

Members Absent: Ernie Amundson (excused)**Staff Present:**

Howard Hamilton, Public Works Director

Janelle Nordyke, Finance Director

Deb Galardi, Galardi Consulting

Crystal Kelley, Recording Secretary

Others Present: Richard Boyle

1. Call to Order/Roll Call/Introduction

Chair Haug called the meeting to order at 7:02 p.m. and asked for roll call.

2. Approval of Meeting Minutes:

Motion #1: Gougler/Zickefoose moved to accept the minutes from the October 7, 2009, meeting. Motion passed unanimously by voice vote. (6 Yes/0 No/1 Absent [Amundson]).

3. Utility Bill Assistance Program:

Janelle Nordyke informed the Citizens' Rate Review Committee (CRRC) that the flyers went out with the utility bills for the Utility Bill Assistance Program. She received one request from a military spouse for the program.

Chair Matson Haug asked if they will need to make any decisions on the program at the meeting this evening. Janelle Nordyke responded they would only need to make a decision if there will be changes to the policy.

Chair Matson Haug asked for a reminder of what was agreed upon for approval of the voucher system in order to keep the CRRC involved. He was thinking they had decided on an open ended period of time for enrollment at which the CRRC would review things and then provide the final approval. It was agreed that is what was decided.

Mayor Andrews asked if they are looking at policy change or a process change. Chair Haug replied they are looking for a process change. Charles Zickefoose clarified they are looking to establish a method using a voucher program similar to the system used by Yamhill County Assistance Program (YCAP). The selection process would be decided by the CRRC. They would establish a method for the voucher process.

Mayor Andrews commented if they are talking about a policy change then the policy would have to be adopted by the City Council. This would require them to have the City Council review the policy changes.

4. Conclude Water Rates:

Deb Galardi began her presentation to conclude the water rates. She began by saying as they evaluate the information presented they will revisit the role of the CRRC and the guiding principles. The guiding principles are:

- Equitable funding from rates / SDCs
- Rates consistent with revenue needs
- Rates encourage efficient use of resources
- Rates based on consistent cost of service analysis
- Costs recovered from customers in proportion to use

The CRRC will make recommendations based on what they think the needs are in the community. The concern of all Newberg Citizens is affordability of the rates.

Chair Haug asked if the guiding principles have been officially adopted by the CRRC. He went on to say the committee can recommend City Council formally adopt the guiding principles. Deb Galardi added it may have been a part of the original committee that was established. Chair Haug asked the CRRC if they are okay with recommending the City Council adopt the policies. The CRRC agreed they would be okay with that.

Deb Galardi went on to say she worked with Howard Hamilton as well as other staff members to go through the utility operating budget. They made some modifications that would impact the future years as well. Due the reductions in the cost of living they have reduced the assumed costs. The best they can do is look at the trends in the last couple of years. The central services costs were reduced significantly in the current budget as well. They did see some savings related to an emergency manager position which was later eliminated allowing for an overall reduction in cost. They went through the budget line by line and made sure they considered the minimum cuts they would be able to get by with.

Chair Haug asked the CRRC if they need more details. He went on to ask if they want to spend more time on the subject. Mike Gougler stated budget assumptions are best suited to be made by the budget committee. Mayor Andrews pointed out they can make recommendations based on assumptions but that may not be how they determine the rates later.

Tony Rourke asked Deb Galardi to run through the revised CIPs. She responded by providing details in regards to what drives the rates for each project listed in her presentation. She went on to say the total impact for a three year period will be about 5.5 million dollars. We pushed out around one million dollars primarily through the Public Works Building Design and Construction and the Crestview Drive Project. The only growth project in the works is the design of the Springbrook Project and the land purchase for the water treatment plant.

Chair Haug asked Howard Hamilton for the pros and cons of the changes made. Howard Hamilton reminded the CRRC in the last meeting they asked about stimulus and grant money. He went on to ask if they are still interested in hearing more about that. He distributed a handout with general financial assistance information. For the most part Newberg is not eligible for this kind of assistance.

Chair Haug asked if there are there any changes looking ahead they can make that would allow Newberg to qualify later. Howard Hamilton stated we need to keep the Master Plans updated. We just had our Wastewater Master Plan approved this month. It was submitted two years ago and the DEQ is recommending the next update in five years. Tony Rourke asked if we are up to date with our Master Plans. Howard Hamilton stated we are now. He went on to say you have to update the master plan financials within one year of the date of loan/grant application. Chair Haug asked if there are actions they can take that would qualify us for grants in the next five years. Howard Hamilton stated in the case of water there is nothing we can do this year or the

next. To be eligible in the future we would need to acquire property, complete pre-design regulatory requirements and planning for a reservoir or treatment plant.

Chair Haug stated we have pushed out some projects and went on to ask what the negative consequences of that are. Howard Hamilton stated the projects were adjusted out in response to the current reduction in water use and slowdown in development and we do not see any negative consequences in the next two years.

Deb Galardi continued with the rate increase options for fiscal year 2010/11. She went on to say with an 11% rate increase they would just meet the minimum requirements of O&M coverage, debt service and a conservative CIP but not build upon reserves. It is tied to consumption and they have seen the trend going down. They feel they have cut it as much as they can. There is not an easy way to get it down below a double digit rate increase.

Chair Haug clarified if they delay the rate increase from July 01 to January 01 it would have to be a 32% increase. Deb Galardi confirmed that is correct. Chair Haug went on to asked for clarification on that assumed rate increase. Deb Galardi stated this rate is this high because it makes up for lost revenue during the high consumption half of the year and would cover O&M, debt service and a conservative CIP but not build reserves. If the proposed rates are not adopted it is possible to default on the existing loan obligations.

Chair Haug asked for clarification on how they would calculate the cost on a smooth rate increase which is the same rate value each year. He went on to ask for comments from each CRRC member. Charles Zickefoose stated he would favor the smooth because it is more palatable. Mike Gougler agreed with Charles. He went on to say we are passing on something that will be difficult for City Council to understand and we now have something that can be explained well and understood. Beth Keyser stated she agrees with Mike Gougler and Charles Zickefoose. David Maben stated the public would like the minimum at 6%. They are not going to understand why it would go to 16% the next year. Tony Rourke stated he would add the public would not understand why they can't smooth the rates out over several years. He went on to say the committee would like to fund future projects which would be made possible with the smooth rather than the minimum. It would be nice to have a smoothing out over time. Chair Haug stated he is in favor of the July 01 move. He went on to say the City Council would have a difficult time with the January 01 level of increase.

Beth Keyser asked if there was adequate education provided to help the City Council understand why the rate was increased last year. Chair Haug stated the CRRC needs to make sure the City Council understands the issue. Mayor Andrews pointed out the City Council initially accepted the recommendations by the CRRC last year until the political realities came into play. They ended up with a significant reduction as a result. Tony Rourke made sure Beth Keyser understood the City Council had been educated.

Mike Gougler stated the job of the CRRC is easy. The City Council has a different responsibility. They have to answer to the public. They made a decision as the elected officials to reduce the rates. The job of this committee is to present the information and educate them the best we can.

Mayor Andrews stated he wants to put out for discussion how the CRRC can assist the City Council in getting a solid educational format for the public. Chair Haug reminded the CRRC and the Mayor they made a recommendation for a joint session with the City Council for that purpose.

Beth Keyser clarified her question earlier was for the purpose of helping the City Council educate the public. Tony Rourke stated they attempted to educate the public with advertisements in a variety of media outlets. The public indicated they do not notice the information on the bills and they do not all read the graphic or access the City website. Mike Gougler stated we cannot be successful if we keep trying to appeal to the lowest common denominator. They are going to respond to what they hear others saying. He went on to say if you want to influence public policy and assure your recommendation is heard, show up for City Council with more people

ATTACHMENT 3

in support of the issue rather than against. He recommended all CRRC members each consider bringing three friends to the meeting.

Deb Galardi went back to her slides focusing on the allocation of costs to service parameters. She continued her presentation saying if everyone used water the same all year they would pay the same rate but they rarely use water the same. The maximum use per day would drive the difference in volume rates by customer classes. She went on to talk about the minimum rates as the existing structure. She took the committee through the current and preliminary costs as noted on the slide. The meter charge increase is to offset the decrease. The bulk of the increase falls on the volume rates. The customer service costs don't increase much from year to year. She presented a chart for the peaking factors and rates for each class. She explained to the committee how to read the chart. She went on to say the industry standard approach is to group customers with standard use factors. They took an average of the historical data for use. There are some significant shifts therefore the irrigation and public class had some significant increases in their peaking factors. That includes some system wide rate increases of around 11%.

Tony Rourke asked if the peaking factors would adjust from year to year. Deb Galardi stated they would stay from year to year. She went on to say once you get through the major shift in the first year it will go up to the system wide average.

Mayor Andrews asked if re-use rate is different than the irrigation rate. Deb Galardi stated the rates are different.

Janelle Nordyke stated an example of a public agency would be the City and school district. The baseball field would be an example of irrigation and the hospital would be a public agency.

Beth Keyser asked where CPRD gets their money from. The CRRC clarified all agencies get their money from taxes.

Chair Haug asked if the spring's class is outside the City. Howard Hamilton stated it is in the county. He went on to explain the springs is a separate rate class. Chair Haug asked what the City Council's decision was on sharing costs with the springs. Howard Hamilton stated they had a CIP project in which the City picked up half the cost and the spring's picked up the other half of the cost.

Mayor Andrews asked if the 11% in the smoothing would really be 11.2% for single family residential. Deb Galardi clarified he is correct. She went on to say the single family residential bills are calculated based on estimated use. Newberg would be based on the 11% rate. We will likely have rate increase next year as well. The current rate is \$34.61.

Chair Haug asked Deb Galardi to clarify that she took the numbers from the existing scenario and used them to ensure they brought in the same amount of money. She confirmed he is correct. She went on to say that elasticity assumption comes in at that time. It is more elastic with summer usage which includes water for irrigation purposes. She then presented a slide showing what would happen with the minimum bills using the inclining block. She explained that on many accounts throughout the year people would actually see a reduction.

Chair Haug asked her to clarify with a conservation plan, a family conserving water may actually see a reduction in their bill even with the rate increases. Deb Galardi confirmed that is correct.

Mayor Andrews asked how it would work with a smoothing and a January 1, 2010 start date. He went on to ask how that would impact the 32% under smoothing. Deb Galardi explained how you would not see any bill decreases and would see some increase.

Chair Haug raised the question for the CRRC to think about what they are going to do for households they later determine are being hit with a 50% increase and what the consequences of that would be. Mike Gougler stated he would prefer to wait until they find out if the plan makes financial sense.

Deb Galardi continued her presentation with details on the residential inclining blocks. She went on to explain there are other options available they can look at as to how they want to set up the structure.

Howard Hamilton recommended they might consider a January 1, 2010 date to implement the rate structure if implementation is deemed prudent. Chair Haug asked Howard Hamilton to confirm he is suggesting they adopt the rate structure in the low usage time. Howard Hamilton stated that if the CRRC decides to propose implementation it would not be such a big surprise to the citizens.

Deb Galardi went on to share the items to consider are related to revenue as well. They can encourage people to use less which will impact the revenue they would have to increase rates even more.

Deb Galardi went on to explain that they would be looking at a life line rate. They can't make the assumption that low volume usage equates to low income. Chair Haug stated they are shifting the cost so lower volume users do not have to pay as much. Deb Galardi went on to say if you are going to do this you need to plan for additional reserves in case the plan is not correct. It becomes more difficult to project the outcome. Deb Galardi went on to say another best practice would be more frequent rate reviews. There is a correlation with those using more water driving the system peaks. What they want to encourage is efficient water usage rather than water conservation. She went on to explain the inclining block rate structure penalizes those who use more.

Motion #2: Gougler/Rourke moved to recommend to City Council to adopt a smooth rate of 11.2 projected over four years to include a one page summary of the consequences of acceptance. (6 Yes/0 No/1 Absent [Amundson]). Motion carried.

5. Conclude Water Conservation Plan

Deb Galardi continued with her presentation stating there was a directive from City Council that a recommendation was made by the CRRC on water conservation rates. She went on to share the national water use statistics stating you want to encourage people to use water efficiently. You don't want to penalize people for their indoor use since this is driven by things like the number of occupants in the household. In considering the chart for national statistics, she had to choose where to set the blocks. She continued with her presentation by sharing how she determined where to set each block. Once the use is over 1500 they assume you are irrigating. The idea is to encourage people to use less.

Mike Gougler stated he has a strong feeling Newberg does not want to implement the water conservation program as described at this time. He went on to explain that type of program is usually driven by supply shortages. If they restrict their use they are crippling the ability to provide additional supply. He proposed they do not recommend the plan as described. Instead they recommend City Council look at providing more ways for efficient water use. If they were to reduce the revenue by encouraging less use it would reduce the amount of money and improve the system infrastructure. This would provide more usable water when it is needed.

Chair Haug stated the inkling block scenario would not be equitable. He went on to say it would not be fair to higher volume users with no purpose but to shift the cost.

Mike Gougler asked if they are going to make a recommendation for the declining blocks conservation plans. Chair Haug replied they do not want to use the declining block rate. He went on to say they do not want

a conservation plan where they use finances to discourage water use. They are not going to use financial punitive measures.

Motion #3: Gougler/Rourke moved that under the directive to the CRRC by the City Council to investigate and make recommendations concerning a conservation rate structure, the CRRC does not recommend a conservation program based on rate structure to be considered at this time. (6 Yes/0 No/1 Absent [Amundson]). Motion carried.

6. Council and CRRC Work Session:

Chair Haug asked Mayor Andrews if they are going to need to sit down with City Council. Mayor Andrews stated that the idea is for the CRRC to float the topic with the public. He recommends the CRRC would consider hosting a town hall meeting to get feedback from the public. This may be the way to build the backing they can then bring to the City Council meeting. He went on to explain when you have only people in a meeting against an issue and none in support of your plan it makes getting support from the City Council difficult. He would encourage them once they have the pieces together to have one or two town halls to get the feedback to help them determine if they want to reexamine the plan before bringing it to City Council.

Chair Haug asked how much time City Council needs to determine the rates. Howard Hamilton stated the schedule shows the final meeting to wrap up the plans will be January 6, 2010. The notice will need to be mailed to the public on January 18, 2010, with the public hearing scheduled for January 27, 2010.

Chair Haug recommended they could run the public hearing as a work session similar to the setting for the CRRC meetings.

Howard Hamilton pointed out the City Council directed a mailing be done after what transpired last year.

Chair Haug stated he is concerned they are not going to get anyone to show up at the meetings until the issue gets to City Council. He recommends they advertise why they are recommending rate increases.

Tony Rourke asked if they would have City Council at the public hearing that is conducted by the CRRC. Mayor Andrews stated they would since they are looking for education.

Beth Keyser agreed stating the CRRC needs to back up the City Council. She went on to say they need to do a presentation for the public and include the City Council.

Mike Gougler stated he thinks the only way to get the public to a CRRC meeting is to invite the press and get them to make an announcement. He went on to say they need to make sure they know they can come with questions and concerns. They would need to have this covered on the front page. The CRRC also needs to personally invite neighbors and friends. The people need to be at the City Council meeting in approval of the plan. Currently the only people who come to the public hearing are those who are oppose to the plan.

Chair Haug recommended they present comprehensive scenarios as to why they are making the recommendations. They need to make the complete package clear. He went on to state they would agree to continue this discussion at the next meeting.

7. Public Participation:

Richard Boyle stated he thinks you have to raise rates to show you have an aging infrastructure. He went on to say that every jurisdiction is raising rates at this time. He recommends they need to stand up and say this is our town and we are doing what has to be done.

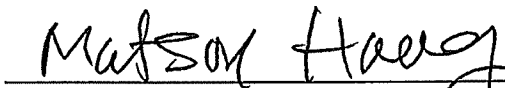
The next scheduled CRRC meeting will be November 10, 2009 at 7:00 p.m. Beth Keyser and Charles Zickefoose have asked to be excused from the November 10, 2009 meeting.

8. Adjournment:

The meeting adjourned at 9:25 p.m.

Approved by the Citizens' Rate Review Committee this 10th day of November 2009.


Recording Secretary


Citizens' Rate Review Chair

Wednesday, 7 PM

January 27, 2010

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Members Present:

Charles Zickefoose	Mike Gougler	Matson Haug (Chair)	David Maben
Tony Rourke	Ernie Amundson	Mayor Bob Andrews (Ex-Officio)	Beth Keyser

Members Absent: None**Staff Present:**

Howard Hamilton, Public Works Director	Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary	Dan Danicic, City Manager

Others Present: Douglas Baker, Bonnie Benedict, Ronald Morgan, Al Blodgett, Louis Larson, Ernie Collazo, Helen Brown, and Richard Boyle.**City Council Present:** Councilor Stephen McKinney and Councilor Bob Larson**1. Call to Order/Roll Call/Introduction:**

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

2. Staff Report:

Chair Haug reminded those present the City Council meeting for the adoption of the recommended rate increases by the Citizens' Rate Review Committee (CRRC) will be on April 5, 2010 at the Public Safety Building.

Deb Galardi presented the staff report (see official meeting packet for full report). The citizens of Newberg do not use the water system the same. Some of them will use a lot of water during peak times. If you use more water during peak periods you will find you pay more for water overall. The rates for use of the wastewater system will be higher based on the volume of use as well as the strength, meaning the quality, of water discharged from the property. The major factors that drive the costs are the aging and failing infrastructure, deferred maintenance and regulatory requirements. The City pays for its capital investments in the system through debt service.

Water rate structures need to encourage efficient use of resources. The rate review process occurs every two years. The CRRC had the challenge of addressing deep revenue short falls. Revenues from the rates are down due to less water usage and a slowing in growth of the population. The CRRC had to consider what projects within the City would need to be deferred due to decreased revenue or consider long-term funding options through debt. The most significant need is the City is not meeting its regulatory requirement which could result in lawsuits and fines. The rate increases are in hopes of meeting some of those requirements.

There are some serious risks the CRRC understood and evaluated during their consideration for a recommendation of rate increases. They had to consider some maintenance needs for the wastewater treatment plant. The wastewater system has the most acute needs at this time. There are two projects in place to help

address the issues of the plant exceeding capacity during peak times. If the pump stations overflow there will be potential fines and lawsuits for the City.

The CRRC recommends an annual system-wide revenue increase of 12.2 % for residential customers for water which would be between three and four dollars more per month for each customer.

The CRRC recommends an annual system-wide revenue increase for wastewater of 16.9% which is higher due to the investment needs for maintenance improvements. This will result in about six to eight dollars more for the average residential bill each month.

The CRRC recommends an annual system-wide revenue increase for the stormwater system of 18% which comes out to less than one dollar more each month for residential customers.

It was recommended by the CRRC that the City does not implement a residential credit program at this time. The CRRC felt there was insufficient information on the effectiveness and administrative impacts of various measures with a credit program.

3. Public Participation:

Bonnie Benedict thanked the Committee for their work on the process. She does not like her bill. She would like to know how to eliminate the wastewater usage. The wastewater bill includes some cost for stormwater run-off. She is not sure why they are paying for storm water run-off. Mr. Hamilton stated the wastewater rates are based on water use from December through March. A fee is also paid per month for maintenance of the account. To reduce the wastewater rate you need to use less water between December and March. The stormwater fee is based on the average single family residential equivalent dwelling unit and is a fee of \$3.80 per month that is used for operations, maintenance and projects.

Al Blodgett thanked the CRRC for the time they have put in considering water rates. He has been in Newberg for over 20 years. He is one hundred percent behind the recommended rate increase while still keeping in mind it will be painful for some Newberg residents.

Ernie Collazo stated he is against the increase at this time. It comes down to money. The nation is in a recession right now. He also has improvements that need to be made to his property but he has to take the cost into consideration. He wants to know where the money is going to come from. He has applied for utility assistance through the grant program already. He has been in Newberg since 2001 and he is now paying up to \$50 for utilities.

Louis Larson asked what the current average rate of consumption is. Ms. Galardi stated for water it is 800 cubic feet and for wastewater it is 5.51 hundred cubic feet. Stormwater is a flat fee. He went on to ask if it would be possible for the City to produce a bill that is similar to the electric company that would allow him to sit down and go over the bill and better understand the billing process. Janelle Nordkye stated they can put something on the City website to explain how it is done. They can also see if the software can be reprogrammed to make the utility billing statement easier to understand but it will cost some money.

Mr. Larson stated he was impressed with the openness at the town hall meeting and the willingness to listen to the concerns of the public. He disagrees with the fairness of the rate structure itself. It appears to be a flat structure rather than a progressive rate structure. People who earn more should pay more. In the current system everyone has to pay the same rate regardless of earnings. He would like to see a study done for the community to look into adopting rates that would take income into account and make it fair across the board. He would like

to see the City avoid taking action with the proposed rates until the community has the ability to pay for the increase.

Mr. Larson continued family incomes from 1999 are now the same or less than they were in 2010. That means the ability for many to pay increased charges is very difficult. The City unemployment rate is running about 11%. He estimates roughly 900 family units in the City have at least one person in the home unemployed. Out of all the people living on social security 40% of them are considered low income. There are roughly 1200 families in town living on social security. They have not seen an increase in their income even though the cost of utilities has gone up. They are looking at around 2100 people in our community who are really suffering financially right now. There are more people having to depend on FISH and other organizations in order to make it. In the last decade there has not been any new jobs created. He wants to ensure the Committee understands the depth of the needs the City is facing. It is not just common people being affected by the economy. He again recommended they develop a rate structure that will put the burden for the increase on those who can afford to pay.

Charles Zickefoose asked if there is precedence for the type of fees he is describing. Ms. Galardi stated you will find some communities in Oregon which are funded this way but most are funded by user fees. The industry standard relates to the citizen's ability to control their bill based on their usage and is not based on income.

Douglas Baker stated he has been a resident of Newberg for over ten years. He is not unfamiliar with how water departments work and he understands what it takes to maintain the department. He is opposed to the rate increase because he is concerned that people are not able to afford it. He is most concerned with those living on a fixed income and the unemployed. As a general rule when people run short of money they tend to do without. Some will borrow money or use credit cards. It is too much to ask the general population to pay more money. He feels all government agencies need to lead by example and look for ways to cut cost. We are all struggling with money just like the City. He does not want to see an increase in rates added to the problems for many in the City. The bottom line is now is not a good time to be asking for more money.

Ronald Morgan stated he feels the main issue is wastewater systems rather than water issues with regards to the maintenance issues. He suggested they take the issues and segregate the improvements to determine what needs to be done first. The City can then break it down into small pieces to determine the most important issues. Is there any change of refinancing for the City to obtain lower interest rates? There is some money that will start coming into the state since measures 66 and 67 were recently passed. How much water and wastewater are the schools using? Can they make sure they are paying their fair share of the water and wastewater? He is concerned about the senior citizens in the area who are on social security who saw no increase in their income this year. The bills are going up but the income for them is not.

Bonnie Benedict asked what the City would do if they are not able to pay their bill. She would like to see the City eliminate some of the planned improvements to allow them to save some money so the public does not have to pay higher rates. The senior citizens should not be hit so hard. She asked what would happen if her neighbor's sewer ran under her house and hooked into her sewer then went out into the street. Does that make her bill higher? Mike Gougler stated she is not billed for sewer that leaves her house. Her wastewater rate is determined by her water usage during certain months of the year. The sewage that leaves the house is not metered. Only the drinking water is metered. They determine the bill during the low water use for the year.

4. Public Hearing to Recommend New Utility Rates:

David Maben stated he supports the recommended increases. If they do not take care of the increase now they are going to have to deal with it later.

Charles Zickefoose stated some day they are going to have to pay for the needs in the City. They have softened the blow for the last few years. He supports the increase knowing it is not going to get any better. The City is facing things that are required.

Beth Keyser stated she supports the increase. Her income has not gone up and she does not like paying more either. However she recognizes the need for the increase now in order to take care of the needs of the City as well as looking ahead to what is coming.

Chair Haug stated they have discussed the idea of rates based on increasing volumes of use. The rates would be lower if you use less. Ms. Galardi confirmed that would be an inclining block rate structure. He asked if they have some way of making the adjustment on permeable services for smaller homes to pay less than larger homes. They have an assistance program that is still available. It is possible the City Council would like to make the assistance program more aggressive.

Tony Rourke stated they talked a lot about inclining blocks as well as other rate structures. The difficulty would be in the down economic times if they do a significant increase for groups that would cause lower water use that would then lower the revenue. If they do not use the water or pay the bills the City is unable to manage the systems. They already discussed how other rate structures do not make sense. They may want to consider other options at a later time. If they choose not to do anything now they will pay later in a different form. They will pay in the form of lawsuits, fines, and higher interest. He agrees debt is not a smart fiscal policy. It costs a lot of money. If they do not pay the bills and default on the loans it will cost later. Where will the money come from when the fines and lawsuits take place? He does not like giving rate increases but there was a period of no increase for nearly ten years.

Ernie Amundson stated he is against the increase they are proposing tonight. He has been doing surveys in the City and many he talked with stated they have been making cuts in their budget in the last year. He is not able to support the increase and will vote against it tonight.

Mike Gougler stated the City is at the point where the boat is sinking and there is no time to take the sail down. As the CRRC, they were asked to find a way to meet the demands that are being placed on the City. The City is being told they must do certain repairs by the State and Federal Government. He is certain no one here is okay with raising debt so our children can pay for it. They will not go away if we keep putting off the necessary repairs to the facilities. They agreed to try and develop a program to help those who are the most in need. He recommends if members of the public see a huge hike in their water bill they should utilize the resources the City offers to answer questions and helps determine if there is something else going on such as a leak on their property. He has to support the increase. If they do not do it now they will have to deal with the issue later.

Motion #1: Gougler/Zickefoose moved to make the recommendation to City Council for a 12.2 percent increase in water rates, a 16.9 percent increase in wastewater rates, and an 18 percent increase in stormwater rates. In the event that grant funds are received which may reduce the need for the increased rates, the CRRC will reconvene and look at adjusting the rates at that time. (6 Yes/1 No) Motion carried.

5. Final Comments from Staff:

Mr. Hamilton stated the costs to operate the City's utilities are continuing to rise. They are seeing mandates from the state which must be paid for from somewhere. They have a number of maintenance issues that will require attention. They are in jeopardy of the system overflowing which could cause Department of Environmental Quality (DEQ) fines and potential environmental lawsuits if something is not done soon. If they start accumulating enough claims from homeowners with flooding issues, the insurance carrier will require the City to come up with the resources to fix the problems. There is also some debt that needs to be taken care of that the City is on the verge of defaulting on.

Ms. Galardi clarified the sample bills they displayed during the staff report are just samples. The recommendation is for a rate structure rather than the actual bills that have been displayed.

A five minute break was taken at 8:25 p.m. The meeting was re-adjourned at 8:30 p.m.

6. Final Comments from CRRC Members:

There were no final comments from the CRRC once the decision was made to approve the recommendations for the rate increases to City Council.

7. Utility Bill Assistance Grants Approval:

Janelle Nordyke presented the staff report (see official meeting packet for full report). Letters were sent to non-profit organizations in the community for the grant program. The City has set aside 4,000 dollars for the purpose of grant applications. The City received four applications from non-profits in the area for grants. Ms. Nordyke asked if they would like to have the funds disbursed equally among the requests. Mr. Gougler stated the CRRC agreed they would equally disburse the funds to the non-profits that submitted a request.

Ms. Keyser asked what will happen if the non-profit does not use all the vouchers they receive. Ms. Nordyke stated the money would stay in their budget until the funds are used.

Mr. Zickefoose stated he feels Love, Inc. should be the agency that disburses the vouchers. The churches can be the second signer on them. Mr. Rourke stated he believes if the funds are not used this fiscal year they will be gone and they will have to start over. Ms. Nordyke confirmed he is correct. The money stays in the water and wastewater funds and does not go back into the general fund.

Mr. Gougler asked if one of the recipients asked for their money to be assigned to Love, Inc. does the CRRC have to approve that? He proposes they allocate 1,000 dollars to each applicant with the agreement if one of the organizations decides to have Love, Inc. disburse the vouchers they allow the organization to make that decision. Ms. Keyser stated they would not want it to all go to Love, Inc. She agrees they would allow each organization to use the 1,000 dollars and determine how they will proceed.

Mr. Zickefoose stated all the other applicants stated in some way they have been working with Love, Inc. from the beginning. They have a voucher program already in place and the partner church can sign the voucher as well as Love, Inc. Mr. Gougler stated leaving it as an allocation for each of the applications does not require them to distribute on their own but allows them the freedom to use Love, Inc. if they choose to. He feels it will offer the best flexibility.

Ms. Nordkye asked if they would like the grant money to be advertised. Mr. Rourke stated if they do not advertise, it will not get used. He would like to see the funds totally used by the end of June. The citizens need to know the vouchers are available. He recommends they consider using the utility bills as a way of advertising for the availability of the voucher.

Mayor Andrews asked what the four organizations are. Chair Haug stated it was Newberg Seventh Day Adventist Church, Newberg Christian Church, Joyful Servant Lutheran Church, and Love, Inc. in partnership with First Presbyterian Church.

Mr. Zickefoose stated he would like to hear from Ernie Collazo about his application for a voucher. Mr. Collazo stated he went to YCAP and they are out of funds for this type of request. Mayor Andrews asked if they have used the grant for YCAP. Ms. Nordyke stated yes they have and then some.

Motion #2: Rourke/Gougler moved to equally distribute the requested funds for the grant applications with 1,000 dollars going to each organization with an agreement they advertise for the program. (7 Yes/0 No) Motion carried.

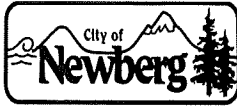
8. Adjournment:

The meeting adjourned at 9: 36 p.m.

Approved by the Citizens' Rate Review Committee this __ day of March 2010.

Recording Secretary

Citizens' Rate Review Committee Chair



RESOLUTION No. 2010-2885

A RESOLUTION ADOPTING NEW MONTHLY WATER RATES FOR THE CITY OF NEWBERG EFFECTIVE JULY 1, 2010

RECITALS:

1. City Code Section 52.06 governs the adoption of water rates for the City of Newberg and Chapter 52 governs the City of Newberg water system.
2. The Citizens' Rate Review Committee (CRRC) reviewed water system characteristics and requirements, including the Capital Improvement Plan and operating/maintenance costs, and recommends changes to the monthly water charges based on an analysis of current and near-term future anticipated water fund needs.
3. The CRRC meetings were held on October 7, October 14, and October 28, 2009 to discuss water rates.
4. The CRRC held a Town Hall Meeting on the proposed monthly charges on January 13, 2010, and a Public Hearing on January 27, 2010 to adopt rate increase recommendations.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. Effective July 1, 2010, the monthly water service rates shall consist of charges as shown on attached Exhibit "A". Exhibit "A" is hereby attached and by this reference incorporated.
2. Each customer applying for connection to the City water system shall pay to the City a water connection charge and water systems development charge which shall be due and payable at the time of issuance of a permit to proceed with each service connection. The water connection charge shall be calculated based on the estimate of the actual costs incurred by the City in conjunction with the connection of the service and shall be payable with the application for service. Costs in excess shall be due upon completion. Failure to pay the additional costs will cause the water meter to be removed. Any excess payment shall be refunded to the applicant.

Wednesday, 7 PM

November 10, 2009

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Matson Haug, Chair	Mike Gougler	Ernie Amundson	David Maben
Mayor Bob Andrews, Ex-Officio			

Members Absent:

Beth Keyser (excused)	Tony Rourke, Vice Chair (excused)	Charles Zickefoose (excused)
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Staff Present:

Howard Hamilton, Public Works Director
 Janelle Nordyke, Finance Director
 Deb Galardi, Galardi Consulting
 Dawn Karen Bevill, Recording Secretary

Others Present:

Richard Boyle, Cardno WRG	Helen J. Brown, Citizen
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1. Call to Order/Roll Call/Introduction

Chair Matson Haug called the meeting to order at 7:00 p.m.

2. Approval of Meeting Minutes:

Motion #1: Gougler/Maben moved to approve the October 14, 2009 & the October 28, 2009 meeting minutes. (4 Yes/0 No/3 Absent [Keyser, Rourke, Zickefoose]). Motion carried.

3. Mayor's Clarifying Comments & Town Hall Meeting in January:

Chair Haug changed the agenda order by asking Mayor Andrews to share his thoughts regarding the Town Hall meeting in January 2010.

Mayor Bob Andrews addressed the idea of having a public meeting. When the City Council takes an action it does it in one of three ways: through a resolution or an administrative type activity which is a formal action of the City; by ordinance which is a legislative type of activity, and there are certain things in the area of Quasi-Judicial in which an order is issued. The way the City Council takes an action, only the legislative process is subject to referendum. Under the legislative process, there can be an initiative referred to the public for ratification. One of the reasons the City uses the Citizens' Rate Review Committee (CRRC) is to provide an open and administrative basis to help avoid the vulnerability of it being a legislative action. A Council legislative action creates the ability of this committee to make rate proposals, but the rate change itself is a Council administrative action which helps protect the actions taken by the CRRC versus being subject to referendums and referrals. A town hall meeting would help with the communication to the public in addition to having a public hearing.

Chair Haug stated he is in favor of holding a Town Hall Meeting. Mr. Gougler, Mr. Maben, and Mr. Amundson also voiced their support.

David Maben asked what would be the appropriate date to hold the town meeting. Howard Hamilton replied it would need to fall between the Stormwater Credit Program presentation on January 6, 2010 and the public hearing that is scheduled for January 27, 2010.

Mayor Andrews stated the public hearing to be held on January 27, 2010 will be conducted by the CRRC. After that hearing, there will be deliberations and then the committee will formally adopt whatever has been proposed. That action will then go to the City Council who in turn will also hold a public hearing.

Motion #2: Gougler Maben moved that the CRRC conduct a Town Hall Meeting at the Public Safety Building between January 6, 2010 and January 27, 2010; date to be decided by staff. (4 Yes/0 No/3 Absent [Keyser, Rourke, Zickefoose]). Motion carried.

4. Present Wastewater Rates:

Deb Galardi, Galardi Consulting presented the report including a PowerPoint (see official meeting packet for full report).

Howard Hamilton, Public Works Director addressed the Wastewater Treatment Plant (WWTP) Capacity Expansion Plan (page 4 of the PowerPoint presentation). Newberg began the commissioning of the facility plan in early 2005 and it was just completed last month. At that time, the plan was based on a median growth; the existing capacity would serve 17,900 people. The City now has 23,000 people and according to the plan, Phase I construction needs to begin in 2012 to meet the capacity of 26,900 people. Phase II construction will need to begin in 2015 to increase the capacity to 40,000 people but depends on what the actual growth is at that time. A key piece of information is right now this plant is beyond its capacity. The permit in dry weather is 4 million gallons per day and in wet weather it is 6.5 million gallons per day. In January of 2006, 8.1 million gallons was averaged per day for each day that month. The plant's capacity is 17 million gallons a day. The plant was commissioned in 1987 and in just the last year and a half the effluent pump station has replaced or had major repairs on all its 4 pumps.

Mayor Andrews asked if these figures were predicated on the median growth which comes out of a population forecast the City Council did years back. Mr. Hamilton replied, yes.

Deb Galardi asked Howard Hamilton about the implications of exceeding the permit limits regarding flow capacity. Mr. Hamilton replied January 1, 2010 the DEQ has adopted a sanitary sewer overflow prohibition. A plan was supposed to be created to fix the effluent pump station, which has been known to overflow in the past, but the City isn't on track in meeting the January 1, 2010 goal. If the pump station overflows after that date, the City is subject to fines and lawsuits. The Dayton Avenue Pump Station also falls into that same prohibition. The City has purchased a piece of property to build a new pump station at Highway 240 and Chehalem Creek near the bridge to correct Dayton Pump Station overflow problems. \$300,000.00 in funds are allotted for the 2009/10 budget year to begin construction; to be completed at the end of the 2010/11 budget year but due to the lack of growth, the revenue has depleted. The effluent pump station construction is wrapped into the wastewater treatment plant construction. Facility Plan Phases I & II have now been compressed into one project. Mr. Hamilton will bring back information to the next CRRC meeting showing the plan dates regarding the phases.

Mayor Andrews stated the City will have to work extra diligently for the citizens to understand. Where the population has done a good job of conserving water, it has reduced the revenues on which to build future contingencies.

Howard Hamilton reviewed the following projects:

The WWTP Dehydration Unit (sawdust dryer) is \$935,000.00; getting \$165,000.00 back through energy trust and business energy tax credits. When the economy collapsed, the amount of sawdust produced not only went down but became much more expensive to purchase, as well. The compost uses sawdust as a medium and a certain percentage of dryness is needed in the sawdust to make the process work correctly because of air flow. Mr. Hamilton explained that by putting a dryer in, the sawdust could be dried to approximately 90% dryness which will solve the problem of finding appropriately dried product. Also they found with calculations the ability to increase the throughput in the composter by up to 3 times. 8,000 yards of compost is sold per year. The ability to make the compost process consistently meet permit requirements and increase throughput will help pay back the investment quickly. The compost facility can then expand later on in the future delaying capital improvement project costs.

The Outfall Mixing Zone Study and Facility Update are mandated by the Department of Environmental Quality (DEQ) and must be done. The Facility Update is also a requirement if any new expansion is to be built in Newberg and must be done in order to obtain loans. The update was started in 2005 and was just accepted this last month.

The Hess Creek Trunk Line is a pipe that has many problems and is tied to the Springbrook Development. System Development Charges (SDC) funds are needed in order to do the work. The Springbrook Trunk Line has also been put off until the future because it's based on the Transportation System improvement schedule.

The defunct City owned Pretreatment Tank is on property owned by PPM Technologies and they are seeking grant money to clean up their site and the tank removal would need to fit into this plan.

The Alice Way Local Improvement District (LID) funds will be paid back by the people in the district.

The Public Works Complex has to do with the maintenance yard on Third Street and has been undersized for some time. The current Wastewater Treatment Plant building doesn't currently serve the needs of the operations staff. City Hall is crowded so there is the possibility of moving the engineering staff to the new property. \$819,000.00 has been budgeted in wastewater for construction in 2011/12 and 2012/13 on the new property.

Deb Galardi reviewed the preliminary revenue available for capital over the next 5 years. Howard Hamilton passed out information on State and Federal Wastewater Funding. The 2009 American Recovery and Reinvestment Act and Oregon's CWSRF Loan Program was reviewed (see meeting PowerPoint page 7 and meeting handout).

Chair Haug asked what needs to be done in order to access potential monies that may be available. Mr. Hamilton replied the City would need to have a design in place to begin construction in the near future in order to receive money but the fastest project the City can construct is a secondary clarifier and the design is \$600,000.00 which the City doesn't have. Newberg did not qualify in the 2009 cycle for any monies. Deb Galardi stated she will put together a revised best case scenario on what will be needed to qualify for some of the 2010 loans.

Mayor Andrews asked if there are any other funding sources that haven't been explored; perhaps there are other approaches to explore which may be unique to this area or using other technologies that could be implemented using Newberg as a "test case" helping to mitigate costs but also help with wastewater. Howard Hamilton stated maybe in the future. David Beam is always looking for money to help the City with costs. Deb Galardi stated an inquiry can be made with Mr. Beam on what programs he's tracking.

Deb Galardi reviewed the operating budget pie chart FY2009/10 and Janelle Nordyke explained the cost of living increases. Mayor Andrews asked what percentage of wastewater budget are personnel. Deb Galardi replied 36% is personnel including salary and benefits.

Howard Hamilton stated in past discussions the question was asked concerning contracting out for services. He passed out information regarding the comparison of hiring out and using Newberg personnel. It would not benefit the City financially to contract out.

Deb Galardi reviewed the actual and estimated requirements from rates and the previous forecast assumptions (pages 11-13 of the PowerPoint presentation).

Chair Haug asked if there will be user classes in regards to utility rates and if so, will the CRRC review the classes. Ms. Galardi replied there are user classes but it depends on the strength of the waste. She will bring back information for the committee to review on who will fall into those classes.

Mike Gougler stated in addition to rates covering the debt service you have to maintain the coverage. A certain percentage must go toward debt and the rest has to be kept to show the adequate reserves for what you borrow.

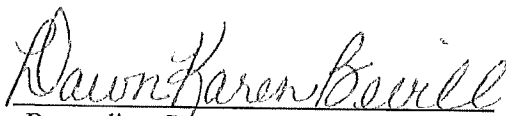
5. Public Participation:

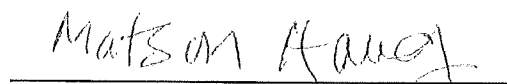
Richard Boyle stated there are numerous communities having the same issues throughout Oregon.

The next scheduled CRRC meeting is November 24, 2009 at 7:00 p.m.

6. Adjournment: The meeting adjourned at 8:46 p.m.

Approved by the Citizens' Rate Review Committee this 24th day of November 2009.


Recording Secretary


Citizens' Rate Review Committee Chair

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Matson Haug (Chair)
Ernie Amundson

Tony Rourke
David Maben

Beth Keyser
Mike Gougler
Mayor Bob Andrews, Ex-Officio

Members Absent: Charles Zickefoose (excused)

Staff Present:

Howard Hamilton, Public Works Director
Deb Galardi, Galardi Consulting

Janelle Nordyke, Finance Director
Dawn Karen Bevill, Recording Secretary

Others Present: Richard Boyle, Cardno WRG .

1. Call to Order/Roll Call/Introduction:

Chair Matson Haug called the meeting to order at 7:00 p.m.

2. Approval of Meeting Minutes:

Mayor Bob Andrews suggested two corrections to the minutes.

Motion: Rourke/Maben moved to approve the November 10, 2009 meeting minutes as amended. (6 Yes/ 0 No/ 1 Absent [Zickefoose]) Motion carried.

3. Town Hall Meeting on January 13, 2010:

Janelle Nordyke stated the Town Hall Meeting is scheduled for January 13, 2010, at 7:00 p.m. at the Public Safety Building.

Discussion:

Howard Hamilton explained the town hall meeting notification will be sent as a mailer to also include the public hearing, which will be held on January 27, 2010, both at the Public Safety Building. The intent for the town hall meeting is to have discussion regarding water, wastewater, and stormwater with no deliberation so the public has the opportunity to ask questions and provide comments. Deb Galardi will also be present to talk about the proposals and rate impacts.

Suggestions were made from the committee to provide the information in categories for the community to digest and presenting a PowerPoint presentation to include key points such as capital improvement and bond issues.

Mike Gougler suggested showing the importance of capital improvements and the consequences if capital improvements are not done, such as the fines by Department of Environmental Quality (DEQ) and sufficient cash for bonds in terms of increasing rates and so on. Solutions will be evident to the public when they are shown the options.

Ernie Amundson would like to see it broken down into sections as well, but start out explaining the rate increase.

Beth Keyser asked the goal in holding a town hall meeting. Chair Haug replied the rate increases will be significant for the next few years and the community needs to understand what alternatives we have, what is needed, and the consequences to the City. Howard Hamilton added the primary goal is to notify and educate with the intent to hear the public up-front, which will also help City Council be better informed at decision time.

Beth Keyser asked if the people do not understand will they be allowed to say so. Tony Rourke explained the public hearing is for that purpose. The time between the town hall meeting and the public hearing is to give the community the opportunity to digest what they have heard and come back to the hearing with their views on the adoption of the rates.

4. Conclude Wastewater Rates:

Deb Galardi, Galardi Consulting, presented the report (see official meeting packet for full report).

Howard Hamilton explained the location of the Highway 240 pump station property showing the Urban Growth Boundary and Urban Reserve Area. The plan is to have the pump station completed by the end of 2010 and construction will cost \$1,500,000.00. This will be cheaper in the long run rather than a major capital improvement project fixing the existing Dayton station. The major issue to be dealt with if this project is pushed back is the Dayton pump station, which has Infill and Infiltration (I&I) induced overflow problems almost every winter. Newberg could be subject to DEQ fines and/or environmental lawsuits due to the new ruling by DEQ to begin January 1, 2010. Repairs have been made to try to alleviate the problems but a permanent fix is in order. The project was slated for the 2008/2009 budget year but due to funding the project was pushed out one year.

Janelle Nordyke addressed the question regarding the winter averaging policy for seasonal users. There is a general winter averaging based on what the potable use is over the December to March period but there are seasonal user exceptions. For example, George Fox University's wastewater use is greater during the winter from December to March, but in August they use less potable water so they are charged the winter averaging or the actual use, whichever is less.

Beth Keyser stated the importance for citizens to understand the rate structure and how they are being billed.

Deb Galardi discussed the summary of State programs available such as Clean Water State Revolving Fund (CWSRF) and Oregon Economic Community Development Department (OECD) Grant eligibility and Federal programs to help fund the projects. Chair Haug asked what qualifies for the clean water fund. Ms. Galardi stated Newberg qualifies due to the overflow and regulatory issues. Howard Hamilton stated the Facility Plan must also be updated, which Newberg just received DEQ confirmation of, as well as an environmental review currently in DEQ review. After the State reviews it, they will let it out for thirty days of public comment and at that time we will be eligible for State Revolving Funds. Ms. Galardi stated Newberg is not eligible to qualify for some of the grant funding in this two-year cycle.

Beth Keyser asked what criteria are used to qualify. Ms. Galardi replied the City needs to be severely economically distressed. Mr. Hamilton explained in all of Yamhill County there are ten municipalities; eight of them are classified as severely distressed. Newberg and Dundee are only moderately distressed and do not qualify for Community Development Block Grants.

During discussion of grant funding, Janelle Nordyke stated most of the debt comes from public works and financing.

Deb Galardi referred to the two meeting handouts; WWTP-RRE Project with/without CWSRF Funding. This addresses the question of construction costs and shows details proposed construction. Howard Hamilton reviewed the handouts and explained he tried to scale the charts on how much money could come from the revolving fund and how much of the projects could be funded from that amount of money. Howard Hamilton noted if the City receives State loan funds, they are paid back when the project is completed. Rates would need to be in place and accumulating revenue before completion to start paying back the loans.

Deb Galardi reviewed the revised capital improvement projects (CIP) scenarios and the two different CIPs under multiple financing assumptions. In the prioritization process, quite a bit was pushed out in terms of CIP for the WWTP. Based on the two revised CIPs, rate increases were brought down. Ms. Galardi feels confident the City will get CWSRF funding but it is not guaranteed.

Discussion took place regarding bill comparisons for single family residents showing Newberg at the top of the chart. Ms. Galardi gave examples of other cities that will also be looking at rate increases and stated Dundee will surpass Newberg in rates shortly. Howard Hamilton explained as the municipalities update and implement facility plans, they will take on CIP projects that require rate increases which will push them up the list.

Ernie Amundson stated Newberg used to be lower on that list and after serving eight to nine years on the Citizens' Rate Review Committee (CRRC) he does not understand why rates have been increasing over the years when there are still many capital improvement projects that have not been started. Howard Hamilton replied the City's maintenance of an aging plant is expensive and pays for occasional CIP with debt, which in turn costs additional money in interest.

Chair Haug stated he believes it is a disservice to show the community this list and automatically think Newberg should fall lower on the rate scale when many factors are involved.

Mike Gougler stated the CRRC has just started to attempt to repair the fact that funds were never allocated for what is needed. Newberg is at the top of the bill comparison list now because we are paying for what was not allocated in the past and we are paying for debt.

Chair Haug asked for input regarding the uniform (20 year term) 15.9% ^{+ 10% reserves = 16.9} plan scenario; recommendation for two years. David Maben believes this is the best approach to cover debt with the possibility of building reserves. Mike Gougler wants it specified to the public the rate increase in regards to the CIP and the projects that have been pushed out due to lack of funds. Deliberations have been based on building the CIP and compliance in order to keep from being fined in the future by DEQ. This committee has attempted to find the best way to pay for the capital improvement obligation.

The CRRC agreed to suspend the wastewater deliberation and vote until the December 9, 2009, meeting.

5. Contingency and Reserve Funds:

Howard Hamilton handed out the "Rainy Day Fund" sheet to the committee members. Janelle Nordyke explained there are a variety of funds used to handle rates, which include operating reserves for future capital

projects, and the SDCs. Newberg currently does not have a "rainy day fund", but there are some funds in reserves, most of which are for capital projects. Due to the lack of growth over the last couple of years, the volume has decreased and revenue has gone down, thus pushing out many future capital projects. Now there isn't enough to fund the current requirements and fixed obligations. A rate needs to be adopted to fund the requirements.

6. Non-Agenda Items:

Janelle Nordyke stated that Love, Inc. has applied for matching grants. The deadline for the grant program is December 31, 2009. Ms. Nordyke will be sending out a letter to all the other non-profits if they wish to apply. The applications will then be brought before the CRRC at the January 6, 2010 meeting for their decision on how much is to be given and to whom.

Janelle Nordyke referred to the handout regarding an email sent to Mayor Bob Andrews from Troy Spurlock in regards to the Military Credit Program. Mr. Spurlock stated in his email the 12-month verbiage is restrictive. Janelle Nordyke stated as long as an individual is on active duty, they qualify for the duration of 12 months at a time.

7. Public Participation:

Richard Boyle, Water Resources Civil Engineer lives outside Newberg but is interested in the City's growth. He sees his future in public works and is interested in how rates are put together.

The next scheduled CRRC meeting is December 9, 2009 at 7:00 p.m.

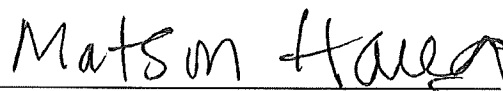
8. Adjournment:

The meeting adjourned at 9:30 p.m.

Approved by the Citizens' Rate Review Committee this 16th day of December 2009.



Recording Secretary



Citizens' Rate Review Committee Chair

Wednesday, 7 PM

December 9, 2009

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Charles Zickefoose
Tony Rourke

Mike Gougler
Mayor Bob Andrews, Ex-Officio

David Maben

Members Absent: Ernie Amundson (excused)

Beth Keyser (unexcused)

Staff Present:

Howard Hamilton, Public Works Director
Deb Galardi, Galardi Consulting

Janelle Nordyke, Finance Director
Crystal Kelley, Recording Secretary

Others Present: Richard Boyle, Helen Brown, and Thomas Barnes

1. Call to Order/Roll Call/Introduction

Chair Matson Haug called the meeting to order at 7:03 p.m. and asked for roll call.

Chair Haug introduced Thomas Barnes. Thomas Barnes shared that he realized he was paying less for the public safety fee than he thought. He was not paying the three dollar fee that other city customers are required to pay. He went on to say the dwellings that require the most public safety are not paying the full three dollars. He thinks all citizens should be paying the full fee. He is guessing the City is losing thousands of dollars per year because some customers are not being charged the full fee.

Chair Haug asked Howard Hamilton to explain the fee Mr. Barnes is referring to. Mr. Hamilton stated the Citizens' Rate Review Committee (CRRC) mission does not include utility bill riders. The Springbrook Software used by the Finance Department adds a utility bill rider that assesses the public safety fee. The three dollar fee is calculated according to the number of equivalent dwelling units (EDU) based upon the water meter size. Therefore not all residents are assessed the same.

Mr. Barnes asked if it would be possible to reprogram the system to allow for the same method to be applied to all utility bills for the City. Janelle Nordyke pointed out a call has been put in to the Springbrook Software company to see if the City can apply the same fee to all utility customers.

Howard Hamilton pointed out the fee currently brings in enough funding to cover three additional officers but will not in the future. Chair Haug reminded the CRRC that Mr. Barnes would like the committee to consider if this is a fair allocation of the fee. Ms. Nordyke reminded the CRRC staff is looking further into it. She went on to say City Council knew it was not allocating to every household equally with the plan for the fee not addressing mobile home parks and apartment complexes.

David Maben asked Deb Galardi if she has run into this type of fee before. Ms. Galardi stated the transportation utility fee is similar. She went on to say it requires a new designation in the database for equivalent dwelling units.

Chair Haug asked if actual units would be applicable to what the CRRC will have to deal with. Ms. Galardi stated local governments can charge for functional population so each household would be allocated its share. She pointed out non-residential users would still be calculated for their respective EDU.

2. Other Business:

Howard Hamilton distributed an updated schedule for the remainder of the CRRC meetings. Mayor Andrews asked what changes have been made to the schedule. Mr. Hamilton explained the public hearing has moved to the Public Safety Building. The original schedule had public notices and the utility bills scheduled to be ready on January 13, 2010.

Mr. Hamilton distributed copies of the draft flyer announcing the town hall meeting, for their review. Mayor Andrews stated he feels the flyer is too busy. It was determined by the CRRC they would look over the flyer before the December 16, 2009 meeting and discuss recommended changes at that time. Mr. Hamilton reminded the CRRC they need to finalize the flyer at that meeting. If staff is able to maintain the schedule, the public will receive the flyer approximately nine days prior to the January 13, 2010 meeting.

3. Conclude Wastewater Rates:

Mr. Hamilton presented photos (see official meeting packet for full report) of the Wastewater Treatment Plant (WWTP) so the CRRC would have a visual of the condition of the plant. He pointed out the equipment at the plant is in major need of repair.

Chair Haug asked if the condition of the equipment is due to a lack of funding or issues with maintenance staffing levels. Mr. Hamilton stated the original maintenance shop consists of one small room in the back of this administration building. He explained there was no plan in place for maintenance when the plant was built. He went on to say that staff did not do much maintenance for the first ten years of operation. In the last ten years we have been trying to keep abreast of workloads.

Chair Haug asked how old the plant is. Mr. Hamilton stated the plant was started up in 1987 putting it at 22 years old.

Tony Rourke asked what the average life of a treatment plant was. Mr. Hamilton stated it was about twenty years for equipment.

Mayor Andrews asked the CRRC to consider how the citizens will handle hearing that a structure needs to be replaced after only 20 years when they live in homes that are close to 120 years old. Mr. Hamilton pointed out the government has permit requirements that regulate WWTP operations and conditions. He reminded the CRRC that this type of equipment has high demands placed on it and has to be running at all times. It will require maintenance more often since it can never shut off without contingency plans in place.

Chair Haug confirmed there were no funds available in the rate plan for additional maintenance. Mr. Hamilton stated the available funds were used for keeping the machinery running, which leaves the buildings and structures neglected.

Mayor Andrews asked what the City's status is with Occupational Safety and Health Administration (OSHA). Mr. Hamilton stated they have been inspected three times in the past decade with no real issues. Mayor Andrews asked if they have taken issue with the condition of the structure. Mr. Hamilton stated no they have not. As long as safety is not a concern the condition is not an issue. He went on to explain they are required to

have a full safety program in place with MSDS sheets and emergency response plans and they are also required to document safety training. One safety item in the plant is trained on every month and the City Safety Committee inspects quarterly. They routinely inspect the plant and specific equipment such as every crane each month. The cranes are also inspected before each use and formally inspected by a crane company every year.

Helen Brown asked if the new plant will use a different disinfection plan other than chlorine. Mr. Hamilton answered chlorine is required as part of the water reuse plan so it will continue to be present in some form.

Ms. Galardi pointed out CRRC has not made a proposal for the wastewater rates yet. Part of tonight's agenda is to determine what their proposal will be. She presented a slide to the committee to remind them of the scenarios previously presented to base their proposal on.

Mr. Hamilton pointed out the Department of Environmental Quality (DEQ) has a revolving fund of \$45 million. The money is loaned out each year with a cap at \$5 million per loan. They have a 1% to 3% interest rate based on the payback time.

Howard Hamilton stated in 2010 they are only allotting up to \$4 million per loan. Half the amount would be 0% interest for construction only and half construction/design at 1% to 3% interest.

Mike Gougler asked if they would start getting charged interest before the project is completed. Mr. Hamilton stated no, the payback begins at project completion.

Motion #1: Gougler/Rourke moved to adopt the No SRF Uniform 20 year 15.9% rate with a contingency that if the SRF funding is approved and rates should be modified there will be a call back from City Council at that time. (5 Yes/No 0/2 Absent [Amundson/Keyser]). Motion carried.

Chair Haug stated he would like to review why the wastewater plant is at the current low maintenance funding level and discuss the consequences if equipment is not properly maintained. Mr. Hamilton stated that maintenance funding has increased somewhat over the years but not at a rate that would keep up with deterioration. They have an updated facilities plan that specifies a host of improvements to the system. Staff is maintaining equipment just to continue operations at the funding level they have available knowing that at some point the equipment will be replaced. So at this stage in the equipment's life they are attempting to conserve funding until that time. The City is required to forecast out 20 years to 2030. He pointed out with moderated population growth, the population numbers would double. The City saw growth at 2.2% last year and for a time saw growth of 3.8% per year. The facility plan says capital projects should be started now and putting them off will only mean that larger amounts of funding will be required for maintenance of equipment which will eventually be replaced anyway. They are looking at \$250,000.00 that has been put into the influent pump station in the last year and a half. The entire station is scheduled for major overhaul. It is at its wet weather capacity today. DEQ will implement a new sanitary sewer overflow rule January 1, 2010. An overflow fine will be assessed each time they do not meet the conditions of this rule.

Tony Rourke asked if the funding for the plant includes maintenance's ability to keep the equipment updated. Mr. Hamilton stated they would need to work on increasing the operation and maintenance (O&M) budget in the future to address more than just keeping equipment operating. Ms. Nordyke added they have enough personnel to continue the maintenance at this time.

Ms. Galardi pointed out there are no reserves being built up for future capital improvements.

Mr. Hamilton stated they have maintenance staff that can keep things going, but not for improvements to the overall condition. He went on to say they often pull together funds at the end of the budget year and hire a contractor to come in and address some issues that are outside of staff's expertise.

Chair Haug recommended including a program allowing for maintenance. Mr. Hamilton shared with the CRRC the facility plan will require adding maintenance staff once the project has moved forward.

Chair Haug asked how much more money will be needed to keep up the new equipment. Mr. Hamilton replied that it is not so much additional funding but they will need more staff to perform the work or the repairs will need to be contracted out and funding allotted accordingly. Ms. Galardi pointed out once the facilities are constructed they will need additional staff.

4. Present Stormwater Rates:

Ms. Galardi presented the staff report (see official meeting packet for full report).

Mr. Hamilton pointed out that DEQ required Newberg to develop a stormwater Total Maximum Daily Load (TMDL) Program by March 2008. He went on to share they have to report each year how they are meeting the program goals. The City initiated the stormwater program during the last budgeting cycle. They put in additional budget money for staff, meeting program goals, and maintenance of the storm system.

Ms. Galardi presented a pie chart that shows the operating budget for 2009-2010. She explained the budget for fiscal year 2009-2010 expenditure total was \$658,000.00.

Mayor Andrews asked staff what the vehicle is under the vehicle/computer replacement section of the pie chart. Mr. Hamilton stated the new stormwater maintenance staff has a vehicle. Mayor Andrews confirmed the vehicle is dedicated to their operations. Mayor Andrews asked if anything is being used for street cleaning. Mr. Hamilton stated yes, there are some shared costs with other equipment such as the backhoe and dump truck.

Ms. Galardi said historically only 93% of the budget is used. There is a capital improvement plan in place.

Mr. Hamilton pointed out the Springbrook Road Project will have a stormwater component. They have to be prepared to do the infrastructure under the street in preparation for the road work. They are saying fiscal year 2012-2013 will be projected for the transportation part of the project, which is driven by the Springbrook Development.

Chair Haug asked why they are only at 25% if the Springbrook Road Project is driven by the development. Mr. Hamilton stated staff evaluates what it would cost for upsizing the storm system and uses that to determine percentage split for System Development Charges (SDC) and rates. Replacement of the current infrastructure is a larger part of the project.

Mr. Rourke asked if the Springbrook Project was not happening would they still replace what is there today. Mr. Hamilton said not this early because the current condition is still satisfactory, but when you upsize it then it has to be replaced. Mr. Hamilton continued saying the rest of the capital improvement projects are smaller areas that have stormwater related issues.

Mrs. Galardi reported the total capital improvement plan (CIP) is \$2,500,000.00. They are looking at over \$1,000,000.00 per year. In the past they assumed you would pay for storm water as you go. If the other

projects go as planned they will not be able to pay as they go without tripling the rates. In order to get \$2,000,000.00 worth of funding they will have to get some debt financing.

Mayor Andrews asked where the area around Ninth Street and College Street drains to. Mr. Hamilton answered into Chehalem Creek. He went on to say the TMDL incorporates a number of load concepts such as mercury, bacteria and temperature. A best management practice example is stormwater can be made cooler by providing shade. The City is supposed to find ways to divert the water to allow natural geology and biology to filter and adding trees also accomplishes this.

Mayor Andrews asked where the area between Newberg and Dundee drains. Mr. Hamilton answered it drains into the canyon near the filbert processor and feeds into Chehalem Creek. He pointed out that the Yamhill Basin Council does some background stream testing but DEQ is not enforcing standards.

Richard Boyle stated the City will need to get more stringent about developing codes for engineering standards with multi levels. Mr. Hamilton stated the City will be held to a higher standard when the next DEQ TMDL Phase is implemented so Newberg proactively developed the program to meet that standard. There is currently no regulatory compliance mechanism for Newberg. We only have to report how we are meeting the goals.

Ms. Galardi presented the revenue requirements from rates (see official meeting packet for full report). They are not covering the O&M cost. One scenario for consideration over the next 2 years would be to minimize the rate increase to cover O&M. They will be looking at 8.9% increase, which will only cover the O&M costs. This scenario will not build any reserves for the future. The 15% would be required with debt service, which means the City would have to assume some sort of financing. If they wanted to go with the smooth rate for a minimum approach of 8.9% it would translate to \$10.98 per year increase.

Chair Haug asked for clarification that this rate does not provide for any reserves. Ms. Galardi confirmed he is correct. With this scenario, by 2013 they will have used all the reserves.

Chair Haug asked what it would take to prevent debt service. Ms. Galardi stated every 10% rate increase generates another \$57,000.00. They could try to get to a point where they are starting to build back funds.

Charles Zickefoose asked where they would be if they had implemented the recommended rates for last year. Ms. Galardi stated they would be keeping pace with O&M but not building much for capital projects.

Chair Haug asked for recommended alternate scenarios the committee could consider. Mr. Rourke agreed he would like to see something that does not completely deplete the reserves. Chair Haug asked Mr. Rourke how he would feel if they made a recommendation to try and keep it at \$300,000.00 for the reserves. Mr. Rourke stated ideally on a reserve you would want a small percentage of potential expenses set aside.

Ms. Galardi pointed out if you know how much you want the reserves to grow each year for a project you can have a contingency fund for unexpected projects. She asked if they want it to be at a certain level to fund potential projects later. Chair Haug stated for future capital projects they would like to reduce or eliminate debt service.

Ms. Galardi presented survey data from Salem as a comparison for the CRRC. Mr. Hamilton pointed out the City of Portland's rate is highest since the wastewater system and stormwater systems are combined and they are spending a lot of money to separate. Chair Haug asked about McMinnville. Ms. Galardi reminded the CRRC they will bring more numbers next week which will look at some like-city comparisons. She pointed out

her survey tonight is from larger cities. Mayor Andrews pointed out Forest Grove may be a reasonable city to look at for Newberg comparisons.

Ms. Galardi stated the City Council asked the CRRC to look at a possible credit program for residential customers. Staff will look at cities that have a credit program and make a proposal at the next meeting.

Chair Haug reminded the CRRC the most important question is how much reserve is appropriate. He pointed out they thought about \$300,000.00. He suggested discussing what the goal should be for the reserve fund.

David Maben stated they should build the reserve to eliminate debt service totally. Mr. Gougler pointed out debt service is better than not having sufficient money now. The ability to meet the goal established by the agency will depend on staff. They also need to have a rate sufficient to cover debt. I do not want a stormwater program they are not able to maintain.

Mr. Rourke said reserving is a bigger discussion beyond stormwater because the funds are in different areas and needs discussed on all projects. Chair Haug pointed out they did discuss it and realized the rates would be too high if they worked on building reserves. Mr. Rourke stated he would like to consider throwing in a percentage to allow them to build some reserves. It would be a good philosophy to avoid debt in the future.

5. Public Participation:

Mr. Gougler shared he would like to present a worksheet during the public meeting. This will provide a clear picture of consequences of noncompliance. It will give the citizens an idea of what will happen if we do not meet requirements. They will know who the City has to report to what consequences they would have (i.e. fines). They have to address the consequences so the public can see a spreadsheet for each rate with its own scenario. Chair Haug requested Mr. Gougler put something together for the next meeting.

Mr. Rourke suggested they take a look at the other two utilities and determine an appropriate amount for them as well. The Committee came to a consensus that 1% was an appropriate amount.

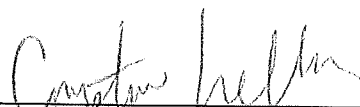
Ms. Galardi agreed she will bring to the next meeting what would be generated with a 1% increase for reserves. Mr. Rourke also requested to see what the optimal amount would be for reserves and what the numbers are for today.

The next scheduled CRRC meeting will be December 16, 2009, at 7:00 p.m.

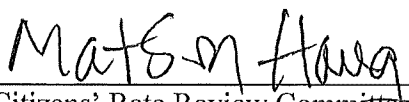
6. Adjournment:

The meeting adjourned at 9:05 p.m.

Approved by the Citizens' Rate Review Committee this 16th day of December 2009.



Recording Secretary



Citizens' Rate Review Committee Chair

Wednesday, 7 PM

December 16, 2009

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Charles Zickefoose
Tony Rourke

Mike Gougler
Beth Keyser

Matson Haug (Chair) David Maben
Mayor Bob Andrews (Ex-Officio)

Members Absent: Ernie Amundson (excused)

Staff Present:

Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary
Barton Brierley, Planning and Building Director

Others Present: Richard Boyle, Charlie Harris, Dennis Russell and Ken Austin

1. Call to Order/Roll Call/Introduction:

Chair Matson Haug called the meeting to order at 7:04 p.m. and asked for roll call.

2. Approval of Meeting Minutes:

Motion #1: Gougler/Rourke moved to approve the meeting minutes for November 24, 2009 and December 9, 2009. (6 Yes/0 No/1 Absent [Amundson]).

3. Affordable Housing Presentation:

Barton Brierley presented the staff report (see official meeting packet for full report). City Council and the Planning Commission recommended an action plan be created that looked at all the housing programs to see what can be done to provide affordable housing. They put together a committee that spent nine months creating strategies to help solve the issue. They came up with a list of goals: 1) to amend the comprehensive plan to support affordable housing; 2) to retain the supply of housing already in the community; 3) to ensure there is enough land; 4) to change Development Code Standards so more affordable housing would be possible; 5) look into a development fee schedule; 6) to develop and support public and private home owners programs; and 7) to promote economic development efforts.

The action plan was accepted by the City Council. The Council then assigned the task of reviewing development fees to the Affordable Housing Committee (AHC) and the Citizens' Rate Review Committee (CRRC) since it affects the rates of the entire community. It is recommended that a system development charge (SDC) reduction be given to promote affordable housing. One concept discussed would be to raise (SDCs) for larger, more expensive homes. The AHC did not support that idea and the consensus was that the fee reduction should be spread among the population rather than one group.

ATTACHMENT 3

Mr. Brierley referred to the handout on potential SDC reductions for affordable housing (see official meeting packet for full report). Planning fees, building fees, and public works fees could be reduced, but there is no mechanism to recover the reductions. They are now looking at SDCs as an affordability mechanism. There is a way they can make up the difference through rates in an effort to reduce the fee and keep with the general principle of the AHC. In the action plan, fee reductions are nine to ten percent of the total plan. The AHC took the idea to staff and asked for a rough ball park figure of how they can make up the rates.

Howard Hamilton mentioned if the rates were raised one dollar per month that would equate to about \$78,000.00 or SDC relief for ten homes. The AHC would like to bring that concept to the CRRC for consideration.

Chair Matson Haug said discussion and deliberation will be needed on the scheme itself. The concept of spreading the cost of reducing SDCs through utility rates needs to be brought up at the town hall meeting to ensure the public feels it is fair. The task of the CRRC, if they decide to get involved, is to determine what the mechanics of certain reductions will be. They also need to consider the timing of when to get involved on this type of discussion. Chair Haug asked the CRRC if they would like to spend time on the subject now or devote a special meeting for the topic later.

Mayor Andrews did not think the CRRC is ready to make a commitment to the plan tonight. He agreed they do not have the time to discuss the subject in the meeting. He recommends tabling the subject and asking for it to be brought back on an agenda for a future meeting.

Chair Haug stated the town hall meeting is scheduled for January 13, 2010. The topic may come up due to the impact it will have on the committee. It will require feed back from the community.

Tony Rourke was concerned since the last recommended rates increases were reduced by Council for the last two-year rate cycle, he feels that anything else that that will further increase the rates, without proper presentation, will be difficult to convince the Council to withstand the public's criticism at their February 16, 2010 public hearing.

Mike Gougler suggested they look at this differently. The CRRC responsibility is to look at operation and maintenance (O&M) and Capital Improvement Project (CIP) expenditures compared to revenue and determine if a rate increase is necessary. It would be easy for the CRRC to look at this affordable housing proposal and say they do not have enough money for it. The decision to provide affordable housing or to try to subsidize the development of affordable housing construction has been recommended by the AHC. City Council recommended they get the CRRC to look at the proposal. Mr. Gougler suggests if the City Council agrees with the plan and supports the main thesis of the proposal, then the AHC must prepare a funding proposal for review.

Chair Haug asked if City Council agrees with the AHC recommendation. Mayor Andrews stated it has not been presented to City Council yet. Mr. Brierley stated the action plan to consider the fees has but not this issue.

Dennis Russell stated they are going to have a conversation that will stir up a lot of questions without a lot of answers. It may create some tension around the issue. They still have a lot of work to do with regards to affordable housing.

Mr. Gougler believes in order for the CRRC to consider the proposal they need a policy statement from City Council. The job here is to determine what it would take to pay for that. City Council has to determine if they desire to create a program to stimulate affordable housing.

ATTACHMENT 3

Chair Haug stated City Council has made a partial determination in that direction by recommending they come to the CRRC. They can brainstorm after the rates are formally adopted.

Mayor Andrews stated the resolution adopted by the City Council recommends the subcommittee organization to consist of two members of the CRRC. Mr. Gougler asked if they should appoint two people from the CRRC to sit on the AHC. He is already a member. Chair Haug asked the other members of the CRRC if they are interested in participating on the AHC. Beth Keyser and David Maben agreed they would be willing to participate.

Motion #2: Zickefoose/Gougler moved to nominate Beth Keyser and David Maben to sit on the AHC to represent the CRRC. (6 Yes/0 No 0/1 Absent [Amundson]).

Mr. Brierley will contact Ms. Keyser and Mr. Maben with the agenda as well as the meeting schedule.

4. Conclude Stormwater Rates:

A handout with the City of Newberg Total Maximum Daily Load (TMDL) Implementation Matrix was presented by staff. (See official meeting packet for full report). Chair Haug was concerned with the last minute distribution of the handout since it is the intent of the committee to conclude the stormwater rates discussion tonight. Mr. Hamilton stated the handout was reference material for the next meeting and not necessarily for review at this time. Chair Haug encouraged the CRRC to bring any questions they may have, regarding the handout, to the next meeting.

Ms. Galardi presented the staff report (see official meeting packet for full report). She supplied rate scenarios that were requested at the last meeting.

Mr. Rourke asked for clarification if they went from an 18% increase to a 25% increase would that cash fund \$2.4 million CIP with inflation. Ms. Galardi confirmed he is correct. Chair Haug asked if the slides are showing the 18% increase and not the 25% increase. Ms. Galardi confirmed that is correct.

Mayor Andrews asked what the experience has been for people who apply for the commercial stormwater credit program. Mr. Hamilton stated they have two businesses in the area that have applied for credits. Mayor Andrews asked how much of an imposition the program has made on staff. Mr. Hamilton stated that the staff time involved is initially a couple of hours. The stormwater program pays for staff time. Staff simply reviews the submission of documents and does a site inspection. Mayor Andrews asked how much of a financial imposition it has caused. Mr. Hamilton stated very small.

Chair Haug asked how much those two companies saved through this program. Mr. Hamilton stated a total of 30% of their stormwater fee for each company. Chair Haug requested the committee reevaluate the commercial stormwater credit program to ensure it is doing what was expected.

Motion #3: Gougler/Zickefoose moved to recommend an 18% annual increase in stormwater rates. (6 Yes/0 No/1 Absent [Amundson]).

Mr. Rourke would like to see how the increase will affect the other projects they have discussed. They need to consider the total cost of the program. He asked how much additional rate increase they would need to start funding reserves. Chair Haug would like to look at the rate impact of increasing the water and wastewater reserves. Ms. Galardi will bring the information to the next meeting.

5. Town Hall and Public Hearing Flyer:

Howard Hamilton presented the draft flyer (see official meeting packet for full report).

Chair Haug recommended the committee take a couple minutes to review the versions of the flyer that were presented. Several suggestions were made to better improve the flyer and to get the intended message across to the community. Staff needs a final version by December 17, 2009 in order to get to the printer/mailer on time.

Motion #4: Gougler/Zickefoose moved to have Beth Keyser work with staff to represent the CRRC to create the final draft of the flyer. (6 Yes/0 No/1 Absent [Amundson]).

6. Public Participation:

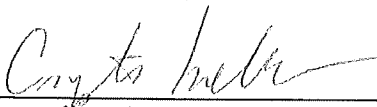
No comments were presented from the public at this time.

The next scheduled CRRC meeting will be January 6, 2010 at 7:00 p.m.

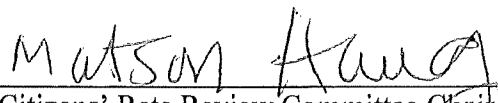
7. Adjournment

The meeting adjourned at 9:04 p.m.

Approved by the Citizens' Rate Review Committee this 6th day of January 2010.



Recording Secretary



Citizens' Rate Review Committee Chair

Wednesday, 7 PM

January 27, 2010

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**
Public Safety Building

Members Present:

Charles Zickefoose	Mike Gougler	Matson Haug (Chair)	David Maben
Tony Rourke	Ernie Amundson	Mayor Bob Andrews (Ex-Officio)	Beth Keyser

Members Absent: None**Staff Present:**

Howard Hamilton, Public Works Director	Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary	Dan Danicic, City Manager

Others Present: Douglas Baker, Bonnie Benedict, Ronald Morgan, Al Blodgett, Louis Larson, Ernie Collazo, Helen Brown, and Richard Boyle.**City Council Present:** Councilor Stephen McKinney and Councilor Bob Larson

1. Call to Order/Roll Call/Introduction:

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

2. Staff Report:

Chair Haug reminded those present the City Council meeting for the adoption of the recommended rate increases by the Citizens' Rate Review Committee (CRRC) will be on April 5, 2010 at the Public Safety Building.

Deb Galardi presented the staff report (see official meeting packet for full report). The citizens of Newberg do not use the water system the same. Some of them will use a lot of water during peak times. If you use more water during peak periods you will find you pay more for water overall. The rates for use of the wastewater system will be higher based on the volume of use as well as the strength, meaning the quality, of water discharged from the property. The major factors that drive the costs are the aging and failing infrastructure, deferred maintenance and regulatory requirements. The City pays for its capital investments in the system through debt service.

Water rate structures need to encourage efficient use of resources. The rate review process occurs every two years. The CRRC had the challenge of addressing deep revenue short falls. Revenues from the rates are down due to less water usage and a slowing in growth of the population. The CRRC had to consider what projects within the City would need to be deferred due to decreased revenue or consider long-term funding options through debt. The most significant need is the City is not meeting its regulatory requirement which could result in lawsuits and fines. The rate increases are in hopes of meeting some of those requirements.

There are some serious risks the CRRC understood and evaluated during their consideration for a recommendation of rate increases. They had to consider some maintenance needs for the wastewater treatment plant. The wastewater system has the most acute needs at this time. There are two projects in place to help

address the issues of the plant exceeding capacity during peak times. If the pump stations overflow there will be potential fines and lawsuits for the City.

The CRRC recommends an annual system-wide revenue increase of 12.2 % for residential customers for water which would be between three and four dollars more per month for each customer.

The CRRC recommends an annual system-wide revenue increase for wastewater of 16.9% which is higher due to the investment needs for maintenance improvements. This will result in about six to eight dollars more for the average residential bill each month.

The CRRC recommends an annual system-wide revenue increase for the stormwater system of 18% which comes out to less than one dollar more each month for residential customers.

It was recommended by the CRRC that the City does not implement a residential credit program at this time. The CRRC felt there was insufficient information on the effectiveness and administrative impacts of various measures with a credit program.

3. Public Participation:

Bonnie Benedict thanked the Committee for their work on the process. She does not like her bill. She would like to know how to eliminate the wastewater usage. The wastewater bill includes some cost for stormwater run-off. She is not sure why they are paying for storm water run-off. Mr. Hamilton stated the wastewater rates are based on water use from December through March. A fee is also paid per month for maintenance of the account. To reduce the wastewater rate you need to use less water between December and March. The stormwater fee is based on the average single family residential equivalent dwelling unit and is a fee of \$3.80 per month that is used for operations, maintenance and projects.

Al Blodgett thanked the CRRC for the time they have put in considering water rates. He has been in Newberg for over 20 years. He is one hundred percent behind the recommended rate increase while still keeping in mind it will be painful for some Newberg residents.

Ernie Collazo stated he is against the increase at this time. It comes down to money. The nation is in a recession right now. He also has improvements that need to be made to his property but he has to take the cost into consideration. He wants to know where the money is going to come from. He has applied for utility assistance through the grant program already. He has been in Newberg since 2001 and he is now paying up to \$50 for utilities.

Louis Larson asked what the current average rate of consumption is. Ms. Galardi stated for water it is 800 cubic feet and for wastewater it is 5.51 hundred cubic feet. Stormwater is a flat fee. He went on to ask if it would be possible for the City to produce a bill that is similar to the electric company that would allow him to sit down and go over the bill and better understand the billing process. Janelle Nordkye stated they can put something on the City website to explain how it is done. They can also see if the software can be reprogrammed to make the utility billing statement easier to understand but it will cost some money.

Mr. Larson stated he was impressed with the openness at the town hall meeting and the willingness to listen to the concerns of the public. He disagrees with the fairness of the rate structure itself. It appears to be a flat structure rather than a progressive rate structure. People who earn more should pay more. In the current system everyone has to pay the same rate regardless of earnings. He would like to see a study done for the community to look into adopting rates that would take income into account and make it fair across the board. He would like

ATTACHMENT 4

to see the City avoid taking action with the proposed rates until the community has the ability to pay for the increase.

Mr. Larson continued family incomes from 1999 are now the same or less than they were in 2010. That means the ability for many to pay increased charges is very difficult. The City unemployment rate is running about 11%. He estimates roughly 900 family units in the City have at least one person in the home unemployed. Out of all the people living on social security 40% of them are considered low income. There are roughly 1200 families in town living on social security. They have not seen an increase in their income even though the cost of utilities has gone up. They are looking at around 2100 people in our community who are really suffering financially right now. There are more people having to depend on FISH and other organizations in order to make it. In the last decade there has not been any new jobs created. He wants to ensure the Committee understands the depth of the needs the City is facing. It is not just common people being affected by the economy. He again recommended they develop a rate structure that will put the burden for the increase on those who can afford to pay.

Charles Zickefoose asked if there is precedence for the type of fees he is describing. Ms. Galardi stated you will find some communities in Oregon which are funded this way but most are funded by user fees. The industry standard relates to the citizen's ability to control their bill based on their usage and is not based on income.

Douglas Baker stated he has been a resident of Newberg for over ten years. He is not unfamiliar with how water departments work and he understands what it takes to maintain the department. He is opposed to the rate increase because he is concerned that people are not able to afford it. He is most concerned with those living on a fixed income and the unemployed. As a general rule when people run short of money they tend to do without. Some will borrow money or use credit cards. It is too much to ask the general population to pay more money. He feels all government agencies need to lead by example and look for ways to cut cost. We are all struggling with money just like the City. He does not want to see an increase in rates added to the problems for many in the City. The bottom line is now is not a good time to be asking for more money.

Ronald Morgan stated he feels the main issue is wastewater systems rather than water issues with regards to the maintenance issues. He suggested they take the issues and segregate the improvements to determine what needs to be done first. The City can then break it down into small pieces to determine the most important issues. Is there any change of refinancing for the City to obtain lower interest rates? There is some money that will start coming into the state since measures 66 and 67 were recently passed. How much water and wastewater are the schools using? Can they make sure they are paying their fair share of the water and wastewater? He is concerned about the senior citizens in the area who are on social security who saw no increase in their income this year. The bills are going up but the income for them is not.

Bonnie Benedict asked what the City would do if they are not able to pay their bill. She would like to see the City eliminate some of the planned improvements to allow them to save some money so the public does not have to pay higher rates. The senior citizens should not be hit so hard. She asked what would happen if her neighbor's sewer ran under her house and hooked into her sewer then went out into the street. Does that make her bill higher? Mike Gougler stated she is not billed for sewer that leaves her house. Her wastewater rate is determined by her water usage during certain months of the year. The sewage that leaves the house is not metered. Only the drinking water is metered. They determine the bill during the low water use for the year.

4. Public Hearing to Recommend New Utility Rates:

David Maben stated he supports the recommended increases. If they do not take care of the increase now they are going to have to deal with it later.

Charles Zickefoose stated some day they are going to have to pay for the needs in the City. They have softened the blow for the last few years. He supports the increase knowing it is not going to get any better. The City is facing things that are required.

Beth Keyser stated she supports the increase. Her income has not gone up and she does not like paying more either. However she recognizes the need for the increase now in order to take care of the needs of the City as well as looking ahead to what is coming.

Chair Haug stated they have discussed the idea of rates based on increasing volumes of use. The rates would be lower if you use less. Ms. Galardi confirmed that would be an inclining block rate structure. He asked if they have some way of making the adjustment on permeable services for smaller homes to pay less than larger homes. They have an assistance program that is still available. It is possible the City Council would like to make the assistance program more aggressive.

Tony Rourke stated they talked a lot about inclining blocks as well as other rate structures. The difficulty would be in the down economic times if they do a significant increase for groups that would cause lower water use that would then lower the revenue. If they do not use the water or pay the bills the City is unable to manage the systems. They already discussed how other rate structures do not make sense. They may want to consider other options at a later time. If they choose not to do anything now they will pay later in a different form. They will pay in the form of lawsuits, fines, and higher interest. He agrees debt is not a smart fiscal policy. It costs a lot of money. If they do not pay the bills and default on the loans it will cost later. Where will the money come from when the fines and lawsuits take place? He does not like giving rate increases but there was a period of no increase for nearly ten years.

Ernie Amundson stated he is against the increase they are proposing tonight. He has been doing surveys in the City and many he talked with stated they have been making cuts in their budget in the last year. He is not able to support the increase and will vote against it tonight.

Mike Gougler stated the City is at the point where the boat is sinking and there is no time to take the sail down. As the CRRC, they were asked to find a way to meet the demands that are being placed on the City. The City is being told they must do certain repairs by the State and Federal Government. He is certain no one here is okay with raising debt so our children can pay for it. They will not go away if we keep putting off the necessary repairs to the facilities. They agreed to try and develop a program to help those who are the most in need. He recommends if members of the public see a huge hike in their water bill they should utilize the resources the City offers to answer questions and helps determine if there is something else going on such as a leak on their property. He has to support the increase. If they do not do it now they will have to deal with the issue later.

Motion #1: Gougler/Zickefoose moved to make the recommendation to City Council for a 12.2 percent increase in water rates, a 16.9 percent increase in wastewater rates, and an 18 percent increase in stormwater rates. In the event that grant funds are received which may reduce the need for the increased rates, the CRRC will reconvene and look at adjusting the rates at that time. (6 Yes/1 No) Motion carried.

5. Final Comments from Staff:

Mr. Hamilton stated the costs to operate the City's utilities are continuing to rise. They are seeing mandates from the state which must be paid for from somewhere. They have a number of maintenance issues that will require attention. They are in jeopardy of the system overflowing which could cause Department of Environmental Quality (DEQ) fines and potential environmental lawsuits if something is not done soon. If they start accumulating enough claims from homeowners with flooding issues, the insurance carrier will require the City to come up with the resources to fix the problems. There is also some debt that needs to be taken care of that the City is on the verge of defaulting on.

Ms. Galardi clarified the sample bills they displayed during the staff report are just samples. The recommendation is for a rate structure rather than the actual bills that have been displayed.

A five minute break was taken at 8:25 p.m. The meeting was re-adjourned at 8:30 p.m.

6. Final Comments from CRRC Members:

There were no final comments from the CRRC once the decision was made to approve the recommendations for the rate increases to City Council.

7. Utility Bill Assistance Grants Approval:

Janelle Nordyke presented the staff report (see official meeting packet for full report). Letters were sent to non-profit organizations in the community for the grant program. The City has set aside 4,000 dollars for the purpose of grant applications. The City received four applications from non-profits in the area for grants. Ms. Nordyke asked if they would like to have the funds disbursed equally among the requests. Mr. Gougler stated the CRRC agreed they would equally disburse the funds to the non-profits that submitted a request.

Ms. Keyser asked what will happen if the non-profit does not use all the vouchers they receive. Ms. Nordyke stated the money would stay in their budget until the funds are used.

Mr. Zickefoose stated he feels Love, Inc. should be the agency that disburses the vouchers. The churches can be the second signer on them. Mr. Rourke stated he believes if the funds are not used this fiscal year they will be gone and they will have to start over. Ms. Nordyke confirmed he is correct. The money stays in the water and wastewater funds and does not go back into the general fund.

Mr. Gougler asked if one of the recipients asked for their money to be assigned to Love, Inc. does the CRRC have to approve that? He proposes they allocate 1,000 dollars to each applicant with the agreement if one of the organizations decides to have Love, Inc. disburse the vouchers they allow the organization to make that decision. Ms. Keyser stated they would not want it to all go to Love, Inc. She agrees they would allow each organization to use the 1,000 dollars and determine how they will proceed.

Mr. Zickefoose stated all the other applicants stated in some way they have been working with Love, Inc. from the beginning. They have a voucher program already in place and the partner church can sign the voucher as well as Love, Inc. Mr. Gougler stated leaving it as an allocation for each of the applications does not require them to distribute on their own but allows them the freedom to use Love, Inc. if they choose to. He feels it will offer the best flexibility.

ATTACHMENT 4

Ms. Nordkye asked if they would like the grant money to be advertised. Mr. Rourke stated if they do not advertise, it will not get used. He would like to see the funds totally used by the end of June. The citizens need to know the vouchers are available. He recommends they consider using the utility bills as a way of advertising for the availability of the voucher.

Mayor Andrews asked what the four organizations are. Chair Haug stated it was Newberg Seventh Day Adventist Church, Newberg Christian Church, Joyful Servant Lutheran Church, and Love, Inc. in partnership with First Presbyterian Church.

Mr. Zickefoose stated he would like to hear from Ernie Collazo about his application for a voucher. Mr. Collazo stated he went to YCAP and they are out of funds for this type of request. Mayor Andrews asked if they have used the grant for YCAP. Ms. Nordyke stated yes they have and then some.

Motion #2: Rourke/Gougler moved to equally distribute the requested funds for the grant applications with 1,000 dollars going to each organization with an agreement they advertise for the program. (7 Yes/0 No) Motion carried.

8. Adjournment:

The meeting adjourned at 9: 36 p.m.

Approved by the Citizens' Rate Review Committee this ___ day of March 2010.

Recording Secretary

Citizens' Rate Review Committee Chair



CITIZENS' RATE REVIEW COMMITTEE AGENDA

THURSDAY, OCTOBER 15, 2015

6:00 P.M. MEETING

PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

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. COMMITTEE BUSINESS

1. Election of Chair, Vice Chair, and Secretary
2. Review of the Newberg Municipal Code regarding Committee (Pages 3-6)
3. Public Comment Procedure (Page 7)
4. Membership Roster and Terms (Page 8)
5. Meeting Schedule (Page 9)
6. Roberts Rules Of Order (Pages 10-12)
7. Committee Ethics (Pages 13-21)

IV. 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)

V. CONSENT CALENDAR

None

VI. NEW BUSINESS

1. Review/Recap Financial Information
 - A. Utility Bill Overview
 - B. FY 2015-16 Budget Overview (Pages 22-29)
 - C. Utility Debt Overview

Agenda continued on next page

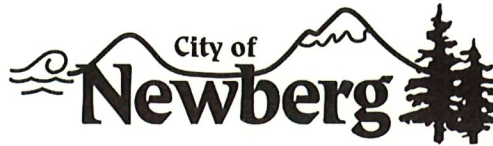
2. Capital Improvement Projects plan basics

VII. ADJOURNMENT

Next Meeting: October 22, 2015 at 6:00 pm at the Public Safety Building.

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.



CITIZENS' RATE REVIEW COMMITTEE AGENDA (revised)
THURSDAY, OCTOBER 22, 2015
6:30 P.M. MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

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. 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)

IV. CONSENT CALENDAR

None

V. NEW BUSINESS

1. Stormwater Capital Improvement Plan Presentation
2. Stormwater Rates Presentation
3. Committee Discussion
4. Utility Facilities Tours

*85 EDM
for Bill Rourke*

VI. ADJOURNMENT

Next Meeting: November 5, 2015 at 6:30 pm at the Public Safety Building.

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.

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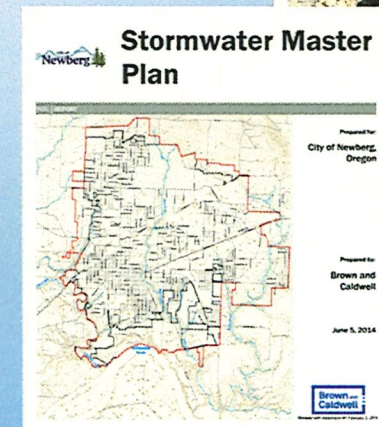
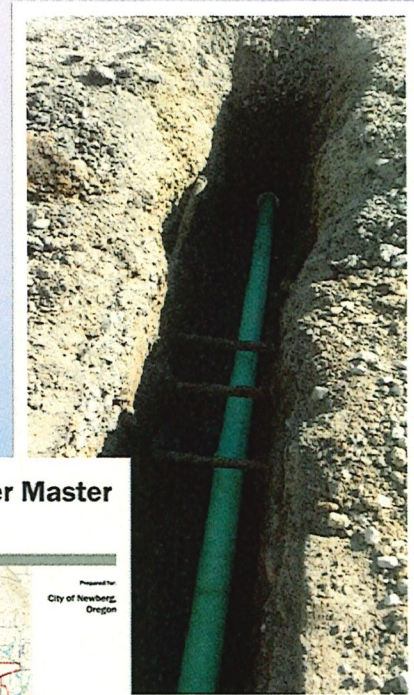
CITIZENS RATE REVIEW COMMITTEE 5 YEAR STORMWATER C.I.P. PRESENTATION



OCTOBER 22, 2015

STATUS UPDATE ON PROJECTS

- STORMWATER MASTER PLAN UPDATE
- SHERIDAN ST STORM DRAINAGE UPGRADES
- 99W TO SECOND ST PARKING LOT PIPE
- 2014 SDC RATE CONSULTANT STUDY
- S BLAINE ST STORM PIPE, 2ND TO 11TH ST
- S CENTER ST STORM PIPE, 8TH TO 9TH ST



PROPOSED 5 YEAR STORMWATER PROJECTS

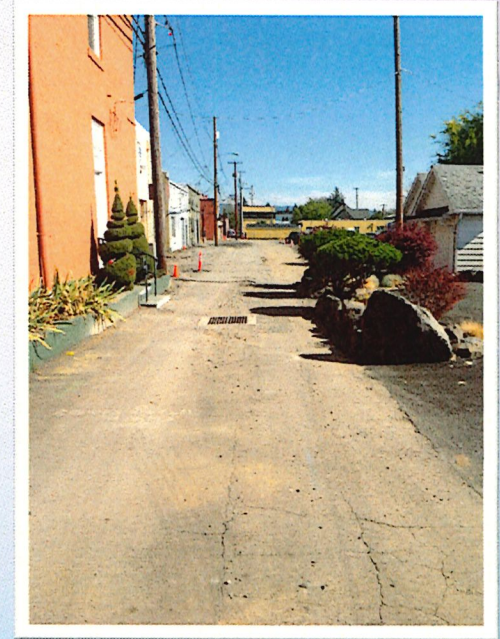
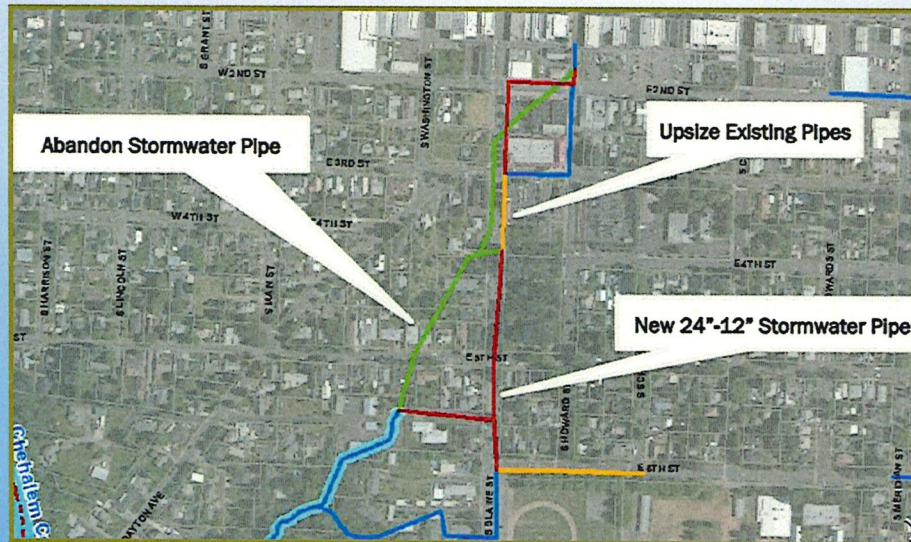
- S. BLAINE STREET; HANCOCK – 11TH STREET
- VILLA ROAD AT HESS CREEK
- S. CENTER STREET
- COLUMBIA DRIVE
- N. ELLIOT
- N. SPRINGBROOK
- TMDL/WQ RETROFIT
- SW DESIGN MANUAL UPDATE



Villa Road Culvert

S. BLAINE STREET: HANCOCK TO 11TH STREET

- Sections of pipe crosses under the Fire Station and several homes
- Flooding occurs in the 10-year storm event in 6th Street and Blaine Street
- Large sections of pipe are nearing end of life

Alley at 2nd Street Parking Lot

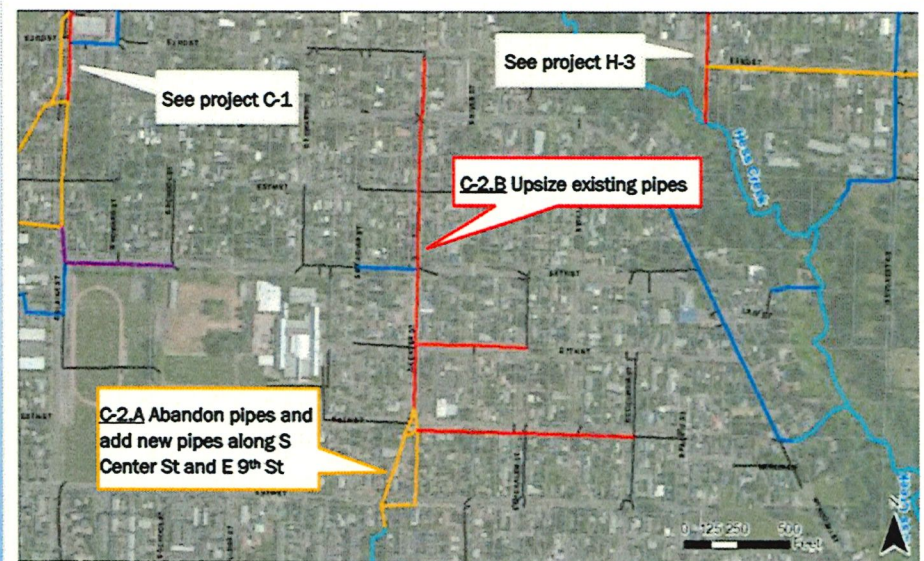
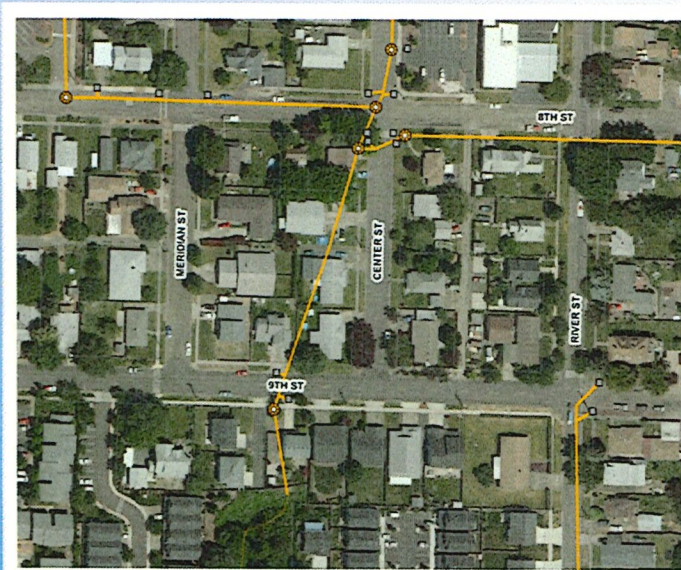
VILLA ROAD @ HESS CREEK

- The existing culverts flood during large storm events
- Villa Road is also under going improvements to add sidewalks and bike lanes
- The culverts will be upsized and will provide for fish passage



S. CENTER STREET

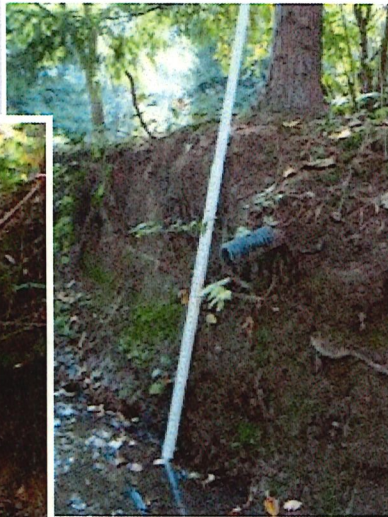
- Sections of the existing 21" pipe crosses under multiple structures
- 7th, 8th and Center Streets flood in the 10 year storm event



TMDL IMPLEMENTATION & WATER QUALITY IMPROVEMENTS



West Bank Chehalem Creek
Streambank Erosion

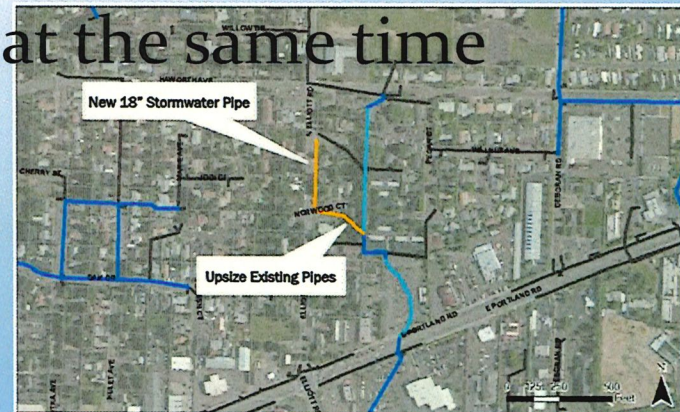


s Creek (DS of Mountainview Drive)
Residential Stormwater Outfall

- The city currently has an Implementation Plan that we report annually our progress
- Mostly reactive program – need to move to a more proactive program
- GIS Mapping efforts
- Storm facility inspection, enforcement & retrofit

N. ELLIOT ROAD

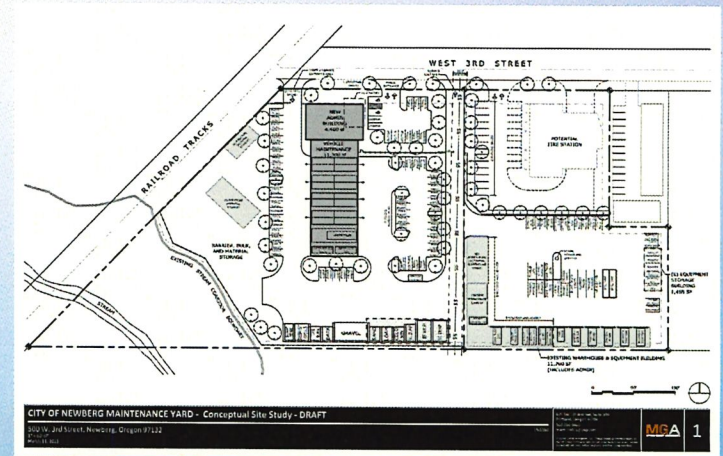
- There is no public drainage system in N. Elliot Road resulting in frequent ponding other than ditches
- The ditches are a safety issues for pedestrians heading to and from the High School
- This project would add 18" storm pipe to convey storm drainage
- Roadway improvements will occur at the same time



MULTI-FUND PROJECTS

Cartegraph

- Survey Equipment
- Permitting Software
- Cartegraph Software Upgrade
- Maintenance Facility



SUNGARD
PUBLIC SECTOR

STORMWATER PROJECTS

Stormwater Program Project Summary Sheet

S. Blaine Street; Hancock – 11th Street

Criteria Met:

Fiscal Year	Costs
2015/2016	\$450,000
2016/2017	\$300,000
2017/2018	\$300,000
2018/2019	\$300,000
Project Total	\$1,350,000

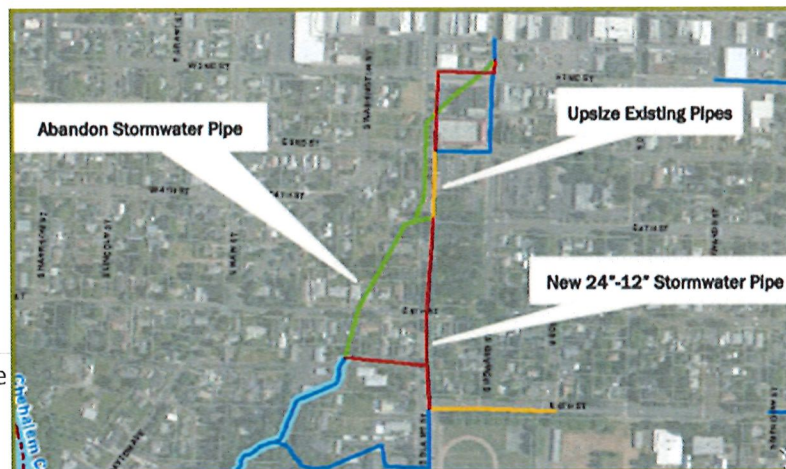
x	Safety/Liability
	Council Goals
x	Maintenance
x	Required per Regulation
	Coordinates with Larger Project
x	Existing Capacity
x	Cost Reduction
	Future Capacity

Project Description:

Flooding occurs in the 10 year storm event including Second Street, Howard Street and at 6th Street and Blaine Street. Large segments of the existing pipe are constructed of corrugated metal and are near end of life. The project will decommission the existing stormwater pipes (shown in green below) and construct a new 24" stormwater mainline (shown in red) along South Blaine and 2nd Streets. Sections of the existing piping system will also be upsized to convey existing and future flows (shown in gold). This project will also include the storm system adjacent to 99W and the Second Street Parking Lot.

Due to funding constraints, the project is scheduled to be constructed in phases over several fiscal years. The 1st phase of construction will begin in FY15-16.

Proposed Funding Sources: This project is funded by the stormwater utility fee and a small amount of projects in the right-of-way.



Stormwater Program Project Summary Sheet

Villa Road Improvements at Hess Creek

Criteria Met:

Fiscal Year	Costs
2015/2016	\$150,000
2016/2017	\$150,000
Project Total	\$300,000

x	Safety/Liability
	Council Goals
	Maintenance
x	Required per Regulation
x	Coordinates with Larger Project
	Existing Capacity
	Cost Reduction
x	Future Capacity

Project Description:

See the Villa Road Improvement project description in Transportation. This reconstruction of the two culverts under Villa Road will both be required to meet fish passage requirements per State permits.

Proposed Funding Sources:

This project is funded through the stormwater utility and stormwater SDCs.



Stormwater Program Project Summary Sheet

S. Center Street; 3rd Street to 9th Street

Criteria Met:

Fiscal Year	Costs
2019/2020	\$180,000
2020/2021	\$300,00
2021/2022	\$930,000
Project Total	\$1,410,000

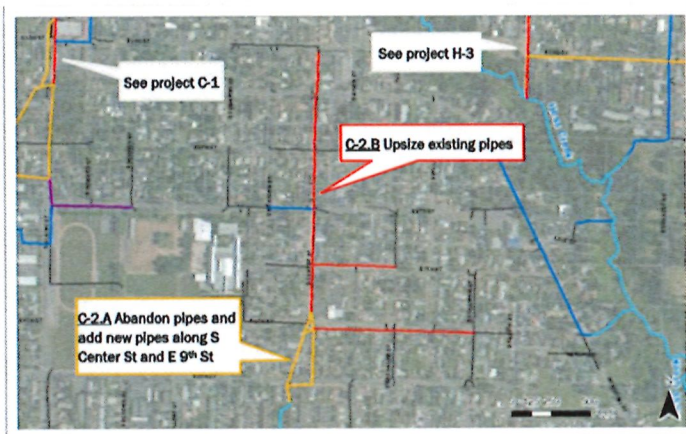
x	Safety/Liability
	Council Goals
x	Maintenance
	Required per Regulation
	Coordinates with Larger Project
x	Existing Capacity
	Cost Reduction
	Future Capacity

Project Description:

There are sections of the existing 21" storm drainage system that crosses underneath multiple structures. In the 10 year storm event, 7th, 8th and Center Streets flood. This project will upsize existing pipes and will realign portions of the pipe out into the public right-of-way.

Proposed Funding Sources:

This project is funded through the stormwater utility.



Stormwater Program Project Summary Sheet

N. Springbrook Road; 99W to Crestview

Criteria Met:

Fiscal Year	Costs
2021/2022	\$150,000
2022/2023	\$800,000
Project Total	\$950,000

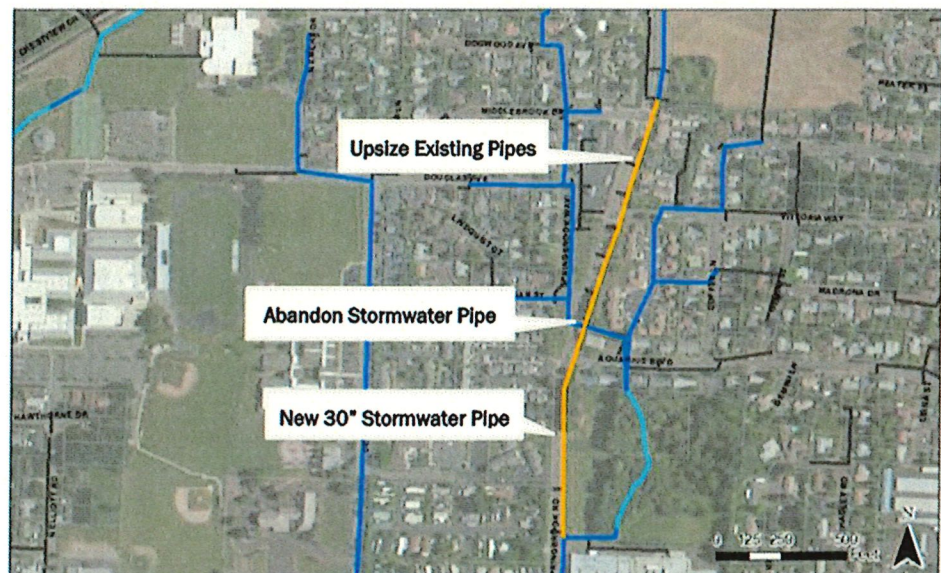
	Safety/Liability
	Council Goals
x	Maintenance
	Required per Regulation
x	Coordinates with Larger Project
x	Existing Capacity
	Cost Reduction
x	Future Capacity

Project Description:

There are existing flooding problems along Springbrook Road. This project will upsize all of the pipe to be 30" in diameter and will be constructed with the larger roadway project. See the N. Springbrook Road Improvement project description in Transportation for more information about that work.

Proposed Funding Sources:

This project is funded through the stormwater utility and stormwater SDCs. Approximately 10% of this project is attributed to growth.



Stormwater Program Project Summary Sheet

Stormwater Design Manual Update

Criteria Met:

Fiscal Year	Costs
2017/2018	\$20,000
Project Total	\$20,000

	Safety/Liability
	Council Goals
	Maintenance
	Required per Regulation
	Coordinates with Larger Project
	Existing Capacity
x	Cost Reduction
	Future Capacity

Project Description:

The existing stormwater design standards were adopted in 2014. As the program matures, it behooves the City to review the standards for any necessary updates or revisions. This project will hire a stormwater consultant to review our standards and suggest changes and updates.

Proposed Funding Sources:

This project is funded through the stormwater utility

Stormwater Program Project Summary Sheet

E. Columbia Drive

Criteria Met:

Fiscal Year	Costs
2021/2022	\$100,000
Project Total	--

	Safety/Liability
	Council Goals
x	Maintenance
	Required per Regulation
	Coordinates with Larger Project
x	Existing Capacity
x	Cost Reduction
x	Future Capacity

Project Description:

The storm drainage system in E. Columbia Drive is constrained by three 18" pipes. Most of the system in this area is 24" pipe. Overflow from manholes can be expected from a 10 year storm event in this location. This project will replace those sections of pipe with 24" pipe.

Proposed Funding Sources:

This project is funded through the stormwater utility and SDCs. This project is 15% growth related.



Stormwater Program Project Summary Sheet

N. Elliot

Criteria Met:

Fiscal Year	Costs
2019/2020	\$250,000
Project Total	\$250,000

x	Safety/Liability
	Council Goals
	Maintenance
	Required per Regulation
	Coordinates with Larger Project
x	Existing Capacity
	Cost Reduction
x	Future Capacity

Project Description:

There is no public storm drainage system in N. Elliot Road resulting in frequent ponding. This project would add 18" storm pipe to the system as a part of the larger roadway project. See the N. Elliot Road Improvement project description in Transportation for more information.

Proposed Funding Sources:

This project is funded through the stormwater utility and SDCs. This project is 5% attributable to future growth.



Stormwater Program Project Summary Sheet

TMDL Implementation Plan/Water Quality Improvements

Criteria Met:

Fiscal Year	Costs
2017/2018	\$50,000
2018/2019	\$50,000
2019/2020	\$50,000
Project Total	—

x	Safety/Liability
	Council Goals
x	Maintenance
x	Required per Regulation
	Coordinates with Larger Project
	Existing Capacity
x	Cost Reduction
	Future Capacity

Project Description:

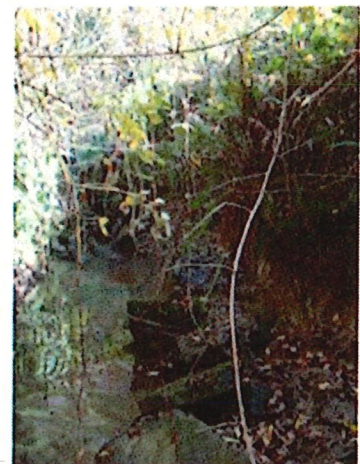
The City currently has an approved Total Maximum Daily Load (TMDL) Implementation Plan. Although a great portion of the plan has been implemented due to staffing and budgetary shortfalls, it is mostly a reactive program. These dollars will help move towards a more proactive program. Those elements might include additional GIS mapping efforts, maintenance activities, storm facility inspection and retrofit and possibly an education/enforcement program for private facilities.

Proposed Funding Sources:

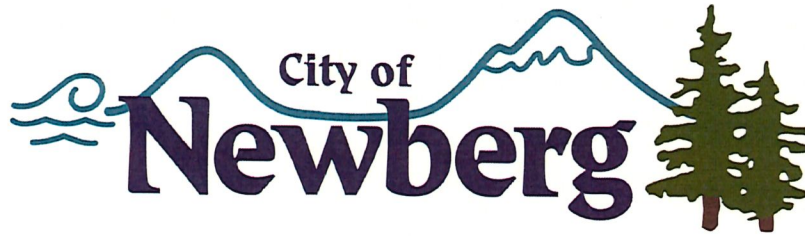
This project is funded through the stormwater utility.



Hess Creek (DS of Mountainview Drive)



West Bank Chehalis Creek
Streambank Erosion



Stormwater Rates

Citizen's Rate Review Committee Meeting

October 22, 2015

Agenda

- Background
 - Stormwater rates
 - Rate-setting process
- System Revenues and Requirements
- Preliminary Results
 - Rates
 - Bills

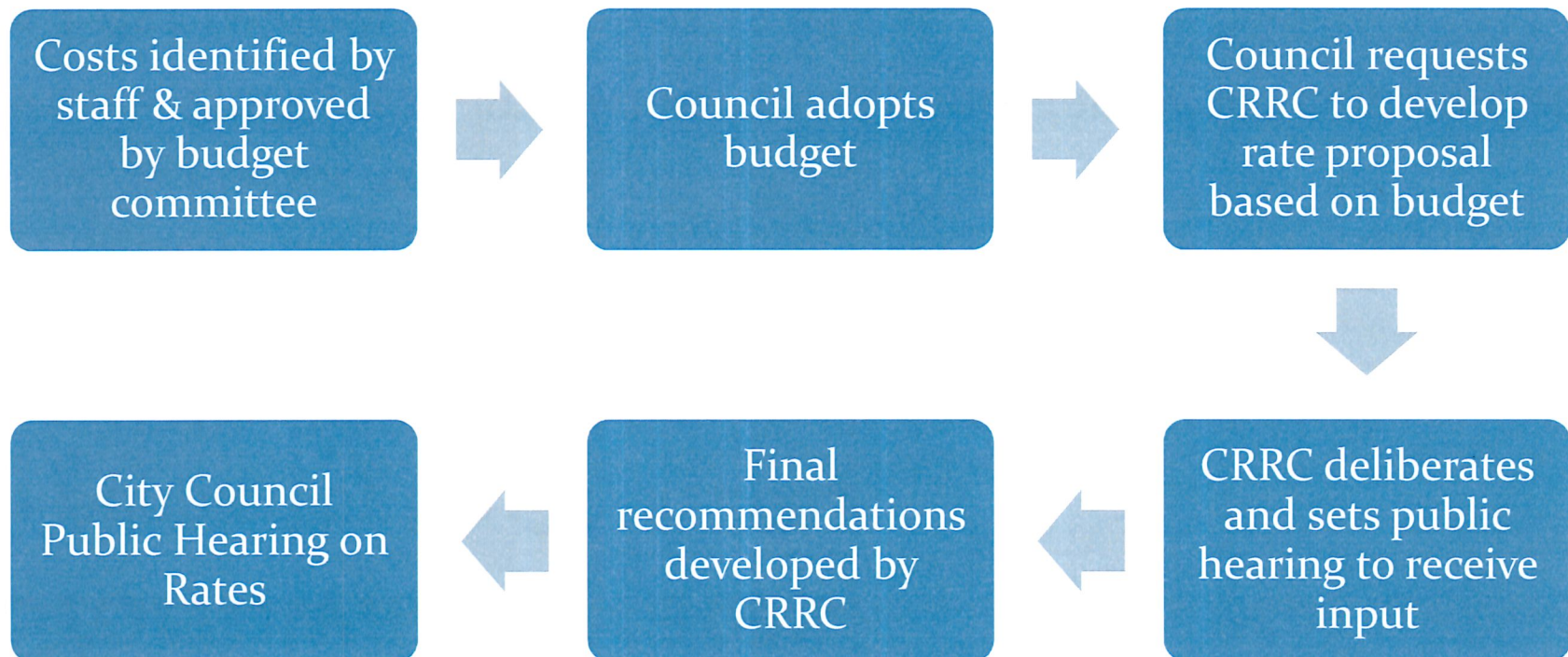
Stormwater Rates

- Adopted by the City in 2003
 - Initial rate = \$4.13 per Equivalent Dwelling Unit (generate approx. \$0.5 million)
 - EDU Definition
 - Flat for residential
 - 2,877 sq. ft. impervious area for multifamily and commercial
- Last review completed in 2014
 - 9% annual rate increases
 - Rates implemented
 - January 1, 2015 - \$7.96
 - January 1, 2016 - \$8.67

Citizen Rate Review Committee Process

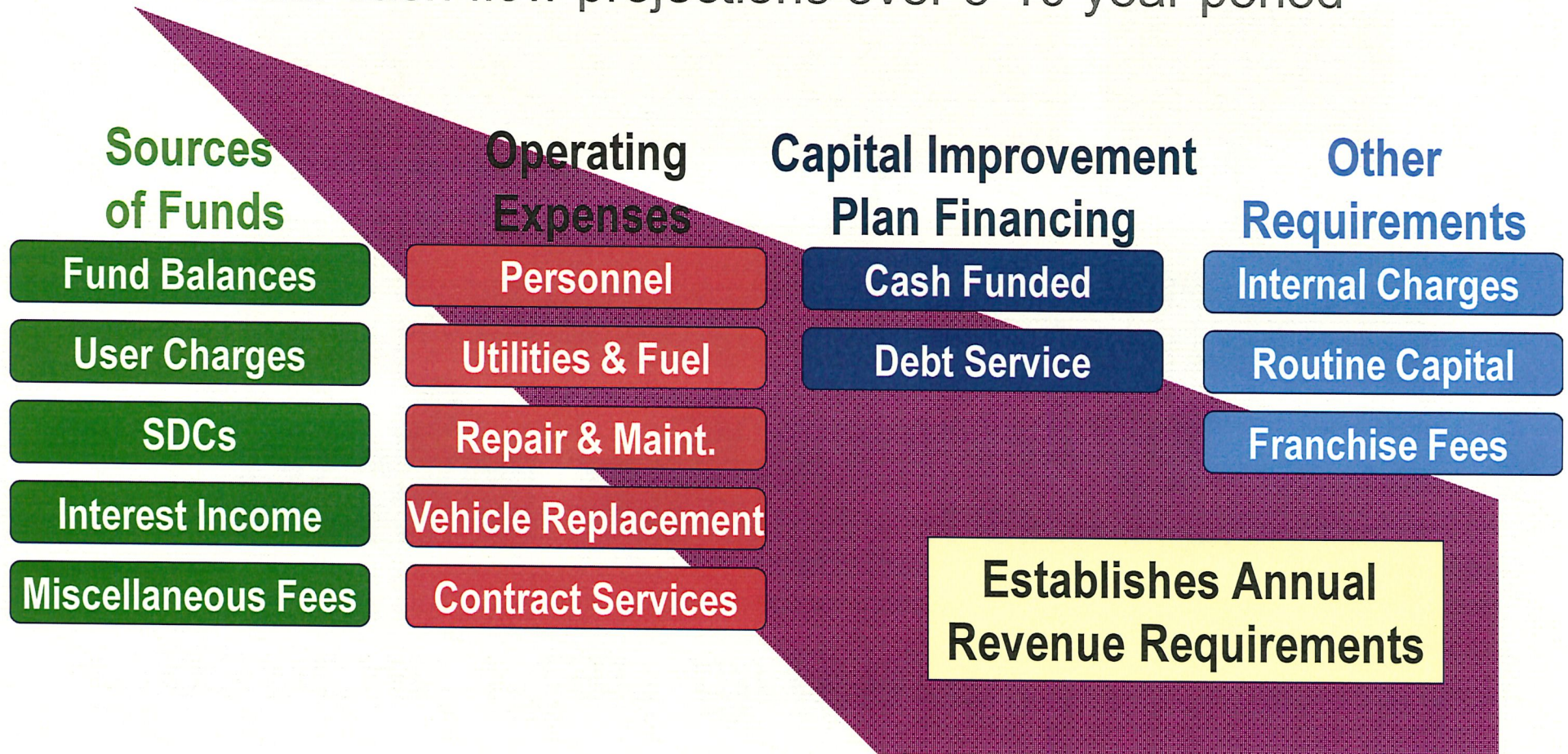
2.15.200 Authority.

B. Fees shall be imposed upon all users of the stormwater system, both in and outside the city, and shall be just and equitable charges for service, maintenance, operation, debt service, and reconstruction of the stormwater system.

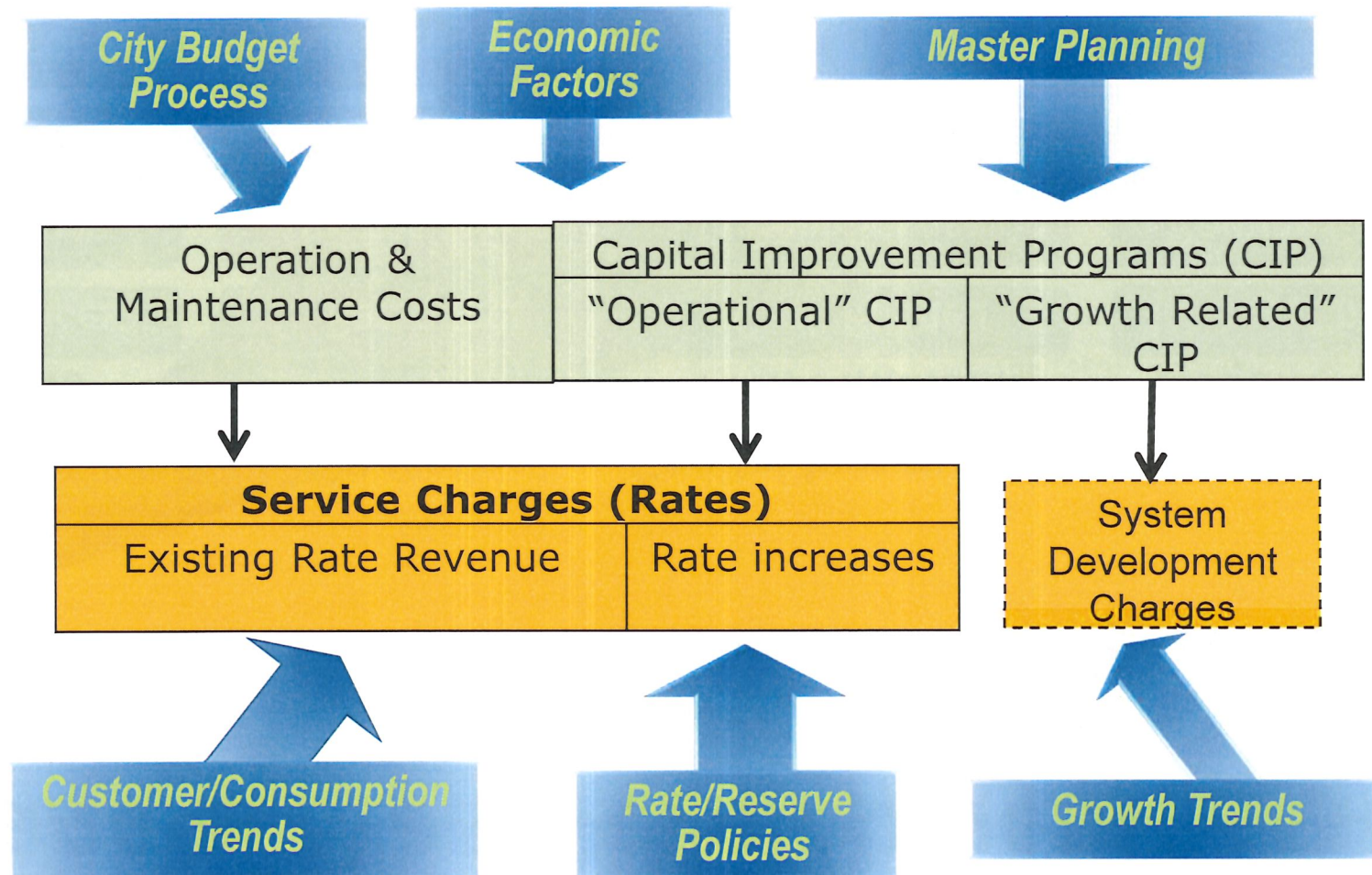


Financial Plan Development

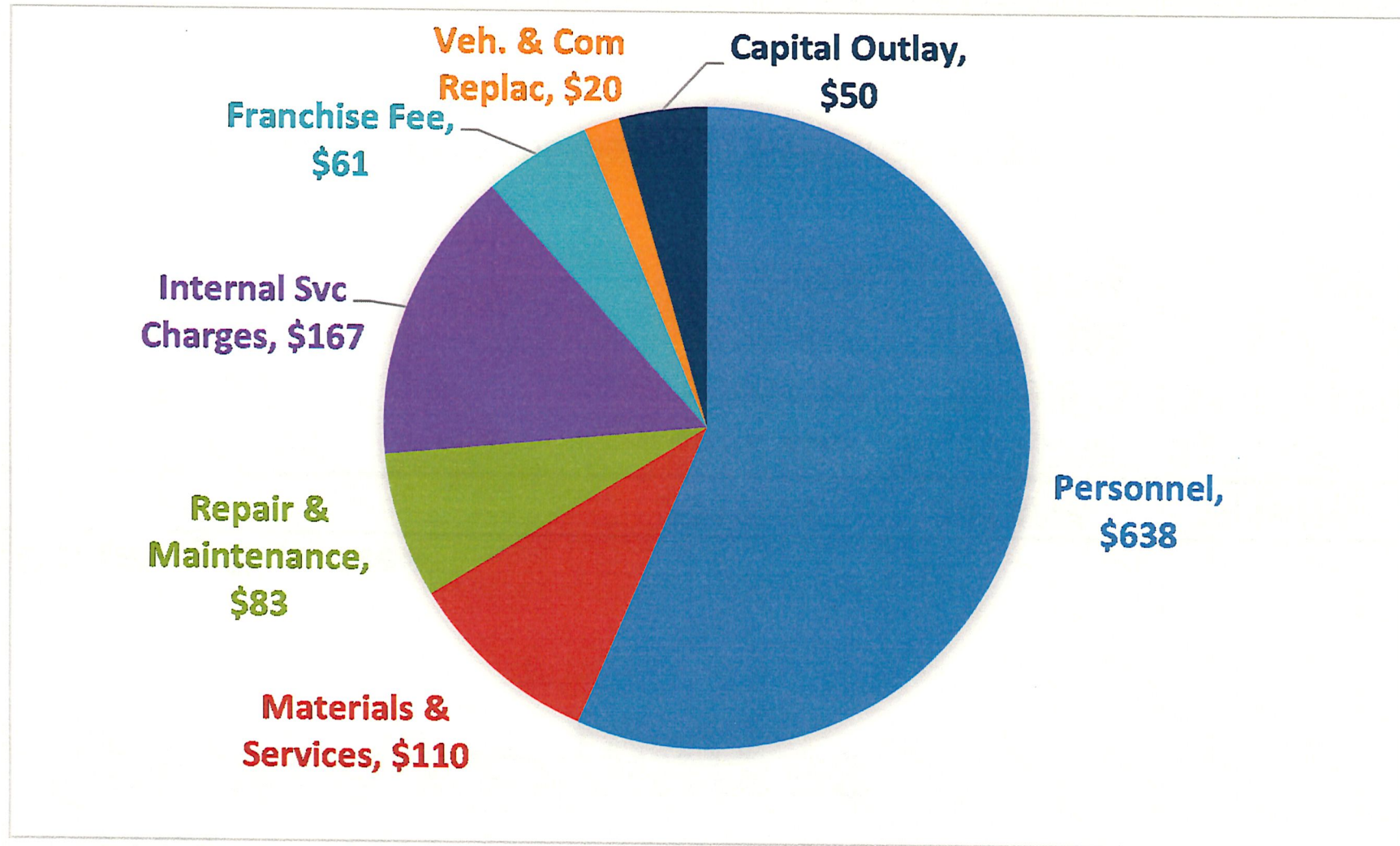
- Annual cash flow projections over 5-10 year period



Financial Plan Drivers



FY2016 Budgeted* Stormwater Operating Costs (\$1.1 million)



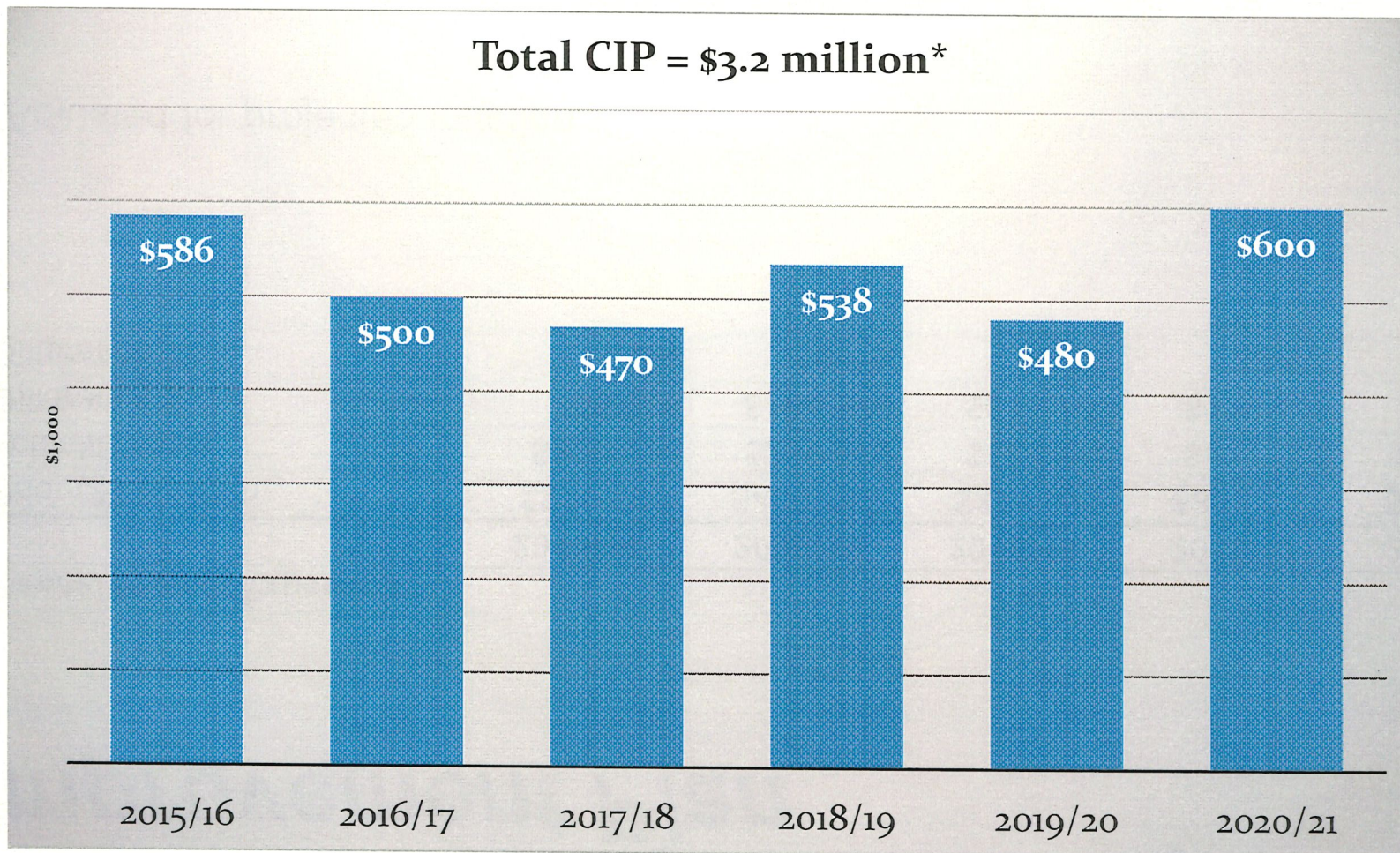
*Adjusted for more current information on Franchise Fees and Capital Outlay

Prior Plan Comparison: Operating Expenses

Operating Expenses			
	2013/14	2014/15	2015/16
Prior (2014) Plan	\$892,203	\$1,021,206	\$1,064,681
Actual/Budget	\$865,398	\$859,873	\$1,112,679
Difference \$	-\$26,805	-\$161,332	\$47,998
Difference %	-3.0%	-15.8%	4.5%

*2015/16 expenses adjusted based on 98% expenditure rate

Projected Stormwater Capital Improvement Plan (CIP)



*2015\$ (not adjusted for inflation)

Prior Plan Comparison: Capital Improvement Plan

Capital Project Expenses					
	2013/14	2014/15	2015/16	2016/17	2017/18
Prior (2014) Plan	\$220,000	\$403,650	\$374,929	\$388,051	\$459,009
Actual/Budget	\$228,026	\$239,272	\$585,636	\$517,500	\$503,478
Difference \$	\$8,026	-\$164,378	\$210,707	\$129,449	\$44,469
Difference %	3.6%	-40.7%	56.2%	33.4%	9.7%

*Adjusted for projected inflation

Prior Plan Comparison: Revenue

Stormwater Sales Revenue			
	2013/14	2014/15	2015/16
Prior (2014) Plan	\$983,499	\$1,107,628	\$1,210,096
Actual/Budget	\$1,052,959	\$1,124,095	\$1,223,447
Difference \$	\$69,460	\$16,467	\$13,350
Difference %	7.1%	1.5%	1.1%

*2015/16 revenue projection higher than adopted budgeted based on actual FY2014/15 revenues

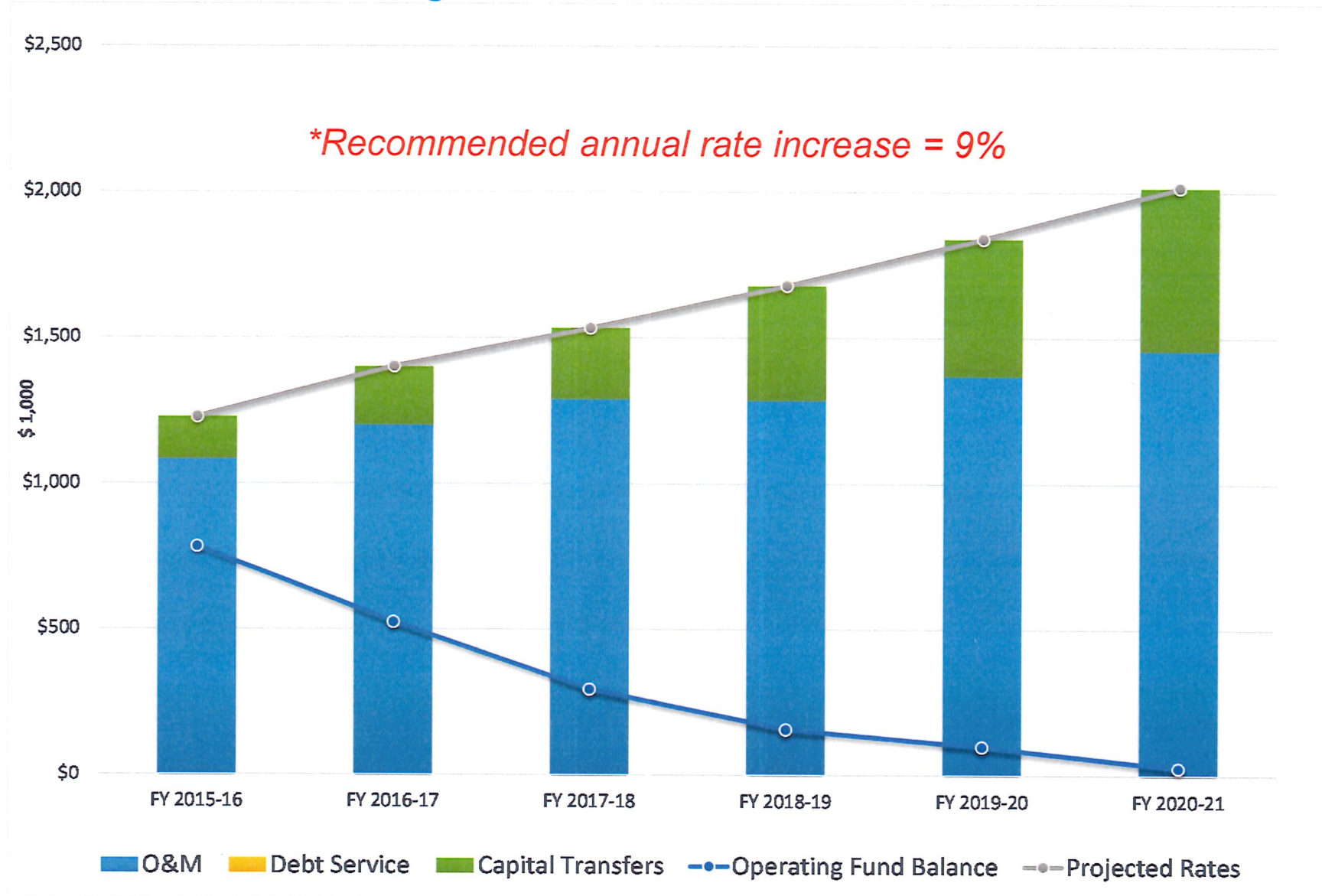
Capital Funding (Total)

Capital Funding Sources	Total
Existing Reserves	\$684,702
Rates	\$2,551,636
SDCs	\$229,636
Total Sources	\$3,465,974
Inflation-Adjusted CIP	\$3,465,974
Ending Reserves	\$0
Total Uses	\$3,465,974

Key Financial Plan Assumptions

- Customer growth average 0.5% annually
- Operating cost escalation
 - Personnel = 4%
 - No additional staff within planning window
 - Materials & Services = 3%
- Percent of budget spent = 98%
- No debt funding

Stormwater System Revenue Increases



Stormwater Bill Impacts

Item	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<i>Projected Rate Increase</i>		9.00%	9.00%	9.00%	9.00%	9.00%
<i>Typical Residential Bill</i>	\$8.67	\$9.45	\$10.30	\$11.23	\$12.24	\$13.34
<i>Bill Change</i>		\$0.78	\$0.85	\$0.93	\$1.01	\$1.10

Discussion

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, MARCH 1, 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
Jay Harris, Public Works Director

Others Present: Deb Galardi, Galardi Consulting LLC

III. INTRODUCTIONS

The Citizens Rate Review Committee and staff introduced themselves.

IV. PRESENTATION BY STAFF & CONSULTANT

Deb Galardi, Galardi Consulting LLC, gave an overview of the rate setting process including the development of the financial plan, cost of service analysis, and rate design. The financial plan development was a projection of the annual cash flow over 5-10 year periods. The financial plan drivers were the City budget process, economic factors, master planning, regulatory requirements, repair and replacements, customer/consumption trends, financial policies, and growth trends/legal limitations. She explained the current rate pressures which required rate increases including steady consumption and customer growth, future debt refinancing, existing reserves, replacement of aging infrastructure, large debt burden, and system reliability upgrades. She then reviewed the Capital Improvement Plans and key projects for water, wastewater, and stormwater. The recommended annual rate revenue increase for water was 4%, for wastewater was 3.5%, and for stormwater was 9%. No increase was recommended to the transportation fee. She explained the financial forecasts for water, wastewater, stormwater, and transportation and how the rate increases would affect reserves. She gave an example of a typical residential bill for all systems with the proposed rate increases. The overall increase for 2019 would be \$5.14 or 3.9% and for 2020 would be \$5.46 or 4.0%. She then discussed the residential utility bill comparison with other cities. The factors impacting the bill comparison were: regional systems vs. single systems, Infiltration and Inflow investment, debt burden, City policies (e.g. franchise fees), and public vs. private.

V. ADMINISTRATIVE PUBLIC HEARING

Chair Rogers opened the public hearing.

There was no public testimony.

Chair Rogers closed the public hearing.

VI. COMMITTEE DISCUSSION

Chair Rogers said there was a March 15 CRRC meeting scheduled for final deliberations. The Committee could deliberate now and not meet on March 15.

MOTION: Grider/Rourke moved to deliberate tonight and cancel the March 15 meeting. The motion carried (6 Yes/ 0 No).

MOTION: Rourke/Grider moved to recommend a 3.5% rate increase for wastewater, 4% rate increase for water, and 9% rate increase for stormwater and no rate increase for the Transportation Utility Fee to the City Council. The motion passed (5 Yes/ 1 No [Morace]).

VII. NEXT STEPS IN PROCESS

The City Council public hearing on these rates would be held on April 2, 2018.

VIII. ADJOURNMENT

The meeting adjourned at 7:06 PM.

Approved by the Citizen's Rate Review Committee on this 11th day of July, 2018.


Citizens' Rate Review Committee Recording Secretary


Citizens' Rate Review Committee Chair

**CITY OF NEWBERG
CITIZENS' RATE REVIEW COMMITTEE
THURSDAY, FEBRUAR 15, 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	Adam Lundstrom	Marilynn Van Grunsven
	Bill Rourke	Sarah Grider	Holly Bradford
	Nick Morace	Mayor Bob Andrews, ex-officio	

Staff Present: Joe Hannan, City Manager
Matt Zook, Finance Director
Jay Harris, Public Works Director

Others Present: Deb Galardi, Galardi Consulting LLC

III. CONSENT AGENDA

1. Approve minutes from the January 25, 2018 meeting

MOTION: Van Grunsven/Rourke moved to approve the consent agenda. The motion carried (7 Yes/0 No).

IV. PUBLIC COMMENTS

None.

V. COMMITTEE BUSINESS

1. Internal Franchise Fee Rate Increase Discussion

City Manager Hannan said there were two challenges to the City's budget, the communications upgrade for the Police and Fire Departments and the overall budget shortfall in the General Fund of \$1.3 million. The communications upgrade would include switching the radio signals from analog to digital and installing a new antenna. One of his tasks was figuring out how to pay for the upgrade, and he came up with three strategies. The first was to look at assets to sell, and he proposed selling the Butler property and animal shelter property. The second was selling some equipment to TVF&R. With the TVF&R vote, there was also a vote not to leverage the \$1.88 in property taxes that was going to the Fire Department and not to raise the property tax for a year. The earliest they could ask voters to fund police operations was in 2019. The amount of property tax that they would be able to collect next year, taking out the \$1.88, was \$4.3 million and the Police Department budget was \$7.2 million. He was proposing to ask the voters to approve a local option levy in 2019. He also recommended an increase of the franchise fee rate for water, storm, and sewer as property taxes were not applied to every property in the City because

they were tax exempt. Part of the strategy was spreading the financial burden to everyone and to help close the shortage gap. The increase would match the franchise fees of the other utilities and a cap could be recommended as well. They would also be looking at program, employee, and salary/benefit cuts and would look at increasing the Public Safety Fee.

There was discussion regarding the General Fund and the departments that were funded by the General Fund.

CM Hannan explained the increase in the franchise fees would bring in an extra \$300,000 per year. People's property taxes would not go down, because even though the City was not collecting \$1.88, TVF&R would be collecting \$2.02. Water and sewer bills might be increased with the franchise fee increase. Two years from now there might be a property tax increase if the proposed levy was approved in 2019.

Chair Rogers questioned why there was a franchise fee for water, storm, and sewer in the first place. This was a police/fire issue, not a water/sewer issue.

CM Hannan said the logic was that they had to take care of the overall city and the Council was responsible for looking at wherever they were able to achieve revenue to meet their goals. The utilities used the rights-of-way and there was a fee associated with that and the funds could be used to pay for things like police.

Committee Member Grider said the CRRC was tasked with setting the water, wastewater, and stormwater rates. All of these other fees that were seemingly unrelated were tacked onto the water bill and the bill was increasing. It felt manipulative and misleading for the City to ask the CRRC to raise rates for things that the CRRC did not know they were taking on.

CM Hannan said there had been discussion regarding splitting out the municipal services statement so there was a separate bill for water/sewer/storm and a separate one for the communications/police department. That could be a recommendation, however there was an extra cost to sending out another bill.

Committee Member Grider thought it should be a separate committee to review the municipal funds instead of tacking it on to the CRRC tasks.

CM Hannan said that was a Budget Committee task. What the CRRC recommended would go to the Budget Committee.

Chair Rogers had heard concern that the communications upgrade was not a good deal for the City. The CRRC's charge was to look at the rates through the models for operating, debt service, and capital improvements. They had been looking at a 3.5% increase, but this would make it effectively 5.5%. He could not justify that without cutting some capital improvement projects and that would continue to kick the can down the road.

Committee Member Lundstrom was not sure if the CRRC should be addressing this issue. To add the franchise fee increase on top of what they had been discussing made him uncomfortable.

Committee Member Bradford agreed that the CRRC was there to discuss water, sewer, and stormwater rates and this was outside their mandate. She was uncomfortable about adding a fee to a bill that was already creeping up way too high. People were not pleased with the rates, and would be even more displeased to see a franchise fee increase on their bills.

Committee Member Morace thought the City should stop spending money it did not have. This proposal did not have anything to do with what the CRRC was here for.

Committee Member Rourke said they needed City services and they should be willing to pay for them. He did not know if people were convinced there needed to be a communications upgrade. He thought anything higher than the 3.5% to 4% was a hard sell.

Committee Member Van Grunsven said people were having a hard time making their budgets work. She thought there should be a special election to see if there was support for the communications upgrade.

Chair Rogers asked what was the increase in percentage that required additional review. Finance Director Zook said it was the CPI plus 3%. The CPI for 2017 was 4.2%. He did not anticipate any of the rates would require that review.

2. Committee Discussion and Decision on Proposed Rates for Town Hall/Public Hearing

Deb Galardi, Galardi Consulting LLC, gave a system recap. She began with the water system and discussed the updated Capital Improvement Plan, current structure and updated rates for the fixed charge and volume charge, financial forecast, and sample bills. There were significant capital improvements identified in the short-term in the recently completed Water Master Plan, the updated rate structure reflected an increased fixed revenue share of 30% from 26%, and the rate increase scenarios were 3.5% which was the minimum needed to fund capital, 4.0% which was needed to meet the \$1 million reserve to almost reach the "low" target, and 4.75% which would meet medium level reserve targets. She then reviewed the wastewater system including the Capital Improvement Plan, current and updated rates, financial forecast, and sample bills. The Capital Improvement Plan was consistent with the prior study, the updated rate structure reflected an increased fixed revenue share of 35% from 30%, and the rate increase proposed was 3.5% to fund capital and to meet the medium level reserve targets. The stormwater system discussion included the Capital Improvement Plan, projected rates/bills, and financial forecast. The Capital Improvement Plan was consistent with the prior study, rate increases were needed to continue building rate capacity for capital improvements, and the rate increase proposed was 9% which was needed to fund capital and it almost achieved low level reserve targets. She explained the transportation capital improvement plan and financial forecast for streets. The Transportation Utility Fee was implemented in September 2017. Current rates supplemented with gas taxes were sufficient to meet the identified pavement projects and no TUF increase was recommended. Additional funding sources were needed in the future to fully address pavement needs. She then displayed a typical residential bill for all systems with the increase of water and sewer at 3.5% and storm at 9%. This would mean an increase of about \$5 per month on the bills. She also displayed a bill with the increase of 4% for water, 3.5% for sewer, and 9% for storm, which was about a \$0.30 increase from the bill she just displayed. She then discussed the reserves for all systems. The reserve was based on an operating contingency of 60 days, which was a moderate reserve level, and was based on one year of debt service. For wastewater at the 3.5%, the reserve stayed between low and medium, storm was on the low end but almost got to the minimum, and water at 3.5% did not meet the low threshold and at 4% it was closer to getting to the low threshold. She then discussed a reserve scenario if the franchise fee was increased and there was no rate adjustment made. That scenario showed water would be in the negative, there would still be some reserve in wastewater, and storm got quite low. She discussed another reserve scenario with the franchise fee increase and water at 4% to 5% which helped regain some of what was lost.

Chair Rogers asked the Committee what they recommended for the water rate, 3.5% or 4%.

Except for Committee Member Morace, the Committee was in favor of the 4% due to the reserve levels and stability.

Chair Rogers recommended if the City Council decided to increase the franchise fee that it would come from capital improvement projects and was not passed on to the rate payers.

MOTION: Rourke/Lundstrom moved to recommend a 3.5% wastewater rate increase, 9% stormwater rate increase, and 4% water rate increase for the town hall/public hearing. The motion passed (6 Yes/1 No [Morace]).

3. Review of Town Hall/Public Hearing Format

Chair Rogers said the Town Hall/Public Hearing meeting would be held on March 1.

FD Zook answered some questions that had been asked at previous meetings. It was requested that the total bill include the other fees as well, and this was included in Ms. Galardi's presentation. It was also requested that the comparisons with other communities that had been done for water, sewer, and storm also be done for the TUF and Public Safety Fee. Staff had provided that information tonight. It was also questioned why Newberg's rates were like Lake Oswego's.

Ms. Galardi said it was driven primarily by the wastewater rates. Most other communities were served by regional wastewater utility systems and there were economies of scale with regional systems. When the service was spread over a lot of people in fast growing communities, it tended to bring down the average rate for all. There was also the investment in reducing Infiltration and Inflow, some cities did not collect franchise fees, and debt played a factor as well. She thought as some debt was paid off, Newberg would be able to take a lower position. Some communities had other sources of revenue that helped off-set the rates.

There was consensus that this information would make a difference in public opinion and understanding and the Committee wanted it shared concisely at the town hall/public hearing meeting.

Ms. Galardi suggested instead of a comparison by population, there should be a comparison of ownership models.

FD Zook said there was a new Communications Specialist position at the City whose sole purpose was to get information out to the public so the messaging was consistent and broad. He thought this information could also be forwarded to her as well. He explained the major debt components of the wastewater program and how they had been refinanced to lower the rates. He got an offer last week to lower the interest rate again without any cost of issuance. The loan for the effluent reuse debt that was attached to the non-potable rate was also being looked at for refinancing. These would provide some savings as well.

Committee Member Lundstrom would like to see the debt service payoff schedules.

Committee Member Morace said people questioned why the City had so much debt, and he thought that information should be shared more thoroughly.

Public Works Director Harris explained the City's policy of not taking on anymore debt in the future, which was reflected in the City's master plans.

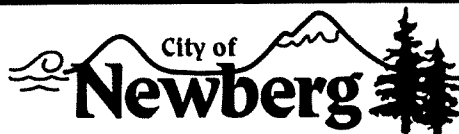
VI. ADJOURNMENT

The meeting adjourned at 8:15 PM.

Approved by the Citizen's Rate Review Committee on this 11th day of July, 2018.


Citizens' Rate Review Committee Recording Secretary


Citizens' Rate Review Committee Chair

Meeting Date: 7-11-18**PUBLIC COMMENT/TESTIMONY SIGN-UP**

Thank you for attending this public meeting – we value and appreciate your input. Please fill out this form so that we may better serve you and record your participation.

INSTRUCTIONS:

1. Complete all of the information on this form and present it to the recorder prior to the start of the call of agenda item.
2. If you wish to testify on multiple agenda items, please fill out a separate form for each item.
3. Tips and guidelines for submitting oral/written comments are provided on the "How To Testify" brochure.
4. Please state your name prior to speaking (you do not need to state your address).

PUBLIC COMMENT:

If you wish to comment on an item that is **NOT** specifically on the meeting agenda: Please check the box ☐ and indicate the subject you wish to speak about:

Subject: _____

PUBLIC TESTIMONY:

If you wish to testify/comment on an item that is **specifically** listed on the meeting agenda: Please identify the subject you wish to speak about by completing the following:

☐ Ordinance No. _____ ☐ Order No. _____ ☐ Subject: _____
☐ Resolution No. _____ ☐ Agenda Item No. _____

If this is a **PUBLIC HEARING**, please check one of the following:

☐ PROPONENT (For) ☐ OPPONENT (Against)
☐ WRITTEN COMMENT ☒ UNDECIDED
(Attach written comments on separate sheet of paper)

Note: There are time limits for oral comments and testimony.

By filling out this form, you may be entitled to written notification of any decision.

Please PRINT legibly:

Name Johanna German Phone Number _____
(required) (optional)
Representing (if speaking on behalf of a third party) Newberg Church of Christ
(optional)
Mailing Address (including Zip Code) _____
(optional)

Email Address _____
(optional)

☐ Please do not release my contact information in a public records request



Meeting Date: July 11, 2018

PUBLIC COMMENT/TESTIMONY SIGN-UP

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☐ WRITTEN COMMENT ☐ UNDECIDED
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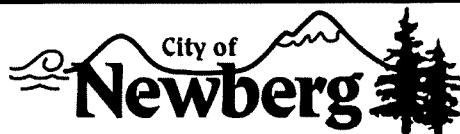
Note: There are time limits for oral comments and testimony.

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Please PRINT legibly:

Name Leslie Murray Phone Number 5035385340
(required) (optional)
Representing (if speaking on behalf of a third party) North Valley Friends Church
(optional)
Mailing Address (including Zip Code) 4020 N. College
(optional)
Newberg, OR 97132
Email Address Leshodg@gmail.com
(optional)

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Meeting Date: 6-11-18**PUBLIC COMMENT/TESTIMONY SIGN-UP**

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☐ Ordinance No. _____
☐ Resolution No. _____

☐ Order No. _____
☐ Agenda Item No. _____

☒ Subject: Utility Assistance Program

If this is a **PUBLIC HEARING**, please check one of the following:

☐ PROPONENT (For) ☐ OPPONENT (Against)
☐ WRITTEN COMMENT ☐ UNDECIDED

(Attach written comments on separate sheet of paper)

Note: There are time limits for oral comments and testimony.

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Please PRINT legibly:

Name Mandy Garof Phone Number 971-237-6247
(required) (optional)

Representing (if speaking on behalf of a third party) YCAP
(optional)

Mailing Address (including Zip Code) 1317 NE Dustin Ct
(optional)

McMinnville, OR 97128

Email Address mandygarof@yamhillcap.org
(optional)

☐ Please do not release my contact information in a public records request



Meeting Date: _____

PUBLIC COMMENT/TESTIMONY SIGN-UP

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☐ Ordinance No. _____
☐ Resolution No. _____

☐ Order No. _____
☐ Agenda Item No. _____

☒ Subject: water grant

If this is a **PUBLIC HEARING**, please check one of the following:

☐ PROPONENT (For)
☐ WRITTEN COMMENT

☐ OPPONENT (Against)
☐ UNDECIDED

(Attach written comments on separate sheet of paper)

Note: There are time limits for oral comments and testimony.

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Please PRINT legibly:

Name Karen Henry Phone Number 503-537-3999
(required) (optional)

Representing (if speaking on behalf of a third party) Love INC

Mailing Address (including Zip Code) 120 S. Elliott Rd.
Newberg, OR 97132
(optional)

Email Address Karen@loveincnewberg.org
(optional)

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