



Memorandum

TO: Commissioners Jason Anderson, David Wright, John Dailey, Bob Mylenek, and Brian Sjothun
FROM: Beau N. Belikoff, Finance Manager
DATE: Wednesday, October 7, 2026
SUBJECT: Study Session: System Development Charges Evaluating a Multi-Year Freeze
OBJECTIVE: Board Discussion

Issue

At the Board's direction, staff has completed an evaluation of the financial impact of freezing Medford Water's System Development Charges (SDCs). At its August 19, 2026 meeting, following the adoption of the recent SDC update, the Board — at the direction of Board Chair Commissioner Anderson — adopted a motion, approved unanimously, directing staff to analyze the financial impact of freezing SDCs for a period of three to five years. This memorandum confirms that staff has carried out that direction and summarizes how the results are being provided to the Board.

Discussion

To respond to the Board's motion, staff worked with the Commission's rate consultant, HDR, to prepare a technical memorandum evaluating the SDC program and the revenue impact of a multi-year freeze. The technical memorandum documents the methodology, key assumptions, and the projected revenue effect of holding SDCs at current levels before resuming annual Engineering News-Record Construction Cost Index (ENR-CCI) adjustments.

The completed HDR technical memorandum, titled "Overview of SDCs and Revenue Impacts," accompanies this notification and presents the detailed findings. In addition to the three- and five-year freeze scenarios requested, the analysis also illustrates a continued annual ENR adjustment scenario and an "ENR and Recalibrate" option for the Board's reference.

Recognizing the significance of this policy question, staff and HDR will present the analysis in greater detail at an upcoming Board study session. That session will provide the opportunity for full discussion of the methodology, the revenue and rate implications, and the range of options available to the Board.

Financial Impact

As documented in the HDR technical memorandum, freezing SDCs at current levels for three years, followed by resumed annual ENR-CCI adjustments, results in approximately \$1.4 million in under-recovered SDC revenue through FY 40/41. A five-year freeze under the same assumptions increases the under-recovery to approximately \$2.1 million over the same period.

Requested Board Action

None. This memorandum is provided for Board notification to confirm that staff has completed the analysis directed by the Board's motion. The detailed results are presented in the accompanying HDR technical memorandum, and staff will present additional detail at an upcoming study session.