

Council Communication

May 19, 2015, Business Meeting

A Resolution Adding a Surcharge to Water Meters for the Purpose of Generating and Dedicating General Fund Resources for Additional Work in the Forest Interface as Part of the Ashland Forest Resiliency Project

FROM:

Dave Kanner, City Administrator, dave.kanner@ashland.or.us

Lee Tuneberg, Administrative Services/Finance Director, lee.tuneberg@ashland.or.us

SUMMARY

This is a resolution establishing a monthly surcharge on water bills for the purpose of raising revenue for the Ashland Forest Resiliency Project (AFR). AFR aims to reduce wildfire risks in Ashland's watershed by thinning smaller trees and removing flammable undergrowth. Depending on how the Council chooses to structure the surcharge, it would amount to between \$1.27 and \$1.39 per month for a typical residential water customer and raise about \$175,000 annually for ongoing fuels reduction maintenance work. Water customers with larger water meters would pay proportionately more. The surcharge, if approved, would become effective July 1, 2015.

Council also expressed the desire to only fund the AFR program in the General Fund and to not include other related activities such as the Fire Adapted Communities (FAC) program. This document provides such a resolution and options for implementation.

BACKGROUND AND POLICY IMPLICATIONS:

Over the last six years, the AFR project has spent more than \$ 6 million on fuels reduction work in the Ashland watershed. It's anticipated that more than \$3 million will be spent in the 2015-17 biennium, as the project nears completion. Nearly all of this money has come from the federal government and grants. However, once the initial fuels reduction work is done, it will be necessary to spend an estimated \$175,000 annually to maintain that work. This represents enough money to do the required maintenance work on one-tenth of the project area each year.

The proposed BN 2015-17 budget includes an increase in the City's permanent tax rate of 8.92¢ per \$1,000 of assessed valuation to raise the money for this maintenance work. However, Council has expressed a preference for funding this work through a utility billing surcharge. At its May 5, 2015, business meeting, Council directed staff to prepare a resolution establishing a surcharge based upon water meter size, and dedicating such proceeds to the AFR project. Part of the justification of focusing on the water system is the natural connection between AFR, the watershed and water quality.

Council gave guidance for staff to charge all accounts including irrigation meters but excluding municipal meters (City and Parks). The larger the meter, the more charged to the account based upon equivalent meter size. Attached are tables showing several options to implement the surcharge,



generating at least \$175,000 per year. Three tables are attached to this communication outlining staff's calculations to meet the \$175,000 per year program need.

Options Table

	<u>Monthly charge</u>	<u>Annual Cost to 3/4" SFR</u>	<u>Annual Revenue</u>
1: All Water & Irrigation Meters	\$1.27	\$15.24	\$176,002
2: No Municipal Meters Included	\$1.31	\$15.72	\$175,847
3: 3/4" & 1" meters the same	\$1.39	\$16.68	\$175,026

The table assumptions are as follows:

- a: All domestic water meters receive the surcharge including municipal accounts
Irrigation meters are estimated at 4 billings per year.
- b: Municipal meters are City and Parks services only
- c: 1" meters are treated as 3/4" meters in option 3 to ensure households upsized with fire systems are not penalized.

The calculations above show that the annualized cost to most accounts is between \$15.24 and \$16.68 per year. The impact increases by size of meter for all calculations. Excluding the two largest meters (one 6" and one 8") the monthly cost for each option on a 4" meter is \$31.75, \$32.75 and \$34.75, respectively. See the attached tables for more detail.

Council agreed to exclude municipal accounts and charge all other accounts including irrigation meters. Option #2 best meets those directions. Option #3 is provided and may be desirable but raises the overall cost to all accounts when treating 1" meters the same as 3/4" meters.

Any of the options can be implemented with relative ease through the City's utility billing software. Specific adjustments outside the parameters above could require customization that may be costly to do and maintain.

COUNCIL GOALS SUPPORTED:

Environment

- 8. *Protect the integrity and safety of the watershed.***
 - 8.1 Implement and maintain the Ashland Forest Resiliency project.
 - 8.5 Fund the AFR & AIR programs.

FISCAL IMPLICATIONS:

Ongoing maintenance of fuels reduction work in the watershed should be funded by a dedicated source of revenue in an amount of \$175,000 per year. Establishing a surcharge on water meter size will reduce pressure on property taxes and provide a stable revenue throughout the year not subject to



fluctuations in usage or weather. Proceeds will be accounted for separately and deposited directly to the General Fund, reserved for Ashland Forest Resiliency program use.

STAFF RECOMMENDATION AND REQUESTED ACTION:

The Council can consider the options provided and adjust the attached resolution accordingly. Option #2 matches the direction received on May 5, 2015.

SUGGESTED MOTION:

I move to approve a resolution titled, A Resolution Adding a Surcharge to Water Meters for the Purpose of Generating and Dedicating General Fund Resources for Additional Work in the Forest Interface as Part of the Ashland Forest Resiliency Project.

ATTACHMENTS:

Surcharge Table \$1.27: All accounts, no exceptions

Surcharge Table \$1.31: Excluding Municipal accounts (City & Parks)

Surcharge Table \$1.39: Excluding Municipal accounts and ¾" & 1" services treated the same
Resolution with Exhibit A (drafted using \$1.31 scenario)



Water - Domestic				\$ 1.27 Table			
Accounts	Size	Eq. Meter	Units of Measure	Monthly	Annually	Size in Inches	Monthly Charge by Size
7,583	0.75	1.00	7,583.00	\$ 9,630.41	\$ 115,564.92	0.75	\$ 1.27
470	1	2.50	1,175.00	\$ 1,492.25	\$ 17,907.00	1	\$ 3.18
135	1.5	5.00	675.00	\$ 857.25	\$ 10,287.00	1.5	\$ 6.35
112	2	8.00	896.00	\$ 1,137.92	\$ 13,655.04	2	\$ 10.16
15	3	16.00	240.00	\$ 304.80	\$ 3,657.60	3	\$ 20.32
12	4	25.00	300.00	\$ 381.00	\$ 4,572.00	4	\$ 31.75
1	6	50.00	50.00	\$ 63.50	\$ 762.00	6	\$ 63.50
1	8	80.00	80.00	\$ 101.60	\$ 1,219.20	8	\$ 101.60
86	0.75	1.00	86.00	\$ 109.22	\$ 1,310.64	0.75	\$ 1.27
10	1	2.50	25.00	\$ 31.75	\$ 381.00	1	\$ 3.18
8,425			11,110.00	\$ 14,109.70	\$ 169,316.40		
Water - Irrigation						Size in Inches	Monthly Charge by Size
Accounts	Size			4 Months			
219	0.75	1.00	219.00	\$ 278.13	\$ 1,112.52	0.75	\$ 1.27
78	1	2.50	195.00	\$ 247.65	\$ 990.60	1	\$ 3.18
40	1.5	5.00	200.00	\$ 254.00	\$ 1,016.00	1.5	\$ 6.35
45	2	8.00	360.00	\$ 457.20	\$ 1,828.80	2	\$ 10.16
7	3	16.00	112.00	\$ 142.24	\$ 568.96	3	\$ 20.32
2	4	25.00	50.00	\$ 63.50	\$ 254.00	4	\$ 31.75
2	6	50.00	100.00	\$ 127.00	\$ 508.00	6	\$ 63.50
1	8	80.00	80.00	\$ 101.60	\$ 406.40	8	\$ 101.60
394			1,316.00	\$ 1,671.32	\$ 6,685.28		
					\$ 176,001.68		

Water - Domestic				\$ 1.31 Table			
Accounts	Size	Eq. Meter	Units of Measure	Monthly	Annually	Size in Inches	Monthly Charge by Size
7,566	0.75	1.00	7,566.00	\$ 9,911.46	\$ 118,937.52	0.75	\$ 1.31
462	1	2.50	1,155.00	\$ 1,513.05	\$ 18,156.60	1	\$ 3.28
132	1.5	5.00	660.00	\$ 864.60	\$ 10,375.20	1.5	\$ 6.55
101	2	8.00	808.00	\$ 1,058.48	\$ 12,701.76	2	\$ 10.48
15	3	16.00	240.00	\$ 314.40	\$ 3,772.80	3	\$ 20.96
12	4	25.00	300.00	\$ 393.00	\$ 4,716.00	4	\$ 32.75
1	6	50.00	50.00	\$ 65.50	\$ 786.00	6	\$ 65.50
1	8	80.00	80.00	\$ 104.80	\$ 1,257.60	8	\$ 104.80
49	0.75	1.00	49.00	\$ 64.19	\$ 770.28	0.75	\$ 1.31
5	1	2.50	12.50	\$ 16.38	\$ 196.50	1	\$ 3.28
8,344			10,920.50	\$ 14,305.86	\$ 171,670.26		
Water - Irrigation						Size in Inches	Monthly Charge by Size
Accounts	Size				4 Months		
201	0.75	1.00	201.00	\$ 263.31	\$ 1,053.24	0.75	\$ 1.31
66	1	2.50	165.00	\$ 216.15	\$ 864.60	1	\$ 3.28
27	1.5	5.00	135.00	\$ 176.85	\$ 707.40	1.5	\$ 6.55
27	2	8.00	216.00	\$ 282.96	\$ 1,131.84	2	\$ 10.48
5	3	16.00	80.00	\$ 104.80	\$ 419.20	3	\$ 20.96
-	4	25.00	-	\$ -	\$ -	4	\$ 32.75
-	6	50.00	-	\$ -	\$ -	6	\$ 65.50
-	8	80.00	-	\$ -	\$ -	8	\$ 104.80
326			797.00	\$ 1,044.07	\$ 4,176.28		
					\$ 175,846.54		

Water - Domestic				\$ 1.39 Table			
Accounts	Size	Eq. Meter	Units of Measure	Monthly	Annually	Size in Inches	Monthly Charge by Size
7,566	0.75	1.00	7,566.00	\$ 10,516.74	\$ 126,200.88	0.75	\$ 1.39
462	1	2.50	1,155.00	\$ 642.18	\$ 7,706.16	1	\$ 1.39
132	1.5	5.00	660.00	\$ 917.40	\$ 11,008.80	1.5	\$ 6.95
101	2	8.00	808.00	\$ 1,123.12	\$ 13,477.44	2	\$ 11.12
15	3	16.00	240.00	\$ 333.60	\$ 4,003.20	3	\$ 22.24
12	4	25.00	300.00	\$ 417.00	\$ 5,004.00	4	\$ 34.75
1	6	50.00	50.00	\$ 69.50	\$ 834.00	6	\$ 69.50
1	8	80.00	80.00	\$ 111.20	\$ 1,334.40	8	\$ 111.20
49	0.75	1.00	49.00	\$ 68.11	\$ 817.32	0.75	\$ 1.39
5	1	2.50	12.50	\$ 17.38	\$ 208.50	1	\$ 3.48
8,344			10,920.50	\$ 14,216.23	\$ 170,594.70		
Water - Irrigation						Size in Inches	Monthly Charge by Size
Accounts	Size				4 Months		
201	0.75	1.00	201.00	\$ 279.39	\$ 1,117.56	0.75	\$ 1.39
66	1	2.50	165.00	\$ 229.35	\$ 917.40	1	\$ 3.48
27	1.5	5.00	135.00	\$ 187.65	\$ 750.60	1.5	\$ 6.95
27	2	8.00	216.00	\$ 300.24	\$ 1,200.96	2	\$ 11.12
5	3	16.00	80.00	\$ 111.20	\$ 444.80	3	\$ 22.24
-	4	25.00	-	\$ -	\$ -	4	\$ 34.75
-	6	50.00	-	\$ -	\$ -	6	\$ 69.50
-	8	80.00	-	\$ -	\$ -	8	\$ 111.20
326			797.00	\$ 1,107.83	\$ 4,431.32		
					\$ 175,026.02		

RESOLUTION NO. 2015-

A RESOLUTION ADDING A SURCHARGE TO WATER METERS FOR THE PURPOSE OF GENERATING AND DEDICATING GENERAL FUND RESOURCES FOR ADDITIONAL WORK IN THE FOREST INTERFACE AS PART OF THE ASHLAND FOREST RESILIENCY PROGRAM

Recitals:

- A. The City of Ashland operates Ashland Water Utility to provide potable water to customers within the City limits of Ashland and to certain customers outside of these boundaries.
- B. The City of Ashland also manages a Forest Interface division that is charged with doing work to protect the watershed. The Ashland Forest Resiliency Program is part of that division's oversight, performed by the Fire Department in the General Fund.
- C. The AFR program's success in the interface requires additional funding estimated at \$175,000 per year to maintain the work done to date.
- D. Protection of the watershed has a direct relationship to the City's ability to provide potable water to customers in the amounts needed in sufficient quantities allowed by the size and use of the water meter.
- E. Establishing a surcharge on water utility customer meters is a reasonable means of funding increased, ongoing AFR work in that the funding source is rationally related to the goal of ensuring water source continuity for the City.
- F. The City Council intends to only use the funds generated by this surcharge for expanded AFR activity in the General Fund.

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

SECTION 1. A \$1.31 per equivalent ¾" meter surcharge on each water meter per Exhibit A shall be added monthly to the bill of each Ashland water utility customer to provide a funding resource directly to the General Fund, Fire Department, Forest Interface Division for the purpose of added Ashland Forest Resiliency work of \$175,000 per year effective July 1, 2015.

SECTION 2. The surcharge revenue is not subject to any franchise fee calculation and is to be directly deposited to the General Fund and accounted for separately.

SECTION 3. Water meters for City and Parks department are exempted from this surcharge since levying this charge would only require passing the impact on to customers through other rates and fees.

This resolution was duly PASSED and ADOPTED this _____ day of _____, 2015, and takes effect upon signing by the Mayor.

Barbara Christensen, City Recorder

SIGNED and APPROVED this ____ day of _____, 2015.

John Stromberg, Mayor

Reviewed as to form:

David Lohman, City Attorney

Exhibit A

Size in Inches	Monthly Charge by Size
0.75	\$ 1.31
1	\$ 3.28
1.5	\$ 6.55
2	\$ 10.48
3	\$ 20.96
4	\$ 32.75
6	\$ 65.50
8	\$ 104.80