

MINUTES

MILWAUKIE CITY COUNCIL WORK SESSION OCTOBER 5, 2010

Mayor Ferguson called the work session to order at 5:30 p.m. in the City Hall Conference Room.

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

Staff Present: City Manager Pro Tem Pat DuVal, Interim Finance Director Andy Parks, and Interns Joe Gardner and Dane Kelley

Utility Billing Audit and Rate Equity Updates

Mr. Parks reported a 20% error rate was found on commercial accounts. Thirty-seven accounts received refunds totaling \$37,805, and 83 accounts were under billed by approximately \$350,000 total. He had reached payment agreements with the entities, and balances would be collected over the next year. Mr. Parks also reported that 20% of the residential audit had been completed, and so far the error rate was about 15%. That error rate was declining as staff began researching more typical residential accounts. Out of 180 errors found to date, 38 accounts were issued credits totaling \$11,773. One of the main causes was leaks. When leaks were suspected to be the cause of high consumption readings, crews were dispatched to the properties to carry out inspections. The audit identified a number of residential accounts that had been under billed by more than \$200 for a total of \$8,115 with one of them being approximately \$5,000. Collections for amounts less than \$200 were not being pursued as directed by City Council. He planned to have the residential portion of the audit done by the end of October. In November and December he planned to reallocate staff time to the monthly billing project. Staff would then return to auditing the accounts in January with the anticipated completion in February. He discussed common issues identified in the audit.

Mr. Gardner added that many customers did not realize the impact of a leak on their utility bills for both sewer and water charges.

Mr. Parks commented on a call he received a call from a customer who felt his bill was too high. Upon researching the account, staff found the winter average jumped from 6 to 26 units. Staff adjusted the account once the leak was fixed which saved the customer over \$100 per bill. Adjustments were being made when the problems were identified and rectified. This has been a good education opportunity for customers.

Councilor Loomis asked if there was a flag to notify utility billing of these kinds of extreme fluctuations in consumption.

Mr. Parks responded there were consumption reports to help in that process, and staff was working with reporting software that included a dollar difference to find mistakes that are not associated with consumption. The finance department was trying to make changes in order to be more consistent and efficient. He briefly discussed "snow bird" service where base charges were still applied. Mr. Gardner and Mr. Kelley had talked to over 100 customers regarding their bills and found that most people did not understand how the winter average was

calculated and what services they are paying for and receiving. The next step in the process would be to get bids on outsourcing bill printing.

Councilor Barnes said last month there were several customers including herself whose checks were never received. She asked Mr. Parks if the cause had been identified.

Mr. Parks responded that the post office investigation did not reveal anything, and the bank did not find anything either. Staff spoke with about 20 affected customers and other payment arrangements had been made.

Councilor Barnes said that was one of the reasons why she was looking forward to online payments.

Mr. Parks said the City currently offered ACH service, but it was used by only about 5% of Milwaukie's utility customers. He discussed transaction and merchant banking fees and whether those would be passed along to the customers or absorbed by the City. ACH was really the most economical payment option, and he discussed the costs related to taking credit card payments over the phone. Most people were sending in their payments with a check. He thought there would be a shift once the online payment option was available.

Councilor Stone thought people could pay by credit card by writing the account number on their payment stub.

Mr. Parks replied there was still processing time to manually enter the payment plus the merchant fees. He asked Council to give some thought to the fees and provide some direction.

Councilor Stone asked for a chart with the charge differences.

Councilor Barnes suggested paperless billing as a feature to reduce printing and postage costs.

Mr. Parks responded that was definitely something finance would look into. The City Council would see these types of things rolling out in the near future. The City Attorney was reviewing the Code regarding how services have been set up, specifically the landlord-tenant relationship, and recommended a number of amendments. He discussed how the bills would be reformatted to make them easier to read and provide more account history.

Council Discussion on Minor League Stadium

Councilor Loomis reported on a conversation he had with an acquaintance regarding a minor league stadium in Milwaukie. He met with Mr. Asher and looked at some locations. The cost was way beyond the City, but there were partnership possibilities. A Single A franchise stadium would cost \$25 million and would hold about 7,000 people. To justify the cost, the stadium would have to be used for more than baseball games. He asked for feedback from City Council about exploring the idea.

Councilor Barnes said it would be great to explore the stadium idea. Could it include other sports such as football and soccer?

Councilor Loomis said the initial conversation was that success in other cities has been from a baseball-only facility.

Councilor Stone asked if it would be an open or closed stadium.

Councilor Loomis responded it would be open and noted Single A seasons started later in the year. They wanted natural grass, but if it were a turf field then it could be used for other things throughout the year. A normal season would be about 40 games. Mr. Asher thought the 14-acre Oregon Department of Transportation (ODOT) property on McLoughlin Boulevard would be a good site. They would need about 7 acres of property for the stadium, so there would be enough room for a public stadium and some private development. Councilor Chaimov would talk with the City of Keizer about the benefits of its stadium. Private investment also needed to be explored.

Mayor Ferguson was supportive, but it was important that it be right-sized for Milwaukie. He thought adding other key amenities would help the facility be successful. It could be used as a practice stadium, for concerts, or possibly a championship game stadium. He supported the idea if Councilor Loomis wanted to continue researching the idea with Mr. Asher.

Mayor Ferguson adjourned the work session at 6:43 p.m.

Respectfully submitted,



Pat DuVal, City Recorder

WORK SESSION

AGENDA

WORK SESSION MILWAUKIE CITY COUNCIL OCTOBER 5, 2010

MILWAUKIE CITY HALL

Second Floor Conference Room
10722 SE Main Street

A light dinner will be served

WORK SESSION – 6:00 p.m.

Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>	<u>Page #</u>
1.	6:00 p.m.	Utility Billing Audit and Rate Equity Updates	Andy Parks	1
2.	6:45 p.m.	Adjourn		

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.
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Memo:

To: City Council

From: Andy Parks, Interim Finance Director

Date: September 10, 2010

Re: Billing Equity - Wastewater

The City currently bills and collects for services provided by other public utilities, e.g., Portland sewer treatment and WES sewer treatment. Billing for these services varies. The City incorporates the cost of WES into its overall sewer billing schedule. However, customers connected to Portland's system are billed at rates charged by the City of Portland. This policy decision made several years ago creates billing inequities for Milwaukie residents and businesses that may be perceived if not actual.

Per internal discussion and review of the financial impact of this policy several issues are worth consideration:

1. The City has a requirement to provide various utility services within its boundary.
2. The decision to not extend sewer collection lines or pumping infrastructure to collect and treat waste through the City's collection system (treatment provided by WES) that serves the vast majority of Milwaukie's residents and businesses was made in large part to save dollars that otherwise would have been expended to serve a limited number of properties. Therefore, an economic benefit to all Milwaukie residents and businesses was realized by this decision.
3. The number of residential properties and businesses that are connected to other systems is limited. With the exception of a single major customer, the financial impact to charge customers connected to other systems the same rates as all other Milwaukie customers is less than \$5,000 annually.
4. The administrative costs to bill and collect based upon various rate structures, depending on location issues, for the same service adds complexity and opportunities for errors.
5. The intergovernmental agreements with the City of Portland and others should be reviewed and updated. Some of the current agreements do not provide "wholesale" pricing and or compensation for billing and collection services provided by the City of Milwaukie.
6. The City is presently moving forward with an annexation effort in the northeast. Some of the properties in this area will be served by City of Portland sewer, and billed by the City of Milwaukie. To reduce confusion, create sense of community and insure equity charging all customers that annex to the City the same rates is desirable.
7. We reviewed property tax records and noted that the industrial property that is the major customer does not generate sufficient property taxes to create an offset for the reduced billing if it were implemented.

Recommendation:

Staff recommends equalizing rates for services billed and collected by the City of Milwaukie. However, due to economic impacts, we recommend at this time limiting rate equity to the first 500 CCF consumption during a billing cycle (two months), i.e., consumption above 500 CCF during a billing cycle would continue at the existing rates. The economic impact of this decision is approximately a loss of revenue of \$11,000 annually. Full rate equity would cost the City approximately \$135,000 annually. Additionally, when the City is able to secure cost savings from the City of Portland, those savings should be passed on to the industrial customer(s) that are excluded from the rate equalization.

Concurrence:

The Citizen's Utility Advisory Board passed a motion at their September 1, 2010 meeting 3-0-1 (three in favor and one abstention) in support of the recommendation noted above. The CUAB indicated their desire to see rate equity throughout the City's rate structure however they did understand the negative economic implications of such an action.

Please see attached schedule of accounts connected to the City of Portland's system reflecting current charges and charges if billed Milwaukie rates.

cc: Citizens' Utility Advisory Board

PDX Sewer Accounts				
ACCOUNT #	Consumption/Winter Average June or July 2010 bill	PDX Sewer bill June or July 2010	Hypothetical COM Sewer bill June or July 2010	Difference collected by charging COM Sewer Rates rather than PDX
16-3030-00	7922	\$ 61,577.71	\$ 60,181.21	\$ 1,396.50
16-3080-00	23	\$ 178.78	\$ 134.61	\$ 44.17
16-3120-00	15	\$ 116.60	\$ 94.77	\$ 21.83
16-3140-00	3	\$ 23.32	\$ 35.01	\$ (11.69)
16-3160-00	18	\$ 139.91	\$ 109.71	\$ 30.20
16-3174-00	117	\$ 909.44	\$ 602.73	\$ 306.71
16-3175-00	8	\$ 62.18	\$ 59.91	\$ 2.27
30-1280-00	2	\$ 15.55	\$ 30.03	\$ (14.48)
30-1290-01	7	\$ 54.41	\$ 54.93	\$ (0.52)
30-1550-01	4	\$ 31.09	\$ 39.99	\$ (8.90)
30-1560-01	16	\$ 124.37	\$ 99.75	\$ 24.62
30-1600-01	12	\$ 93.28	\$ 79.83	\$ 13.45
50-1100-01	15	\$ 116.60	\$ 94.77	\$ 21.83
30-1590-00	6	\$ 46.64	\$ 43.11	\$ 3.53
40-1120-00	12	\$ 93.28	\$ 66.15	\$ 27.13
40-1130-00	15	\$ 116.60	\$ 77.67	\$ 38.93
40-1135-00	12	\$ 93.28	\$ 66.15	\$ 27.13
40-1140-00	10	\$ 77.73	\$ 58.47	\$ 19.26
40-1310-03	10	\$ 77.73	\$ 58.47	\$ 19.26
19 Accounts				
Color Code				
RESIDENTIAL			Commercial Total in 1 billing cycle	\$ 1,825.99
COMMERCIAL			Residential Total in 1 billing cycle	\$ 135.23
			Commercial Total in 1 year	\$ 10,955.96
			Residential Total in 1 year	\$ 811.35