

MINUTES

MILWAUKIE CITY COUNCIL JANUARY 20, 2004

CALL TO ORDER

Mayor Bernard called the 1926th meeting of the Milwaukie City Council to order at 6:30 p.m. in the City Hall Council Chambers. The following Councilors were present:

Council President Larry Lancaster
Councilor Joe Loomis

Councilor Deborah Barnes
Councilor Susan Stone

Staff present:

Mike Swanson,
City Manager
Gary Firestone,
City Attorney
Alice Rouyer,
Community Development/Public
Works Director
Steve Smith,
Finance Director

Larry Kanzler,
Police Chief
Paul Shirey,
Engineering Director
Jay Ostlund,
Associate Engineer

PLEDGE OF ALLEGIANCE

SPECIAL REPORTS

Comprehensive Annual Financial Report (CAFR)

Finance Director **Steve Smith** introduced the City's auditor **Chuck Swank**, Grove, Mueller & Swank, P.C. **Swank** said effective this year, the City is under a new reporting mode, and he discussed the significant changes and sections of the CAFR. The item is the transmittal letter, which is a narrative description that no longer contains financial information. He noted the "*Certificate of Achievement for Excellence in Financial Report*" awarded to Milwaukie for the 13th consecutive year. **Swank** said the City should be proud because it means the City has taken the time to prepare a document that exceeds reporting standard requirements. The "*Independent Auditor's Report*" is important in that it says Milwaukie has passed the test. The next section, "*Management's Discussion and Analysis (MD&A)*" contains information on the City's financial activities on a comparative basis. This document explains what is going on in the City financially and differentiates between the governmental activities (police, library, human resources, etc.) and business-type activities (sewer, water, and storm sewer). Following are comparative balance sheets and statements of net assets, activity

statements for the year, and discussion at the fund level of governmental and business-type activities.

Swank reviewed the changes to the financial statements. The first is a "Statement of Net Assets" which separates the governmental activities from the business-type activities. This is unique in that it is a full accrual statement that puts all assets and all liabilities on one page. This brings in the infrastructure as well as the buildings and equipment and depreciates everything except land and land improvements. This is a new way to look at the City as a business.

The following statement is also on a full accrual basis showing both the governmental and business-type activities. It differentiates general revenues from dedicated revenues and shows all expenses that result in a net number for both types of activities. Not surprisingly, governmental activities lose money on a direct fee basis while the business-type activities are closer to breaking even. The result is a full net change in assets from one year to the next.

The next page shows the governmental activities separate from business-type activities on a modified accrual basis taking out the fixed assets, depreciation, and recognizing revenue and expenses on a near-cash basis. Following that is the balance sheet. The business-type activities are shown next on a full accrual basis, so there is no reconciliation. There are some differences to the budgetary accounting for the business-type operation, but there is no difference from what was done previously and shows on the statement of net assets.

The footnotes explain differences in the methods of accounting. Beyond that are the budgetary statements typically seen starting with the general fund. The major difference is that there are two forms of the budget produced: the original budget adopted July 1 of the beginning year, and the final budget showing any modifications made during that budget year.

The final section of the document contains the 10-year statistical information, which has not changed significantly.

Councilor Loomis appreciated Swank's explanation.

Swank said this type of conversion is not an easy task for a finance department. Simply gathering the information to move to a full accrual basis that includes infrastructure and fixed assets is no simple task.

Councilor Barnes found it interesting to read who the major taxpayers are in Milwaukie.

Public Safety Update

Police Chief Larry Kanzler provided a public safety update. The purpose of this update was to provide the City Council with an understanding of the department's workload increase and the effects of refocusing the geo-based policing model due to the budget reduction last year of one officer. 95% of the shifts are now at minimum staffing levels resulting in overtime expenses. Last year he predicted the Milwaukie Part 1 crime rate would increase about 17% if it followed the national average and the California trend. He was happy to report that prediction was not accurate.

Kanzler reviewed a series of graphs. The first showed the activity load for each of the neighborhoods in the City, and data indicates an increase. The second described the call load breakdown or units of work. Many times officers will do something in the field that generates activity without a crime having taken place, but it is still counted as a unit of work. The breakdown shows a total of 11,800 units of work in 2002 and 23,232 units of work in 2003. It shows that both calls for service and officer-initiated activity have increased. He noted that mobile data terminals (MDT) and computer-aided dispatch (CAD) more accurately capture data and identify these units of work. Similarly, there has been an increase in the number of reports written. The number of reports in 2002 was 4,599, 5,672 in 2003, and 6,746 projected for 2004. This steady increase results from additional activity.

The MDTs bring the ability to investigate a crime out of the office and into the field. In just the past few weeks, officers have been able to write reports in the field. The quality of the investigations is far superior to what the department had been able to do before.

By mid-December 2003, the City of Portland saw a 12% increase in the precinct north of Milwaukie and 9% in the precinct east of Milwaukie. Milwaukie's crime rate was down 7% by the end of December. Kanzler attributes this to the shifting of resources to identified targets through the use of MDTs and CAD and determining which areas of the City generated the greatest call load and why. For example, one house on King Road generated 44 calls for service in a matter of a few months. After going through the nuisance process, the house has been cleaned up and sold, and there have been no calls in that neighborhood since November. Code Enforcement Officer Steve Campbell has been a significant help. By being resourceful and shifting personnel to problem areas, the department has been effective in restoring Milwaukie neighborhoods.

Councilor Stone asked what period of time is represented.

Kanzler said it is one year.

Councilor Stone asked for clarification of the call load statistic that Kanzler indicated might be skewed because the department did not have the capability of recording all the calls. It clearly looks like calls for service and officer initiated contacts more than doubled from 2002 to 2003 and that the total has doubled as well. She was surprised to see the crime rate is down even though the call volume is escalating.

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Kanzler said Part 1 crimes are homicide, rape, robbery, aggravated assault, burglary, larceny, auto theft, and arson. The numbers also reflect non-criminal activities such as towing a car, assisting in a lock out or eviction, keeping the peace as in a disturbance call, or writing a citation. Although units of activity are up, the actual crime rate is down. Further, the clearance rate, actually catching the people who commit the crime, is about 75%. Portland, for example, is probably about 27% - 28%. Milwaukie has a very effective work force.

Mayor Bernard understands an officer may enter data into the MDT that he or she may not have been entering when they had to go back to the office to prepare reports.

Kanzler said that is correct. The officer can now generate a field interrogation report without having to go back to the office to run a check on a suspicious person, which at one time had to be done via voice transmission and now can all be done very efficiently on the MDT. He provided an index of Part 1 crimes and the percents of change. Last year identity theft and fraud was up 300% in the City of Milwaukie. An officer was moved from the County Drug Unit back to Milwaukie to work on identify theft. By reallocating one detective, identity theft has been reduced by 23% or from 75 cases to 61 cases. Identity theft is a major problem across the country and closely related to drug cases.

Kanzler then covered officer contacts with known gang members. In order to be a known gang member, an individual must meet statewide criteria. These contacts are classified as gang members by other agencies and have been found in our community.

Councilor Barnes noted some of the contacts are high school age, and the locations of the contacts are similar. Are certain areas being monitored more closely because of this?

Kanzler said the list ranges from motorcycle gangs to racially motivated groups. When they come into Milwaukie in groups, the department receives calls about their conduct. The transit center is an example of a location that sees more patrols to mitigate impacts on the transient and transit community. Milwaukie seems to be a gathering point, and he does not know why the City is a gang focal point. Typically gangs tend to go to a point of least resistance.

Councilor Barnes does not want gang members to be used as a recruitment tool in downtown Milwaukie when there is a high school nearby. She would like to see a continued focus on downtown because of its proximity to the high school.

Kanzler said this is one priority among several. Because of the complaints, the department did exercise some overtime in December to try to regain control of that area. When there is a problem, the department tries to respond but is limited by the number of officers available.

Mayor Bernard believes City Hall staff would agree the increased enforcement in December had positive results.

Kanzler added he got calls from the public thanking the department for the increased visibility of officers. The goal is for people using downtown and transit to feel comfortable to come and go as they wish. Resources have to be adjusted with limited assets. There are some very dedicated young men and women who work hard every day both in the police department and code enforcement.

Mayor Bernard commented that this points to the importance of the location of the next transit center and the ability for the law enforcement to access it easily.

Kanzler discussed the locations of motor vehicle accidents in Milwaukie. The greatest numbers occur at Hwy. 224/Harrison Street, 99E/Harrison Street, and McLoughlin Boulevard along the north industrial area. Thanks in great part to Milwaukie's State Rep. Carolyn Tomei, Milwaukie will have an option of installing photo radar to keep some of the speeds down on the Hwy. 224 and 99E collector streets. There is a direct correlation between speed and accidents.

Councilor Lancaster said Kanzler indicated staffing was at 95% minimum staffing levels. Is that a safe staffing level?

Kanzler said it is the safe staffing level, and the department will not go below a minimum level. He related a recent incident in which the City of Portland police department assisted with establishing the perimeter. Portland and Milwaukie work collaboratively whenever possible.

Councilor Lancaster has a lot of concerns about being at minimum staffing levels if sickness and/or injury happen simultaneously resulting in unsafe staffing levels. The point of least resistance comment about gang activity is a good one. He has real concerns about overall law enforcement staffing levels. As is typically done by Chief Kanzler, he is humble and passes all the credit on to his staff. This could not have been accomplished without Kanzler's shrewd, strategic efforts, resource allocation and, in Lancaster's opinion, pulling rabbits out of his hat at times. The City Council would not be seeing these remarkable crime reduction statistics on minimal staff if Kanzler were not doing an outstanding job.

Kanzler agreed the 19% difference between Portland and Milwaukie is dramatic.

Mayor Bernard looked back to last year's budget process, and Kanzler said he could do the job with less. He definitely proved that, and a lot of it has to do with technology improvements and the partnerships that have evolved with neighboring jurisdictions. He noted the City received over 200 applications for two vacant officer positions.

CONSENT AGENDA

It was moved by Councilor Barnes and seconded by Councilor Stone to approve the Consent Agenda that consisted of:

- A. City Council Minutes of December 16, 2003;
- B. Resolution 1-2004: A Resolution of the City Council of the City of Milwaukie, Oregon, Designating the Clackamas Review, The Oregonian, and Daily Journal of Commerce as Papers of Record for the City of Milwaukie; and
- C. 2003 – 2004 Waterline Phase 1 Acceptance.

Motion passed unanimously.

AUDIENCE PARTICIPATION

None.

PUBLIC HEARING**Water Cost of Service Rate Adoption**

Mayor Bernard called the public hearing on the proposed water rate increase to order at 7:15 p.m.

The purpose of the hearing was to consider public comment on the proposed increase.

Engineering Director Paul Shirey introduced Associate Engineer and Project Manager Jay Ostlund.

Swanson provided some introductory comments. This issue was brought before the City Council at an earlier work session, and the points were made about the need for an increase in the water rate. The City Council concurred with a request that evening that it would simultaneously consider the consideration the water rate and reconsideration the sewer rate. Staff has tried to put those issues on the same agenda but has had a lot of difficulty in doing so. Swanson wanted to make the point with City Council that each of the utilities stands separate, apart, and distinct in terms of its financial status.

Swanson respects the policy considerations originally brought forward by Councilor Loomis. However, the City cannot yet make a recommendation on the sewer rate because it will likely be impacted by the Wastewater Treatment Consolidation Study being conducted by Clackamas County Water Environment Services (WES). That study is looking at alternatives to traditional wastewater treatment on the east side of the Willamette River. The outcome of that study, which staff hopes will be done during the next couple of months, will probably have some impact on sewer rates. He suggested taking any testimony from attendees who wished to speak about the sewer rates. It has proven impossible to bring the water rates and the sewer rates to City

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Council on the same agenda, and the water rate issue has been on hold for 6 – 7 months. What the City Council will hear at this meeting is the water issue, but the sewer issue will not be forgotten.

Staff Report: **Associate Engineer Jay Ostlund** presented the staff report. He provided a brief history of the project that included meetings with the Citizens Utility Advisory Board (CUAB) on May 7 and June 4, 2003. The Board made a recommendation based on the information provided at these meetings, which was forwarded to a City Council work session with the formal session on September 16, 2003. The City Council asked staff to return at a later date. He introduced Steve Donovan of Donovan Enterprises, 7360 SW Hunzicker Road Suite 203, Tigard, Oregon 97223.

Donovan said the September presentation has been updated with new rate graphics that would help clarify some concerns about the entire utility bill that includes not only water but also sewer and storm. The new slide would compare Milwaukie's entire utility bill with those of other agencies.

His presentation covered the process and timelines, Milwaukie's existing rates and structures, key points affecting Milwaukie, the revenue requirement forecast and recommendation, proposed rates, and bi-monthly utility bills compared to those of neighboring communities.

The scope of the project was to provide a view of the water system. It was prophetic that the City's auditor talked about the business enterprises, as did Swanson. It is critical for the City Council to understand each utility is a standalone business with its own requirements. There is debt on the water system with covenants on the bonds that require a certain operating performance in order for the bondholders to be comfortable holding the debt. This study started April 2003, and the intent was to fast-track it for June, but, for various reasons, it has gone into the Stone Age.

Donovan went on to discuss the system and its structure. 88% of the City's customers are residential accounts. The current rates are a function of a fixed and a variable rate. The bi-monthly fixed rate is \$5.95 and the variable is \$1.35 per hundred cubic feet, or 748 gallons of water. In FY 2002 residential customers consumed 63% of the water with the balance going to commercial, industrial, and multi-family users. Their rates are \$1.35 per hundred cubic feet with the fixed rate based on meter size.

The fact that water rates have not increased since 1995 is the most significant key point. The second key point is the continuing water contamination litigation. Legal fees are anticipated to be about \$200,000 this fiscal year. Only about \$30,000 has been spent to date, but activities are anticipated to increase through the balance of this fiscal year. In addition, the City has not been funding depreciation or replacement expenses. The CUAB recommended that depreciation funding be phased-in in order to fund replacement. Finally, Milwaukie cannot count on growth to help it out of its financial needs. Over the past ten years, the growth in Milwaukie's customer base has been 0.29% per year. In the public works sense, this is effectively build out. In respect to

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paying legal fees, the CUAB's recommendation and the City's own past practice, is to continue funding them from the water reserve. The recommendation on depreciation is to phase it in over a period of time to mitigate what would otherwise be a rate spike. The proposal fully funds the revenue requirements and provides adequate resources to meet construction requirements. Further, it meets the CUAB's intent.

The proposal recommends starting the 4% per year rate increases July 1 of FY 2005. Once depreciation is fully funded in the 7th year, the City will then effectively cover inflation. Litigation in the out years will be funded at about \$50,000.

Donovan said by comparison, Milwaukie's water rates are among the cheapest in the region. The next diagram showed the entire monthly utility bill including water, sewer, and storm. Oak Lodge Water and Oak Lodge Sewer customer rates are lower than Milwaukie's but not because of the water rates. The water is still effectively less expensive than all of the other communities. The cost of water is low, but the entire bill is more because of sewer fees.

Councilor Loomis asked if legal fees were funded through the water construction fund.

Donovan said that was correct. The water system has three funds: operating for the day-to-day operations and maintenance, water system development charge, and reserve for construction.

Councilor Loomis asked if there would be enough money if these legal fees were not being paid out of the water fund.

Donovan said there would still need to be a rate increase to fund the cost of operations.

Swanson added if there were a recovery pursuant to the lawsuit, the recovery would have to go back to the water fund. It is funding the lawsuit with the belief there will be recovery.

Mayor Bernard asked **Donovan** to clarify the implementation date of the new rate.

Donovan said it would begin July 1, 2004.

Councilor Loomis asked if the City has the capacity to bring on new customers.

Donovan said he would have to get that answer from engineering.

Councilor Loomis would like to keep Milwaukie's rates low for homeowners and in order to attract new business.

The group discussed the feasibility and capacity to meet the needs of a large semiconductor business like Intel.

Councilor Stone commented on Councilor Loomis's thoughts about having enough money if the department were not funding the groundwater contamination litigation and having enough money in reserves to account for depreciation and construction. Donovan's answer was "no". She wondered if, when the lawsuit is settled, the money recovered would go back into the fund and would it be in a surplus position at that point so the City could refund or rebate its customers?

Donovan said that would be a policy decision.

Correspondence: There was correspondence from David Burt regarding a house under construction at 11698 SE 31st Avenue. He feels the current volume charge plus the fixed charge is excessive for a vacant home.

Audience Testimony: None.

Additional Staff Comments: None.

Questions of Clarification: None.

Close Public Hearing: Mayor Bernard closed the public testimony portion of the hearing at 7:35 p.m.

Discussion among Council Members: **Mayor Bernard** thought at first he would not support this increase because it is all on one check even though the funds are separate. Because the Council is looking at a slight increase in the 2005 budget, there is an opportunity to look at another fund that does affect his checkbook. That fund is actually building a surplus. Council has talked about reserving that surplus for Milwaukie's participation in decommissioning the Kellogg Treatment Plant. If there were sufficient funds, he would be interested in reconsidering and possibly reducing those fees. He does not feel it is necessary to wait for the final analysis. The City does need to cover its expenses, which should be at zero. Mayor Bernard would support the water rate increase with an agreement that the other utility would be discussed before July 1.

Councilor Barnes said, with all due respect to Donovan, even though it shows on paper that Milwaukie's rates are lower, the cost of living and average income in Milwaukie is a great deal lower than these comparables. She does not believe after listening to and getting e-mail from the public that residents believe their bi-monthly bills are right or fair. She does not see sufficient reason to increase anything and does not intend to vote "yes". A 5% increase over the next six years is likely greater than the cost of living increases many residents will see from Social Security or the federal government. She will not support the proposed resolution.

Councilor Lancaster said the City Council has discussed this many times, and his position is unchanged. The City is in effect an enterprise and a business. While the City does not make profits per se, it is charged with the responsibility of making good business decisions that ensure residents stable utilities now and well into the future. It is irresponsible not to invest in the infrastructure that would ensure long-term stability.

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The only way to do this is to charge appropriately to cover those costs. With respect to the sewer rate, also discussed before, the City received an unexpected \$1 million bill from Clackamas County. The only way to recoup that is through the utilities. He appreciated Councilor Barnes's comments, but Milwaukie has the second from the lowest rates in 9 neighboring communities. The City needs to do what it takes to maintain long-term stability. Although he does not want to raise taxes, he is in favor of the rate increase.

Councilor Stone is not in favor of increasing taxes either, and she would do anything possible to avoid it. The report speaks to a typical water rate increase that indicates the current bi-monthly base rate of \$5.95 would go the \$6.20 under the proposal. The charge per one hundred cubic feet would go from \$1.35 to \$1.41. How much would the typical monthly bill increase?

Ostlund said the bi-monthly bill would increase \$1 - \$2.

Councilor Stone said this would be less than a pack of cigarettes. She agreed with Councilor Lancaster in terms of the City's being irresponsible for not having a depreciation fund. She does not think the increase is that great. The CUAB put a lot of thought into considering all the options before making its recommendation. She felt the Board chose the best option. This is something the City needs to see happen. However, she would like to preface that by saying if the City does end this litigation, she would like the City Council to consider a policy change that would rebate the customers. She will vote in favor of the water rate increase.

Councilor Loomis agreed with Councilor Stone's comments. He would like any recovery in the litigation to go back to the ratepayers because the expense of installing the water treatment system was on their backs. During the ice storm, everyone saw the importance of maintaining the infrastructure. Money to maintain it is important and seems reasonable. He feels a majority of citizens in Milwaukie want to see Kellogg decommissioned, but he is not sure people want to pay for it through higher rates.

Mayor Bernard agreed while it is difficult to separate the utilities when it comes on one bill, he would be more comfortable if it could be tied to some economic growth. He feels the City Council should consider what is still owed on the County's \$1 million bill. That is a discussion he would like to take place before the study is done.

Decision:

It was moved by Councilor Lancaster and seconded by Mayor Bernard to adopt the resolution establishing new water rates.

Councilor Stone wanted to make a clarification in terms of adding something regarding rebating or refunding the surplus money from the litigation.

Swanson said if there is a settlement the City Council will have to approve it. If there is a judgment in the City's favor, Council will have various decisions to make. For example, the budget for the water fund right now contains an annual expenditure of about \$135,000 for principal and interest on the debt. He is not sure if the debt is refundable, but there may be an option and offer a rebate by lowering the budget and lowering rates. The City Council will have to take some action with regard to the lawsuit assuming it is in the City's favor. The lawsuit itself has had a short life. It was the previous City Council that decided to take action, although the problem itself has had a long life. The recovery will have to go to the water fund in some way and cannot be used for other purposes.

Mayor Bernard would certainly like to look at the amount left owing on the debt and see where the City stands in collection of fees as soon as possible. He does not believe the City Council should wait for completion of the study and doubts if it will have anything to do with City rates. There is a lot of discussion and a lot of partnerships that would have to be built up in the region to support the removal of the plant. It will take time, but he is sure the City will be successful in 2008.

Motion passed 4 – 1 with the following vote: Mayor Bernard, Councilor Lancaster, Councilor Loomis, and Councilor Stone aye; Councilor Barnes nay.

RESOLUTION NO. 2-2004:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, ADOPTING NEW WATER RATES AS PROVIDED BY MILWAUKIE MUNICIPAL CODE CHAPTER 13.04 AND 13.20; AMENDING RESOLUTION 17-1997.

OTHER BUSINESS

Regional Partners Economic Development – Resolution

Project Manager Jeff King provided the staff report in which the City Council was requested to adopt a resolution supporting the goals and work plan of the Regional Economic Development Partners. The Portland area has been at a disadvantage because there was no organization that advocated for the region and helped set policies that would ensure collective economic prosperity. A task force that had been meeting for 10 years felt it was time to form an organization and bring together cities, counties, economic development groups, utilities, and other private sector entities. The mission is to promote the metropolitan region as a vital economic center and to recruit and retain businesses. There are currently about 26 members.

The intent of the resolution is to be as transparent as possible to let everyone know what it is trying to do and develop support and understanding not only among those in the Partnership but also across the region. Part of the Partners role is economic development planning, building strong public/private partnerships, developing options and recommendations, providing expertise and information on market development trends, and serving as a regional forum.

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The four key areas are advocating and promoting the development strategy and identify champions for the implementation of shared economic priorities; identifying and supporting policies that support industrial lands for industry and business needs; creating, funding and implementing a private sector led marketing campaign to promote the region/ and developing and growing industry clusters. Milwaukie has an opportunity to build an awareness of its needs and having a seat at the table during policy discussions about what may be happening outside of Milwaukie's boundaries but carries a regional impact.

The proposed resolution states Milwaukie's support for the organization's direction and work plan for the upcoming year.

Mayor Bernard was impressed with this group when it did a presentation at a Metro meeting and asked if Milwaukie City Council would receive a meeting schedule.

King said the Partners meet once a month on Tuesday afternoons, and he is a regular attendee. Each person has equal vote and equal input. If there is feedback and direction from City Council, it can be forwarded to the organization. If there are needs and industrial policies affecting Milwaukie, it can be brought to the Partners attention. The group has offered to make a presentation to the Milwaukie City Council and provide periodic reports as stated in the resolution.

Councilor Lancaster asked if a resolution were really necessary.

King responded "yes". It is evidence that the governing bodies have a general understanding of and support for the work plan. He believes it is an effort to build transparency and to highlight the importance of the regional economic situation.

Councilor Lancaster asked King if it was his opinion that the outreach efforts would be equally distributed throughout the region.

King believed they would. The group started with the larger communities, Portland, Gresham, and Beaverton, and the Portland Development Commission. They have put together a slide show and are working on a brochure and website, so they are making every effort in getting the information out. Milwaukie will have equal access to all of that information. The region will benefit in terms of overall prosperity, growth, and advocacy.

Councilor Lancaster said, to be very direct, it seems to him this whole development movement was primarily a result of the City of Portland's eroding economic base. He would be upset if this were actually a shell for the redevelopment of Portland since businesses were driven out by the excessive tax structure.

Mayor Bernard's impression at the Metro meeting was that the organization was really a way to get people to partner and deal with expansion. The mayors of Gresham and Beaverton realize it is Clackamas County's turn and needs a seat at the table. Success in Clackamas County is success for everyone. 60% of our jobs are exported to Beaverton and Portland, which burdens their infrastructures. A job base in Clackamas County is really needed by all parties.

King added there is erosion across the board. Some of the vacancy rates on the west side are higher than Portland and Clackamas County. Specific strategies, such as uniform business license fees, are not going to be set. Once businesses are attracted, Milwaukie's lower fees would work to its benefit. It is not necessarily just a benefit to Portland since it is opened up to other participants.

Councilor Lancaster urged keeping an eye on the other members. There are certain regional partners who do not really care whose turn it is.

Councilor Stone shared Councilor Lancaster's concerns. She asked how long Milwaukie has been part of this coalition.

King said Milwaukie has been a member for a couple of months.

Councilor Stone understands then that Milwaukie is new at the table. It says they have been working informally for 10 years and have recently formed this private non-profit corporation. It is costing taxpayers \$30,000 for an annual membership in order to have a seat at the table.

Staff noted this was an error in the memo to Council. The membership is actually \$3,000 a year.

Councilor Stone said that makes more economic sense to her in that case. She does share Councilor Lancaster's concerns because the Partners represent several counties, of which some are more engaging than others.

Mayor Bernard asked if the group meets in a facility large enough for interested persons to attend.

King said the group is currently meeting at the Portland Development Commission. He noted Milwaukie needs to designate an alternate. The group is looking at developing broad policies that supports the region as a whole.

Mayor Bernard requested the City Council receive meeting notices.

It was moved by Mayor Bernard and seconded by Councilor Barnes to adopt the resolution supporting the goals of the Regional Economic Development Partners. Motion passed unanimously.

RESOLUTION NO. 3-2004:**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, SUPPORTING THE REGIONAL ECONOMIC DEVELOPMENT PARTNERS.****Economic Development Grant Project**

Project Manager Jeff King said last year Milwaukie received a \$25,000 grant from the Mt. Hood Economic Alliance to carry out some specific economic development strategies. The six items fall into 3 areas: marketing, site development and redevelopment, and coordination, communication and capacity building. The first task is to create an inventory and profile of available industrial and commercial sites the larger of which will be posted on a website. The second is to develop economic development marketing tools including a brochure and web page. The third item is to begin business outreach and visitation programs to build a relationship with the business community. The initial step is to create a team of staff, elected officials, and the chamber of commerce and conduct site visits and surveys. King asked if City Council supported this concept.

Councilor Lancaster and **Councilor Barnes** supported this concept to ensure businesses understand the City is supportive of their efforts.

King said relationships are important and can make a great deal of difference. He will develop a roster of businesses and provide the City Council with dates and information. Staff will look at a low cost method to develop a short-term advisory committee to assist with the grant and relationship building with the business community. He asked the City Council if it wished to proceed in that direction.

Mayor Bernard and **Councilor Barnes** said the Council had seen the list and were satisfied.

King will develop a charge statement for the advisory committee for Council consideration.

Councilor Loomis added he thinks it is important to go to businesses and tour facilities so the City is aware of their needs.

King moved on to industrial land infill and noted Milwaukie will look at the remaining 6.5 acres of developable industrial land. He met with a developer interested in purchasing that parcel. The fifth item, North Industrial Area Traffic Study, is complete and will feed into long-term planning. The final item is looking at reuse of buildings such as Hanna South, Oregon Transfer, Helico, and the Mailwell buildings to determine the feasibility of adaptive reuse through upgrades and retrofits to make that area more competitive.

Mayor Bernard believes this is one of the most important pieces of the whole puzzle. He cannot believe it is cheaper to build roads to Damascus for businesses rather than remodeling existing buildings. That is one of his problems with the urban growth expansion for industrial lands. It important to get people to reinvest in these properties since the infrastructure is already there.

King said there is a lot of potential in the long-term.

Other

Mayor Bernard saw a lot of interest in looking at the sewer rate issues and getting information on how the Milwaukie still owes Clackamas County. He asked if there was consensus on Council to do that.

Councilor Stone asked when the study would be complete.

Swanson understands it is supposed to be ready by late February but is tired of quoting dates. He will provide information on Council's sewer-related questions.

Mayor Bernard feels this is important before getting into the next budget cycle.

Mayor Bernard announced the City Council would meet in executive session immediately following adjournment under the authority of Oregon Revised Statutes 192.660(h) to conduct deliberations with persons designated by the governing body to negotiate real property transactions and (g) to discuss current or anticipated litigation with legal counsel.

ADJOURNMENT

It was moved by Councilor Lancaster and seconded by Councilor Stone to adjourn the meeting

Mayor Bernard adjourned the regular session at 8:25 p.m.

Pat DuVal

Pat DuVal, Recorder

AGENDA

MILWAUKIE CITY COUNCIL JANUARY 20, 2004

MILWAUKIE CITY HALL
10722 SE Main Street

1926th MEETING

REGULAR SESSION - 6:30 p.m.

- I. **CALL TO ORDER**
Pledge of Allegiance
- II. **PROCLAMATIONS, COMMENDATIONS, SPECIAL REPORTS, AND AWARDS**
 - A. **Comprehensive Annual Financial Report (Steve Smith/Chuck Swank)**
 - B. **Public Safety Update (Larry Kanzler)**
- III. **CONSENT AGENDA** *(These items are considered to be routine, and therefore, will not be allotted Council discussion time on the agenda. The items may be passed by the Council in one blanket motion. Any Council member may remove an item from the "Consent" portion of the agenda for discussion or questions by requesting such action prior to consideration of that portion of the agenda.)*
 - A. **City Council Minutes of December 16, 2003;**
 - B. **Resolution 1-2004: Designating Papers of Record**
 - C. **2003 – 2004 Waterline Phase 1 Acceptance**
- IV. **AUDIENCE PARTICIPATION** *(The Mayor will call for statements from citizens regarding issues relating to the City. It is the intention that this portion of the agenda shall be limited to items of City business which are properly the object of Council consideration. Persons wishing to speak shall be allowed to do so only after registering on the comment card provided. The Council may limit the time allowed for presentation.)*
- V. **PUBLIC HEARING** *(Public Comment will be allowed on items appearing on this portion of the agenda following a brief staff report presenting the item and action requested. The Mayor may limit testimony.)*

Water Cost of Service Rate Adoption – Resolution (Paul Shirey/Jay Ostlund)
- VI. **OTHER BUSINESS** *(These items will be presented individually by staff or other appropriate individuals. A synopsis of each item together with a brief statement of the action being requested shall be made by those appearing on behalf of an agenda item.)*
 - A. **Regional Partners Economic Development – Resolution (Jeff King)**
 - B. **Economic Development Grant Project (Jeff King)**

VII. INFORMATION

- A. Park and Recreation Board Minutes, October 28, 2003**
- B. Library Board Minutes, November 24, 2003**
- C. Center/Community Advisory Board, November 14, 2003**

VIII. ADJOURNMENT

Public Information

- Executive Session: The Milwaukie City Council may go into Executive Session immediately following adjournment of the regular session pursuant to ORS 192.660.

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.

- For assistance/service per the Americans with Disabilities Act (ADA), please dial TDD 503.786.7555
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.

MINUTES

MILWAUKIE CITY COUNCIL DECEMBER 16, 2003

CALL TO ORDER

Mayor Bernard called the 1924th meeting of the Milwaukie City Council to order at 6:00 p.m. in the City Hall Council Chambers. The following Councilors were present:

Council President Larry Lancaster	Councilor Deborah Barnes
Councilor Joe Loomis	Councilor Susan Stone

Staff present:

Mike Swanson, City Manager	John Gessner, Planning Director
Gary Firestone, City Attorney	Paul Shirey, Engineering Director
Alice Rouyer, Community Development/Public Works Director	Steve Campbell, Code Compliance Coordinator
Larry Kanzler, Police Chief	

PLEDGE OF ALLEGIANCE

It was moved by Mayor Bernard and seconded by Councilor Lancaster to amend the meeting agenda to include Other Business Item C – Milwaukie Transit Center Working Group Status Report. Motion passed unanimously.

CONSENT AGENDA

It was moved by Mayor Bernard and seconded by Councilor Barnes to remove Item E – Purchase of Laptop Computers for Public Works – from the meeting agenda. Motion passed unanimously.

It was moved by Councilor Barnes and seconded by Councilor Stone to approve the Consent Agenda that consisted of:

- A. City Council Minutes of December 1 & 2, 2003
- B. Resolution 50-2003: A Resolution of the City Council of the City of Milwaukie, Oregon, Designating the First and Third Tuesdays of Each Month as the Regular City Council Meeting Date and Repealing Resolution 2-2003;

- C. **Resolution 51-2003: A Resolution of the City Council of the City of Milwaukie, Oregon, Authorizing the Mayor to Sign and Renew the Intergovernmental Agreement with Clackamas County for a Grant to Maintain the Juvenile Crime Diversion Program;**
- D. **A Resolution of the City Council of the City of Milwaukie, Oregon, Opposing the Formation of an Electric People's Utility District in Clackamas County;**
- E. ~~**Purchase Laptop Computers for Public Works; (Removed)**~~
- F. **Award Contract for Sewer Master Plan;**
- G. **Award Contract for Brookside Storm Sewer Phase III; and**
- H. **Award Contract for Johnson Creek Boulevard HVAC Improvement Project**

Councilor Loomis requested Item D be removed from the consent agenda for discussion.

Motion passed unanimously.

AUDIENCE PARTICIPATION -- None

Ardith Duncan, 12401 SE Guilford, Milwaukie, expressed concern with the adult foster care home being built on the corner of Lake Road and Guilford Drive. The City told the neighbors who had not been informed it is a done deal. It is a business and not a residence.

Patricia Broadwell, 12215 SE Guilford, Milwaukie, addressed the City Council regarding a foster care facility being constructed next to her home. Broadwell feels she has lost \$50,000 in equity. The structure looms over her backyard and pool area. She knew nothing about the construction until the foundation was poured. She went to the Milwaukie building department and was told there was nothing that could be done. She pays \$4,000 a year in property taxes, and what is happening is wrong. She and the others in the neighborhood should have been asked. She plans to have her home appraised, and someone should be liable for her loss whether it is the City of Milwaukie or the state. Broadwell does not intend to lose the equity in her house. The building is a monster and looks like a hotel. The bedrooms are 8 x 10 and all have toilets with a central shower. Does the City follow up on who lives here? It is a business with hired help living upstairs? It is a dormitory with a central desk. No one seems to care that this can happen to anyone. The other foster care home about half a block away at least has adequate parking. She contacted the press to make a commentary but was told her loss was not that important. She is almost 60 and this is her last go round.

Swanson told Council he spoke with Broadwell late this afternoon, and he will ask the city attorney to talk specifically to the federal pre-emption. One issue is local land use regulations, and this house is appropriate in terms of being a single-family residence. The issue presented is that it is apparently planned to be an adult foster home facility. The City is pre-empted by federal siting authority, and there is literally nothing that can be done. The one thing people can do, though it will not help in this situation, is to contact their United States senators and representatives. He understands the policy

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that underlies the federal government stepping in and saying local governments do not have the ability to control the siting of these facilities. There does, however, appear to be a disproportionate number of facilities in certain communities, and Swanson feels the least the federal government could do is address issues of fairness. He sympathizes with people who have fears about what will happen in the future, but he also understands what Congress tried to accomplish. He urged people, at least for the future, to contact their representatives to seek some equity in terms of location.

Broadwell asked if the Planning Commission was aware of this situation and if it went before the Commission.

Firestone said, if a use is permitted outright, a land use approval is not required, and all that is needed is a building permit. Under the Federal Fair Housing Act, all governments are prohibited from any type of discrimination in housing, and that includes discrimination based on the need for specialized housing such as adult foster care. There is a state statute that requires local governments to treat a residential facility for people with special needs with six or fewer residents exactly the same way as it treats a single-family residence. If the facility has more than six residents, it is treated like a multi-family residence. The people working in the facility are not counted as residents. As a result, cities have no choice but to allow these facilities in residential neighborhoods outright. All the City can do is ensure these structures meet zoning requirements such as setbacks and height restrictions.

Broadwell said the structure has a total of 8 bedrooms with 5 of those for foster care. It is a 4,600 square foot house on a 10,000 square foot lot. With the 5 bedrooms downstairs and 3 upstairs, that is more than 6 residents.

Firestone does not know the zoning in that area, therefore does not know the size of the facility allowed. The City has adopted specific standards. The state standard has varied from time to time, and he understands Milwaukie at one time adopted the Clackamas County standard, which may allow more spaces than the state standard. The state standard is the absolute minimum needed to comply with the Federal Fair Housing Act, but more may be required under specific circumstances. For example, if the City allows 8 unrelated people to live in a single-family residence, it must allow a residential facility that provides for 8 people. Firestone understands the City examined the situation and concluded that under its existing code and the Federal Fair Housing Act as applied by state statute that the City could not do anything.

Broadwell said she was not considered, and that is wrong. All City officials have said they would not like this facility built next to their homes. If this went to the Planning Commission, it should have considered this 50-year old, very nice residential neighborhood of mostly ranch homes with swimming pools and next to a Jr. High School. The City had a chance to say “no”, but it didn’t.

Mayor Bernard said this did not go to the Planning Commission and was not required to do so under the code.

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Broadwell said there are 8 unrelated people. Where is the parking for all of these residents? The structure is a huge box with very little land around it. This is wrong.

Councilor Barnes suggested Broadwell and her neighbors write a letter to *The Oregonian*. Letters to the editor do get published. She asked Broadwell if she had spoken with the owner.

Broadwell approached the owner of the property next door when she first saw the construction begin. The owner was evasive, and when the foundation was poured Broadwell contacted the building department. She was told the building was to code, and that there was nothing she could do.

Councilor Barnes understands Broadwell's frustration. She has 2 group homes in the neighborhood, and they have proven to be very nice neighbors. One was built and the other was opened in an existing home.

While **Broadwell** sympathizes with the residents of these homes, she does not feel people understand her concerns. It is an enormous building with no windows. It is ugly. The Lake Road Association came to her to find out what was going on and how she could let it happen. They told her to stay on and fight it because it is wrong. She wants some compensation so she can build a second story on her house and block it out. She does not want them looking over her roof. This is unheard of – allowing it to be at street level. No one else's is. The houses in the newer development to the west are not. Other houses are built on stair steps. This is a huge looming hotel set up like a dormitory. The building department told her the residents have to live there, and the owners have to live there. Who follows up on that? She bets 6 months after they move in the owners hire some other people to live there because they can afford it. They make a lot of money, then they are gone. She wants everyone to know it can happen in his or her neighborhoods, and it is not right.

Councilor Lancaster asked if this type of enterprise enjoys tax-exempt status.

Firestone replied those operated for profit typically are not tax-exempt and must be licensed.

Councilor Lancaster suggested the City Council submit correspondence to its congressmen. Milwaukie is already penalized by a disproportionately high number of tax-exempt entities that continue to erode the tax base. He encouraged every citizen to take action.

Councilor Stone commented Council sympathizes with Broadwell, and she agrees with Lancaster that senators and congressmen should be lobbied. She would like to see the City somehow enforce design standards so that the structures being built in neighborhoods comply with the existing architecture, so they are not so obtrusive. She thought Broadwell might have an easier time accepting this if the house conformed

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more with the existing standard of architecture in the neighborhood. That is where the City could have some input. She would like to make sure there is something on the books.

Firestone said any design standard for housing, if it is considered needed housing which covers about everything in this state, must be clear and objective. While it can be done, it is not easy.

Mayor Bernard believes Lake Oswego recently adopted that type of ordinance, and Milwaukie should take a look at that.

Councilor Lancaster commented this was a major issue the last time Milwaukie did a revision to its land use ordinances. The City is severely constrained in terms of what it can do.

George Van Bergen, 12366 SE Guilford, Milwaukie, stated this structure definitely is non-conforming to the community. He spoke with the planning department several weeks ago and received the same explanation. The properties all have deed restrictions although they may no longer hold water. The properties were all developed in an R-10 situation, and he has great empathy for Broadwell. She purchased a very expensive house, and this is stuck right up their nose next door. He finds it hard to accept the federal government's having an overlay application. This is similar to the house on the Columbia River, which he believes is still sitting empty. Van Bergen wonders about the permits that will have to be issued because he knows the cost of getting into the house is high. He looks upon this situation as being an inverse condemnation. When something is permitted to go into an area that reduces the value of everyone else's property, this is a condemnation or a taking. This may or may not hold up in court. The house seems to have 8 or 9 bedrooms. Are staff bedrooms counted also, and does it become a multi-use property? The Washington Street house he sold to the School District was moved to Jackson Street, and now it is a half way house for convicts. If the facility on Lake Road does not make it as a senior facility, will it become a place for disadvantaged people? What will be there in 5 years? It could be even worse. He has great empathy for Broadwell and does not blame the sellers because they probably did not have any control over what was going to happen. He does go along with the thoughts of reviewing this problem and having to go along with the federal government. There is a home authority, and these are people's homes. The City, in his mind, should be able to control its own destiny. These people have suffered a terrible loss.

Mayor Bernard hopes the City will look at the issue and help if possible.

Councilor Lancaster said, if the City does look at this, it should also look at what residential neighborhood properties are subject to commercial development. That should be part of the whole solution to the City's defending itself from these federal edicts.

David Aschenbrenner, 11505 SE Home Avenue, Hector Campbell Neighborhood Association Chair, encouraged residents to clear out the gutters and drains in front of their houses to keep their streets free of water. He announced the neighborhood centennial park project at 37th Avenue and Monroe Street is 90% complete and will be completed early this spring.

PUBLIC HEARING

CSO-99-06 Clackamas Education Service District (ESD) Revised Conditions of Approval

Mayor Bernard called the public hearing on the Clackamas Education Service District's (ESD) request to revise the conditions of approval is called to order at 6:35 p.m.

The purpose of this hearing was to consider revising the conditions of approval for CSO-99-06 by modifying business hours and meeting times on the property located at 4011 SE Lake Road.

The applicant has the burden of proving that the modifications are consistent Zoning Ordinance Section 321 – Community Service Overlay, Section 1011.3 – Minor Quasi-Judicial Review, and applicable Municipal Code provision.

All testimony and evidence must be directed toward the applicable substantive criteria just described or other criteria in the plan or land use regulation which one believes to apply to the decision. Failure to raise an issue accompanied by statements or evidence sufficient to afford the City Council an adequate opportunity to respond to each issue precludes appeal to LUBA based on that issue. Failure to raise constitutional or other issues related to proposed conditions of approval with sufficient specificity to allow a response precludes an action for damages in circuit court.

Mayor Bernard reviewed the conduct of hearing.

Site Visits: The Mayor and all Councilors have visited the site.

Conflicts of Interest: **Mayor Bernard** announced his wife, Siri Bernard, sent an e-mail supporting the application. He lives next to the site, but he does not have any financial interest in the facility. It will not benefit him. He believes the ESD has been a good neighbor, and he is interest in looking at the proposal.

A member of the audience, who at that point did not identify himself, said he has a problem with the Mayor continuing to speak about the property when his property is associated with it. Anything the Mayor says tends to influence others on the board. He believed the Mayor does have a financial interest because downzoning does affect people. He thought the Mayor should recuse himself.

Mayor Bernard appreciated the comments. He has no financial interest and will not gain financially from this decision.

Councilor Barnes announced she works for the North Clackamas School District 12 and on occasion is paid by ESD for participating in District training. The School District for which she works is part of the Clackamas ESD.

Firestone said the ethics issue is whether or not there is a financial interest in the outcome of the decision.

Mayor Bernard and **Councilor Barnes** stated they would not benefit financially from the decision.

The member of the audience asked if that applies if a member of Council owns property abutting the subject site.

Firestone said that is the Council member's choice to make. The Mayor stated he does not have a financial interest, which typically means an ownership interest or potential share in profits in the property that is the subject of the application. Being a neighbor does not create a direct financial interest. The status as neighbor, in some cases, may so affect someone that the person chooses to recuse oneself. There is no direct financial interest, and the rules recognize the effect on the Council member is the same as it is on a group of people, which in this case is a group of neighbors. In this case, there is a group of people, which is a class of neighbors. The issue is whether the Mayor or any other member of Council can decide the application based on applicable standards without prejudice.

Mayor Bernard said he believes he can do that.

Mayor Bernard asked if any member of the audience wished to challenge any Council member's impartiality or ability to participate in the decision.

Richard Raynor, 12403 SE 41st Court, Milwaukie, objected. The Mayor has a big influence on the Council and has already said his wife is in favor of the application. That is a tip as to what the Mayor is going to say.

Mayor Bernard asked if there were any objections to Council's jurisdiction to consider this matter. There were no objections.

Planning Director John Gessner presented the staff report. He indicated the subject property on a map and its relationship to the neighboring properties. There is access to the site both from Lake Road and 37th Avenue. Most of the parking is located on the southern portion, and Gessner indicated its relationship to the adjoining properties. As part of Council's decision, Clackamas ESD did dedicate and improve a 2-acre area for public park uses. He pointed out the 37th Avenue exit.

Gessner noted 2 date corrections to the staff report. Page 1 should read, "On September 19, 2000, the City Council approved Clackamas ESD's request ..." Page V.4 should read, "... ESD conducted the study, which was accepted by the Council on June 18, 2002 ..."

The Clackamas Education Service District (ESD) is requesting to expand the frequency of meetings and the number of persons allowed to attend for a trial period that would expire May 31, 2004. The original limitations had a lot to do with neighborhood traffic concerns. The Lake Road Neighborhood District Association (NDA) because of traffic concerns on Lake Road and 37th Avenue, appealed the initial application. When the City Council adopted its findings, the meeting times ESD requested for the approval purposes were specified so there would be no questions about when daytime and nighttime uses of the site would be. Additionally, Council wanted assurance the original traffic analysis was reliable.

The Council must use the public benefits test under the City's community service overlay (CSO) regulations to make its decision. There are essentially 2 parts to the test: (1) Is it in the public interest; and (2) Will the public benefits be greater than the potential adverse impacts of the use. Staff identified the possibility of adverse impacts related to additional traffic and additional nighttime activity such as lighting and noise in the parking lot. These are possibilities, however, the Lake Road NDA provided written support of the application. There has been a relative lack of complaints to the planning department, and the probability of there being adverse impacts is relatively low at this point. Staff believes the application complies with the public benefits tests. It is further recommended, if City Council decides to approve the application, that the decision be revocable if there are persistent problems. Staff rarely makes this type of recommendation, but it feels generally comfortable with the proposal.

Gessner concluded that staff believes the application complies with the public benefits test, and that the benefits will exceed the adverse impacts. Staff recommends approval with a revocability provision.

Councilor Lancaster asked how many complaints the City has received to date.

Gessner responded when ESD originally occupied the site there were complaints about lighting in the parking lot.

Councilor Lancaster understands the Lake Road NDA reviewed this request and has given its approval.

Gessner said the packet contains a letter of endorsement signed by the Lake Road NDA officers.

Correspondence: There was no additional correspondence other than what was included in the packet.

Applicant Testimony: **David Campbell**, ESD Superintendent, 4011 SE Lake Road, Milwaukie. There have been a number of occasions in which teachers from the North Clackamas School District and others have had a desire to be involved in coursework ESD could create and provide. The difficulty is that teachers' time is their most scarce resource. The further they have to go for scheduling those types of classes, the more difficult it is for them to take advantage of the offerings. This facility offers excellent meeting rooms that can be used for those types of programs for teachers, and this is one of the reasons for the request.

ESD also gets requests from other groups, for example the Lake Road NDA, who would like to use the facility. The NDA has held one meeting there, and that was the extent of what could be allowed under the current conditions. ESD believes the facility would serve neighborhood groups like this very well as long as meetings were maintained and limited. ESD also gets requests from organizations like the Oregon School Board Association to hold special regional meetings. It would be a great benefit to school board members to be able to attend meetings there. All of these functions add benefit to the community in that attendees use local services such as restaurants and service stations.

When ESD moved into the facility 2 years ago, it pledged to be the best neighbor it could be. In keeping with that pledge, ESD is seeking a trial period from the time the City Council makes its decision to May 2004 with periodic reviews with the Lake Road NDA to make sure problems have not been created for the neighborhood. ESD believes the traffic pattern for staff and others using the building have not and likely will not create a traffic problem. Campbell said ESD is requesting a trial period and believes the value would be significant for the public schools in the area.

Councilor Stone said the letter states it would be extremely rare for attendance to exceed 100 people; however, that is what is being requested. If that is rare, what would be a more common average?

Campbell said generally speaking the meetings would be for a group of 20 – 25 teachers. Occasionally, parent groups wish to meet in the facility with the early childhood program. Those groups might number 30 – 40 at the most. Since ESD has been there, it has never had a meeting that had 100 people. There could be an occasion in which that many school board members might attend. During the trial period, parties will be able to determine if those numbers have an adverse impact.

Councilor Lancaster understands the request is to change the evening time from 6:00 p.m. to 8:30 p.m. Is that to accommodate the schedules of the additional people or more programming?

Campbell responded that is to accommodate teachers' schedules. Typically, ESD tries to schedule a one-day session for 5 hours rather than one-hour sessions for 5 days. The ESD would be allowed that kind of flexibility.

Councilor Barnes asked if there would be user fees.

Campbell said it depends on the group. For example, the Lake Road NDA would pay no user fee. If a group outside of what ESD would consider regular use, a fee might be charged. More likely ESD would not allow such a group to use the facility. He noted these fees have been in effect for Marion Hall, but in reality groups have not met that use standard for a long time.

Councilor Barnes discussed her experience at that facility is that the parking lot is very dark. She understands the neighbors' concerns about lights but is worried about problems with its being so dark.

Campbell commented staff has expressed similar concerns, so some ground level lighting has been installed. ESD believes it can deal with the lighting issues that way without having to turn on the larger lights. The one thing ESD has agreed to with the neighbors is that the lights will not be left on and shining into homes late at night, and he feels ESD can deal with that.

Councilor Barnes noted it is difficult, especially in the evening, turning left from Lake Road to access the facility.

Campbell said a left turn from Lake Road is not supposed to be done at all.

Councilor Barnes explained she has been behind people turning left and has been delayed. Is there a way to make it clearer that left turns from Lake Road to ESD are not allowed?

Campbell said it has been made very clear to ESD staff and others using the facility that they are not allowed to come off Lake Road with a left turn. They are welcome to use Lake Road from east to west and make a right turn. ESD staff is also told they are not supposed to leave the site by making a left turn onto Lake Road. It may happen on occasion, but he does not believe it is ESD staff or visitors. On rare occasions, drivers use this as a cut through. ESD has asked neighbors to let them know when they see cars turning inappropriately.

Councilor Loomis asked that ESD keep the City informed of meeting schedules and anticipated attendance during the trial period.

Campbell said ESD would be pleased to share this information with the City Council as well as the NDA.

Councilor Lancaster asked the typical starting time for evening meetings.

Campbell said the ESD Board meeting starts at 6:30 p.m., and the North Clackamas School District Budget Committee met at 7:00 p.m. last year. Typically, outside groups meet at 7:00 p.m.

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Neutral Testimony: None

Testimony in Opposition: **Richard A. Raynor**, 12403 SE 41st Court, Milwaukie. He provided history on the facility because only one City Council member sat through the last variance application on this property. It is really important to go over what happened. This is R-10 property, and to the best of his knowledge, it is the most valuable property in the City of Milwaukie. As someone said in the previous discussion of the foster home, this is a lovely neighborhood. He personally looked all over the area before he settled there, and he would like to keep it that way.

This property, though he does not know the rationale of the Council at that time, was up for subdivision and houses were going to be built. At the time growth was a “no-no”, so they looked for other alternatives. Exactly how this came about, he does not know and is speaking only of what he saw. The Seventh Day Adventist Church wanted to build in the area and got the property. It received temporary permission to go in there although it was R-10 property. Over the course of some time, the Church evidenced the fact that it did not have the funds to both construct and maintain the property. It was like the building of the pyramids. They would have a collection on Sunday, and on Monday, some workers would show up to work for a day. That was it. It went on and on and on. Things like the gravel driveway and dust raised by the construction, for example. They tried, but they did not have the resources.

Raynor did not feel the City really considered the residents at that time. To his knowledge there were no inspections and no final inspection of the property. The Church occupied the facility with no occupancy permit. That is Milwaukie checking into things. Then they had a schism in the Church and decided to put it up for sale. The only bid on it was the ESD. At the time the Jr. High was up for grabs, and the City wanted it. ESD needed some extra space for the Marylhurst people. They could have easily gotten that property and done some joint sharing with the City. But no. They chose to spend millions of dollars on this property. He thinks ESD, a bit arrogantly, bought it without a contingency in the contract that it would receive a variance. It went before the Council, and the Council at the time turned it down. No one is talking about that. Then under appeal ESD came back and said it would do certain things to maintain the residential nature of the property. One was to put in the gate. The second was to put in the park. Mr. Marshall was very enthused he was getting a park for free. One has to note there is no free lunch. Milwaukie pays, or North Clackamas pays. It is just a little green space that they use for lunch. Interestingly enough, there were signs at the entrance of this property that this is ESD property for official business, etc. Just recently, the sign came down, and they welcome people to the property. The gate went in and was good for everybody. It protected the ESD property and stopped any problems at night. The park went in.

Raynor has not really seen any change in the lighting and noted Councilor Barnes’s comments on the issue. The lights were so strong, it was like Thomason’s car lot in your back yard. People objected to that. This is the problem when you grant a variance

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and allow people to do non-conforming things in a residential area. It is conflicting. You want to go to a meeting and have plenty of light; residents do not want that. ESD agreed to change the lighting in consideration of the residential character of the neighborhood. They really did not do that. Particularly on the entrance strips, the high, bright lights have not changed. He does not know why new variances are being considered when ESD has not met the approval standards of the board before.

The other thing is no one knows how many people are in there. ESD says 30. Raynor was on the property yesterday at 1:30 p.m. and took pictures. There were 72 cars in the lot, and they were coming and going. That is not 30 people. There are over 100 cars there at any given time. Interestingly enough, on 9/11 he saw the lights on with over 100 cars in the lot that evening. What was that about?

This is a residential neighborhood. We look to you to maintain these residential areas. It is not whether ESD should have these meetings. He should say, also, he does not see Lake Road represented. They presented very strongly against this at both meetings. They presented strong objections and never gave in. What has happened now is, like everything else, things change and people change. They are not interested in these things. They were strongly against it primarily because it does not fit. Whether it is nice to rent out facilities in the evening for Boy Scouts or whatever. That was not the issue. The issue was these people were in Marylhurst, and they said they were getting kicked out or it did not fit their needs anymore. They wanted to move a very small group of about 30 people. In their letter dated September 23, 1999, ESD stated not all of the 109 employees would be working at the Lake Road site. ESD goes on to say there will only be 32 full time people. There are over 100 cars at any given time.

It is not a question of being in the public interest. It is what Mr. Marshall said at the time, the residents have a right to what was agreed to when they bought their properties. Raynor believes residents have a right to what was agreed to in the first modification. He was against it at the first hearing; he changed at the second hearing. Councilor Lancaster listened. The question was, who was going to maintain the property? It was a white elephant. It was a huge property that never should have been in the first place. That is the problem with down zoning and non-conforming use. He added the Lake Road association said if you let these people in, this is just the beginning. They will want more. If you look at the plans, they have plans to build on that property. They want to build a complex as they continue to grow with all their programs. They have contracts to rehabilitate drug addicts. They have contracts to rehabilitate felons. The next you know, ESD will want that. They say no, but they have those contracts. When you really consider what happened, it was a down zoning. It was a bad situation. Somebody picked it up who had money. Taxpayers' money to do anything it wants. This Council stood up by first saying no, and then it said sure, we will do it with these conditions. Raynor does not think the conditions should be changing. What next? Pizza parlors? School proms? The point is traffic in the neighborhoods was an issue and non-conforming use in an R-10 zone. He heard people testify the first time that ESD would say things but would not do them. There are over 100 cars back there. Nobody knows what goes on back there except for those who live back there.

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Why is the Lake Road NDA not at this meeting? No one ever asked him what he thought about it. He thinks the Lake Road Civic Association is suffering from the fact it has no one to do the work. Terry did it for years and does not want to do it any more. You do not see a lot of strong people here in opposition. He thinks the people who live there are. It is like the foster home. When something hits home, they jump. People have other things to do. He also pointed out that this thing came up around Christmas the last time when people are going to parties and things and cannot get here. He thinks it is a problem of once a non-conforming is allowed in a residential area for an organization that has unlimited funds, they will continue to press and press and press. They say it is in the public interest, and that is irrelevant.

Councilor Loomis asked Raynor if he attends the neighborhood meetings.

Raynor attended when Centex was going on, but by nature he does not. Theoretically the civic association is illegal. In theory, he is part of the Lake Road Association, but he does not get any information other than what is on the TV channel.

Councilor Loomis recommended Raynor attend the meetings. The City Council does take what the NDAs say into consideration, and the Lake Road NDA wrote a letter of support.

Councilor Barnes noted Raynor lives just down the street from the Lake Road NDA Chair Bob Moore. He is a former teacher and would be happy to talk with him.

Raynor did not wish to comment on Bob Moore. He is not his president. Councilor Barnes is a teacher. The last time this was up for a vote, the Mayor at that time was retired from Multnomah ESD. Guess what she voted for? His property does not abut; it is at the end of the cul-de-sac. Moore wrote a letter saying it was okay when he was head of the Lake Highlands Civic Association. There are only 20 people in that development. Moore wrote the letter saying he was in favor of it. That is not representative. Councilor Loomis's point is people should go to the meetings. Those meetings have been focused on Centex, and a person gets tired of listening.

Dan Blaufus, 12293 SE 40th Avenue, Milwaukie. This is relevant because the headlights shine right on his property. He is delighted to have the ESD as neighbors. Campbell has always been pleasant and responsive, and Blaufus could not be happier. He is not necessarily opposed to the proposal, but he is opposed to the extent of the proposal. If he reads it correctly, the ESD would be allowed to have 20 meetings per night that end at 8:30 p.m. Twenty meetings per night is every weekday of the month except 1 or 2. He thinks this is too much. 100 cars leaving at 8:30 p.m. when his kids go to bed at 8:00 p.m. You have to think about this from the worst case. You have to assume ESD will do the most it is allowed. That is why he has a problem with the 5-month trial period. If there are very few meetings in the next 5 months, and it becomes permanent, then a future ESD superintendent who has grandiose ideas about what he or she wants to do with the programs can go to 100 people 20 days per month. That is too much. ESD wants 4 times as many meetings at night but does not want to count

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the 20 meetings per month that start at 3:00 p.m. and end at 8:00 p.m. That is not counted as a night meeting. That is too great an increase. If ESD needs to have 30 people at meetings, Blaufus thinks it is responsible to parrot back to what is really needed now rather than getting permission to have a meeting everyday until 8:30 p.m. There are negative incentives in terms of the neighbors. He appreciates the fact the Mayor lives in proximity to ESD. He does not object to the ESD; they could not be better neighbors. His concern is the extent of the request. He is not sure looking at the modifications for 5 months will not really teach people anything. One has to assume there will be 100 cars in there 20 days per month. It is not that he does not trust the gentlemen from ESD, but he does not know whom he will be asked to trust 10 years from now.

Applicant Rebuttal: **Campbell** commented on 2 issues. The early childhood staff drives the cars that are in Raynor's photos. Those people work a good share of the time in homes in other locales. On occasion, they are at the facility as a total staff. Those are the instances referred to, and those were not outside groups. There continues to be a perception about programs that never have been ESD's. When on the Marylhurst campus, ESD was in a building next to other programs operated by the state and county that did in fact serve people who had been in other kinds of circumstances such as prison. These have never been ESD's programs. The program people at the site include early childhood education, curriculum instruction, superintendent's office, and fiscal office. He wanted to make that clear for the record.

Additional Staff Comments: **Gessner** had 2 comments. He reminded the City Council that if it does approve the modifications, it is effective only until May 31, 2004. The ESD would have to come back to the City Council to specifically request either an extension or permanent institution of the request. The staff report identifies 3 decision-making options. First, if the City Council agrees the application meets the approval criteria, the option is to approve it. Second, if the City Council believes it does not meet the approval criteria, the option is to deny it. Finally, if the City Council believes the proposal does meet the criteria, conditions can be developed.

Councilor Stone said Raynor raised the issue of the number of vehicles at any given time. According to his numbers, they were in excess of what is allowable. Has the City been monitoring this conditional use and developed data that shows whether or not ESD is in compliance?

Gessner said the City does not; however, he believes the City Council authorized up to 109 employees but did not specify the number of cars parked on the property at any given time during normal business hours.

There were no further questions from Council.

Campbell indicated Gessner's comments about vehicle parking were accurate.

Close Public Hearing: Mayor Bernard closed the public testimony portion of the hearing at 6:55 p.m.

City Council Discussion: **Councilor Barnes** firmly believes the neighborhood associations are the links to City residents. When people have concerns, she would urge them to go to their neighborhood leaders. They are the rank and file who are in contact with the City Council and guide its decision-making. If 3 officers of the Lake Road NDA signed a letter indicating they agreed with the proposal on a temporary basis, she takes that as what they have learned from the residents. She urged anyone having a concern to go to the neighborhood leaders and noted there were 3 at this meeting. They make their presence known at the Council meetings and are in regular contact. The City Council heard from people who are not happy and understands about the lighting issue. Every time she has been to the ESD it has been dark, and it is difficult to see. She does not believe there are a lot of teachers who will want to show up for a meeting at 8:00 p.m. They will be there as soon as the school day is over and meet for an hour or two. She does not believe there will be truckloads of teachers.

Mayor Bernard sees an increase from 2 to 8 meetings.

Firestone believes the point being made was a combination of the increase in monthly daytime meetings and the extension in customary business hours. The assumption being that if a meeting began within the customary business hours it would be treated as a daytime meeting.

Councilor Lancaster noted several things he thought were important. Raynor spoke very well the last time. It speaks highly of him that he came in very negatively and changed because of community input and some cooperative problem solving. In Lancaster's mind, Raynor raised an important issue. When he looks at the request, daytime meetings would increase 30% with a population increase of 400%. That is a huge shift. Nighttime meetings are proposed to increase 400% with about 330% increase in population. This is a huge shift in bodies and activity. Not knowing certain what activities have been, maybe those thresholds are being approached now, but we just do not know it. If we make that kind of quantum shift, there could be a dramatic impact to the neighbors and to the community in terms of traffic. That is why he asked the questions about start times, and he said 6:30 p.m. at the earliest. That is good because he was concerned about Lake Road rush hour traffic. Councilor Lancaster also takes to heart that not only do children need to get to bed early, but also oftentimes people work long hours and need to get to bed early. He has a concern about the 8:30 p.m. time. The increase in hours of operation is 22.7%. There are some significant increases across the board. In terms of the trial period, he takes the point there could be a period of time there is not a lot of increase as the new hours go into effect. He feels it would be more appropriate that the trial period be over an entire education cycle to get a true picture of what the traffic will look like.

Councilor Stone agreed with Councilor Lancaster's comments. Not to discredit the NDA, but there are 3 people who signed the letter who are the officers. Whether or not

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this was raised at a meeting and voted on, she has no idea. These numbers seem pretty significant when you look at them from a percentage basis. She has some reservations about that as well. Councilor Stone did not know if there was anything in place that the Council could condition, such as a meeting that was going to last late or if there were more people in attendance than normal. Maybe that is an option.

Councilor Loomis will probably vote in favor. The NDA did vote in favor of this, and everyone who lives in that neighborhood is a member. If anything comes out of this meeting, he wants people to understand the City Council listens to what the neighborhoods say. He urged people to go to the meetings and be heard because it does have an impact. At this point there have been no traffic complaints whatsoever from the testimony he has heard. Raynor said no one knows what is going on unless you go back there. To Loomis, this sounds like they are doing a good job because the neighborhood is not being disturbed. This is a community, and one has to make decisions. There is land there, and it is valuable. In his mind, if that were developed into housing, all it takes is one bad neighbor to ruin the whole neighborhood. It could be a young or old driver or someone who turns the radio up loud or squeals the tires. From what he sees, those problems are not happening. ESD seems to be a good neighbor. He supported Councilor Lancaster's points about conditions going full cycle.

Mayor Bernard commented he did not know ESD had night meetings, and the facility is in his back yard. He believes ESD does a good job with the lighting on his end. Neighbors were concerned about people going into the property and party and that weeds would grow over the fence. He walks through there all the time, and it is really underutilized. Mayor Bernard was at the Lake Road Highlands meeting when members voted, and those few who attended really had no complaints. He intends to vote in favor of the proposal and would support extending the test period to the end of year.

Firestone said the City Council could approve the full request of just a portion of it. The City Council does have the authority to approve less but not more than requested.

Councilor Lancaster said if the City Council makes this a conditional approval, it must be very clear in the criteria used that determine if approval is acceptable on a permanent basis. Will it be based on the number of complaints from adjacent property owners? Or will it be those who live on Lake Road impacted by traffic? How will the City Council decide if there is not an acceptable trial period?

Mayor Bernard urged people to let Council know about complaints via e-mail, surface mail, or by phone or go through the Lake Road Neighborhood District Association or Lake Highlands Neighborhood Association.

Councilor Loomis asked Campbell to notify the City of meetings, so the police department can observe the area.

Gessner said staff sent out notices to all property owners within 300 feet of the subject property. He suggested the next notice ask for specific complaints or problems with the application so staff can accurately report neighborhood experiences.

Councilor Lancaster likes the aspect of those most affected being in the loop. If the notification process is thorough, Council assumes that no complaints means everything is all right.

Councilor Barnes commented ESD holds training during the summer months, and it is a full calendar year operation.

Councilor Lancaster suggested a full-year trial period with a known start date.

Mayor Bernard understands Council may not add time to the trial period.

Firestone said that is beyond what ESD has asked. Under the circumstances ESD is asking to be allowed to do things it is not allowed to do currently. Typically, an applicant is not granted more than requested. The City Council could re-open the hearing to allow ESD to amend the application to request a longer time. If the City Council did that, it would have to allow people to speak in opposition as well.

Councilor Loomis understands if the request were approved as it is, then in 5 months, the City Council would again consider the modification. He asked if the modifications were revocable at any time during the 5-month period if the criteria are not met.

Gessner said that is correct and is part of the conditions of approval.

Councilor Stone had a question about the number of meetings and the number in attendance. She asked if there would be a way to get data in terms of this trial period to determine what night meetings are being held and how many are in attendance. If the trial period were short, she would want to make sure there is a way to evaluate whether ESD is doing what it says it will.

It was moved by Councilor Barnes and seconded by Councilor Loomis to approve the applicant's request to modify business hours and meeting times and to adopt the recommended findings and conditions of approval.

Councilor Lancaster does not like doing things piecemeal. He asked how long it would take if the City Council asked ESD to submit the application correctly.

Firestone understood Lancaster was referring to a longer trial period. The City Council could re-open the hearing now, or it could continue this proceeding and re-open it at a future meeting by asking ESD to submit something in the interim. Again, people would be allowed to testify in support and opposition. If the City Council allows that change to be made at this meeting, it would also have to allow people to address that issue.

Councilor Lancaster said if the City Council were to delay and do it in one action, the affected parties would have another chance to comment.

Mayor Bernard said all the property owners within 300 feet of the site got notice of this hearing and had an opportunity to comment.

Councilor Stone commented on looking at whether or not the City Council wants to re-open the issue to extend the period of time. She asked if the trial period could go through the end of May 2004 and at that time continue the trial period for additional months.

Firestone said that is a possibility. ESD would have to come back to City Council with a new application that would be effective at the end of May 2004 in any case. If ESD chooses not to come back the Council, the use would go back to the current situation. Affected property owners would be notified.

Councilor Lancaster supported that as long as property owners would be notified.

Motion to modify business hours and meeting times and to adopt the recommended findings and conditions of approval passed unanimously.

Mayor Bernard announced that any party with standing might appeal the decision of the City Council to the State Land Use Board of Appeals according to the rules adopted by that Board. The written decision will contain an explanation of the appeal rights. If you have questions, please call the Planning Department.

OTHER BUSINESS

Amend Municipal Code Chapter 8.04 – Nuisances, Weeds and Noxious Growth, Dead or Decaying Tree or Tree Limbs – Ordinance, second reading

Mayor Bernard announced the Council has called for the first and second reading by title of an ordinance amending Municipal Code Chapter 8.04 and the first reading of the ordinance was last week.

The city manager proposed an amendment to the language that would read under Section B of 8.04.110 – “Dead, decaying or unsafe trees or tree limbs that present a safety hazard to the public or adjacent property. In stating the abatement cost pursuant to section 8.04.200 C of this chapter, the council may at its sole discretion determine the cost to be less than the total cost of abatement in order to:

1. Share no more than fifty percent (50%) of the net cost of removal of a tree in the right-of-way with an adjacent property owner who did not plant the tree and/or
2. Assist a low income resident of the city who is responsible for paying the cost of removal and whose income level shall meet the low income eligibility requirement of chapter 13.20. In making this determination, the council shall

consider using other alternates such as deferred and partial payments to minimize the adverse impact on income.

Mayor Bernard said there were requests to look at low-income assistance.

Swanson said when this ordinance was first considered, the City Council requested a change that was made that evening. That was the amendment he just read, which added language that would require that the City contribute 50% of the cost of removal of a dead, dying, or decaying unsafe tree in the public right-of-way. At the close of the hearing, the issue was also raised of whether or not it was possible to create some assistance for persons responsible for paying for tree removal that might be low income eligible. Over the past couple of weeks, he has spent time thinking about these issues. It appears to him the City Council already has the ability within the nuisance section of the municipal code. Within this section, if the property owner is cited and does not abate the nuisance, then the City has to do so. The cost of that abatement is determined by City Council, and that cost becomes a lien against the property. The City Council has a great deal of discretion in determining that cost that could be 50% of the total cost of the removal. Secondly, the City Council could take into account whether the person responsible for payment is in fact low income. The criteria are identified in other City programs such as water and sewer. There is a Council resolution that adopts the Clackamas County Housing Authority's income requirements for Section 8 housing. Thus, the City does have a recognized standard for determining what low income is. The City Council may adjust costs based on that determination. He also added as part of the language, that the City Council may look at other options such as partial payments and deferred payments.

Swanson said when the proposed ordinance was considered at the last meeting, the City Council requested a change. The amendment he just read added language that would require the City to contribute 50% of the cost of the removal of such tree in the public right-of-way. The issue of creating some assistance to those responsible for removal who might be low income eligible was also discussed. For example, the City could wait for a property to go through an estate preceding.

Swanson believes the lien provisions of the nuisance section do provide the City with an answer to the issues. He prepared language that would appear within that particular section dealing with dead, decaying or unsafe trees or tree limbs within the public right-of-way. He was also careful to state under the low-income provision that the person who must meet the eligibility requirements must be responsible for paying for the removal. He wants to avoid the owner of the house as the responsible party from piggybacking on a renter who may qualify for low-income assistance. He tried to develop language that takes advantage of an existing process to deal with both issues without creating a new program somewhere in the code.

Firestone said, assuming the City Council wants to adopt this language, the City Council would need to adopt a motion reconsidering the earlier motion and essentially

withdrawing it. The City Council would then make a new motion for first and second readings then adoption of the ordinance with this language.

It was moved by Mayor Bernard and seconded Councilor Barnes to reconsider and withdraw the earlier motion. Motion passed unanimously.

It was moved by Mayor Bernard and seconded by Councilor Barnes for the first and second reading by title only and adoption of the ordinance amending 8.04.110 – Nuisances, Weeds, Noxious Growth, Dead and Decaying Trees or Tree Limbs with the language as recommended by the city manager.

Councilor Stone wanted clarification on how the City can determine these safety hazards without a city forester. Are there some criteria in place to make the determination?

Code Compliance Coordinator Steve Campbell said there are several options such as an intergovernmental agreement with the City of Portland. The Oregon Department of Forestry has a program that helps identify unsafe trees on public property.

Firestone added other jurisdictions that have city foresters and may be willing to perform the work.

Councilor Stone asked if the criteria and process will be in written format if the City receives a nuisance complaint?

Campbell said the current complaint procedures would be followed. City staff would complete the first level of investigation and contact a forester if necessary.

Councilor Lancaster thought there might be a way to tie this into college curriculum on a no cost basis.

Councilor Barnes commented there is a forestry program through the Sabin Schellenberg Center.

Campbell has looked into that program. Staff will carry out the first level investigation.

Councilor Loomis added there are also limbs that obscure vision.

Mayor Bernard understands the process is notifying the property owner of the nuisance by mail.

Campbell said staff usually tries to make contact with the owner during the site inspection. The benefit of this is to be on site and explain the hazard. Frequently, this is all that is needed. Depending on the cooperation of the property owner, the City then stipulates the number of days in which the property owner must resolve the problem. Staff can take immediate action if the situation is very dangerous.

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Motion passed unanimously.

The city manager read the ordinance for the first and second times by title only with the subsection that was amended. Subsection B of Section 8.04.110 is now amended to read: "Dead, decaying or unsafe trees or tree limbs that present a safety hazard to the public or adjacent property. In stating the abatement cost pursuant to section 8.04.200 C of this chapter, the council may at its sole discretion may determine the cost to be less than the total cost of abatement in order to:

1. Share no more than fifty percent (50%) of the net cost of removal of a tree in the right-of-way with an adjacent property owner who did not plant the tree and/or
2. Assist a low income resident of the city who is responsible for paying the cost of removal and whose income level shall meet the low income eligibility requirement of chapter 13.20. In making this determination, the council shall consider using other alternates such as deferred and partial payments to minimize the adverse impact on income.

The City Recorder polled the Council: Mayor Bernard, Councilor Barnes, Councilor Loomis, Councilor Lancaster, and Councilor Stone aye; no nays; no abstentions.

**ORDINANCE NO. 1929:
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
MILWAUKIE, OREGON, AMENDING MILWAUKIE MUNICIPAL
CODE CHAPTER 8.04 – NUISANCES.**

The Council recessed for 5 minutes.

City Manager Review Process

Human Resources Director Mary Rowe provided information on the city manager evaluation process. She provided a summary of comments from 9 staff input forms completed by department managers. She also provided the document to the city manager for his self-evaluation and statement of goals for the next year. Council received an appraisal process form and summary of the department head input. Overall the ratings were exceptional in all categories, and there were only 2 responses in the 34 categories that were not rated as "fully effective" or "exceeds". There were 2 areas where 1 person thought Swanson was "developing". Rowe provided a range of ratings for each category and added some of the comments particularly those that were repeated. All comments made by department heads about Swanson's strengths and weaknesses were included. The next phase of the process is for the City Council to meet and consider the information she provided and make its own comments.

The Council agreed to complete the rating forms and return them to Human Resources in 2 weeks.

Consider Settlement Agreement with Richard Peterson and Union Pacific Railroad Company

City Attorney Gary Firestone presented the staff report. He reviewed the form of the settlement agreement between Richard Peterson and Union Pacific Railroad through their attorneys relating to the nuisance abatement assessment imposed by the City and the lien directed to be placed on the Union Pacific Property. Essentially both Union Pacific and Mr. Peterson agreed to pay \$2,500 each in return for the City's not imposing the lien and taking no further actions. This would put an end to the matter for the City, Peterson, and Union Pacific. The second order of business would be to adopt a resolution repealing the previous resolutions ordering the imposition of the lien.

It was moved by Mayor Bernard and seconded by Councilor Barnes to accept the settlement agreement with Richard Peterson and Union Pacific Railroad and adopt the resolution rescinding the lien.

Mayor Bernard appreciated these 2 parties working with the City and accepting their accountability. He feels this is a fair and equitable distribution of responsibilities.

Councilor Loomis agreed with the Mayor's comments.

Councilor Barnes also agreed. However, part of the responsibility of being a good corporate citizen and good business owner is to step up to the plate when mistakes are made. When one does not, that only reflects on what kind of businessperson one actually is. If one chooses to take from the community and not give back when at fault, then how can that person be trusted to do business in the future? There is another party in addition to Peterson and Union Pacific that did not step up to the plate and that caused great discomfort for staff, residents, and the Council. This person made a mockery of the City's decisions and took them to the radio airwaves. This person did not have the courage to say he made a mistake and pay an amount equal to the other parties involved. She urged people to remember that in the future when thinking about doing business.

Mayor Bernard amended his motion to approve the settlement with Richard Peterson and Union Pacific Railroad and pursue the third party for full damages.

Firestone suggested making that a separate motion.

The motion to accept the settlement agreement with Richard Peterson and Union Pacific Railroad and adopt the resolution rescinding the lien passed unanimously.

RESOLUTION 52-2003:

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MILWAUKIE DIRECTING THAT NUISANCE ABATEMENT
ASSESSMENT NOT BE IMPOSED AS A LIEN.**

It was moved by Mayor Bernard that the City of Milwaukie pursue full reimbursement for damages in reference to the house that was located on 21st Avenue by the responsible party.

Councilor Barnes would like to continue, with limited expense to the City, to make sure the third party does not walk away with anything less than a gentle judicial reminder that letters and phone calls shall not be ignored.

Firestone said the motion could state something like “move to direct staff to continue to pursue reasonable legal options against any other responsible party”.

It was moved by Mayor Bernard and seconded by Councilor Barnes to direct staff to continue to pursue reasonable legal options against any other responsible party.

Councilor Lancaster, Councilor Stone, and Councilor Loomis were not prepared to support such a motion without further discussion with legal counsel in executive session.

Motion failed 2 – 3 with the following vote: Mayor Bernard and Councilor Barnes aye; Councilor Loomis, Councilor Lancaster, Councilor Stone nay; no abstentions.

Advisory Board Appointment

Mayor Bernard, with Council consent, appointed Scott Cook to the North Main Developer Selection Committee.

Milwaukie Transit Center Working Group Status Report

Planning Director John Gessner presented an update on the working group process over the past several months in the attempt to identify an acceptable location for the transit center. Meetings have been held with neighborhood groups and representatives from the downtown and north industrial property and business owner group. Eight options were identified in the staff report. He showed the graphic of option 2.5 -- the Kellogg Lake Option. This option came at the request of the Milwaukie working group in specific response to Option 2.4 – the Post Office Alternative.

Mayor Bernard met with the Kellogg Lake Apartment management, and it is not particularly opposed to the alternative since new sidewalks would be built to his property and street access improved.

Gessner pointed out the land owned by the City just south of Kellogg Lake. There is a footprint developed by the working group and TriMet and Metro staff that would move all of the busses from downtown to this site. The light rail platform originally proposed in the Locally Preferred Option (LPA) behind Milwaukie Jr. High would be shifted to the parking lot behind Milwaukie Lumber.

He provided draft notes from the December 4, 2003 Milwaukie-only meeting. The group identified what it does and does not like about the alternatives and what could be done to remedy the weaknesses. The process is at a point that many of the working group members are eager to get to the narrowing phase. There will be a citywide open house on January 15, 2004 and the community will have the opportunity to review and comment on the options. The Planning Commission will hold public hearings in February 2004, and these comments will be part of its consideration. The Planning Commission will develop a recommendation for the City Council for an April 2004 hearing. The requested action at that time would be for the City Council to take action on the Planning Commission's recommendation for the purpose of forwarding it to the South Corridor Policy Committee for amendment to the LPA.

It is clear in the process that no matter where the transit center lands, there will be tradeoffs. This has been a very complex process because of the opposing opinions. There has been a very deliberate and rational examination of exactly what the tradeoffs and impacts might be, so the community can come together and knowingly say it understands the potential impacts and benefits.

Community Development/Public Works Director Alice Rouyer added the term "Milwaukie only" refers to meetings without TriMet and Metro staff.

Councilor Loomis wants to ensure the recommendation takes into account what is best for the future of Milwaukie. He does not want another sewage treatment plant situation. The vision for what is best is very important.

Gessner said determining what is best is challenging because there are different impacts at each location. It is hoped the working group delivers that message and incorporates it into the recommendation. There have been a couple of exercises to identify in objective terms what the impacts and benefits might mean. The working group participants have been doing their own calculations, and Gessner feels there will be a good sense of what is best.

Carlotta Collette, Ardenwald-Johnson Creek Neighborhood District Association President, 3905 SE Johnson Creek Blvd., Milwaukie. The working group discussed the options endlessly. Early on, the group wanted to reject all of the industrial options largely because, while the busses were out of downtown, they were relocated to the middle of one of Milwaukie's few industrial areas. This would mean the loss of jobs, parking, and businesses. The neighborhood was concerned about cut-through traffic trying to reach the northern section. Many were concerned that the 2 options would just be the same headaches of the busses idling downtown. She feels the Kellogg Lake site

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would alleviate the downtown concern and create a nice focus on the south end of downtown. It is close enough to downtown that people would be safe taking transit while removing the presence in the core area. The working group will probably end up merging some of the options. The group had discussed an option that would take some parking out of the Kellogg Lake site and move it to the ODOT site on Ochoco. There will likely be a combination of alternatives that will merge the best of all worlds. The working group has talked all along about what is best for Milwaukie and the options that support the goals of the downtown and riverfront plan and maintain the neighborhoods.

David Aschenbrenner, working group member and Hector Campbell Neighborhood District Association Chair. Working group members have learned a lot in the process of meeting with north industrial business and property owners, citizens, and other stakeholders. The group is working seriously to find the solution best for Milwaukie. The goals are to move the transit center out of downtown and find something that will not be a sewage treatment plant type of solution in 10 years. The people involved have spent a lot of time working on the problem, and the group is making good progress. This is a difficult issue because it looks so far into the future. The options range over such a wide area, there will be a combination of the items that move forward and have the best interest of Milwaukie at its core.

Councilor Stone recalled when the LPA issue first came before the City Council that there was a timeline for moving the transit center.

Aschenbrenner believes it is 2006.

Collette said the Kellogg Lake site could be moved on quickly because the City already owns the site, and a condemnation process would not be needed. The Milwaukie-only meetings have been really exciting, and participants have made strong collaborative efforts. Staff has been fantastic in its support.

Aschenbrenner added to follow up on moving the transit center. That could be done on the Kellogg site relatively quickly as a surface bus layover. The parking structure would be an element of light rail. The transit center could move no matter what happens with light rail.

Councilor Stone noted the options all have light rail incorporated. The community spoke loud and clear in its vote that it truly does not want to spend money on light rail. Yet everything is tied into that. It would be nice if the transit center could be moved as the first goal. Then move on to the next step if and when the voters approve funding.

Aschenbrenner understands from TriMet that could be done in the 2006 scenario.

Mayor Bernard added phase 1 was moving the transit center and is not dependent on a vote. If there is a surface lot, will there be a bridge?

Aschenbrenner understands there will not be a bridge. The goal is to get layover busses out of downtown Milwaukie. There will still be full bus service downtown, but the busses would only make their stops and move on. The South Kellogg site would have a small park-and-ride facility.

Other

Mayor Bernard said he would like to hold over the PUD resolution to a future meeting.

Mayor Bernard announced the Council would hold an Executive Session immediately following adjournment of the regular session under the authority of Oregon Revised Statutes 192.660(1)(h) to consult with legal counsel on actual or pending litigation.

ADJOURNMENT

It was moved by Councilor Stone and seconded by Councilor Lancaster to adjourn the meeting. Motion passed unanimously among the members present.

Mayor Bernard adjourned the regular session at 8:50 p.m.

Pat DuVal, Recorder

RESOLUTION NO. 1-2004

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, DESIGNATING THE *CLACKAMAS REVIEW*, *THE OREGONIAN* AND *THE DAILY JOURNAL OF COMMERCE* AS THE PAPERS OF RECORD FOR THE CITY OF MILWAUKIE.

WHEREAS, ORS 192.620, Public Meetings Law Policy, requires an “Informed public aware of the deliberations and decisions of the governing bodies”; and

WHEREAS, ORS 193.010 defines a newspaper of general circulation, and ORS 193-020 defines a newspaper in which public notices may be published; and

WHEREAS, the *Clackamas Review*, *The Oregonian*, and *The Daily Journal of Commerce* meet the needs of the City and the requirements of State statutes,

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Milwaukie, Oregon, designates the *Clackamas Review*, *The Oregonian*, and *The Daily Journal of Commerce* as the papers of record for the City of Milwaukie.

Introduced and adopted by the City Council on January 20, 2004.

This resolution is effective on January 20, 2004.

James Bernard, Mayor

ATTEST:

Pat DuVal, City Recorder

APPROVED AS TO FORM:

Ramis, Crew, Corrigan & Bachrach, LLP

2003 - 2004 WATERLINE IMPROVEMENTS
PHASE 1

Item #	Item of Work	Estimated Quantity	Unit	Landis & Landis Constr.		Previous Payment		Pay this Period		Paid to Date		
				Original Bid	Total Bid	Units	Amount	Units	Amount	Units	Amount	
				Unit Price	Price							
1	Mobilization/Demobilization	1	LS	\$ 25,700.00	\$ 25,700.00	1	\$ 25,700.00		\$ -	1	\$ 25,700.00	
2	Traffic Control	1	LS	\$ 2,500.00	\$ 2,500.00	0.8	\$ 2,000.00	0.2	\$ 500.00	1	\$ 2,500.00	
3	Erosion Control	1	LS	\$ 500.00	\$ 500.00	0.8	\$ 400.00	0.2	\$ 100.00	1	\$ 500.00	
4	Sawcut P.C.C. and A.C.	5400	LF	\$ 0.50	\$ 2,700.00	5400	\$ 2,700.00	3006	\$ 1,503.00	8406	\$ 4,203.00	
5	Surface Restoration - Paved Areas	4300	LF	\$ 7.00	\$ 30,100.00		\$ -	4338	\$ 30,366.00	4338	\$ 30,366.00	
6	Connect to exist. 12" - 43rd/Logus	1	LS	\$ 3,700.00	\$ 3,700.00		\$ -	1	\$ 3,700.00	1	\$ 3,700.00	
7	Connect to exist. 6" - 48th/Logus	1	LS	\$ 2,600.00	\$ 2,600.00	0.4	\$ 1,040.00	0.6	\$ 1,560.00	1	\$ 2,600.00	
8	Connect to exist. 6" - 49th/Logus	1	LS	\$ 3,600.00	\$ 3,600.00	0.4	\$ 1,440.00	0.6	\$ 2,160.00	1	\$ 3,600.00	
9	Connect to exist. 6" - 51st S. @ Logus	1	LS	\$ 1,900.00	\$ 1,900.00	0.4	\$ 760.00	0.6	\$ 1,140.00	1	\$ 1,900.00	
10	Connect to exist. 8" N. @ Logus	1	LS	\$ 2,100.00	\$ 2,100.00	0.4	\$ 840.00	0.6	\$ 1,260.00	1	\$ 2,100.00	
11	Connect to exist. 2" - 53rd Pl/Logus	1	LS	\$ 2,200.00	\$ 2,200.00	0.4	\$ 880.00	0.6	\$ 1,320.00	1	\$ 2,200.00	
12	Connect to exist. Meter @ Lewelling Sch.	1	LS	\$ 1,100.00	\$ 1,100.00	0.4	\$ 440.00	0.6	\$ 660.00	1	\$ 1,100.00	
13	Connect to exist. 6" - 54th Ct/Logus	1	LS	\$ 2,500.00	\$ 2,500.00	0.4	\$ 1,000.00	0.6	\$ 1,500.00	1	\$ 2,500.00	
14	Connect to exist. 6" & 8" - Stanley/Logus	1	LS	\$ 5,500.00	\$ 5,500.00	0.9	\$ 4,950.00	0.1	\$ 550.00	1	\$ 5,500.00	
15	Connect to exist. 6" - 56th/Harlow	1	LS	\$ 1,900.00	\$ 1,900.00	0.4	\$ 760.00	0.6	\$ 1,140.00	1	\$ 1,900.00	
16	Connect to exist. 10" - Stanley/Harlow	1	LS	\$ 2,100.00	\$ 2,100.00	0.4	\$ 840.00	0.6	\$ 1,260.00	1	\$ 2,100.00	
17	Cut & Cap existing	1	LS	\$ 1,500.00	\$ 1,500.00		\$ -	1	\$ 1,500.00	1	\$ 1,500.00	
18	Fire Hydrant w/ 8" x 6" Tee	6	EA.	\$ 1,800.00	\$ 10,800.00	6	\$ 10,800.00		\$ -	6	\$ 10,800.00	
19	Fire Hydrant w/ 12" x 6" Tee	1	EA.	\$ 2,100.00	\$ 2,100.00		\$ -	1	\$ 2,100.00	1	\$ 2,100.00	
20	Fire Hydrant w/ 6" x 6" Tee	1	EA.	\$ 1,700.00	\$ 1,700.00	1	\$ 1,700.00		\$ -	1	\$ 1,700.00	
21	Connect to exist. FH - 48th/Logus	1	EA.	\$ 1,600.00	\$ 1,600.00		\$ -	1	\$ 1,600.00	1	\$ 1,600.00	
22	6" Class 52 DI for FH	100	LF	\$ 22.00	\$ 2,200.00	40	\$ 880.00	65	\$ 1,430.00	105	\$ 2,310.00	
23	New 1" Water Service - Near Side	40	EA.	\$ 575.00	\$ 23,000.00	20	\$ 11,500.00	19	\$ 10,925.00	39	\$ 22,425.00	
24	New 1" Water Service - Far Side	36	EA.	\$ 650.00	\$ 23,400.00	18	\$ 11,700.00	25	\$ 16,250.00	43	\$ 27,950.00	
25	New 2" Water Service - Near Side	2	EA.	\$ 825.00	\$ 1,650.00		\$ -	2	\$ 1,650.00	2	\$ 1,650.00	
26	Connect to Private System	10	EA.	\$ 100.00	\$ 1,000.00		\$ -		\$ -	0	\$ -	
27	Fittings - Force Account	1000	LBS	\$ 0.50	\$ 500.00		\$ -	143	\$ 71.50	143	\$ 71.50	
Sub-Total of Base Bid:					\$ 160,150.00							
A-1	4" PVC Waterline - C900	50	LF	\$ 23.00	\$ 1,150.00		\$ -	11	\$ 253.00	11	\$ 253.00	
A-2	6" PVC Waterline - C-900	620	LF	\$ 23.00	\$ 14,260.00	560	\$ 12,880.00	77	\$ 1,771.00	637	\$ 14,651.00	
A-3	8" PVC Waterline - C-900	3660	LF	\$ 24.00	\$ 87,840.00	3660	\$ 87,840.00	-42.5	\$ (1,020.00)	3617.5	\$ 86,820.00	
Sub-Total of Bid Alt. 'A'					\$ 103,250.00							
TOTAL BID (Base + Alt. 'A')					\$ 263,400.00							
B-1	4" DI Waterline - Class 52	50	LF	\$ 30.00	\$ 1,500.00		\$ -		\$ -	0	\$ -	
B-2	6" DI Waterline - Class 52	620	LF	\$ 30.00	\$ 18,600.00		\$ -		\$ -	0	\$ -	
B-3	8" DI Waterline - Class 52	3660	LF	\$ 31.00	\$ 113,460.00		\$ -		\$ -	0	\$ -	
Sub-Total of Bid Alt. 'B'					\$ 133,560.00							
TOTAL BID (Base + Alt. 'B')					\$ 293,710.00							
CO #1	VAULT ASSEMBLY - Additional Costs											
	1. Utility Vault 676 to replace 233	1	EA.	\$ 2,350.00	\$ 2,350.00	1	\$ 2,350.00		\$ -	1	\$ 2,350.00	
	2. Rock	4	CY	\$ 20.00	\$ 80.00	4	\$ 80.00		\$ -	4	\$ 80.00	
	3. Laborer	6	HR.	\$ 39.50	\$ 237.00	6	\$ 237.00		\$ -	6	\$ 237.00	
	4. Operator	3	HR.	\$ 36.50	\$ 109.50	3	\$ 109.50		\$ -	3	\$ 109.50	
	5. SK 200 Excavator	2	HR.	\$ 70.00	\$ 140.00	2	\$ 140.00		\$ -	2	\$ 140.00	
	6. Profit & Overhead	15.00%			\$ 437.48		\$ 437.48		\$ -	0	\$ 437.48	
CO #2	Trench bdg & bckfill - substitute screenings	6000	TN	(\$1.00)	\$ (6,000.00)		\$ -	1376.45	\$ (1,376.45)		\$ (1,376.45)	
TOTAL					\$ 260,753.98		\$ 184,403.98		\$ 83,873.05		\$ 268,277.03	
LESS 5% RETAINED:							\$ 9,220.20		\$ 4,193.65		\$ 13,413.85	
TOTAL AMOUNT DUE:							\$ 175,183.78		\$ 79,679.40		\$ 254,863.17	



To: Mayor and City Council

Through: Mike Swanson, City Manager
Alice Rouyer, CD/PW Director
Paul Shirey, Engineering Director

From: Paul Roeger, Civil Engineer

Subject: Logus Road and Harlow Street Waterline Improvements
(2003-2004 Waterline Improvements – Phase 1)
Project Acceptance

Date: January 6, 2004 for January 20, 2004 City Council Meeting

Action Requested

Accept the waterlines constructed as part of the Logus Road and Harlow Street waterline improvement project and release final payment to the contractor.

Background

The adopted Water System Master Plan and the adopted Capital Improvement Plan identifies waterlines that need to be upgraded to improve fire protection and domestic water flows. The Harlow Street portion of this project replaced an old 4-inch cast iron line with a new 6-inch poly vinyl chloride (PVC) line. This completes the 6-inch loop system through the residential neighborhood in this area. In the Logus Road portion of this project an old 6-inch sand cast iron lead joint line was replaced with a new 8-inch PVC line. This project will improve flows for fire protection to Lewelling School and the First Congregational Church along Logus Road. Throughout both projects, all services were replaced and new fire hydrants were added.

Eighty-one old services were replaced with new 1-inch copper services, meter setters, and meters serving mostly single-family residences. Three old two-port fire hydrants were replaced with eight new three-port fire hydrants to improve fire protection in the area.

City Council awarded Landis & Landis Construction, LLC the contract for this project at the July 1, 2003, Council meeting. Notice to proceed was given on

September 2; work was started on September 23, and was substantially completed by November 21, which was within the extended contract time period.

Two change orders were approved totaling \$1,977.53 that exceeded the original contract amount of \$263,400 (see the attached spreadsheet), but still within the approved purchase order amount of \$289,740. The final payment, including the five percent retainage (the amount withheld from progress payments by the City until final payment is made) to the contractor, will be paid upon Council acceptance of the project.

Project Summary

New Waterline to be added to inventory: 8-inch C-900 Plastic pipe – 3,617.5 feet
6-inch C-900 Plastic pipe - 637 feet
Fire Hydrants (3 port) - 8

Waterline to be deleted from inventory: 4-inch Cast Iron - 486 feet
6-inch Cast Iron - 3,586 feet
Fire Hydrants (2 port) - 3

Public Works Engineering and the Water Department are pleased with the work of Landis & Landis Construction, LLC.

Concurrence

Public Works Engineering and the Water Department recommend that City Council accept the project and that retainage be paid to Landis & Landis Construction, LLC.

Fiscal Impact

There are no fiscal impacts. The projects were completed on schedule and within the approved purchase order amount approved by City Council on July 1, 2003.

Work Load Impacts

There are no further impacts.

Alternatives

1. Accept the waterline improvements and authorize final payment and release of retainage.
2. Give other project direction to staff prior to accepting the waterline improvements.



To: Mayor and City Council

Through: Mike Swanson, City Manager
Alice Rouyer, Director of Community Development & Public Works

From: Jack R. Ostlund Jr., Associate Engineer
Paul Shirey, Engineering Director

Subject: Water Cost of Service Rate Adoption

Date: January 5, 2003 for January 20, 2004 Meeting

Action Requested

Review the water rate study and adopt the yearly increases effective July 1, 2004 through July 1, 2010.

Background

On April 3, 2003, the City of Milwaukie contracted with Donovan Enterprises to perform a Water Cost of Service Study (see Attachment 2). Water rates have remained unchanged for the past eight years. The purpose of the study was to match rate revenue to the cost of future capital needs (re: water line replacement, storage capacity and well-head costs) and projected operating expenses. The study was also designed to evaluate the cost of services provided by the City of Milwaukie Water Department

On May 7, 2003, the consultant team presented the Citizens Utility Advisory Board (CUAB) with the City's current revenue requirements and a review of the overall financial health, fiscal policies and operations of the Water Department. The consultants discovered that the water department had not been funding the cost of capital depreciation for some time, contrary to sound financial practices. Capital depreciation is funding a proportional replacement cost of long-lasting items, such as water tanks and treatment facilities, over the useful life of that item. This allows the item to be replaced at the end of its useful life. The CUAB advised the consultant team to develop three rate scenarios to fund depreciation and return for the June 4, 2003 CUAB meeting to discuss the implications of each.

On June 4, 2003, the consultant team shared the rate options with the CUAB. The CUAB recommended adopting the rate option that provides a regular, consistent, and affordable increase over a period of seven years. This gradual rate increase will phase-in depreciation funding with full funding by the end of the fiscal year 2010. The current five year capital improvement plan would also be fully funded under this scenario.

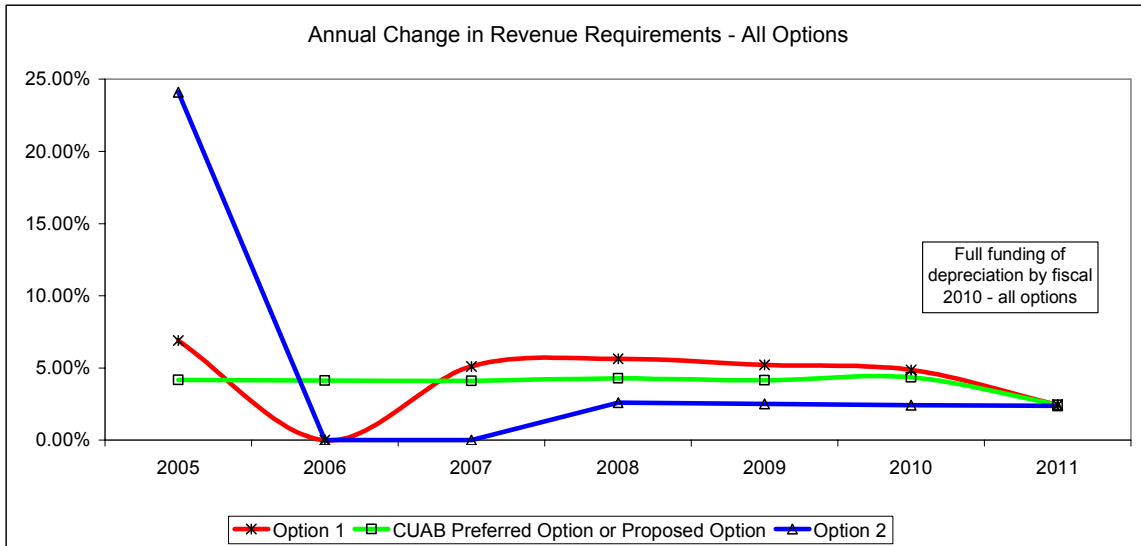
This option was presented at the July 14, 2003 Council Work Session and the September 16, 2003 Council Session. It assumes that legal fees for the well contamination lawsuit are funded through the Water Capital Reserve Fund. This option allows for the gradual funding of depreciation, with full funding by 2010. Therefore, the rate increase will not be needed to support the lawsuit. In summary, this option is recommended for the following reasons:

- Allows for a series of approximately four percent increases
- Allows for a gradual funding of depreciation and eliminating the initial rate spike.
- Funds the current five-year Capital Improvement Plan.

Table 1 on the following page is a table with revised implementation dates from the final consultant report. This table demonstrates the different legal fee and depreciation funding options:

City of Milwaukee
 Analysis of Annual Percentage Increases in Revenue Requirements Under Alternative Options

Option Number and Description	2005	2006	2007	2008	2009	2010	2011
Option 1: Fund legal fees from rates and start funding depreciation in 2005 (the case presented to the CUAB on May 7, 2003)	6.89%	0.00%	5.11%	5.64%	5.20%	4.86%	2.44%
CUAB Preferred Option or Proposed Option: Fund legal fees from the CIP reserve fund and start funding depreciation in fiscal 2005	4.17%	4.13%	4.11%	4.27%	4.14%	4.35%	2.46%
Option 2: Fund legal fees from rates and fund depreciation 100% in fiscal 2005	24.09%	0.00%	0.00%	2.60%	2.52%	2.43%	2.38%



Notes:

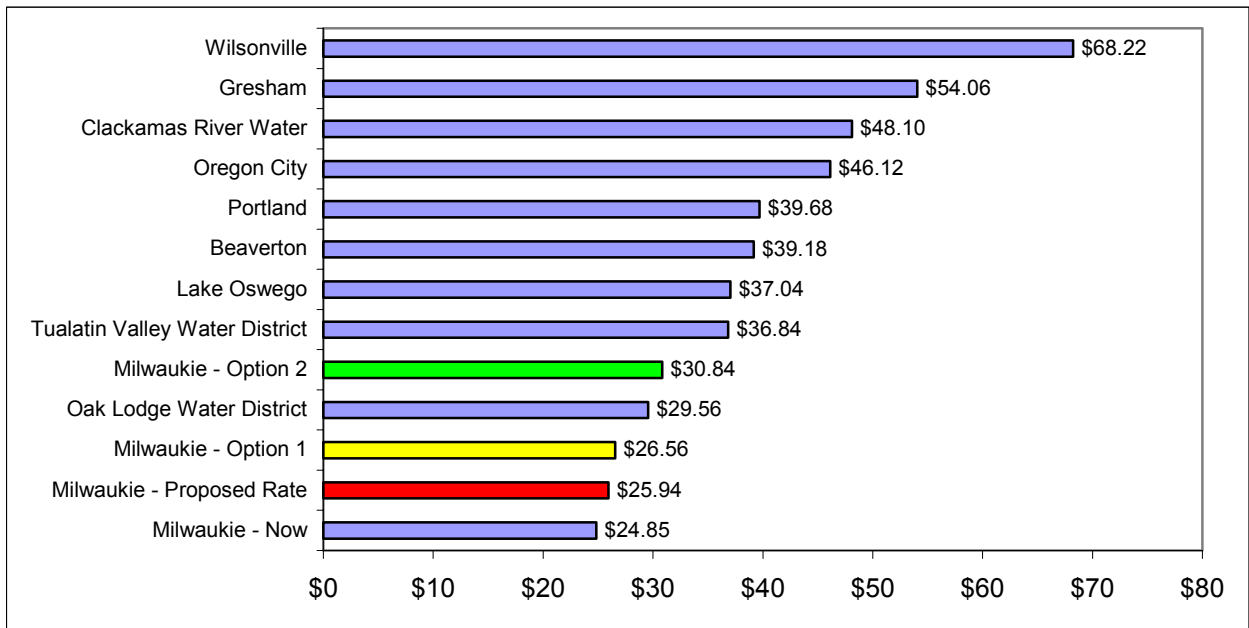
1. Option III is not charted; it was included in the table for comparison purposes only.

2. Annual Depreciation Funding:

Year	Option 1	CUAB Option	Option 2
2005	\$ -	\$ 150,000	\$ 315,636
2006	63,127	175,000	325,105
2007	126,254	190,000	334,858
2008	189,382	225,000	344,904
2009	252,509	265,000	355,251
2010	315,636	315,636	365,909

Table 2 was developed to demonstrate the impact that the recommended rate structure has on a residential customer who uses 14 CCF (Hundred Cubic Feet) in a two-month billing period or the system average. The result of the rate recommendation is an increase of \$1.04 per two-month billing period. Table 2 also compares Milwaukie’s current rates and each of the three proposed options to other area jurisdictions’ water rates for a two-month billing period. Table 3 on the following page is a spreadsheet showing the new proposed rate structure for the next fiscal year (Tables for fiscal year 2006-2011 are included as Exhibit A in this document):

TABLE 2
Milwaukie Residential Water Rates Relative to Neighboring Communities
(Assuming 14 CCF consumption per two month billing period)



A chart comparing a total utility bill of Milwaukie and other neighboring jurisdiction is shown as Attachment 3.

TABLE 3
Current Rate and Proposed fiscal year 2005 rates

Description	Current Rates		Uniform Increase at 4.17%	
			Calculated Rates for FY05 Effective July 1, 2004	
	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
5/8" X 3/4" Meter or Smaller	5.95	1.35	6.20	1.41
1" Meter	8.29	1.35	8.64	1.41
1 1/2" Meter	13.38	1.35	13.94	1.41
2" Meter	20.78	1.35	21.65	1.41
3" Meter	51.22	1.35	53.35	1.41
4" Meter	72.78	1.35	75.81	1.41
6" Meter	129.90	1.35	135.31	1.41
Low Income Rate	-	1.35	-	1.41
2" Standby*	8.85	1.35	9.22	1.41
4" Standby*	31.88	1.35	33.21	1.41
6" Standby*	46.41	1.35	48.34	1.41
8" Standby*	63.02	1.35	65.65	1.41
10" Standby*	79.61	1.35	82.93	1.41
12" Standby*	96.21	1.35	100.22	1.41

*Standby indicates a meter that is used for fire flow purposes only

Staff is recommending that Council adopt an increase of 4.17% for next fiscal year and a schedule of rate increases for the next seven years. If a settlement from the well contamination litigation results in a financial award to the City, it could be used to reimburse the reserve fund. This would also trigger the opportunity to evaluate our future rate strategy.

If these rate tables are adopted, staff recommends that the new rate be implemented on bills prepared after July 1, 2004. Also, adopting these rate tables will implement an increase on July 1 for the next six years or until 2010.

Concurrence

The Engineering Department, Finance Department, Community Development, City Attorney’s Office, and City Manager’s Office support the CUAB recommendation for a gradual rate increase to fund capital depreciation.

Fiscal Impact

This change in the water rate structure will allow the water fund to remain in a healthy, stable condition. The amended rate will allow future maintenance, equipment replacement, and capital improvement to be fully funded.

Work Load Impacts

This project is included in the Engineering Department and Finance Department annual work program.

Alternatives

1. Adopt the recommended rate structure.
2. Amend the proposed rate structure.
3. Keep the current rate structure

Attachment

1. Resolution
2. Donovan Enterprises Final Report
3. Rate table comparing Milwaukie Total Utility Bill vs. other jurisdictions
4. Correspondence

ATTACHMENT 1

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, ADOPTING NEW WATER RATES AS PROVIDED BY MILWAUKIE MUNICIPAL CODE CHAPTERS 13.04 AND 13.20; AMENDING RESOLUTION 17-1997.

WHEREAS, Milwaukie Municipal Code Chapters 13.04 and 13.20 authorize the City Council to establish water rates; and

WHEREAS, the City Council by Resolution No. 17-1997 established the current water rates; and

WHEREAS, the City is required to review water rates on an annual basis; and

WHEREAS, the City's goal in rate-setting is to recover the costs of service; and

WHEREAS, the Citizens Utility Advisory Board recommends that the Council approve the water rates as set forth in Exhibit A;

NOW, THEREFORE, BE IT RESOLVED by the City Council of that the City of Milwaukie that the water rates established by Resolution No. 17-1997 be amended as follows:

Section 1: The City Council adopts the water rates set forth in Exhibit A as the rates to be charged for service after the effective date of this resolution.

Section 2: Previously adopted water rates shall remain in effect until the new rates take effect.

Section 3: This resolution is effective July 1, 2004.

Introduced and adopted by the City Council of the City of Milwaukie, Oregon on _____, 2004.

James Bernard, Mayor

APPROVED AS TO FORM:
Ramis Crew Corrigan & Bachrach, LLP

ATTEST:

By: _____
City Attorney

Pat DuVal, City Recorder

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Resolution No. _____
Page 2 of 2

Exhibit A

Description	Current Rates		Uniform Increase at 4.17%	
			Calculated Rates for FY05 Effective July 1, 2004	
	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
5/8" X 3/4" Meter or Smaller	5.95	1.35	6.20	1.41
1" Meter	8.29	1.35	8.64	1.41
1 1/2" Meter	13.38	1.35	13.94	1.41
2" Meter	20.78	1.35	21.65	1.41
3" Meter	51.22	1.35	53.36	1.41
4" Meter	72.78	1.35	75.81	1.41
6" Meter	129.90	1.35	135.32	1.41
Low Income Rate	-	1.35	-	1.41
2" Standby*	8.85	1.35	9.22	1.41
4" Standby*	31.88	1.35	33.21	1.41
6" Standby*	46.41	1.35	48.35	1.41
8" Standby*	63.02	1.35	65.65	1.41
10" Standby*	79.61	1.35	82.93	1.41
12" Standby*	96.21	1.35	100.22	1.41

*Standby indicates a meter that is used for fire flow purposes only

Description	Uniform Increase at 4.13%		Uniform Increase at 4.11%	
	Calculated Rates for FY06 Effective July 1, 2005		Calculated Rates for FY07 Effective July 1, 2006	
	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
5/8" X 3/4" Meter or Smaller	6.45	1.46	6.72	1.52
1" Meter	8.99	1.46	9.36	1.52
1 1/2" Meter	14.51	1.46	15.11	1.52
2" Meter	22.54	1.46	23.47	1.52
3" Meter	55.56	1.46	57.84	1.52
4" Meter	78.95	1.46	82.19	1.52
6" Meter	140.91	1.46	146.70	1.52
Low Income Rate	-	1.46	-	1.52
2" Standby*	9.60	1.46	9.99	1.52
4" Standby*	34.58	1.46	36.00	1.52
6" Standby*	50.34	1.46	52.41	1.52
8" Standby*	68.36	1.46	71.17	1.52
10" Standby*	86.35	1.46	89.90	1.52
12" Standby*	104.36	1.46	108.65	1.52

*Standby indicates a meter that is used for fire flow purposes only

Description	Uniform Increase at 4.27%		Uniform Increase at 4.14%	
	Calculated Rates for FY08		Calculated Rates for FY09	
	Effective July 1, 2007		Effective July 1, 2008	
	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
5/8" X 3/4" Meter or Smaller	7.01	1.59	7.30	1.66
1" Meter	9.76	1.59	10.17	1.66
1 1/2" Meter	15.76	1.59	16.41	1.66
2" Meter	24.47	1.59	25.48	1.66
3" Meter	60.31	1.59	62.81	1.66
4" Meter	85.70	1.59	89.25	1.66
6" Meter	152.96	1.59	159.29	1.66
Low Income Rate	-	1.59	-	1.66
2" Standby*	10.42	1.59	10.85	1.66
4" Standby*	37.54	1.59	39.09	1.66
6" Standby*	54.65	1.59	56.91	1.66
8" Standby*	74.21	1.59	77.28	1.66
10" Standby*	93.74	1.59	97.62	1.66
12" Standby*	113.29	1.59	117.98	1.66

*Standby indicates a meter that is used for fire flow purposes only

Description	Uniform Increase at 4.35%		Uniform Increase at 2.46%	
	Calculated Rates for FY10		Calculated Rates for FY11	
	Effective July 1, 2009		Effective July 1, 2010	
	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
5/8" X 3/4" Meter or Smaller	7.61	1.73	7.80	1.77
1" Meter	10.61	1.73	10.87	1.77
1 1/2" Meter	17.12	1.73	17.54	1.77
2" Meter	26.59	1.73	27.24	1.77
3" Meter	65.54	1.73	67.15	1.77
4" Meter	93.13	1.73	95.42	1.77
6" Meter	166.22	1.73	170.31	1.77
Low Income Rate	-	1.73	-	1.77
2" Standby*	11.32	1.73	11.60	1.77
4" Standby*	40.79	1.73	41.80	1.77
6" Standby*	59.39	1.73	60.85	1.77
8" Standby*	80.64	1.73	82.63	1.77
10" Standby*	101.87	1.73	104.38	1.77
12" Standby*	123.11	1.73	126.14	1.77

*Standby indicates a meter that is used for fire flow purposes only

ATTACHMENT 2



City of Milwaukie

Water Rate Study
June, 2003

Presented by



City of Milwaukie Water Rate Study



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Executive Summary

Revenue Requirements and the Citizens Utility Advisory Board

This study addresses the levels and structure of rates needed to support the operations of the water utility in the City of Milwaukie. A five year planning period, 2005 through 2009, has been used in the analysis with rates based on cost of service principles. Fiscal 2004 data are based on the City's proposed budget for the period July 1, 2003 through June 30, 2004.

Based on the estimated results of the current fiscal year and the data discussed above, three optional analyses were developed and presented to the Citizens Utility Advisory Board (CUAB) at two meetings held in May and June of 2003. The fundamental differences between these three alternatives centered on the funding of legal fees associated with the City's pending ground water contamination litigation, and a strategy to begin funding infrastructure replacement from rates. A detailed discussion of the specifics of each of these cases is contained in the body of this report.

The guiding policy criteria that were used by the CUAB to evaluate the options were:

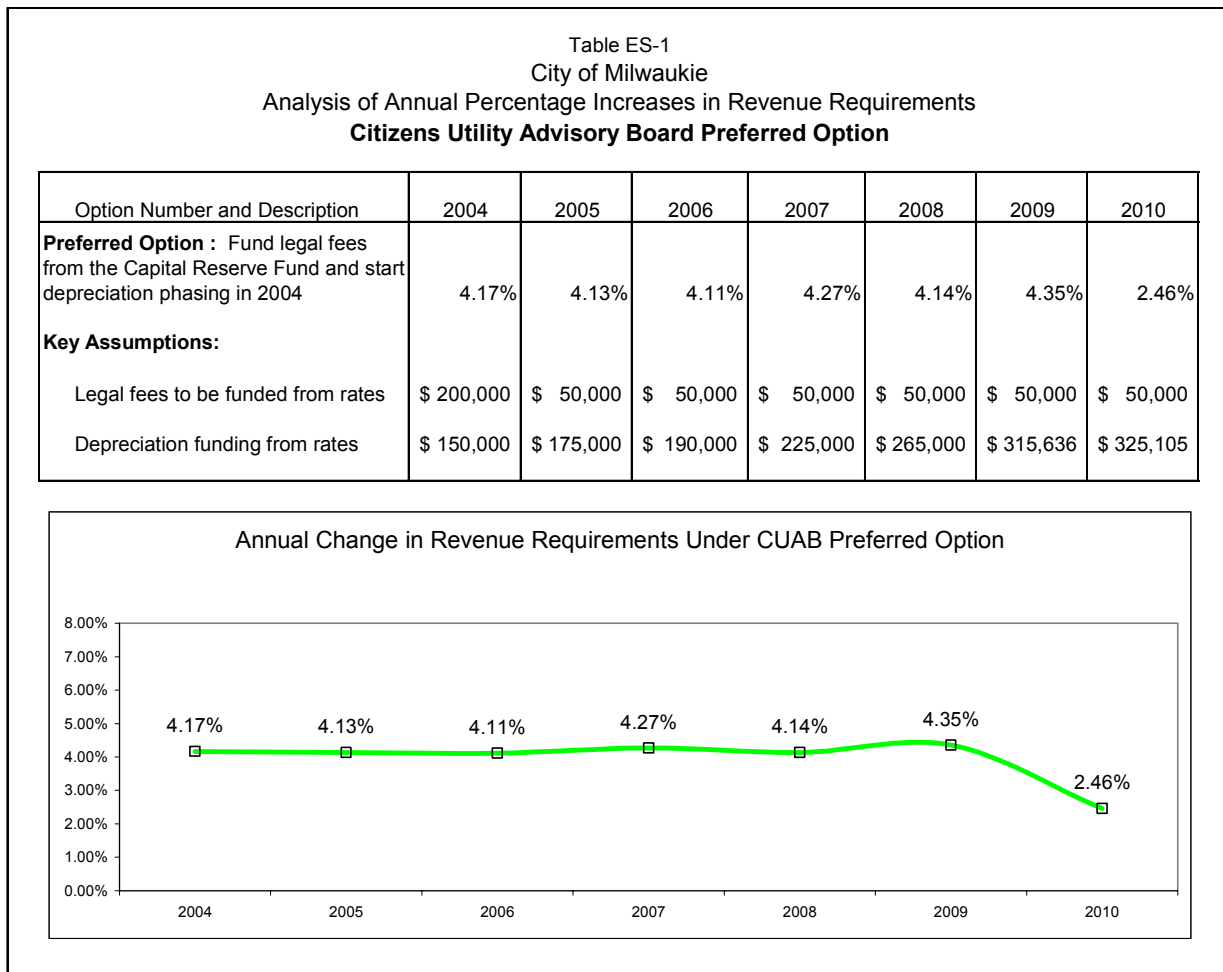
- ❖ Legal fees arising out of the pending groundwater contamination litigation are transient in nature and should be funded from the Water Capital Reserve Fund. It was felt by the Board that the rate spikes that would result from having rate payers fund this expense via current rates was unnecessary. There are sufficient resources in the Reserve Fund to meet the anticipated short term legal fee requirements. The Board realized that by using this money to pay for legal fees, it would be diverting resources that would have been used for system repair, replacement, and enhancement. The City Attorney anticipates bringing the litigation to a close by the end of fiscal 2004. Since fiscal 2002, the City has spent \$330,000 prosecuting this case. For the upcoming fiscal year, an additional \$200,000 has been budgeted. The forecast assumes an additional \$50,000 per year thereafter will be spent to fund anticipated appeals and challenges by the defendants. The Board also felt that any judgments or settlements that arise out of this litigation to the benefit of the City, would in effect be a return on the ratepayers' investment.
- ❖ To the greatest extent possible, any future rate increases should be structured to be smooth across the forecast horizon. The Board has historically supported small regular rate adjustments in lieu of one time spikes followed by years of no increases.
- ❖ After taking into account the preferred treatment of legal fees, and the Board's overriding preference of having small regular rate adjustments, the City should begin phasing in the funding of infrastructure replacement via rates. Currently, the City is not transferring cash from the Water Operating Fund to the Water Capital Reserve Fund for the replacement of infrastructure(i.e., pumps, pipes, wells, and reservoirs). There simply is not enough revenue being generated from current rates to meet this requirement after all of the utility's other fiscal needs have been met. According to the City's audited

financial statements, the water system incurred \$315,636 in depreciation expense in fiscal 2002. Depreciation expense is a surrogate for replacement requirements. This issue is of particular importance in Milwaukie because some parts of the water distribution system have been in service in excess of 50 years. Conversation with the City's operations staff indicate that this infrastructure needs replacement.

After considerable discussion, the Board unanimously agreed to recommend a water system funding option to the City Council that contains the following strategy:

- ❖ Fund legal fees from the Water Capital Reserve Fund. Although these fees will be budgeted in and paid from the Water Operating Fund, the resources will come from the capital reserve via transfer. As of April 30, 2003, there was \$1,770,462 in the water capital reserve fund.
- ❖ Start a five year phase-in program for the funding of infrastructure replacement from rates. The phasing should start in fiscal 2004. By 2009 the City will achieve full funding at a level of the \$315,636.

Based on these criteria, the following forecast of changes in revenue requirements ensued:



Rates and Rate Structure

The City has not adjusted water rates since 1995. In 1993, the City moved away from a fixed bi-monthly fee approach for residential water service in favor of the current system that consists of fixed (i.e., base charge) and variable (i.e., use charge) elements. The preponderance of the City's total customer base (88%) is residential. Almost all of these customers are served by 5/8"-3/4" meters. These customers pay the city a fixed bi-monthly base fee of \$5.95 in addition to a variable use fee of \$1.35 per one hundred cubic feet of water consumed (i.e., metered). In fiscal 2002 these residential customers consumed 63% of all water sold in the City. The balance of the water sales was made up by multifamily, commercial and industrial customers. These customers pay the same use fee of \$1.35 per one hundred cubic fee of water consumed (i.e., Ccf). However, the bi-monthly base charge for these customers varies depending on the size of the meter that is installed. These charges start out at a bi-monthly rate of \$8.29 for a one inch meter and go up to \$129.90 for a six inch meter.

The basic design of the City's rate structure for water is sound. The current rates afford customers the opportunity to avoid and control costs based on their metered potable water consumption patterns. This is sound policy and is effectively the standard in the utilities industry.

It is at this point in the rate study process that alternative rate structures are usually explored. The consultant team has reviewed the process that was used to develop the existing system and find no reason to make changes to that structure. The most compelling argument for staying with this system is contained in Table ES-2

Table ES-2 City of Milwaukie Analysis of Water Accounts Fiscal 1992 - 2002			
Account Description	Average Number of Accounts		10 Year Compounded Annual Change
	1992	2002	
5/8" X 3/4" Meter	5,655	5,865	0.36%
1" Meter	308	252	-1.99%
1 1/2" Meter	79	86	0.87%
2" Meter	140	150	0.69%
3" Meter	16	16	0.00%
4" Meter	8	7	-1.33%
6" Meter	1	1	0.00%
Clackamas Billing	1	1	0.00%
Low Income Rate	144	159	1.01%
2" Standby	9	8	-1.81%
4" Standby	26	30	1.44%
6" Standby	23	31	3.03%
8" Standby	31	28	-1.01%
10" Standby	10	10	0.00%
12" Standby	3	3	0.00%
Total Accounts	6,454	6,646	0.29%

Generally, the primary reason to change a rate structure is to rectify a looming rate inequity. These inequities are usually the result of changes in consumption patterns over time by unique classes of customers. For example, a growth in peaking demand by one class of customer (say a 4 inch industrial customer) would warrant a shifting of cost recovery to that class. In the case of Milwaukie, the demands that are placed on the system are effectively static and have been static for the last ten years. Milwaukie is now a community at buildout. As the data in Table ES-2 show, the total growth in the customer base has been averaging 0.29% per year since 1992. This is a very small change with respect to planning and accounting for system demand. This is particularly true in the case of the commercial and industrial customers. The relative change in the composition of those customers with meters in the 1 inch to 6 inch range is effectively zero.

In addition to analyzing trends in the number of accounts served by the City, the consultant team also reviewed very recent trends in water sales and peaking requirements to determine if there has been a shift demand, which may call for a review of how costs are recovered from customers. In both cases, the team found no unusual changes or shifts in the amount of water delivered to customers or the way that water was consumed by each class of metered customer.

Based on the analysis discussed above, it is recommended that the City implement a uniform water rate increase of 4.17% for fiscal 2004 and adjust rates in future years with the benefit of annual reviews of revenue requirements and customer demographics and demand. The existing and proposed schedule of water rates for fiscal 2004 are contained in Table ES-3.

Table ES-3 City of Milwaukie Current and Proposed Water Rates CUAB Preferred Option					
Uniform Rate Adjustment Percent		4.17%			
Billing System Code	Description	Current Rates		Proposed Rates	
		Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
2	5/8" X 3/4" Meter or Smaller	5.95	1.35	6.20	1.41
3	1" Meter	8.29	1.35	8.64	1.41
4	1 1/2" Meter	13.38	1.35	13.94	1.41
5	2" Meter	20.78	1.35	21.65	1.41
6	3" Meter	51.22	1.35	53.35	1.41
7	4" Meter	72.78	1.35	75.81	1.41
8	6" Meter	129.90	1.35	135.31	1.41
20	Low Income Rate	-	1.35	-	1.41
502	2" Standby	8.85	1.35	9.22	1.41
504	4" Standby	31.88	1.35	33.21	1.41
506	6" Standby	46.41	1.35	48.34	1.41
508	8" Standby	63.02	1.35	65.65	1.41
510	10" Standby	79.61	1.35	82.93	1.41
512	12" Standby	96.21	1.35	100.22	1.41

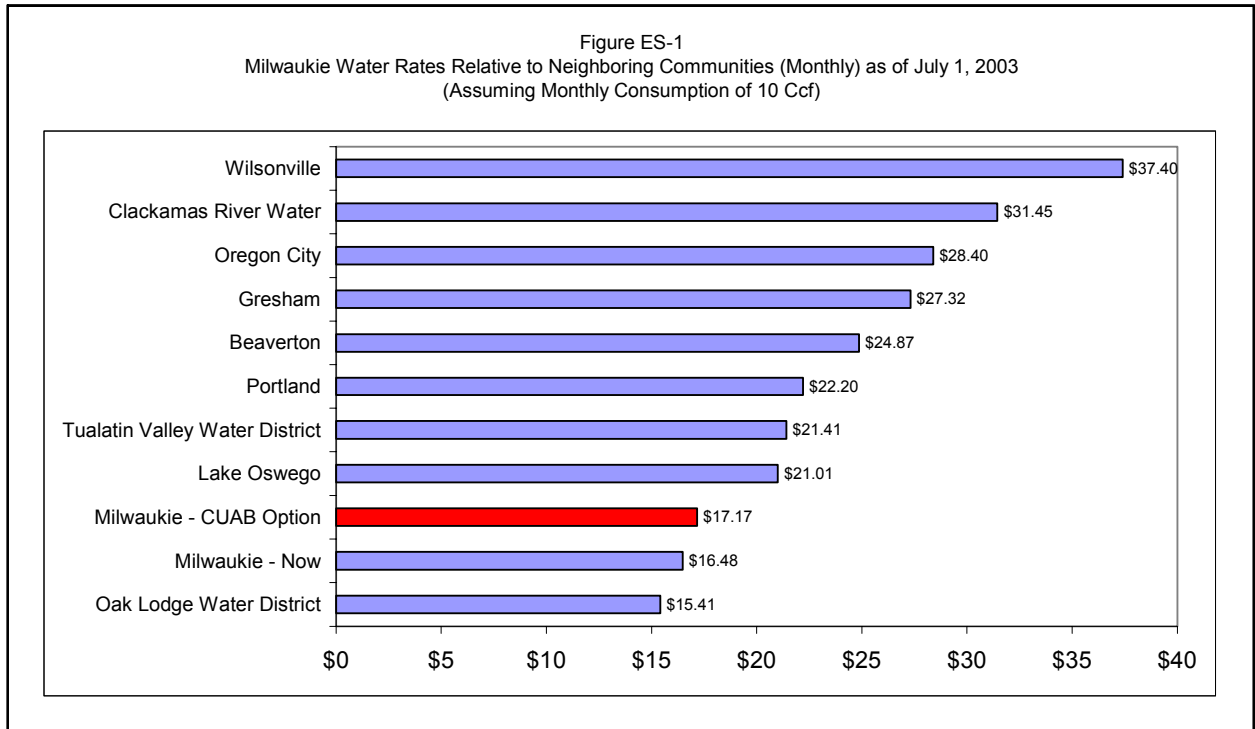
Impact of Rate Increase on Actual Customers

In order to judge the financial impact on customers as a result of the recommended general rate increase, a sample of actual customer accounts were analyzed. Based on the knowledge of the customer service staff, an attempt has been made to look at the bi-monthly bills of a cross section of the City's customers. Itemized in table ES-4 is a breakdown of the actual bi-monthly bills for selected customers for the period June-July, 2002. Also included, is a calculation of those customers' bills under the proposed increased rates.

Table ES-4 City of Milwaukie Comparison of Actual Water Bills to Water Bills Under Proposed Rates (Actual Consumption for August and September of 2002)				
Customer	Units (Ccf)	Bill Comparisons		Percent Change
		Actual 2002	Under Proposed New Rates	
1 Elderly Person	25	\$ 39.70	\$ 41.40	4.3%
1 Elderly Person	3	10.00	10.60	6.0%
Married Couple No Children	12	22.15	23.20	4.7%
Married Couple No Children	12	22.15	23.20	4.7%
Married with 2 Children	47	69.40	72.20	4.0%
Married w/more than 2 Kids	79	112.60	117.00	3.9%
1" Commercial Meter	53	79.84	83.25	4.3%
2" Commercial Meter	40	74.78	79.79	6.7%
2" Commercial Meter	380	533.78	555.79	4.1%
4" Commercial Meter	58	151.08	168.88	11.8%
4" Commercial Meter	6,878	\$ 9,358.08	\$ 9,716.88	3.8%

Milwaukie Rates Relative to Neighboring Communities

In addition to evaluating the impact on Milwaukie customers relative to what they are currently paying for domestic water service, a survey was performed to determine how the City's water rates compare to those charged in neighboring communities. In order to make an "apples-to-apples" comparison, a representative monthly bill was calculated for a single family residential customer that consumed 10 Ccf per month. This assumes these customers are served by 5/8"-3/4" meters. Figure ES-1 shows the resulting monthly bills for ten local communities.



Development Services Fees and Charges

The City routinely provides services and incurs costs for new water customers that are not covered by monthly rates. The most common service is new meter installation. For a one-time and set fee, the City will install a meter for a new customer. Typically, these installations are for new developments. However, there are instances where existing customers request to have a meter changed out to accommodate increased (or decreased) anticipated usage. The City also sells approved meters to customers who, in turn, install them at their own expense and subject to final inspection by the City. There are other miscellaneous development related services that the Water Department provides and bills to customer on a scheduled basis. All of these development related fees are itemized and contained in City Resolution # 23-2002 (adopted 9/17/02). The water fees and charges that are in place have not been adjusted since 1993. Over the last three fiscal years, the City has received an average of \$27,673 per year by providing these services. To put this figure in perspective, revenues recognized from water rates will amount to almost \$1,800,000 this fiscal year. Clearly, development related service fees are a small part of the Water Department's revenue base.

A suggestion has been made that the City consider moving away from charging for these direct services for development on a **pre-set or scheduled** basis. The alternative is to implement a job cost approach for cost recovery where direct labor, equipment and materials are billed to a specific developer based on the actual costs incurred. The primary advantage of the job cost approach is that the City will recover its exact costs in providing the direct service on a work order basis. Under a pre-set or fee schedule basis of cost recovery, the actual costs incurred do not necessarily match the fee schedule due to timing and the scope of each individual site specific job. While accuracy of billing is a recognized advantage in the job cost approach, it is also the case that the City does see disadvantages to moving away from its pre-set or scheduled fees. These are:

1. Increased Administration for the City. In order to send an accurate bill for services rendered, the City would have to implement a system able to track time, materials, and overhead by work order. The City currently does not have a system in place to accommodate this process. Discussions with public works staff indicate that this type of system could be developed, but it would take time and unbudgeted resources.
2. Adversity for Customers. Under the current process, developers and existing customers know - up front - how much they will be charged for the services they are requesting from the City. Under the suggested time and materials approach, the City could only give the prospective developer or customer an estimate of the costs. The final cost would not be known until the job in question was completed. This "certainty" factor is important, particularly in the case of developers, because this cost data is used to calculate the feasibility of prospective projects.

Recommendation: Milwaukee is at effective buildout. There is limited new development activity at this time. According to Public Works staff, there were only ten or twelve new service meter installations last year. If there was substantial development/redevelopment activity, it might be appropriate to commit the resources necessary to implement a job costing system. However, given the current level of development and the adequacy of development fee revenue to offset current

meter installation costs, no such change is warranted.

Therefore, it is recommended that the City continue its policy of setting a schedule of fees for development related services and periodically adjusting these fees based on available actual cost of service data. An analysis of recent cost data indicates that the schedule of fees that are currently in force are adequate to recover the City's costs. Therefore, no adjustments are recommended to the development support fee schedule at this time. The current fee schedule is as follows:

WATER FEES & CHARGES IN SUPPORT OF DEVELOPMENT AND CUSTOMER SERVICES

Service and Equipment:

Connect Service 5/8" or 3/4" Residential Service	\$2,460
Connect Service 1"	\$2,547
Connect Service 1 1/2"	\$2,923
Connect Service 2"	\$3,067

Equipment:

3/4" Meter.....	\$208
1" Meter.....	\$301
1 1/2" Meter.....	\$510
2" Meter.....	\$625
Hydrant Meter Deposit.....	\$579

Miscellaneous:

Delinquent Account – Past Due Notice*	\$5
Delinquent Account – Notice of Termination*	\$25
After Hours Restoration of Service*	\$80
(Monday-Friday 5:00 pm to 8:00 pm; Saturday & Sunday 8:00 am to 5:00 pm)	
Information Research.....	\$44/hr.
Reimbursement District Fee	To be determined by scope of project

* Accounts remaining delinquent more than three (3) months subject to 10% per year added to the outstanding balance to pay the City's interest and collection costs.

Summary of Consultant Recommendations

- The City should consider adopting a set of uniform financial policies for all of its utilities. **Appendix A** contains an issue paper that lays out recommended guidelines for the financial planning and management of the water system.
- The City should adopt the CUAB's preferred option for the ongoing funding of the water utility. This recommendation calls for a 4.17% increase in the systems revenue requirements for fiscal 2004. It is further recommended that this increase be uniformly implemented across all customers by size of water meter in service.
- The modeling that has been done to develop the water system's revenue requirements is predicated on a five year comprehensive financial plan. It is recommended that the City endeavor to implement this plan through annual reviews of the water systems financial performance. Periodic updates to the plan are expected and prudent as operating and strategic conditions change over time.
- Fees and charges related to water system development services are adequate at this time to recover anticipated costs incurred by the city in the support of development activities. As in the case of water rates, the City should review these fees and charges annually to insure that revenues from this source are sufficient to cover the costs incurred to provide development related services.

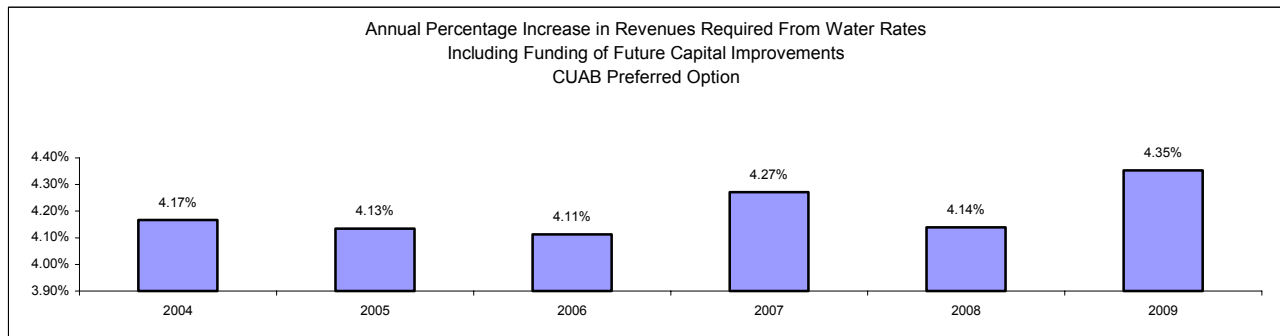


Analysis Section

Detail of the CUAB Preferred Option – Fund legal fees from the Capital reserve Fund and start the phase-in of capital replacement funding from rates in fiscal 2004

Water Operating Fund Revenue Requirements

City of Milwaukee PRELIMINARY Projection of Water Operating Fund Revenue Requirements CUAB Preferred Option							
Line Item Description	Estimated	Proposed	Forecast				
	2003	2004	2005	2006	2007	2008	2009
Projection of Cash Flow:							
Transfers IN	258,400	205,000	328,000	328,000	328,000	328,000	328,000
Gross Revenues:							
Miscellaneous Fees & Charges	28,691	20,000	20,000	20,000	20,000	20,000	20,000
Water User Fees	1,835,622	1,835,000	1,920,628	2,009,631	2,102,338	2,202,654	2,304,828
User Penalty Fees	74,835	60,000	60,000	60,000	60,000	60,000	60,000
Intergovernmental Charges	10,804	1,500	1,500	1,500	1,500	1,500	1,500
Interest Earned	4,740	15,751	15,839	13,118	13,094	12,983	14,176
Rental Revenue	25,225	29,000	29,000	29,000	29,000	29,000	29,000
Bad Debt Recovery	1,712	-	-	-	-	-	-
Other Revenues	73	1,000	1,000	1,000	1,000	1,000	1,000
Subtotal Gross Revenues	1,981,702	1,962,251	2,047,967	2,134,249	2,226,932	2,327,137	2,430,504
less: Operations & Maintenance Expense	(1,247,750)	(1,421,254)	(1,472,590)	(1,520,421)	(1,570,044)	(1,616,513)	(1,670,377)
less: Transfers OUT	(251,681)	(437,277)	(470,895)	(494,772)	(538,915)	(588,333)	(648,669)
less: Cash Financing of Capital Improvements	(76,411)	(200,000)	(200,000)	(200,000)	(200,000)	(60,301)	(77,746)
less: Existing Debt Service	(134,085)	(134,765)	(130,110)	(130,360)	(130,260)	(134,800)	(133,475)
less: New Debt Service	-	(45,374)	(52,995)	(67,013)	(71,961)	(71,961)	(71,961)
Net Cash	530,175	(71,418)	49,377	49,684	43,752	183,228	156,275
Net Deficiency/(Surplus)	(530,175)	71,418	(49,377)	(49,684)	(43,752)	(183,228)	(156,275)
Test of Coverage Requirement:							
Operating Expenses as Defined in Ordinance No. 8-1997	1,499,431	1,858,531	1,943,485	2,015,193	2,108,959	2,204,846	2,319,046
Debt Service on Series 1997 Water Refunding Bonds:							
Interest	44,085	39,765	35,110	30,360	25,260	19,800	13,475
Principal	90,000	95,000	95,000	100,000	105,000	115,000	120,000
Total Debt Service on Series 1997 Bonds	134,085	134,765	130,110	130,360	130,260	134,800	133,475
Debt Service on New Serial Revenue Bonds	-	45,374	52,995	67,013	71,961	71,961	71,961
Additional Coverage Required: 25%	33,521	45,035	45,776	49,343	50,555	51,690	51,359
Total Revenue Required with Coverage	1,667,037	2,083,704	2,172,366	2,261,909	2,361,736	2,463,298	2,575,842
Gross Revenues Allowable for Coverage Test:							
Gross Revenues Recognized From Fees and Charges	1,981,702	1,962,251	2,047,967	2,134,249	2,226,932	2,327,137	2,430,504
System Development Charges	45,990	45,000	45,000	45,000	45,000	45,000	45,000
Gross Revenues Allowable for Coverage Test	2,027,692	2,007,251	2,092,967	2,179,249	2,271,932	2,372,137	2,475,504
Coverage Recognized	3.94	0.83	0.82	0.83	0.81	0.81	0.76
Coverage Required	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Net Deficiency/(Surplus)	(360,655)	76,453	79,400	82,659	89,804	91,161	100,338
Projection of Revenue Sufficiency:							
Maximum Deficiency	-	76,453	79,400	82,659	89,804	91,161	100,338
Percent Increase Required Over Current Rate Revenues	0.00%	4.17%	4.13%	4.11%	4.27%	4.14%	4.35%
Revenue Recovered From Existing Rates and Charges		1,835,000	1,920,628	2,009,631	2,102,338	2,202,654	2,304,828
add: Revenue From Growth in the Customer Base		9,175	9,603	10,048	10,512	11,013	11,524
add: Revenues Recovered From Rate Increase		76,453	79,400	82,659	89,804	91,161	100,338
Total Revenues Recovered From Rates & Charges after Increase		1,920,628	2,009,631	2,102,338	2,202,654	2,304,828	2,416,690



Water Operating Fund Sources and Uses of Funds (Cash Flow)

City of Milwaukee Statement of Cash Flow and Changes in Fund Balance - Water Operating Fund CUAB Preferred Option							
Line Item Description	Estimated	Proposed	Forecast				
	2003	2004	2005	2006	2007	2008	2009
Sources of Funds							
Beginning Fund Balance	\$ 647,471	\$ 927,646	\$ 656,227	\$ 655,604	\$ 653,788	\$ 644,494	\$ 773,086
Revenues:							
Miscellaneous Fees & Charges	28,691	20,000	20,000	20,000	20,000	20,000	20,000
Water User Fees	1,835,622	1,835,000	1,920,628	2,009,631	2,102,338	2,202,654	2,304,828
User Penalty Fees	74,835	60,000	60,000	60,000	60,000	60,000	60,000
Intergovernmental Charges	10,804	1,500	1,500	1,500	1,500	1,500	1,500
Interest Earned	4,740	15,751	15,839	13,118	13,094	12,983	14,176
Rental Revenue	25,225	29,000	29,000	29,000	29,000	29,000	29,000
Bad Debt Recovery	1,712	-	-	-	-	-	-
Other Revenues	73	1,000	1,000	1,000	1,000	1,000	1,000
Total Revenues	<u>1,981,702</u>	<u>1,962,251</u>	<u>2,047,967</u>	<u>2,134,249</u>	<u>2,226,932</u>	<u>2,327,137</u>	<u>2,430,504</u>
Transfers IN:							
Fund 515 - System Development Charges	8,400	5,000	78,000	78,000	78,000	78,000	78,000
Fund 520 - Capital Reserve Fund	<u>250,000</u>	<u>200,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>258,400</u>	<u>205,000</u>	<u>328,000</u>	<u>328,000</u>	<u>328,000</u>	<u>328,000</u>	<u>328,000</u>
Total Sources of Funds	<u><u>2,887,573</u></u>	<u><u>3,094,897</u></u>	<u><u>3,032,194</u></u>	<u><u>3,117,853</u></u>	<u><u>3,208,720</u></u>	<u><u>3,299,631</u></u>	<u><u>3,531,590</u></u>
Uses of Funds							
Personal Services	378,052	430,650	443,570	456,877	470,583	484,700	499,241
Materials and Services (including Existing Debt Service)	1,003,783	1,125,369	1,159,130	1,193,904	1,229,721	1,266,613	1,304,611
Well Field Litigation Legal Fees	250,000	200,000	50,000	51,500	53,045	54,636	56,275
Capital Outlays:							
Minor Capital	-	-	-	-	-	-	-
Water Capital Projects	76,411	200,000	200,000	200,000	200,000	60,301	77,746
Total Capital Outlays	76,411	200,000	200,000	200,000	200,000	60,301	77,746
New Debt Service for Future Capital Projects	-	45,374	52,995	67,013	71,961	71,961	71,961
Contingencies and Reserves:							
Operating Fund Contingency	-	-	-	-	-	-	-
Transfer to Fund 650 - Engineering	158,018	165,984	170,964	176,092	181,375	186,816	192,421
Transfer to Fund 520 - Capital Reserve	-	150,000	175,000	190,000	225,000	265,000	315,636
Transfer to Fund 540 - Sewer Vactor Pmt.	13,378	13,378	13,779	14,193	14,619	15,057	15,509
Transfer to Fund 600 - Comm. Dev. Admin.	80,285	107,915	111,152	114,487	117,922	121,459	125,103
Total Contingencies and Reserves	<u>251,681</u>	<u>437,277</u>	<u>470,895</u>	<u>494,772</u>	<u>538,915</u>	<u>588,333</u>	<u>648,669</u>
Total Uses of Funds	<u><u>1,959,927</u></u>	<u><u>2,438,670</u></u>	<u><u>2,376,590</u></u>	<u><u>2,464,065</u></u>	<u><u>2,564,226</u></u>	<u><u>2,526,545</u></u>	<u><u>2,658,504</u></u>
Ending Fund Balance	\$ 927,646	\$ 656,227	\$ 655,604	\$ 653,788	\$ 644,494	\$ 773,086	\$ 873,086

Summary of Five Year Water Capital Improvement Plan

Fiscal Year	2004	2005	2006	2007	2008	2009		
City of Milwaukee Summary of Water CIP Funding Strategies CUAB Preferred Option								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Assumptions: Fund Earnings % 2.00% Issuance Cost: Short-Term 2.50% Long-Term: Revenue Bonds 2.50% G.O. Bonds 2.50% </td> <td style="width: 50%; vertical-align: top;"> Interim Financing: BANs Used? (1=Y,0=N) 0 BAN Interest Rate: 4.80% Long-Term Financing: Revenue Bonds: Life of Debt (Years) 20 Interest Rate 5.15% Coverage Factor Required 1.10 Fund Reserve from Proceeds? 1 General Obligation Bonds: Life of Debt (Years) 20 Interest Rate 4.85% Fund Reserve from Proceeds? 1 </td> </tr> </table>							Assumptions: Fund Earnings % 2.00% Issuance Cost: Short-Term 2.50% Long-Term: Revenue Bonds 2.50% G.O. Bonds 2.50%	Interim Financing: BANs Used? (1=Y,0=N) 0 BAN Interest Rate: 4.80% Long-Term Financing: Revenue Bonds: Life of Debt (Years) 20 Interest Rate 5.15% Coverage Factor Required 1.10 Fund Reserve from Proceeds? 1 General Obligation Bonds: Life of Debt (Years) 20 Interest Rate 4.85% Fund Reserve from Proceeds? 1
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Type of Long Term Debt Issued (1=Y,0=N):								
Revenue Bonds	1	1	1	1	1	1		
General Obligation Bonds	0	0	0	0	0	0		
Capital Improvements Financing								
Capital Costs to be Funded	\$704,000	\$611,820	\$682,159	\$582,423	\$388,301	\$405,746		
less: Grant Funding	-	-	-	-	-	-		
less: Contributions Fund 515 Water SDCs	5,000	78,000	78,000	78,000	78,000	78,000		
less: Contributions From Utility Rates	200,000	200,000	200,000	200,000	60,301	77,746		
less: Contributions Fund 520 Water Reserve	-	250,000	250,000	250,000	250,000	250,000		
Amount to be Financed	\$499,000	\$83,820	\$154,159	\$54,423	\$0	\$0		
Interim Borrowing:								
BANs Issued:	\$0	\$0	\$0	\$0	\$0	\$0		
less: Borrowing Cost	0	0	0	0	0	0		
less: Interest Payments	0	0	0	0	0	0		
plus: Interest Earnings	0	0	0	0	0	0		
Net Available from BANS	\$0	\$0	\$0	\$0	\$0	\$0		
Long-term Borrowing:								
Revenue Bonds:								
Amount Borrowed	\$558,332	\$93,786	\$172,488	\$60,895	\$0	\$0		
less: Financing Cost	13,958	2,345	4,312	1,522	0	0		
less: Reserve Funding	45,374	7,622	14,017	4,949	0	0		
less: Refunding of BANs	0	0	0	0	0	0		
Net Funds from Revenue Bonds	\$499,000	\$83,820	\$154,159	\$54,423	\$0	\$0		
General Obligation Bonds:								
Amount Borrowed	\$0	\$0	\$0	\$0	\$0	\$0		
less: Financing Cost	0	0	0	0	0	0		
less: Reserve Funding	0	0	0	0	0	0		
less: Refunding of BANs	0	0	0	0	0	0		
Net Funds from G.O. Bonds	\$0	\$0	\$0	\$0	\$0	\$0		
New Annual Debt Service:								
Debt Service	\$45,374	\$52,995	\$67,013	\$71,961	\$71,961	\$71,961		
Coverage	\$4,537	\$5,300	\$6,701	\$7,196	\$7,196	\$7,196		
Reserve Funding	\$0	\$0	\$0	\$0	\$0	\$0		

Water System Rates and Charges

City of Milwaukee Current and Proposed Water Rates CUAB Preferred Option					
Uniform Rate Adjustment Percent		4.17%			
Billing System Code	Description	Current Rates		Proposed Rates	
		Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet	Bimonthly Base Rate	Use Charge \$ per 100 Cubic Feet
2	5/8" X 3/4" Meter or Smaller	5.95	1.35	6.20	1.41
3	1" Meter	8.29	1.35	8.64	1.41
4	1 1/2" Meter	13.38	1.35	13.94	1.41
5	2" Meter	20.78	1.35	21.65	1.41
6	3" Meter	51.22	1.35	53.35	1.41
7	4" Meter	72.78	1.35	75.81	1.41
8	6" Meter	129.90	1.35	135.31	1.41
20	Low Income Rate	-	1.35	-	1.41
502	2" Standby	8.85	1.35	9.22	1.41
504	4" Standby	31.88	1.35	33.21	1.41
506	6" Standby	46.41	1.35	48.34	1.41
508	8" Standby	63.02	1.35	65.65	1.41
510	10" Standby	79.61	1.35	82.93	1.41
512	12" Standby	96.21	1.35	100.22	1.41

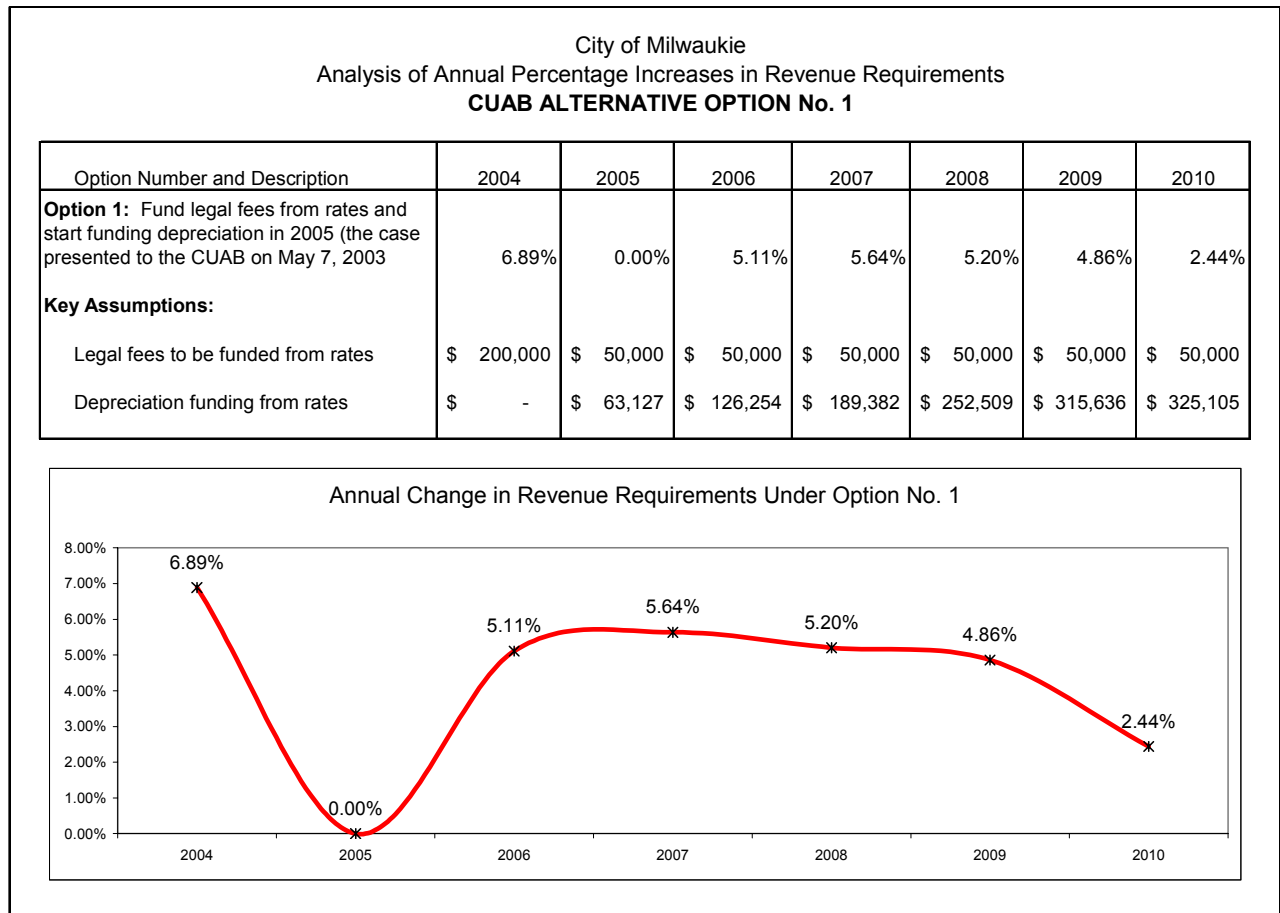
Billing System Code	Description	Number of Accounts	Consumption Ccf	Estimated Revenue Recovery with Increase		
				Base Charge	Use Charge	Total
0	No Meter	16.83	37,607	-	53,025.87	53,025.87
1	5/8" Meter	16.00	9,205	595.00	12,979.05	13,574.05
2	5/8" X 3/4" Meter	5,864.50	667,344	218,085.49	940,955.04	1,159,040.53
3	1" Meter	252.00	61,989	13,056.71	87,404.49	100,461.20
4	1 1/2" Meter	86.17	67,140	7,205.67	94,667.40	101,873.07
5	2" Meter	150.00	193,082	19,481.20	272,245.62	291,726.82
6	3" Meter	16.00	40,425	5,121.99	56,999.25	62,121.24
7	4" Meter	7.00	49,852	3,184.12	70,291.32	73,475.44
8	6" Meter	1.00	664	811.87	936.24	1,748.11
10	Clackamas Billing	1.00	1,775	-	2,502.75	2,502.75
20	Low Income Rate	159.17	11,795	-	16,630.95	16,630.95
502	2" Standby	7.50	-	414.84	-	414.84
504	4" Standby	30.00	-	5,977.48	-	5,977.48
506	6" Standby	31.00	-	8,991.91	-	8,991.91
508	8" Standby	28.00	-	11,028.47	-	11,028.47
510	10" Standby	10.00	-	4,975.61	-	4,975.61
512	12" Standby	3.00	-	1,803.93	-	1,803.93
		6,679.17	1,140,878	300,734.29	1,608,637.98	1,909,372.27

Reconciliation of Revenue Requirements to Recovery of Revenues From Unit Rates	
Revenue requirements for fiscal 2004 per financial model	\$ 1,920,628
Estimated revenue recovered from rates after uniform rate increase using fiscal 2002 customer statistics	1,909,372
add: miscellaneous rate revenues collected from unmetered water customers	6,260
Reconciled revenue recovered from rates after uniform rate increase	\$ 1,915,632
Percent of estimated recovered revenue from rates after uniform rate increase to forecasted revenue requirements from the financial model	99.74%

Alternative Options Reviewed by the CUAB

Option 1 – Fund legal fees from rates and start the phase-in of capital replacement funding from rates in fiscal 2005

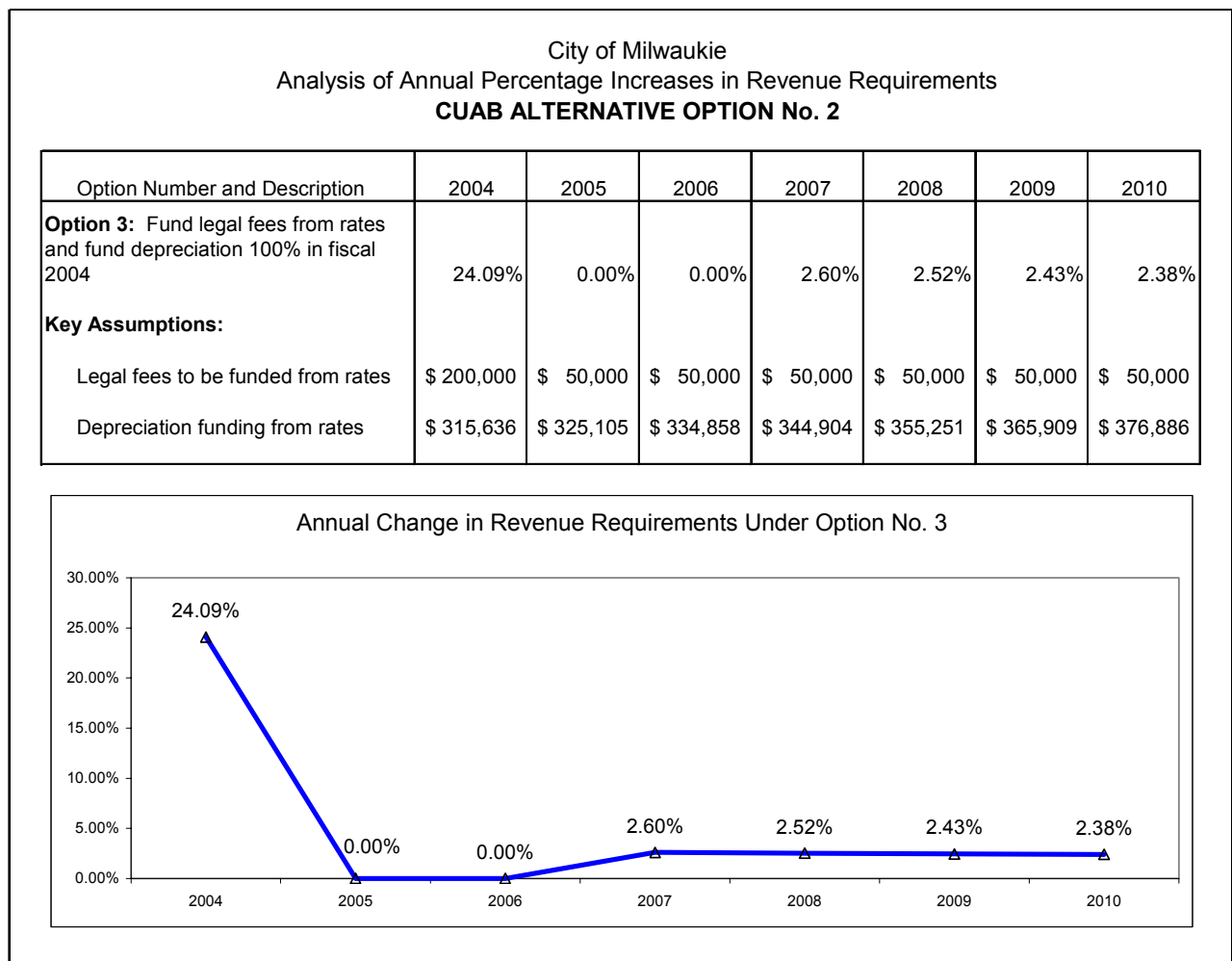
Under this option, all of the planning and financial modeling assumptions that were used in the CUAB preferred option were held constant with the exception of how legal fees were paid and how capital replacement funding was treated. The following table lays out the numerical treatment of these two issues, and the resulting impact on the future change in revenue requirements.



The CUAB members rejected this option for further consideration because they did not think that the rate spike that resulted in fiscal 2004 could be averted by funding anticipated legal fees from the Capital Reserve Fund balance rather than from current rate payers.

Option 2 – Fund legal fees from rates and fully fund capital replacement funding from rates in fiscal 2004

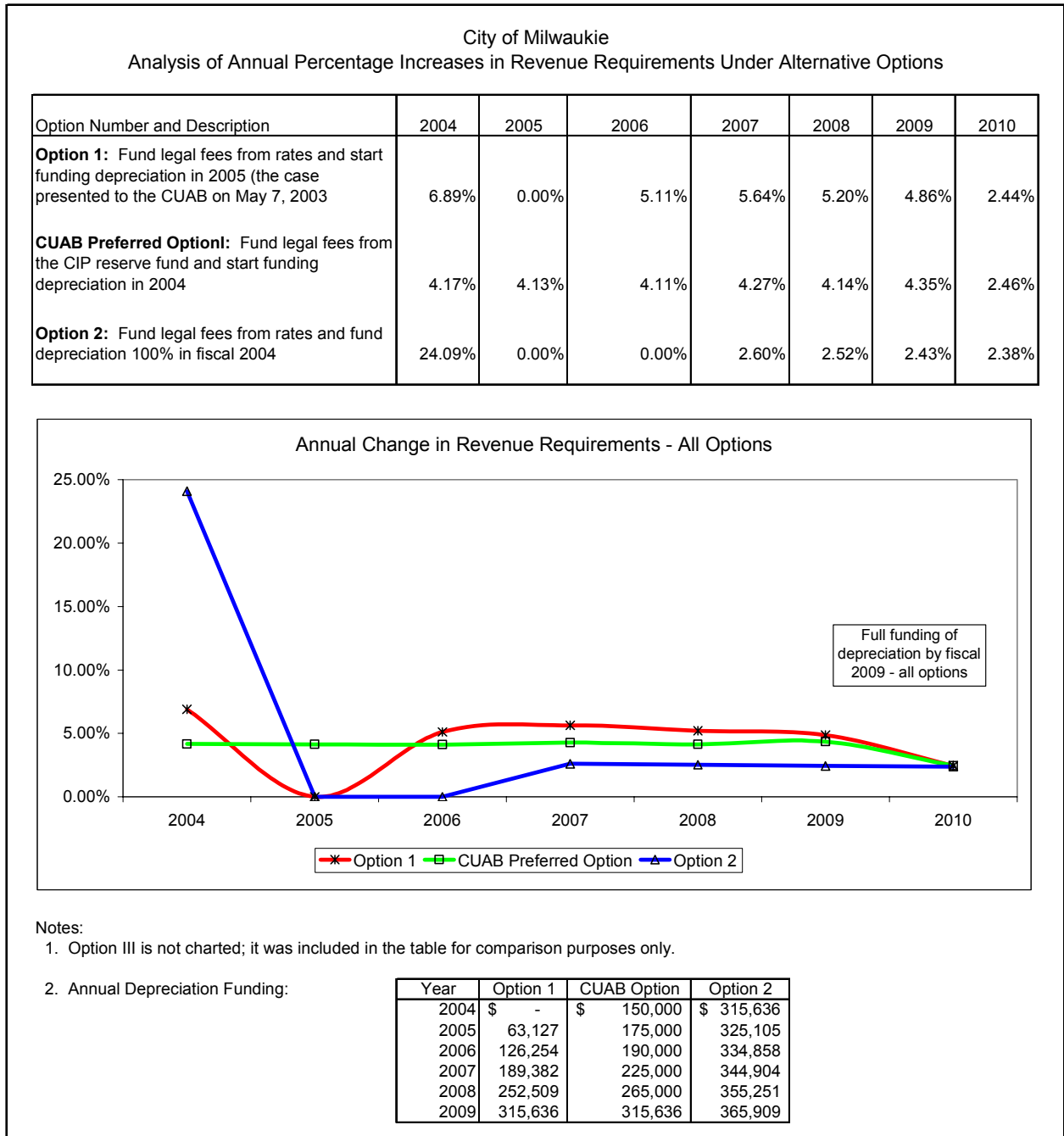
As in the case of Option 1, this option contains all of the underlying planning and financial modeling assumptions contained in the CUAB preferred approach. This option assumes that rate payers would have to immediately shoulder the burden of anticipated legal fees in addition to fund the \$316,636 in depreciation expense (i.e., the estimate of current capital replacement costs). The following table lays out the numerical treatment of these two issues, and the resulting impact on the future change in revenue requirements.



The CUAB rejected this option because of its severe impact on rates in 2004. It was felt by the CUAB members that this severe spike could be mitigated by funding legal fees from the Capital Reserve Fund and by phasing in depreciation funding over five years.

The following graphic lays out the three options on a single chart. As the data shows, the CUAB preferred option results in:

- ❖ The elimination of rate spikes in fiscal 2004
- ❖ Depreciation phasing starts immediately in 2004, and is fully funded by fiscal 2009
- ❖ This option meets the direction of the CUAB to have regular and affordable rate adjustments.





APPENDIX A

Issue Papers Presented to the CUAB

ISSUE PAPER No. 1

TOPIC: Recommended Fiscal Policies for Management of the Water Fund

FOR: City of Milwaukie Water and Sewer Rate Study

BACKGROUND

Our initial modeling of the City's revenue requirements and the corresponding review of its overall financial position confirms that –sound policies exist for the City's fiscal operations. The purpose of this issue paper is to document these policies and outline key additional financial directions that may guide the financial management of the water fund as well as the rate modeling process. For each key policy issue identified, we have listed options/alternatives that we can discuss for possible consideration by the City. We propose to focus discussion on the important fiscal policy issues that the City may wish to incorporate into its future operations and which will impact the modeling.

DISCUSSION OF OPTIONS AND RECOMMENDATIONS

A. Accounting Conventions/Methods The essence of the City's rate structure for water service is founded in the cost accounting system used by Milwaukie. Some municipalities, counties and cities invest substantial amounts of time and money in their "business information systems". The overriding policy guiding any information collection and archiving system should be that the cost of acquiring data not exceed the value of that data to the user. In the case of the City's water funds (Operating, SDC, and CIP reserve), the discussion should be focused on the following three key cost accounting issues:

1. Segregation of costs by type of service delivered to customers;
2. Capital fund restriction – that is, segregating and restricting balances available for funding capital construction; and
3. Methods for allocating common overhead to water, sanitary sewer and stormwater services.

Based on our preliminary analysis of the City's current cost accounting practices, it is evident that these actions are being applied

B. Reserve Policies These policies are established to ensure the financial strength and integrity of the utility enterprises. Reserve policies are generally broken down into four key subcategories which are:

1. **Operating (Working Capital) Reserves** – The user charges must be sufficient to provide cash for the expenses of operating and maintaining the City's services. To ensure the fiscal and physical integrity of the City, cash needs will be defined to include sufficient reserves to accommodate routine fluctuations in revenues and expenses. The typical method for expressing the appropriate level of working capital reserves is in days of operating

expenses. We suggest that the City consider the following target for working capital reserves:

- Water: 75 days of water system operating expenses

The rationale for the higher reserve against water expenses is the greater volatility of water revenues as compared to sewer revenues. Perhaps offsetting this is the fact that higher revenue periods occur at the start of the fiscal year, meaning that the beginning balance is normally augmented before declining revenues cause a seasonal decline in fund balances. Nonetheless, the greater exposure to revenue risk merits a somewhat higher balance, as suggested above.

2. **Equipment Reserves** – It is prudent to establish and maintain a contingency reserve to meet unexpected emergency outlays. The City currently maintains permanent water and sewer reserve funds. This reserve should represent a reasonable percentage of the original cost of total fixed assets, but should be no less than the cost to replace or repair a critical element of system equipment. We suggest that an appropriate contingency reserve level would be:

- Water: 1% of water system fixed assets (expressed as book value; i.e., original cost less accumulated depreciation)

Whenever contingency reserves fall below target levels, or when target levels are increased, the reserve level should be established and maintained in no more than three budget cycles. If a replacement reserve is also maintained, the replacement reserve may serve as a source of contingency funds. In such case, the above requirements are reduced to the extent of existing replacement reserves, or simply viewed as a minimum balance for replacement reserves.

3. **Replacement Reserves** – It is prudent to protect the City's investment in long-term fixed assets. A recognized method to achieve this end would be to establish a replacement reserve and funding strategy. The reserve would enable the City to support future replacement needs without extraordinary rate increases, while recognizing the potential burden on existing customers of funding both current improvements and future replacement needs. A common formula for arriving at an appropriate replacement reserve level for the utility enterprise is as follows:

For water plant-in-service, the annual depreciation expense less scheduled principal repayments and budgeted capital improvements to be paid from rates. Often times, an absolute dollar minimum is also prescribed to be certain that a positive contribution is made for replacement of assets. It should also be highlighted that Oregon State Budget Law inhibits the ability of

governmental jurisdictions to fully fund depreciation. This is due to the fact that budget law requires that monies collected under a general depreciation or replacement reserve account be expended within 10 years (while the life of many facilities is 20 to 30 years); depreciation or reserves set aside for specific facility replacement can be held for a maximum of 12 years.

4. **Bond Reserves** – The City has made use of revenue bond debt to fund improvements to the water and sewer systems. A typical covenant in the bond ordinance or loan agreement is the funding of reserves to assure repayment of interest and principal to the lender/investor. We suggest that the City consider adopting a formal policy of fully funding any such reserves with cash or reserve equivalents. Reserve equivalents in this case would be insurance policies issued by private sector municipal bond insurance companies.

C. Capital Financing Policies In order to provide reliable water service, assets must be improved and replaced on a regular basis. Without a set of deliberate capital financing policies in place, the City may not have the financing to implement this orderly improvement and replacement program. We suggest that the City consider the following policies concerning capital financing:

1. **Capital Planning** – Due to the impact of capital costs on rates and charges, and due to the variation in funding levels needed over time, we suggest that the City establish and maintain a capital projects schedule of at least five years in duration. This schedule should include project descriptions, scheduled year of construction, and total estimated costs. Each project should be identified as an improvement project or a replacement project (including repair and rehabilitation). If projects provide both improvement and replacement benefits, then the schedule should include an appropriate allocation of project costs to those two categories and then use the criteria below for the allocated portions.
2. **Improvement Projects** – Improvements to the system should be scheduled and budgeted with consideration of the rate impacts which may result. SDC improvement fees should be dedicated to funding projects in this category, and SDC reimbursement fees considered as a supplemental source of funding. Beyond these resources, the cost of improvements would fall to utility ratepayers. In general, it should be the City's intent to make such improvements while minimizing or eliminating the need for debt. However, when annual capital outlays meet a threshold level (i.e., a specific dollar threshold for a three year period or longer), the City should evaluate alternatives including phasing, deferral, and debt financing as methods to mitigate rate impacts.
3. **Replacement, Repair, and Rehabilitation Projects** – To the extent that funds are available, replacement projects should be funded first from the replacement reserve, then through any uncommitted SDC reimbursement fees, then through unencumbered surplus fund balances, and then through rates. If

the rate-funding of replacement projects results in a total rate-funded capital program exceeding a specific threshold per year, the City should evaluate alternatives including phasing, deferral, and debt financing as methods to mitigate rate impacts.

D. Rate Policies Rate and charge revenues are the lifeblood of the water fund. Without thoughtful policies guiding the construction of rates and charges, the City's financial position can rapidly deteriorate. We suggest that the City document the following policies relating to the construction of rates and charges:

1. **System Development Charges** – The City should maintain SDC's which recover eligible costs from new customers in accordance with the statutory requirements of ORS 223.297 – 223.314. Additional policy considerations would include whether such charges should emphasize equity among generational classes of customers, economic development incentives or disincentives, or maximizing equitable cost recovery from new growth. Any such policies must continue to comply with aforementioned sections of ORS 223. It is further recommended that the city account for and track the receipt of reimbursement and improvement fees separately. ORS 223.307 specifically states that "...improvement fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of debt for such improvements...". Conversely, reimbursement fees are not held to this specific standard, and therefore can be expended "... on capital improvements associated with the systems for which the fees are assessed including expenditures relating to repayment of indebtedness...". This distinction will give the City additional flexibility and resources to fund water and sewer system capital improvements from reimbursement fee proceeds that may not expand capacity but are nonetheless critical to the delivery of services to customers.

-
2. **Rate Equity** – The City should establish rates and charges which equitably recover the cost of service from its customers. Changes in rate structure should be accompanied by a cost of service analysis justifying the equity of such changes.
 3. **Conservation** – The City wishes to promote efficient and conservative use of water. Therefore, water and sewer rates should, to the extent practical, promote water conservation through an emphasis on volume-based charges and allocation of the cost to appropriate variable components of the consumption based rate structure.
 4. **Low Income Rates** – The City currently has in place a program that reduces water bills for qualifying low income customers. Under this program a qualifying customer is forgiven the fixed component of the rate structure (i.e., the bimonthly charge of \$5.95). Under the current program, the general fund reimburses the water operating fund for this loss of revenue. The Council has indicated its desire to continue the low income subsidy program for the fiscal year beginning July 1, 2003.

City of Milwaukie – Water Rate Study

ISSUE PAPER No. 2

Issue Title: RECOMMENDED COST RECOVERY METHOD FOR DIRECT SERVICES TO DEVELOPMENT

Background Discussion: The City routinely provides services and incurs costs for new water customers that are not covered by monthly rates. The most common service is new meter installation. For a one-time and set fee, the City will install a meter for a new customer. Typically, these installations are for new developments. However, there are instances where existing customers request to have a meter changed out to accommodate increased (or decreased) anticipated usage. The City also sells approved meters to customers who, in turn, install them at their own expense and subject to final inspection by the City. There are other miscellaneous development related services that the Water Department provides and bills to customer on a scheduled basis. All of these development related fees are itemized and contained in City Resolution # 23-2002 (adopted 9/17/02). The water fees and charges that are in place have not been adjusted since 1993. Over the last three fiscal years, the City has received an average of \$27,673 per year by providing these services. To put this figure in perspective, revenues recognized from water rates will amount to almost \$1,800,000 this fiscal year. Clearly, development related service fees are a small part of the Water Department's revenue base.

A suggestion has been made that the City consider moving away from charging for these direct services for development on a **pre-set or scheduled** basis. The alternative is to implement a job cost approach for cost recovery where direct labor, equipment and materials are billed to a specific developer based on the actual costs incurred.

Evaluation: . The primary advantage of the job cost approach is that the City will recover its exact costs in providing the direct service on a work order basis. Under a pre-set or fee schedule basis of cost recovery, the actual costs incurred do not necessarily match the fee schedule due to timing and the scope of each individual site specific job. While accuracy of billing is a recognized advantage in the job cost approach, it is also the case that the City does see disadvantages to moving away from its pre-set or scheduled fees. These are:

3. Increased Administration for the City. In order to send an accurate bill for services rendered, the City would have to implement a system able to track time, materials, and overhead by work order. The City currently does not have a system in place to accommodate this process. Discussions with public works staff indicate that this type of system could be developed, but it would take time and unbudgeted resources.
4. Adversity for Customers. Under the current process, developers and existing customers know - up front - how much they will be charged for the services they are requesting from the City. Under the suggested time and materials approach, the City could only give the prospective developer or customer an estimate of the costs. The final cost would not be known until the job in question was completed. This "certainty" factor is important,

particularly in the case of developers, because this cost data is used to calculate the feasibility of prospective projects.

Recommendation: Milwaukie is at effective buildout. There is limited new development activity at this time. According to Public Works staff, there were only ten or twelve new service meter installations last year. If there was substantial development/redevelopment activity, it might be appropriate to commit the resources necessary to implement a job costing system. However, given the current level of development and the adequacy of development fee revenue to offset current meter installation costs, no such change is warranted.

Therefore, it is recommended that the City continue its policy of setting a schedule of fees for development related services and periodically adjusting these fees based on available actual cost of service data. An analysis of recent cost data indicates that the schedule of fees that are currently in force are adequate to recover the City’s costs. Therefore, no adjustments are recommended to the development support fee schedule at this time. The current fee schedule is as follows:

WATER FEES & CHARGES IN SUPPORT OF DEVELOPMENT AND CUSTOMER SERVICES

Service and Equipment:

Connect Service 5/8” or 3/4” Residential Service	\$2,460
Connect Service 1”	\$2,547
Connect Service 1 1/2”	\$2,923
Connect Service 2”	\$3,067

Equipment:

3/4” Meter	\$208
1” Meter	\$301
1 1/2” Meter	\$510
2” Meter	\$625
Hydrant Meter Deposit	\$579

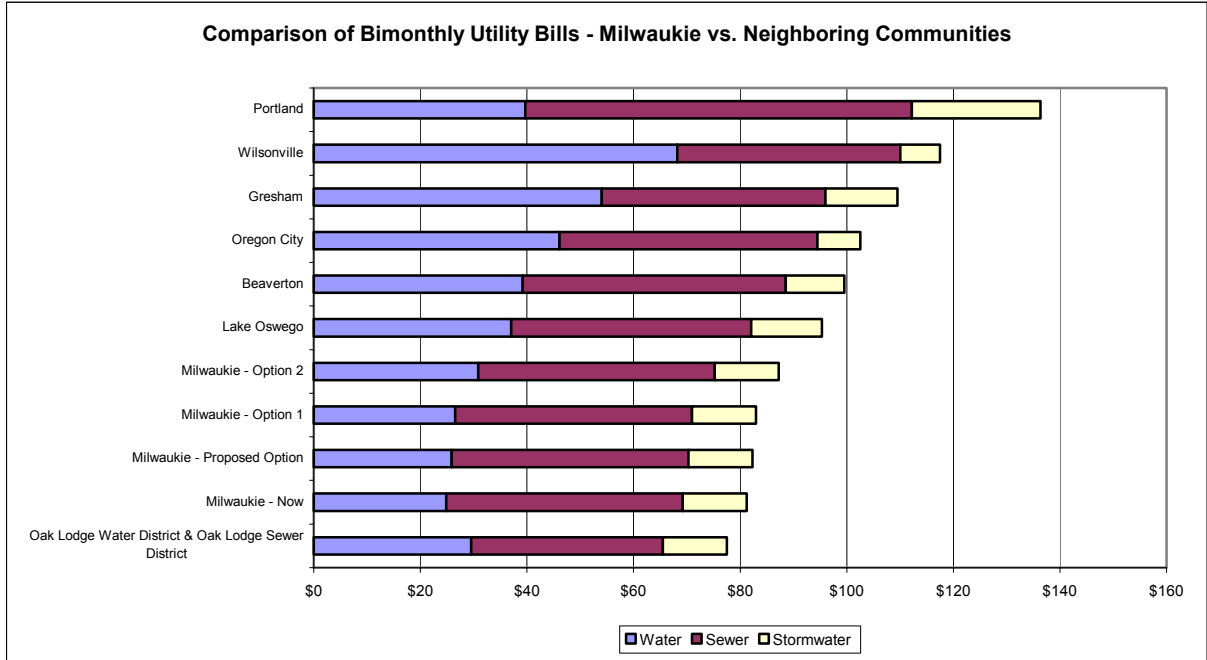
Miscellaneous:

Delinquent Account – Past Due Notice*	\$5
Delinquent Account – Notice of Termination*	\$25
After Hours Restoration of Service*	\$80
(Monday-Friday 5:00 pm to 8:00 pm; Saturday & Sunday 8:00 am to 5:00 pm)	
Information Research	\$44/hr.
Reimbursement District Fee	To be determined by scope of project

* Accounts remaining delinquent more than three (3) months subject to 10% per year added to the outstanding balance to pay the City’s interest and collection costs.

ATTACHMENT 3

The following two tables compare an average utility bill for a Milwaukie customer vs. other neighboring jurisdictions. The tables use a two-month usage of 14 CCF (Milwaukie’s residential average).



City of Milwaukie Utility Bills for Neighboring Communities As of January 1, 2004 All Figures on a Bi-Monthly Basis				
Jurisdiction	Water	Sanitary Sewer	Stormwater	Total
Portland	39.68	72.52	24.14	136.34
Wilsonville	68.22	41.82	7.44	117.48
Gresham	54.06	41.94	13.50	109.50
Oregon City	46.12	48.40	8.00	102.52
Beaverton	39.18	49.36	11.00	99.54
Lake Oswego	37.04	45.02	13.28	95.34
Milwaukie - Option 2	30.84	44.40	12.00	87.24
Milwaukie - Option 1	26.56	44.40	12.00	82.96
Milwaukie – Proposed Option	25.89	44.40	12.00	82.29
Milwaukie - Now	24.85	44.40	12.00	81.25
Oak Lodge Water District & Oak Lodge Sewer District	29.56	35.92	12.00	77.48

8/27/03

TO: MILWAUKIE CITY COUNCIL

SUBJECT: PROPOSED WATER RATES INCREASE

I am sorry I cannot attend the hearing on the water rates increase proposal. I want to voice my opinion on the subject matter.

While I understand the water rates have not been raised for almost 10 years and I have no problem with raising them to an appropriate livable rate, however, I do object to raising the water rates without adjusting the sewer rates by lowering them.

During these hard economic times it is not justifiable to me to make the citizens payoff the sewer plant bill. We are paying over and above what the sewer actually costs and the City should not be making a profit. The rate structure should be revenue neutral and it is not. I am not sure why money is spent on consultants if their recommendations are not taken into consideration. The money spent on consultants could certainly be used to lower the sewer plant debt. One thing council may or may not be aware of is the fact that a part time finance position was built into the sewer rate structure. After the structure was adopted it was determined by city management the city did not actually need a permanent part-time finance person, and it was changed to a temporary position, which lasted approximately four months. However, it is still built into the sewer rate structure and the 3rd phase has been implemented. Therefore, if the approved position is not going to be filled at any time, when will the sewer rates be reduced to eliminate the citizens from having to pay for something which does not exist and is not scheduled to exist?

I don't think Council realizes the amount of citizens in Milwaukie that struggle to maintain their basic services. There are more and more people applying for low income rates then ever before and the amount of people complaining about the sewer rates is ever increasing.

I have no problem with the structure that makes me pay for what I use because that is how it should be. I do, however, have an issue with paying over and above what I should be charged.

I would urge you to think long and hard before you raise the water rates and in doing so look at the sewer rates as well. If the water rates need to be increased I would hope the sewer rates could be reduced to off set the increase.

V. 40

Thank you for your time.

Respectfully,

A handwritten signature in cursive script that reads "Juli Howard". The signature is written in black ink and is positioned above the printed name and address.

Juli Howard
9705 SE 37th Ave.
Milwaukie, OR 97222



To: Mayor and City Council

Through: Mike Swanson, City Manager
Alice Rouyer, Director of Community Development & Public Works

From: Jeffrey King, Project Manger

Subject: Resolution supporting the Regional Economic Development Partners

Date: December 1, 2003 for January 6, 2004 Meeting

Action Requested

Approve attached resolution supporting the goals of the Regional Economic Development Partners.

Background

In October 2003, the City of Milwaukie joined the Regional Economic Development Partners. Regional Partners work to strengthen the regional economic climate through shared economic priorities. In an effort to increase awareness and build broader community support, the Partners organization is asking City Council to consider and endorse the goals and vision of the Partners through adoption of a resolution. All other members of the Regional Partnership are being asked to the same.

The Regional Partners is a coalition of regional economic development practitioners that have informally worked together for the last decade. The group recently formalized the coalition through the formation of a private non-profit corporation. The region for the organization's economic interest is the Portland-Vancouver PMSA, encompassing Clackamas, Clark, Columbia, Multnomah, Washington and Yamhill Counties.

The move to strengthen and formalize the Regional Economic Development Partners came about due to the weakening of the Portland metropolitan regional economy, loss of jobs and competitive advantages, and the changing dynamics of economic development. The broad goal or mission for the Regional Partners is:

“To allow the Regional Partners to remain light, fast, agile and responsive to the market while building a sustained level of cooperation to achieving shared priorities for the region’s economic future.”

Two important foundations of the Regional Economic Development Partners are:

1. Advocate for the long-term economic prosperity of the metro region and educate and influence regional, state and federal leaders to insure a healthy economic climate.
2. Present a united front through coordination with the partners and shared economic priorities.

Current and planned activities of the Regional Economic Development Partners include:

- The recruitment, expansion and retention of businesses;
- Generalized marketing or “branding” of the region;
- Industry sector and firm specific marketing and outreach;
- The development of regional economic development policy and strategies;
- Monitoring and reporting on progress and implementation of regional economic development strategies;
- Monitoring and reporting on general economic, industry and business trends.

The Regional Economic Development Partners are working on a six-month work plan. The priorities are listed in the resolution.

Membership in Regional Partners will benefit Milwaukie in several ways. These include:

- Provide a seat at the table help shape regional economic development policy and strategies affecting the metro area including Milwaukie.
- Increase awareness to other partners and organizations of the economic development needs and opportunities in Milwaukie.
- Increase business leads to help in reducing vacancies of industrial and commercial sites and increasing family wage job opportunities for Milwaukie residents.
- Provide information to Milwaukie on local economic development best practices, tools, resources and emerging trends, so that Milwaukie can seek opportunities to strengthen its economic and tax base.

Staff is seeking Council approval of the attached Regional Economic Development Partners resolution. The organization is seeking the support of its annual goals and work program from each of its members.

Concurrence

The Community Development Director and City Manager support this resolution

Fiscal Impact

The Regional Partners organization assesses a \$30,000 annual membership fee, which is based on community size. Funds have been budgeted in 2003-2004 budget to cover this expense.

Work Load Impacts

City staff attends meetings and coordinates with Regional Partners' organization. The project is part of the existing Community Development staff work plan.

Alternatives

- Adopt resolution as presented.
- Adopt resolution with changes.
- Take no action.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, SUPPORTING THE REGIONAL ECONOMIC DEVELOPMENT PARTNERS.

WHEREAS, the Portland-Vancouver region (comprised of the Counties of Clackamas, Clark, Columbia, Multnomah, Washington and Yamhill) experienced an unprecedented period of economic growth in the 1990's; and

WHEREAS, the region must be proactive and position itself for the economic opportunities that the global marketplace will present in the coming decade; and

WHEREAS, positioning the region to successfully compete in the global economy for renewed economic development will require cooperation of all jurisdictions and economic development enterprises in the region; and

WHEREAS, the attached Framework For Creating Shared Economic Priorities and the Six Month Work Plan were developed by the Regional Economic Development Partners and approved by the Metropolitan Economic Policy Task Force in June 2003; and

WHEREAS, the focus of the recommendations are based upon common themes and economic strategies that the jurisdictions throughout the region have identified and that are consistent, similar or supportive of each other; and

WHEREAS, the priorities of the Six Month Work Plan are:

1. Developing and growing Industry Clusters; and
2. Creating, funding and implementing a private-sector led marketing campaign to promote the region as a desirable location for investment; and
3. Identifying and supporting policies that support industrial land capable of meeting industry and business needs; and
4. Advocating and promoting the region's economic development strategy and identify champions for the implementation of Shared Economic Priorities.

NOW, THEREFORE, BE IT RESOLVED that

The City of Milwaukie recognizes that the region's economic priorities as outlined require focused commitment from both the business community and local/regional/state governments; and

The City of Milwaukie may direct staff to actively pursue, and when appropriate identify needed resources, and work toward implementing the priorities identified in the Six Month Work Plan and the Shared Economic Priorities; and

The City of Milwaukie shall support appropriate actions necessary to implement the Six Month Work Plan and the Shared Economic Priorities; and

The Regional Partners shall provide the City of Milwaukie periodic reports that identify the progress to date and actions needed to implement the Six Month Work Plan and the Shared Economic Priorities.

Introduced by the City Council on January 20, 2004.

This resolution is effective on January 20, 2004.

James Bernard, Mayor

ATTEST:

APPROVED AS TO FORM
Ramis, Crew, Corrigan & Bachrach, LLP

Pat Duval, City Recorder

City Attorney



To: Mayor and City Council
Through: Mike Swanson, City Manager
Alice Rouyer, Community Development & Public Works Director
From: Jeffrey King, Project Manager
Subject: Economic Development Grant Projects
Date: December 16, 2003 for January 6, 2004

Action Requested

Review information and provide feedback on economic development grant implementation tasks

Background

Staff was notified on August 28, 2003, that the City received a \$25,000 grant from the Mount Hood Economic Alliance (a regional State-Lottery-funded organization) for economic development projects in the City of Milwaukie.

Economic Development Grant Tasks

At this time, staff is seeking feedback and guidance from Council in implementing the economic development grant tasks. These tasks are:

1. Create an inventory and profile of available industrial and commercial sites.

This project item consists of identification of available industrial/business sites and vacant buildings. This element will create a central inventory database. Larger sites within the database will be profiled using key attributes. Site profiles will then be placed and maintained on the City's web site.

Goals accomplished by task: This task will result in increased access by the site selector and business community to vacant commercial and industrial sites in Milwaukie. It will also help increase the number of business leads interested in available sites.

2. Develop an economic development marketing effort, including a section on the City's web site.

This project element will result in 2,500 professionally printed brochures to promote and market the enterprise zone (the enterprise zone covers the City industrial areas of North Milwaukie, Johnson Creek Blvd. and International Way). The product is a two-sided, multicolored, 8½ x 11 sheet. It will promote the incentive as well as some general economic development and industrial park information.

An economic development section will be added to the City of Milwaukie web site. The site will assist in business recruitment, retention, and new business formation. It will be comprehensive in nature and provide information on available sites, business resources, demographic information, business assistance, and city contacts. It will also link to other sites.

Goals accomplished by this task: This task will result in increased distribution of marketing materials. It will also lead to increased awareness by businesses of the advantages and opportunities of a Milwaukie location.

3. Commence business outreach and visitation program; Build relationships with business community.

The City of Milwaukie will coordinate with Clackamas County in surveying businesses in order to understand their needs and current situation. We need to “know what we don’t know.” Policies, programs, and assistance to business can only be effective if we understand our customer and how to best serve them. The survey will enable the City to identify key trends and issues facing businesses. We will also conduct outreach meetings with our largest employers and other key businesses in order to build relationships and better understanding. These efforts will help to provide more effective assistance and quicker response to local businesses.

To further these aims, staff also recommends establishing a short-term, ad hoc or advisory committee on economic development. The committee would be established for a four-month period, with members selected from diverse, private- and public-sector backgrounds. They would have three specific tasks:

- Help with the completion of grant tasks.
- Complete an analysis of economic development strengths, weaknesses, and opportunities in Milwaukie.
- Develop economic development policy and program recommendations for Council.

Goals accomplished by this task: This task will result in increased awareness by City and other economic development professionals, of business requests for assistance. Improved coordination and communication with Milwaukie businesses will lead to faster response to a range of business requests and needs. Retention or creation of family wage jobs is also a possible benefit. Greater coordination, communication and participation with the business community will also increase capacity to carry out economic development in Milwaukie.

4. Industrial land infill feasibility.

The project would determine the feasibility of annexing a 6.5-acre parcel of land abutting the International Way Industrial Park at the corner of International Way and Lake Road. It would result in adding developable industrial land to the City's inventory.

Goals accomplished by this task: Completion of documentation of the parcel to determine feasibility for annexation to the City and use as industrial land. These issues include transportation access, wetlands, and determination of slope areas not suitable for building.

5. North Industrial area traffic study.

There is significant concern that the North Milwaukie Industrial area is losing its economic competitiveness. An important factor leading to the successful redevelopment of the North Industrial area is a quality transportation and access network. Private businesses and property owners commissioned further work to define needs by industry and to document methods to improve access both now and in the future. The study will contribute to the City's work with the North Industrial Land Use Study. This study was completed in June 2003.

Goals accomplished by this task: Completion of report to more fully document and clarify existing traffic problems and threats. The report will also help develop options to improve the transportation network in the North Industrial area.

6. Industrial Building Reuse Assessment.

Milwaukie has little ready to build "greenfield" industrial land. As an older community, opportunities lie in redeveloping existing sites. This may include demolition and/or building retrofit to adapt these older buildings in order to better respond to the current and future needs of business. This would open sites for redevelopment and reuse and increase industrial site inventory. Project elements would target one or more large buildings/sites in the North Industrial area. Working with the property owners, tasks would include documenting site and building retrofit strategies such as change of use, changes in size of units, subdividing space, building access changes, utility and telecommunication upgrades that will make a facility more responsive to current market needs.

Goals accomplished by this task: This task will lead to a site or sites that are more marketable. Completion of site and building reuse and retrofit strategies will encourage redevelopment and leasing or purchase by active businesses.

Timeline: All project elements within the grant need to be completed by December 31, 2004.

Concurrence

Community Development, Planning, and the City Manager's Office support the implementation of economic development grant, program, and action steps.

Fiscal Impact

The total of these proposed economic programs and task is budgeted at \$57,000. The budget breakdown is as follows:

- \$25,000 Source:** Grant from Mount Hood Economic Alliance.
- \$14,000 Source:** Cash match from the City of Milwaukie 2003-04 City budget.
- \$ 8,000 Source:** In-kind match from the City of Milwaukie (staff time, space, materials).
- \$10,000 Source:** Private sector grant match from North Industrial Land Owner's Group*

*The cost of the North Industrial Area Traffic Study, commissioned by the North Industrial Land Owners Group, was included in the original grant application as a private sector grant match. This study was completed in June 2003 (before the August 2003 grant award) and was estimated to be a \$10,000 grant match to help in completing grant task #4 described above. While this \$10,000 amount is included in the \$57,000 total grant budget, there is no fiscal impact to the City associated with this line item. All work associated with this grant task line item was completed prior to the grant award.

Work Load Impacts

The proposed economic development program is included in the Community Development annual work program. Some tasks will be completed with consulting assistance.

Alternatives

- Proceed with economic development grant tasks as described.
- Suggest other ways to provide economic development services.
- No action on economic development at this time.

**North Clackamas Parks and Recreation District
Milwaukie Center/Community Advisory Board
November 14, 2003**

Members present: Joan Staley, Molly Hanthorn, Kim Buchholz, Sharon Phillips, Katie Rudfelt, Joan Newman, Jane Hanno, Ben Tabler, Eleanor Johnson

Members excused: Janet Witter, Chuck Petersen

Staff Present: Joan Young, Cheryl Nally, Charlie Ciecko

Call to Order: Kim called the meeting to order at 10:04 am. Eleanor moved and Jane seconded approval of the minutes as printed. Motion passed.

Special Topic: Cheryl presented the 2002-2003 Annual Report. This is where staff tabulates numerically everything that happens at the Center. She took the group through the report, explained the programs and answered questions. Kim asked about adding revenue generated from each program either as part of the next report or as an addendum to the current one. Joan said this would be easier after the Fee for Service study was completed in January. It was suggested that the "Funded by" column should say either NCPRD or Milwaukie Center not both. Charlie asked if there was a way to tabulate residents and non-residents. Cheryl believed that would take some additional work by staff and that we do not have easy access to the information, except person by person.

Correspondence: There was none.

Board/Committee Reports

Executive Committee: Did not meet.

NCPRD Board: Eleanor reported the District Board received draft copies of Capital Projects for the future. This is part of a study to address changes in SDC fees. There was discussion of a review of the District's IGA with the City of Milwaukie. Wendy Hays, Volunteer Coordinator, reported on her plans for an Adopt-A-Park program to begin soon. Jerry Foy commended Charlie Ciecko on his good work as Interim Director.

Budget & Finance: Did not meet.

Program/Services: Did not meet.

Nutrition & Transportation: Ben presented a proposed policy for donation to the Nutrition/Transportation programs which was discussed. Joan S. moved and Katie seconded a motion to ask the committee for some clarification. The Health Inspector gave the kitchen a score of 100%. The Bazaar raised \$2800. The bus is being assessed by Ride Connection/Tri-Met to determine if it should be replaced this year as has been planned.

Building Review: Did not meet.

History: The Friends are taking order for the Center History book for \$25. They should be printed before Christmas.

Centennial Update: Sharon reported that the Ardenwald Walk went very well. There was a great turnout for the Milwaukie Memories group that met at City Hall. The

Closing Ceremonies will be on the Riverfront with a bonfire, music, refreshments and much more.

Friends of the Milwaukie Center: Eleanor reported plans for the Holiday Party on Decemver 18 are underway, Entertainment Books are still on sale, the Bridge Tournament went well and raised nearly \$700, and the Bridal Show was cancelled.

Director's Report: Joan Young told about the "Fill a Stocking Fill a Heart" project. Chuck, Building Maintenance staff, has taken another position and Joan is working to fill that vacancy. Cheryl reported staff is getting computer program training to work within the greater state "Access" database system. They are finding it challenging. There is a new display of the woodcarver group's work in the display case. The cookie dough the Nutrition Program is selling is reportedly very good. Carol Storment's service on this board was acknowledged. She will receive a certificate. Kim and Joan will meet to discuss some ideas for the Board to become more pro-active. There were no suggestions for the December agenda.

Meeting adjourned at 11:30 am.

M. hanthorn, secretary

North Clackamas Parks and Recreation District
MILWAUKIE CENTER DIVISION
Monthly Report for November, 2003

Program/Services:

Milwaukie Center participant records, including all activities, classes and services, were linked to the Oregon Dept. of Human Services' comprehensive statewide computer system, "Oregon Access", in November. This change will enable us to track the thousands of participants, as well as the activities and units of service provided to them by the Milwaukie Center, along with other state services such as Medicaid.

The Milwaukie Center Transportation Program is receiving sign holders, donated by Fastsigns, to put on the back of its busses. We are currently looking for advertisers to rent a space on the back of one of the Milwaukie Center buses.

Snow, sleet and electrical outage (and all three happened!) did not keep volunteers away November 19 when they prepared 5,500 newsletters for bulk mailing. Delicious snacks were served and everyone got a decorative holiday candle as a show of appreciation from the Friends of the Milwaukie Center. These volunteers gather ten times a year to provide this service on behalf of the Center.

The 10th Annual Quilt Show preparations are moving along for this March 2004 event. The theme is "Ethnic Quilting Traditions", and promises to be a top notch show once again...mark your calendar for March 20 & 21!

The NCPRD Program Guide was distributed to all NCPRD facilities on November 14. A change for the guide this year is the combination of winter and spring programs, services, activities and special events.

"Growing a Senior Center", a publication of the Milwaukie Center's 20th anniversary, is available by pre-paid orders (\$25) from the Friends of the Milwaukie Center. The book has an in-depth history of the Center and pages of memories and color photos.

Fund-raising:

The Milwaukie Center Nutrition Program hosted the annual Famous Thanksgiving Sunday Dinner on November 16. The staff and volunteers served 300 people in 1 1/2 hours, netting \$2,108 fund-raising support of nutritious meals for older adults.

Entertainment Books are available through the Friends of the Milwaukie Center. Six dollars of each book purchased helps to grow the Endowment Fund.

Staff changes:

November 7, staff and Center participants bid a fond farewell to Chuck Kerns, who has been the Building Maintenance Specialist at the Milwaukie Center for five years. Chuck has taken a job opportunity with Clackamas County Facilities Maintenance. Staff is in the process of hiring a new Building Maintenance Specialist.



Park & Recreation Board

PARB

Tuesday, October 28, 2003

7:00 PM to 9:00 PM

Conference Room – City Hall

MINUTES

Attendees: Mart Hughes, Kathy Buss, Ray Harris, Rob Gabrish, Sherri Dow, Sonny Newson, Kate McCready

Staff: JoAnn Herrigel, Joan Young

Open Period: Herrigel and the Board welcomed Sonny Newson, a recently appointed PARB member.

Minutes:

Minutes of the September 23 meeting were approved as written.

City Staff Updates:

Homewood - CSO

Herrigel said the Community Service Overlay for Homewood Park would be on the December 9 Planning Commission agenda.

Trolley Trail

Hughes reported on a recent Trolley Trail working group meeting. He noted that the working group had voted to accept the MTIP funding and in so doing had accepted the criteria for the trail that MTIP funding is based on. (According to District discussions with ODOT, the minimum “required” trail width would be 10 feet and the “preferred” width is 12 feet). He said a list of trail materials including specifications and costs for each would be presented at the next working group meeting on November 19 from 3 to 5 at the Milwaukie Center.

Spring Park

Hughes and Herrigel reported on the Elk Rock walk that had taken place on October 18. Hughes noted that there had been about 90 people on the walk. He said that he had used some funds from a Friends of Elk Rock Island account to buy herbicide and had done some application recently. He noted that Island Station had received a grant from Portland and was working on removing invasive species. The project coordinators are looking for volunteers.

System Development Charges (SDCs)

Herrigel referred to the SDC memo she had sent to the Board containing questions and answers on Park District SDCs. She said she gets a lot of questions from residents and Council about how and when SDC funds the City collects can be used for park projects in Milwaukie.

Hughes and Young summarized the District’s process for updating the SDC rates:

- District staff is updating the Capital Improvement Plan (CIP) using the master plan and other sources
- District staff will then develop a methodology for spending SDC funds within the District

- District staff is now meeting with various stakeholders regarding the methodology (and increased rates)
- A public notice will go out in November stating that changes will be proposed
- A public notice will go out in December regarding the substance of the changes
- Staff will take the proposed changes to the BCC in mid-December
- A public hearing will be held at the BCC in February

Hughes noted that the District's current SDC rates are the lowest of any in the region and have not been increased since 1994. The District's intention is to set the new rates in the middle range for the region (\$2300 is proposed). He noted that this was a fee change, not a tax and so it would NOT have to be referred to the voters.

The Board discussed whether they wanted to recommend to Council that SDC funds be used for Park projects in the City. The consensus was that we should wait until after the new methodology and rates are approved. Herrigel said she would get a copy of the CIP from Michelle Healy to share with the Board at the December meeting.

Vice Chair

Herrigel noted that there have been times when Mart Hughes has been unable to attend District meetings and that it may be a good idea to appoint a Vice Chair to represent the City at DAB or other meetings. Kathy Buss made a motion nominating Sherri Dow as the Vice Chair of the Milwaukie Park and Recreation Board until the end of her Board term. Rob Gabrish seconded and the motion was approved 7-0.

Park District Update

Joan Young reported that two Park District work groups were in place: Recreation services and Public Relations and Outreach. Herrigel asked if the Aquatics Park work group had been convened. Young said that representatives were being selected. The Board agreed that the City should be represented on that group. Kate McCready volunteered to sit on that working group. Herrigel said she would follow up with Commissioner Kennemer.

Hughes asked if there had been any further discussion of merging the Park District with the County Parks Department. Young said that where there are overlaps in the two organizations, staff is being encouraged to merge functions. She noted that Directors of both the District and the County Dept remain in tact. Hughes asked if the District could expand to the whole County if a full merge of these two groups took place. Young responded that she doubted that there was enough funding to allow this to happen.

Other

- Buss reported that the Ardenwald Historic Walk had been very successful. She said that about 55 people joined the tours.
- Hector Campbell Neighborhood is beginning work on a pocket park at 37th and Monroe and volunteers are welcome.
- The group was reminded that the Closing Ceremony for the Centennial will be held at the Riverfront on December 20.

Herrigel checked in regarding November and December meeting dates. *All agreed to hold both. Newson said he would bring pie to the November meeting and Kate said she'd provide a desert for the December meeting.*

Adjourn

Buss motioned to adjourn at 8:15. Dow seconded and motion passed 7-0.



Ledding Library Board November minutes

November 24, 2003 6:30 PM
Ledding Library

Meeting called by:

Tom Hogan

Attendees:

Attendees: Mark Docken, Pat Healy, Tom Hogan, Sue Trotter, Michael Welling, and Ed Zumwalt.

Absent: Pat Lent

Staff: Cynthia Sturgis

Agenda topics

Approval of minutes

The following statement was added to the "WELL Update" section of the October minutes: "Tom Hogan will write a summary of the discussion and concerns for the the WELL committee."

Minutes were approved amended.

Librarians' report

Cynthia reported that the senior librarians will be meeting with Alice Rouyer on November 24th to discuss the newest plans for the North Plan project.

Rob Dortignacq will work on revisions to the floor plan for the library until we know more about final plans for the North Main project.

The city managers met to discuss the proposed library levy. They are recommending a 35 cents rate.

WELL

The next meeting for WELL is scheduled for December 10. No meeting has taken place since the last Library Board meeting in October.

Circulation

Board members expressed concern about the decrease in circulation due to reduced open hours. Ideas discussed included approaching the senior center and retirement centers for deposit collections or encouraging their use of the library and changing the floor plans to better display collections. Cynthia will call the library development office at the State Library to see if they can provide advice on displays and floor planning