

MINUTES

MILWAUKIE CITY COUNCIL WORK SESSION
APRIL 6, 2010

Mayor Ferguson called the work session to order at 5:32 p.m. in the City Hall Conference Room.

Council Present: Mayor Jeremy Ferguson, Council President Greg Chaimov, and Councilors Deborah Barnes, Susan Stone, and Joe Loomis

Staff Present: City Manager Pro Tem Pat DuVal, City Attorney Tim Ramis, Interim Finance Director Andy Parks, Community Development and Public Works Director Kenny Asher, Engineering Director Gary Parkin, Resource and Economic Development Specialist Alex Campbell, Senior Planner Susan Shanks, Public Information Coordinator Grady Wheeler, Human Resources Director Cynthia Trosino, Court Clerk Carla Bantz, Municipal Court Judge Ron Gray

2007 – 2008 Audit

Mr. Parks distributed the 2008 audited financial statements, noting a couple communications from the auditors. There was nothing material identified or that would really impact the City's financial statements. He noted a comment about building permits that needed to be addressed. He noted difficulties were encountered in performing the audit given the turnover in the finance director position. Mr. Parks had been in communication with the Secretary of State's Office and sent the required information. The 2008 audit report was completed and staff would be moving on to the 2009 audit. He talked with the auditors about filing the appropriate extension.

Questions and comments from the Council were addressed as follows:

- The Council was just now getting the completed 2008 financial audit, which was a year and four months late.
- The previous Finance Director Ignacio Palacios resigned in December 2009.
- No fees were charged for not getting the audit to the proper authorities in time. The issue really was providing Council with accurate financial information. For example, no audited numbers existed to work from when getting the Council fund balances for the upcoming budget. The Finance Department was using the 2008 report together with some projections.
- Staff was providing lenders with preliminary information on the 2009 report.
- Currently, no debt was being issued. Mr. Parks believed staff could get things in good order by the end of 2010 and that would serve the City well if they were out in the capital markets at that time.
- Council term dates would be corrected on the report.

City Manager Recruitment Process

Ms. Trosino reviewed an outline of the typical recruiting process for a City Manager position as well as a proposed timeline and some recruiting resources that the Council could review. She had talked to several cities that had done some recent recruiting and got recommendations for firms that they had used. She also talked to some former city managers to identify those resources. She asked the Council for a recommendation on how she should move forward with the recruitment. Based on her research, she recommended Prothman as the executive search firm for the City.

Councilor Barnes liked Prothman's portfolio presentation and what they said in the packet. She suggested that one or two Councilors visit the community of the finalists to get feedback from people in that community.

Ms. Trosino understood Council wanted her to contact Prothman and have him get started on the process. He could probably start as soon as next week.

NE Sewer Extension Project

Mr. Parkin explained he was joined by Jason Rice, Susan Shanks, and Alex Campbell to discuss the NE Sewer Extension Project. The project was approximately 30%-40% complete and staff was continuing to develop the reimbursement district and all that was involved with that, as well as the assistance program for the connection and annexation costs.

Mr. Rice reviewed staff's assumptions on reimbursement district allocations based on final cost estimates and sought Council direction. He reviewed the PowerPoint presentation and responded to comments and questions from the Council as follows:

- The City may want to consider any problems or perceptions of unfairness that may occur when citizens find out that property owners within the City would not be getting the \$3,450 benefit as were those inside the City.
- About 10 or 11 properties came into the City through the Johnson Creek facility annexation and never ended up getting sewer. There was a matter of equity.

Mr. Campbell said it was worth spending some time thinking about how to deal with the cost difference to property owners inside and outside the City. Some caveats existed to the City's agreement with the County as far as the contribution of the Urban Renewal money, which were set up to prevent the City from taking the money back. A commitment existed that no additional fees would be assessed against people who happen to be within the Urban Renewal District. However, a way may exist for the City to address the fairness issue.

Mr. Parkin commented that the parity was really more in the reimbursement methodology, the \$6,000 and \$2,800, because the City was more able to leverage the ARRA funding.

Mr. Campbell continued responding to comments and questions from the Council as follows:

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- Staff recommended that if a property owner connected to the sewer within the first two years, then the option would exist to pay the reimbursement costs in 20 payments with no interest. When staff canvassed the neighborhood, property owners asked what the City could do to make it easier for them to incur such a large upfront cost. Staff was able to provide financing with no interest since they were not paying interest on their money. It was difficult to say how many property owners would connect to the sewer within the first two years; more than 50% would be overly optimistic; a more realistic scenario would be between 33% and 40%. The no interest incentive would definitely increase the number of people who would connect right away instead of waiting for their septic systems to fail. Connecting earlier benefitted both the City and the property owners. Getting everyone connected early made sense in terms of efficient service delivery, the health of Johnson Creek, and people not having a real disruption to their lifestyle. Most reimbursement districts typically had a cost adjustment each year, so if a property owner connected in year two they would pay a little bit more than if they had connected in year one. The City's Finance Director noted the possibility of the pass through of ARRA benefits might not be available at some point. Staff proposed excluding it from the reimbursement district and telling people that the plan was to make the ARRA funding available, but at some point a future Council could ask property owners to pay the full cost of the reimbursement district. This was another incentive for people to take advantage of the incentive currently on the table.
- The two-year timeline was somewhat arbitrary. Staff believed two years was plenty of time for someone to understand and complete all the steps they would need to go through. After two years, no adoptive program existed that would provide financing for this kind of reimbursement district. Staff could evaluate whether one should be offered at that time and it would be appropriate to charge interest at whatever the City's cost would be at that time.
- Council could increase the incentive for customers to connect earlier by setting up a step-down schedule or whatever Council might think was most appropriate. Council could say that people who connected in the first two years would pass through 100% of the ARRA loan benefit. The next two years Council could offer 75% and after ten years it could go down to 50%. A schedule could be set up now so people would have a clear roadmap regarding future costs.

Ms. Shanks reviewed annexation element and the assistance program for early connection:

- Staff did not know how many people would be connecting in the first several years, but it would be more than usual.
- The annexation assistance program would be a benefit to the City as well as the property owners.
- The program would be aimed at those properties eligible for a simple or expedited annexation where no zone changes would occur and the property

owner had an existing conforming use. This regarded the vast majority of people in this area.

- The assistance program would not be extended to property owners who had an illegal use, a non-conforming use or wanted a different zone because such annexations required more analysis.
- The assistance program would benefit the City in that in exchange for offering assistance, the City would be allowed to bundle annexations together and do it on their own timeline. Staff was proposing the annexations be done at least once a year and the first bundle of annexations be done when sewer first became available.
- The program would benefit the property owners because of the assistance. Staff was proposing that the existing nominal application fee of \$100 be waived, and staff would help property owners with the specific documents needed to complete the annexation application. This would actually save staff time. Some Metro filing fees would also be saved.
- Staff was hoping to talk with the community soon about the various assistance programs being offered to get people thinking and planning ahead about getting sewer as soon as it was available. Staff also wanted to hold several open houses in May 2010 and possibly throughout the summer.
- Staff was looking to Council for some direction in terms of whether this kind of assistance was appropriate for staff to offer.
 - Should annexation be at no cost and should assistance for expedited annexations be limited to people just in this area or offered to anybody that wanted to annex during the specific timeframe because staff could also bundle property owners in other areas adjacent to the City.
- The two-year timeline was arbitrary, but it would not stop staff from possibly extending the assistance program if it was working well and more people wanted to be annexed. She did not think anything existed to prevent staff from extending the program a year or two. However, it was in the best interest of the property owners as well as the environment to get people to connect sooner rather than later, and the two-year timeline would be motivating. People were welcome to annex at any time and did not have to wait for the bundle annexation process, but then they would have to prepare their own application.

Council Barnes believed the annexation assistance program was a great idea.

Councilor Stone agreed the assistance program was a good idea and it needed to be extended to others who may want to annex. This was really a contentious issue for people in this area, and she was happy to see how the assistance program had evolved in terms of offering the big discount and really being able to help property owners connect. And, it would be good for the environment. She thanked staff for all their hard work and for presenting a solution to property owners that would really help them out financially.

Mayor Ferguson thanked staff for taking extra effort in the communication process.

Councilor Stone commented that the open houses for the annexation assistance program would be a great way to let people know their options and it made sense to get as many people as possible connected to the sewer system and sooner rather than later.

Attendance Court Proposal

Mayor Ferguson introduced Chief Bob Jordan and Milwaukie High School Principal Mark Pinder. He and Mr. Pinder had started discussing this proposal a few weeks ago, but it had already been in the works before that. He wanted everyone to understand the wide range of people involved in and who supported the proposal.

Chief Jordan stated that the truancy court was a great partnership, and it was very important to the Police Department to share a role in addressing truancy in the North Clackamas School District. This proposal was a great way of keeping kids in school and combining resources in a productive way.

Mr. Pinder stated the team he had at Milwaukie High School had really been researching and implementing the proposal with good results. Any support for the proposal would be much appreciated.

Mr. Stewart distributed a document produced by Milwaukie High School explaining what happened over the first four truancy court sessions held in circuit court beginning November 2009. He reviewed the process and the role of School Resource Officer Dan Cloyes. The program was phenomenally successful and far exceeded expectations. Some challenges existed in circuit court, so the sessions stopped in March 2010. The proposal before the Council was to allow municipal court to handle citations out of Milwaukie High School and Rowe Middle School for the rest of the school year or longer if the circuit court did not open up for truancy court in Fall 2010 or if the City decided to control the truancy court program.

Mr. Englen explained the school district did not get any money from the fines. The power of this program was that the threat of a citation or fine allowed the school to have needed conversations with the parents because attendance was usually the first manifestation of a greater problem. The school did a great job of trying to identify the barriers to attendance and to get interventions such as family support and medical referrals.

Judge Gray commented he and Mr. Stewart work in the circuit court system on a daily basis in Clackamas County and the last thing they wanted to see were these students becoming criminal defendants. Even in the municipal court setting, young people were being cited for drinking violations, possession of less than an ounce violations and minor in possession of tobacco. All were symptoms of a problem that could start back with not going to school. He intended to fully support the program because it was proactive and could keep people out of the criminal system in the future. This program was more far reaching than it appeared on paper. Many young adults he saw in the circuit court system for petty crimes migrated up to more severe crimes as they got older. Many young

people in the criminal system never graduated high school and did not have a GED. The program would give youth an understanding that the courts were not where they wanted to be, and that they could cure their own problems by being responsible.

Mr. Ramis explained the City would need to adopt an ordinance to support the proposal. If the Council supported the proposal, the City would develop the ordinance over the next few days and it would be available for the next Council meeting.

Judge Gray commented that the Council should keep in mind that this truancy court would create two to three hours of work a month from a court's perspective. It would not be a huge investment of time or energy on the court's part. Much of the work would be done before it ever got to the judge's lap and then the judge's approach would differ from a normal adversarial system. The judge would work more on the therapeutic side, talk to the parents and try to get at what the behavior problems were and how could the parents be involved in solving those problems.

Officer Cloyes added it was seldom that the opportunity existed to do something that really was a win for everyone. He was meeting parents in what could be a really confrontational situation and in every situation the parents had almost welcomed him. The school did an excellent job of communicating with parents long before he met the parents. This program gave some parents the motivation to have the needed conversations with their kids or provided the parents with a tool to try to get their kids to listen to the conversations they had been trying to have.

At this time, the volume the letters and citations getting delivered was not too bad. He did not need extra support at this point in time, but he did want to share that this program was even a win from the parent's side. He added that he had not been hearing the juvenile nuisance type calls for downtown that he has in the past. He heard from school officials that attendance had already improved just with the communication piece they had done over the summer to families. Students seemed to have a sense of accomplishment at the end of their mandatory meetings and moving through problem areas successfully. Those students would still have challenges, but this gave them experience in working things out. The program could be successful from the police agency point of view without any additional factors.

Council Chaimov asked if the program could be expanded to include all of the public schools that serve the residents of Milwaukie.

Mr. Englen replied a lot of that had to do with the jurisdiction. The circuit court had jurisdiction throughout, but when they lost the circuit court they were unable to cover certain schools outside of Milwaukie city limits proper. The vision was to eventually expand the program district-wide. Short term, they did not want to lose the momentum that had been gained, so, they were willing to just focusing on Rowe Middle School and Milwaukie High School right now. If the program could get back into circuit court then it could be expanded as capacity allowed.

Mr. Stewart confirmed that the budget was one issue with the circuit court and noted a number of other communities wanted to implement the program.

Judge Gray added he and Mr. Stewart had discussed the impact on Milwaukie and the support from the court system, so he was aware of all the issues. The decision to keep Milwaukie cases in Milwaukie would be decided cooperatively effort. An enabling ordinance was needed before the courts could step in.

Officer Cloyes had been impressed with the work at Milwaukie High School and its efforts to change the culture by rewarding and recognizing positive accomplishments by the students and of setting the expectation that the students would and could do well. No staff members or teachers existed that were plotting to make the students' lives miserable. Everyone came into the school wanting to help these students succeed. Mr. Pinder, his staff and support from the School District had made a tremendous change at Milwaukie High School. As a community, it was a wonderful to support those efforts as a Council, a City and as a Police Department.

Mayor Ferguson was very supportive of the program. What stood out to him was the change in daily attendance which went from 87% to 93% in one semester. He supported the program and wanted to get an ordinance in place as soon as possible.

Council Stone asked if Clackamas County still had a juvenile diversion program. The program was staffed with volunteers that heard misdemeanor crimes and the goal was to keep the kids out of the court system.

Chief Jordan clarified that was Parrot Creek and the program was still in existence, but they had just increased their fees significantly. The Department was reviewing the program.

Councilor Barnes expressed her support for the program. As someone who taught at all three high schools, Milwaukie had a much better track record this year than another high school in the District for making sure its kids graduated. She felt that had a lot to do with this program. She thanked the County, District, and Police Department for joining forces.

Ms. Bantz stated that she and Judge Gray worked closely on all the truancy cases. She believed this would be a great program if it kept kids in school and out of the juvenile and criminal system.

Mayor Ferguson asked that staff prepare an ordinance for the April 20, 2010 City Council meeting.

Councilor Barnes stated she would like to see if one of the sessions could be videotaped for the District's website as a source of information for the students. The group discussed to pros and cons of doing so.

Mayor Ferguson adjourned the work session at 6:39 p.m.

Pat DuVal

Pat DuVal, City Recorder

WORK SESSION

AGENDA

WORK SESSION MILWAUKIE CITY COUNCIL APRIL 6, 2010

MILWAUKIE CITY HALL

Second Floor Conference Room
10722 SE Main Street

A light dinner will be served

WORK SESSION – 5:30 p.m.

Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>	<u>Page #</u>
1.	5:30 p.m.	City Manager Recruitment Process	Cynthia Trosino	1
2.	5:50 p.m.	NE Sewer Extension Project: Reimbursement District Method and Sewer Connection and Annexation Assistance Program	Gary Parkin & Alex Campbell	3
3.	6:15 p.m.	Attendance Court Proposal	Chief Bob Jordan	
4.	6:45 p.m.	Adjourn work session		

Information

Executive Session: All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

Public Notice

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.
- The City of Milwaukie is committed to providing equal access to information and public meetings per the Americans with Disabilities (ADA). If you need special accommodations, please call 503.786.7502 or email ocr@ci.milwaukie.or.us at least 48 hours prior to the meeting.



To: Mayor and City Council
Through: Pat DuVal, City Manager
From: Cynthia Trosino, Human Resources Director
Subject: City Manager Recruitment
Date: April 6, 2010

Action Requested

Direction to staff on city manager recruitment.

Background

Recruiting and selecting a city manager is an important responsibility for the Council. It is first necessary for the Council to determine who will actually conduct the recruitment and then decide on the major steps and scope of the recruitment. A successful recruitment takes time and is complex.

The most efficient and effective option is to retain an outside party to facilitate the recruitment process. By using an executive search firm, the Council will obtain the full-time coordination necessary to conduct an effective recruitment, as well as gain a level of expertise important to each step in the process. The Council continues to have authority over the process, but the search firm will be responsible to ensure a successful and legal recruitment and selection process and conduct all of the administrative details.

Once an executive search firm is selected they will typically begin by meeting with the Council, staff, and community leaders to help them decide what they are looking for in a new city manager. It is the firm's responsibility to facilitate these discussions and to help reach consensus on such items as desirable work experience, management style, timing and scope of the recruitment, and compensation. After these matters have been reviewed, the firm coordinates the overall recruitment process and assumes responsibility for all tasks until a selection is made.

A typical process includes:

- Working with Council, staff, and the community to establish criteria for the position
- Defining the scope of the recruitment
- Outlining a timeline

- Developing the advertisement
- Screening applications including initial screening interviews
- Designing the interview process
- Conducting the reference and background checks
- Final interviews
- Identifying the final candidate and making an offer
- Negotiating the contract

A typical time line could be:

- April
 - select recruiter
 - finalize the profile
- May
 - recruitment begins
 - interviews conducted
- June
 - selections made
 - backgrounds checked
- July
 - offer made
 - start date determined

The search firm selected should be reputable and familiar with the special requirements of local government administration. Several firms were recommended by other cities who have recently recruited for executive positions, and three submitted requests for qualifications.

After reviewing the background, experience, availability, and cost of service, Prothman is being recommended. This agency is located in Washington State, is familiar with the Portland metropolitan area, and has conducted recent recruitments for other local cities.

Fiscal Impact

Costs can range between \$15,000 - \$30,000. Prothman's bid is \$16,500.

Work Load Impacts

While the executive recruitment firm does a large portion of facilitating the work, there is still an impact to Council and staff. The work load will fluctuate with each step in the process. In the beginning, the Council may spend considerable time determining and reviewing precisely the criteria they are seeking in an administrator and the scope and details of the recruitment process.

Staff will have work load impacts as well as they will continue to be the liaison for the executive search firm and may be involved in some of the administrative functions associated with the process.

Alternatives

The city manager pro tem facilitates the process



To: Mayor and City Council

**Through: Pat DuVal, Interim City Manager
Kenneth Asher, Community Development and Public Works Director**

**From: Gary Parkin, Engineering Director
Alex Campbell, Resource and Economic Development Specialist
Susan Shanks, Senior Planner**

**Subject: NE Sewer Extension Project: Reimbursement District Method
and Sewer Connection and Annexation Assistance Program**

Date: March 30, 2010 for the April 6, 2010 Work Session

Action Requested

None. Staff is seeking feedback on key aspects of staff's sewer connection and annexation assistance proposals.

History of Prior Actions and Discussions

February 2010: Council approved adding sewer work, replacing mains on King Road and Brookside Dr, to the contract for the NE Sewer Extension (NESE) project.

January 2010: Council annexed rights-of-way in the project area (Ord. 2010).

December 2009: Council awarded the contract for construction of the project to K & R Plumbing Construction Co. Inc., in the amount of \$2,653,257.05 (Res. 78-2009).

October 2009: Council approved an IGA with Clackamas Development Agency for payment to the City of urban renewal contributions to the project (Res. 64-2009); and requested the County transfer jurisdiction of rights-of-way in the area (Res. 66-2009).

September 2009: Council initiated annexation of the rights-of-way in the NESE Project Area by resolution (Res.58-2009). Council approved an updated Clean Water State Revolving Fund Loan Agreement for the NESE Project (Res. 57-2009).

August 2009: Staff briefed Council on project status and need to annex rights-of-way.

June 2009: Council awarded a contract to Right-of-Way Associates Inc. for easement and appraisal services within the NESE Project Area. Council adopted an Ordinance allowing the City to extend the life of reimbursement districts beyond fifteen years.

February 2009: Council authorized the City Manager to enter into a contract with Century West for engineering services to design the project.

December 2008: Council approved a loan agreement from CWSRF (Res.94-2008).

October 2008: Council approved moving forward with the extension of the City's sewer system into Dual Interest Area "A" including: entering into an IGA with Clackamas County for engineering services; applying for a DEQ loan needed to fund the sewer extension; and moving forward with public information efforts (Res.81-2008).

September 2008: Staff briefed Council at a work session on the proposed sewer extension project. Council requested additional information prior to acting.

May 2008: Staff briefed Council specifically with regard to relevant City and County policies, State law regarding annexation, and service delivery and governance issues.

March 2008: Staff briefed Council on the need for sewer service in Dual Interest Area "A," discussions with Clackamas County, and outreach efforts to owners and residents.

September 2006: Staff briefed Council on state statute and City Comprehensive Plan policy regarding island annexations.

November 2002: Council directed the City Manager to sign a CDBG grant application to subsidize connection costs for low-income residents in Dual Interest Area "A".

July 1990: Clackamas County Order No 90-726 established an Urban Growth Management Agreement (UGMA) in which the City and County agreed to coordinate the future delivery of services. With respect to Dual Interest Area "A", the agreement states: *"The City shall assume a lead role in providing urbanizing services."*

Background

The NE Sewer Extension (NESE) Project is under construction. Upon completion, expected fall 2010, it will provide sewer service to approximately 300 lots in Dual Interest Area "A" within the City's UGMA. This informational report addresses the formation of the reimbursement district and presents a program that will assist area residents as they annex to the City and pay for sewer connection.

The project was estimated at \$4.5 million in December 2008, which was anticipated to be funded by System Development Charge collections and a Clean Water State Revolving Fund (CWSRF) loan. When American Recovery and Reinvestment Act (ARRA) funds became available to last year, DEQ modified the CWSRF loan. The revised loan is at zero-percent interest, with up to half of the total loan amount (\$2 million of the \$4 million total) to be forgiven at project completion.

Total project costs for the sewer extension project are currently estimated to be approximately \$3.5 million, thanks to a construction bid substantially below the engineer's estimate. In order to take advantage of the loan forgiveness, two smaller capital improvement projects have been added to the contractor's scope of work. Costs related to the smaller add-on projects will not be included in the Reimbursement District.

Reimbursement District

In order to repay the ARRA loan, the City will form a reimbursement district pursuant to Chapter 13.30 of the City's Municipal Code.

Reimbursement Districts are provided so that an individual, or developer, who constructs a street, water, storm sewer, or sanitary sewer improvement, can provide service to additional properties and recoup some of their costs. The City establishes that "reimbursement" payments be made to the builder when additional properties make use of the improvement. The code allows the City to create reimbursement districts to recoup costs of public projects as well, as is the case in this project. Application for establishment of a Reimbursement District can be submitted pre-construction or post-construction, but must be submitted no later than 180 days after acceptance of the public improvement (discussed further below).

The City has initiated reimbursement districts in the past, most recently for a wastewater sewer main installed on Hill Street in 2005. In that case, the City financed the sewer installation and charged a reimbursement fee to lots as they connected.

The following steps must be followed to establish a Reimbursement District:

1. Submittal of an Application that provides:
 - a. Description of the public improvement (location, type, size, and cost).
 - b. A map showing the properties that benefit from the improvements and will contribute to costs (includes zoning and lot measurement data).
 - c. Cost of the improvements, either: actual cost for post-construction (documented with receipts and invoices); or estimated costs for pre-construction application.
 - d. The date when the public improvement was accepted by the City; or the estimated date of acceptance if preconstruction.
2. Completion of an Engineering Director's report that provides:
 - a. A determination that the improvement serves additional properties beyond that owned by the applicant.
 - b. The area and improvements to be included in the district.
 - c. The actual or estimated cost of the improvement and the portion of the cost which is reimbursable.

- d. A method for allocating the cost among the parcels in the district. The method should consider the cost of the improvements, prior contributions by property owners, the value of unused capacity, and other relevant factors.
 - e. The amount charged to administer the agreement (not applicable for City-initiated applications).
 - f. The time frame of the district.
 - g. A statement that the improvements meet City standards.
3. Upon completion of the Engineering Director's report, City Council will hold an informational public hearing. Because the formation of the district does not result in a lien assessed against property, the public hearing is for informational purposes only—the Reimbursement District is not subject to mandatory termination due to remonstrance. City Council has the sole discretion to decide whether the district shall be adopted. If a district is formed prior to construction, a second informational public hearing shall be held after acceptance of the improvement. At that time the City Council may modify the resolution to reflect the actual cost of the improvement.

Cost Share Calculation

City staff began working on a method to share the costs of the improvements early in the design stage. The cost-share method that is most well-known is to assign costs in proportion to frontage. However, such an approach does not work well when applied to areas that have already been platted and sub-divided. For instance, flag and corner lots present fairness issues as the service provided is not relative to the lot frontage.

Staff started with the assumption that the City method should be similar to Water Environment Services' (WES) method, to minimize any perceived inequities between the City's project and the one WES is constructing in the adjacent area. WES has substantial experience with assessment districts and has developed a method over time that is fair and consistent for neighborhoods similar to the NESE area. WES apportions costs based on an average main cost, an average lateral cost, and an area cost, adjusted to the specifics of a given project:

$$\text{Cost share} = \text{Main cost} + \text{Lateral cost} + \text{Area Cost (Sq. feet} \times \text{lot size factor)}$$

The City's proposed method adopts the same approach. This method accounts for the reality that larger lots may benefit more from the improvement due to future potential development, without placing too much weight on this component of the calculation. The Area Cost is based on the developable square feet of the lot area – total area minus areas with building restrictions around Johnson Creek.

Based on the current cost estimate, the lot size factor is \$0.31 per square foot, resulting in the following cost shares:

Lot Size (Sq. Ft.)	Main Cost	Lateral cost	Area cost	Reimb Dist Cost Share
7,000	\$6,000	\$2,800	\$2,186	\$10,986
10,000	\$6,000	\$2,800	\$3,124	\$11,924
25,000	\$6,000	\$2,800	\$7,809	\$16,609

The lot size factor will be re-calculated based on actual construction cost. In addition, residents in the area will not be required to pay the full cost of the project. First, the City will pass through the benefits of ARRA-funded loan forgiveness, which amounts to a discount of almost 50%. Second, the vast majority of residents in the area are within the North Clackamas Revitalization Area (NCRA), and, as such, are eligible for a \$3,450 contribution to their total connection cost. Using the same sample lot sizes in the chart above, the net per property cost (again, based on current cost estimates) would be:

Lot Size (Sq. Ft.)	Reimb Dist Cost Share	ARRA discount	NCRA discount	Total
7,000	\$10,986	-\$4,882	-\$3,450	\$2,654
10,000	\$11,924	-\$5,299	-\$3,450	\$3,175
25,000	\$16,609	-\$7,381	-\$3,450	\$5,778

Anticipated Schedule for Adoption of the Reimbursement District

June: City Council Regular Session (CC RS) Code Change

Staff will present an ordinance to modify Chapter 13.30 of the Milwaukie Municipal Code. The code does not allow right-of-way acquisition costs to be eligible for reimbursement. Acquisition costs, i.e., appraisal and negotiation, are a significant part of the overall right-of-way cost for public projects, which must be carried out in compliance with the Federal Uniform Relocation Act. MMC also limits engineering costs to 13.5% of the construction cost. Staff believes these provisions were meant to apply to private projects only. Staff will propose that the code be revised to exempt City-initiated districts from these limits.

August: CC RS Public Hearing for Engineer’s Report

After providing public notice, staff will present an Engineer’s Report detailing the proposed Reimbursement District, including:

- Description of the location, size and costs associated with the improvement
- Map showing the properties included within the district
- Method for calculating cost shares for each property
- Total project cost estimate
- Project cost shares for each property
- Length of time the reimbursement district will remain active
- Annual fee adjustment

September: CC RS Acceptance of Reimbursement District by Resolution

Staff will provide the Council with the Engineer's Report and a Resolution to adopt the District. Modifications requested by Council from the previous meeting will be addressed.

October: Final Acceptance of Project

Final project acceptance occurs when the Engineering Department provides a letter to the contractor stating that all contractual requirements have been completed to the satisfaction of the City.

November: CC RS Public Hearing to Update Costs for Reimbursement District

Staff will present the final construction cost of the project to Council, amending the Reimbursement District project total cost and property cost shares.

November: Notification to the Public of Newly Formed District

A letter, including a copy of the approved Resolution, will be sent to each property owner within the newly created district.

November: Record Resolution Adopting District with the County

The signed resolution will be recorded on each property with the County Assessor to provide notice to future purchasers.

Sewer Connection and Annexation Assistance Program

It is in the best interest of the City, the Creek, and the sanitary sewer utility for properties in this area to connect to the sewer system as soon as is practical. In order to encourage early connections, staff developed two programs to minimize the cost and difficulty of connecting. Staff proposes the City allow Reimbursement District costs be payable by installment, at no interest, for early connectors. Additionally, in recognition that annexation is a complex and unfamiliar process for most property owners, staff proposes an annexation assistance program for early connectors.

Project staff is planning Open Houses in the NESE Project Area for May 2010. The goal of these events would be to provide property owners and residents with information

about all aspects of the NESE Project, including sewer construction, street annexation, street jurisdiction, available City services, and the proposed Sewer Connection and Annexation Assistance programs, described below.

Sewer Connection Assistance

- Program Duration: Nov. 2010 to Nov. 2012
- Eligibility: All property owners
- Terms: Installment payment of Reimbursement District costs at 0% interest over a ten year period.

The connection incentive program takes advantage of the excellent terms offered by the CWSRF/ARRA loan. Because a reimbursement district payment is voluntary, i.e., only due when the owner elects to connect to the system, the City is not required to offer financing or installment payments. (This is in contrast to a Local Improvement District, which results in a property assessment on all lots in an area. In such cases, the City is obligated to provide financing, often referred to as “Bancroft” loans.) Staff recommends providing all residents who connect within the first two years the opportunity to pay their reimbursement cost in 20 semi-annual payments, at no interest.

The basic structure of the reimbursement district also has a built-in incentive that encourages earlier connections. Each year, the base charge for the reimbursement district will increase by the annual fee adjustment factor set in the district adoption. This increase serves several functions: first, it partially compensates the City for the risk of making the large initial investment; second, it makes the pay-back structure more equitable over time (i.e., those who connect later pay roughly the same amount in real dollars, rather than paying less and less in terms of real purchasing power, over time).

Annexation Assistance Program Proposal

- Program Duration: May 2010 to Nov. 2012
- Eligibility: All property owners who propose to keep the same zoning designation upon annexation and who are using their property in a manner that is consistent with the City’s zoning code.¹
- Terms: No cost to property owner; staff assistance with application.

The City currently requires property owners to perform the following tasks to initiate the annexation process:

- Pay for and attend a pre-application conference with City staff

¹ The majority of properties in this area are zoned R7 and R10 in the County, both of which are single-family residential zones. If property owners wanted to keep their R7 or R10 zoning designation upon annexation, they would be eligible for assistance if their property was in use as a single-family residence.

- Submit all required annexation application materials, including: Annexation petition; approval criteria narrative; list of urban service provider districts and franchises; location and tax maps; legal description; and County-certified property owner, voter, and legal description forms
- Pay annexation fee

Staff proposes to assist property owners in the NESE Project area who meet certain eligibility requirements. (As proposed, the majority of property owners in this area would be eligible for annexation assistance.) The proposal involves making the annexation process less time consuming and less costly for property owners by reducing the submittal requirements and eliminating application fees. In exchange for these benefits, property owners would allow the City to initiate annexation on its own timeline. This would enable staff to bundle multiple annexations together. Given the high number of annexations that are expected in this area, bundling annexations together would use staff time more efficiently and reduce the City's overall costs per annexation.

Key elements of proposal:

- Staff to initiate bundled annexations at least once a year starting in Nov 2010. This roughly coincides with the completion of the sewer project. Staff may initiate annexations more frequently if sufficient demand exists.
- Property owners to sign an annexation petition and provide basic information about voters, residents, utilities, and uses at the property. Staff to provide all other required information and documents, including, but not limited to, legal descriptions, maps, and property owner and voter certifications.
- Property owners needing an emergency sewer connection, proposing a zone change, or operating a nonconforming or illegal use on their property are not eligible for assistance and would need to initiate annexation through the City's normal annexation process.

For those who are not eligible or who choose not to participate in the assistance program, the expedited or non-expedited annexation process could be initiated by any property owner at any time.

Concurrence

Community Development, Engineering, Planning, and Community Services have worked closely on this project and developed the assistance and financing programs.

Staff has consulted with the Interim Finance Director on possible incentive structures and Reimbursement District approaches. The Finance Director supported the general approach. He also suggested that staff and Council may wish to consider "steepening" the incentive for customers to connect earlier. He suggested the City consider setting a sunset or graduated reduction of the pass-through of ARRA grant funds to the project.

Fiscal Impact

It is anticipated that the reimbursement district established for this project will pay for the entire cost of the sewer project. The project is funded with an ARRA loan that will be repaid over 20 years. The City's sewer fund guarantees the loan repayment. The assistance program will help properties connect sooner and lessen the dependence on the sewer fund.

In 2007, the City reduced the application fee for simple annexation requests to \$100 so as not to discourage annexations to the City. This nominal fee does not cover expenses and staff time for even the simplest of annexation requests. Staff proposes to waive this fee for property owners who participate in the proposed annexation assistance program. Though waiving this fee would eliminate a potential source of revenue, processing many applications at one time would significantly reduce City expenses through staffing efficiencies and economies of scale.²

Staff also proposes to provide some of the necessary annexation documentation for property owners who participate in the annexation assistance program. This approach would result in costs that are not normally incurred by the City during the annexation process in the form of staff time and legal description preparation.³ As a result, the annexation assistance program, as proposed, depends on the City continuing to budget approximately \$10,000 for annexation expenses in FY 2010-11. Staff believes that these additional costs would be offset in the near term by bundling annexations, which would reduce City costs as described above, and in the far term by enticing more properties to annex to the City sooner, which would enhance the City's tax base more quickly, supporting police and other general fund services.

Work Load Impacts

The Community Development, Engineering, Public Works, Planning, Community Services and Finance Departments continue to work closely together on this capital project. The Engineering Department will continue to manage the construction of this project with current staffing levels. The Community Development and Planning Departments will manage the sewer connection financing and annexation assistance aspects of this project. Community Services will continue to head the outreach effort

² On average, it costs the City approximately \$300 to process a single expedited annexation. This figure includes mailing notices to adjacent property owners, necessary parties, and utilities; and filing the annexation with Metro. It does not include staff time. By bundling annexations together, the City can realize significant savings through economies of scale since notices can include more than one annexation and Metro's filing fee is based on acreage being annexed not number of properties. By bundling 30 annexations together, for example, the City could save roughly \$5600 in Metro filing fees alone.

³ Legal descriptions would be done by a consultant and are estimated to cost roughly \$100/property.

with the residents and property owners of the project area.

Accounting for and administering payments for Reimbursement District costs will place an additional burden on Finance Department staff. Careful design of the program will be important to minimize those burdens.

It is anticipated that annexations in this area over the next two years will be a significant part of the Planning Department's workload, which is one of the reasons why staff is proposing to assist property owners with annexations. Staff believes that it can process annexations more efficiently through the proposed assistance program and that these efficiencies would likely result in time savings that would offset some, if not all, of the additional costs incurred by the program.

Additional residential annexations will add to the Police Department's responsibilities. Encouraging more residents to annex quickly will speed the transition and minimize inevitable inefficiencies during the transition.

Alternatives

Council has several alternatives to consider, which staff has identified below in the form of questions.

- Should the City provide a sewer connection financing option?
- Should the City base the reimbursement district on actual construction costs or construction cost minus ARRA loan forgiveness (or some portion thereof)?
- Should the City structure the sewer connection financing option in such a way as to make it significantly more expensive to connect at a later date?
- Should the City offer sewer connection assistance and cost incentives beyond 2012 for those who agree to annex but prefer to connect only when their system fails?
- Should the City provide annexation assistance at no cost to property owners?
- Should the annexation assistance program be limited to property owners within the NESE project area, or available to other areas as well?

Attachments

1. Draft Assistance Program 1-pager

ANNEXATION ASSISTANCE & SEWER CONNECTION PROGRAM



NE Milwaukie Sewer Extension Project

The City of Milwaukie is offering annexation and sewer connection assistance to property owners in the NE Sewer Extension Project area for a limited period of time. The assistance program will help property owners with sewer connection costs by accepting “Reimbursement District” payments to the City on an installment basis with 0% interest. The City will also assist with the annexation process, which is required prior to sewer connection.

Connecting to sewer now will protect ground water and the health of the Johnson Creek watershed. In addition, it will protect property owners from the disruption of making an emergency connection in the case of a septic system failure.

Please review the information below to learn more about the program.

Sewer Connection Assistance

The largest single cost of connecting to sewer for most property owners will be their share of the overall capital project—the Reimbursement District charge. The City is offering installment payment of the Reimbursement District charge at zero interest.

Program Duration: November 2010 to November 2012

Property owners who connect after November 2012 will have to pay their Reimbursement District charge in one lump sum or secure private financing.

Eligibility: All property owners.

Terms: Semi-annual installment payments of Reimbursement District cost share at 0% interest over a ten year period.

In addition to receiving zero-percent financing, connecting early will allow property owners to lock in the lowest possible cost share—each year the base charge for the Reimbursement District will increase.

(System Development Charges will also be due upon connection. These are payable on an installment basis as well, per Oregon law. SDCs are also likely to increase over time. Connecting now will allow a property owner to “buy in” at the current price.)

? For more information, please contact Resource and Economic Development Specialist Alex Campbell by phone at (503) 786-7608, or by email at campbella@ci.milwaukie.or.us.

Annexation Assistance

Annexation is a somewhat complex and technical process that is required prior to sewer connection. The assistance program is designed to reduce the time and costs associated with most annexations.

Program Duration: May 2010 to November 2012

The City will process annexations through this program at least once a year, starting in November 2010. This first batch of assisted annexations roughly coincides with the completion of the sewer project.

Property owners who decide to annex after November 2012 will be responsible for providing all required annexation documents and fees.

Eligibility: All property owners who propose to keep the same or equivalent zoning designation upon annexation and who are using their property in a manner that is consistent with the zoning designation. This includes most properties in the area.

Property owners that need an emergency sewer connection, propose a zone change, or operate a nonconforming or illegal use on their property are not eligible for the assistance program. Property owners who are not eligible or who choose not to apply for assistance can initiate the annexation process at any time at their own expense.

Terms: No cost. Property owners must sign an annexation petition and provide basic information about voters, residents, utilities, and uses at the property. The City will provide all other required information and documents, including legal descriptions.

? For more information, please contact Senior Planner Susan Shanks by phone at (503) 786-7653, or by email at shankss@ci.milwaukie.or.us.

More information on this program, the forms to participate, and additional project information can be found on the City website: www.cityofmilwaukie.org.