

**Central Point
City Hall
541-664-3321**

City Council

Mayor
Hank Williams

Ward I
Bruce Dinger

Ward II
Michael Quilty

Ward III
Brandon Thueson

Ward IV
Allen Broderick

At Large
Rick Samuelson
Tanea Browning

Administration
Chris Clayton, City
Manager
Deanna Casey, City
Recorder

**Community
Development**
Tom Humphrey,
Director

Finance
Bev Adams, Director

Human Resources
Barb Robson, Director

**Parks and Public
Works**
Matt Samitore,
Director
Jennifer Boardman,
Manager

Police
Kris Allison Chief

**CITY OF CENTRAL POINT
City Council Meeting Agenda
September 10, 2015**

Next Res. 1434
Next Ord. 2015

- I. REGULAR MEETING CALLED TO ORDER – 7:00 P.M.**
- II. PLEDGE OF ALLEGIANCE**
- III. ROLL CALL**
- IV. PUBLIC APPEARANCES – *Comments will be limited to 3 minutes per individual or 5 minutes if representing a group or organization.***
- V. SPECIAL PRESENTATION**
Swearing in New Officers
- VI. CONSENT AGENDA**

Page 2 - 8 A. Approval of August 27, 2015 Council Minutes

VII. ITEMS REMOVED FROM CONSENT AGENDA

VIII. PUBLIC HEARING, ORDINANCES, AND RESOLUTIONS

- 10 - 15 A. Ordinance No. _____, An Ordinance Amending Title 6 Animals to Allow Beekeeping within the City Limits (Humphrey)
- 16 - 17 B. Ordinance No. _____, An Ordinance Amending Section 8.04.090 to Allow Beekeeping within the City Limits (Humphrey)
- 19 - 29 C. First Reading – An Ordinance Amending the Transportation System Plan (TSP) of the Central Point Comprehensive Plan to Incorporate by Reference the Interchange Area Management Plans (IAMPS) for I-5 Exits 33 and 35 (Humphrey)

IX. BUSINESS

31 - 32 A. Planning Commission Report (Humphrey)

34 - 63 B. Medford Water Commission Briefing (Clayton)

65 - 70 C. Involuntary Annexation Discussion (Clayton/Dreyer)

X. MAYOR'S REPORT

XI. CITY MANAGER'S REPORT

XII. COUNCIL REPORTS

XIII. DEPARTMENT REPORTS

XIV. EXECUTIVE SESSION

The City Council may adjourn to executive session under the provisions of ORS 192.660. Under the provisions of the Oregon Public Meetings Law, the proceedings of an executive session are not for publication or broadcast.

XV. ADJOURNMENT

Consent Agenda

**CITY OF CENTRAL POINT
City Council Meeting Minutes
August 27, 2015**

I. REGULAR MEETING CALLED TO ORDER

Mayor Williams called the meeting to order at 7:00 p.m.

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL: Mayor: Hank Williams
Council Members: Bruce Dingler, Brandon Thueson, Tanea Browning, Rick Samuelson, and Mike Quilty were present. Allen Broderick was excused.

City Manager Chris Clayton; City Attorney Dan O'Conner; Police Chief Kris Allison; Community Development Director Tom Humphrey; Finance Director Bev Adams; Parks and Public Works Director Matt Samitore; Community Planner Stephanie Holtey; and City Recorder Deanna Casey were also present.

IV. PUBLIC APPEARANCES - None

V. CONSENT AGENDA

A. Approval of August 13, 2015 City Council Minutes

Mike Quilty moved to approve the Consent Agenda as presented. Rick Samuelson seconded. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

VI. ITEMS REMOVED FROM CONSENT AGENDA - None

VII. BUSINESS

A. Fourth of July Fun Run Accounting Donation Presentation

City Manager Chris Clayton explained the fund raiser for the Crater Comet Club. The Parks and Recreation Department and Anytime Fitness held the 5th Annual Run 4 Freedom and Kids Fun Run on July 4, 2015. The Run was very successful in spite of the high temperatures. There were many positive comments from the public. There were 116 participants for the Kids Fun Run and 139 for the Run 4 Freedom. The Run did not make as much money as anticipated this year, the total donation to the Comet Club is \$1,108.19.

Mayor Williams and Mr. Clayton presented a check to representatives from the Comet Club. Recommendations for next year are to add more volunteers and use fewer staff, provide shirts to the adults as an option, change race route to be

within the Parade route to cut down on the number of streets closed. Staff will continue to look for ways to save the City money while providing a fun experience for participants.

B. Rogue Disposal Rate Adjustment for Green Waste

Mr. Clayton explained the Franchise Agreement between the City and Rogue Disposal allows for special rate review under section 7.3. The agreement states that any proposed rate adjustment must be reviewed by the City to ensure accuracy and that all the provisions of the franchise agreement are met. The City Council must also authorize any rate adjustment considered under this section of the solid waste franchise agreement.

Garry Penning, Rogue Disposal Director of Governmental Affairs & Marketing. Mr. Penning reviewed the details of the recycle and green waste programs. He explained that the rates for the green waste program have not been raised since the pilot program began in 1999. Rogue Disposal is asking for a \$2.00 increase effective January 1, 2016. They are attempting to even out the revenue so that they don't have to come back to Council with a huge rate increase request in the near future.

There was discussion regarding the leaf pick up issue for the City of Medford. The Central Point program is different and they do not expect any changes to the program at this time.

Mike Quilty made a motion to authorize the rate adjustment for the Rogue Disposal Green Waste Program in Central Point. Tanea Browning seconded. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

C. Sixth Street Pedestrian Crossing

Parks and Public Works Director Matt Samitore explained that the City Council asked staff to move up the construction of the pedestrian crossing at the intersection of 6th and E. Pine Street between the Malot Building and the US Post office.

The Design was completed by RH2 Engineering and Southern Oregon transportation. It uses the concept in the East Pine Street Refinement plan which was adopted by the City Council in 2013. The best fit for this section of street is based on the revised four lane layout with a flashing beacon similar to Highway 99 at the Creamery and at Don Jones Memorial Park. In order to use this type of beacon the plan includes bulb outs.

The Community Development Commission is planning on having the design for East Pine Street completed during the winter of 2016, if revenues meet estimated values. The construction could begin in 2017.

In order for the crossing beacon to match what has been approved for E. Pine Street it will need the bulb outs with the four lanes. The bulb outs will help Pedestrians get across the four lanes before the beacon stops flashing.

If Council decides not to allow the bulb outs at this intersection we would need to go with another light system which would include an island in the middle of E. Pine Street. This option would be at a higher cost for the City and we would need to change the design that was approved in 2013. The Council would like to review the approved refinement plan at a Study Session before approving the crossing recommendation.

Rick Samuelson moved to bring this item back after the Council has had time to review the E. Pine Street Refinement Plan. Mike Quilty seconded. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

D. End of Year Financial Statement

Finance Director Bev Adams presented the Year End Financial Statement for 2014/2015 fiscal year. She explained the modified accrual schedule; capital projects; fixed assets; maintenance projects and why they are budgeted differently. Revenues came in very strong this year. Property taxes were also at a good level because of the raise in the market value last year. Most of the fund carry overs are better than expected. Freeman Road did not get completed before the end of the year. The remainder of that project will be in this year financials.

VIII. PUBLIC HEARINGS, ORDINANCES AND RESOLUTIONS

A. First Reading – An Ordinance Amending Title 6 Animals to allow Beekeeping within the City Limits

Community Planner Stephanie Holtey presented an Ordinance Amending Title 6 of the Central Point Municipal Code. Title 6 specifically deals with animals that are allowed or prohibited within the city limits. The proposed amendment will add Chapter 6.05 Beekeeping and establish regulatory provisions. The proposed amendments have hive registration, the number of hives permitted, and equipment and maintenance provisions. The proposed language is similar to the City of Medford and Ashland. The amendment to Section 6.06.020 would provide an exemption for beekeeping activities established and operated in accordance with the provisions of Chapter 6.05.

There was discussion regarding the recommendation to review cities mentioned at the August 13th meeting. Mr. Clayton stated that most of the cities use a nuisance ordinance to take care of any issues in regards to Beekeeping. Mrs. Holtey stated that she did inquire about any nuisance reports and there were no major issues on record. The recommended ordinance requires beekeepers to register the hives with the city. There are several ways to track the hives on a

GIS map. The City of Ashland tracks their hives on a map, the City of Medford has a file with the registration forms and refers to them when necessary.

Rick Samuelson moved to second reading An Ordinance Amending Title 6 Animals to allow Beekeeping within the City Limits. Brandon Thueson seconded. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

B. First Reading – An Ordinance Amending Section 8.04.090 to Allow Beekeeping within the City Limits

Mrs. Holtey explained that Section 8.04.090 currently declares beekeeping as a public nuisance. The proposed amendment would eliminate the public nuisance declaration when permitted in accordance with the beekeeping requirements in Section 6.05.020.

There was discussion that the Community Service Officer would be the enforcer of any reported issues with beekeeping. The fine would be in alignment with the general code violation section.

Tanea Browning moved to second reading An Ordinance Amending Section 8.04.090 to Allow Beekeeping within the City Limits. Mike Quilty seconded. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

C. Resolution No. 1433, A Resolution to Request Jurisdictional Exchange of Portions of East Pine Street and Beebe Road

Mr. Samitore explained that in preparation of the right turn lane on Beebe Road it came to our attention that the City does not currently have jurisdiction of this road. We are requesting jurisdiction of one block. We do not want to ask for jurisdiction of the entire road because they have just chip sealed it. We will work on jurisdiction as improvements are needed for new construction.

It has also come to our attention that we do not have jurisdiction over a small section of E. Pine Street between 10th Street and the I-5 on and off ramps. The city has been maintaining this section for a few years now because it is susceptible to pot holes in the winter. We do have plans for future improvements and it is necessary for us to take jurisdiction in order to plan those improvements.

Bruce Dingler moved to approve Resolution No. 1433, A Resolution to Request Jurisdictional Exchange of Portions of East Pine Street and Beebe Road. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

D. Ordinance No. 2014, An Ordinance Amending Central Point Municipal Code Chapter 17 Zoning Sections to Correct Errors and Inconsistencies.

Community Development Director Tom Humphrey stated that this is the second reading of an ordinance to clean up the Central Point Zoning Code. There are several minor adjustments to improve clarity and code administration. At the first reading Council was informed of one additional change which removes a specific fee from the Conditional Use Permit section. These fees are set by Resolution and most have been removed from the Code.

Mike Quilty moved to approve Ordinance No. 2014, An Ordinance Amending Central Point Municipal Code Chapter 17 Zoning Sections to Correct Errors and Inconsistencies. Rick Samuelson seconded. Roll call: Hank Williams, yes; Bruce Dingler, yes; Tanea Browning, yes; Brandon Thueson, yes; Rick Samuelson, yes; and Mike Quilty, yes. Motion approved.

IX. MAYOR'S REPORT

Mayor Williams reported that he attended:

- The Cities Water Coalition meeting where they discussed the rate study that is being prepared by Medford Water Commission.
- The Fair Board meeting. They have exceeded their revenue projection for the Fair this year.
- A regular Medford Water Commission meeting.

X. CITY MANAGER'S REPORT

City Manager Chris Clayton reported that:

- Yesterday was the retirement party for Human Resource Director Barb Robson. Today is her last day in the office but she has said she will be available to the new Director Elizabeth Simas if needed for the next month. We are all sad to see Mrs. Robson leave and wish her the best in her retirement adventures.
- The Costco Pre-Application meeting went well, we hope to see a land use application in October, they hope to have doors open around this time next year. It is an aggressive schedule but everyone was comfortable when they left the meeting. The Planning Staff did a great job facilitating this meeting.
- There have been several structure fires in Central Point over the last week.
- We had an HR audit by CIS this week. It was timely to have it while Mrs. Robson was still here and for Mrs. Simas to be present. The audit went well, they were impressed with the organization of the personnel files.
- Staff will be working on presenting a forced annexation of a couple of properties adjacent to Don Jones Park. We have had public safety issues in this area. We would like to force annex them so that we can deal with it under code enforcement issues. It could take up to a year under the state requirements for forced annexation.

XI. COUNCIL REPORTS

Council Member Mike Quilty reported that:

- He attended an airport advisory committee meeting, their passenger traffic is back up to before the recession. They are working on some items for Connect Oregon projects.
- He attended an MPO meeting the topic there was a letter saying that Medford had consulted with them about the Urban Growth Areas they would like to expand into. The Policy Committee is still a little leary regarding this expansion because of the traffic issues it could cause.
- He attended the retirement party yesterday for Mrs. Robson.
- There will be a 2015 Livability Solutions Forum on September 23rd to discuss economy, housing and transportation in the valley.

Council Member Brandon Thueson reported that he had a conversation with Mike Duncan who had very high praise for Community Development Director Tom Humphrey.

Council Member Rick Samuelson reported that he spoke with one of the neighbors from the Manzanita neighborhood. They have been impressed with the efforts of the Police Department to help with their issues.

Council Member Bruce Dingler stated that he attended the retirement party yesterday for Mrs. Robson, it was a great turnout. He sat next to Mrs. Simas and she seems like she will fit in just fine with the City.

Council Member Tanea Browning reported that:

- She attended a Crater Foundation Fundraiser event.
- She attended Greeters here at City Hall.
- Fire District No. 3 had a great report. We are very fortunate to have such a great district taking care of us.
- She will be attending the SOREDI Breakfast tomorrow morning.
- She attended the retirement party.

XII. DEPARTMENT REPORTS

Parks and Public Works Director Matt Samitore reported that:

- Knife River has some opening and started some overlay projects for us this week. There will be some traffic delays at Pine and 99 during the projects.
- Freeman Road is coming along and almost back on schedule. The last few weeks have gone smooth. They are hoping to pave the last of September and have the road open the first part of October.

Police Chief Kris Allison reported that:

- They have been very busy over the last couple weeks. She updated the Council on the structure fires in town this week. The fire on Beebe Road is being determined as suspicious so there will be an ongoing investigation.

- We are having a problem area in regards to the Super 8 Motel. She will be assigning a team to work on the issues happening there.
- There was a armed robbery in one of our Parks. She explained a few of the details that were available.
- They will be having their open house September 12th. This is a great event for the Community.
- In the next few months we will be rolling out the new cars that were approved in the budget. She will provide the graphics to Mr. Clayton when they are done so he can send them out in a report.
- Invited the Council to the Battle of the Badges Softball tournament September 25th and 26th.

Community Development Director Tom Humphrey reported that:

- He agrees that the Costco meeting went well. We are positive this will go smooth and that Costco will have doors open in Central Point next year. Costco does not want to wait for the improvements to Table Rock Road, they will provide plenty of space for the improvements that are planned for 2017/18.
- The Planning Commission will be discussing IAMP 35 at their next meeting.
- Staff is postponing action on White Hawk subdivision until the October Planning Commission meeting.
- The property on the corner of Freeman that belonged to Rusty McGrath has sold. The new owner is interested in building a Medical Facility.
- There are several more applications in the works for property around 1st and 2nd Street.

XIII. EXECUTIVE SESSION - None

XIV. ADJOURNMENT

Mike Quilty moved to adjourn, Brandon Thueson seconded, all said “aye” and the Council Meeting was adjourned at 8:37 p.m.

The foregoing minutes of the August 27, 2015, Council meeting were approved by the City Council at its meeting of September 13, 2015.

Dated:

Mayor Hank Williams

ATTEST:

City Recorder

Ordinance

Amending Municipal Code in regards to BeeKeeping



STAFF REPORT

September 10, 2015

AGENDA ITEM:

Second reading to consider various amendments to the Central Point Municipal Code (Chapter 6.05, Section 6.06.020, and Section 8.04.090) to allow beekeeping within the city limits.

STAFF SOURCE:

Stephanie Holtey, Community Planner II

BACKGROUND:

During the first reading and public hearing, City staff introduced recommended amendments to Title 6—Animals and Title 8—Health and Safety to allow beekeeping within the city limits. There are three (3) proposed amendments as follows:

Amendment 1, Chapter 6.05 Beekeeping

Adds Chapter 6.05 establishing regulatory provisions for beekeeping including requirements relative to hive registration, the number of hives permitted, and equipment and maintenance provisions. Language developed is consistent with similar programs in the cities of Medford and Ashland.

Amendment 2, Section 6.06.020 Exemptions

Section 6.06.020 establishes exemptions from restrictions or prohibitions for the keeping of animals per Title 6. The proposed amendment would provide an exemption for beekeeping activities established and operated in accordance with the provisions of Chapter 6.05.

Amendment 3, Section 8.04.090 Keeping Bees

Section 8.04.090 declares beekeeping as a public nuisance. Proposed amendments to this section would eliminate the public nuisance declaration when permitted in accordance with the bee keeping requirements in Section 6.05.020.

ISSUES:

None.

ATTACHMENTS/EXHIBITS:

Attachment “A” – Ordinance No. ____ Amending Title 6 to Allow Beekeeping within the City Limits

Attachment “B” - Ordinance No. ____ Amending Section 8.04.090 to Allow Beekeeping within the City Limits

ACTION:

Consider proposed amendments and 1) approve the ordinances; 2) approve the ordinances with revisions; 3) deny the ordinances.

RECOMMENDATION:

Approve Ordinance No. ___ Amending Title 6 to Allow Beekeeping within the City Limits; and, Approve Ordinance No. ___ Amending Section 8.04.090 to Allow Beekeeping within the City Limits

ORDINANCE NO. _____

AN ORDINANCE AMENDING TITLE 6 ANIMALS TO ALLOW BEEKEEPING WITHIN THE CITY LIMITS

RECITALS:

- A. The City Wide Strategic Plan recognizes the importance of agriculture to the City’s economy both past and future. Maintaining opportunities for small scale agriculture is identified as a strategy for protecting agricultural land and managing Growth.
- B. Small scale urban agriculture, including beekeeping, provides opportunities for residents to continue the tradition of producing locally grown food products while supporting the presence and health of local honeybee populations.
- C. It is the purpose and intent of this ordinance to provide for the safe and orderly keeping of bees in the City of Central Point by establishing certain minimum standards for the keeping of bees to protect the public health, safety and welfare of the residents of the City of Central Point.
- D. Words ~~lined through~~ in the following ordinance are to be deleted and words **in bold** are added.

The people of the City of Central Point do ordain as follows:

Section 1. A new Chapter 6.05 Bee Keeping is hereby added to read as follows:

**Chapter 6.05
BEE KEEPING**

- 6.05.010 Definitions**
- 6.05.020 Bee Keeping**

6.05.010 Definitions

“Apiary” and “apiary property” includes bees, honey, beeswax, bee comb, hives, frames and other equipment, appliances and material used in connection with an apiary.

“Bees” means honey-producing insects of the genus Apis and includes the adults, eggs, larvae, pupae or other immature stages thereof, together with such materials as are deposited into hives by their adults, except honey and beeswax in rendered form.

“Beekeeper” includes any individual, partnership, association or corporation, but does not include any common carrier when engaged in the business of transporting bees, hives, appliances, bee cages or other commodities which are the subject of this chapter, in the regular course of business.

“Colony” or **“colonies of bees”** refers to any hive occupied by bees.

“Disease” means pests, diseases or any condition affecting bees or their brood

“Hive” means any receptacle or container made or prepared for use of bees, or box or similar container taken possession of by bees.

“Honeycomb” means a mass of hexagonal wax cells built by bees to contain their brood and stores of honey.

6.05.020 Bee Keeping

The keeping or maintaining of bees, colonies of bees, hives, honeycombs, or containers of any kind of character wherein bees are hived is subject to the following:

- A. Registration with the city is required prior to establishing any hive or other beekeeping activity on any lot or parcel within the city limits and the Director of Community Development shall provide a beekeeping application and registration process.**
- B. Number of Hives Permitted**
 - 1. A maximum of three (3) bee hives shall be kept or maintained on a lot or parcel less than one acre in size.**
 - 2. A maximum of six (6) hives shall be kept or maintained on a lot or parcel greater than one acre in size.**
 - 3. A beekeeper who owns five or more hives is required by the state to register them with the Oregon Department of Agriculture.**
- C. Hives shall consist of removable frames, which shall be kept in sound and usable condition.**
- D. Hives shall not be placed within a required front, side or rear yard setback area.**

- E. In each instance where a hive is kept less than twenty five (25) feet from a property line, a flyway barrier at least six (6) feet in height shall be maintained parallel to the property line for a minimum of ten (10) feet in either direction from the hive. The flyway barrier may consist of a wall, fence, dense vegetation or a combination thereof, such that bees will fly over rather than through the material to reach the colony.**
- F. A constant supply of fresh water shall be provided for the colonies on site within fifteen (15) feet of each hive.**
- G. Each beekeeper shall ensure that no wax comb or other material that might encourage robbing by other bees are left upon the grounds of the property. Such materials once removed from the site shall be handled and stored in sealed containers or placed within a building or other insect proof container.**
- H. The sale of surplus honey or bee's wax produced on site shall be permitted on the property where the keeping of bees is permitted per applicable business license and/or home occupation regulations. However, outdoor sales are prohibited.**
- I. Only docile common honey bees shall be permitted. African bees or any hybrid thereof are prohibited.**
- J. A beekeeper shall immediately replace the queen in a hive that exhibits aggressive characteristics, including stinging or attempting to sting without provocation.**

Section 2. Central Point Municipal Code Section 6.06.020 regarding exemptions is hereby amended to read as follows regarding bee keeping:

Title 6
ANIMALS

6.06.020 Exemptions

6.06.020 Exemptions.

- A. Notwithstanding any restrictions or prohibitions of this chapter, animals of any kind and any number may be kept by a school, museum or zoo for educational purposes; or the exhibition for amusement purposes, temporarily, by a circus, carnival, or other exhibition licensed in accordance with the applicable city

ordinance. All rules as to sanitation and humane treatment contained in this title shall govern the keeping of the animals and maintenance of the premises or buildings where such animals are kept.

- B. Police service dogs, while in the exercise of their law enforcement duties, are exempt from any restrictions or prohibitions of this title.
- C. **Bee keeping established and operated in accordance with the provisions of Chapter 6.05 are exempt from the prohibitions of this title.**
- D. ~~C.~~ Any prohibited animal in the possession of an owner or custodian at the time the owner or custodian's real property is annexed into the city limits of Central Point may be kept as a nonconforming use provided the owner or custodian registers the animal(s) with the code enforcement officer. The animal(s) may be kept until such time as the owner chooses to remove them from the property. No animal so described may then be replaced by another animal.

SECTION 3. Codification. Provisions of this Ordinance shall be incorporated in the City Code and the word Ordinance may be changed to "code", "article", "section", "chapter", or other word, and the sections of this Ordinance may be renumbered, or re-lettered, provided however that any Whereas clauses and boilerplate provisions need not be codified and the City Recorder is authorized to correct any cross references and any typographical errors.

SECTION 4. Effective Date. The Central Point City Charter states that an ordinance enacted by the council shall take effect on the thirtieth day after its enactment. The effective date of this ordinance will be the thirtieth day after the second reading.

Passed by the Council and signed by me in authentication of its passage this _____ day of _____, 2015.

Mayor Hank Williams

ATTEST:

City Recorder

ORDINANCE NO. _____

AN ORDINANCE AMENDING SECTION 8.04.090 TO ALLOW
BEEKEEPING WITHIN THE CITY LIMITS

RECITALS:

- A. The City Wide Strategic Plan recognizes the importance of agriculture to the City's economy both past and future. Maintaining opportunities for small scale agriculture is identified as a strategy for protecting agricultural land and managing growth.
- B. Small scale urban agriculture, including beekeeping, provides opportunities for residents to continue the tradition of producing locally grown food products while supporting the presence and health of local honeybee populations.
- C. It is the purpose and intent of this ordinance to provide for the safe and orderly keeping of bees in the City of Central Point by establishing certain minimum standards for the keeping of bees to protect the public health, safety and welfare of the residents of the City of Central Point.
- D. Words ~~lined through~~ in the following ordinance are to be deleted and words **in bold** are added.

The people of the City of Central Point do ordain as follows:

Section 1. Central Point Municipal Code Section 8.04.090 Keeping bee's shall be amended as follows:

8.04.090 Keeping bees.

- A. No person shall have, keep or maintain or permit to be kept or maintained upon land under his control, any hives, swarms or colonies of bees, **except as permitted in accordance with the Bee Keeping requirements in Section 6.05.020.**
- B. **A violation of Section 6.05.020 is declared to be a public nuisance, and may be abated as provided for in this Chapter.** ~~The keeping or maintaining of any hives, colonies or swarms of bees is declared to constitute a public nuisance and may be abated as provided in this chapter. (Ord. 817 §6, 1966).~~

SECTION 3. Codification. Provisions of this Ordinance shall be incorporated in the City Code and the word Ordinance may be changed to “code”, “article”, “section”, “chapter”, or other word, and the sections of this Ordinance may be renumbered, or re-lettered, provided however that any Whereas clauses and boilerplate provisions need not be codified and the City Recorder is authorized to correct any cross references and any typographical errors.

SECTION 4. Effective Date. The Central Point City Charter states that an ordinance enacted by the council shall take effect on the thirtieth day after its enactment. The effective date of this ordinance will be the thirtieth day after the second reading.

Passed by the Council and signed by me in authentication of its passage this _____ day of _____, 2015.

Mayor Hank Williams

ATTEST:

City Recorder

Ordinance

Amending the Central Point Transportation System Plan in regards to I-5 Ramps



STAFF REPORT

September 10, 2015

AGENDA ITEM: File No. 15019

Consideration of an Amendment to the Comprehensive Plan, Transportation System Plan (TSP) to incorporate the Interchange Area Management Plans (IAMPs) for I-5 Exits 33 and 35. **Applicant:** City of Central Point.

STAFF SOURCE:

Tom Humphrey AICP , Community Development Director

BACKGROUND:

The adoption of the proposed Amendment would acknowledge collaborative transportation planning work done by the state to protect the operation of its interchanges at I-5 Exits 33 and 35. The City Council passed a Resolution (No. 1396) in May 2014 to approve the Seven Oaks Interchange Area Management Plan (IAMP-35) and directed staff to amend the TSP as soon as possible to include its projects, policies and development standards.

In the meantime the State completed the IAMP for I-5 Exit 33 at Pine Street and has asked that the City adopt it prior to being adopted by the Oregon Transportation Commission (OTC) in October . Both IAMPs can be adopted by the City by formally amending the TSP which is part of the City's Comprehensive Plan. This amendment is not intended to be a wholesale change since the TSP was updated in December 2008. The IAMPs are referenced in the TSP and selected goals, policies and project lists have been revised. It should be noted that once the TSP is amended some special conditions in the TOD District (Section 17.65.025.A) of the zoning code will be removed. The language was a self-imposed trip cap the City agreed to when it adopted the Eastside TOD. The Department of Land Conservation and Development (DLCD) and ODOT have both been notified of this amendment. The Planning Commission reviewed this amendment at their meeting on September 1, 2015 and then recommended City Council approval.

ISSUES:

Proposed amendments to the comprehensive plan, including urban growth boundary amendments, are categorized as either major or minor amendments as defined in Section 17.10.300. Staff has determined that this action is a Major amendment. Major amendments are legislative policy decisions that establish by law general policies and regulations for future land use decisions, such as revisions to the zoning and land division ordinance that have widespread and significant impact beyond the immediate area.

The IAMPs that are being incorporated by reference into the City's TSP are each predicated upon land use, population and employment assumptions that are established in land use, zoning and/or conceptual plans. The Management Strategies and Actions listed in the IAMPs are expected to be used by the City and are understood to be policies that the City will follow. You will note that some policy statements are being added or amended in Attachment A. There are also projects being added and/or amended in Tables 7.4 and 7.6 of the same attachment. Proposals for major revisions are processed as a Type IV procedure per Section 17.05.500. The final approval authority is the city council after review and recommendation by the planning commission.

A recommendation or a decision to approve or to deny an application for an amendment to the comprehensive plan is based on written findings and conclusions that address the following criteria:

- A. Approval of the request is consistent with the applicable statewide planning goals;
- B. Approval of the request is consistent with the Central Point comprehensive plan; and
- C. The amendment complies with OAR 660-012-0060 of the Transportation Planning Rule.

The development and preparation of the IAMPs for both interchanges used local land use plans and policies as the framework for projecting transportation demand and subsequent improvements to mitigate the impacts of that demand. Citizen involvement was invited and encouraged through the creation of a Project Focus Group made up of property owners, business managers, real estate and banking representatives.

FINDING: Pursuant to OAR 660-12-006(1)(a-c) and (2)(a-d), the amendment to the City’s acknowledged Comprehensive Plan and land use regulations is consistent with the identified function, capacity and levels of service of local and regional transportation facilities and with Oregon Statewide Planning Goals #1, #2 and #12 – Citizen Involvement, Land Use and Transportation respectively.

Central Point and Jackson County followed policies and procedure in their Urban Growth Boundary Management Agreement when providing ODOT with the land use assumptions used for IAMP 35. ODOT, Jackson County EXPO, RVCOG and DLCD were involved in formulating the land use assumptions for IAMP 33.

FINDING: Pursuant to ORS 197.040(2)(e) and OAR 660-030-0060, the City has coordinated its planning efforts with the State to assure compliance with goals and compatibility with City and County Comprehensive Plans and with OAR 660-12-0015 to assure consistency with the State and Regional TSP.

The development and preparation of the Interchange Area Management Plans (IAMPs) for both interchanges were collaborations between Central Point, Jackson County, RVCOG, ODOT and its consultants. In the case of Exit 33, a Technical Advisory Committee and a Project Focus Group were also formed.

FINDING: Pursuant to OAR 660-12, this amendment has been prepared in compliance with Oregon state adopted rules governing preparation and coordination of transportation system plans which are collectively referred to as the Transportation Planning Rule.

In an effort to assist the City Council in its their review of this amendment , staff has limited attachments to an ordinance with excerpts from the TSP chapters that should be amended (Attachment A) and the Planning Commission Resolution (Attachment B). Copies of one or both IAMPs are available upon request as well as the technical memoranda recommending code and plan amendments written by ODOT consultants. If there are members of the City Council who would like to review this information, we can provide web links, digital and hard copies for your use.

ATTACHMENTS:

Attachment “A” – Ordinance No. __ An Ordinance Amending The Transportation System Plan (TSP) of the Central Point Comprehensive Plan to Incorporate By Reference the Interchange Area Management Plans (Iamps) for I-5 Exits 33 And 35.

Attachment "B" – Resolution No. 820, A Resolution Of The Planning Commission Forwarding A Favorable Recommendation To The City Council To Amend The Comprehensive Plan To Incorporate I-5 Exit 33 And 35 Iamps Into The Transportation System Plan.

ACTION:

Open public hearing and consider the proposed admendment to the TSP, close public hearing and 1) forward the ordinance to a second reading, 2) make revisions and forward the ordinance to a second reading or 3) deny the ordinance.

RECOMMENDATION:

Discuss ordinance proposal and forward ordinance and amendments to a second reading.

ORDINANCE NO. _____

AN ORDINANCE AMENDING THE TRANSPORTATION SYSTEM PLAN (TSP)
OF THE CENTRAL POINT COMPREHENSIVE PLAN TO INCORPORATE BY
REFERENCE THE INTERCHANGE AREA MANAGEMENT PLANS (IAMPS)
FOR I-5 EXITS 33 AND 35.

Recitals:

- A. Words ~~lined through~~ are to be deleted and words **in bold** are added.
- B. The City of Central Point (City) is authorized under Oregon Revised Statute (ORS) Chapter 197 to prepare, adopt and revise comprehensive plans and implementing ordinances consistent with the Statewide Land Use Planning Goals.
- C. The City has coordinated its planning efforts with the State in accordance with ORS 197.040(2)(e) and OAR 660-030-0060 to assure compliance with goals and compatibility with City Comprehensive Plans.
- D. Pursuant to the requirements set forth in CPMC Chapter 17.96.100 Comprehensive Plan and Urban Growth Boundary Amendments – Purpose and Chapter 17.05.500, Type IV Review Procedures, the City has initiated an application and conducted the following duly advertised public hearings to consider the proposed amendment:
 - a) Planning Commission hearing on September 1, 2015
 - b) City Council hearings on September 10, 2015 and October 8, 2015.

THE PEOPLE OF THE CITY OF CENTRAL POINT DO ORDAIN AS FOLLOWS:

Section 1. Amendments to TSP Chapter 2 – Plan Compliance to read:

2.6. Other Plans

Over the course of the past **ten** years, the City has completed three significant transportation studies for Hwy. 99, East Pine Street, and the Twin Oaks Transit Oriented Development district. **The City has worked with ODOT more recently to complete Interchange Area Management Plans for I-5 Exits 33 and 35.** The findings and recommendations from these ~~two~~ plans have been reviewed and incorporated in this TSP. The following is a brief description of each study and its relationship to the TSP.

- 2.6.1. Highway 99 Corridor Plan** – This plan was prepared in 2005 for the purpose of identifying improvements to Hwy. 99 consistent with commercial revitalization of the Hwy. 99 corridor through Central

Point. The findings and recommendations of the Highway 99 Corridor Plan have been incorporated in this TSP.

- 2.6.2. East Pine Street Transportation Plan** – This plan was prepared in 2004 by JRH Transportation Engineering. The purpose of this plan was to provide an assessment of the future transportation infrastructure of the East Pine Street corridor area to accommodate regional and local traffic growth. The plan forecast traffic growth through the year 2023 and recommended improvements necessary to maintain an acceptable level of service. The findings and recommendations of the East Pine Street Transportation Plan have been updated and incorporated in this TSP.
- 2.6.3. Central Point Transit Oriented Development Traffic Impact Study** – This study was completed in August 2000 by JRH Transportation Engineers to evaluate the traffic impacts of Central Points Transit Oriented District. The findings and recommendations have been incorporated in this Plan.
- 2.6.4. I-5 Interchange 33 (Central Point) Interchange Area Management Plan** – This plan was completed in June 2015 by David Evans and Associates to evaluate, maintain and improve freeway performance and safety at Central Point’s southern interchange, improving system efficiency and management before adding capacity. This document is being adopted by reference into the Central Point TSP.
- 2.6.5. I-5 Interchange 35 (Seven Oaks) Interchange Area Management Plan** - This plan was completed in September 2013 by David Evans and Associates to evaluate, maintain and improve freeway performance and safety at Central Point’s northern interchange, improving system efficiency and management before adding capacity. This document is being adopted by reference into the Central Point TSP.

2.7. Conclusion

The TSP as presented in this document is found to be consistent with all applicable federal, state, regional and local transportation plans. It is the City’s intent, throughout the duration of this TSP, to continue monitoring and managing the TSP as necessary to maintain compliance with federal, state, regional, and local transportation system plans and changing transportation and land use needs.

Section 2. Amendments to TSP Chapter 5 – Transportation Management to read:

Pg. 2 Ordinance No. _____ (091015)

5.4. Access Management (AM)

5.4.1. Access Management Planning

In recognition of the value of access management, the City of Central Point has prepared access management plans and standards for its arterial and collector street system.

- **Access Management Plan for Front Street (Highway 99)/Pine Street.** This plan was prepared in 2003 to identify access management strategies for the section of Highway 99 generally defined as Front Street. The Plan also included the section of Pine Street from Haskell Street to First Street. Both short-term and long-term access strategies were developed. The findings and recommendations of the Access Management Plan for Front Street (Highway 99)/Pine Street Plan are incorporated in this TSP by reference.
- **Central Point Highway 99 Corridor Plan.** This plan was prepared in 2005 and addressed the land use and transportation needs of Highway 99 as a major transportation corridor. This plan differed from the 2003 Access Management Plan for Front Street (Highway 99)/Pine Street Plan only to the extent that its purpose was broader in scope, including roadway geometry options, bicycle and pedestrian systems, urban design solutions, etc. The access management recommendations in both plans are consistent for the section of Highway 99 referred to as Front Street. The findings and recommendations of the Central Point Highway 99 Corridor Plan are incorporated in this TSP by reference.
- **IAMP for I-5 Exit 33 (Central Point).** The plan was prepared in 2015 to identify improvements for I-5 Exit 33 that can be implemented over time to maximize the function of the existing interchange and address the long-term needs of the Central Point and Rogue Valley communities. The IAMP includes the Access Management Plan that includes access management techniques and objectives for the IAMP study area. The findings and recommendations of the Access Management Plan for IAMP 33 are incorporated in this TSP by reference.

5.6. Transportation Management Goals, Objectives and Policies

GOAL 5.1: TO MAXIMIZE, THROUGH TRANSPORTATION SYSTEM MANAGEMENT TECHNIQUES, THE EFFICIENCY, SAFETY, AND CAPACITY OF THE CITY'S EXISTING TRANSPORTATION FACILITIES AND SERVICES.

Pg. 3 Ordinance No. _____ (091015)

Policy 5.1.1. The City shall make every effort to maintain mobility standards that result in a minimum level of service (LOS) “D.” The City defines LOS D as the equivalent to a volume-capacity ratio of 0.9.

Policy 5.1.2. The City shall facilitate implementation of bus bays by RVTD on transit routes as a means of facilitating traffic flow during peak travel periods. The feasibility, location and design of bus bays shall be developed in consultation between the City and RVTD.

Policy 5.1.3. The City shall implement the TSM strategies presented in the IAMP for I-5 Exit 33 (Central Point).

GOAL 5.2: TO EMPLOY ACCESS MANAGEMENT STRATEGIES TO ENSURE SAFE AND EFFICIENT ROADWAYS CONSISTENT WITH THEIR DESIGNATED FUNCTION.

Policy 5.2.1. The City shall prepare, adopt, and maintain, either within the zoning ordinance or the Public Works Standards and Details manual, access management standards based on best practices.

*Policy 5.2.2. The City shall implement the access management strategies presented in the Access Management Plan for Front Street (Highway 99)/Pine Street, and the Central Point Highway 99 Corridor Plan, **I-5 Exit 35 IAMP and I-5 Exit 33 IAMP.***

Section 3. Amendments to TSP Chapter 7 – Street System, 2008-2030 to read:

7.1 INTRODUCTION

The City of Central Point’s street system contains over sixty miles of roadways serving a variety of functions ranging from local streets, collectors and arterials providing a broad range of transportation services for the City’s residential, commercial, and industrial needs. Within in this system there are thirty-five key intersections, which by the year 2030, these intersections and their related street segments will require both modernization and extension to accommodate the City’s projected growth as discussed in Chapter 3. In anticipation of this growing demand the City has completed the ~~four~~ **seven** major traffic studies. These studies and their objectives are:

1. **Central Point Transit Oriented Development Traffic Impact Study**, JRH Engineers, Planners & Project Managers, August 1, 2000.
2. **Central Point Highway 99 Corridor Plan**, OTAK/DKS Associates, 2005.
3. **East Pine Street Transportation Plan**, Central Point, Oregon, JRH Transportation Engineering, July 2004. Most of the City’s vacant land is

Pg. 4 Ordinance No. _____ (091015)

served by E. Pine Street, a major arterial. The City recognizes the impact of development on the service level of E. Pine Street and commissioned a traffic study to evaluate future growth impacts and mitigation options.

4. **City of Central Point Transportation Plan, Existing & Future Conditions Technical Traffic Report**, JRH Transportation Engineering, June 30, 2007. In preparation of this TSP the City commissioned a more comprehensive traffic analysis that took into consideration prior findings of prior traffic studies.
5. **Gebhard Road Intersection, Traffic Impact Analysis**, JRH Transportation Engineering, June 2015. The information in this report confirms that construction of the Gebhard Road – East Pine Street intersection will not adversely affect traffic along East Pine Street between Hamrick Road and the Interstate 5 Ramps.
6. **I-5 Interchange 33 (Central Point) Interchange Area Management Plan**, David Evans and Associates, June 2015. The City recognizes the impact of development on the service level of ODOT's interchanges and is committed to working collaboratively with the state to protect and preserve its regional facilities. This document revisits the East Pine Street Transportation Plan from July 2004 using more current land use information resulting from the Regional Plan.
7. **I-5 Interchange 35 (Seven Oaks) Interchange Area Management Plan**, David Evans and Associates, September 2013. The City recognizes the impact of development on the service level of ODOT's interchanges and is committed to working collaboratively with the state to protect and preserve its regional facilities. This document uses more current land use information resulting from the Regional Plan and the creation of an Urban Reserve Area (URA) at Tolo.

7.4. Streets Goals, Objectives and Policies

GOAL 7.1: PROVIDE A COMPREHENSIVE STREET SYSTEM THAT SERVES THE PRESENT AND FUTURE MOBILITY AND TRAVEL NEEDS OF THE CENTRAL POINT URBAN AREA, INCLUDING PROVISIONS FOR BICYCLE AND PEDESTRIAN FACILITIES.

Policy 7.1.17. The City shall provide a minimum maintenance level for those street improvements that have received state financial assistance to assure the continued benefit of the street improvements to the state highway system and maximize the longevity of the capital investments.

Pg. 5 Ordinance No. _____ (091015)

Table 7.4 Transportation Projects, 2008-2030

| Ref. No. | Project Location | Improv. Category | Project Description |
|-----------------|---|----------------------------|---|
| 236 | East Pine Street; Bear Creek Bridge to Peninger Road | Pb <u>minor</u> | Widen for turn lanes, bike lanes, add sidewalks and third lane Widen to accommodate a third westbound through travel lane that will feed into the existing right-turn lane at I-5 northbound on-ramp. Add sidewalks where missing. |
| <u>256</u> | <u>East Pine Street between 9th Street and I-5 Southbound Ramp Terminal</u> | <u>b</u> | <u>Restripe eastbound travel lanes to improve bike lane transitions.</u> |
| 220 | Gebhard Rd.: UGB to Beebe Rd. East Pine Street and signalization of intersection at East Pine Street | uu | Realign, widen to 2 & 3 lanes , bike lanes, parking , sidewalks, urban upgrade and extend to East Pine Street and signalization (collector standards). |

Table 7.6 City of Central Point Transportation Projects, 2008-2030

| Ref. No. | Project Location | Improv. Category | Project Description |
|-----------------|--|-------------------------|--|
| 916 | I-5 & E. Pine St., SB Off-Ramp <u>Southbound Ramp Terminal</u> | major | Extend and channelize southbound off ramp Add <u>second westbound left-turn lane on E. Pine St. and a second receiving lane on the southbound on ramp.</u> |

| | | | |
|-------------------|---|-------|---|
| 917 | I-5 Central Point Interchange (Exit 33) | major | Interchange reconfiguration. |
| 917 | I-5 & E. Pine St. NB <u>Northbound</u> <u>Ramp Terminal</u> | major | Northbound off-ramp & eastbound capacity improvements |
| <u>918</u> | <u>E. Pine St. south side</u> <u>between ramp</u> <u>terminals</u> | p | <u>Add 5-to 6-ft. sidewalk.</u> |

Section 4. Codification. Provisions of this Ordinance shall be incorporated in the City Code and the word Ordinance may be changed to “code”, “article”, “section”, “chapter”, or other word, and the sections of this Ordinance may be renumbered, or re-lettered, provided however that any Whereas clauses and boilerplate provisions need not be codified and the City Recorder is authorized to correct any cross references and any typographical errors.

Section 5. Effective Date. The Central Point City Charter states that an ordinance enacted by the council shall take effect on the thirtieth day after its enactment. The effective date of this ordinance will be the thirtieth day after the second reading.

Passed by the Council and signed by me in authentication of its passage this _____ day of _____, 20____.

Mayor Hank Williams

ATTEST:

City Recorder

PLANNING COMMISSION RESOLUTION NO. 820

**A RESOLUTION OF THE PLANNING COMMISSION FORWARDING A
FAVORABLE RECOMMENDATION TO THE CITY COUNCIL
TO AMEND THE COMPREHENSIVE PLAN TO INCORPORATE I-5 EXIT 33 AND 35
IAMPS INTO THE TRANSPORTATION SYSTEM PLAN**

(File No: 15019)

WHEREAS, on September 1, 2015 the Planning Commissions of the City of Central Point held a duly-noticed public hearing, reviewed, staff reports, findings of fact and heard public testimony on a Major Adjustment to the Central Point Comprehensive Plan, Transportation System Plan; and

WHEREAS, the Planning Commissions determined that the revisions as proposed were in the public interest and that the general welfare of the public will benefit by the proposed revisions; and

WHEREAS, after reviewing the requested proposal and considering public testimony it is the determination of the Central Point Planning Commission that the proposed amendment as set forth in attached Exhibit "A" dated September 1, 2015 are adjustments that do not alter, or otherwise modify the uses and character of development and land use within the City of Central Point, and is therefore determined to be consistent with all of the goals, objectives, and policies of the City's Comprehensive Plan and State Planning Goals.

NOW, THEREFORE, BE IT RESOLVED that the City of Central Point Planning Commission by Resolution No. 820 does hereby accept, and forward to the City Council a recommendation that the City Council favorably consider amending the City of Central Point Comprehensive Plan, Transportation System Plan (TSP) as set forth in the attached Exhibit "A".

PASSED by the Planning Commission and signed by me in authentication of its passage this 1st day of September, 2015.

Planning Commission Chair

ATTEST:

City Representative

Approved by me this 1st day of September, 2015.

Planning Commission Chair

Planning Commission Resolution No. 820 (9/1/2015)

Business

**Planning Commission
Report**



PLANNING DEPARTMENT MEMORANDUM

Date: September 10, 2015
To: Honorable Mayor & Central Point City Council
From: Tom Humphrey AICP, Community Development Director
Subject: Planning Commission Report

The following items were presented by staff and discussed by the Planning Commission at a meeting on September 1, 2015.

- A. **Consideration of a Class C Variance Request to Reduce the Rear Yard and Special Stream Setback on Two Legally Platted Lots in Order to Build Two Single Family Residences in the LMR-Low Mix Residential Zone. File No. 15023.**
Applicant: Paul Williams. The Planning Commission considered the applicant's request in light of what are considered difficult variance criteria. After considerable discussion, the Commission determined that granting a variance 1) would not be materially detrimental to the purposes of the code; 2) would alleviate a hardship to development peculiar to the lot size, shape and topography of this property; 3) would permit reasonable economic use of the land; 4) would not adversely affect physical and natural systems; 5) alleviated a condition that was not a self-imposed hardship and 6) was the minimum necessary to relieve the hardship. The Commission unanimously approved the variance with conditions intended to reinforce the above criteria.
- B. **Consideration of a Transit Oriented Development (TOD) preliminary master plan on 18.91 acres in the Eastside TOD District. The project site is located east of Gebhard Road and north of Beebe Road, on property identified as 372W02 TLs 2700 and 2701. The project site is within the LMR-Low Mix Residential (2.69 ac) and MMR-Medium Mix (16.22 ac) zoning districts, File No. 14004. Applicant: People's Bank of Commerce; Agent: Tony Weller, CES/NW.** The Commission continued the public hearing which was opened in July. Given the untimely receipt of new information, neither staff nor the applicant were able to provide further answers to three major issues including 1) the Gebhard Road alignment, 2) Soil contamination in the proposed park site and 3) shallow well impact and mitigation. The Commission received comment from property owners and then continued the hearing for another month to their October meeting.

- C. **Consideration of a Tentative Partition Plan to create three (3) parcels in the LMR-Low Mix Residential and MMR-Medium Mix Residential zoning districts within the Eastside TOD District on property identified as 372W02 TL 2700. File No. 14016. Applicant: People's Bank of Commerce; Agent: Tony Weller, CES/NW** The Planning Commission continued this application to their October meeting to coincide with their action on the Master Plan.
- D. **Consideration of an Amendment to the Comprehensive Plan, Transportation System Plan (TSP) to Incorporate the Interchange Area Management Plans (IAMPs) for I-5 Exits 33 and 35. File No. 15019. Applicant: City of Central Point.** The Commission was presented with a Major Amendment that is limited in scope and adopts IAMPs 33 and 35 by reference. The City is taking this action ahead of the Oregon Transportation Commission (OTC) who intends to adopt IAMP 33 in October. More comprehensive changes were made to the City's TSP in 2008. The Commission unanimously recommended in favor of the changes and directed staff to proceed to the City Council.

Business

Medford Water Commission Briefing



ADMINISTRATION DEPARTMENT

140 South 3rd Street · Central Point, OR 97502 · (541) 664-7602 · www.centralpointoregon.gov

STAFF REPORT September 10th, 2015

AGENDA ITEM: Discussion Item Only – Council discussion/briefing related to the Medford Water Commission’s 2015 cost of service analysis

STAFF SOURCE:

Chris Clayton, City Manager

BACKGROUND/SYNOPSIS:

In July of this year the Medford Water Commission’s cost of service rate consultant (HDR) revealed a proposed water utility rate increase to the “Other Cities” customer group of 41%. This proposed rate increase would be implemented in January of 2016 with the Other Cities group being left little choice but to pass the increase along to their customers. After being presented with this information, the Other Cities customer group hired their own consultants to review the Water Commission’s cost of service analysis. The results of our independent review were presented to the Medford Water Commission both in writing and at a rate workshop conducted on August the 12th, 2015. On September 3rd, 2015 the Medford Water Commission responded to our review with a revised study that has changed the proposed rate increase significantly (reduced from 41.9% to 19.4%).

Staff would like to use this opportunity to brief the council on the revised rate increase proposal, including the specific changes that were made based on our independent review/comments.

**A second rate workshop is scheduled for Wednesday September 9th, 2015, which will allow staff the opportunity to provide the most current information to City Council at the September 10th City Council Meeting.*

FISCAL IMPACT:

1. The initial 2015 cost of service analysis rate increase proposal was 41.9% (Other Cities).
2. The revised 2015 cost of service analysis rate increase proposal is 19.4% (Other Cities).

ATTACHMENTS:

1. Other Cities customer group independent cost of service analysis review/comments.
2. Revised cost of service analysis response (Medford Water Commission & HDR)

RECOMMENDATION:

1. Council briefing/overview of proposed Medford Water Commission rate increase and revised cost of service analysis.
2. Review of the revised cost of service analysis comments

PUBLIC HEARING REQUIRED:

Medford Water Commission
2015 Comprehensive Water Rate Study
Review of the 2nd Draft Update of the Cost of Service Analysis
August 31, 2015
Developed by: HDR

Introduction

On July 1st, HDR presented to the Medford Water Commission Board the initial findings from the water rate study. At that time, given the complexity and importance of the study, the Commission proposed customer workshop meetings to review the study in detail and provide the opportunity for an open dialogue and feedback concerning the study. On August 12th, a workshop meeting was held to discuss the Medford Water Commission's 2015 Comprehensive Water Rate Study. After the July 1st Board presentation, HDR provided a variety of information and data to the Other Cities customer group which formed the basis for their comments and questions around the methodology and key assumptions used within the study. These comments and questions were formally provided to the Commission via a letter dated August 5th, 2015 and signed by the Mayors of Central Point, Eagle Point, Phoenix, Talent, Jacksonville and Ashland. In addition, the City of Ashland provided a separate and additional letter to the Commission, also dated August 5th and signed by City of Ashland Public Works Director.

The following document is intended to provide a summarization of the issues/questions raised, along with a detailed response to provide an understanding of the basis for any revisions made to the rate model since the August 12th meeting. Our responses are reflective of the discussion and feedback received during the August 12th meeting, along with the issues raised and the suggestions/recommendations provided within the prior written correspondence.

Summary of the Revised Results

As a result of the August 12th meeting, HDR and Commission staff reviewed the various issues raised as a part of the meeting. To better understand the full impacts of the revisions and changes made to the rate model, Table 1 provides the revised summary results of the cost of service based upon the feedback and questions provided by the Other Cities and modifications to the rate model.

Table 1
Summary of the Revised Cost of Service Analysis (\$000)

| Class of Service | Present Rate Revenues | Revised Allocated Costs | Revised \$ Difference | Revised % Difference | July 1 st Version |
|------------------|-----------------------|-------------------------|-----------------------|----------------------|------------------------------|
| MWC Retail – | | | | | |
| Inside City | \$7,145 | \$7,998 | (\$852) | 11.9% | 5.5% |
| Outside City | 1,927 | 2,203 | (276) | 14.3% | 16.5% |
| Wholesale – | | | | | |
| Districts | 506 | 422 | 84 | (16.5%) | 0.6% |
| Other Cities | <u>1,465</u> | <u>1,749</u> | <u>(284)</u> | <u>19.4%</u> | <u>41.9%</u> |
| Total | \$11,043 | \$12,372 | (\$1,329) | 12.0% | 12.0% |

[1] – High elevation pumping costs are not included in the above table as they are directly assigned to calculate the high elevation rates

The above table reflects the revised results of the cost of service analysis based upon the revenue requirement for FY 2015/16. Each year after FY 2015/16 the cost of service will be updated using the new test period’s costs and data¹. It should be noted and understood that the establishment of the final rates are a policy decision on the part of the Board of Water Commissioners. The comprehensive rate study provides a cost-basis for the Board’s final decision, and the cost of service analysis is one input into their overall policy decision concerning rates.

Review of the Issues/Questions

A cost of service study is a technical analysis which attempts to equitably allocate the Commission’s costs to the various customer groups in a manner which reasonably reflects the manner in which the costs were incurred. The American Water Works Association (AWWA) M-1 manual, Principles of Water Rates, Fees and Charges, provides guidance on the basis for equitable allocations, but within that rate setting manual there are a range of methodologies which can be used. Given that, this review has first considered the issue or question raised by the Other Cities, and then placed that issue or question in the context of the range of generally accepted and equitable methodologies. The issue or question was first assessed to determine whether it was within a reasonable range of being “generally accepted”. If so, then it was reviewed as to whether its application appeared to be equitable given the system and circumstances of the Commission’s system. When an issue was outside of the range of reasonableness or concluded to be inequitable, given the facts presented, the key assumption or methodology was revised accordingly. Given that brief background of our general approach, provided below is a detailed discussion of the various issues and assumptions reviewed as a part of this 2nd draft update. These issues were communicated to the Commission in a letter

¹ The revenue requirement analysis contained in the Commission’s comprehensive water rate study provides the cost-basis for future adjustments to the Commission’s overall revenue levels. The cost of service is utilized to equitably allocate the future revenue requirements and any needed rate adjustments.

dated August 5th from the Other Cities. Each of the issues were individually reviewed as a part of the August 12th workshop. During the workshop, HDR and the Commission agreed to review and check on a number of items. The discussion below summarizes the review and discussion/response, along with any proposed revisions to the cost of service model.

1. **Unaccounted for Water (Table 12)**

Issue: Within the rate model, unaccounted for water (i.e. losses) is assigned to customer classes of service. Losses are not assigned equally and those customers served at a transmission level are assigned a lower level of losses than a distribution level customer. Within the study, 2% losses were assigned to the Other Cities. The Other Cities believe that this level of losses overstate their share of the responsibility for losses.

Discussion/Response: In total, the Other Cities use approximately 25% of the total water consumed and all other customers use approximately 75% of the total water consumed. To place the losses in context, approximately 10% of the total losses were assigned to the Other City customers and 90% to all other customers. Logically, this is appropriate since the Other Cities are served at a transmission level and all other customers are served at a distribution level. One method to determine whether the level of losses assigned to the Other Cities is reasonable is to review the length and sizes of transmission vs. distribution lines. On the basis of length alone, 80% of the mains 12” and smaller would be defined as distribution and 20% transmission (14” and larger). An alternate approach is an “inch-foot” method in which the approach considers both the length of the mains, but also the size of the mains. Under this approach, 60% of mains would be defined at distribution and 40% as transmission. Using the most conservative approach of length only, 20% of the losses may be considered transmission related. Given that, 20% of the total system losses equals 92,697 kgals (20% x total system losses of 463,486) of transmission system losses. The Other Cities are 25% of the total volume consumed, thus the Other Cities proportional share of the unaccounted for transmission system water losses would be 23,174 kgals (25% of 92,697). The methodology used within the study assigned 23,534 kgals of unaccounted for water to the Other Cities. Based on this analysis, the assignment of unaccounted for water within the study appears to be reasonable.

Revisions: No revisions were made as part of the current update.

2. **Peak Day Capacity (Table 13)**

Issue: The Other Cities noted that it appeared that the peak day capacity factors were based upon a single year of consumption data. The Other Cities also believe that a multi-year (e.g. 2-year average) should be used to establish these peak day capacity factors.

Discussion/Response: The peaking factors developed as part of the rate analysis and used in Table 13 were based upon a 2-year review of peak demands or 2012/13 and 2013/14. This addressed the Other Cities major concern with the determination of the peak day capacity allocation factors. However, during the meeting, the observation was also made that the Commission should potentially consider the use of a 2-month average for a 2-year period. This approach is essentially an “average of an average” and

would tend to eliminate large and unusual peaks and likely result in less variance from year-to-year in the allocation of extra-capacity peak day costs to customers. Given that overview discussion, the study did review and utilize the peaking characteristics for a two-year period. Thus, the only issue appears to be whether to use a 2-month average for determining the peak. In the rate setting industry, and in HDR's experience, it is not unusual to utilize some method of "smoothing" for peak demands, particularly for wholesale type customers, since circumstances may occur which places unusual demands upon the system.

There is a range of options available to the Commission which may be utilized and include:

- Two-year average; average of two months [Other Cities suggestion]
- Two-year average; use of peak (one) month [HDR study method]
- One-year average; use of one month ["Pure" technical definition]

In the Commission's study, HDR used the two-year average of the peak (one) month. Of the range of methods available, the two year average; average of two months method would likely produce the lowest peaking factors over time and lowest variations in allocations from year-to-year. In contrast to that method, the one-year average; use of one month would likely produce the highest peaking factors or variations in allocations of costs. The use of the two-year average; use of peak (one) month seems to reasonably address the concerns of unusual peak events that may result in high allocations through the use of the two-year average, yet still send a "price signal" or incentive for customers to manage their peak demands. Operationally, the Other Cities are contractually obligated to manage their demands to avoid high peak day demands on the system. A two-year average using the average of two-months provides a limited incentive for the Other Cities to manage their demands. For those reasons, it appeared to HDR that the two year average; use of one month remained appropriate for allocation of extra-capacity peak day costs.

Revisions: The analysis maintained the use of the two-year average; use of peak (one) month.

3. TAP Metering Error

Issue: The Other Cities questioned whether the metering error for TAP was included within the study. If not, the average and peak use should be adjusted accordingly within the study. This is the meter located at the Regional Water Booster Station and was brought to the attention of the Commission in early 2013.

Discussion/Response: The TAP metering error was not brought to HDR's attention during the course of this study. There is no dispute as to whether there was a metering issue, but there is no clear definitive data to correct it. After the August 12th meeting, the City of Phoenix provided to the Commission a letter discussing the meter inaccuracy issue. The City noted that the *"electronic mag meter was over-recording flows by as much as 15%."* The City goes on to discuss that the over-recording appeared to occur in max-demand periods. The City further notes: *"Apparently, during the high flow periods in June and July of 2015 the new meter recorded flows similar to the 2013 numbers. That would be expected, since the temperatures have been so much higher this summer than*

in 2013. We do not believe there is any justification for adjusting the 15% max flow discrepancy of 2013 downward due to the flow rate that are occurring in 2015. . . . The City of Phoenix requests for purposes of the cost of service study that the max demand figures associated with this meter be reduced by 15% for the period of time prior to meter replacement in 2013.” From this statement, it was concluded that the City recommends that the peak demands for this metering point be reduced by 15%.

HDR agrees that an adjustment to the data would be reasonable to reflect the discrepancy in the TAP meter readings. HDR is willing to accept the City’s estimate of 15%, but in examining this issue more closely it was noted that the meter was changed in December of 2013. The data that was reviewed as a part of this study was for July 2013 through June 2014. As noted, the area of concern noted by the City was the peak period of June - August of 2013. Therefore, based upon the above discussion and observations, the peak period readings for these three months were reduced by 15% in the cost of service model allocation factors.

Revisions: The data for the TAP metering point is included in the total demands of the Other Cities and in the updated analysis we have adjusted it to attempt to reflect a reduction of 15% on average day, peak day, and peak hour demands for the June 2013 through August 2013 time period for the TAP metering issue.

4. **Peak Hour Allocation (Table 14)**

Issue: The Other Cities noted that the peaking factor for the peak hour allocation factor was calculated based upon “the historic month divided by the average month”. They noted that this is not an accurate mathematical representation of peak hour demands. The Other Cities note that the Commission should have peak hour demands for the system and whether that information is still available for use. Next, the Other Cities state that since they have their own storage, pumping, etc. and are limited by their service agreements/contracts to avoid peaking off of MWC’s system, they should have no allocation of peak hour costs. Finally, the Other Cities note that the facilities which should have a peak hour component are all transmission and distribution (mains), reservoirs, Duff Plant High Service Pumps including allocations in operational costs, depreciation and rate base.

Discussion/Response: With regard to the calculation of the peak hour peaking factor, HDR agrees that having actual peak hour information by customer class of service is the best and most equitable method of determining the peak hour contribution. However, as was discussed during the last workshop meeting, as this study was being prepared, peak hour data by class of service was not available for customer classes of service, including those of the Other Cities. Given that, a standard approach was used to adjust the peaking factors to link (i.e. tie to) the estimated system peak hour demands. This approach is a generally accepted methodology and is discussed in the AWWA M-1 Manual, 6th Edition, Appendix A. To develop the peak hour peaking factors in the original study, the peak day demands were proportionally increased to reflect peak hour contributions. While HDR recognizes that this is not a perfect or ideal approach, it appeared to be reasonable given the lack of customer specific data.

During the meeting, it was noted that the Commission now has metering technology in place to measure the peak hour data for the Other Cities. The data, as collected to date, does indicate that the Other Cities do have a peak hour demand on the system which appears to be higher than the peak hour demand assumed within the cost of service analysis, and likely are exceeding their contractual demand limits.

In response to this new information, the City of Central Point provided a letter to the Commission dated August 18, 2015 which suggested that each City will need to discuss their overall operational strategies to minimize peak hour use. The City believes *“it would be inappropriate for the Medford Water Commission to include a peak hour rate charge component before the Other Cities customer group has an opportunity to utilize the newly available information to avoid peak hour increases. . . . As it relates to the 2015 cost of service analysis, we believe it would be inappropriate for the Medford Water Commission to include a peak hour rate charge component before the Other Cities customer group has had the opportunity to utilize the newly available information to avoid peak hour increases. A more reasonable approach would be to allow the customer cities a grace period to make system adjustments aimed at minimizing peak hour demands. If a peak hour charge remains appropriate after the proposed period, the Medford Water Commission should adjust rates accordingly. Additionally, it is likely that while peak demands will be minimized through new strategies, it is unrealistic to assume that these demands will be entirely eliminated. With this in mind, we would encourage the Medford Water Commission to continue the practice of including peak hour limits in our five-year water service agreements to recognize growth and reasonable safety and operational margins.”*

The new metered data and the above discussion and observations make it clear that the Other Cities do place a peak hour demand upon the Commission’s system. The question would seem to be which facilities, if any, should be assigned a peak hour component and how the demands should be determined. In the July 1st version of the cost of service study developed for the Commission, no facilities or costs associated with peak hour were assigned to the Other Cities. While there was a peak hour demand allocation factor developed as a part of the study (Table 14), no peak hour costs were classified or allocated to the Other Cities in the July 1st version of the study. This information is shown on Table 24 (Rate Base), Table 27 (Depreciation) and Table 30 (Revenue Requirements). This, for the most part should alleviate the concerns over peak hour demands and peaking factors. However, from the original study, and based upon the discussion with the group, there do appear to be facilities which the Commission may consider classifying a portion as peak-hour related. That would be the Capital Hill Reservoirs 1, 2 and 3, the Bullis Reservoir and the Duff Plant Reservoir (See Q. 6d).

While this has been a long and detailed response, the short answer is the original cost of service study presented to the Commission did not assign or allocate any costs to the Other Cities on the basis of peak hour demands. However, there is the question of the the Capital Hill, Bullis and Duff Reservoirs and whether there is a peak hour component to those facilities which should be addressed in this update and if partially assigned to peak hour, what should be the basis for determining the peaking factors for peak hour. As noted above, when this study was being conducted, no specific peak hour

information was available. The information that has recently become available indicates higher peaking factors than those used within our July 1st version of the study.

Ultimately, this is a Board policy decision as to whether to use the recently available peaking data. HDR concurs with the Other Cities that while the actual metered data, which recently was made available to all parties, may show higher peak hour demands than contained within the study, the Other Cities likely need the opportunity to manage their peak hour demands, especially if the Commission believes the Other Cities, with better information and communication can manage their demands in the future. If the Other Cities do not manage their peak demands in the future, then somewhere down the road, the cost of service and rates should reflect those higher (actual metered) demands and their impact upon the system and the Commission's facilities.

Revisions: No changes have been made to the rate model. However, the peak hour demands for the system have been adjusted to reflect recently provided peak hour periods for the system and the peak hour factors have been adjusted to reflect this information. If the Commission determines that it is more appropriate to use the actual peak hour data recently made available, then the allocation of costs to the Other Cities could be expected to increase by approximately \$20,000 or approximately another 1.5% to their overall rate adjustment for this test period.

5.a. **Supply Pumping/Duff High Service**

Issue: The Other Cities state that the pumping rates from the Duff Plant are increased to meet peak hour demands of the system, and as such, this facility should receive a peak hour allocation.

Discussion/Response: The current cost of service has assigned these facilities between base and peak day extra capacity; assigned to all customers. The AWWA M-1 manual case example for the base/extra-capacity method assigns costs between base and peak day. However, the approach originally used in the Commission's study assigned supply pumping for the Duff plant as 100% max day to all customers.

The Other Cities, while not specifically stating such, are recommending a three-way split between base, max-day and max-hour. This appears to be a reasonable allocation, which would result in all customers sharing proportionally in the peak hour costs, including the Other Cities. If the Other Cities are able to manage their peak-hour demands in the future, then they should be allocated little or no peak hour costs for this plant component.

Revisions: The rate model has been revised to include a peak hour component for the Duff high service component. The peak hour will be assigned to all customers since all customers have the ability to place peak hour demands upon the system and the metered peak hour data clearly supports the recommendation.

5.b. **Distribution Expenses**

Issue: The Other Cities state that the entire distribution system is used to meet peak hour demands, including those over 14", along with being one of the primary functions of the distribution system. There appears to be a number of operating expense categories with no allocation for peak hour.

Discussion/Response: The allocation of the operating expenses generally follow the way in which the corresponding plant in service was assigned (e.g. operating expenses for reservoirs is assigned in the same manner as reservoir plant in service). Given that, it is important to understand the way plant in service for mains and reservoirs was assigned. The July 1st version of the cost of service has segregated the mains between those defined as transmission and distribution. Transmission is defined as all mains 14” and larger and distribution mains are 12” and smaller. Distribution mains are assigned to base, max day and max-hour thus reflecting the issue raised by the Other Cities. However, it is important to note that no distribution main costs are allocated to the Other Cities. On the transmission mains, they are classified between base and max-day which is the same approach as shown in the AWWA M-1 manual case example. The reasoning or theory is the transmission mains are not generally intended to meet peak hour demands, but rather, that is one of the functions of the down-stream distribution reservoirs.

On the reservoirs, the costs were originally classified as primarily max-day and a portion to public fire protection. However the cost allocation approach included in the AWWA M1 manual does include an average day and peak-hour component for the reservoirs and not a max-day component. This change in the classification of reservoirs will flow-through to the operating expenses and more costs will be included within the peak hour cost component as a result.

Revisions: No revisions were made to the classification of transmission mains as part of the revised model. However, the classification of reservoirs has been revised to base (average day) and peak-hour, which is consistent with the AWWA M-1 manual.

5.c. Control Equipment

Issue: The Other Cities state that a significant portion of the control equipment (Acct. 369) is used on facilities that only serve Inside Customers and the allocation of these costs should reflect this.

Discussion/Response: The previous Commission-developed cost of service study showed that these assets and costs were assigned 67% to all customers through the base allocation and 33% to base retail only. In the July 1st version of the cost of service study, these equipment costs were assigned 100% - Base-All. Since the August 12th meeting, Commission staff reviewed these costs and their review indicated that the cost assignment from the Commission’s prior cost of service study remains an equitable approach.

Revisions: The assignment of costs for Acct. 369 has been adjusted to reflect the Commission’s prior study’s method to allocate a 67% to all customers on the base allocation and 33% of the costs to base retail only.

5.d. Percentage Allocation

Issue: The Other Cities asked about the logic used to assign the expense items between the various cost categories (base, extra-capacity, customer, etc.).

Discussion/Response: This item was discussed during the August 12th meeting and explained. As discussed above, the general logic is the classification of the operating

expenses to the cost components are intended to follow the way in which the corresponding plant in service was assigned (e.g. operating expenses for reservoirs is assigned in the same manner as reservoir plant in service). If additional clarification or information is needed for a specific account, it can be provided. There are a number of specific accounts (discussed in detail below) which were re-examined as a part of this update.

Revisions: None.

5.e. Franchise Fees

Issue: The Other Cities note that franchise fees are more related to inside City customers and the prior rate study assigned only 50% of the franchise fees to outside user groups and allocated as demand.

Discussion/Response: Franchise fees are included within the Commission's budget as a part of the Administration Costs. In the July 1st version of the cost of service study, the franchise fees (total \$137,214) were classified as "All Other O&M Expenses before A&G Expenses". With this classification of costs, approximately 56% of the franchise fees are allocated between all customers, and the remaining 44% is assigned to retail customers. This is relatively similar to the statement made by the Other Cities of only 50% being allocated to all customers. However, the prior study does not specifically break out the franchise fees so it is not possible to determine if this is how franchise fees were allocated in the prior study.

It appears that the primary purpose of these fees is to reflect the right of way the Commission has through property owned by the City of Medford. Given this, it appears that it would be appropriate to allocate franchise fees on the basis of transmission and distribution plant (value) which would reflect an allocation of 24% to all customers and 76% to retail only. Of the 24%, Other Cities would only receive their proportional share of the base and peak day allocation.

Revisions: Franchise fees have been revised and classified in the same manner as transmission and distribution plant assets.

5.f. Meter Reading

Issue: The Other Cities asked if some actual expenses such as vehicle expenses were included in the labor expenses.

Discussion/Response: The Commission responded during the meeting that the answer to this question was no. It is our understanding that the Commission's response was sufficient to resolve this question.

Revisions: None.

5.g. Administrative and General Expenses

Issue: The Other Cities note that the method used to classify the A&G expenses is completely different from the Commission's prior rate studies and there is an unclear explanation of the revised methodology. The Other Cities observe in the current study that a majority of the costs are assigned to capacity-related and very little to customer-

related. They state that the prior study methodology was the opposite of this and based upon the actual duties of the personnel which comprise most of the A&G activities.

Discussion/Response: The Commission’s budget format has been expanded and revised since the last rate study and was part of the need to conduct this study. In the Commission’s revised budget format, the A&G expenses are subcategorized between various types of A&G. These include the following categories and the initial proposed methods used to assign them.

| <u>Category of A&G</u> | <u>Method of Classification</u> |
|---------------------------------------|--------------------------------------|
| • Administration | As All Other O&M |
| • Finance | As All Other O&M |
| • Human Resources/Payroll | As All Other O&M |
| • Engineering, Maps and Records | As Net Plant in Service |
| • Public Information | 100% Customer - All |
| • Computer Information/Tech. Services | As All Other O&M |
| • Conservation | Direct Assignment - \$0 Other Cities |
| • Fleet, Vehicles and Equipment | 100% Base - All |

In going back and reviewing/comparing the Commission developed rate study to the July 1st version of the study it was noted that the old study had much higher A&G expenses (approximately \$1.7 million versus this study’s \$1.2 million). The approach used in the July 1st version of the cost of service is similar to that shown in the AWWA M-1 manual. The AWWA M-1 manual discusses the assignment of A&G expenses and the case example explains the basis for the assignment of costs as “A&G (expenses) are allocated on the basis of the allocation of all other expenses . . .”² The theory of this cost allocation method is the A&G expenses are incurred as a function of all of the supply, treatment, pumping, transmission and distribution services provided by the utility. In that sense, the July 1st approach is a “generally accepted” methodology. In addition, while there are costs classified to base and extra-capacity, only approximately half of these costs are allocated proportionally to the Other Cities. Given the level of detail included in the Commission’s chart of accounts HDR was able to use a more refined method of assigning the O&M expenses to be able to assign costs to either all customers or various sub-groups which exclude the Other Cities.

Based upon the workshop discussion, HDR agreed to review the assignment of these A&G costs in the context of generally accepted cost allocation approaches. Based upon our review, HDR was of the opinion that the methodologies used and proposed conform to generally accepted method. However, HDR is proposing the following revision:

| <u>Category of A&G</u> | <u>Revised Method of Classification</u> |
|---------------------------------|---|
| • Engineering, Maps and Records | As T&D Plant in Service |

The Engineering, Maps and Records is discussed in more detail below, but has been revised to better reflect the facilities related to these costs.

² AWWA M-1 manual, Sixth Edition, p. 65.

Revisions: The classification of A&G has, for the most part, been maintained. The classification of Engineering, Maps and Records has been revised to better reflect the activities undertaken.

5.h. Engineering, Maps and Records

Issue: The Other Cities state that the majority of these costs are classified as being demand related (see discussion above) and staff time devoted to this cost category has little to do with meeting demand. A suggested allocation method is needed for this expense category or a related time allocation study to verify that the allocation is reasonable.

Discussion/Response: The July 1st version of the cost of service assigned these costs as net plant in service which attempted to be reflective of the facilities being served. Since many of the facilities are designed around or a function of capacity, the assignment of these costs tends to lean towards the capacity component. In reviewing the classification of this cost in more detail, the use of net plant in service classifies costs based upon the total plant in service, which includes supply and treatment facilities. To better reflect the activities undertaken within this set of accounts, a classification based upon transmission and distribution plant would seem to be more reflective of the activities undertaken.

Revisions: The classification of Engineering, Maps and Records was revised from net plant in service to a classification based upon transmission and distribution plant.

5.i. Other Expenses

Issue: The Other Cities asked what “Other Expenses” of \$280,340 includes.

Discussion/Response: During the workshop meeting, the Commission responded to and clarified this inquiry. It was concluded no follow-up would be needed.

Revisions: None.

5.j Loss on Disposable Assets

Issue: The Other Cities asked what this cost was and whether it was a recurring cost. If not, it should not be included in the rate allocation.

Discussion/Response: The Commission responded to and clarified this inquiry during the August meeting. It was concluded that the cost should remain with the cost allocation study and while not specifically a recurring cost, it is a cost which will likely be incurred each year as different assets are disposed of before they have been fully depreciated.

Revisions: None.

6.a. Rate Base – Donated Assets

Issue: The Other Cities stated that donated assets funded by SDCs have not been removed from rate base.

Discussion/Response: The development of rate base, using generally accepted methods, deducts all donated assets, both developer and those funded through SDCs,

from rate base. In the July 1st version of the model, the rate base does contain a section for reducing the rate base for developer contributed capital and \$38 million in contributions was deducted from rate base. During the meeting, it was acknowledged there may be an issue with this portion of the model in that all donated assets, primarily related to SDC funded assets, may not have been fully captured and we agreed to further review this issue to confirm that all donated capital was deducted.

Upon further review, all of the assets funded through SDCs were not completely captured. Commission staff provided the detail of the assets specifically funded through SDCs. It should be noted that a portion of the SDC funded assets was previously included in the July 1st model under developer contributed, however, not all the SDC funded assets were included.

Revisions: The model has been updated to include the Commission provided SDC funded assets as a deduction to rate base. A separate section was added to the rate base to subtract out the additional SDC funded assets in the model. The model has been updated and the additional SDC funded contribution reduces rate base by an additional \$12.5 million.

6.b. Distribution Pumping

Issue: The Other Cities requested clarification of what the difference is between Distribution Pumping A and B.

Discussion/Response: This was based upon the old rate study and the use of the labels “A” and “B” was a simple way to track the pumps which are assigned to retail only (“A”) versus pumps assigned to all (“B”). In this study, 87% of the pumps are assigned to retail only and the remaining 13% are assigned to all. It is our understanding that this question was resolved during the meeting.

Revisions: None.

6.c. Distribution Mains (> 14”)

Issue: Mains 14” and larger are transmission mains. The Other Cities state that these assets are vital to meeting peak hour demands. Given that, they believe there should be a peak hour component for transmission mains (i.e. mains 14” and larger)

Discussion/Response: In the July 1st version of the cost of service study, the transmission mains were assigned between base-all and peak day-all. Unlike distribution mains (12” and smaller), there was no assignment to a peak hour component. This classification was developed based upon two perspectives. First, the AWWA M-1 manual indicates that transmission can be assigned in this manner, but more importantly, under ideal conditions, transmission mains should not be stressed to meet peak hour demands. Distribution reservoirs on the distribution systems of the Other Cities should be handling the peak hour requirements of the Other Cities and the Other Cities demands on the Commission’s system should be more of a steady state, with seasonal variations. The same should be true with the Commission’s own distribution system. However, as the Other Cities point out, there may be some high peak hour demands on the system which does indicate a peak hour component. However, to be consistent with the discussion above on peak hour demand allocation

factors, one must either add a peak hour component for these transmission mains and then charge all customers based upon their peak hour demands, or alternatively, assume no peak hour component and allow the Other Cities to adjust their demands going forward to minimize their peak hour requirements.

To be consistent with generally accepted classification approaches, along with the peak hour discussion (Q. 4), it would seem appropriate to not include a peak hour component for transmission. However, if the Other Cities do not manage their peak hour demands going forward then it would seem appropriate for the Commission to consider the addition of a peak hour component for these transmission facilities. In summary, for purposes of this study, it is proposed to leave the classification of transmission mains as base-all and peak day-all.

Revisions: None

6.d. Reservoirs

Issue: The Other Cities state that reservoirs are essential in meeting peak hour demands. The Other Cities further note that only the Capital Hill Reservoirs 1, 2 and 3, the Bullis Reservoir and the Duff Plant Reservoir supply water to the Other Cities and other outside customer groups. The actual assets should be used for this allocation and not an “arbitrary” percentage.

Discussion/Response: Within the July 1st study, reservoirs were assigned to the peak day component and not the peak hour component. This plant item was misclassified and it is agreed that reservoirs should be assigned to peak hour and not to peak day. This is consistent with the AWWA M-1 manual classification of reservoirs. In assigning reservoirs to peak hour, the Capital Hill Reservoirs 1, 2 and 3, the Bullis Reservoir and the Duff Plant Reservoir should be assigned to all customers and the other reservoirs assigned to retail only.

In the July 1st cost of service study, reservoirs were split 58% to all customers and 42% to retail only based on the prior study completed by the Commission. This assignment and percentage split reflected the value of the original cost of the reservoirs that serve all customers and those that serve retail customer only. The asset listings were reviewed and the reservoirs were split in the same manner, those that provide service to all customers and those that provide service to retail customers only. The percentages are simply used as a method to show the split between the allocation methods.

Revisions: The classification of the reservoirs should be changed from peak day to include a component for base and primarily peak hour. This is based on the AWWA M1 Manual base extra-capacity method of allocating reservoirs. The allocation between base and peak hour is developed on the system average day and peak hour relationship. The split of these assets (74%/26%) based on the original cost of the facilities which benefit all customers and retail only.

6.e. Account 304

Issue: Account 304 is pumping land. The Other Cities note that part of this account should be charged to inside City customers only.

Discussion/Response: In the July 1st version of the cost of service study, this account was classified between base-all and peak day-all. In reviewing the prior rate study developed by the Commission, there is a very minor portion of this account which was allocated to retail customers only. In addition, there were additional SDC contributions.

After the August 12th meeting, this account was reviewed in more detail and it was determined that there was a portion related to high level service and it should be allocated to only to the Commission’s retail customers.

Revisions: The revised model reflects the revisions as discussed above which allocated a portion of these costs to retail customers only. In addition, there was also an offset for SDC contributions for this account.

6.f. Account 327, 370, 371, and 376

Issue: The Other Cities note that only a small portion of these accounts are charged to customer related, even though they appear to be related to more customer-related accounts/activities.

Discussion/Response: These accounts are all general plant accounts and the account numbers correspond to the following descriptions:

- **327** – Service Center Buildings
- **370** – Office Furniture
- **371** – Vehicles
- **376** – Equipment and Tools

These plant items were classified in the same manner as all other plant was classified. This approach to the classification of general plant is similar to the discussion of A&G. That is, general plant is often incurred to support all of the other plant components of the system. The AWWA M-1 manual case example classifies general plant in this manner, supporting this as a reasonable and generally accepted method.

Based upon our review of this issue, HDR concluded that Account 327 and 370 would not be revised and would be classified on the basis of Net Plant Before General Plant. HDR did change Account 371 and 376 to be more reflective of the T&D function of these accounts. The following methods are proposed to classify these costs.

- **371** – Vehicles As T&D Plant
- **376** – Equipment and Tools As T&D Plant

Revisions: No changes were made to Accounts 327 and 370. The classification of Accounts 371 and 376 were revised to reflect their relationship to T&D activities.

6.g. Account 328

Issue: The Other Cities state that this account includes the Annex building which is more customer related, and the prior rate study allocation was 73% customer related.

Discussion/Response: Account 328 is Miscellaneous Structures and Improvements. The study classified these costs similar to other general plant items discussed in the previous question (6.f.). This approach conforms with the generally accepted method used to assign general plant in service.

Revisions: No changes to this Account were made.

6.h. Account 378

Issue: The Other Cities questioned what is in Other Tangible Property (\$2.3 million).

Discussion/Response: The Commission provided a response to this question at the workshop and stated that this included GIS mapping, aerial maps and water quality software. It is our understanding that the provided response was sufficient to resolve the question.

Revisions: None.

6.i. Account 369

Issue: The Other Cities state that this asset is only used by inside City customers and should be revised accordingly.

Discussion/Response: Account 369 is the transmission and distribution supervisory control equipment (SCADA). The July 1st version of the study classified this cost as 100% base-all. In reviewing the Commission's prior rate study, the classification of this cost was 67% base-all and 33% inside-city only. HDR can not come to the conclusion that the transmission and distribution system SCADA only benefits the inside City customers. This is similar to question 5.c. on the control equipment distribution related expenses.

Revisions: As with the response to 5.c., the control equipment has been split between those that benefit all customers (67% of the asset value) and to those that only benefit inside retail customers (33% of asset value) based on the Commission's prior study. The control equipment that benefits all customers is allocated as 100% base-related; all customers and the remaining 33% as base-related; inside retail customers only.

7.a. Depreciation

Issue: The Other Cities want to deduct depreciation expense on SDC contributed assets.

Discussion/Response: During the workshop it was discussed that there are differing perspectives on the role of depreciation expense in the rate making process and on contributed assets. The Commission's prior rate study was reviewed and depreciation expense on SDC contributed assets was deducted as a part of that study. During the workshop, there was a good discussion about the eventual replacement of contributed assets and depreciation expense would then be earned by the Commission on those "new" non-contributed assets. The parties seemed to be in agreement as to this point.

Ultimately, the issue of the inclusion or exclusion of depreciation expense on SDC contributed assets is a Board policy decision.

Revisions: To be consistent with the prior study, depreciation expense on SDC contributed assets was eliminated (deducted) on SDC contributed assets. The revised analysis reflects the exclusion of annual depreciation expenses for those assets funded through SDCs thereby reducing the annual depreciation expense distributed to the various customer groups. If depreciation expense on SDC contributed assets is included within the analysis, the change in the allocation of costs to the Other Cities is an

increase in the allocation of approximately \$65,000 or approximately another 4.5% to their overall rate adjustment for this test period.

7.b. Error in Depreciation

Issue: The Other Cities noted there appeared to be an error in the annual depreciation expenses distributed to the Other Cities.

Discussion/Response: The July 1st rate model was reviewed to determine if there was an error in the distribution of annual depreciation expense. Upon further review, it does appear there was an error in the development of the annual depreciation expense distribution exhibit.

Revisions: The annual depreciation exhibit has been revised and corrected to reflect the appropriate distribution of annual depreciation expenses.

8. Direct Assignment

Issue: The Other Cities wanted to know what was included in the direct assignments.

Discussion/Response: During the workshop HDR stated that the direct assignment contained within the O&M was for conservation and cross connection control, of which no costs are assigned to the Outside City customers. There are three other expenses which are directly assigned; reserves for future main replacement, future water treatment plant fund and future water rights. Only the future water treatment plant fund is proportionally assigned to Other Cities on the basis of volume. It is our understanding that the provided response was sufficient to resolve the question.

Revisions: None.

9. Operation Costs

Issue: The Other Cities noted that O&M costs have increased nearly 60% from the 2011 study. As a part of the August 5th letter, the Other Cities provided a comparative worksheet of O&M expenses.

Discussion/Response: The Commission provided a verbal response at the meeting.

Revisions: None.

This concludes the review of the discussion of the items contained in the August 5th letter from the Other Cities. In addition to that letter to the Commission, the Public Works Director from the City of Ashland also provided a list of questions dated August 5th. Provided below are our responses to the City of Ashland's questions.

1. **Issue:** Appendix tables are too small to read.

Discussion/Response: This was discussed at the workshop meeting and it was agreed that a protected version of the model would be provided for review.

Revisions: After the workshop, the actual rate model file was provided to the Commission for posting to the share site.

2. **Issue:** It would be more efficient to work directly with an HDR analyst to answer questions

Discussion/Response: The Commission requested that all discussions be through Commission staff. The workshop was intended to provide a forum to work through questions and responses in an open and transparent manner, and to provide equal opportunity/access to all interested parties.

Revisions: N/A

3. **Issue:** What customer class is Ashland in? Ashland is not mentioned in the study. Was Ashland's water usage and expected revenues included in the study?

Discussion/Response: Ashland would be included within the Other Cities class of service. Costs for that class of service are allocated on the total group characteristics and not as individual customers. Ashland, as a relatively new customer, was not included within this particular analysis, but should be included when the study is updated in the future.

Revisions: N/A

4. **Issue:** Please provide the water consumption and revenue histories for each of the districts and other cities in those classes.

Discussion/Response: This information was provided (posted) as part of the background information on the share site prior to the August 12th workshop meeting. If assistance is needed in finding the information please request through Commission staff.

Revisions: N/A

5. **Issue:** Please provide the specific set of cost allocations to each of the Districts and Other Cities in those classes.

Discussion/Response: As discussed at the workshop, the Commission allocates costs to the entire group (i.e. a consolidated class) and does not allocate costs to individual District's or Cities.

Revisions: N/A

6. **Issue:** The City notes that a test year is preferably defined as a historical year. HDR chose to use a projected test period. In addition, it appears that the study uses two different test periods; one to project revenues and one to project costs. This "dual test-year" approach can under-state revenues and over-state expenses. Please run a FY 2013/14 test period and explain why costs are expected to rise so rapidly between the audited results of FY 2013/14 and the FY 2015/16 budget.

Discussion/Response: There are three generally accepted methods for establishing a test period; historical, projected and pro-forma (See AWWA M-1 manual). Most municipal utilities use a projected test period for rate setting purposes to match their rates to their projected or adopted budget. The Commission has historically used a

projected test period and allocated the adopted budget of the Commission. This study is consistent with the Commission's past rate setting practices.

As for the appearance of using two different time periods for projecting revenues and expenses, that is not the case. It is typical in a rate study to collect historical consumption data (i.e. the first test period) and use the billing units from that data to calculate the rate revenues derived from the current rates. This is a simple method to help confirm the veracity of the billing unit data since this is the basis for the projection of the usage data within the test period cost allocation factors (e.g. sales, base usage, etc.). Once the billing units are confirmed, the rate revenues are projected forward and a single test period is used for revenues and expenses. The rate revenues within the model for FY 2013/14 are approximately \$10.7 million. The rate revenues within the cost of service analysis for FY 2015/16 are \$11.3 million.

The Commission is in the best position to respond to questions concerning any changes in the FY 2015/16 budget. Running the cost of service for an alternative test period (i.e. a historical test period) would be a policy decision by the Commission.

Revisions: N/A

- Issue:** The FY 2014 audit shows current assets of approximately \$20 million in liquid short-term investments. All customers have contributed net income and SDCs to those assets. How will MWC utilize those current assets to pay for future capital projects and what impact does that have on the proposed cost allocations to the Districts and Other Cities.

Discussion/Response: The Commission responded to this question at the workshop. The \$20 million in liquid assets is somewhat misleading. The Commission has specific reserves for main replacement, future water treatment plant and future water rights development. These are restricted funds for those specific purposes, and the Commission has approximately \$7.5 million in these funds at the end of FY 13/14. The remaining balance is a mix of operating reserves, approximately \$4.5 million, and capital reserves, approximately \$9 million at the end of FY 13/14.

The impact of these restricted reserves on current and future rates is to attempt to eliminate or minimize the need for long-term borrowing. While these funds will likely not eliminate the need for long-term borrowing completely it will, however, clearly minimize the amount of borrowing required and minimize the overall cost of the facility or project. This is a funding/financing strategy which the Commission has had in place for some time and was not developed as a part of this study.

Revisions: N/A

- Issue:** What is the formula for the "Amortization of PERS". The explanation in the report is not very informative. Why should Other Cities and Districts pay for this?

Discussion/Response: The Commission noted at the workshop that the Commission made two advance payments to Oregon Public Employees Retirement System (PERS) to reduce the contribution rates for employee retirement. The payments were made in September of 2000 and May of 2004 in the amounts of \$408,199 and \$2,751,987

respectively. These amounts have been recorded as a prepayment expense, and are being amortized over 30 years on a straight line basis. The amount remaining to be expensed as of June 2014 is \$2,046,983. The amount that is booked for expense on an annual basis is \$105,340 and there is approximately 20 years left.

Revisions: N/A

9. **Issue:** How are “Transfers to Reserves” determined? How are they allocated to Districts and Other Cities?

Discussion/Response: Transfers to reserves are based upon the rates in place which contain a fixed volumetric rate component for the transfer. For each of the transfers; the Future Main Replacement, Future Water Rights Development, and the Future Water Treatment Plant the costs are included within the rates for specific customers. For example, the Water Treatment Plant Reserve is funded based upon \$0.10/1,000 gallons included within the summer rates for all customers. The Future Main Replacement is charged only to the Commission’s inside and outside customers and not to Other Cities or the Districts. The Future Water Rights Development is charged to all Commission outside customers and District customers to fund future water right needs as these customer classes utilize Commission funded water rights at the current time. As for the allocation of these costs, see Other Cities Question 8; these costs are “directly assigned” within the cost of service and only the Future Water Treatment Plant costs are assigned to Other Cities and it is assigned to all customers on the basis of volume.

Revisions: N/A

10. **Issue:** Please provide the depreciation and amortization schedules for the fixed assets used to determine the depreciation expense.

Discussion/Response: This information was provided (posted) as part of the background information on the share site prior to the workshop meeting. If assistance is needed in finding the information please request through Commission staff.

Revisions: N/A

11. **Issue:** Are any personnel employed by MWC also employed by other City of Medford departments?

Discussion/Response: During the workshop the Commission responded no. There are no Commission employees also employed by the City of Medford.

Revisions: N/A

12. **Issue:** Are developer contributions included in the fixed assets and are they included in the calculation of depreciation and return on rate base?

Discussion/Response: The discussion contained in the Other Cities issues and responses have addressed these same questions. To summarize, contributions, both developer and SDC funded, are included within the fixed assets and excluded in the calculation of rate base. SDC contributed depreciation expense is excluded from rates.

Revisions: N/A

13. **Issue:** Given legible tables, the City may have more questions

Discussion/Response: The next workshop meeting is scheduled for September 9th from 1:30 p.m. to 3:30 p.m. at the Duff Treatment Plant. Additional follow-up questions can be addressed at that work session.

Revisions: N/A

This concludes the review of the issues/questions posed by the Other Cities and the City of Ashland. We have attempted to provide clear responses and fairly address the concerns of the Other Cities and the City of Ashland and look forward to further discussions at the workshop on September 9, 2015.



August 5th, 2015

Medford Water Commission
200 South Ivy Street
Room 177
Medford, OR 97501

RE: 2015 Comprehensive Water Rate Study

Dear Chairman Johnson:

The Other Cities customer group welcomes the opportunity to review, provide questions and comments, and participate in the upcoming workshops on the Water Commission's recently completed water rate study.

As you can imagine, the rate study is an extremely important document to those of us who represent the various customer groups supplied by the Medford Water Commission. Since this study will likely be the blue print for future rate studies, it is critical that the assumptions and methodologies presented in the study allocate the cost of service to the different customer groups appropriately. The methodology utilized in this study somewhat mirrors that which was used previously, but the current study provides an excellent opportunity to review how the various costs are allocated so that we can all be sure they truly reflect a fair allocation of the costs. That said, the Other Cities group will focus our review on the allocation tables provided since they represent the "guts" of the study and are the foundation of any proposed rate action.

Outlined below are questions and comments from the Other Cities group. They are not listed by any level of importance; rather, we have attempted to follow the order they are presented in the study.

1. **Unaccounted for Water (Table 12)** - It seems illogical to assign Other Cities 25% of the unaccounted for water (2% of 8%) when the facilities that supply them represent only a fraction of the water facilities that are likely responsible for the lost water. These facilities include approximately 25% of distribution mains over 14", 25% of the Rogue Supply lines, 11 services and 11 meters, as compared to the hundreds of miles of transmission and distribution mains and tens of thousands of services and meters that supply the other customer groups. Other Cities are master metered, have their own distribution systems and must adjust rates to accommodate their own unaccounted for water. We agree that there needs to be an adjustment of unaccounted for water, but Other Cities should be responsible for a very small portion of system water loss; not 25%. In reviewing the consumption data versus

the production data, the actual unaccounted for water appears to be closer to 12% - 15%. We believe 12-15% should be placed in the study with only a minor allocation to Other Cities.

2. **Peak Day Capacity (Table 13)** - It appears this table was based on a single year of consumption data. Since the capacity factors are an extremely important part of the study, we feel there needs to be some type of normalization or statistical smoothing in developing this table where the results are determined by multiple year demands. Using 2 year's annual consumption and 2 maximum months for 2 years, as was done in previous studies, seems like a more logical approach. This would eliminate most anomalies that may occur in a single year's demand.
3. **TAP metering error** - Was the demand for Other Cities adjusted for the metering error that was discovered last year at the TAP meter? If not, then the average consumption and peak demands need to be adjusted accordingly. We believe the error was about 13% over the water actually delivered.
4. **Peak Hour Allocation (Table 14)** - This table is confusing as it does not really represent the actual peak hour demands of the system. The table indicates that the peaking factor (1) is "calculated based on the historic month divided by the average month". This is not an accurate mathematical representation of peak hour demand. MWC used to have documentation (daily graphs) that determined the actual peak hour demands for the entire system. Is that documentation still available? Since the Other Cities have their own storage, pumping, etc. and are limited by their water service agreements/contracts to avoid peaking off MWC's system, they should have no cost allocation for peak hour demand. It is also confusing to combine Districts with Cities (wholesale), as their supply system and demand patterns are not similar. The peak hour used in the 2011 study was 96.6 MGD and it should not be applied to Other Cities. If you no longer have the actual peak hour data, you can likely adjust it forward to find a realistic peak hour value. Medford Water Commission facilities, which are needed to satisfy peak hour demands, should include: 1) All of the transmission and distribution system, 2) Reservoirs, 3) Duff Plant High Service Pumps including allocations in Operational Cost, Depreciation and Rate Base.
5. **Operating Expenses (Table 28).**
 - a. **Supply Pumping/Duff High Service** - Pumping rates from the Duff Plant during peak hour periods are increased to utilize the stored water at the plant and help meet the peak hour demands of the system. This facility should also have a peak hour allocation.
 - b. **Distribution Expenses** - The entire distribution system is used to meet the peak hour demands of the water system. This includes all of the mains, including those over 14". It is also one of the primary functions of the system's reservoirs. There appears to be no recognition of this as there are numerous operating expense categories that have no allocation for peak hour.

- c. **Control Equipment** – A significant portion of the control equipment is used on facilities that only serve Inside Customers. The allocation to all customer groups needs to recognize this fact.
- d. **Percentage Allocation** - We assume there is some logic behind the percentage allocation on many of the expense line items, but we are unable to determine how some of these expenses are being allocated between the different customer groups and between capacity related vs customer related expenses. Please provide an explanation of the methodology used.
- e. **Franchise Fee** – This expense has little or nothing to do with services supplied to other customer groups except for customers inside the City of Medford. It should not be allocated the same as other expenses. If it is tied to utilization of the City of Medford’s right of way, then the allocation should be proportionate to the allocation of assets in that right of way. In previous cost of service studies, only 50% of the franchise taxes were allocated to outside user groups, with that allocation being based upon demands.
- f. **Meter Reading** – Are some actual expenses such as vehicle expenses included in the labor expenses?
- g. **Administrative & General Expenses** - The allocation methodology used for this expense is completely different than in previous rate studies and there is no explanation given for the methodology. The majority of these costs are somehow assigned based on demands, with a minor part assigned to customer-related expenses. In the previous rate study the opposite occurred based upon the actual duties of the personnel which comprise most of the A&G activities. We completely disagree with the new, proposed allocation.
- h. **Engineering, Maps and Records** – The majority of the allocation for these expenses is tied to demands. However, the actual time spent by engineering staff has little to do with demands. Another allocation method is needed for this expense category or related time allocation study to verify if the proposed allocation is reasonable.
- i. **Other Expenses** – What is this expense? “Other expenses” of \$280,340 seems excessive to have no explanation. Is it a recurring cost? If so, it should have its own line item. If not, then it should not be included in the rate allocation.
- j. **Loss on Disposable Assets** – This item appears in a number of the expense categories. What is this? Is this a recurring cost? If not, then it should not be included in the rate allocation.

6. **Rate Base**

- a. **Donated Assets** – The donated assets funded by SDC charges have not been removed from the rate base. Every asset/project identified in previous studies, and the current SDC study that will be or has been funded by system development fees, should be classified as “donated.” When MWC presented the principal of SDC’s to the Other Cities, they sold the program based on the understanding that SDC-funded assets would be classified as donated and thereby not be included in the rate base. This would have the long term effect of reducing rate increases to existing customers. The 2011 Cost of

Service Study identified these assets and removed them from the rate base along with their depreciation costs. Changing this precedent will invalidate the justification for Cities to pay SDC charges to MWC.

- b. **Distribution Pumping** - What is the difference between Distribution Pumping A and B?
- c. **Distribution mains (14" >)** - This asset is essential to meeting the peak hour demands of the system and needs to have a peak hour allocation the same as other distribution mains. If you do not concur, remove these mains from your distribution computer model and see if you meet the peak hour demands of your customers.
- d. **Reservoirs** - As discussed earlier, reservoirs are essential in meeting the peak hour demands of a water system. A peak hour allocation needs to be included. The percentage allocation does not appear to be logical. Only Capitol Hill Reservoirs 1, 2 & 3, Bullis Reservoir, and the Duff Plant reservoir supply water to Other Cities and the other outside customer groups. The actual book value of these assets can be readily obtained and used rather than an arbitrary % allocation.
- e. **Account 304** - Part of this account contains HL Station Land that should be charged only to inside customers.
- f. **Account 327, 370, 371, and 376** - Only a small portion of these accounts are charged to Customer Related Expenses. A significant portion of the building, equipment and staff work on customer-related tasks. (Meters, meter repair, service work, meter reading, etc.) The allocation in the report is not logical.
- g. **Account 328** - This account includes the Annex building of which a significant portion of the building needs to be charged to Customer Related Expenses. 73% was allocated in the 2011 Study.
- h. **Account 378** - What is included in Other Tangible Property (\$2,262,509)?
- i. **Account 369** - A significant portion of the assets is only used by inside customers. The allocation should be changed to recognize this fact.

7. Depreciation (Table 25)

- a. **Depreciation on Donated Assets** - This is a significant issue that the Other Cities have with the study. It was brought to the MWC's attention by the Other Cities over two years ago. Depreciation is a means to recover cost based upon the recognized decreased value of an asset. It is an accepted accounting principal. However, when an asset is paid for by the Other Cities (through SDC's) and donated to MWC, MWC should not include the depreciation of that donated asset in its rates the same as it does not include the value of the asset in its rate base. By requiring Other Cities to pay depreciation on donated facilities, we pay for the asset twice, once when it was donated and a second time over the life of the asset. In fact, if you recognize the value of the annual payment and the effect of interest rates and compounding, a \$30,000 asset with a 30 year life with \$1,000 depreciation/year at 5% interest will have generated \$79,000 at the end of the 30 year period. The 2011 Cost of Service Study recognized this fact and did not allocate depreciation on donated assets. Again, if rate of return and

depreciation on donated facilities paid for by SDCs are included in the revenue requirements, then there is no reason for Other Cities to pay SDC's.

- b. **Error in Depreciation** – We were trying to verify the costs contained in Table 25 and believe we discovered an error in the depreciation charged to the Other Cities. We believe it should be \$364,399 not \$462,776.

8. **Direct Assignment**

- a. **Direct Assignment Charge** - There is a direct assignment charge in the O & M allocations. Could you please define what that includes?

9. **Operation Costs**

- a. **Increased Operational Costs** - From the 2011 Cost of Service Study to the current 2015 Water Rate Study, operational costs have increased nearly 60% (note: we have attached a summary spreadsheet of our operational cost observations), administrative and general costs nearly 90%, all during a period of modest inflation and without a significant increase in demands. These increases in cost are responsible for a significant portion of the proposed water rate increase to the Other Cities customer group. Most Cities have managed to live with budgets that have not been allowed to increase during this same period. It is extremely difficult to pass on these costs to our customers. What are the Commission's plans for reducing or containing operational and administrative costs? These types of increases are not sustainable in the City environment most of us operate in. As a matter of comparison, the City of Central Point reduced general fund spending by 9%, and total budget appropriations by 12.5%, during the same period. Why are costs/expenditures at the Medford Water Commission outpacing similar sized public agencies by such a large amount?

In reviewing the schedule you prepared, it appears that there may not be a need for a second workshop. That can be determined based on progress we make during the first workshop. However, we feel there is a pressing need for a work session with the full Water Commission Board. Many of the items outlined above may well be policy decisions which only the Board can determine. We think it would be extremely beneficial to meet and have an open discussion with the Board members. This cannot occur at a public hearing. Also, if the process takes longer than expected, we do not see the need to rush a public hearing to occur 90 days prior to the rate action. Important issues that require discussion include: policy decisions on the water rate study, rate of return, Duff II improvement funding, impacts of capital programs on rates, conservation, and impact of Ashland on future water rates, etc.

It has been a time consuming process for the Other Cities customer group to coordinate the technical review of the 2015 cost of service study in such a short period of time. However, we hope our efforts, research and analysis will provide meaningful discussion at the August 12th workshop. This is an issue of great and lasting importance to the citizens of the six Rogue Valley cities collectively referred to as the Other Cities.

Sincerely,



City of Central Point
Mayor Hank Williams



City of Phoenix
Mayor Jeff Bellah

City of Jacksonville
Mayor Paul Becker



City of Eagle Point
Mayor Bob Russell



City of Talent
Mayor Darby Stricker



City of Ashland
Mayor John Strohmberg



Attached:

1. Operational Cost Summary Spreadsheet

Operations and Maintenance Cost Comparison

| Description | *2011 Rate Study | 2015 Rate Study | % Increase | Audit Expenses | | | | | |
|----------------------------|------------------|-----------------|------------|---|-------------------------------------|--------------|----------------------|--------------|--------------|
| | | | | 2011 Rate Study | 2012 | 2013 | 2014 2015 Rate Study | | |
| Source of Supply | \$ 281,838.00 | \$ 400,791.00 | 42.2% | | \$ 368,610 | \$ 334,829 | \$ 384,473 | | |
| Supply Pumping | | | | Total Pumping | \$ 371,133 | \$ 434,972 | \$ 490,780 | | |
| - Duff Plant | \$ 300,574.00 | \$ 389,966.00 | 29.7% | | | | | | |
| - All Others | \$ 26,742.00 | \$ 121,621.00 | 354.8% | (2105 Includes \$34,251 in Loss on Disposal Assets) | | | | | |
| Purification | | | | Total Purificaiton | \$ 859,285 | \$ 923,355 | \$ 1,118,454 | | |
| - Duff Plant | \$ 572,227.00 | \$ 802,840.00 | 40.3% | | | | | | |
| - All Others | \$ 75,570.00 | \$ 89,027.00 | 17.8% | | | | | | |
| - Ozone Expense | \$ 65,720.00 | \$ 118,896.00 | 80.9% | | | | | | |
| - Water Quality Comp | \$ 88,107.00 | \$ 124,421.00 | 41.2% | | | | | | |
| Transmission | \$ 152,931.00 | \$ 168,855.00 | 10.4% | | \$ 118,009 | \$ 162,834 | \$ 160,060 | | |
| Distribution Pumping | \$ 184,816.00 | \$ 289,390.00 | 56.6% | | \$ 212,778 | \$ 248,382 | \$ 270,604 | | |
| Supervision | \$ 77,402.00 | \$ 121,616.00 | 57.1% | | Total Distribution Expenses | \$ 1,374,078 | \$ 1,636,246 | \$ 1,728,215 | |
| Fountains | \$ 111.00 | | | | | | | | |
| Reservoirs | \$ 51,150.00 | \$ 104,867.00 | 105.0% | | | | | | |
| Reservoir OF/Bldg | \$ 2,071.00 | | | | | | | | |
| Hydrants | \$ 140,038.00 | \$ 128,747.00 | -8.1% | | | | | | |
| Meters | \$ 178,610.00 | \$ 291,352.00 | 63.1% | | | | | | |
| Control Equipment (67%) | \$ 84,525.00 | \$ 80,439.53 | -4.8% | \$ 120,059 | <u>2015 Total Control Equipment</u> | | | | |
| HL Control Equipment (33%) | \$ 41,632.00 | \$ 39,619.47 | -4.8% | \$ 459,242 | <u>2015 Total Mains/Valves</u> | | | | |
| Mains/Valves 8" (55%) | \$ 99,224.00 | \$ 252,583.10 | 154.6% | | | | | | |
| Mains/Valves 10-12 (13%) | \$ 23,453.00 | \$ 59,701.46 | 154.6% | | | | | | |
| Mains/Valves >14" (32%) | \$ 57,731.00 | \$ 146,957.44 | 154.6% | | | | | | |
| Service Lines | \$ 274,978.00 | \$ 337,765.00 | 22.8% | | | | | | |
| Sample Stations | \$ 3,801.00 | \$ 25,358.00 | 567.1% | | | | | | |
| Cross Connection | \$ 246,809.00 | \$ 237,912.00 | -3.6% | | | | | | |
| Customer Accounting | \$ 624,625.00 | \$ 1,265,864.00 | 102.7% | 2015 Includes \$600,000 for lost of billing - City of Medford | \$ 1,375,832 | \$ 1,443,024 | \$ 1,465,617 | | |
| Meter Reading | \$ 286,579.00 | \$ 261,967.00 | -8.6% | | | | | | |
| **Admin & General | \$ 1,767,845.00 | \$ 3,349,296.00 | 89.5% | | \$ 1,818,806 | \$ 1,972,875 | \$ 2,215,395 | | |
| Franchise Tax | \$ 130,000.00 | | | | \$ 131,549 | \$ 126,322 | \$ 131,628 | | |
| Total | \$ 5,839,109.00 | \$ 9,209,852.00 | 57.7% | | \$ 59,207 | \$ 180,978 | \$ 39,375 | | |
| | | | | Franchise Tax | \$ 93,350 | \$ 276,168 | \$ 209,447 | | |
| | | | | Customer Service Connections | | | | | |
| | | | | Servicing of Customer Installations | | | | | |
| | | | | Total | \$ 5,839,109 | \$ 6,782,637 | \$ 7,739,985 | \$ 8,214,048 | \$ 9,209,852 |
| | | | | Annual Percentage Increase | | 16% | 14% | 6% | 12% |

* O & M Cost based upon FY 2011 cost + 5%

** 2015 has franchise fee Included in total A&G Cost

City of Central Point, Oregon

140 S 3rd Street, Central Point, OR 97502

541.664.3321 Fax 541.664.6384

www.centralpointoregon.gov



Administration Department

Chris Clayton, City Manager

Deanna Casey, City Recorder

Barb Robson, Human Resources Director

August 18, 2015

Medford Water Commission
Attention: Larry Rains
200 South Ivy Street
Room 177
Medford, OR 97501

RE: 2015 Cost of Service Analysis

Dear Mr. Rains,

During the recent 2015 cost of service analysis workshop conducted on August 12th, 2015, the Other Cities customer group was pleased to learn that Medford Water Commission has current technology in place to collect data on each customer city's peak hour demands/usage. Given that peak hour usage limits are, or will be, included in each city's water service agreement, this information is critical, not only in meeting the limits set in our water service agreements, but in avoiding rate charges/increases that are driven by peak hour demands. In reviewing this new data, the Other Cities customer group will begin strategizing to avoid peaking off the Medford Water Commission system. As these strategies are implemented, it will remain critical that the Medford Water Commission continue to share peak hour data on a timely basis so that individual customer cities can monitor progress and reevaluate peak hour minimization efforts as needed.

Even though peak hour demands are the responsibility of each city, strictly limiting each city's system demands to a daily maximum amount during the summer period may not be the best operational strategy for the entire water system. Matching the Other Cities' summertime demands with off peak hour periods when water is actually being produced at the Duff WTP will reduce the stress on the entire water system. We welcome the opportunity to discuss overall operational strategies that benefit all parties as part of this process.

As it relates to the 2015 cost of service analysis, we believe it would be inappropriate for the Medford Water Commission to include a peak hour rate charge component before the Other Cities customer group has had the opportunity to utilize the newly available information to avoid peak hour increases. A more reasonable approach would be to allow the customer cities a grace period to make system adjustments aimed at minimizing peak hour demands. If a peak hour charge remains appropriate after the proposed period, the Medford Water Commission should adjust rates accordingly. Additionally, it is likely that while peak demands will be minimized through new strategies, it is unrealistic to assume that these demands will be entirely eliminated. With this in mind, we would encourage the Medford Water Commission to continue the practice of including peak hour limits in our five-year water service agreements to recognize growth and reasonable safety and operational margins.

In order to begin a timely review and the development of operational strategies, the Other Cities group asks that we receive continuous peaking data on each meter as soon as that can be arranged.

We appreciate the opportunity to work collaboratively with the Medford Water Commission on these matters. Thank you for your consideration of this important issue.

Sincerely,



Christopher S. Clayton
City Manager

cc: all "Other Cities"

Business

Involuntary Annexation



STAFF REPORT

September 10th, 2015

AGENDA ITEM: A discussion, and possible direction, on involuntary annexation of “island” properties located near Don Jones Park.

STAFF SOURCE:

Chris Clayton, City Manager
Sydnee Dreyer, City Attorney

BACKGROUND:

Periodically, the Central Point city council has considered a city-wide “blanket” involuntary annexation of “island” properties located throughout the city. Thus far, the City Council has felt that the tax benefits to the city and equity issues with surrounding properties that blanket annexations provide did not outweigh the potential negative consequences that would likely be generated by impacted property owners. Understandably, this has led to a city policy that initiates annexation only when absolutely necessary, or when the annexation is property owner-driven.

In the northeastern portion of Central Point, two “island” properties currently exist that share a border with Don Jones Park. One of the properties, 185 Vilas Road, is a blighted property with significant code enforcement/public safety concerns, which could be more appropriately addressed if the property were annexed into city limits. These concerns are frequently reported from area residents that are frustrated by the city’s current inability to address property-related nuisances. The neighboring property, 225 Vilas Road, is also an “island” property, but remains in reasonable condition.

In an effort to provide the council with a clear understanding of their authority to implement an involuntary annexation, the City Attorney has prepared a legal brief that provides direction on council authority under state statute and involuntary annexation procedure process requirements and timing.

FISCAL IMPACTS:

If the above-described properties were annexed into the city limits, the following fiscal impacts would be realized:

1. The property owners would begin paying the city’s tax rate of \$4.47/\$1,000 in assessed value.
2. The property owners would begin paying the city’s street, storm drain, parks maintenance and public safety utility fees.
3. The property owners would have the option of connecting to the city’s water system (already available at each property). If connected, standard city water rates and

service connection fees would apply.

4. If the annexation process is initiated by the City Council, the property owners would not be required to pay the city's annexation-related Planning Department fees (\$3,900 plus the cost to prepare necessary survey documents).

DISCUSSION:

Given the proximity of these properties to one of the city's primary recreational facilities, as well as the ongoing code enforcement/public safety concerns, should the city council consider involuntarily annexation of these properties?

Both of these properties already receive the bulk of city services (i.e. streets, storm drain, parks maintenance and public safety) and yet they are not required to pay the associated utility fees. This is a matter of utility customer equity and, in staff's opinion, should be the primary determining factor for the majority of involuntary annexations. Beyond the utility customer equity issue, however, one of the properties represents a code enforcement/public safety concern very near the city's most frequently visited park facilities. Unfortunately, Jackson County's code enforcement policies tend to be far more lenient when compared with Central Point's and thus far, the county has been unwilling to require abatement of the above-described nuisances. With this in mind, gaining jurisdictional authority is essential to the city having the ability to abate current nuisance concerns. And, even though the city has no jurisdictional authority with respect to this nuisance property, significant city resources are spent addressing the concerns of neighbors and park users.

Although the second property (225 Vilas Road) poses no current nuisance related concerns for the city, it does receive city services as stated above, and its proximity to the other property would require that either both properties be annexed, or neither property be annexed.

ATTACHMENTS:

1. Involuntary Annexation Legal Briefing Memorandum.
2. Map of "island" properties under consideration.

RECOMMENDATION:

Consider staff direction to initiate involuntary annexation procedure for properties at 185 and 225 Vilas Road, Central Point OR.

PUBLIC HEARING REQUIRED:

No



MEMORANDUM

TO: Central Point City Council
c/o Chris Clayton, City Manager

FROM: Sydnee Dreyer

RE: **Island Annexations**

DATE: September 3, 2015

It is my understanding that the City is looking at the possibility of annexing properties that are surrounded by City limits, commonly referred to as Island Annexations. The process for Island Annexations is not covered in the City's municipal code, and as such is governed by ORS 222.750. The process is as follows:

1) Surrounded by City limits.

A property must be found to be entirely surrounded by City limits to be subject to the Island Annexation provisions. A property is an "Island" if it is: "surrounded by the corporate boundaries of the city, or by the corporate boundaries of the city and the ocean shore, a river, a creek, a bay, a lake or Interstate Highway 5...." For purposes of the statute a creek is defined as "a natural course of water that is smaller than, and often tributary to, a river, but is not shallow or intermittent." A river is defined as "a large, continuous and natural stream of water that is fed along its course by converging tributaries and empties into an ocean, lake or other body of water."

a) Exception.

If the subject property is bordered in part by public right of way (other than I-5) such right-of-way may not constitute more than 25% of the property's boundaries. If greater than 25% of the boundary is right of way (other than I-5) then the City cannot use the Island Annexation process.

2) Process to Annex.

The City may annex the territory pursuant to ORS 222.750 after holding at least one public hearing on the subject for which notice has been mailed to each record owner of real property in the territory proposed to be annexed. However, consent of the owner or resident of the subject property is not required.

The annexation may be by Ordinance or Resolution and is subject to referendum meaning that registered voters in City limits may seek to reject the Ordinance or Resolution by election, using the referendum process.

3) Timing for Annexation.

Where the property is zoned for, and in, residential use when the annexation is initiated by the City, the City must specify an effective date for the annexation that is not less than 3 nor more than 10 years from the date of the approval of the annexation.

Within 60-days of approval of the annexation, the City recorder must record with the County a notice stating that the annexation is delayed and specify the effective date of such annexation. Additionally 90-120 days before the annexation takes effect, the City recorder must notify the County clerk of the annexation.

Notwithstanding the foregoing, if the property is sold during the period of delayed annexation, the property becomes part of the City immediately upon transfer of ownership. It is advisable to include such language in the notice recorded with the County.

4) Effect of Annexation on Uses.

Annexation may result in some non-conformity. Typically, if what was occurring on the property while it was under County jurisdiction was legal, it can continue once the property is annexed, even if it does not fully meet City regulations. Any non-conforming activity is subject to the provisions in CPMC, meaning discontinuing or abandoning a use can result in having to comply with City regulations.

Upon annexation, zoning remains County zoning until such time as the City or property owner rezone the property.



Properties next to Don Jones Park

225

185

Legend

 City Limits



