



**TALENT CITY COUNCIL
REGULAR COUNCIL MEETING DRAFT MINUTES
TALENT URBAN RENEWAL AGENCY at 6:00 PM (see separate agenda)
TOWN HALL
August 12, 2015 -- 6:45 P.M.**

Study Session, Regular Council & TURA meetings are being digitally recorded and will be available on the City website

The City Council of the City of Talent will meet in a Regular Council session at 6:45 P.M. on Wednesday, August 12, 2015 at 6:45 P.M. in the Town Hall, 206 E. Main Street. The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting to the City Recorder at 541-535-1566, ext. 1012.

The City Council reserves the right to add or delete items as needed, change the order of the agenda, and discuss any other business deemed necessary at the time of the study session and/or meeting.

REGULAR COUNCIL MEETING- 6:45 PM

Anyone wishing to speak on an agenda item should complete a Public Comment Form and give it to the City Recorder. Public Comment Forms are located at the entrance to the meeting place. Anyone commenting on a subject not on the agenda will be called upon during the "Citizens Heard on Non-agenda Items" section of the agenda. Comments pertaining to specific agenda items will be taken at the time the matter is discussed by the City Council.

1. Call to Order/Roll Call

Members Present
Mayor Stricker
Councilor McManus
Councilor Cooke
Councilor Pederson
Councilor Collins

Members Absent
Councilor Abshire
Councilor Wise

2. Pledge of Allegiance

3. Mayor Announcements

Mayor Stricker announced that on July 29th the Executive Session for the City Managers Review did not have a quorum, An Executive Session will be on August 19th.

Due to Sam Becker's absence for item 6.1 Mayor Stricker suggested moving this to the August 19th meeting or take action tonight. Councilor Pederson spoke he would rather take action at the next meeting. Councilor Cooke, Councilor McManus and Councilor Collins agreed with Councilor McManus. It was decided for City Recorder, Melissa Huhtala contact Mr. Becker and ask for a written statement regarding Community Feedback for the next Council Agenda and place on the agenda as an action item.

Mayor Stricker spoke regarding a bonus for the City Manager was discussed on July 29^h. It was decided to have Mr. Corrigan to provide Council with requested information and to put on the first Council Meeting Agenda in September.

4. Public Hearings

Public hearings are conducted under a prescribed procedure depending on the topic. The presiding officer will conduct the hearing in accordance with those procedures which will allow for public input at the announced time.

4.1 None

5. Citizens Heard on Non-Agenda Items

Limited to 5 minutes or less per Mayoral discretion

Meadowsweet Levi –106 N. First St. Talent,- Ms. Levi welcomed Councilor Collins. She thanked Council and Staff for supporting monarch conservation pesticide free areas.

6. Public Presentations

Items that do not require immediate Council action, such as presentations, discussion of potential future action items. Time limited to 15 minutes per presentation unless prior arrangements have been made.

6.1 Styrofoam Ban -- Sam Becker -- Item was moved to next Council Meeting.

7. Consent Agenda

The consent agenda consists of items of a repeating or routine nature considered under a single action. Any Councilor may have an item on the consent agenda removed and considered separately on request.

- 7.1 Approval of Regular Council Meeting Minutes for July 15, 2015
- 7.2 Acknowledge Receipt of Together for Talent Minutes for July 7, 2015
- 7.3 Acknowledge Receipt of Payables

Councilor Pederson moved to approve the Consent Agenda. Councilor Cooke seconded. Mayor Stricker repeated the motion. All Ayes. Motion passed unanimously.

8. Regular Agenda

Citizens will be provided the opportunity to offer comments on action items after staff has given their report and if there is an applicant, after they have had the opportunity to speak. Action items are expected to result in motions, resolutions, orders, or ordinances.

8.1 Award 2nd Street Sidewalk Contract

City Manager, Tom Corrigan gave a brief Staff report. Staff recommends Cut 'N Break Construction Inc., due to construction time given.

Councilor Cooke moved to award the contract to Cut 'N Break Construction Inc. Councilor Collins seconded. Mayor Stricker repeated the motion. Discussion: None. All Ayes. Motion passed unanimously.

8.2 Waiving Historical Society Fees

Mr. Corrigan gave a brief Staff report and spoke in support to waive the Historical Society Fees.

Councilor Pederson questioned if there is any other place in the budget to get this money somewhere else other than discretionary fund. Mr. Corrigan explained that it would be difficult due to do but could be possible per Council discretion.

Councilor Pederson spoke that he supports the concept to support the Historical Society with rent but not with utility fees. It was explained that their yearly rent is \$1200. Councilor Cooke and Councilor McManus agreed with Councilor Pederson. Mayor Stricker spoke that the Discretionary Funds were set aside for an important reason and spoke in support for the \$1000 to be spent for the Historical Society. She explained that the remaining \$200 could be collected in a fundraiser.

Mr. Corrigan spoke that next year this is something that can be budgeted for.

Councilor Cooke moved to use the Discretionary Fund of \$1000 for rent for the Historical Society. Councilor Pederson seconded. Mayor Stricker repeated the motion. Discussion: None. All Ayes. Motion passed unanimously.

It was suggested to appoint a Council Liaison for the Historical Society at the September 2nd Council Meeting.

8.3 First Reading to Adopt Ordinance 15-891-O, An Ordinance Repealing Ordinance No. 01-709-O (as amended by 03-746-O & 06-797-O to include a declaration of the city of Talent's intent to participate in the national incident management system as the emergency management procedure to be followed in the event of an emergency

Mr. Corrigan gave a brief Staff report. Mayor Stricker questioned if any substances changes will be reported on these Ordinances. Mr. Corrigan answered yes.

Councilor Pederson moved to Adopt Ordinance 15-891-O, An Ordinance Repealing Ordinance No. 01-709-O (as amended by 03-746-O & 06-797-O to include a declaration of the city of Talent's intent to participate in the national incident management system as the emergency management procedure to be followed in the event of an emergency. Councilor Cooke seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-891-O as read into the record by Councilor Pederson. Discussion: None. All Ayes. Motion passed unanimously.

8.4 First Reading to Adopt Ordinance 15-892-O, An Ordinance Repealing Ordinance 99-678-O (as amended by Ordinance 00-684-O & 07-829-O), an Ordinance establishing a Transportation Utility, setting Transportation Utility fee amounts, and declaring an effective date

Councilor Cooke moved to Adopt Ordinance 15-892-O, An Ordinance Repealing Ordinance 99-678-O (as amended by Ordinance 00-684-O & 07-829-O), an Ordinance establishing a Transportation Utility, setting Transportation Utility fee amounts, and declaring an effective date. Councilor Collins seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-892-O as read into the record by Councilor Cooke. Discussion: None. All Ayes. Motion passed unanimously.

8.5 Second Reading to Adopt Ordinance 15-882-O, adopt Ordinance #15-882 and by doing so repealing Ordinance #77-369 (as amended by Ordinance #91-520), an ordinance providing for a charge for each lien search

Councilor McManus moved to Adopt Ordinance 15-882-O, adopt Ordinance #15-882 and by doing so repealing Ordinance #77-369 (as amended by Ordinance #91-520), an ordinance providing for a charge for each lien search. Councilor seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-882-O as read into the record by Councilor McManus. Discussion: None. All Ayes. Motion passed unanimously.

8.6 Second Reading to Adopt Ordinance #15-883 and by doing so repealing Ordinance #01-689 (as amended by Ordinance #12-863), an ordinance prescribing licensing guidelines to be followed in reviewing applications and making recommendations on liquor license applications and fees

Councilor Collins moved to Adopt Ordinance #15-883 and by doing so repealing Ordinance #01-689 (as amended by Ordinance #12-863), an ordinance prescribing licensing guidelines to be followed in reviewing applications and making recommendations on liquor license

applications and fees. Councilor Cooke seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-883-O as read into the record by Councilor Collins. Discussion: None. All Ayes. Motion passed unanimously.

8.7 Second Reading to Adopt Ordinance #15-884 and by doing so repealing Ordinance #76-351 (as amended by Ordinance #05-780), an ordinance creating a contract review board

Councilor Cooke moved to Adopt Ordinance #15-884 and by doing so repealing Ordinance #76-351 (as amended by Ordinance #05-780), an ordinance creating a contract review board. Councilor Pederson seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-884-O as read into the record by Councilor Cooke. Discussion: None. All Ayes. Motion passed unanimously.

8.8 Second Reading to Adopt Ordinance #15-885 and by doing so repealing Ordinance #91-543 (as amended by Ordinance #92-564, 97-625, 97-627, 99-660, 03-737, 03-741, 03-745, & 05-783), an ordinance controlling vehicular and pedestrian traffic and providing penalties

Councilor Pederson moved to Adopt Ordinance #15-885 and by doing so repealing Ordinance #91-543 (as amended by Ordinance #92-564, 97-625, 97-627, 99-660, 03-737, 03-741, 03-745, & 05-783), an ordinance controlling vehicular and pedestrian traffic and providing penalties. Councilor Cooke seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-885-O as read into the record by Councilor Pederson. Discussion: Councilor Pederson spoke that he would like to see new recommendations from the Traffic Safety & Transportation Commission on how to treat skateboarders equally in this Community. All Ayes. Motion passed unanimously.

8.9 Second Reading to Adopt Ordinance #15-886 and by doing so repealing Ordinance #02-711 (as amended by Ordinance #12-864), an ordinance relating to curfews for minors

Councilor McManus moved to Adopt Ordinance #15-886 and by doing so repealing Ordinance #02-711 (as amended by Ordinance #12-864), an ordinance relating to curfews for minors. Councilor Pederson seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-886-O as read into the record by Councilor McManus. Discussion: None. All Ayes. Motion passed unanimously.

8.10 Second Reading to Adopt Ordinance #15-887 and by doing so repealing Ordinance #91-523 (as amended by Ordinance # 97-618 & 98-658), an ordinance prescribing general offenses and providing penalties.

Councilor Collins moved to Adopt Ordinance #15-887 and by doing so repealing Ordinance #91-523 (as amended by Ordinance # 97-618 & 98-658), an ordinance prescribing general offenses and providing penalties Councilor Pederson seconded. Mayor spoke that there was a motion and a second to adopt 15-887-O as read into the record by Councilor Collins. Discussion: None. All Ayes. Motion passed unanimously.

8.11 Second Reading to Adopt Ordinance #15-888 and by doing so repealing Ordinance #03-748 (as amended by Ordinance #07-823 & 07-827), an ordinance for the disposition and impounding of discarded vehicles.

Councilor Pederson moved to Adopt Ordinance #15-888 and by doing so repealing Ordinance #03-748 (as amended by Ordinance #07-823 & 07-827), an ordinance for the disposition and impounding of discarded vehicles. Councilor Cooke seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-888-O as read into the record by Councilor Pederson. Discussion: None. All Ayes. Motion passed unanimously.

8.12 Second Reading to Adopt Ordinance #15-889 and by doing so repealing Ordinance #67-210 (as amended by Ordinance #98-650), an ordinance licensing peddlers.

Councilor Cooke moved to Adopt Ordinance #15-889 and by doing so repealing Ordinance #67-210 (as amended by Ordinance #98-650), an ordinance licensing peddlers. Councilor Pederson seconded. Mayor Stricker spoke that there was a motion and a second to adopt 15-889-O as read into the record by Councilor Cooke. Discussion: None. All Ayes. Motion passed unanimously.

8.13 Determine attendance of LOC Conference

Mr. Corrigan gave a brief Staff Report he spoke that it would be approximately \$350 per person. Mayor Stricker suggested for those who attend to bring back a written report and possible presentation for the Council Goal setting session.

9. Information Items

9.1 Medford Water Commission

Mr. Corrigan gave a report on Medford Water Commission (MWC). He went over the details of a letter was presented to the MWC by Water Coalition Cities (*see attached*). We are awaiting a response. The letter was accepted positively, however, a 41.9% increase to citizens is unacceptable.

10. City Manager & Other Department Reports

Items for discussion by the City Manager and Department Heads as needed.

City Manager, Tom Corrigan gave City and Department Reports.

- The Bridge crossing Wagner Creek at Old Bridge Village now has reflectors.
- The outside planting is finished at the sidewalk and is pollinator friendly.
- November 4th there will be Transportation SDC on the Agenda.
- Movie in the Park is on August 21st. The movie that will be showing is Short Circuit. Hosted by Talent Little League.
- A Claim of Beneficial Use for water rights was submitted by the City after work done by GSI.
- Mr. Corrigan, Chief Moran and Ms. Huhtala attended and OLCC training.
- American Pickers will be coming to the Rogue Valley soon.
- There is a new business in Talent - Rogue Barista on S. Pacific Hwy, which sells wholesale cold brew coffee.
- The grant application for Rapp Rd. Bridge has been submitted.
- Gave an update on the Community Center. Food and Friends took a tour and were very happy. They are also going to buy a new commercial dishwasher for the Community Center. He showed Council the new keys for the Community Center.

Councilor McManus questioned if the Depot was fully rented. Mr. Corrigan answered yes.

Mr. Corrigan received a call that there was a swarm of bees in a car he gave the details.

11. Other Business

11.1 Mayor Stricker read a letter into the record from Al Cella (*see attached*).

Mayor Stricker asked Councilor Cooke to put the Skateboard Ordinance on the next TSTC Meeting.

Mayor Stricker spoke regarding absenteeism. It was decided to put Council Rules/Absenteeism on an agenda in September as an information item.

Mayor Stricker questioned the water features at the Chuck Roberts Park. Mr. Corrigan gave an update. Mayor Stricker requested an outline plan for Phase 2 by goal setting time. She also asked if the timer can be adjusted to a shorter time. Staff would look into this.

Councilor Pederson spoke regarding a letter he received on Water Rates to be increased. Councilor Pederson agrees to make sure our water rates are efficient but disagrees to increase rates purely for conversation for the City. Mayor Stricker spoke that she agrees with Councilor Pederson.

12. Mayor and Councilor - Committee Reports and Councilor Comments

Rogue Valley Area Commission on Transportation – Mayor Stricker (alternate)
Together for Talent Committee – Councilor Collins
Metropolitan Planning Organization – Mayor Stricker & Councilor Cooke (alternate)
Planning Commission – Councilor Wise & Councilor Abshire (alternate)
Public Art Advisory Committee – Councilor McManus
Parks Commission – Mayor Stricker
Traffic Safety & Transportation Commission – Councilor Cooke
Rogue Valley Council of Governments – Councilor McManus & Mayor Stricker (alternate)
Talent Historical Society – Councilor Pederson & Councilor Abshire (alternate)
Harvest Festival Committee – Councilor McManus
Economic Development - Councilor Pederson & Councilor McManus
Chamber – Councilor Pederson
Talent Charter Review – Councilor Cooke

Councilor McManus announced that TPAC will be bringing a recommendation to Council soon regarding the Foundation. He also announced that Harvest Festival meets next Thursday and RVCOG will meet in a couple of weeks.


Councilor Collins announced she attended Together for Talent and they discussed creating an Ordinance for the Committee.

Mayor Stricker announced that Parks Commission has a Parks Tour tonight. She also announced that there will be a meeting with Community Development Director, Zac Moody on Thursday to discuss Economic Development.

13. Adjournment

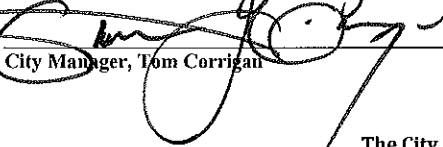
The Council Meeting Adjourned at 8:38 PM

Respectfully Submitted by:



City Recorder, Melissa Huhtala

Attest:



City Manager, Tom Corrigan

The City of Talent is an Equal Opportunity Provider.

Note: This agenda and the entire agenda packet, including staff reports, referenced documents, resolutions and ordinances are posted on the City of Talent website (www.cityoftalent.org) in advance of each meeting.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact TTY phone number 1-800-735-2900 for English and for Spanish please contact TTY phone number 1-800-735-3896.

Good Day, Mayor:

I just wanted to take a second to reach out to you...allow me to introduce myself....my name is Al Cella and I am the Superintendent for the Adroit Construction Co. who was entrusted with the building of your new Community Center.

As I am very close to the end, looking at final inspections in the next week or two, I just wanted to take a moment to tell you about my experience working here for the City of Talent. Honestly, in my 35+ years of building every imaginable structure, many of which have been government buildings, I can't really say I have come across a municipality like yours before. Every last one of the fine people who work for your City, in just about every capacity, have been extraordinarily wonderful to work for and with. I'm almost saddened to see this one come to an end, as it has truly been a rewarding experience.

That's not to say it was easy; far from it. I'd like to specifically point out the perseverance and professionalism of Tom Corrigan in this light, because, quite frankly, Tom and I were dealt an unusually poor hand from our respective viewpoints. There were certain aspects of this building which were either glanced over or not properly addressed in our set of drawings that made this build more than challenging. I am thankful to have a comrade in arms in Mr. Corrigan who showed great understanding, patience (by the truckload) and guidance even under the most aggravating of circumstances which got us to the finish line in spite of the difficulties we faced together.

Guys at the top of the food chain don't always get the pat on the back that they sometimes deserve, but I would like to say that you've got a great guy there, who stands up for what he thinks is right, and most definitely has the City of Talent at the forefront of all his tough decisions. You probably know that already, but I just really wanted to let you know how much I have truly appreciated this gentleman in the last 5 months.

Respectfully,

Al Cella
Project Superintendent
Adroit Construction Company, Inc.
(541) 880-6701
alc@adroitbuilt.com

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Administration Department
Hank Williams, Mayor
Chris Clayton, City Manager
Deanna Casey, City Recorder
Barb Robson, Human Resources Director

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 Russel

City of Talent
Mayor Darby Stricker

City of Ashland
Mayor John Stromberg

Attached:

1. Operational Cost Summary Spreadsheet

