



**Study Session**

**SS**

**Milwaukie City Council**



**CITY OF MILWAUKIE  
COUNCIL STUDY SESSION**

City Hall Conference Room  
10722 SE Main Street  
www.milwaukieoregon.gov

**AGENDA  
MAY 9, 2017**

**Page #**

- 1. **5:15 p.m. Citizens Utility Advisory Board (CUAB) Annual Update and Utility Rate Discussion** **1**  
 Staff: Charles Eaton, Engineering Director, and  
 Haley Fish, Finance Director  
  
**6:45 p.m. NOTE: the live online and local broadcast of this Council meeting will end at 6:45 p.m. to allow for the broadcast of the Planning Commission meeting to begin at 7:00 p.m.**
  
- 2. **6:45 p.m. Zoning Clarification for North Milwaukie Industrial Area Plan** **15**  
 Staff: Alma Flores, Community Development Director, and  
 Amy Koski, Resource and Economic Development Specialist
  
- 3. **7:15 p.m. Adjourn**

**Americans with Disabilities Act (ADA) Notice**

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**Executive Sessions**

The City Council may meet in Executive Session pursuant to ORS 192.660(2); all discussions are confidential and may not be disclosed; news media representatives may attend but may not disclose any information discussed. Executive Sessions may not be held for the purpose of taking final actions or making final decisions and are closed to the public.

**Meeting Information**

Times listed for each Agenda Item are approximate; actual times for each item may vary. Council may not take formal action in Study or Work Sessions. Please silence mobile devices during the meeting.

 CITY OF MILWAUKIE  
COUNCIL STUDY SESSION

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## MINUTES

MAY 9, 2017

**Mayor Mark Gamba called the Council meeting to order at 5:15 p.m.**

**Present:** Council President Lisa Batey; Councilors Angel Falconer, Wilda Parks, Shane Abma

**Staff:** City Manager Ann Ober  
City Recorder Scott Stauffer  
Community Development Director Alma Flores  
Engineering Director Charles Eaton  
Finance Director Haley Fish  
Public Works Director Gary Parkin  
Economic Development Coordinator Amy Koski

**Citizens Utility Advisory Board (CUAB) Annual Update and Utility Rate Discussion**

**Mr. Eaton** introduced the report and **Vince Alvarez**, CUAB Chair, reviewed the proposed changes to the CUAB bylaws. The group discussed elements of the bylaws including meeting time, agenda and packet posting, and minutes.

**Mr. Alvarez** reviewed the proposed 2017-2018 CUAB work plan.

**Mr. Eaton** presented the utility rate forecasts. **Council President Batey** asked if the rate projections were based on current or estimated housing data. **Ms. Fish** reported that in-depth housing trend studies had not been done and **Mr. Alvarez** noted that the CUAB reviewed housing numbers annually.

**Mayor Gamba** expressed concern about lowering rates when the system's deferred maintenance needs may require additional funding. The group noted the type of joints used when installing water pipes. **Mr. Eaton** clarified that staff had not re-estimated the system fund forecasts since the Water Master Plan had been adopted in 2013.

The group discussed water usage rate structures, Public Works and Engineering staff workloads, and upcoming water system projects. They remarked on the feasibility of adjusting the current rate structure to ensure better user rate equity.

**Mr. Eaton** presented the wastewater fund forecast. **Council President Batey** and **Mr. Eaton** commented on the potential for rate fluctuations caused by Clackamas County Service District #1's (CCSD#1) construction of new treatment facilities.

**Mayor Gamba** and **Mr. Eaton** discussed the resiliency of the City's wastewater system and the possibility of requiring the installation of mechanical fittings. Staff reported that the City had used plastic joints when replacing aging clay pipes and the group remarked on the benefits of maintaining joints in the water system.

**Council President Batey** reported that she was fine with the recommended wastewater rate increase. She distributed a City memo from January 2009 that provided background information on the City's relationship with Clackamas County Water Environment Services (WES) and CCSD#1. She suggested the City should renegotiate its rate agreement with CCSD#1. **Mayor Gamba** and **Councilor Parks** commented on the financial impacts the current rate agreement had on Milwaukie rate payers when it took effect. **Council President Batey** and **Mr. Eaton** remarked on the constantly increasing cost of maintaining a water treatment system.

**Mr. Eaton** reviewed the Stormwater Fund Forecast. He noted that the stormwater fund had built-up a reserve and that there were expensive projects scheduled over the next several years. **Mayor Gamba**, **Mr. Alvarez**, and **Mr. Eaton** discussed projects on the Capital Improvement Plan (CIP) that were meant to increase the system's ability to treat stormwater and stop neighborhood flooding. They noted that Council had approved rate increases with the understanding that no projects would be deferred.

**Mr. Eaton** reported that the projects included in the 20-year CIP were on schedule and that the CUAB had recommended the stormwater rate increase be reduced because the fund had enough money to cover the scheduled projects. He remarked on the aggressive nature of the CIP given the size of the Engineering Department and **Ms. Ober** noted that staff would need time to further review and develop the CIP projects.

The group discussed the financial difference between the scheduled rate increase and proposed rate increase. They noted other fee and rate increases recently approved by Council and there was group consensus that a general review of the CIP would be appropriate. **Ms. Ober** remarked that staff would work to provide further analysis of the CIP in advance of the next budget adoption process in 2018.

The group discussed whether Council wanted to adjust the stormwater rate increase that would be part of the Master Fee Schedule which was scheduled to be considered at the June 6, 2017 Regular Session. Staff confirmed that an assessment of the CIP could be done before the next budget process. **Mr. Alvarez** and **Ms. Ober** commented that the scheduled rate increase could be left in place while the CIP was reassessed.

**Mr. Eaton** and **Mayor Gamba** noted that the scheduled increase for the next fiscal year would be the same as the previous year's increase if not reduced. It was noted that there was Council agreement to leave the scheduled stormwater rate increase in place.

**Mr. Eaton** distributed and reviewed a handout showing the Transportation Fund Forecast. He explained that there were two scenarios for transportation funding, one included a rate adjustment to the Consumer Price Index (CPI) and one showing negative fund balances in future budget years. He noted the requirement to fund the Street Surface Maintenance Program (SSMP) and confirmed that the fund forecast did not include any additional revenue from State or County sources.

The group discussed the possibility of receiving additional transportation funding from the State or County and how such funds would be allocated by the City.

**Mr. Eaton** explained that the difference between the proposed transportation scenarios was whether the rate would be indexed to the CPI for the current year only or indexed to the CPI retro-actively to the beginning of the SSMP. He reported that the CUAB had recommended indexing the rate to the CPI retro-actively which would generate \$500,000 over a six-year period and would allow for residential street paving. He noted that the retro-active index scenario would increase rates from \$3.54 to \$4.06 per-month.

The group noted that Council had previously agreed to index the SSMP rate to the CPI annually and they discussed the possibility of the City receiving additional transportation funding from the State or County.

It was noted that the Study Session was no longer being broadcast live as of 6:43 p.m.

The group considered the projected monthly rate increases as recommended by the CUAB and noted that other cities in the region were considering similar actions. It was Council consensus to keep the stormwater rate increase at the scheduled 14.1% and accept the CUAB's recommended rates for the other funds.

### **North Milwaukie Industrial Area (NMIA) Zoning Clarification**

**Ms. Koski** explained that the proposed NMIA Zone would be brought through the Planning Commission and that staff was looking for Council input about whether residential zoning should be allowed in the NMIA. She reviewed the employment, land use, and transportation goals of the NMIA project, noted the City's need for additional employment sites, and presented information on the proposed NMIA Zone that would combine existing Manufacturing-Tacoma Station Area (M-TSA) overlays and sub-areas.

The group reviewed currently allowed uses in the NMIA and what uses would be permitted in the new NMIA Zone. It was noted that the new zone would give property owners flexibility in developing commercial or industrial uses and that one property owner had expressed interest in mixed commercial and residential development.

The group remarked on the need to address the City's housing shortage without diminishing existing industrial areas. They noted the number of housing units being proposed across the City and discussed whether additional residential zoning in the NMIA is desirable or feasible given existing constraints in the area.

**Councilor Falconer** expressed support for the staff recommendation to change the current M-TSA zone subareas to allow additional flexibility for commercial uses.

**Ms. Flores** explained that staff's approach to the NMIA project had been to embrace the City's existing residential and employment balance while looking at ways to enhance the commercial benefits of the area. She reported that staff had not heard interest for residential zoning in the NMIA at the project's open house events.

**Mayor Gamba** remarked that he was on the fence as to whether residential zoning should be allowed in the NMIA, and discussed the conclusions of economic development reports previously presented to Council that suggested it would be challenging for developers to build new facilities in the NMIA. **Ms. Ober** remarked on the possibility of encouraging transitional projects that would help the NMIA become an area that developers would be interested in.

The group noted which property in the NMIA had been proposed for residential development and reviewed the zoning options Council could select if residential zoning were allowed. They discussed the possibility that a single residential property could lead to more requests for residential zoning and they noted the likelihood that increased residential density would require the area's transportation model to be re-evaluated.

**Ms. Ober** summarized that Council was asked to give feedback regarding residential zoning being allowed in the NMIA.

**Councilor Parks** noted she was not in support of residential zoning in the NMIA.

**Councilor Falconer** expressed support for expanding commercial and office space uses and not residential use in the M-TSA subareas.

**Council President Batey** suggested Council shouldn't change NMIA zoning over current concerns about the financial feasibility of development projects.

The group commented on possible alternative names for the NMIA and staff noted that the area's name and branding would be addressed in the project's final report.

**Councilor Abma** expressed support for not allowing residential zoning in the NMIA.

It was Council consensus to not allow residential zoning in the NMIA.

**Ms. Ober** reported that the City's new Public Works Director would start June 26, 2017.

**Council President Batey** asked if there were updates on the food cart pod. **Ms. Flores** noted that utility trench work would begin soon and be finished by the end of May 2017. She explained an opening date was hard to set due to the utility work and reported that staff had received interest from food carts wanting to locate in Milwaukie.

**Mayor Gamba adjourned the Study Session at 7:27 p.m.**

Respectfully submitted,



Amy Aschenbrenner, Administrative Specialist II



Scott Stauffer, City Recorder

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To: Mayor and City Council  
Through: Ann Ober, City Manager  
Reviewed: Gary Parkin, Public Works Director  
From: Charles Eaton, Engineering Director  
Vince Alvarez, CUAB Chair

Subject: **Citizen Utility Advisory Board (CUAB) Update**

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### **ACTION REQUESTED**

This is an opportunity for the CUAB committee to present the upcoming year's work plan and present bylaws CUAB has reviewed for City Council consideration.

### **HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

The last check in with CUAB was at the **City Council Work Session** on **May 17, 2016** <http://www.milwaukieoregon.gov/citycouncil/city-council-work-session-169> where the boards work plan and wastewater rate considerations were discussed as part of the annual update.

CUAB also appeared before City Council on **February 7, 2017** at the **City Council Work Session** <http://www.milwaukieoregon.gov/citycouncil/city-council-work-session-12>. CUAB along with the Public Safety Advisory Committee (PSAC) presented an update on the projected shortfall of the Transportation utility.

### **ANALYSIS**

CUAB will present the 2017 work plan and bylaws review to City Council for review. In addition, CUAB will present a separate discussion on all the utility rate considerations as part of this year's annual update.

### **BUDGET IMPACTS**

None

### **WORKLOAD IMPACTS**

None

### **COORDINATION, CONCURRENCE, OR DISSENT**

Public Works and Engineering concur with CUAB's recommendations

### **STAFF RECOMMENDATION**

N/A

### **ALTERNATIVES**

Direct CUAB to make additions and/or changes to the work plan or bylaws prior to submitting for adoption.

### **ATTACHMENTS**

1. Bylaws (Underline/strikethrough)
2. Proposed Bylaws
3. Work Plan
4. Utility Rate Review

Milwaukie Citizens Utility Advisory Board (CUAB)

BYLAWS

Approved by the Milwaukie City Council on \_\_\_\_\_

Adopted by the Citizens Utility Advisory Board, 4-0 (April 2, 2008) and updated May 3, 2017

ARTICLE I: MEMBERS AND VOTING PROCEDURES

1. Membership of the Board shall be as established by the Milwaukie Municipal Code and appointed by City Council.
2. A majority of the Board may recommend to the City Council that a member be removed from the Board by the City Council.
3. Members are expected to attend all meetings. Members may be granted a sabbatical (by majority approval of the remaining members) from membership. That aside, failure to attend one-half or more of regularly scheduled meetings in a six-month period shall be grounds for a recommendation for removal.
4. A quorum shall be a minimum of three members. If a quorum is not attained fifteen minutes following the scheduled time of call to order, the meeting shall be cancelled.
5. All members who are present at Board meetings, including the Chairperson and Vice-Chairperson, are allotted one vote each on all motions.
6. One member must make a motion and another member must second that motion in order for the Board to vote. A motion is passed by majority of the Board members present. Any member, including the Chairperson and Vice-Chairperson, may make and second motions.

ARTICLE II: CHAIRPERSON AND VICE-CHAIRPERSON DUTIES/MOTIONS

1. The Board shall elect a Chairperson and a Vice-Chairperson for year long appointments. Elections shall be held yearly in April.
2. In the event that an officer cannot complete the specified term, an emergency election shall be held for the completion of the term.
3. The Chairperson shall preserve the order and decorum of the meeting; direct discussion and comment to relevant issues; establish and enforce

time limits for discussion and comment as appropriate; prevent attacks on personalities; and encourage citizen input.

4. The Chairperson, or the Vice-Chairperson if the Chairperson is absent, shall preside over the meetings.

#### ARTICLE III: MEETINGS AND PUBLIC HEARINGS

1. Regular meetings shall be held at ~~7~~6:00 p.m. on the first Wednesday of each month. The time and date of the meeting may be changed by a majority vote of Board.
2. The public shall be notified of all Board meetings by the City's general notification procedures.
3. The Engineering Director or his/her designee shall be responsible for preparing the Minutes for each meeting and keeping records of the attendance.
4. The Engineering Director or his/her designee shall be responsible for mailing the Agenda and all meeting materials to members and interested members of the public ~~at least seven (7) days~~ before the next scheduled meeting.
5. Special Meetings may be called at the request of the Chairperson or a majority of the Board. The Engineering Director shall set a special meeting on such request unless good cause exists for delaying until the next regularly scheduled meeting. Good cause may include such factors as staff availability, meeting room availability, and budgetary considerations.
6. Executive Sessions may be held consistent with City Council Meeting Provisions, Section 2.04.090 of the City of Milwaukie Code and applicable state law

#### ARTICLE IV: BYLAWS/ CHANGES

1. Bylaws may be amended, repealed or altered by a majority of the entire Board, subject to approval by the City Council.

Milwaukie Citizens Utility Advisory Board (CUAB)

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**CUAB Work Plan 2017-18**

<b>Item</b>	<b>Definition</b>	<b>Status</b>	<b>Complete Date</b>
<b>1. Review utility funds for fiscal soundness</b>	Examine the funds and comment on the stability of each fund and capital project implementation. Report to council at annual check-in.	Funds reviewed beginning with the January meeting.	Check-in with Council
<b>2. Capital Improvement Plan</b>	Review the implementation of the adopted biennial plan. Make recommendations on adjustments.	Review with Engineering/PW beginning in November	Final draft will be presented to CUAB February
<b>3. Utility Master Plans</b>	Review the master plans, focusing on recommendations and project implementation.	Review in Sept/Oct	Ongoing
<b>4. Transportation SDC Rate Study</b>	Review need for updated Transportation SDC Rate Studies	Direction to proceed or not is needed from Council	Check-in with Council
<b>5. NE wastewater extension and annexation project</b>	Review cash flow as the loan for the sewer extension project to the area northeast of Milwaukie (west of Linwood, north of King Rd) is paid back as properties connect.	City is collecting reimbursements as properties are annexed and connected.	Ongoing (continuing as connections are made)
<b>6. Issues from Public Works</b>	Well 8: iron fouling pump. Well 2 replacement.	Discussed	Ongoing
<b>7. Street Lighting</b>	Review status, monitor additional transfer to LED. Provide guidelines, track budget	Discussed	Winter 2017/18



CITY OF MILWAUKIE  
COUNCIL STAFF REPORT

To: Mayor and City Council

Date: April 28, 2017 for May 9, 2017 Study Session

Through: Ann Ober, City Manager

Reviewed: Gary Parkin, Public Works Director  
Haley Fish, Finance Director

From: Charles Eaton, Engineering Director

Subject: **Utility Rate Review**

### **ACTION REQUESTED**

Review and comment on the Citizen Utility Advisory Boards (CUAB) recommendations on utility rates for FY 2018.

### **HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

Utility Rates are reviewed yearly by City Council as part of the annual update of the Master Fee Schedule. CUAB makes recommendations on all the Utility Rates in conformance with City Council approved Master Plans for each of the City Utilities (Water, Storm and Wastewater). With the creation of the Safe Access for Everyone (SAFE) program, Transportation Utility Rates, which were fixed under the Street Surface maintenance program (SSMP), have been included in the annual utility rate reviews by CUAB.

The City performed rate reviews of the various utilities and adopted recommended rate increases to accomplish the adopted Capital Improvement Plans (CIP). The Wastewater utility's last formal rate study was completed in 2013. After two beginning rate increases of 10% and 9.2%, the study recommended annual increases of 4.5%. The Water utility's rate study was done as part of its master plan update and completed in 2012. The rate study recommended rates increases of 14.45% to 9.16% in fiscal year 2017 as the City played catch-up to address infrastructure replacement. The Stormwater rate study was done as part of its master plan and completed in 2014. City Council elected to go with the "proactive" service level. The rate study anticipated an annual rate increase of 14.1% or 14.0% every year through fiscal year (FY) 2020. The newly adopted Transportation utility fees were set up to index yearly in accordance with the Consumer Price Index (CPI).

At the **February 7, 2017 City Council Work Session** CUAB along with the Public Safety Advisory Committee (PSAC) and staff presented an update on the SSMP program and the projected shortfall of the Transportation utility <http://www.milwaukieoregon.gov/citycouncil/city-council-work-session-12>. As part of that presentation, CUAB and PSAC presented their recommendations related to the SSMP program. City Council indicated its desire to revise Milwaukie Municipal Code (MMC) 3.25 to allow for indexing of fees as recommended. City Council also directed staff to bring back the alternatives to the funding needs at a separate council meeting, currently scheduled for the May 9, 2017 study session, to allow additional time to review and coordinate with prospective legislation.

On **April 4, 2017**, during the **City Council Regular Session**, staff presented a code amendment for the SSMP program, to have the rate adjusted according to the Consumer Price Index <http://www.milwaukieoregon.gov/citycouncil/city-council-regular-session-202>. City Council approved the revision to MMC 3.25.

## ANALYSIS

CUAB has met over the past four months to discuss the proposed rate increases for FY 18. During these meetings CUAB reviewed the maintenance, capital improvement and reserve policy needs for each utility and compared those to the previously adopted rate increases to determine if adjusted were required to accomplish the adopted plans.

With the increase in the Transportation Utility on January 1, 2017 for the new SAFE program, CUAB looked for the availability within the other funds to reduce the rate increases specified in the master plans based primarily on the short term need of each fund. The review also considered the available staffing capacity and CIP adjustments made during the supplemental budget process.

As a result, CUAB is recommending the following rate increases for FY 18:

- Water Utility 5% (reduced from plan increase of 9.16%)
- Wastewater Utility 4% (reduced from plan increase of 4.5%)
- Stormwater Utility 9% (reduced from plan increase of 14%)
- Transportation Utility SAFE: Increase by CPI  
SSMP: Increase by CPI retroactively.

The overall utility rate increase proposed would be 5.57% per average residential household. The recommendation of CUAB is based on setting the rates at a level that accommodates current need, does not decrease the reserves beyond reasonable levels and provides for needed capital improvements.

A summary of the proposed rates effect on each fund is as follows:

Water – The fund reserve dips below policy level in years 2020 and 2021, but is back above policy level in 2022.

Wastewater – The fund reserve dips below policy levels in years 2020, 2021 and 2022, but that is with an assumption of 5% increases yearly and a 12% increase in FY 2019 in treatment cost from the County.

Stormwater – The fund reserve does not dip below minimums but one project would need to be delayed in FY 2019 till 2020.

Transportation - The fund reserve does not dip below minimums but needed capital improvements are delayed in each fiscal year. Current projections are that the system would have 20.1 million in deferred maintenance by 2036 and a Pavement Condition Index (PCI) of 63.

Staff, together with PSAC, are developing a long-range review of the needs of the transportation system for presentation next year. The proposed rate increases together with the shift in priorities already approved by council are considered the minimum required to lessen the impacts system wide.

**BUDGET IMPACTS**

Utility Rate increase will provide funding to maintain the adopted capital improvement plans.

**WORKLOAD IMPACTS**

None. All capital improvement projects impacted by this proposal are already included in the 2017-2022 CIP.

**COORDINATION, CONCURRENCE, OR DISSENT**

The Finance and Public Works Departments were involved in the rate recommendation process and concur with the recommendation provided in this report.

**STAFF RECOMMENDATION**

Staff recommends including the utility rates recommended by the CUAB within the Master Fee Schedule for City Council adoption.

**ALTERNATIVES**

Reduce proposed utility rate increases, this will require the City to reprioritize and postpone planned capital improvement projects.

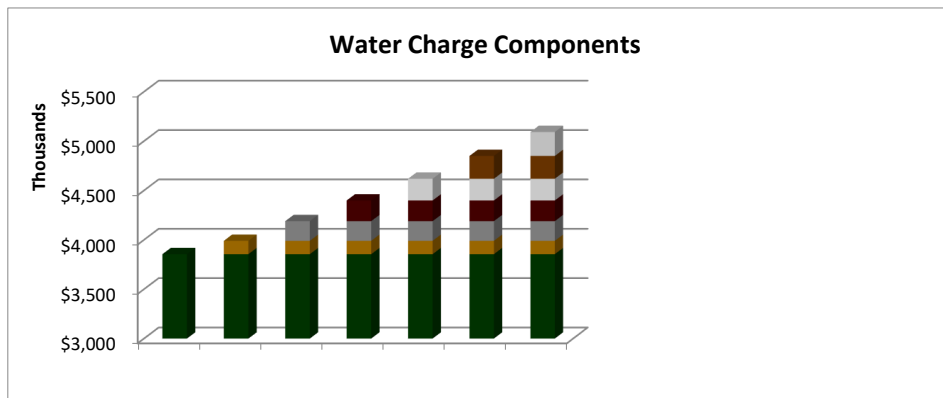
**ATTACHMENTS**

- 1. Water Fund Forecast
- 2. Wastewater Fund Forecast
- 3. Stormwater Fund Forecast
- 4. Transportation Fund Forecast
- 5. Comparison City Graph

City of Milwaukee

Water Fund - Water Fund  
(amounts in thousands)

Resources	ACTUALS					PROJECTED						
	FY12	FY13	FY14	FY15	FY16	Current Year	+1	+2	+3	+4	+5	
	FY17	FY18	FY19	FY20	FY21	FY22						
Beginning fund balance	\$ (109)	\$ (225)	\$ 211	\$ 781	\$ 1,700	\$ 3,461	\$ 2,152	\$ 1,643	\$ 2,120	\$ 1,622	\$ 1,656	
Adjustment to audit balance	-	-	-	-	-	-	-	-	-	-	-	
Water charges - base	2,283	2,739	3,074	3,629	3,855	3,855	3,990	4,191	4,401	4,621	4,852	0.00%
Water charges - rate increases	-	-	-	-	-	135	201	210	220	231	243	0.00%
Interest	-	-	-	-	-	-	-	-	-	-	-	5.00%
Miscellaneous	71	83	83	69	106	65	65	66	67	68	69	1.00%
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-	0.00%
Transfers from other funds	-	-	-	-	284	-	-	-	-	-	-	0.00%
Total revenues	2,354	2,822	3,157	3,698	4,245	4,055	4,256	4,467	4,688	4,920	5,164	
<b>Total Resources</b>	<b>\$ 2,245</b>	<b>\$ 2,597</b>	<b>\$ 3,368</b>	<b>\$ 4,479</b>	<b>\$ 5,945</b>	<b>\$ 7,516</b>	<b>\$ 6,408</b>	<b>\$ 6,110</b>	<b>\$ 6,808</b>	<b>\$ 6,542</b>	<b>\$ 6,820</b>	
Personnel services	481	485	540	548	574	728	783	812	854	883	883	PS Spreadsheet
Personnel services (temp/seasonal)	34	38	21	27	11	50	55	59	62	65	65	PS Spreadsheet
Materials & services (base)	246	194	286	297	280	382	383	393	403	413	423	2.50%
M&S (franchise fee to transportation)	181	230	263	290	269	307	318	351	369	387	406	Calculated
M&S (electricity costs)	177	177	173	188	186	202	212	223	234	246	258	5.00%
M&S (internal service charges)	-	-	-	-	-	-	-	-	-	-	-	
Debt service	-	-	-	-	-	-	14	14	14	14	14	0.75%
Transfers to other funds	987	980	990	915	915	1,140	1,180	1,239	1,301	1,366	1,434	5.00%
Capital outlay												
Scheduled capital projects	364	258	314	514	249	2,301	1,820	845	1,917	1,512	1,304	Per CIP
Maintenance improvements	-	24	-	-	-	-	-	-	-	-	-	Per CIP
Additions (vehicles & equip)	-	-	-	-	-	105	-	55	32	-	-	Per CIP
Other	-	-	-	-	-	149	-	-	-	-	-	
Total expenditures	2,470	2,386	2,587	2,779	2,484	5,364	4,765	3,991	5,186	4,886	4,787	
Ending fund balance												
Policy requirement (50%)	1,050	1,050	1,140	1,130	1,120	1,400	1,470	1,540	1,610	1,680	1,730	
Reserve for vehicle replacement	-	30	80	100	100	100	100	100	100	100	100	
Over (under) policy/reserves	(1,275)	(869)	(439)	470	2,241	652	73	480	(88)	(124)	202	
Total ending fund balance	(225)	211	781	1,700	3,461	2,152	1,643	2,120	1,622	1,656	2,032	
<b>Total Requirements</b>	<b>\$ 2,245</b>	<b>\$ 2,597</b>	<b>\$ 3,368</b>	<b>\$ 4,479</b>	<b>\$ 5,945</b>	<b>7,516</b>	<b>6,408</b>	<b>\$ 6,110</b>	<b>\$ 6,808</b>	<b>\$ 6,542</b>	<b>\$ 6,820</b>	



Utility Rate Information:	0%	17.10%	12.63%	12.75%	5.00%	3.50%	5.00%	5.00%	5.00%	5.00%	5.00%
% water rate increases											

Updated 2/1/17 - Pe

City of Milwaukee

Wastewater Fund  
(amounts in thousands)

	ACTUALS					Budget	PROJECTED						
	FY12	FY13	FY14	FY15	FY16		FY17	FY18	FY19	FY20	FY21		FY22
							+ 1	+ 2	+ 3	+ 4	+ 5		
<b>Resources</b>													
Beginning fund balance	\$ 2,722	\$ 3,085	\$ 2,445	\$ 2,318	\$ 2,716	\$ 3,271	\$ 3,295	\$ 2,438	\$ 2,025	\$ 1,552	\$ 984		
Adjustment to audit balance	-	-	-	-	-	-	-	-	-	-	-		
Wastewater charges - base	4,540	6,324	6,532	6,659	6,946	7,318	7,573	7,876	8,191	8,519	8,860	1.00%	
Wastewater - rate increases	-	-	-	287	300	255	303	315	328	341	354	Per below	
Miscellaneous	245	77	10	2	1	17	2	2	2	2	2	2.00%	
Proceeds from debt issuance	1,929	-	-	-	-	-	-	-	-	-	-	0.00%	
Proceeds from Reimb District	-	-	55	66	43	75	75	75	75	75	75	0.00%	
Transfers from other funds	197	-	-	-	62	-	-	-	-	-	-	0.00%	
<b>Total revenues</b>	<b>6,911</b>	<b>6,401</b>	<b>6,597</b>	<b>7,014</b>	<b>7,352</b>	<b>7,665</b>	<b>7,953</b>	<b>8,268</b>	<b>8,596</b>	<b>8,937</b>	<b>9,291</b>		
<b>Total Resources</b>	<b>\$ 9,633</b>	<b>\$ 9,486</b>	<b>\$ 9,042</b>	<b>\$ 9,332</b>	<b>\$ 10,068</b>	<b>\$ 10,936</b>	<b>\$ 11,248</b>	<b>\$ 10,706</b>	<b>\$ 10,621</b>	<b>\$ 10,489</b>	<b>\$ 10,275</b>		
<b>Requirements</b>													
Personnel services	\$ 393	\$ 394	\$ 398	\$ 414	\$ 428	\$ 457	\$ 493	\$ 512	\$ 540	\$ 557	\$ 585	PS Spreadsheet	
Materials & services (base)	185	212	102	126	99	193	194	200	206	212	218	3.00%	
M&S (franchise fee to transportation)	121	230	167	200	213	232	247	234	246	258	251	Calculated	
M&S (Contract treatment costs)	2,804	3,968	4,077	4,261	4,345	4,531	4,724	5,281	5,550	5,828	5,974	Est. Rates per CCSD #1	
M&S (CCSD #1 SDC's)	-	-	102	-	30	100	100	-	-	-	-	Estimated	
Debt service	2,028	110	101	104	104	107	107	107	107	107	107	Scheduled	
Transfers to other funds	1,014	980	970	885	935	1,070	1,120	1,142	1,165	1,188	1,212	2.00%	
Capital outlay:													
Scheduled capital projects	3	1,144	807	649	643	906	1,765	965	855	1,255	455	Per CIP*FY17/18 include supplemental	
Additions (vehicles & equip)	-	-	-	-	-	45	60	240	400	100	100		
Other	-	3	-	-	-	-	-	-	-	-	-		
<b>Total expenditures</b>	<b>6,548</b>	<b>7,041</b>	<b>6,724</b>	<b>6,640</b>	<b>6,797</b>	<b>7,641</b>	<b>8,810</b>	<b>8,681</b>	<b>9,069</b>	<b>9,505</b>	<b>8,901</b>		
Ending fund balance													
Policy requirement (25%)	880	1,200	1,190	1,100	1,080	1,130	1,140	1,210	1,240	1,260	1,260		
Reserve for vehicle replacement	-	50	100	150	200	250	300	350	400	450	500		
Over (under) policy/reserves	2,205	1,195	1,028	1,442	1,991	1,915	998	465	(88)	(726)	(386)		
<b>Total ending fund balance</b>	<b>3,085</b>	<b>2,445</b>	<b>2,318</b>	<b>2,692</b>	<b>3,271</b>	<b>3,295</b>	<b>2,438</b>	<b>2,025</b>	<b>1,552</b>	<b>984</b>	<b>1,374</b>		
<b>Total Requirements</b>	<b>\$ 9,633</b>	<b>\$ 9,486</b>	<b>\$ 9,042</b>	<b>\$ 9,332</b>	<b>\$ 10,068</b>	<b>\$ 10,936</b>	<b>\$ 11,248</b>	<b>\$ 10,706</b>	<b>\$ 10,621</b>	<b>\$ 10,489</b>	<b>\$ 10,275</b>		

Utility Rate Information:												
% Wastewater rate increases	0%	17.1%	15%	12.8%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	Updated 3/1/17

City of Milwaukee

Stormwater Fund

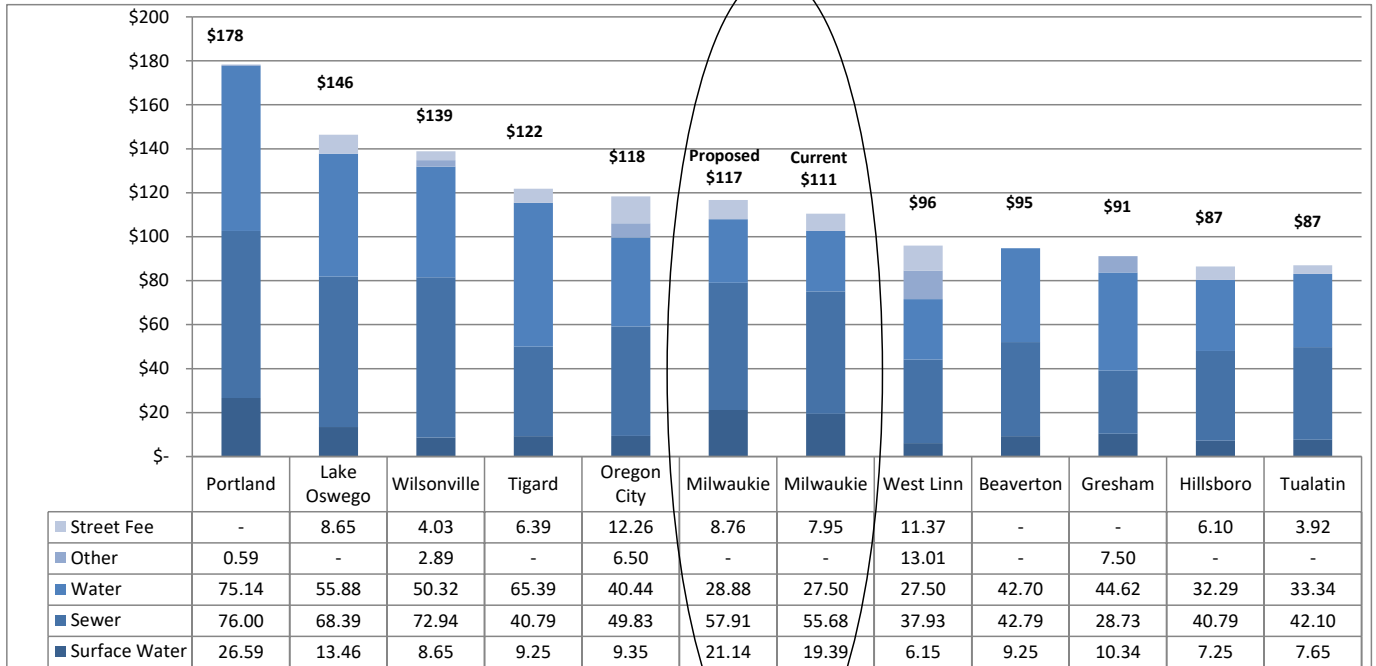
(amounts in thousands)

	ACTUALS					Budgeted	PROJECTED						
	FY12	FY13	FY14	FY15	FY16		FY17	FY18	FY19	FY20	FY21		FY22
<b>Resources</b>													
Beginning fund balance	\$ 1,081	\$ 1,416	\$ 1,896	\$ 2,528	\$ 3,391	\$ 2,953	2,391	\$ 772	\$ 390	\$ 1,162	\$ 1,816		
Stormwater fee - base	1,834	1,971	2,206	2,249	2,570	2,953	3,366	3,669	3,999	4,199	4,409	0.00%	
Stormwater fee - rate increases	-	-	-	316	362	413	303	330	200	210	220	Scheduled Below	
Miscellaneous	5	22	6	16	14	7	7	7	7	7	7	3.00%	
Intergovernmental - grants	-	-	-	-	16	-	-	-	-	-	-	0.00%	
<b>Total revenues</b>	<b>1,839</b>	<b>1,993</b>	<b>2,212</b>	<b>2,581</b>	<b>2,962</b>	<b>3,373</b>	<b>3,676</b>	<b>4,006</b>	<b>4,206</b>	<b>4,416</b>	<b>4,636</b>		
<b>Total Resources</b>	<b>\$ 2,920</b>	<b>\$ 3,409</b>	<b>\$ 4,108</b>	<b>\$ 5,109</b>	<b>\$ 6,353</b>	<b>\$ 6,326</b>	<b>6,067</b>	<b>\$ 4,778</b>	<b>\$ 4,596</b>	<b>\$ 5,578</b>	<b>\$ 6,452</b>		
<b>Requirements</b>													
Personnel Services	\$ 399	\$ 423	\$ 422	\$ 483	\$ 484	\$ 694	809	\$ 849	\$ 892	\$ 937	\$ 983	PS Spreadsheet	
Materials & services (base)	102	108	106	117	139	219	216	227	234	241	248	3.00%	
M&S (Franchise Fee to Streets)	146	156	167	206	234	270	300	320	340	360	380	Calculated	
Transfers to other funds	837	740	760	905	965	1,020	1,060	1,081	1,103	1,125	1,148	2.00%	
Capital outlay													
Scheduled capital projects	20	83	125	7	1,371	1,437	2,610	1,950	620	1,000	840	Per CIP	
<b>Unfunded CIP</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(150)</b>	<b>150</b>	<b>-</b>	<b>-</b>		
Additions (vehicles & equip)	-	-	-	-	207	295	300	110	95	100	100	Per CIP	
<b>Total expenditures</b>	<b>1,504</b>	<b>1,513</b>	<b>1,580</b>	<b>1,718</b>	<b>3,400</b>	<b>3,935</b>	<b>5,295</b>	<b>4,387</b>	<b>3,434</b>	<b>3,763</b>	<b>3,699</b>		
Ending Fund Balance													
Policy requirement (25%)	160	170	70	50	10	50	30	50	70	80	100		
Reserve for vehicle replacemen	-	50	100	150	200	250	300	300	300	300	300		
Over (under) policy/reserves	1,256	1,676	2,358	3,191	2,743	2,091	442	40	792	1,436	2,353		
<b>Total ending fund balance</b>	<b>1,416</b>	<b>1,896</b>	<b>2,528</b>	<b>3,391</b>	<b>2,953</b>	<b>2,391</b>	<b>772</b>	<b>390</b>	<b>1,162</b>	<b>1,816</b>	<b>2,753</b>		
<b>Total Requirements</b>	<b>\$ 2,920</b>	<b>\$ 3,409</b>	<b>\$ 4,108</b>	<b>\$ 5,109</b>	<b>\$ 6,353</b>	<b>\$ 6,326</b>	<b>6,067</b>	<b>\$ 4,778</b>	<b>\$ 4,596</b>	<b>\$ 5,578</b>	<b>\$ 6,452</b>		
Utility Rate Information:													
% stormwater rate increases		7.5%	0.0%	14.1%	14.1%	14.1%	9%	9.0%	5.0%	5.0%	5.0%	Per forecast updated 4/19/17	

**NOTE:**

**Utility Rate Review - Attachment 4.4:  
“Transportation Fund Forecast” will be handed  
out during the City Council Meeting on 5/9/17.**

**2.4. Comparison Graph of Average Utility Bills of Neighboring Cities (on a monthly basis)  
Neighboring Cities as of January 1, 2017**



This graph compares the average utility bills for the neighboring cities surrounding Milwaukie. As some cities bill monthly, some bill every two months, and some bill every three months, these amounts are converted to average monthly amounts so they are comparable to Milwaukie. Also, cities increase different rates at different times during the year; therefore, this graph is simply a picture in time reflecting the rates at the time that the survey was conducted. And finally, cities have different average water consumption amounts per household; so for the sake of this comparison, these rates are computed using an average 6ccfs of water used per month to be comparable to Milwaukie's overall average. Below are Milwaukie's calculations:

	July 1, 2015			July 1, 2016			July 1, 2017		
	increased		avg bill	increased		avg bill	increased		avg bill
<b>Water Service Fee</b>									
Base	5.0%	0.34	\$ 7.15	3.5%	0.25	\$ 7.40	5.0%	0.37	\$ 7.77
Plus per 6ccf	5.0%	0.90	19.44	3.5%	0.66	20.10	5.0%	1.01	21.11
<i>Avg water per house (6ccfs)</i>			26.59			27.50			28.88
<b>Sewer Service Fee</b>									
Base fee	4.5%	1.24	28.78	4.0%	1.15	29.93	4.0%	1.20	31.13
Plus per 6ccf	4.5%	1.08	24.75	4.0%	1.00	25.75	4.0%	1.03	26.78
<i>Avg sewer per house</i>			53.53			55.68			57.91
<b>Storm Water Management Fee</b>	14.1%	2.10	16.99	14.1%	2.40	19.39	9.0%	1.75	21.14
<b>Street Maintenance Fee</b>									
SSMP	0%	N/A	3.35	0%	N/A	3.35	21%	0.71	4.06
SAFE			-	1/1/2017	4.60	4.60	2%	0.10	4.70
<i>Avg street per house</i>			3.35			7.95			8.76
<b>Average bill per residence</b>			<u>\$ 5.66</u> <u>\$ 100.46</u>			<u>\$ 10.06</u> <u>\$ 110.52</u>			<u>\$ 6.16</u> <u>\$ 116.68</u>

SS I.  
5-9-17  
EXHIBIT

City of Milwaukee

Transportation Fund  
(amounts in thousands)

Resources	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5	
	FY12	FY13	FY14	FY15	FY16	Budgeted	PROJECTED					
						FY17	FY18	FY19	FY20	FY21	FY22	
Beginning fund balance	\$ 1,321	\$ 1,739	\$ 1,323	\$ 1,459	\$ 2,016	\$ 2,217	\$ 1,980	\$ 1,501	\$ 1,441	\$ 801	\$ 807	
Dedicated revenues												
SAFE	-	-	-	-	-	450	900	927	955	983	1,013	3.00%
Street/surface maint program:												
Fees (street maint fee)	609	612	617	622	645	625	631	638	644	650	657	1.00%
Franchise fees (1.5% tax)	324	315	305	315	309	315	321	328	334	341	348	2.00%
Intergov'l (local gas tax)	179	220	166	167	181	183	185	187	189	191	193	1.00%
	1,112	1,147	1,088	1,104	1,135	1,123	1,138	1,152	1,167	1,182	1,198	4,700
State gas tax	1,110	1,117	1,172	1,184	1,213	1,227	1,239	1,243	1,247	1,251	1,264	1.00%
Franchise fees (from utilities)	448	616	597	700	716	808	861	896	950	1,014	1,065	Calculated
Other revenues:												
Fees - other miscellaneous	18	106	9	3	15	20	20	20	20	20	20	3.00%
FILOC	-	74	8	10	37	264	-	-	-	-	-	3.00%
Intergovernmental - grants	-	10	112	655	818	5,064	2,400	-	-	-	-	1.00%
Intergovernmental - other	-	-	116	-	286	-	-	-	-	-	-	1.00%
Transfers from other funds	-	-	-	-	42	-	-	-	-	-	-	0.00%
Total revenues	2,688	3,070	3,102	3,656	4,262	8,956	6,558	4,238	4,339	4,451	4,559	
<b>Total Resources</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,538</b>	<b>\$ 5,739</b>	<b>\$ 5,780</b>	<b>\$ 5,252</b>	<b>\$ 5,366</b>	
<b>Requirements</b>												
Personnel services	\$ 399	\$ 418	\$ 365	\$ 389	\$ 414	\$ 457	\$ 556	\$ 579	\$ 598	\$ 594	\$ 590	PS Spreadsheet
Materials & services (base)	164	136	105	107	130	313	322	332	342	352	363	3.00%
M&S (street lights costs)	319	319	244	251	239	269	282	296	311	327	343	5.00%
Transfers to other funds	1,008	1,010	1,040	965	925	1,290	1,200	1,224	1,248	1,273	1,298	2.00%
Capital outlay												
SAFE	-	-	-	-	-	200	1,950	727	755	783	813	
Street/surface maintenance	336	1,394	909	511	1,405	1,780	2,115	1,015	1,715	1,015	1,115	4,860
State gas tax capital projects	44	209	303	876	900	4,839	552	-	-	-	-	Per CIP
Additional SSMP Funds	-	-	-	-	-	-	-	-	-	-	-	Per CIP
Unfunded	-	-	-	-	-	-	-	-	(160)	-	-	Per CIP
Additions (vehicles & equip)	-	-	-	-	48	45	60	125	170	100	100	Estimated
Total expenditures	2,270	3,486	2,966	3,099	4,061	9,193	7,037	4,298	4,979	4,444	4,622	
Ending fund balance												
Policy requirement (17%)	320	320	300	290	290	400	400	410	420	430	440	
Reserves for vehicle replacement	-	50	100	150	200	200	200	200	200	200	200	
Reserves for capital	200	500	500	500	500	500	450	450	400	400	400	
Over (under) policy/reserves	1,219	453	559	1,076	1,227	880	451	381	(219)	(223)	(296)	
Total ending fund balance	1,739	1,323	1,459	2,016	2,217	1,980	1,501	1,441	801	807	744	
<b>Total Requirements</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,538</b>	<b>\$ 5,739</b>	<b>\$ 5,780</b>	<b>\$ 5,252</b>	<b>\$ 5,366</b>	

City of Milwaukee

Transportation Fund  
(amounts in thousands)

Resources	ACTUALS					Current	+ 1	+ 2	+ 3	+ 4	+ 5	
	FY12	FY13	FY14	FY15	FY16	Year	PROJECTED					
						Budgeted	FY17	FY18	FY19	FY20	FY21	
Beginning fund balance	\$ 1,321	\$ 1,739	\$ 1,323	\$ 1,459	\$ 2,016	\$ 2,217	\$ 1,780	\$ 1,626	\$ 1,709	\$ 1,068	\$ 1,001	
Dedicated revenues												
SAFE	-	-	-	-	-	450	900	927	955	983	1,013	3.00%
Street/surface maint program:												
Fees (street maint fee)	609	612	617	622	645	625	757	780	803	827	852	3.00%
Franchise fees (1.5% tax)	324	315	305	315	309	315	321	328	334	341	348	2.00%
Intergov'l (local gas tax)	179	220	166	167	181	183	185	187	189	191	193	1.00%
	1,112	1,147	1,088	1,104	1,135	1,123	1,263	1,294	1,326	1,359	1,393	5,373
State gas tax	1,110	1,117	1,172	1,184	1,213	1,227	1,239	1,243	1,247	1,251	1,264	1.00%
Franchise fees (from utilities)	448	616	597	700	716	808	861	896	950	1,014	1,065	Calculated
Other revenues:												
Fees - other miscellaneous	18	106	9	3	15	20	20	20	20	20	20	3.00%
FILOC	-	74	8	10	37	264	-	-	-	-	-	3.00%
Intergovernmental - grants	-	10	112	655	818	5,064	2,400	-	-	-	-	1.00%
Intergovernmental - other	-	-	116	-	286	-	-	-	-	-	-	1.00%
Transfers from other funds	-	-	-	-	42	-	-	-	-	-	-	0.00%
Total revenues	2,688	3,070	3,102	3,656	4,262	8,956	6,683	4,380	4,498	4,628	4,754	
<b>Total Resources</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,463</b>	<b>\$ 6,007</b>	<b>\$ 6,207</b>	<b>\$ 5,696</b>	<b>\$ 5,755</b>	
Requirements												
Personnel services	\$ 399	\$ 418	\$ 365	\$ 389	\$ 414	\$ 457	\$ 556	\$ 579	\$ 598	\$ 594	\$ 590	PS Spreadsheet
Materials & services (base)	164	136	105	107	130	313	322	332	342	352	363	3.00%
M&S (street lights costs)	319	319	244	251	239	269	282	296	311	327	343	5.00%
Transfers to other funds	1,008	1,010	1,040	965	925	1,490	1,000	1,224	1,248	1,273	1,298	2.00%
Capital outlay												
SAFE	-	-	-	-	-	200	1,950	727	755	783	813	
Street/surface maintenance	336	1,394	909	511	1,405	1,780	2,115	1,015	1,715	1,015	1,115	4,860
State gas tax capital projects	44	209	303	876	900	4,839	552	-	-	-	-	Per CIP
Additional SSMP Funds	-	-	-	-	-	-	-	-	-	250	250	Per CIP
Unfunded	-	-	-	-	-	-	-	-	-	-	-	Per CIP
Additions (vehicles & equip)	-	-	-	-	48	45	60	125	170	100	100	Estimated
Total expenditures	2,270	3,486	2,966	3,099	4,061	9,393	6,837	4,298	5,139	4,694	4,872	
Ending fund balance												
Policy requirement (17%)	320	320	300	290	290	430	370	410	420	430	440	
Reserves for vehicle replacement	-	50	100	150	200	200	200	200	200	200	200	
Reserves for capital	200	500	500	500	500	500	450	450	400	400	400	
Over (under) policy/reserves	1,219	453	559	1,076	1,227	650	606	649	48	(29)	(157)	
Total ending fund balance	1,739	1,323	1,459	2,016	2,217	1,780	1,626	1,709	1,068	1,001	883	
<b>Total Requirements</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,463</b>	<b>\$ 6,007</b>	<b>\$ 6,207</b>	<b>\$ 5,696</b>	<b>\$ 5,755</b>	



# Memorandum

To: Mike Swanson, City Manager  
Deborah Barnes, City Council President

From: Kenny Asher, Community Development and Public Works Director

Date: January 2009

Re: Wastewater Treatment Negotiations and Ratepayer Implications for Milwaukie

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The aim of this memo is to explain, as plainly as I can, the most significant issues facing City of Milwaukie ratepayers, as City leaders are being asked to consider agreements related to future wastewater treatment services. As the City's Public Works Director, I offer this explanation with my opinions embedded about my view of Milwaukie's best interests. This is intended to supplement the City Manager's memo from January 19<sup>th</sup>, which Mike and I conferred on and which recommends City positions that I support entirely.

This memo focuses more on the City's existing contract with CCSD1 (the "District"), the draft IGA for wholesale wastewater treatment services (the "Wholesale Agreement"), the draft Collective Partnership Agreement ("Partnership Agreement") intended for the Cities of Damascus, Gladstone, Happy Valley, Milwaukie, Oregon City, West Linn, CCSD1 and TriCity Service District, and most importantly, the ratepayer implications that derive from these actual and proposed contracts.

## The Existing Situation and the Big Question Facing Milwaukie

Milwaukie's contract with the District, originally drafted in 1970 and amended several times since, though deficient in many ways, is at least clear in its intent: to provide the City of Milwaukie with wastewater treatment service and capacity *at the Kellogg Plant*. In the 38 years since, despite amendments and modifications to the facility itself, nothing has changed the fundamental purpose of that agreement.

Today, however, a very big question has been put in front of Milwaukie: Does the City want or need to change its obligations regarding wastewater treatment? Or, as stated in the draft Wholesale Agreement: Does the City of Milwaukie acknowledge that its apportionment of cost of services (which drives rates) should shift from dealing with Kellogg Plant costs to the District's assets and expenses as a whole? WES Director Michael Kuenzi acknowledged the District's dissatisfaction with the existing arrangement in a letter to Mike Swanson in April 2008: The current arrangement does not provide accommodation for expenses *related to other aspects of operating the District*, including the financing of capital needs and maintaining the District's ability to serve its existing customer base.

The big question facing Milwaukie then, is whether Milwaukie ratepayers should begin paying for non-Kellogg related expenses incurred by the District for operations, maintenance, replacement and capital costs elsewhere in the District (or in TriCities). This new arrangement would pull Milwaukie into orbit with the cities and sewer districts ready to sign the Partnership Agreement.

### The Partnership Agreement and Use of the Word "Partner"

We should honestly consider if there is value to Milwaukie for signing on to these heightened responsibilities and related costs. As Milwaukie has repeatedly demonstrated over the past several years, it is willing to meet, willing to listen, and willing to consider alternate arrangements for treatment services. Further, there are legitimate reasons for forming a regional coalition around water-related issues; watersheds are regional in nature, and if the agreement were to improve North Clackamas County's approach to watershed health, stormwater management, habitat restoration or lower Willamette river basin protection, there would be value for Milwaukians. Or, if a regional agency could bring together a higher level of management expertise or necessary governmental oversight, that might warrant partnership. Expanded opportunity for citizen participation and education might also warrant a regional approach. The advancement of a commonly held economic development strategy would be another justifiable motivation, especially in this case, for the City.

The Partnership Agreement presented to Milwaukie conceives none of this. Although the first recital of the draft makes a nod to providing "environmentally sound" wastewater treatment, the length and breadth of the agreement (and concept) constitutes a strictly financial arrangement. Its focus is entirely about capacity expansion, and who pays for it. It is a vehicle by which District staff (WES) will receive recommendations for consideration by the Board of County Commissioners (BCC) about *collective* investments in future wastewater treatment facilities. In exchange for a recommendation vote (9 voting seats are contemplated), partners will:

- Accept equal treatment rates as established by the BCC
- Share in the cost of major improvements or expansion of existing facilities, either by cash or by contribution of existing capital or physical assets
- Accept penalties for withdrawing from the partnership, including liability for a proportionate share of any debt and forfeit of any claim on the assets or equity interest in assets purchased by the Partnership
- Forfeit of any local agreement or action that might have an adverse financial or environmental impact on the Partnership
- Pledge rates, charges, fees and other revenue covenants to allow the Partnership to sell revenue bonds
- And (for partners outside CCSD1 and TriCities, i.e. Milwaukie): increase rates as directed by the BCC for partnership expenses, capital improvement projects, capital reserves accumulation); transfer locally collected SDC revenue to the Partnership; and co-sign for the issuance of revenue bonds

The effect of this agreement would be to reduce Milwaukie's control over use of City wastewater SDC funds, and, in my opinion, to effectively check Milwaukie's influence over investment decisions on facilities under District control (including Kellogg). Absent in the draft agreement is any change in water conservation performance standards or treatment philosophy, commitment or practice; absent is any change in who ultimately manages wastewater facilities in North Clackamas County, or who ultimately decides which investments will and won't be made. Absent as well is any sense of partnership outside the very narrowly defined problem of who will pay for additional capacity. Present and complete are the means by which the District (and signatory cities) can better finance their capital expansion aspirations.

The word "partner" has been unfortunately pulverized in the District's efforts to accomplish its goals. In the draft Wholesale Agreement, which I'll come to shortly, the reason for the new agreement is summed up neatly: "Whereas the District and Milwaukie desire to redefine the nature of the wholesale relationship from one of non-District service recipient to that of a full *partner...*" (italics added). If Milwaukie policymakers and citizens are interested in

understanding if and how this is in the City's interest, I would have you look no farther than the District's draft Partnership Agreement for a clear definition of what is meant by the word "Partner."

#### Was Milwaukie Ever a Partner? Is Milwaukie in the Same Customer Class as Anyone Else?

Great debate has swirled around Milwaukie's vested interest in the Kellogg plant, and whether the City has equity (or something comparable) in the facility. I will refrain from delving too deeply into this matter, except to provide additional context for the sake of the decision-making about the draft agreements before us today. There is no question about the fact that Milwaukie helped pay for the construction of the plant (and subsequent capital improvements), and that it was the actual city (the municipal corporation) that made the investment, not a newly created joint body. Typically this would lead to a joint ownership situation, where title would be vested with the individual contributing units in proportion to their contributions. This was not written into the original contract, so the debate continues as to Milwaukie's claim of equity. That the District was not organized with Milwaukie representation is also unusual and unfortunate, thus the debate continues about Milwaukie's complaints about control of the facility (equity and control being two typical indices of ownership).

Amidst this ambiguity, it is at least clear to say that Milwaukie's relationship to the District and the Kellogg plant is unique and not easily aligned with other entities in North Clackamas County. Mike Swanson's January 19 memo does an excellent job of explaining the distinctions (e.g. Milwaukie built its own collection system and plant, Milwaukie contributed local funds to build Kellogg, Milwaukie provides police protection and foregoes tax revenue for hosting the plant, etc.) The definition of customer class is important because US EPA guidance for establishing wastewater service requires plant operators to first identify system costs *and customer classes*, and then allocate costs to appropriate customer classes in proportion the class's use of the system.<sup>1</sup>

I will take up the question of ratemaking and rate control shortly, but would simply establish the fact here that when considering any Partnership Agreement, Milwaukie (and the District) should be wary of agreement terms that blur distinctions between partners. Striving for equal treatment, or parity, actually runs counter to the principle of fairness that is the benchmark for establishing cost-of-service analyses for ratemaking:

"The needed total annual revenue requirements of sewage works shall be contributed by users and nonusers (or by users and properties) for whose use, need and benefit the facilities of the works are provided, approximately *in proportion to* the cost of providing the use and the benefits of the works."<sup>2</sup> (Ohio State Law Journal, 1951, from WEF Manual of Practice, No. 27)

The first element of cost-of-service ratemaking is the segregation of customers into different customer classes. So even while we have not reached agreement on Milwaukie's rights and interests in the Kellogg plant, there can be little disagreement that as a customer class, given Milwaukie's service needs (which are driven by ongoing service requirements, wastewater discharge characteristics, rate of growth, proximity to the plant, etc.), the City has little in common with the other North Clackamas cities and service districts – places that have enjoyed all of the benefits of Kellogg's service (including enhanced land values) but which have borne no part of the additional burden of the plant's physical presence.

As a wholesale customer that owns and operates its own collection system and provides its own billing services, Milwaukie's obligations to the District have been appropriately limited through the existing wholesale contract. Milwaukie receives an annual bill from the District for costs associated with accepting, treating and disposing of Milwaukie's wastewater at the plant. Through the years, Milwaukie agreed to help fund capital improvements at the plant as well. I

<sup>1</sup> Financing and Charges for Wastewater Systems, Water Environment Federation, Manual of Practice No.27, 2005, pg. 14

<sup>2</sup> Also, see PA Court of Common Pleas, Allegheny County. No. GD76-9914, 1983, which held that rates charged to a class of customers should generate revenues that are roughly proportional to the costs of serving the class.

have discussed how the draft Partnership Agreement would vastly expand Milwaukie's obligations beyond Milwaukie's treatment needs at Kellogg, while reducing Milwaukie's influence over future wastewater capital investments both inside and outside the City; I will now explain how the District's proposed Wholesale Agreement would have a similar effect.

#### Wholesale Agreements: Then and Now

Large volume customers, customers that charge exceedingly high or unusual strength wastewater, customers that discharge on a seasonal or irregular basis, or customers that own and operate their own collection and billing systems often contract for wastewater treatment services. As stated before, despite the shortcomings of the existing contract with the District, it does define the extent and limit to which Milwaukie can be charged for service. The agreement says that during the term of the agreement, the District will accept all Milwaukie sewage sent to Kellogg, and that Milwaukie will pay for that service in proportion to its anticipated use of the plant's capacity. The rate structure was set up for Milwaukie to contribute 40 percent of the total costs incurred for constructing Kellogg based on an expected flow of Milwaukie wastewater of 4.0 mgd, or 40 percent of the plant's design capacity of 10 mgd. The portion of Milwaukie's contribution to ongoing operations and maintenance costs for Kellogg was set not to exceed 65 percent of total plant O&M costs, so long as Milwaukie's flows did not exceed 4.0 mgd. Although the agreement has been amended five times since 1970, these basic terms are still in place. The most recent amendment, in 1988, puts the agreement into effect on a month-to-month basis. As a matter of note, Milwaukie's flows over the years have averaged closer to 3.0 mgd – which, in light of Milwaukie's payments for 40 percent toward construction costs and more than \$2 million in subsequent contributions to plant improvements, warrants Milwaukie's claim that the City's past investment in the plant must be accounted for in any new arrangement between the parties.<sup>3</sup>

Although the existing Wholesale Agreement does not adequately address ownership and equity concerns for the City, it does limit what the District can charge the City for treatment services. Municipal case law has established that contract agreements limit the discretion that service providers have with respect to setting rates. The court has held that in setting rates, contract agreements, and not state law, governs the relationship between service providers and customers.<sup>4</sup> So despite the existing agreement's shortcomings, it does protect Milwaukie from being charged for activities undertaken in the District for reasons unrelated to the acceptance, treatment and disposal of Milwaukie wastewater at Kellogg.

Like the Partnership Agreement, the proposed Wholesale Agreement causes me unease as I believe it would expand Milwaukie's obligations while reducing Milwaukie's influence. For starters, and most egregiously, the proposed agreement has nothing to say about the new rate structure for Milwaukie, except that it will be based on an EDU basis (not as a proportion of Kellogg's annual O&M and capital expenses as today), and that

“The District shall have the opportunity to adjust the rate based on all factors the BCC considers material for making such a decision, including but not limited to requirements for the maintenance, operation, anticipated capital expenditures, administration, overhead and expansion of the District's sewer system, principal and interest, reserve requirements or other financial covenants on any outstanding debt instruments.”

Similar to the Partnership Agreement, the draft Wholesale Agreement goes on to describe how Milwaukie rates will need to compensate the District for SDC funds collected in Milwaukie that

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<sup>3</sup> Recent language suggested for the Wholesale Agreement proposes each party review records and persuade the other as to possible overpayments or underpayments to be tested “against the requirements of the existing agreements in effect at the time such charges and payments were made.” Failing to come to agreement, the District proposes a binding arbitration process. Two issues trouble me about this proposal: 1) the existing agreements do not adequately address equity issues, joint ownership, or rebates for under usage of plant capacity and 2) binding arbitration is not a process for strengthening partnerships.

<sup>4</sup> 423 Michigan 106, November 1985

would otherwise be available to the District were Milwaukie to annex to the District, and that if Milwaukie were to terminate the agreement prior to the District's full repayment of debt related to the District's Phase I Capacity Management Program, Milwaukie would continue to make debt payments as if it were de-annexing from the District itself, under applicable state law.

It appears plain, then, that the District's motivation for renewing its Wholesale Agreement with Milwaukie at this time is solely to finance the Capacity Management Program and protect District ratepayers (and any ratepayers from cities and districts that sign on to the Partnership Agreement). Indeed, the term of the proposed Wholesale Agreement is until December 31, 2032, "but in no instance earlier than the full repayment of any outstanding indebtedness of the District related to the Phase I Capacity Program."<sup>5</sup>

This presents many problems for Milwaukie, regardless of its desire to be a "partner" with the District. For starters, Milwaukie's existing contract doesn't require the City to pay front-end capital payments for expansions associated with reserved system capacity, which is one of the two objectives of the Phase I Capacity Program. As explained previously, the cost of service for future capacity in the District is not a fair cost basis factor for wastewater treatment in the City of Milwaukie, remembering that the proportionality principle of fair ratemaking insists that revenue requirements be established for customer classes in proportion to the costs they incur and the benefits they receive. As Milwaukie has not materially contributed to the capacity shortfall and will not materially benefit from the expanded capacity, I am hard-pressed to find justification for even continuing negotiations on the Wholesale Agreement as drafted.

The City has been repeatedly told that in exchange for these expanded obligations it will have a "seat at the table" to discuss the future of the Kellogg Plant, and the creation of 10 and 20 year master plans for regional wastewater treatment. These terms are included in both draft agreements. The question, however, isn't whether Milwaukie will have a voice in these discussions. Rather, I think the question is whether Milwaukie will have any real influence over future direction on these issues as set by the governing body (the BCC). According the draft Wholesale Agreement, Milwaukie will have the right to review minutes and related documents of the District Advisory Committee and offer comments to the BCC prior to any rate adjustment. Additionally, the draft Wholesale Agreement offers Milwaukie an opportunity to revisit and enhance its participation on the Advisory Committee. These privileges, in my opinion, do not go nearly far enough to protect the interests of Milwaukie or Milwaukie ratepayers, especially in view of a proposed contract that is silent on rate structure.

### Rate Structure

Although the draft Wholesale Agreement does not describe the rate structure, a proposal was provided to staff last April. It was based on direction to WES staff from the BCC to add two new rate components to the existing pro-rata share of non-retail treatment O&M costs— a pro rata share of the costs of the Capacity Management Program associated with current customer obligations (estimated at \$66 million) and a financing fee equal to one percentage point on the \$66 million for financial risk incurred by District ratepayers due to Milwaukie's wholesale status.

This new rate structure essentially seeks pro rata contributions from Milwaukie ratepayers for expanding TriCities for existing and future wastewater flows. The District's Capacity Management has two principal objectives: to download the Kellogg plant to 7.0 mgd, so it can operate reliably (the plant is currently overloaded and overflows in wet weather events, violating

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<sup>5</sup> The District's Capacity Management Program (or Phase I Capacity Program) is an approximately \$100 million investment in expanding the TriCity plant, improving the Kellogg plant, and building a diversion pipeline improvements to treat more wastewater at TriCities and less at Kellogg. Specifically, CCSD has already let a \$69 million design/build contract for diverting some of Kellogg's flows to TriCity's and to replace capacity at TriCity's that CCSD was already diverting. The District is hoping to raise another \$30+ million to build another diversion pipeline for capacity to treat future growth of 7,000 EDUs. (An EDU is a household of 2.5 people, so 7,000 EDUs = 17,500 people). The project will therefore create enough new capacity to accommodate growth equivalent to a new city nearly the size of Milwaukie.

its discharge permits), and to provide capacity for 7,000 new EDUs, or the equivalent of 17,500 new people living in North Clackamas County. Capital charges assessed to Milwaukies include improvements to the Kellogg plant, expansion of the TriCity Plant, construction of new and improved pipelines, and approximately one million dollars in planning work for all the above. When combined with the proposed finance fee (itself constituting an annual payment to the District of \$460,000), Milwaukie treatment rates are projected to rise to approximately \$22.00 per month. As a comparison, Milwaukies pay approximately \$10 each month for treatment today.<sup>6</sup> The suggested rates do not appear to include any reserves for future costs associated with regulatory or other operating adjustments, nor is there a conservation component that would act to promote a more efficient use of water resources. No other bond issuances are assumed in the rate structure, meaning, for one thing, that far more money will need to be raised to take Kellogg below 7.0 mgd, or to take it out of commission altogether.<sup>7</sup> The additional \$12/month from Milwaukie ratepayers is for nothing more than helping Kellogg operate more reliably and enabling the District to end its lease arrangement with TriCities for existing capacity.

Is this a reasonable and nondiscriminatory rate structure for Milwaukie? Of course not.

Milwaukie's rate should be set by the cost of service components that directly affect Milwaukie as a customer class – Milwaukie's general service requirements, its customer usage characteristics, its capacity needs, and its geographic location. Furthermore, rates must stay within the affordability of the customer base. Typically a rate analysis study would be conducted to understand the true cost of service to the customer class, hopefully to include consideration of affordability and community values. To my knowledge, this has not happened for Milwaukie; the draft Wholesale Agreement bypasses the entire question of appropriate rate-setting for Milwaukie and in haste, seeks to achieve the objectives outlined above. It would be a mistake for Milwaukie to execute a Wholesale Agreement without first participating in a rate study and, in this case, a master planning effort for the Kellogg site. Rates can and should be raised only with great prudence because ratepayers have limited means for continual hikes. What is bought with new user fees must be carefully selected. Rate revenue should be applied only toward policy objectives that are well understood and supported in the community.

Indeed, community objectives can and should factor into rate design, the purpose of which is to balance potentially conflicting objectives in a manner that reflects community values. Rate structures have been designed to support economic development and provide low-income assistance to seniors, for example, although typically on the economic development side this has involved discounts for industrial users and the like. Nevertheless, I would argue that Milwaukie has been patiently awaiting a community values discussion that take seriously the economic development and other values potentially unloosed by freeing up the Kellogg site, but that such a discussion appears not to be forthcoming.

The proposed finance fee is perhaps the strongest signal to Milwaukie that its relationship to the District has become bizarrely estranged and unequal. In certain situations, service providers charge fees to user groups or customer classes (typically outside customers) to cover risks that might confound the utilities' ability to conduct its business in a cost-effective and predictable manner. Such risks might include outside customers' failure to make timely payments, raise legal challenges, transfer business to another provider, develop another facility, dispute rates, etc. More often found in the utility approach to cost allocation (which differs from the cost-of-service allocation methodology in use here and described in this memo because it seeks to

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<sup>6</sup>Milwaukie has paid the District an average of \$1.24 million annually for the past eleven years for treatment and related capital improvements at Kellogg. This represents, on average, 40 percent of the total user fees collected by Milwaukie for wastewater services. The average monthly sewer bill for a Milwaukie household (EDU) is \$26.64. Of that total sewer charge, 40 percent, or \$10.65 is therefore attributable to treatment costs.

<sup>7</sup> Leaving local concerns aside, investments in wastewater and water infrastructure are certainly going to rise in the timeframe contemplated by this agreement. In 2002, the US congressional budget office predicted a 61% increase in wastewater investment costs over the next 17 years, coupled with 73% increase in water investments during that time.

capture a fair rate of return on the equity-financed portion of assets), risk recovery and financing fees have never been contemplated the District-City relationship. But do any of these risks truly confront the District in its dealings with Milwaukie? Especially when considering Milwaukie's 38-year history of making payments to the District for capital, operating and maintenance costs; Milwaukie's vested interest in the plant's operations through the years; Milwaukie's severely limited range of options for wastewater treatment? It has come to pass that the District views Milwaukie as a threat to its financial and capital planning. I believe the District's actions threaten Milwaukie's plans for financial stability and economic prosperity. This is not a good situation, of course, but the worst possible way of handling it would be for Milwaukie to cement the estrangement by agreeing to a contract that provides the District with nearly half a million dollars a year in risk insurance with no similar term for the protection of Milwaukie's interests.

### Recommendation

The City of Milwaukie finds itself today in a peculiar situation. We have watched (quietly participated) for two years in community processes which have not addressed the issues that will most directly impact our community. We have been presented with two partnership agreements that take the view of Milwaukie more as a patron than a partner. We observe other constituencies passionately protecting their interests all the while hearing those same constituencies deride Milwaukie for protecting its own. We've been told that these efforts are aimed at improving the quality of life in North Clackamas County, of which Milwaukie is a part, but never hear anyone putting the needs of North Clackamas County above those of District or City. Regrettably, "North Clackamas County" is not yet a concept that has enough purchase to move disparate interests closer together. Not until capacity expansion, which the District and other cities care so deeply about, is equally prioritized with local livability and revitalization, which we care so much about, under the umbrella of healthier watersheds, which we all care about but aren't dealing with seriously yet – will "North Clackamas County" become something more than a concept.

It is clear to me that in looking back over the past 38 years, as the District's interests have expanded, Milwaukie's interests have been progressively marginalized. Perhaps that is inevitable since Milwaukie is seeking to grow from the inside out, slowly, carefully and in place, and has less immediate need for capacity expansion. And perhaps it is to be expected, as the local effects of hosting the Kellogg Plant have been viewed (and smelled) here in Milwaukie, not elsewhere, every year for the past 38 years. Partnership is easily talked about, but difficult to honestly achieve. We are not there, but I believe that by not partnering, the City of Milwaukie is acting responsibly on behalf of its citizenry and holding out an even higher standard for a better arrangement that hasn't yet been fully figured out.

The District has already committed nearly \$70 million on expansion and diversion projects, and is seeking to commit \$30 million more. The District is seeking Milwaukie's assistance through the draft Partnership and Wholesale Agreements, and for helping raise the \$100 million, Milwaukians would see no changes on our waterfront, but huge changes on our sewer bills. Milwaukie need not argue the merits of demerits of the projects being funded under these agreements, nor does Milwaukie need to bang the table any longer about its frustrated attempts for real negotiation on the issues that matter to Milwaukians. But it also need not, and must not in my opinion, enter agreements that will give away Milwaukie's influence over critical processes about future wastewater facilities, while tying another generation of Milwaukians to the high cost of bad decisions.



**SS 1.**  
**5/9/17**  
**Presentation**

# **Citizen Utility Advisory Board**

## **Annual Update**

### **And**

## **Utility Rate Review**

5/9/2017

City Council Study Session

# Proposed Bylaw Revisions

- Changed meeting time
- Changed notification requirements



5/9/2017

City Council Study Session

# Proposed 2017-2018 Work Plan

- Included Transportation Utility in the annual review for fiscal soundness
- Added review of Transportation SDC Rate Study being completed by Engineering,
- Removed Sidewalk Program Development (Included with Utility Rate Review)



# Utility Rate Review

- Water Fund
- Wastewater Fund
- Stormwater Fund
- Transportation Fund
- City Comparison



5/9/2017

City Council Study Session

# Water Fund Forecast

## City of Milwaukie

## Water Fund (amounts in thousands)

	ACTUALS					PROJECTED						
	FY12	FY13	FY14	FY15	FY16	Current Year		+1	+2	+3	+4	+5
						FY17	FY18	FY19	FY20	FY21	FY22	
<b>Resources</b>												
Beginning fund balance	\$ (109)	\$ (225)	\$ 211	\$ 781	\$ 1,700	\$ 3,461	\$ 2,152	\$ 1,643	\$ 2,120	\$ 1,622	\$ 1,656	
Adjustment to audit balance	-	-	-	-	-	-	-	-	-	-	-	
Water charges - base	2,283	2,739	3,074	3,629	3,855	3,855	3,990	4,191	4,401	4,621	4,852	0.00%
Water charges - rate increases	-	-	-	-	-	135	201	210	220	231	243	0.00%
Interest	-	-	-	-	-	-	-	-	-	-	-	5.00%
Miscellaneous	71	83	83	69	106	65	65	66	67	68	69	1.00%
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-	0.00%
Transfers from other funds	-	-	-	-	284	-	-	-	-	-	-	0.00%
Total revenues	2,354	2,822	3,157	3,698	4,245	4,055	4,256	4,467	4,688	4,920	5,164	
<b>Total Resources</b>	<b>\$ 2,245</b>	<b>\$ 2,597</b>	<b>\$ 3,368</b>	<b>\$ 4,479</b>	<b>\$ 5,945</b>	<b>\$ 7,516</b>	<b>\$ 6,408</b>	<b>\$ 6,110</b>	<b>\$ 6,808</b>	<b>\$ 6,542</b>	<b>\$ 6,820</b>	
Personnel services	481	465	540	548	574	728	783	812	854	883	883	PS Spreadsheet
Personnel services (temp/seasonal)	34	38	21	27	11	50	55	59	62	65	65	PS Spreadsheet
Materials & services (base)	246	194	286	297	280	382	383	393	403	413	423	2.50%
M&S (franchise fee to transportation)	181	230	263	290	269	307	318	351	369	387	406	Calculated
M&S (electricity costs)	177	177	173	188	186	202	212	223	234	246	258	5.00%
M&S (internal service charges)	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	14	14	14	14	14	0.75%
Transfers to other funds	987	980	990	915	915	1,140	1,180	1,239	1,301	1,366	1,434	5.00%
Capital outlay												
Scheduled capital projects	364	258	314	514	249	2,301	1,820	845	1,917	1,512	1,304	Per CIP
Maintenance improvements	-	24	-	-	-	-	-	-	-	-	-	Per CIP
Additions (vehicles & equip)	-	-	-	-	-	105	-	55	32	-	-	Per CIP
Other	-	-	-	-	-	149	-	-	-	-	-	-
Total expenditures	2,470	2,366	2,597	2,779	2,484	5,364	4,765	3,991	5,186	4,886	4,787	
Ending fund balance												
Policy requirement (50%)	1,050	1,050	1,140	1,130	1,120	1,400	1,470	1,540	1,610	1,680	1,730	
Reserve for vehicle replacement	-	30	80	100	100	100	100	100	100	100	100	
Over (under) policy/reserves	(1,275)	(869)	(439)	470	2,241	852	73	480	(88)	(124)	202	
Total ending fund balance	(225)	211	781	1,700	3,461	2,152	1,643	2,120	1,622	1,656	2,032	
<b>Total Requirements</b>	<b>\$ 2,245</b>	<b>\$ 2,597</b>	<b>\$ 3,368</b>	<b>\$ 4,479</b>	<b>\$ 5,945</b>	<b>\$ 7,516</b>	<b>\$ 6,408</b>	<b>\$ 6,110</b>	<b>\$ 6,808</b>	<b>\$ 6,542</b>	<b>\$ 6,820</b>	



5/9/2017

City Council Study Session

# Wastewater Fund Forecast

## City of Milwaukie

## Wastewater Fund (amounts in thousands)

	ACTUALS					BUDGET						PROJECTED				
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	+1	+2	+3	+4	+5
<b>Resources</b>																
Beginning fund balance	\$ 2,722	\$ 3,085	\$ 2,445	\$ 2,318	\$ 2,716	\$ 3,271	\$ 3,295	\$ 2,438	\$ 2,025	\$ 1,552	\$ 984					
Adjustment to audit balance	-	-	-	-	-	-	-	-	-	-	-					
Wastewater charges - base	4,540	6,324	6,532	6,659	6,946	7,318	7,573	7,876	8,191	8,519	8,860	1.00%				
Wastewater - rate increases	-	-	-	287	300	255	303	315	328	341	354	Per below				
Miscellaneous	245	77	10	2	1	17	2	2	2	2	2	2.00%				
Proceeds from debt issuance	1,929	-	-	-	-	-	-	-	-	-	-	-				
Proceeds from Reimb District	-	-	55	66	43	75	75	75	75	75	75	0.00%				
Transfers from other funds	197	-	-	62	-	-	-	-	-	-	-	0.00%				
Total revenues	6,911	6,401	6,597	7,014	7,352	7,665	7,953	8,268	8,596	8,937	9,291					
<b>Total Resource</b>	<b>\$ 9,633</b>	<b>\$ 9,486</b>	<b>\$ 9,042</b>	<b>\$ 9,332</b>	<b>\$ 10,068</b>	<b>\$ 10,936</b>	<b>\$ 11,248</b>	<b>\$ 10,706</b>	<b>\$ 10,621</b>	<b>\$ 10,489</b>	<b>\$ 10,275</b>					
<b>Requirements</b>																
Personnel services	\$ 393	\$ 394	\$ 398	\$ 414	\$ 428	\$ 457	\$ 493	\$ 512	\$ 540	\$ 557	\$ 585	PG Spreadsheet				
Materials & services (base)	105	212	102	125	99	193	194	200	205	212	219	3.00%				
M&S (franchise fee to transportation)	121	230	167	200	213	232	247	234	246	258	261	Calculated				
M&S (Contract treatment costs)	2,804	3,968	4,077	4,261	4,345	4,531	4,724	5,281	5,550	5,828	5,974	Est. Rates per CCSD #1				
M&S (CCSD #1 SDCs)	-	-	102	-	30	100	100	-	-	-	-	Estimated				
Debt service	2,028	113	101	184	184	187	187	187	187	187	187	Scheduled				
Transfers to other funds	1,014	980	970	885	935	1,070	1,120	1,142	1,165	1,188	1,212	2.00%				
Capital outlay:																
Scheduled capital projects	3	1,144	807	649	643	906	1,765	965	855	1,255	455	Per CIP/FY17/18 include supplemental				
Additions (vehicles & equip)	-	-	-	-	-	45	60	240	400	100	100					
Other	-	3	-	-	-	-	-	-	-	-	-					
Total expenditures	6,548	7,041	6,724	6,640	6,797	7,641	8,810	8,681	9,069	9,505	8,901					
Ending fund balance																
Policy requirement (25%)	880	1,200	1,190	1,100	1,080	1,130	1,140	1,210	1,240	1,260	1,260					
Reserve for vehicle replacement	-	50	100	150	200	250	300	350	400	450	500					
Over (under) policy/reserves	2,205	1,195	1,028	1,442	1,991	1,915	998	465	(88)	(725)	(385)					
Total ending fund balance	3,085	2,445	2,318	2,692	3,271	3,295	2,438	2,025	1,552	984	1,374					
<b>Total Requirements</b>	<b>\$ 9,633</b>	<b>\$ 9,486</b>	<b>\$ 9,042</b>	<b>\$ 9,332</b>	<b>\$ 10,068</b>	<b>\$ 10,936</b>	<b>\$ 11,248</b>	<b>\$ 10,706</b>	<b>\$ 10,621</b>	<b>\$ 10,489</b>	<b>\$ 10,275</b>					
Utility Rate Information:																
% Wastewater rate increases	0%	17.1%	15%	12.8%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%					

Wastewater Fund

5/9/2017

City Council Study Session



# Stormwater Fund Forecast

City of Milwaukie

Stormwater Fund

(amounts in thousands)

	ACTUALS					PROJECTED							
	FY12	FY13	FY14	FY15	FY16	Budgeted							
						FY17	FY18	FY19	FY20	FY21	FY22		
<b>Resources</b>													
Beginning fund balance	\$ 1,081	\$ 1,416	\$ 1,896	\$ 2,528	\$ 3,391	\$ 2,953	2,391	\$ 772	\$ 390	\$ 792	\$ 1,446		
Stormwater fee - base	1,834	1,971	2,206	2,249	2,570	2,953	3,366	3,669	3,999	4,199	4,409	0.00%	
Stormwater fee - rate increases	-	-	-	316	362	413	303	330	200	210	220	Scheduled Below	
Miscellaneous	5	22	6	16	14	7	7	7	7	7	7	3.00%	
Intergovernmental - grants	-	-	-	-	16	-	-	-	-	-	-	0.00%	
Total revenues	1,839	1,993	2,212	2,581	2,962	3,373	3,676	4,006	4,206	4,416	4,636		
<b>Total Resources</b>	<b>\$ 2,920</b>	<b>\$ 3,409</b>	<b>\$ 4,108</b>	<b>\$ 5,109</b>	<b>\$ 6,353</b>	<b>\$ 6,326</b>	<b>6,067</b>	<b>\$ 4,778</b>	<b>\$ 4,596</b>	<b>\$ 5,208</b>	<b>\$ 6,082</b>		
<b>Requirements</b>													
Personnel Services	\$ 399	\$ 423	\$ 422	\$ 483	\$ 484	\$ 694	809	\$ 849	\$ 892	\$ 937	\$ 983	PS Spreadsheet	
Materials & services (base)	102	108	106	117	139	219	216	227	234	241	248	3.00%	
M&S (Franchise Fee to Streets)	146	156	167	206	234	270	300	320	340	360	380	Calculated	
Transfers to other funds	837	740	760	905	965	1,020	1,060	1,081	1,103	1,125	1,148	2.00%	
Capital outlay													
Scheduled capital projects	20	83	125	7	1,371	1,437	2,610	1,960	620	1,000	840	Per CIP	
Unfunded CIP	-	3	-	-	-	-	-	(150)	500	-	-		
Additions (vehicles & equip)	-	-	-	-	207	295	300	110	95	100	100	Per CIP	
Total expenditures	1,504	1,513	1,580	1,718	3,400	3,935	5,295	4,387	3,804	3,763	3,699		
Ending Fund Balance													
Policy requirement (25%)	160	170	70	50	10	50	30	50	70	80	100		
Reserve for vehicle replacemen	-	50	100	150	200	250	300	300	300	300	300		
Over (under) policy/reserves	1,256	1,676	2,358	3,191	2,743	2,091	442	40	422	1,066	1,983		
Total ending fund balance	1,416	1,896	2,528	3,391	2,962	2,951	772	390	792	1,446	2,391		
<b>Total Requirements</b>	<b>\$ 2,920</b>	<b>\$ 3,409</b>	<b>\$ 4,108</b>	<b>\$ 5,109</b>	<b>\$ 6,353</b>	<b>\$ 6,326</b>	<b>6,067</b>	<b>\$ 4,778</b>	<b>\$ 4,596</b>	<b>\$ 5,208</b>	<b>\$ 6,082</b>		
<b>Utility Rate Information:</b>													
% stormwater rate increases		7.5%	0.0%	14.1%	14.1%	14.1%	9%	9.0%	5.0%	5.0%	5.0%	Per forecast updated 4/19/17	

Stormwater Fund

5/9/2017

City Council Study Session



# Transportation Fund Forecast

City of Milwaukie						Transportation Fund (amounts in thousands)						
						Current Year	+ 1	+ 2	+ 3	+ 4	+ 5	
						Budgeted	PROJECTED					
ACTUALS						FY17	FY18	FY19	FY20	FY21	FY22	
FY12	FY13	FY14	FY15	FY16								
<b>Resources</b>												
Beginning fund balance	\$ 1,321	\$ 1,739	\$ 1,323	\$ 1,459	\$ 2,016	\$ 2,217	\$ 1,980	\$ 1,501	\$ 1,441	\$ 801	\$ 807	
<b>Dedicated revenues</b>												
SAFE	-	-	-	-	-	450	900	927	955	983	1,013	3.00%
<b>Streets/surface maint program:</b>												
Fees (street maint fee)	609	612	617	622	645	625	631	638	644	650	657	1.00%
Franchise fees (1.5% tax)	324	315	305	315	309	315	321	328	334	341	348	2.00%
Intergov'l (local gas tax)	179	220	166	167	181	183	185	187	189	191	193	2.00%
	1,112	1,147	1,088	1,104	1,138	1,123	1,139	1,152	1,167	1,182	1,199	
State gas tax	1,110	1,117	1,172	1,194	1,213	1,227	1,239	1,243	1,247	1,251	1,254	1.00%
Franchise fees (from utilities)	448	616	597	700	716	808	861	896	950	1,014	1,055	Calculated
<b>Other revenues:</b>												
Fees - other miscellaneous	18	106	9	3	15	20	20	20	20	20	20	3.00%
FILOC	-	74	8	10	37	264	-	-	-	-	-	3.00%
Intergovernmental - grants	-	10	112	655	818	5,064	2,400	-	-	-	-	1.00%
Intergovernmental - other	-	-	116	-	286	-	-	-	-	-	-	1.00%
Transfers from other funds	-	-	-	-	62	-	-	-	-	-	-	0.00%
<b>Total revenues</b>	<b>2,688</b>	<b>3,070</b>	<b>3,102</b>	<b>3,656</b>	<b>4,262</b>	<b>8,956</b>	<b>6,558</b>	<b>4,238</b>	<b>4,339</b>	<b>4,451</b>	<b>4,559</b>	
<b>Total Resources</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,538</b>	<b>\$ 5,739</b>	<b>\$ 5,780</b>	<b>\$ 5,252</b>	<b>\$ 5,366</b>	
<b>Requirements</b>												
Personnel services	\$ 399	\$ 418	\$ 365	\$ 389	\$ 414	\$ 457	\$ 556	\$ 579	\$ 598	\$ 594	\$ 590	PG Spreadsheet
Materials & services (base)	164	136	105	107	130	313	322	332	342	352	363	3.00%
M&M (street lights costs)	319	319	244	251	238	269	282	296	311	327	343	5.00%
Transfers to other funds	1,008	1,010	1,040	965	925	1,290	1,200	1,224	1,248	1,273	1,298	2.00%
<b>Capital outlay</b>												
SAFE	-	-	-	-	-	200	1,900	727	755	783	813	
Streets/surface maintenance	336	1,394	909	511	1,405	1,780	2,115	1,015	1,715	1,015	1,115	4.86%
State gas tax capital projects	44	209	303	876	900	4,839	552	-	-	-	-	Per CIP
Additional SSMP Funds	-	-	-	-	-	-	-	-	-	-	-	Per CIP
Unfunded	-	-	-	-	-	-	-	-	(160)	-	-	Per CIP
Additions (vehicles & equip)	-	-	-	-	48	45	60	125	170	100	100	Estimated
<b>Total expenditures</b>	<b>2,370</b>	<b>3,486</b>	<b>2,966</b>	<b>3,099</b>	<b>4,061</b>	<b>9,193</b>	<b>7,037</b>	<b>4,298</b>	<b>4,979</b>	<b>4,444</b>	<b>4,622</b>	
<b>Ending fund balance</b>												
Policy requirement (17%)	320	320	300	290	290	400	400	410	420	430	440	
Reserves for vehicle replacement	-	50	100	150	200	200	200	200	200	200	200	
Reserves for capital	200	500	500	500	500	500	450	450	400	400	400	
Over (under) policy/reserves	1,219	453	559	1,076	1,227	850	451	381	(215)	(223)	(265)	
<b>Total ending fund balance</b>	<b>1,739</b>	<b>1,323</b>	<b>1,459</b>	<b>2,016</b>	<b>2,217</b>	<b>1,980</b>	<b>1,501</b>	<b>1,441</b>	<b>801</b>	<b>807</b>	<b>744</b>	
<b>Total Requirements</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,538</b>	<b>\$ 5,739</b>	<b>\$ 5,780</b>	<b>\$ 5,252</b>	<b>\$ 5,366</b>	

Existing Funding Scenario with CPI Index of SSMP rate



# Transportation Fund Forecast

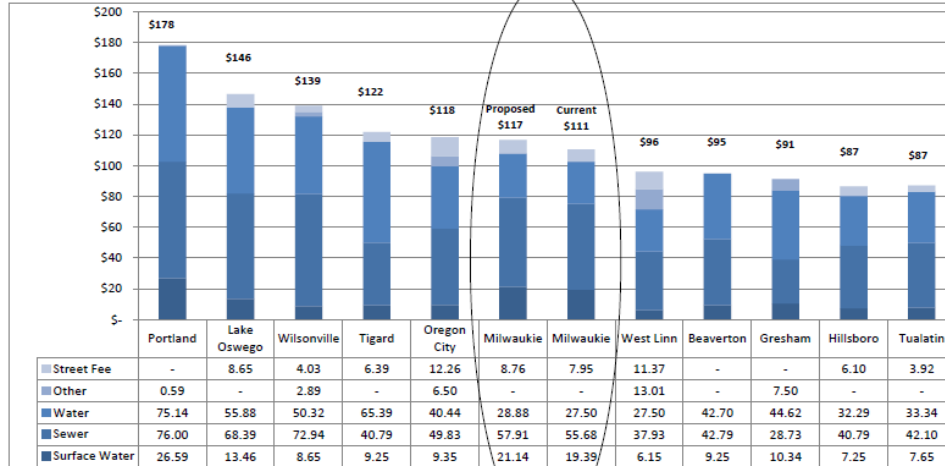
Proposed Funding Scenario with retroactive CPI Index in SSMP rate

City of Milwaukie						Transportation Fund (amounts in thousands)						
ACTUALS						Current Year	+1	+2	+3	+4	+5	
FY12	FY13	FY14	FY15	FY16		Budgeted FY17	FY18	FY19	PROJECTED FY20	FY21	FY22	
<b>Resources</b>												
Beginning fund balance	\$ 1,321	\$ 1,739	\$ 1,323	\$ 1,459	\$ 2,016	\$ 2,217	\$ 1,780	\$ 1,626	\$ 1,709	\$ 1,068	\$ 1,001	
<b>Dedicated revenues</b>												
SAFE	-	-	-	-	-	450	900	927	955	963	1,013	3.00%
Street/surface maint program:												
Fees (street maint fee)	609	612	617	622	645	625	757	780	803	827	852	3.00%
Franchise fees (1.5% tax)	324	315	305	315	309	315	321	328	334	341	348	2.00%
Intergov'l (local gas tax)	179	220	188	187	181	183	185	187	189	191	193	1.00%
Intergov'l (local gas tax)	1,112	1,147	1,058	1,104	1,156	1,153	1,263	1,294	1,324	1,359	1,393	5.373
State gas tax	1,110	1,117	1,172	1,164	1,213	1,227	1,239	1,243	1,247	1,251	1,264	1.00%
Franchise fees (from utilities)	448	616	597	700	716	808	861	896	950	1,014	1,065	Calculated
<b>Other revenues:</b>												
Fees - other miscellaneous	18	106	9	3	15	20	20	20	20	20	20	3.00%
FILOC	-	74	8	10	37	264	-	-	-	-	-	3.00%
Intergovernmental - grants	-	10	112	655	818	5,064	2,400	-	-	-	-	1.00%
Intergovernmental - other	-	-	116	-	298	-	-	-	-	-	-	1.00%
Transfers from other funds	-	-	-	-	42	-	-	-	-	-	-	0.90%
Total revenues	2,888	3,070	3,102	3,656	4,282	8,958	6,683	4,380	4,498	4,628	4,754	
<b>Total Resources</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,463</b>	<b>\$ 6,007</b>	<b>\$ 6,207</b>	<b>\$ 5,696</b>	<b>\$ 5,755</b>	
<b>Requirements</b>												
Personnel services	\$ 399	\$ 418	\$ 365	\$ 389	\$ 414	\$ 457	\$ 556	\$ 579	\$ 598	\$ 594	\$ 590	PG Spreadsheet
Materials & services (base)	164	136	105	107	130	313	322	332	342	352	363	3.00%
M&S (street lights costs)	319	319	244	251	239	269	282	296	311	327	343	5.00%
Transfers to other funds	1,008	1,010	1,040	965	925	1,490	1,000	1,224	1,248	1,273	1,298	2.00%
<b>Capital outlay</b>												
SAFE	-	-	-	-	-	200	1,950	727	755	783	813	
Street/surface maintenance	338	1,394	909	511	1,405	1,780	2,115	1,015	1,715	1,015	1,116	4.850
State gas tax capital projects	44	209	303	876	900	4,839	552	-	-	-	-	Per CIP
Additional SSMP Funds	-	-	-	-	-	-	-	-	-	250	250	Per CIP
Unfunded	-	-	-	-	-	-	-	-	-	-	-	Per CIP
Additions (vehicles & equip)	-	-	-	-	48	45	80	126	170	100	100	Per CIP
Total expenditures	2,270	3,486	2,966	3,099	4,061	9,393	6,837	4,298	5,139	4,694	4,872	
<b>Ending fund balance</b>												
Policy requirement (17%)	320	320	300	290	290	430	370	410	420	430	440	
Reserves for vehicle replacement	-	50	100	150	200	200	200	200	200	200	200	
Reserves for capital	200	500	500	500	500	500	450	450	400	400	400	
Over (under) policy/reserves	1,219	453	559	1,075	1,227	650	608	649	48	(23)	(157)	
Total ending fund balance	1,739	1,323	1,459	2,016	2,217	1,780	1,626	1,709	1,068	1,001	883	
<b>Total Requirements</b>	<b>\$ 4,009</b>	<b>\$ 4,809</b>	<b>\$ 4,425</b>	<b>\$ 5,115</b>	<b>\$ 6,278</b>	<b>\$ 11,173</b>	<b>\$ 8,463</b>	<b>\$ 6,007</b>	<b>\$ 6,207</b>	<b>\$ 5,696</b>	<b>\$ 5,755</b>	



# City Comparison

2.4. Comparison Graph of Average Utility Bills of Neighboring Cities (on a monthly basis)  
Neighboring Cities as of January 1, 2017



This graph compares the average utility bills for the neighboring cities surrounding Milwaukie. As some cities bill monthly, some bill every two months, and some bill every three months, these amounts are converted to average monthly amounts so they are comparable to Milwaukie. Also, cities increase different rates at different times during they year, therefore, this graph is simply a picture in time reflecting the rates at the time that the survey was conducted. And finally, cities have different average water consumption amounts per household, so for the sake of this comparison, these rates are computed using an average 6ccfs of water used per month to be comparable to Milwaukie's overall average. Below are Milwaukie's calculations:



# Conclusion

- Recommended utility rate increases
  - Water 5% (\$1.38/ASFR/Month)
  - Wastewater 4% (\$2.23/ASFR/Month)
  - Stormwater 9% (\$1.75/ASFR/Month)
  - Transportation 10% (\$0.81/ASFR/Month)
- Average Single Family 5.57% (\$6.17/Month)



To: Mayor and City Council  
Through: Ann Ober, City Manager  
Reviewed: Alma Flores, Community Development Director  
From: Amy Koski, Economic Development and Resource Coordinator

Subject: **Zoning Clarification for North Milwaukie Industrial Area Plan**

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### **ACTION REQUESTED**

Provide guidance to North Milwaukie Industrial Area (NMIA) project management team on whether the NMIA Plan should: Allow additional residential in a newly-proposed NMIA zone in strategic, compatible areas on the periphery?

### **HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

None.

### **ANALYSIS**

Through the NMIA planning and outreach process to date, the recommendation points to limiting residential to where it is currently allowed in the north portion of the district in proximity to Tacoma Light Rail Transit Station as noted on the attached map as M-TSA (Manufacturing-Tacoma Station Area) Zone, Subarea 1, 2, and 3. However, we heard from one property owner located in the M (Manufacturing) Base Zone who would like to see more flexibility on his property for residential.

The primary reason for separating residential uses from the traditional manufacturing and warehouse/distribution area of the district in the M Base Zone and M-TSA, Subarea 4 Zone is due to encroachment issues associated with residential adjacency to heavier manufacturing uses.

Additionally, approximately 75 percent of the city is currently zoned residential with 12.3 percent of that zoned medium and high density residential; not including residential uses allowed in mixed use zones. The NMIA is one of three employment districts that, in total, makes up only 18.4 percent employment-zoned land, provides more than 12,300 jobs, and is critical to the jobs/housing balance.

### **BUDGET IMPACTS**

None.

### **WORKLOAD IMPACTS**

None.

### **COORDINATION, CONCURRENCE, OR DISSENT**

None needed.

### **STAFF RECOMMENDATION**

Continue to limit residential to avoid conflicts that can negatively impact traditional employment/industrial uses and focus the concentration of housing in the appropriately zoned residential zones or transit-oriented development areas.

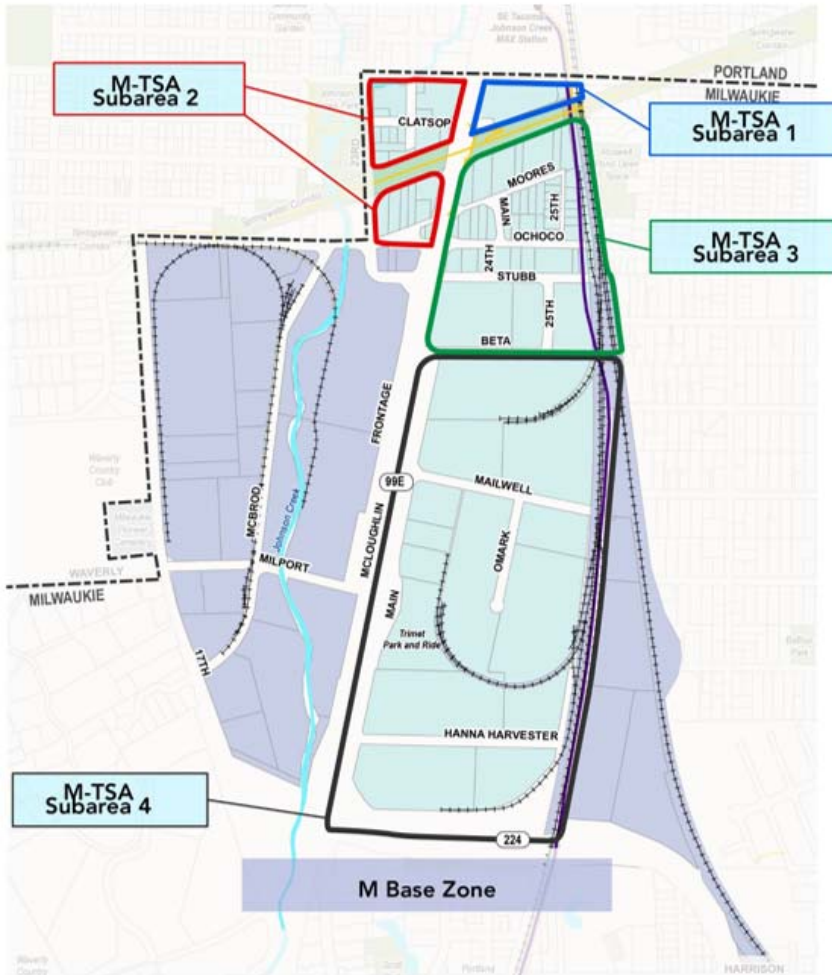
### **ALTERNATIVES**

Allow residential or continue to prohibit residential in line with stakeholder feedback within the newly-proposed NMIA zone to be comprised of the current M and M-TSA Subarea 4 Zones.

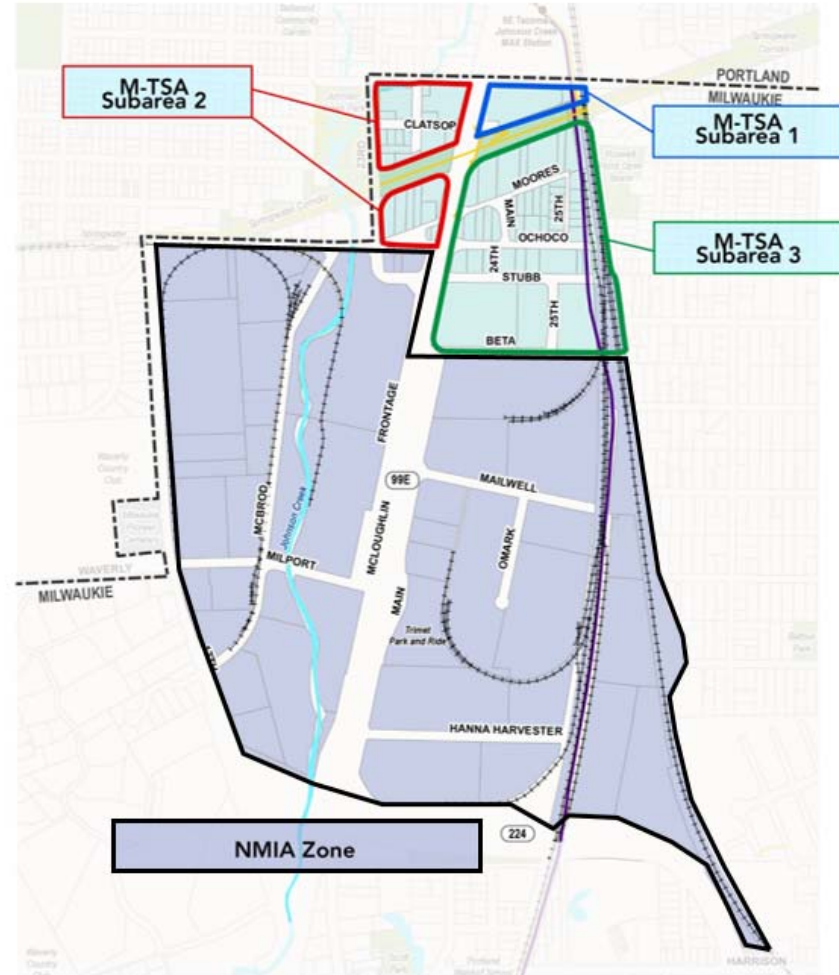
### **ATTACHMENTS**

1. Map with Current and Proposed Zoning

# Current Zoning



# Proposed Zoning



SS 2.  
5/9/17  
Presentation



NORTH  
Milwaukee

# Industrial Area Plan

City Council Study Session  
May 9, 2017

# Request for City Council Policy Direction

- Should the NMIA Plan allow additional residential in the newly-proposed NMIA Zone in strategic, compatible areas on the periphery?



Springwater Corridor Trail

SE Moores-St

Main St

SE Bela St

SE Omark Dr

SE Milport Rd

224

SE Main St

SE 23rd Ave

SE 24th Ave

99E

SE Lava Dr

SE Waverly Ct

SE Waverly Ct

SE Exeter Dr

SE St Andrews Dr

SE Waverly Dr

SE Van Water St

SE 28th Pl

SE Barba St

SE Boyd St

SE Floss St

SE Wake St

SE Malcolm St

SE Filbert St

SE Olsen St

SE Rockwood St

SE Kelvin St

SE Balfour St

SE Harvey St

SE Dwyer Dr

SE Hillside Ct

SE 32nd Ave

SE 36th Ave

SE 37th Ave

SE 34th Ave

SE Harrison St

SE Sherrett St

SE Clatsop St

SE Marion St

SE Linn St

SE 15th Ave

SE 16th Ave

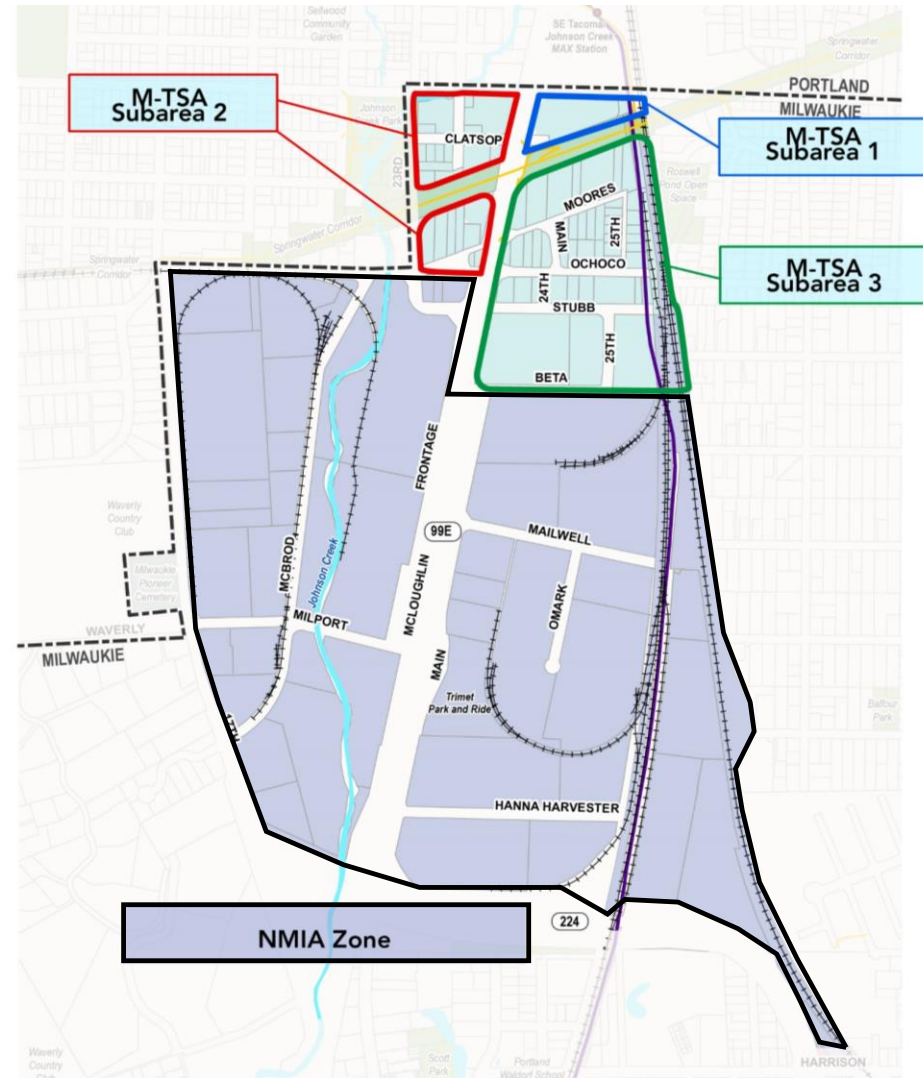
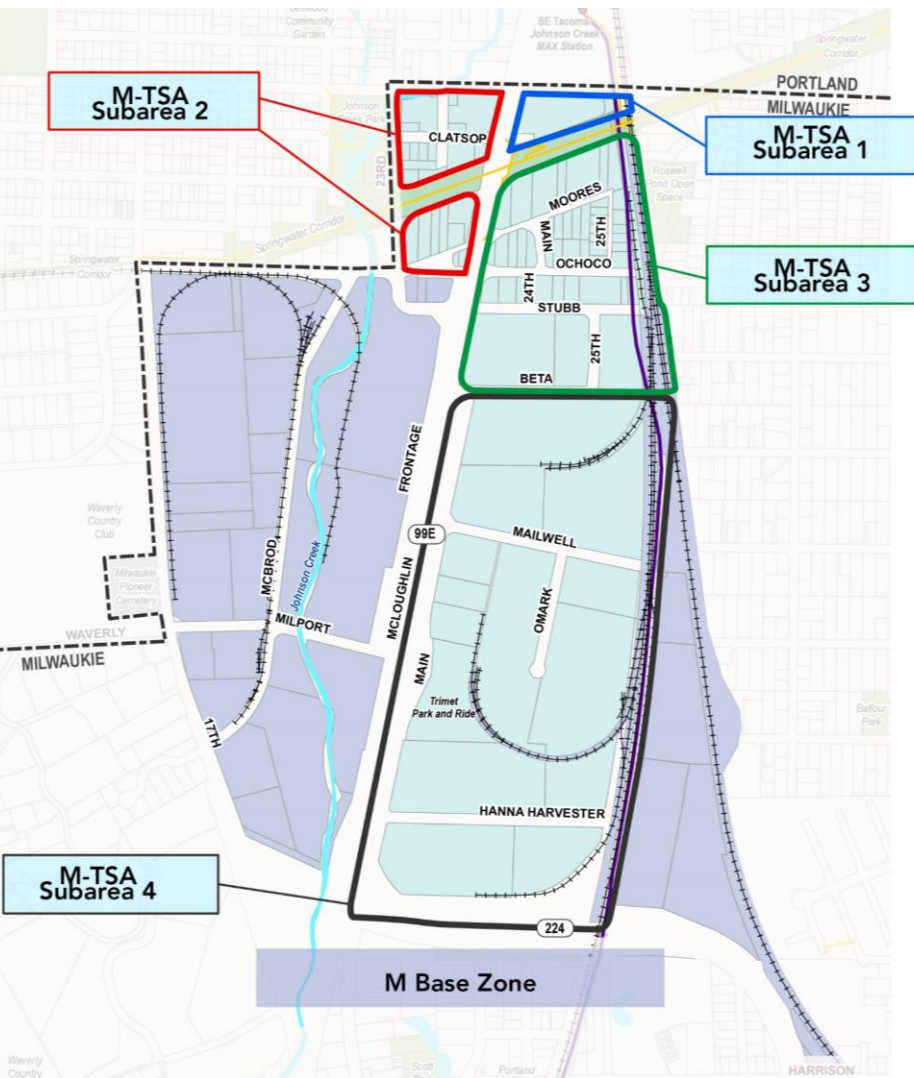
SE 19th Ave

SE 21st St

43

# Current Zoning

# Proposed Zoning



# Proposed Primary Land Uses: Base M-TSA +

<b>M-TSA, Subarea 1</b>	<ul style="list-style-type: none"><li>• Standalone warehouse/distribution not allowed. Must be accessory to a permitted use.</li><li>• Commercial self storage not allowed</li><li>• Standalone multi-family residential permitted</li></ul>
<b>M-TSA, Subarea 2</b>	<ul style="list-style-type: none"><li>• Standalone warehouse not allowed. Must be accessory to a permitted use.</li><li>• Commercial self storage not allowed</li><li>• Standalone multi-family residential permitted</li><li>• Rowhouse development permitted</li></ul>
<b>M-TSA, Subarea 3</b>	<ul style="list-style-type: none"><li>• Standalone warehouse/distribution not allowed. Must be accessory to a permitted use.</li><li>• Commercial self storage not allowed</li><li>• Standalone multi-family residential permitted</li><li>• Retail over 20,000 sq. ft. up to 30,000 sq. ft. (Conditional Use)</li><li>• Recreation and entertainment uses (Conditional Use)</li></ul>
<b>New NMIA Zone (M-TSA, Subarea 4 and M)</b>	<ul style="list-style-type: none"><li>• Specify eating establishments and retail are allowed – limited size</li><li>• New category: Creative Space</li><li>• Community Service Uses permitted</li><li>• Warehouse/distribution permitted</li><li>• Commercial self storage not allowed</li><li>• Residential prohibited</li></ul>

# Request for City Council Policy Direction

- Should the NMIA Plan allow additional residential in the newly-proposed NMIA Zone in strategic, compatible areas on the periphery?



Springwater Corridor Trail

SE Moores-St

Main St

SE Bela St

SE Omark Dr

SE Milport Rd

224

SE Main St

SE 23rd Ave

SE 24th Ave

99E

SE Lava Dr

SE Harrison St

SE Hillside Ct

SE 32nd Ave

SE 34th Ave

SE 36th Ave

SE 37th Ave

SE Van Water St

SE 28th Pl

SE Barba St

SE Boyd St

SE Floss St

SE Wake St

SE Malcolm St

SE Filbert St

SE Olsen St

SE Rockwood St

SE Kelvin St

SE Balfour St

SE Harvey St

SE Dwyer Dr

SE Exeter Dr

SE St Andrews Dr

SE Waverly Dr

SE Waverly Ct

SE Sherrett St

SE Clatsop St

SE Marion St

SE Linn St

SE 15th Ave

SE 16th Ave

SE 19th Ave

SE 21st St

43

[www.northmilwaukie.com](http://www.northmilwaukie.com)

