

**ASHLAND CITY COUNCIL
STUDY SESSION MINUTES
Monday, December 2, 2024**

Mayor Graham called the meeting to order at 5:30 p.m.

Mayor Graham and Councilors Hyatt, Dahle, Bloom, DuQuenne, Hansen, and Kaplan were present.

I. Public Input

(15 minutes – Public input or comment on City business not included on the agenda)
None

II. Water Cost of Service and Rate Study

Scott Fleury Public Works Director introduced Josiah Close from HDR Engineering who provided a presentation (see attached). Topics included:

- Use of the American Waterworks Association M1 Manual to develop proportional and cost-based rates across customer classes to cover operating and capital costs
- 'Cash-Basis' methodology as a generally accepted method for municipal utility
- Revenue requirement based on FY 2025 for the utility projected through 2030 with inflationary factors and long-term borrowing for capital needs including reinvestment
- Major capital improvements include the water treatment plant, dam safety improvements, east & west fork transmission lines and Granite storage replacement
- Average customer bill comparison for years 2025-2030.
- Cost of service examples for residential, multi-family, and non-residential customers
- Overview of rate design alternatives

Bloom clarified with Fleury that increased efficiencies anticipated with SMART metering and/or the new treatment plant will be factored into the next phase of rate study once realized. Graham asked how potential grant awards were factored into this study. Fleury spoke that the study accounts for \$9 Million of BIL (Bipartisan Infrastructure Law) funding with access anticipated in the calendar year of 2025. Future grant awards would change the revenue base and be provided to Council when reviewing rates in the biennium budget cycle basis moving forward. DuQuenne asked if the City has received the BIL funding. Fleury clarified that Business Oregon is working on allocating those funds and would verify expenditures while the project moves forward. Bloom asked for an update on the WIFIA (Water Infrastructure Finance and Innovation Act) Loan. Fleury articulated the next steps needed to close the loan and anticipated closing in the spring of 2025. DuQuenne asked about the difference in water rates between Ashland and neighboring cities. Fleury explained the differences between various local water systems adding that Medford has raised rates. Kaplan clarified that Ashland's conservation ethic applied to rates yields lower low-use rates than Grants Pass or Phoenix. Hyatt clarified with Fleury that the Federal Energy Regulatory Commission requires the dam project, and Fleury spoke of potential changes to that

requirement and potential funding for discussion in the spring. Kaplan and Dale asked about the potential to add institutional rate tiers. Graham confirmed with Close that institutional irrigation use is metered separately. Close spoke that next steps include incorporating Council feedback, reviewing study results with City staff, develop a draft written report, and present final study results, findings, and recommendations by March 2025 with implementation of new rates for July 1, 2025.

Bloom and Kaplan asked about the affordability program. Fleury spoke that the study considered an increased allocation to the low-income utility assistance program and that updated resolutions that include all utilities are forthcoming. Kaplan asked about an extension of peak-pricing model to include October. Fleury spoke that shoulder season use also includes TAP (Talent Ashland Phoenix) intertie usage and may be a policy discussion for Council in the future based on environmental changes affecting water usage from April through October. Council requested to see a larger rate differential between the lowest necessary tier and higher use tiers while remaining revenue-neutral. Fleury spoke that rates will continue to be reviewed on a biennium basis as revenue is realized. Graham confirmed with Fleury that the Conservation Fund was incorporated into the rate study. Hansen clarified with Fleury and Cotta that a totalized bill comparison with neighboring municipalities that includes the electric charges will be made available and brought back. Council considered that future rate studies could include elevation as a potentially significant variable for rate consideration as in Medford, and that affordability programs would be discussed in the spring with budget considerations prior to adoption. Council discussed options for funding such affordability programs such as proposing a 5% meals tax for ballot consideration in the future.

Council provided staff direction to extend peak-use months, identify ways to increase conservation, review tier differentials, low-income assistance programs, Food and Beverage taxes, comparison of neighboring communities' rates, and alternatives that were excluded.

III. Update to the Council on Next Steps for Enhanced Law Enforcement Area (ELEA)

Chief of Police Tighe O'Meara and Assistant City Attorney Carmel Zahran reviewed the proposed ELEA language. Language regarding dog licensing and accumulating junk has been removed from qualifying violations, and an expulsion order will include an option for appeal to the municipal court Judge. Hyatt clarified with O'Meara that expulsion would be upon receiving three qualifying violation citations. Bloom clarified with Zahran that an appeal would stay the expulsion order until heard by the municipal court. Council discussed options for hearing from other professionals on this topic at the February Study Session, such as the Criminology department from SOU, Law enforcement from other jurisdictions, Judge Mulkins, or others. Zahran explained the legal department researched a range of similar ordinances in other municipalities and would be happy to answer any questions. O'Meara spoke that the

City of Medford has an ordinance very similar to this proposed ordinance that was held up when challenged in federal court. The City's legal team incorporated the language from the federal ruling into the proposed ordinance. Council discussed how to handle outdoor and indoor burning restrictions and clarified that under the ordinance there are still permitted activities for an expelled person for essential activities such as grocery shopping, doctors' appointments, pharmacy access, etc. Council further clarified with O'Meara that the proposed trespass ordinance is on hold until this ordinance is clarified; however, trespass remains a crime and is a qualifying violation for expulsion criteria. Graham summarized that the Council would like to know what issues the suggested changes to the ordinance are intended to address and suggested Councilors submit questions prior to the Study Session in February for staff to address.

IV. Adjournment of Study Session

The meeting was adjourned at 7:35 p.m.

Respectfully Submitted by:

Attest:



City Recorder Alissa Kolodzinski



Mayor Tonya Graham

City of Ashland

Water Rate Study – Draft Results

December 2, 2024

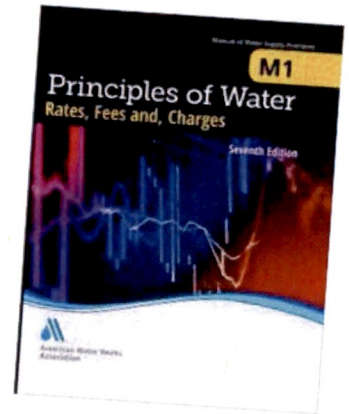


Overview of the Presentation

-  Purpose of the Study
-  Overview of the Rate Study Process
-  Draft Study Results
-  Summary & Next Steps
-  Questions & Discussion

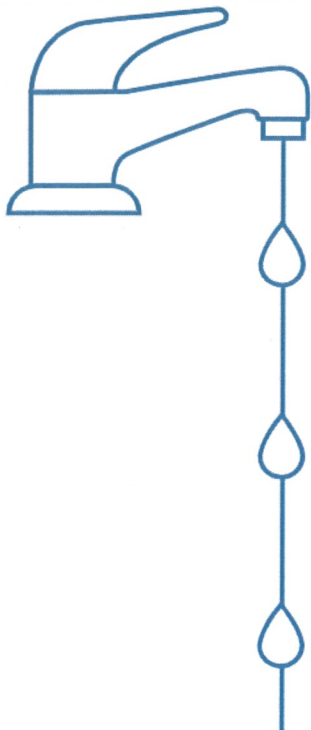
Purpose of the Study

- Provide sufficient revenue to operate and maintain the City's water infrastructure
- Develop proportional and cost-based rates that reflect customer and system characteristics
- Reflect prudent financial planning criteria
 - Funding capital improvement needs
 - Maintain target minimum reserve levels
 - Meet debt service coverage requirements
- Develop the Study using generally accepted methodologies tailored to the City's system and customer characteristics



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Developing Cost-Based Rates



REVENUE REQUIREMENT

Compares the revenue of the utility to the expenses to evaluate the level of the current rates

COST OF SERVICE

Proportionally distributes the revenue requirement to the customer classes of service

RATE DESIGN

Design rates for each class of service to meet the revenue requirement, cost of service results, and rate design goals and objectives

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Key Rate Study Drivers

- Provide sufficient funding for operational costs
- Major capital project funding
 - Water Treatment Plant
 - Dam Safety Improvements
 - East & West Fork Transmission Line
- Develop cost-based and proportional water rates
 - Promote efficient water use
 - Based on each customer class's demands on the system

Revenue Requirement Analysis



Revenue Requirement - Overview

Compares utility revenues to expenses

- Determines the level of rate revenue adjustment necessary

Uses prudent financial planning criteria

- Adequate funding of renewal and replacements
- Maintaining sufficient ending reserve balances

Reviews a specific time period

- Typically, five-to-ten-year period
- Rate setting is often 2 – 5 years

Utilities are analyzed on a “stand-alone basis”

- No transfer of funds from other City funds
- Rates need to support operations and capital

Utilizes the “cash basis” methodology

- Generally accepted method for municipal utilities

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Revenue Requirement – Key Assumptions

- Revenues independently calculated based on the specific customer characteristics of the utility
- Expenses based on FY 2025 budget for the utility
 - Projected through FY 2030 based on annual inflationary factors
- Capital funding plan addresses need for improvements as well as renewal and replacement
- Target annual rate funding of capital
 - Increase significantly over the review period (FY 2025 – FY 2030)
 - \$800,000 - \$3,350,000
- Long-term borrowing for a portion of capital needs
 - Water Treatment Plant
 - Dam Safety Improvements



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Major Capital Improvement Projects

Water Treatment Plant (FY 2026 – FY 2028)

- WIFIA loan (~\$61.8 million)
- Grant (~\$9.3 million)

Dam Safety Improvements (FY 2026 & FY 2027)

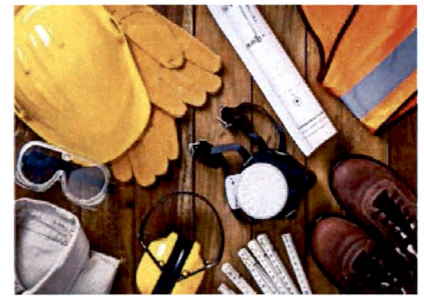
- Funded through Dam Safety Improvements debt issuance)

East & West Fork Transmission Line (FY 2026 & FY 2027)

- Fund through available cash and reserves

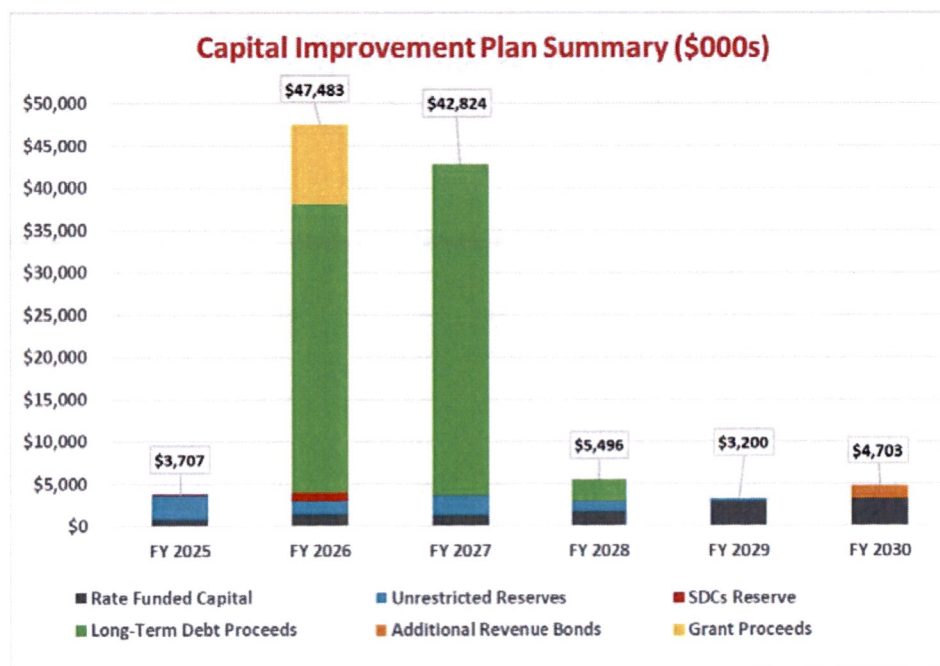
Granite Storage Tank Replacement (FY 2030 & FY 2031)

- Fund through anticipated long-term debt issuance

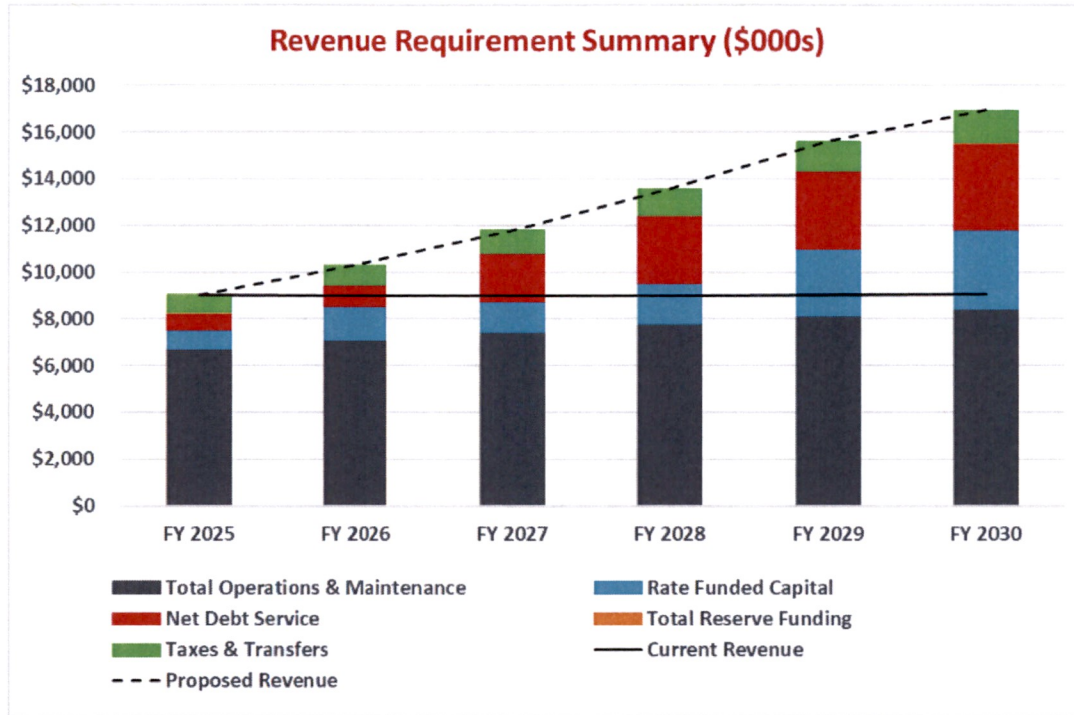


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Capital Improvement Plan

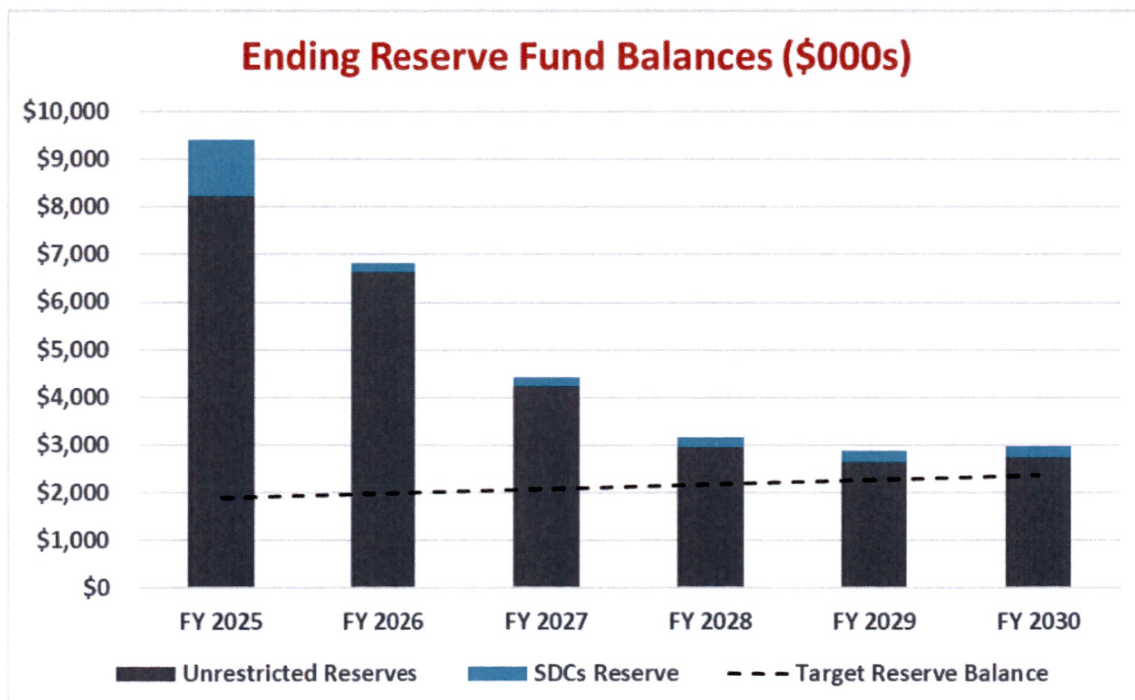


Revenue Requirement



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Water Reserve Levels



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Revenue Requirement Summary

- Annual rate adjustments are necessary to prudently fund the water utility
 - **O&M** – fund current and future inflationary increases
 - **Capital** – increase rate funding for annual renewal and replacement and necessary system improvements
 - **Reserves** – maintain adequate funds for cash flow, emergency situations, and strong financials for credit ratings

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Residential Customer Bill						
Avg Customer Bill ^[1]	\$51.27	\$58.96	\$67.80	\$77.98	\$89.67	\$96.85
Annual Monthly Change	--	\$7.69	\$8.84	\$10.17	\$11.70	\$7.17

[1] – Customer Charge + Meter Charge + 700 CF; no cost of service or rate structure changes are included

Cost of Service Analysis



Cost of Service - Overview

What is Cost of Service?

- Analysis to proportionally distribute the revenue requirement to the customer classes of service of each utility

Why Cost of Service?

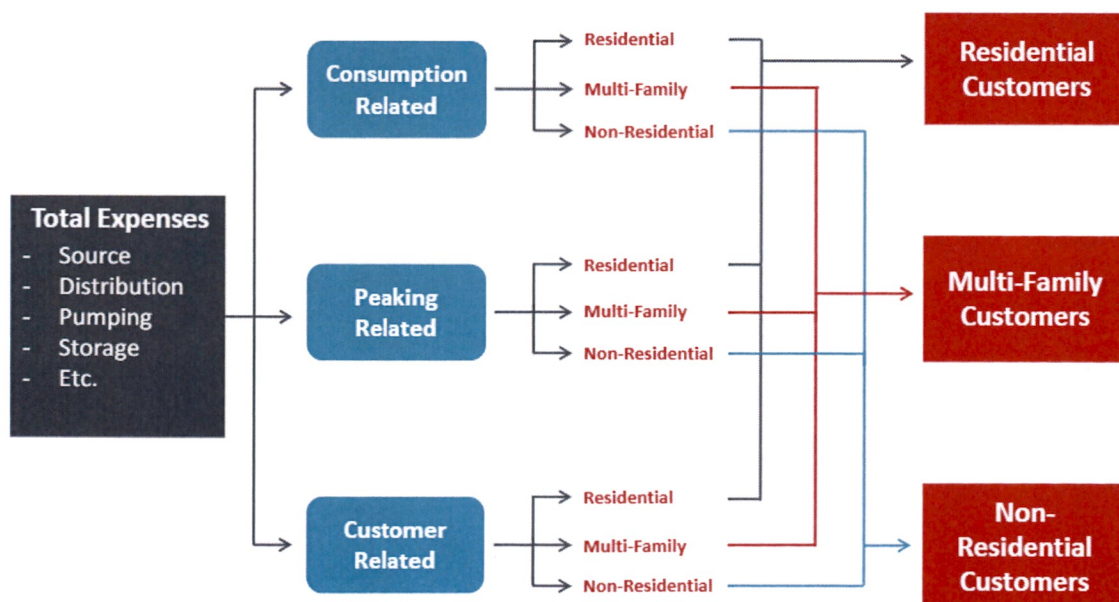
- Generally accepted industry approach
- Avoids subsidies between classes
- Revenues reflect costs

Objectives of Cost of Service

- Determine if subsidies exist
- Develop average unit costs

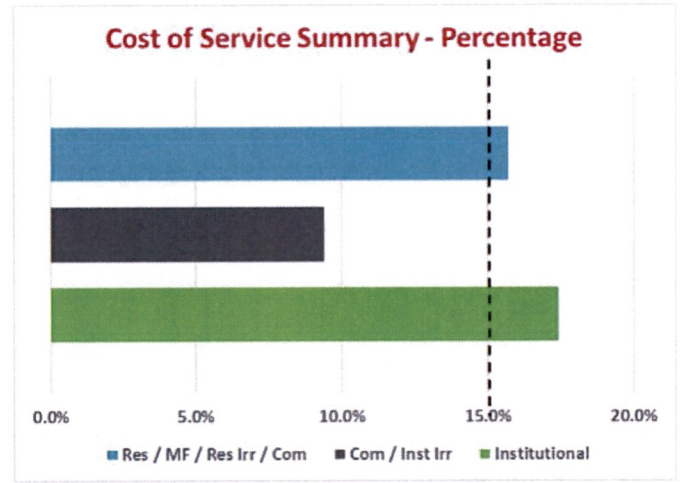
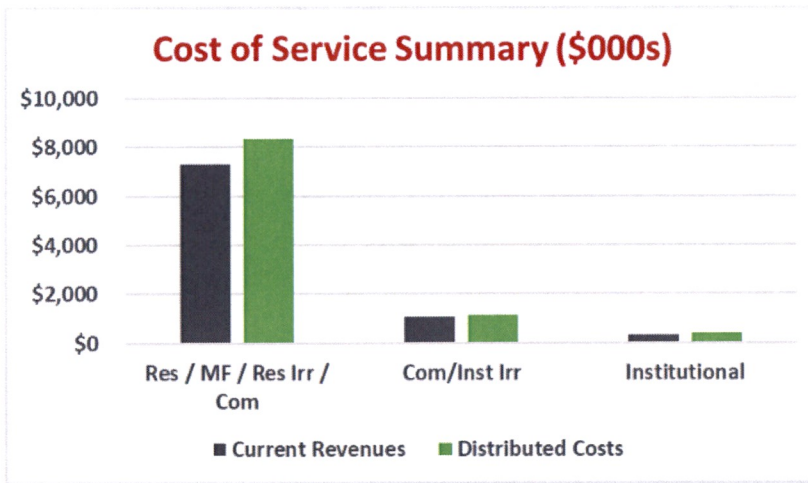
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Cost of Service EXAMPLE Process



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Cost of Service Summary



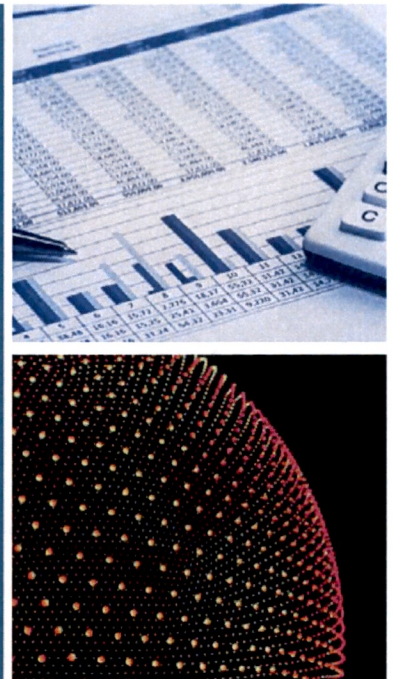
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Cost of Service Summary

- Analysis reflects facility and service requirements of each customer class
- Results in proportional rates for each customer class of service
- Provides the City with information for rate structure policy decisions
- Should be reviewed periodically to reflect changes in customer and system characteristics
- Snapshot in time based on current costs and system usage

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Rate Design



Rate Design - Overview

Based on the results of the revenue requirement and cost of service analyses

Meet the rate design goals and objectives of the City

Produce sufficient revenues to meet the target revenues of the utility, and each class of service

Are cost-based and proportional

Overview of the Rate Design

Status Quo

- Maintains current rate structure for all customers

Alternative 1

- Customer Charge structure maintained and increased greater to reflect increase in personnel costs
- Meter Charge transition to reflect AWWA safe operating capacity meter ratios
- Moderate increases in tier differentials
- No change to Institutional class

Alternative 2

- Customer and Meter Charge are the same as Alternative 1
- More significant increases in tier differentials
- No change to Institutional class

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Rate Design – Fixed Charges – All Customers

Status Quo

	Present	Proposed Rates				
	Rates	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
All Customers	\$ / Acct. / Mo. \$13.33	\$15.33	\$17.63	\$20.27	\$23.31	\$25.17
Meter Charge	\$ / Acct. / Mo.					
0.75"	\$15.62	\$17.96	\$20.66	\$23.76	\$27.32	\$29.51
1"	16.29	18.73	21.54	24.77	28.49	30.77
1.5"	74.52	85.70	98.55	113.33	130.33	140.76
2"	118.41	136.17	156.60	180.09	207.10	223.67
3"	237.45	273.07	314.03	361.13	415.30	448.52
4"	376.59	433.08	498.04	572.75	658.66	711.35
6"	741.01	852.16	979.99	1,126.99	1,296.04	1,399.72
8"	1,174.75	1,350.96	1,553.61	1,786.65	2,054.65	2,219.02

Alternative 1 & 2

	Present	Proposed Rates				
	Rates	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
All Customers	\$ / Acct. / Mo. \$13.33	\$17.50	\$20.50	\$23.75	\$27.60	\$30.00
Meter Charge	\$ / Acct. / Mo.					
0.75"	\$15.62	\$16.00	\$18.40	\$21.16	\$24.33	\$26.28
1"	16.29	18.69	23.80	30.03	37.58	43.89
1.5"	74.52	71.72	77.18	82.66	88.03	87.51
2"	118.41	114.09	122.92	131.83	140.63	140.07
3"	237.45	226.58	241.43	255.63	268.61	262.80
4"	376.59	361.95	388.86	415.70	441.78	438.09
6"	741.01	713.89	769.04	824.69	879.58	875.91
8"	1,174.75	1,133.32	1,222.81	1,313.64	1,403.98	1,401.51

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Rate Design – Variable Charges – Residential & Multi-Family

	Present	Proposed Rates						Present	Proposed Rates				
	Rates	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030		Rates	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Status Quo													
October - May	\$ / cf						June - September	\$ / cf					
0 - 300	\$0.0280	\$0.0322	\$0.0370	\$0.0426	\$0.0490	\$0.0529	0 - 300	\$0.0280	\$0.0322	\$0.0370	\$0.0426	\$0.0490	\$0.0529
301 - 1,000	0.0348	0.0400	0.0460	0.0529	0.0608	0.0657	301 - 1,000	0.0348	0.0400	0.0460	0.0529	0.0608	0.0657
1,001 - 2,500	0.0472	0.0543	0.0624	0.0718	0.0826	0.0892	1,001 - 2,500	0.0472	0.0543	0.0624	0.0718	0.0826	0.0892
Over 2,500	0.0609	0.0700	0.0805	0.0926	0.1065	0.1150	2,501 - 3,600	0.0609	0.0700	0.0805	0.0926	0.1065	0.1150
							Over 3,600	0.0784	0.0902	0.1037	0.1193	0.1372	0.1482
Alt 1													
October - May	\$ / cf						June - September	\$ / cf					
0 - 300	\$0.0280	\$0.0300	\$0.0345	\$0.0397	\$0.0457	\$0.0494	0 - 300	\$0.0280	\$0.0300	\$0.0345	\$0.0397	\$0.0457	\$0.0494
301 - 1,000	0.0348	0.0410	0.0472	0.0543	0.0624	0.0674	301 - 1,000	0.0348	0.0410	0.0472	0.0543	0.0624	0.0674
1,001 - 2,500	0.0472	0.0556	0.0640	0.0736	0.0846	0.0914	1,001 - 2,500	0.0472	0.0556	0.0640	0.0736	0.0846	0.0914
Over 2,500	0.0609	0.0718	0.0825	0.0949	0.1091	0.1178	2,501 - 3,600	0.0609	0.0718	0.0825	0.0949	0.1091	0.1178
							Over 3,600	0.0784	0.0924	0.1063	0.1222	0.1405	0.1517
Alt 2													
October - May	\$ / cf						June - September	\$ / cf					
0 - 300	\$0.0280	\$0.0263	\$0.0302	\$0.0347	\$0.0399	\$0.0431	0 - 300	\$0.0280	\$0.0263	\$0.0302	\$0.0347	\$0.0399	\$0.0431
301 - 1,000	0.0348	0.0425	0.0489	0.0562	0.0646	0.0698	301 - 1,000	0.0348	0.0425	0.0489	0.0562	0.0646	0.0698
1,001 - 2,500	0.0472	0.0576	0.0663	0.0762	0.0876	0.0946	1,001 - 2,500	0.0472	0.0576	0.0663	0.0762	0.0876	0.0946
Over 2,500	0.0609	0.0744	0.0855	0.0983	0.1130	0.1220	2,501 - 3,600	0.0609	0.0744	0.0855	0.0983	0.1130	0.1220
							Over 3,600	0.0784	0.0957	0.1101	0.1266	0.1456	0.1572

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Rate Design – Variable Charges – Residential Irrigation

	Present	Proposed Rates						Present	Proposed Rates				
	Rates	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030		Rates	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Status Quo													
October - May	\$ / cf						June - September	\$ / cf					
0 - 1,000	\$0.0348	\$0.0400	\$0.0460	\$0.0529	\$0.0608	\$0.0657	0 - 1,000	\$0.0348	\$0.0400	\$0.0460	\$0.0529	\$0.0608	\$0.0657
1,001 - 2,500	0.0472	0.0543	0.0624	0.0718	0.0826	0.0892	1,001 - 2,500	0.0472	0.0543	0.0624	0.0718	0.0826	0.0892
Over 2,500	0.0609	0.0700	0.0805	0.0926	0.1065	0.1150	2,501 - 3,600	0.0609	0.0700	0.0805	0.0926	0.1065	0.1150
							Over 3,600	0.0784	0.0902	0.1037	0.1193	0.1372	0.1482
Alt 1													
October - May	\$ / cf						June - September	\$ / cf					
0 - 1,000	\$0.0348	\$0.0410	\$0.0472	\$0.0543	\$0.0624	\$0.0674	0 - 1,000	\$0.0348	\$0.0410	\$0.0472	\$0.0543	\$0.0624	\$0.0674
1,001 - 2,500	0.0472	0.0556	0.0640	0.0736	0.0846	0.0914	1,001 - 2,500	0.0472	0.0556	0.0640	0.0736	0.0846	0.0914
Over 2,500	0.0609	0.0718	0.0825	0.0949	0.1091	0.1178	2,501 - 3,600	0.0609	0.0718	0.0825	0.0949	0.1091	0.1178
							Over 3,600	0.0784	0.0924	0.1063	0.1222	0.1405	0.1517
Alt 2													
October - May	\$ / cf						June - September	\$ / cf					
0 - 1,000	\$0.0348	\$0.0425	\$0.0489	\$0.0562	\$0.0646	\$0.0698	0 - 1,000	\$0.0348	\$0.0425	\$0.0489	\$0.0562	\$0.0646	\$0.0698
1,001 - 2,500	0.0472	0.0576	0.0663	0.0762	0.0876	0.0946	1,001 - 2,500	0.0472	0.0576	0.0663	0.0762	0.0876	0.0946
Over 2,500	0.0609	0.0744	0.0855	0.0983	0.1130	0.1220	2,501 - 3,600	0.0609	0.0744	0.0855	0.0983	0.1130	0.1220
							Over 3,600	0.0784	0.0957	0.1101	0.1266	0.1456	0.1572

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Rate Design – Variable Charges – Commercial

	<i>Present Rates</i>	<i>Proposed Rates</i>						<i>Present Rates</i>	<i>Proposed Rates</i>				
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030			FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Status Quo													
Less than 2" Meter	<i>\$/cf</i>							2" Meter or Larger	<i>\$/cf</i>				
0 - 2,500	\$0.0348	\$0.0400	\$0.0460	\$0.0529	\$0.0608	\$0.0657		0 - 15,000	\$0.0348	\$0.0400	\$0.0460	\$0.0529	\$0.0608
Over 2,500	0.0472	0.0543	0.0624	0.0718	0.0826	0.0892		Over 15,000	0.0472	0.0543	0.0624	0.0718	0.0826
Alt 1													
Less than 2" Meter	<i>\$/cf</i>							2" Meter or Larger	<i>\$/cf</i>				
0 - 2,500	\$0.0348	\$0.0410	\$0.0472	\$0.0543	\$0.0624	\$0.0674		0 - 15,000	\$0.0348	\$0.0410	\$0.0472	\$0.0543	\$0.0624
Over 2,500	0.0472	0.0556	0.0640	0.0736	0.0846	0.0914		Over 15,000	0.0472	0.0556	0.0640	0.0736	0.0846
Alt 2													
Less than 2" Meter	<i>\$/cf</i>							2" Meter or Larger	<i>\$/cf</i>				
0 - 2,500	\$0.0348	\$0.0425	\$0.0489	\$0.0562	\$0.0646	\$0.0698		0 - 15,000	\$0.0348	\$0.0425	\$0.0489	\$0.0562	\$0.0646
Over 2,500	0.0472	0.0576	0.0663	0.0762	0.0876	0.0946		Over 15,000	0.0472	0.0576	0.0663	0.0762	0.0876

Rate Design – Variable Charges – Institutional

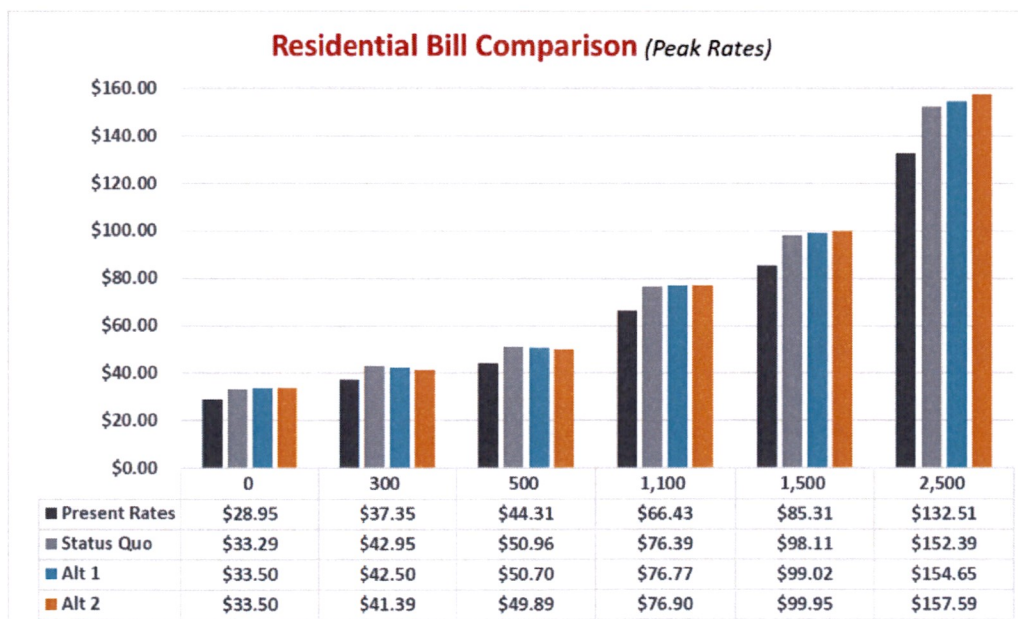
	<i>Present Rates</i>	<i>Proposed Rates</i>				
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Status Quo	<i>\$/cf</i>					
All Consumption	\$0.0334	\$0.0384	\$0.0442	\$0.0508	\$0.0584	\$0.0631
Alt 1	<i>\$/cf</i>					
All Consumption	\$0.0334	\$0.0420	\$0.0483	\$0.0555	\$0.0638	\$0.0689
Alt 2	<i>\$/cf</i>					
All Consumption	\$0.0334	\$0.0420	\$0.0483	\$0.0555	\$0.0638	\$0.0689

Rate Design – Variable Charges – Com & Inst Irrigation

	<i>Present Rates</i>	<i>Proposed Rates</i>				
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<i>Status Quo</i>						
October - May	<i>\$ / cf</i>					
Non-Peak Consumption	\$0.0376	\$0.0432	\$0.0497	\$0.0572	\$0.0658	\$0.0711
June - September						
Peak Consumption	\$0.0510	\$0.0587	\$0.0674	\$0.0775	\$0.0891	\$0.0962
<i>Alt 1</i>						
October - May	<i>\$ / cf</i>					
Non-Peak Consumption	\$0.0376	\$0.0373	\$0.0429	\$0.0493	\$0.0567	\$0.0612
June - September						
Peak Consumption	\$0.0510	\$0.0625	\$0.0719	\$0.0827	\$0.0951	\$0.1027
<i>Alt 2</i>						
October - May	<i>\$ / cf</i>					
Non-Peak Consumption	\$0.0376	\$0.0373	\$0.0429	\$0.0493	\$0.0567	\$0.0612
June - September						
Peak Consumption	\$0.0510	\$0.0625	\$0.0719	\$0.0827	\$0.0951	\$0.1027

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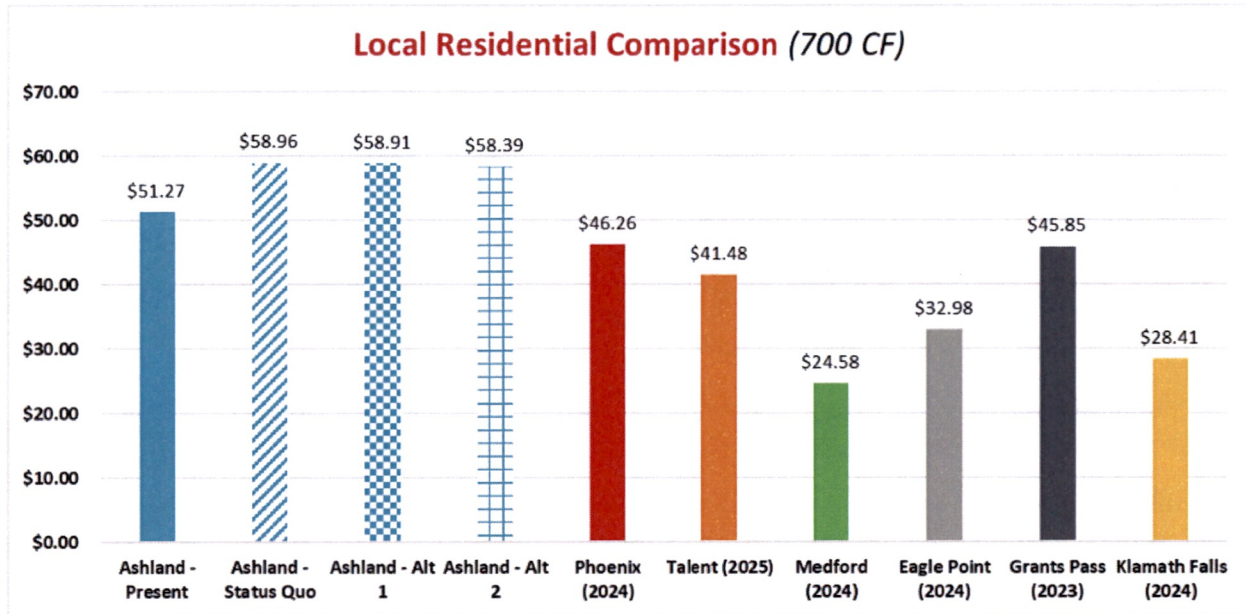
Alternatives Comparison



Assumes 3/4" meter

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Local Comparison

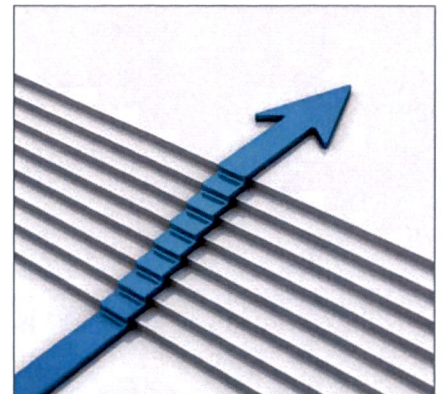


Assumes 3/4" meter

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Next Steps

- Receive Council feedback and input
 - Update the Study to reflect Council direction
- Review study results with City staff
- Develop draft written report
- Present final study results, findings, and recommendations (Feb / Mar 2025)
- Implement new rates July 1st, 2025



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Thank you for your input! Questions?

