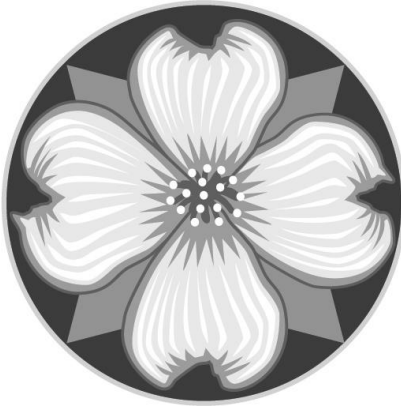




Work Session

WS

Milwaukie City Council

COUNCIL WORK SESSION

City Hall Council Chambers
10722 SE Main Street
www.milwaukieoregon.gov

REVISED AGENDA**FEBRUARY 5, 2019****(Revised February 1, 2019)**

Note: times are estimates and are provided to help those attending meetings know when an agenda item will be discussed. Times are subject to change based on Council discussion. **Page #**

- 1. Fiscal Year 2018 (FY18) Audit – Report (4:00 p.m.)** **5**
Staff: Bonnie Dennis, Finance Director
- 2. Milwaukie Bay Park – Update (4:15 p.m.)** **152**
Staff: Kelly Brooks, Assistant City Manager
- 3. Kronberg Park – Update (4:45 p.m.)** **155**
Staff: Kelly Brooks, Assistant City Manager, and
Jennifer Garbely, Assistant City Engineer
- 4. Adjourn (5:30 p.m.)**

Executive Session

Upon adjournment of the Work Session, Council will meet in Executive Session pursuant to Oregon Revised Statute (ORS) 192.660 (2)(h) to consult with counsel concerning legal rights and duties regarding current litigation or litigation likely to be filed. (Added February 1, 2019)

Americans with Disabilities Act (ADA) Notice

The City of Milwaukie is committed to providing equal access to all public meetings and information per the requirements of the ADA and Oregon Revised Statutes (ORS). Milwaukie City Hall is wheelchair accessible and equipped with Assisted Listening Devices; if you require any service that furthers inclusivity please contact the Office of the City Recorder at least 48 hours prior to the meeting by email at ocr@milwaukieoregon.gov or phone at 503-786-7502 or 503-786-7555. Most Council meetings are streamed live on the City's website and cable-cast on Comcast Channel 30 within Milwaukie City Limits.

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.



COUNCIL WORK SESSION

City Hall Council Chambers
10722 SE Main Street
www.milwaukieoregon.gov

MINUTES

FEBRUARY 5, 2019

Mayor Mark Gamba called the Council meeting to order at 4:01 p.m.

Present: Council President Angel Falconer; Councilors Lisa Batey, Wilda Parks, Kathy Hyzy

Staff: Assistant City Engineer Jennifer Garbely	City Manager Ann Ober
Assistant City Manager Kelly Brooks	City Recorder Scott Stauffer
Building Official Samantha Vandagriff	Community Development Director Alma Flores
City Attorney Justin Gericke	Finance Director Bonnie Dennis
City Engineer Tammy Cleys	Planning Director Denny Egner

1. Fiscal Year 2018 (FY18) Audit – Report

Ms. Dennis introduced Julie Fahey, Partner at Talbot Korvola and Warwick (TKW). She noted that Troy Reichlein, Audit Committee Chair, was unable to attend the meeting.

Ms. Fahey distributed a handout summarizing the audit results for the fiscal year that ended June 30, 2018. She presented the audit results and noted the City's recently published Comprehensive Annual Financial Report (CAFR). She reported that the City had presented fair financial statements with some noncompliance items related to General Fund over expenditures. She noted there were no control findings and no compliance findings, which she explained spoke favorably of the city's ability to follow previous audit guidance. She reviewed the required communications that had taken place during the audit and added that the audit had gone well.

Councilor Batey remarked that the report was good news and she and **Ms. Fahey** commented on the good work of the Finance Department. **Ms. Dennis** reported that the city recently received a Government Finance Officers Association (GFOA) award.

2. Milwaukie Bay Park – Update

Ms. Brooks recognized those who had worked on the Milwaukie Bay Park project, including Councilor Parks, Lisa Lashbrook, Ben Johnson, and Gary Klein. She introduced Scott Archer, Director, and Heather Koch, Project Manager, with North Clackamas Parks & Recreation District (NCPRD).

Mr. Archer and **Ms. Koch** thanked the Park and Recreation Board (PARB), the Steering Advisory Committee (SAC), and community members in the park project.

Ms. Lashbrook and **Mr. Johnson**, SAC and PARB members, commented that it had been a good and transparent process.

Ms. Koch reviewed the park project to date. She noted the 2010 park master plan and the design questions and critiques that were a response to that design. She discussed the public input, SAC consensus, and cost reviews that have taken place for the new potential design alternatives. She highlighted the public engagement, including large events, small group discussions, surveys, and outreach with Spanish-speaking residents and communities with disabilities. She explained where the process was now and noted the timeline moving forward.

Ms. Koch provided the draft preferred alternative design for the park. She highlighted the proposed features, including an amphitheater, children's nature play area, and plaza. She demonstrated the differences between the 2010 and 2019 designs. **Councilor Batey** and **Ms. Koch** discussed the Trolley Trail path near the park.

Ms. Koch discussed the cost estimates for the new design. She explained that the economy and inflation were factors in the changing construction costs from the original estimates. She noted the available project funding, including NCPRD and city funds, and grants. She reported that the total estimated project cost was \$9.8 million, of which there was a \$5.7 million gap in identified funding sources. She presented funding scenarios, including a full program approach requiring voters to approve a bond measure and a minimal program with scaled back features that would cost \$6.1 million. She also noted a phased scenario where infrastructure could be installed now, and elements could be completed later.

The group discussed which elements could be built first or built in the place of others. **Ms. Koch** remarked on the possibility of mixing-and-matching several program elements to reach a desired project cost total.

Ms. Ober asked about plans for the restroom. **Ms. Koch** said the planned restroom included two stalls, an Americans with Disabilities Act (ADA) stall and a regular stall. She noted the ability to bring in portable restrooms during large events at the park.

Ms. Koch summarized the funding challenges and project timing. She noted that the United States Army Corps of Engineers (USACE) permit that would expire in October 2020. She introduced Adam Zucker from Zucker Engineering to discuss the permit.

Mr. Zucker noted his background and explained that the main portions of the USACE permit work had already been completed. He suggested that moving forward there was no need for a permit. He discussed the possibility of talking to the USACE to give them an update on the project so they could decide to extend the permit, or to close out the permit by explaining that while the rest of the project will take time, the in-water work was done. He believed that there was not a lot of risk associated with the 2020 timeframe. The group clarified that the park existing sidewalk would need work done at or above the highwater mark. **Ms. Koch** noted scenarios that would trigger a need for a USACE permit. **Councilor Batey** and **Mr. Zucker** discussed the USACE's interest in other elements of the park aside from in-water work. **Ms. Ober** summarized that staff felt comfortable with the recent conversations NCPRD had with the USACE.

Councilor Hyzy asked about the process for closing out the permit and if that would mean the USACE would be done with the project. **Ms. Koch** clarified that there were still other permits and approvals to obtain for the project. **Mr. Zucker** said the closure process would be initiated by the city with a close out report. **Councilor Hyzy** asked if there was a way to reverse a close out process and move forward with the project in the event the USACE expressed concerns. **Mr. Zucker** was not sure. He noted the limit of the USACE's jurisdiction once certain project elements were done. He explained that the only reason the USACE originally had reached into other elements outside their jurisdiction, such as water quality and earth work, was because the city had initiated that consultation or required it. **Mayor Gamba** noted that it had been a confusing process in the past. **Ms. Koch** said the key was communication with the USACE.

Ms. Koch explained the project timeline and next steps. She noted that the timeline would be more solid after the funding strategy was completed.

Mayor Gamba noted the Monroe Street Neighborhood Greenway project intersected the Trolley Trail at the park. He said it was not a good design for bicycles to enter the trail and suggested bollards and a wider paved area for improved access.

Mayor Gamba explained his concerns about the size of the park restroom. He noted complaints he has received. He said that with a moderately sized crowd two stalls were not enough. He suggested increasing the size of the restroom. **Council President Falconer** cautioned that expanding the restroom would come with a cost. She noted that the power access for the park was housed in the same building and noted problems in the past with the power going out. **Councilor Batey** noted the number of restrooms at parks in Portland and noted maintenance and security issues to consider.

The group discussed the importance of restrooms in parks and the costs of adding more permanent and/or portable restrooms.

Councilor Parks asked about the cost estimate differences between Capital Improvement Plan (CIP) funds and city funds. **Mr. Archer** clarified that the slide noting the CIP funds was an estimate, and the listed city funds were actual dollars.

Councilor Batey asked if NCPRD system development charges (SDC) funds could be used on the project. **Mr. Archer** reported that NCPRD was in the process of updating its SDC methodology to change its restriction on spending funds within district zones. The group discussed the use of district funds and SDCs. **Mr. Archer** noted that NCPRD thought the park was an important project and was looking at funding sources.

Councilor Batey wondered if an assessment could be done to help identify the broad reach of people that use the park. She asked if Council should ask the Board of County Commissioners to support the park as a regional amenity. **Ms. Koch** confirmed that she had zip code data from park surveys. **Mr. Archer** remarked on the regional status of the park and reiterated that NCPRD was looking for funding opportunities.

Council President Falconer asked if NCPRD had separate SDC funds separate from zone funds. **Mr. Archer** explained the history of NCPRD's SDC funds, noting previous funding structures and current discussions about changing its zone-based approach.

Councilor Batey asked about the timeline for using funds from Metro's possible local share bond measure if approved by voters. **Mr. Archer** explained the background of the bond and suggested Metro may refer it to the ballot in June. He noted that there was an effort among park agencies in the region, including NCPRD, to ask that Metro consider a larger percentage of the total pot of money go to local agencies.

Mr. Archer reiterated that NCPRD believed the park was an important project and thanked City staff for their work. He summarized that the project cost was higher than they hoped but that they were not surprised due to increased construction costs.

Introduction of New City Engineer

Ms. Brooks introduced Tammy Cleys, the new City Engineer.

3. Kronberg Park – Update

Ms. Brooks reported that staff was about to move forward with two contracts for the park and wanted to inform Council and the public before it happened.

Ms. Garbely provided an overview of the planned elevated path and explained that the contracts were for tree removal and construction. She explained that to comply with the Migratory Bird Treaty Act some trees needed to be removed.

Ms. Garbely noted the city was close to receiving the final approval of the traffic control plan from the Oregon Department of Transportation (ODOT). She reviewed project timelines related to land use decisions and public comment periods. **Mayor Gamba** asked if the Tree Board had been involved. **Ms. Brooks** and **Ms. Ober** reported that the Tree Board had been informed about the tree removal per the city's notice process.

Ms. Garbely provided an overview of the project tree removal, building, and construction permits. She presented a diagram noting trees along the path and which ones were set to be removed. She reviewed the project schedule and noted the anticipated completion was December.

Mayor Gamba asked what "DL" stood for on the tree list in the packet. **Ms. Brooks** noted staff would find out. **Councilor Batey** noted that the maple trees were not identified by specific types. **Ms. Garbely** clarified that the list was a survey and not compiled by an arborist.

Ms. Brooks asked if Council would like the tree species information. **Councilor Batey** thought if there were non-native invasive maples, then they could just be cut. **Ms. Ober** believed they would still need to be noticed to be removed and she did not want to delay the cutting due to the Migratory Bird Treaty Act timeframe. **Ms. Garbely** said the priority was to remove trees in the pathway, otherwise the project would be delayed. **Ms. Brooks** remarked that additional work would need to be done to complete the mitigation work including the removal of non-native species. She summarized that in the near term, there was a time constraint and a limited scope, but there more work would be done in the future.

Councilor Batey asked if the city would give updates to the neighborhood district associations (NDAs) one either end of the path. **Ms. Brooks** said they would be happy to provide updates. **Ms. Garbely** said she meets with the Historic Milwaukie NDA monthly and would plan to meet with Island Station NDA. **Ms. Brooks** said they would return to Council in April with another update.

4. Adjourn

Mayor Gamba announced that following the Work Session, Council would meet in Executive Session pursuant to Oregon Revised Statute (ORS) 192.660 (2)(h) to consult with counsel concerning legal rights and duties regarding current litigation or litigation likely to be filed.

Mayor Gamba adjourned the Work Session at 5:24 p.m.

Respectfully submitted,


 Amy Aschenbrenner, Administrative Specialist II



CITY OF MILWAUKIE

Memorandum

To: City Council
From: Alma Flores, Community Development Director
CC: Ann Ober, City Manager
Date: February 1, 2019
Re: Community Development Department Projects - City Council Update for February 5, 2019 Council meeting

Community Development/Housing/Economic Development ▪ Milwaukie Housing Affordability Strategy: 2018-2023 ▪ Housing Authority of Clackamas County: Hillside Manor rehabilitation and Hillside Master Plan ▪ Cottage Cluster Feasibility Study ▪ Business Support During Construction ▪ Coho Point at Kellogg Creek	Building ▪ January 2019 review to come
Planning ▪ Comprehensive Plan ▪ Land Use/Development Review: • City Council • Planning Commission ▪ Design and Landmarks Committee	Engineering ▪ Traffic Control ▪ Engineering Projects

COMMUNITY DEVELOPMENT/ECONOMIC DEVELOPMENT/HOUSING

Milwaukie Housing Affordability Strategy (MHAS): 2018-2023

- City staff updated council on December 18 on the progress of implementing the MHAS and held a discussion on the city of Portland's Tenant Relocation ordinance for council to understand the case study and evaluate the outcomes and potential relevance to Milwaukie.
- In addition to a new Housing Affordability Website (<https://www.milwaukieoregon.gov/housingaffordability/>), the Community Development department has launched an interactive mapping website (<https://bit.ly/2EjVyrC>) that displays various housing related maps that support the three main goals of the MHAS.
- An annual renewal of Northwest Housing Alternatives' Low Income Tax Exemption will be before council on Tuesday, February 5th
- An ADU Working Group of subject matter experts has been established to provide feedback and guidance on the ADU code audit. The first meeting will be held on Thursday, February 14th at the Community Development Dept,

Housing Authority of Clackamas County (HACC): Hillside Manor Rehabilitation and Hillside Master Plan

- On January 30, City staff met with the Housing Authority and their consultants to discuss planning, zoning, and infrastructure concepts for the Hillside Master Plan.
- A public Hillside Master Plan Charette will be hosted on Thursday February 21st at the Ardenwald Elementary School from 6:30 to 8:30pm. The event is now posted on the City of Milwaukie's calendar <https://www.milwaukieoregon.gov/communitydevelopment/hillside-master-plan-community-design-workshop> and will be included in the February issue of The Pilot. This open house will help develop and refine design concepts from a community perspective. Staff continues to dedicate time to bi-weekly Health Impact Assessment (HIA) team meetings, monthly stakeholder meetings and planning committee meetings with the County and consultants. Visit the county's website periodically for updated information at <https://clackamas.us/housingauthority/hillsidemasterplan.html>

Cottage Cluster Feasibility Study

- The next Stakeholder Advisory Group (SAG) meeting has been scheduled for Friday February 1st, 2019. Please visit the website for additional information on the project— <https://www.milwaukieoregon.gov/communitydevelopment/cottage-cluster-feasibility-study>. A parallel study of Accessory Dwelling Unit zoning code has begun and will have a panel of experts inform the development of the code modifications.

Business Support During Construction

- Working with the Downtown Milwaukie Business Association (DMBA) and other downtown business to install temporary signs throughout the downtown to alert people to the construction and that businesses are open during construction. Construction on City projects will commence on January 7th beginning with the underpass. Staff Will be attending this month's NDA meeting and working with the DMBA. Visit the South Downtown website for up-to-date information: <https://www.milwaukieoregon.gov/southdowntown>

Coho Point at Kellogg Creek

- A kickoff for schematic design was held on January 11 at Jones Architecture. Preliminary schedule for the project is being developed. The schedule will include community outreach and key council decision points. A community open house has been scheduled for March 6, 2019.

PLANNING

Comprehensive Plan Update

- On January 15, the City Council adopted a resolution "pinning down" the goals and policies for the four Block 2 topic areas: Parks and Recreation, Willamette Greenway, Natural Hazards, and Energy and Climate Change.
- The first meeting of the Comprehensive Plan's Housing Committee is scheduled for Monday, February 4 at 6:30 pm at the Public Safety Building.
- The first Comprehensive Plan Advisory Committee (CPAC) meeting for Block 3 is scheduled for Monday, March 4. Block 3 topics include Public Facilities, Natural Resources, Environmental Quality, and Urban Design.

Land Use/Development Review¹

- City Council
 - The City Council is scheduled to adopt a resolution “pinning down” the draft Comprehensive Plan Block 2 policies at their January 15 regular meeting.
 - The City Council is scheduled to review an application for expedited annexation of 10120 SE Wichita Ave on February 5.
 - ZA-2018-004 – The City Council is scheduled to review a set of amendments intended to clarify and correct various development-related code sections, except for the green building requirement, on February 5. The green building code language will be heard on March 5.
 - ZA-2018-002, CPA-2018-002 – A zone change and a Comprehensive Plan Amendment is proposed for 4 properties on Railroad Ave. They are proposing a zone change from R-7 to R-5. One of the four properties is being looked at to subdivide at a later time this year. The zone change was recommended for approval to the City Council by the Planning Commission on January 22. The public hearing before City Council will be held on Feb. 19.
- Planning Commission
 - AP-2019-001 – An appeal of the Planning Director's Type II approval of a 2-lot partition at 10244 SE 43rd Ave will be heard by the Planning Commission on February 12. The appellant (an adjacent neighbor at 10194 SE 43rd Ave) is challenging the requirement to dedicate public right-of-way for a future connection to White Lake Rd.
 - CU-2018-003 (master file) – The application for a 170-unit senior housing development at 13333 SE Rusk Rd has been deemed complete. A public hearing is scheduled with the Planning Commission on February 26.
 - CU-2018-004 – The Planning Commission is scheduled to review an application for a vacation rental at 3316 SE Washington St on February 12.
 - VR-2019-001 – An application for a Type II variance to the minimum rear yard setback, minimum vegetation, and maximum fence height for the property at 2024 SE Eagle St has been deemed complete and is out for referral and comments.
 - NR-2019-001 – An application for a Type II Natural Resources review for the Kronberg Park Path project has been deemed complete and is out for referral and comments.
 - VR-2019-002 – A variance has been requested from the driveway width standards of MMC Section 12.16.040.F for the property at 5485 SE Harlene St. The existing driveway serves as a de factor turnaround for the dead-end street. A public hearing with the Planning Commission is scheduled on March 12.

Design and Landmarks Committee (DLC)

- The DLC's next meeting is February 4, 2019, where they will continue their work to update the Downtown Design Review process.

BUILDING

January 2019 review to come

¹ Only those land use applications requiring public notice are listed here.

ENGINEERING

Traffic Control:

- A Linwood and Monroe safety improvements pre-installation meeting was held on 12/19 with Clackamas County. A general understanding was reached regarding maintenance of the interim striping, signing, plastic curbs, and delineators. Installation is slated for the first striping permissible weather day. Public outreach continues. The future Monroe Greenway Project will redevelop the intersection with new maintenance needs. The pedestrian crossing funded by PCC Structural across Johnson Creek is proceeding. PCC is contacting firms and the traffic regulation is being finalized with the report submitted by DKS engineering.

Engineering Projects:

South Downtown Improvements:

- SODO has truly begun! The Notice to Proceed was issued and Main street was closed on January 7th. Construction crews are installing utilities on the southern portion of Main Street and night utility work is scheduled to begin at the end of the month.

Ardenwald SAFE Project:

- Preconstruction meeting scheduled for January 31, 2018. Construction to begin March 1, 2018.

Sellwood / 30th / Madison SAFE Project:

- Construction has started. Project is scheduled to be complete by March 15, 2019.

Asphalt Pavement Overlay:

- Remaining two items are weather dependent and should be completed between rain storms.

Public Works Standards update:

- The 30-day review period is complete. Updated Public Works Standards are available as PDF on the City website.

Kellogg Creek Bridge:

- The project is complete and working on close out.

Riverfront Park Bank Repair:

- The project is complete and working on close out.

Milwaukie Bay Park Pedestrian Bridge A Repair:

- The project is complete and working on close out.

Kronberg Park Multi-Use Walkway:

- ODOT has received final submittal for review and the City is anticipating any comments from ODOT in the next two weeks. Building permits have been submitted. The City is splitting the contract into two, in order to have tree removal complete by March 1, 2019.

COUNCIL STAFF REPORT

To: Mayor and City Council
Ann Ober, City Manager

Date Written: Jan. 25, 2019

Reviewed: Dave Peterson, Assistant Finance Director

From: Bonnie Dennis, Finance Director

Subject: **Fiscal Year 2018 Audit Presentation**

ACTION REQUESTED

Informational only.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

July 11, 2018 – The Audit Committee met to discuss the risk assessment, audit scope, and plan for the fiscal year (FY) 2018 audit.

November 5, 2018 – Talbot Korvola and Warwick, LLP (TKW) performed the audit onsite.

December 19, 2018 – TKW issued a “clean” opinion on the City’s Comprehensive Annual Financial Report (CAFR) for the FY ending June 30, 2018.

January 23, 2019 – TKW met with the Audit Committee to review the results of the financial statement audit for the FY ending June 30, 2018.

ANALYSIS

The CAFR for the FY ending June 30, 2018, was audited by the City’s independent audit firm, TKW. The City was issued a “clean” opinion. The City Council presentation of the audit results will be from Julie Fahey, CPA, a Partner with TKW, as well as Troy Reichlein, Audit Committee Chair.

BUDGET IMPACTS

None.

WORKLOAD IMPACTS

None.

COORDINATION, CONCURRENCE, OR DISSENT

None.

ATTACHMENTS

1. Comprehensive Annual Financial Report (CAFR) for the FY ending June 30, 2018.
2. Popular Annual Financial Report for the FY ending June 30, 2018.

2018

MILWAUKIE, OREGON

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



CITY OF MILWAUKIE

CITY OF MILWAUKIE, OREGON COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



This report was printed on recycled paper

CITY OF MILWAUKIE, OREGON
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2018

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CITY OF MILWAUKIE, OREGON
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2018

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SECTION I

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ELECTED AND APPOINTED OFFICIALS

ORGANIZATIONAL CHART



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December 19, 2018

Mayor Mark Gamba, City Councilors and
Citizens of the City of Milwaukie, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Milwaukie, Oregon (the city) for the fiscal year ended June 30, 2018 is hereby submitted.

This report presents the financial position of the city as of June 30, 2018 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the city.

The accuracy of the city's financial statements and the completeness and fairness of their presentation is the responsibility of city management. The city maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unmodified opinion on the city's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located within the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The city's MD&A is located immediately following the independent auditor's report.

MILWAUKIE CITY HALL
10722 SE Main Street
Milwaukie, Oregon 97222
www.milwaukieoregon.gov

WS14

GOVERNMENT PROFILE

Milwaukie was settled in 1847 by pioneer brothers Seth and Henderson Luelling. By 1849, town founder and first Postmaster, Lot Whitcomb laid claim to and platted what is today's downtown Milwaukie. On February 4, 1903, a petition to incorporate as a city was approved by the residents of Milwaukie. The first council meeting was held on June 2, 1903, presided over by William Shindler, the first Mayor of Milwaukie. The initial funding for the city came from \$1 donations from each elected city official.

The City of Milwaukie is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. Today, Milwaukie serves a population of 20,556 and is close to the region's business core and urban amenities, with the City of Portland just to the north. At the same time, the city provides a small-town atmosphere and distinct neighborhoods. The city is approximately twenty-six miles from Portland International Airport.

The city is a full-service municipality that operates under a Council/City Manager form of government. The elected City Council consists of the Mayor and four Councilors who act as the board of directors. The Council sets policies for city government, enacts ordinances and hires, directs and evaluates the City Manager. In turn, the City Manager is the City's chief executive officer, responsible for overall management and administration.

Municipal services are provided by city employees and headed by the City Manager. The city operates its own police department, a municipal court, a library and provides services for street operations, building permits, water, sewer and surface water utilities.

Clackamas Fire District No. 1 provides fire and emergency services to the community. Parks and recreation are maintained and operated by the North Clackamas Parks and Recreation District. The District was formed in 1990 with Milwaukie as an original member. The city lies within Clackamas County, which is headed by a board of commissioners and is based in neighboring Oregon City. The city is also part of Metro, the tri-county urban services district based in Portland and receives light rail and bus services from TriMet, the Portland metropolitan area transit provider.

LOCAL ECONOMY

The city's economy is linked with that of the entire Portland Metropolitan area and has been primarily a residential community with a low ratio of heavy industry and retail-based commercial activity. Much of its growth occurred in the 1960's when population increased from 9,100 to 15,000 residents. Today, the city has emerged as an industrial employment center with two major industrial parks. In addition, Milwaukie's central location has attracted major businesses such as Blount International, Inc. and Precision Castparts, Inc.

LONG-TERM FINANCIAL PLANNING

Long-term financial planning is the cornerstone of any solid financial process. The city's controlling document is its Five Year Financial Forecast which includes reserves by fund that fall within the policy guidelines set by the Council and which is reviewed by the Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenditures and generally range between 17 and 50 percent depending on the fund.

Adoption of the 2017-2018 biennial budget occurred in June 2016 which accompanies this financial report. Annually, utility rate increases are approved by City Council with the support of the Budget Committee and the Citizen's Utility Advisory Board. Effective July 1, 2018, water, stormwater, Safe Access For Everyone (SAFE) and SSMP rates sustained a 11.8 percent, 14 percent, 14.89 percent increase, and 19.45 percent increase respectively; wastewater did not have any changes. All of these rates have remained constant during the fiscal year 2018.

In regards to the city's long-term debt obligations, the city has approximately \$3.4 million outstanding in PERS bonds, \$1.3 million in DEQ loans, \$12.3 million in general obligation bonds, \$0.7 million in full faith and credit obligations and \$0.8 million outstanding in other loans.

Property Tax Rate Limitation

In 2004, residents of Milwaukie elected to annex into Clackamas Fire District No.1 for fire and emergency medical services. The city's property tax rate levy is now equal to the city's permanent rate of \$6.5379 per \$1,000 of assessed value, reduced by the permanent rate of the Fire District equating to \$2.4012 offset by their annual bonded debt rate until the bonds were paid off in fiscal year 2015.

MAJOR INITIATIVES

The city has continued to establish and work toward clearly defined goals, objectives, and performance measures. During the budget review process, measures continued to be updated and rethought. The process is a continuing cycle of setting goals and objectives, reviewing short- and long-term goals, evaluating results, and reassessing the goals and their priority. These performance measures are included in the budget document and offer a historical perspective on operating trends for city departments. The use of performance measures is an important tool to ensure that resources are being used efficiently and effectively in pursuit of Council's goals.

The City Council has identified three primary goals for the Housing Affordability, Climate Action Plan Implementation, and the redevelopment of Milwaukie Bay Park. Housing Affordability is a national issue and has hit home for many of our citizens. Implementation of our Climate Action Plan will allow the City to do our part in the global efforts to reduce CO2 emissions. Lastly, the Milwaukie Bay Park has been in development for decades and Council is committed to completion of the park by fall of 2020.

The city is currently expanding the Ledding Library with an estimated completion by fiscal year 2019. The Citizens voted in the May 2016 election to approve a bond measure authorizing the city to issue up to \$9.2 million in general obligation bonds for the improvements

to the Library and the Pond House. The city issued the bonds in August 2016. The project is currently under construction and is set to provide energy efficiencies including the City government's first solar installation.

In July 2018, the city issued \$21.0 million Full Faith and Credit Obligations to fund SAFE, SSMP and other transportation CIP projects. Additionally, in February 2017 Moody's Investors Service upgraded the city's rating of the Series 2014, Full Faith and Credit Obligation from Aa3 rating to an Aa2 rating. The city again received a credit rating of Aa2 representing a solid financial position.

The Budget Committee and Council adopted the city's third biennial budget for the budget biennium of 2019-2020 in June 2018. Within the budget you will find that the city is striving to provide dedicated municipal services to the citizens. The city continues toward many other initiatives such as the redevelopment of the South Downtown area. This redevelopment includes two five-story buildings with one currently under construction. With the implementation of the SAFE program last fiscal year, the city will improve livability with an improved sidewalk infrastructure providing safe walking and bike routes within the city. There are several other projects ongoing and upcoming. A full list of goals and priorities can be found on the city website (www.milwaukieoregon.gov).

NATIONAL AWARDS

Comprehensive Annual Financial Reporting Award. For the seventh time since the early nineties, the city received the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officers Association (GFOA). In order to receive this award, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Popular Annual Financial Reporting Award. The city has consecutively received the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

Distinguished Budget Presentation Award. For the fourth time, the city received the *Distinguished Budget Presentation Award* for its biennium 2017-2018 budget document from the GFOA. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. A budget's proficiency is rated in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

These awards are prestigious national awards that recognizes conformance with the highest standards for preparation of state and local government financial reports.

AUDIT COMMITTEE

In July 2012, the City Council established an audit committee to ensure that audits are completed annually in accordance with Oregon state law, provide oversight of the independent auditors, assist in the review and selection of audit firms, and ensure transparent communication back to the City Council and the citizens of Milwaukie.

The composition of the members include one council member, one budget committee member, and two citizen members with an interest in municipal government; preference first given to Certified Public Accountants residing within city limits and second to Certified Public Accountants with city affiliation. Terms are for two years.

The members of the Milwaukie Audit Committee are Troy Reichlein, CPA (Chair), Councilor Shane Abma (Vice Chair), Mack Stilson and Budget Committee member Jesse Boumann, CPA.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The city selected the firm of Talbot, Korvola, & Warwick, LLP, Certified Public Accountants to perform its annual audit. The auditors conducted the engagement using standards generally accepted in the United States of America. Their audit opinions are located in the Financial Section of this report.

ACKNOWLEDGMENTS

The preparation of this report was a combined effort of the dedicated Finance staff under the direction of Bonnie Dennis. A special thank you is given to the Finance staff of Judy Serio, Kelli Tucker and Joe Gardner in the completion of this year's audit and report. We wish to express our appreciation to everyone who contributed to the preparation of this report. We also express gratitude to the Mayor and Councilors for their dedication and support in maintaining the highest standards of professionalism in the management of the city's finances.

Respectfully submitted,



Ann Ober
City Manager



Bonnie J. Dennis, MBA
Finance Director



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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Milwaukie
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

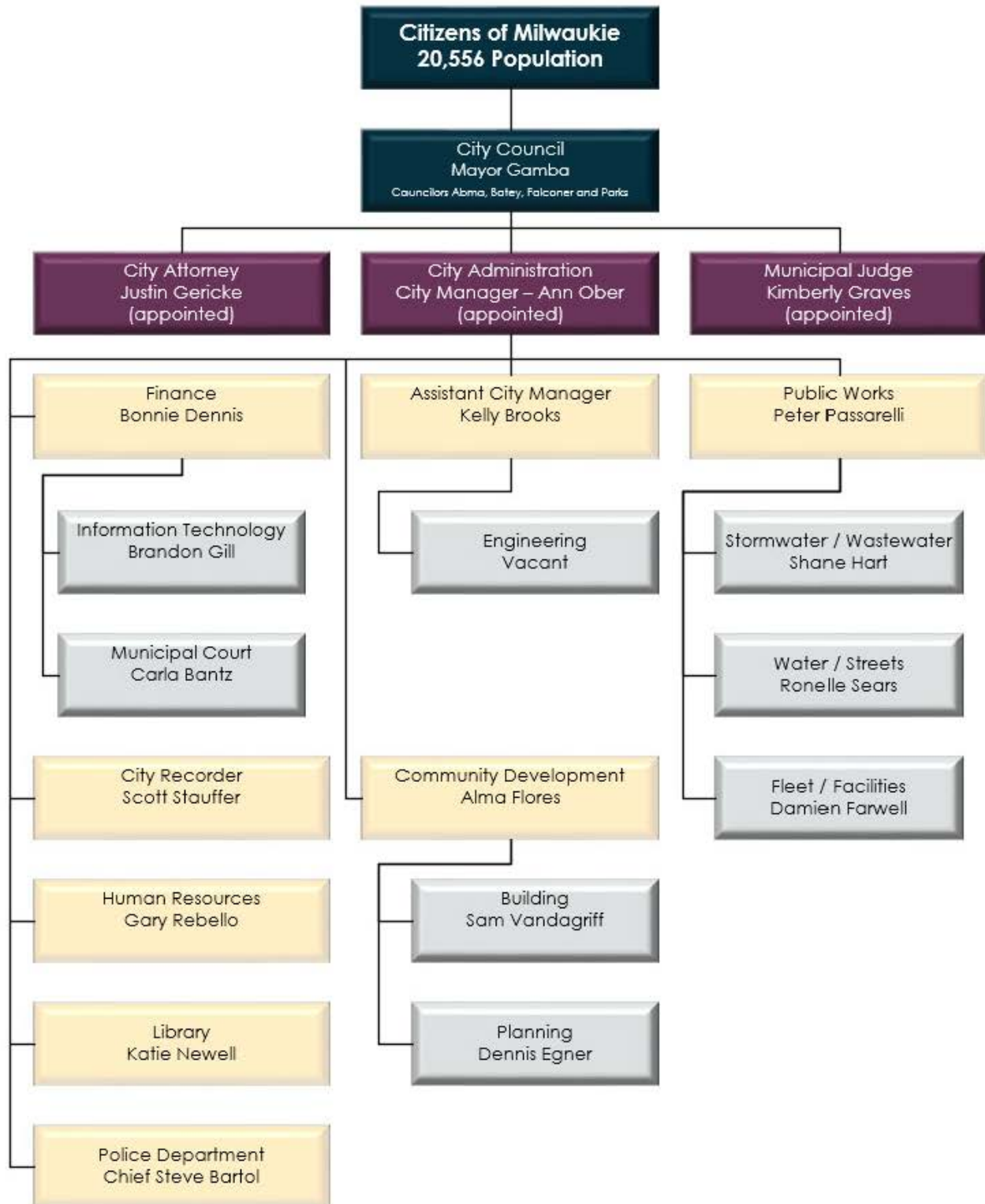
Elected Officials	Term Expires
Mark Gamba, Mayor	December 31, 2018
Angel Falconer, Councilor	December 31, 2020
Lisa Batey, Councilor	December 31, 2018
Wilda Parks, Councilor	December 31, 2020
Shane Abma, Councilor	December 31, 2018

Appointed Officials	Position
Ann Ober	City Manager
Justin Gericke	City Attorney
Kimberly Graves	Municipal Court Judge

Management Team:

Kelly Brooks	Assistant City Manager
Alma Flores	Community Development Director
Vacant	City Engineer
Scott Stauffer	City Recorder
Bonnie Dennis, MBA	Finance Director
Vacant	Assistant Finance Director
Gary Rebello, SPHR CCP	Human Resources Director
Katie Newell	Library Director
Steve Bartol	Police Chief
Dennis Egner	Planning Director
Peter Passarelli, PE	Public Works Director

CITY OF MILWAUKIE, OREGON
Organizational Chart





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SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER SUPPLEMENTARY INFORMATION
OTHER FINANCIAL SCHEDULES



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& Warwick, LLP**

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Milwaukie
Milwaukie, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milwaukie, Oregon (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

An independently owned member
RSM US Alliance



RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit rsmus.com/about-us for more information regarding RSM US LLP and RSM International. The RSM logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

INDEPENDENT AUDITOR'S REPORT (Continued)

Mayor and City Council
City of Milwaukie, Oregon

EMPHASIS OF MATTER

As discussed in Note 15 to the financial statements, as of and for the year ended June 30, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2017. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A), the schedules of pension and other postemployment benefits, and Notes to Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General, Transportation, and Library Funds, as listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information and the Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. As listed in the Table of Contents, the Other Supplementary Information and the Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information and the SEFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Mayor and City Council
City of Milwaukie, Oregon

OTHER MATTERS (Continued)

Other Information

The Introductory Section, Other Financial Schedules, and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 19, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By 
Julie B. Fahey, Partner

Lake Oswego, Oregon
December 19, 2018



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CITY OF MILWAUKIE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR END JUNE 30, 2018

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Milwaukie (City) for the fiscal year ended June 30, 2018. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets totaled \$117.8 million at June 30, 2018, consisting of \$73.2 million in capital assets, \$26.0 million in unrestricted cash and investments, \$12.2 million in restricted cash and investments, and \$6.4 million in other assets. Total assets increased by \$8.7 million (8%) from the previous fiscal year.
- The City's liabilities totaled \$38.6 million at June 30, 2018 consisting of \$33.0 million in long-term liabilities and \$5.6 million in accounts payable and other liabilities. Total liabilities decreased by \$0.7 million from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$83.9 million at the close of fiscal year 2018. Unrestricted net position totaled \$5.5 million with the remainder of the City's net position invested in capital assets (\$66.2 million) and restricted for capital projects, building operations, library services, debt service, and public safety (\$12.2 million).
- For its governmental activities, the City generated \$12.1 million in charges for services and received \$6.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$27.1 million for the year, resulting in a net expense of \$8.8 million. The City also received \$13.1 million of general revenues and the City increased its net position by \$4.2 million.
- For its business-type activities, the City generated \$15.9 million in charges for services to fund direct expenses of \$12.9 million. Business-type activities had an increase in net position of \$3.0 million.
- Fund balance in the City's governmental funds was \$25.2 million at June 30, 2018, an increase of \$2.2 million from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and other supplementary information.*

The basic financial statements include *notes* that explain the information in the financial statements and provide additional details.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how it has changed over the preceding year. Net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the City's *financial health* or *position*.

Increases or decreases in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. To assess the overall health of the City, additional nonfinancial factors such as changes in the City's property tax base, and the condition of the City's infrastructure must be considered.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities – Includes the majority of the City's basic services such as community development, code enforcement, police, library, highways and streets, and general administration. Property taxes, charges for services, grants and contributions fund most of these activities.
- Business-type activities – The City charges fees to customers to help cover the costs of certain services it provides. The City's water, wastewater, and stormwater services are included here.

Statement of Net Position

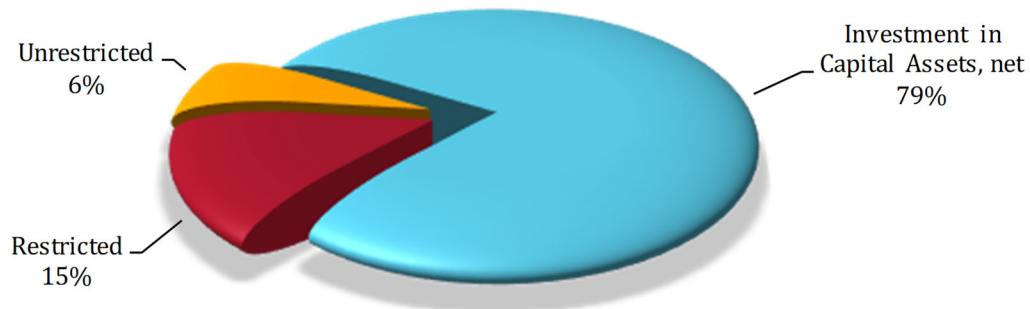
Net position serves as a useful indicator of a government's financial position. The City has continued to see assets exceeding liabilities. At the close of fiscal year 2018, assets exceeded liabilities by \$83.9 million.

By far the largest portion of the City's net position (79%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves either cannot or are not expected to be used or liquidated to repay these liabilities.

Combined net position of the City of Milwaukie at June 30, 2018 and 2017 was as follows:

Statement of Net Position (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Current and other assets	\$ 30,001	\$ 27,002	\$ 14,712	12,528	\$ 44,713	\$ 39,530
Capital assets	48,813	45,850	24,356	23,760	73,169	69,610
Total assets	78,814	72,852	39,068	36,286	117,882	109,141
Deferred outflows of resources	4,578	7,205	478	826	5,056	8,031
Long-term liabilities	30,378	31,325	2,629	2,906	33,007	34,231
Other liabilities	3,772	3,041	1,790	2,001	5,562	5,042
Total liabilities	34,150	34,366	4,419	4,909	38,569	39,272
Deferred inflows of resources	354	322	37	37	391	359
Net position:						
Net investment in capital assets	43,107	40,950	23,102	22,410	66,210	63,360
Restricted for:						
Library services	9,272	9,272	-	-	9,272	9,272
Public safety	144	163	-	-	144	163
Debt service	369	246	12	12	381	258
Building operations	841	309	-	-	841	309
Urban renewal	95	-	-	-	95	-
Capital projects	1,529	1,598	-	-	1,529	1,598
Unrestricted	(6,469)	(7,169)	11,975	9,743	5,506	2,574
Total net position	\$ 48,888	\$ 45,369	\$ 35,090	\$ 32,165	\$ 83,978	\$ 77,536

Classification of Net Position



As of June 30, 2018, the City had positive balances in three categories of net position for the City. Total net position increased from the prior year by \$7.2 million (9.4%) to \$83.9 million.

A portion of the City's net position (\$12.2 million or approximately 15%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$5.5 million or 6.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities
Changes in Net Position
(in thousands)

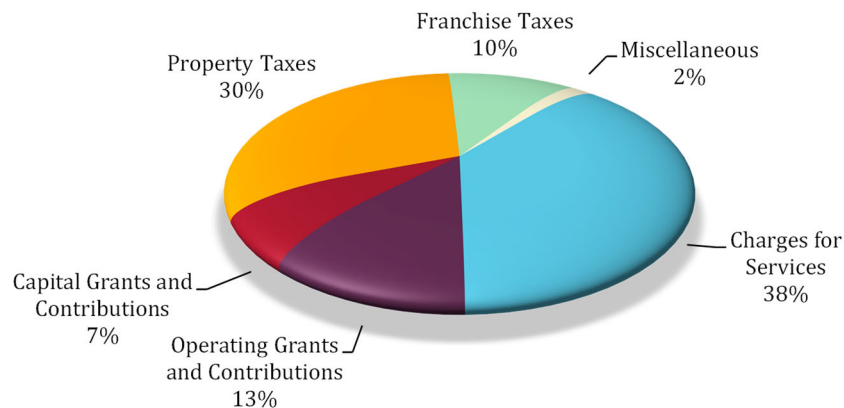
	Governmental Activities		Business-Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Revenues						
Program revenues:						
Charges for services	\$ 12,108	\$ 8,786	\$ 15,845	\$ 14,848	\$ 27,954	\$ 23,633
Operating grants and contributions	4,030	4,742	-	-	4,030	4,742
Capital grants and contributions	2,139	312	-	-	2,139	312
General revenues:						
Property taxes	9,292	8,927	-	-	9,292	8,927
Franchise taxes	3,256	2,857	-	-	3,256	2,857
Miscellaneous	526	246	70	99	595	345
Total revenues	31,351	25,871	15,915	14,948	47,267	40,818
Expenses						
Governmental activities:						
General government	11,437	10,568	-	-	11,437	10,568
Highways and streets	4,324	5,548	-	-	4,324	5,548
Public safety	7,630	7,201	-	-	7,630	7,201
Culture and recreation	3,185	3,240	-	-	3,185	3,240
Interest on long-term debt	560	568	-	-	560	568
Business-type activities:						
Water	-	-	3,169	3,183	3,169	3,183
Wastewater	-	-	7,044	6,832	7,044	6,832
Stormwater	-	-	2,701	2,387	2,701	2,387
Total expenses	27,136	27,125	12,914	12,402	40,050	39,527
Change in net position	4,215	(1,255)	3,001	2,546	7,217	1,291
Net position - beginning (previously reported)	45,369	46,624	32,165	29,620	77,534	76,244
Restatement	(696)	-	(77)	-	(773)	-
Net Position - beginning	44,673	46,624	32,088	29,620	76,761	76,244
Net position - ending	\$ 48,888	\$ 45,369	\$ 35,090	\$ 32,165	\$ 83,977	\$ 77,536

Governmental Activities

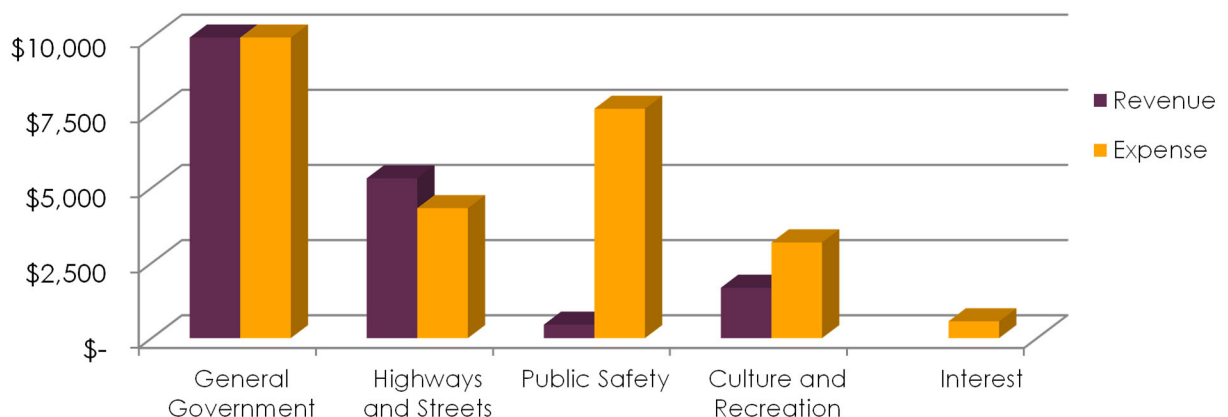
Governmental activities increased the City's net position by \$4.2 million in fiscal year 2018, compared to a \$1.3 million decrease in the prior fiscal year. The increase is mainly attributable to additional capital grants. Key elements of these changes are illustrated on the previous page. New accounting pronouncements issued by the Governmental Accounting Standards Board (GASB) included Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)* which recognizes the liabilities, deferred outflows of resources, deferred inflows of resources, and expense associated with postemployment benefits in both Governmental and Business-Type Activities. The new pronouncement resulted in a decrease in beginning governmental activities net position by \$0.7 million. The restatement is described in the Notes to the Financial Statements, starting on page 37.

The revenues in the following pie chart include all program and general revenues for governmental activities including property taxes, franchise taxes, charges for services, operating and capital grants and contributions, and miscellaneous revenues. Property taxes continue to be the major source of revenue for the City's governmental activities, once interfund service payments are factored out of charges for services.

Revenues by Source – Governmental Activities



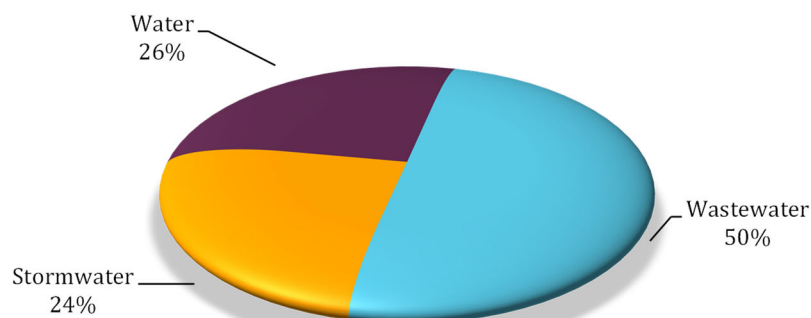
Program Revenues and Expenses – Governmental Activities
(in thousands)



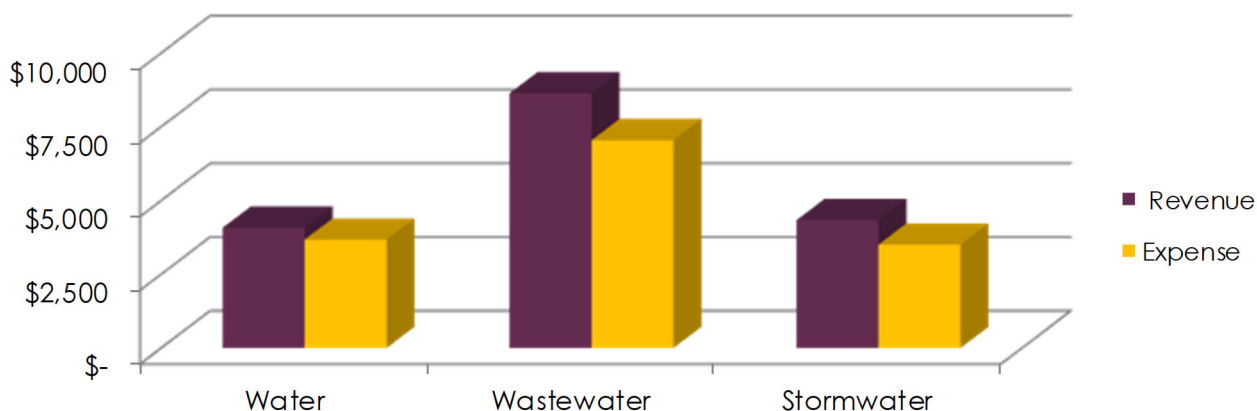
Business-type Activities

The Water Fund revenues represent approximately 26 percent of all utility user fees for the City. The City continues to contribute capital investment to the water system while maintaining a consistent level of service. The Wastewater Fund accounts for sewer collections services whereas the Stormwater Fund accounts for surface water management services. Wastewater and Stormwater revenues represent 50 percent and 24 percent of user fees, respectively. Additionally, Business-type activities net position decreased by \$0.8 thousand due to the restatement as a result of the new accounting pronouncement GASB 75. The restatement is described in the Notes to the Basic Financial Statements, starting on page 37.

Revenues by Utility – Business-Type Activities



Program Revenues and Expenses – Business-Type Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of \$25.2 million, an increase of \$2.2 million for the year. Unassigned fund balance increased to \$7.4 million as of June 30, 2018, and is available for spending at the City's discretion.

General Fund

The General Fund accounts for all the general governmental services provided by the City. At June 30, 2018, total fund balance was \$7.5 million, which is an increase of \$0.2 million for the year and is primarily considered unassigned. The City's General Fund is funded with property taxes and franchise taxes, as well as charges for services provided to other funds. Revenue for the general fund increased \$0.8 million compared with the prior year. Increases occurred in all categories but two. The most significant decrease of \$0.2 million in fines and forfeitures is due to the disengagement of the photo radar program. General Fund expenditures were \$18.0 million in fiscal year 2018, compared to expenditures of \$16.1 million in the previous year. The increase in expenditures is primarily related to additional events Citywide, increases in City paid benefits and a replacement of the Citywide phone system.

Transportation Fund

The Transportation Fund is a special revenue fund that accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Charges for service increased by \$0.6 million related to service fee increases. Expenditures increased to \$5.9 million from \$2.6 million reported in fiscal year 2017, primarily due to capital projects. The Transportation Fund had an overall increase in fund balance of \$1.0 million for the fiscal year ending June 30, 2018.

Library Fund

The Library Fund was established to account for all library services. The primary source of revenue is from the Clackamas County Library District and general property taxes. Overall, total revenues increased from prior year to \$4.0 million. This increase is due to a \$1.0 grant received from Clackamas County restricted for the Library capital project. Expenditures increased by \$0.8 million due to expenses related to the capital project. At June 30, 2018 fund balance was \$10.4 million.

Other Governmental Funds

The other governmental funds are considered as nonmajor funds which include the Systems Development Charges Fund, Building Inspections Fund, Milwaukie Redevelopment

Commission, and Debt Service Fund. These funds had a combined increase of \$0.7 million. Further details on these funds can be found on page 77.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget for the 2017-2018 biennium budget period amounted to \$38.3 million, including \$0.8 million for contingency. There have been several supplemental budget resolutions adopted during the biennium to reallocate some departmental budget authority and allow for previously unanticipated expenditures. Actual revenues (budgetary basis) were \$12.7 million for the second fiscal year of the biennium and expenditures were \$18.0 million. Budget to actual overages in the departments of Police Administration and Police Support Services are due to an increase in benefit expenses and retirement payouts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the City had invested \$73.1 million in capital assets, net of depreciation as reflected in the following table, representing a net increase (additions, deductions and depreciation) of \$3.5 million in fiscal year 2018. Governmental capital assets totaled \$48.8 million while business-type capital assets totaled \$24.3 million.

Capital Assets, Net of Accumulated Depreciation (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Land and easements	\$ 6,139	\$ 5,994	\$ 833	\$ 393	\$ 6,972	\$ 6,387
Buildings and improvements	12,559	13,123	3,521	3,713	16,080	16,836
Vehicles and equipment	1,413	1,292	1,916	1,600	3,329	2,892
Infrastructure	22,310	24,104	15,367	15,920	37,677	40,024
Construction in progress	6,390	1,336	2,719	2,135	9,109	3,471
Capital assets, net	<u>\$ 48,813</u>	<u>\$ 45,850</u>	<u>\$ 24,356</u>	<u>\$ 23,760</u>	<u>\$ 73,167</u>	<u>\$ 69,610</u>

The following table reconciles the change in capital assets for the fiscal year. Expenditures for construction projects in progress at fiscal year-end are included in additions. Reductions are for capital asset dispositions and transfers of construction projects completed during the fiscal year. When applicable, additions include capital contributions from outside developers with the revenue from these contributions reflected in program revenues on the *Statement of Activities*.

Assets utilized in governmental activities increased by a net \$2.9 million from the prior fiscal year, while business-type activities increased by a net \$0.6 million. The increases include assets for infrastructure such as pipe replacements and street improvements. Capital asset additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented in the Notes to the Basic Financial Statements, beginning on page 37.

Change in Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Beginning balance	\$ 45,850	\$ 48,771	\$ 23,760	\$ 21,953	\$ 69,610	\$ 70,724
Additions	6,320	1,009	2,279	3,742	8,599	4,751
Reductions and adjustments	(256)	(849)	(353)	(752)	(609)	(1,601)
Depreciation	(3,101)	(3,081)	(1,330)	(1,183)	(4,431)	(4,264)
Ending balance	<u>\$ 48,813</u>	<u>\$ 45,850</u>	<u>\$ 24,356</u>	<u>\$ 23,760</u>	<u>\$ 73,167</u>	<u>\$ 69,610</u>

Debt Outstanding

As of the end of the fiscal year, the City had \$18.4 million in long-term debt obligations outstanding resulting in decrease from the prior year by \$0.6 million. This decrease is due to a refinancing of the Oregon Special Public Works Fund loan as well as scheduled principal payments on other long-term debt obligations. More detailed information about the City's long-term debt obligations is presented in the Notes to the Basic Financial Statements, beginning on page 37.

Outstanding Long-term Debt Obligations as of June 30th
(in thousands)

	Fiscal Year Ending	
	2018	2017
Governmental:		
Pension Bonds	\$ 3,370	\$ 3,555
Light-Rail GO Bond	3,819	4,004
Library GO Bond	8,450	8,815
Riverfront FFCO	745	800
Other	846	550
	<u>17,230</u>	<u>17,724</u>
Business-type:		
Oregon DEQ	1,254	1,350
Total	<u>\$ 18,484</u>	<u>\$ 19,074</u>

The City has maintained its Aa2 rating with Moody's Investor Service. Credit ratings reflect the City's ability to continue to participate in the public bond markets while obtaining the lowest interest rate costs available.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City's boundaries. As of June 30, 2018, the City carried \$12.2 million general obligation debt subject to this \$97.0 million limit.

Economic Factors

The City of Milwaukie is predominantly residential in nature, with commercial property and industrial property representing approximately nine percent and fifteen percent of the City's taxable assessed value, respectively. Therefore, the City receives a significant share of its revenue directly from local residents in the form of property taxes and charges for services.

The State of Oregon does not have a sales tax, making property taxes the primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed value continues to be below real market values (currently about 64 percent); therefore, overall real market values would have to decrease an additional 36 percent before the City's property tax revenue stream would be significantly impacted.

Both property taxes and charges for services each provided approximately 70% of revenue used for governmental activities. Other significant revenue sources include operating grants and contributions, franchise fees, and capital grants and contributions.

Business-type activities are primarily funded with utility fees and charges. The Citizens' Utility Advisory Board (CUAB) oversees utility rate studies and reviews financial forecasts for each utility to recommend rates to the City Council for adoption. On January 1, 2017, City Council adopted the Safe Access For Everyone (SAFE) fee in order to improve safety and access throughout the City such as improvements for ADA compliance, bicycle and pedestrian accessibility. The commercial rates based on square footage and type of business; single-family residential rates are fixed at \$5.4 monthly. On June 5, 2018, the City Council adopted resolutions increasing water rates by 11.8 percent, and stormwater rates by 14 percent while wastewater rates remained with no increase or decrease.

Since the street fee's inception in 2007 there have been no increases in the monthly rate, although the maximum monthly fee for commercial properties is indexed annually based on the consumer price index (CPI).

Requests for Information

This financial statement report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and expends. If you have questions about this report or need additional financial information, contact Bonnie Dennis at the City of Milwaukie, 10722 SE Main Street, Milwaukie, Oregon 97222 or e-mail dennisb@milwaukieoregon.gov.

BASIC FINANCIAL STATEMENTS

Statement of Net Position

Statement of Activities

Fund Financial Statements

Notes to Basic Financial Statements



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CITY OF MILWAUKIE, OREGON

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 13,177,014	\$ 12,843,783	\$ 26,020,797
Restricted cash and investments	12,212,275	12,056	12,224,331
Property taxes receivable	535,213	-	535,213
Accounts receivable, net of allowance	3,098,490	1,849,294	4,947,784
Prepaid expenses	942,642	2,722	945,364
Net OPEB Asset	35,760	3,973	39,733
Capital assets not being depreciated:			
Land and easements	6,140,358	832,588	6,972,946
Construction in progress	6,389,824	2,719,346	9,109,170
Capital assets net of accumulated depreciation:			
Buildings and improvements	12,559,340	3,520,913	16,080,253
Vehicles and equipment	1,413,198	1,916,362	3,329,560
Infrastructure	22,309,798	15,367,185	37,676,983
TOTAL ASSETS	78,813,912	39,068,222	117,882,134
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	4,496,183	468,576	4,964,759
Deferred outflows of resources - OPEB	82,193	9,133	91,326
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,578,376	477,709	5,056,085
LIABILITIES:			
Accounts payable	1,441,550	1,232,987	2,674,537
Accrued salaries and payroll taxes payable	295,612	37,954	333,566
Accrued compensated absences payable	1,139,543	88,141	1,227,684
Accrued interest payable	94,528	1,931	96,459
Deposits payable	84,619	11,100	95,719
Unearned revenue	716,215	417,739	1,133,954
Noncurrent liabilities:			
Long-term obligations, due within one year	814,359	96,458	910,817
Long-term obligations, due in more than one year	16,415,791	1,157,494	17,573,285
Net pension liability	12,404,050	1,292,705	13,696,755
Total OPEB liability	743,365	82,595	825,960
TOTAL LIABILITIES	34,149,632	4,419,104	38,568,736
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pension	294,728	30,716	325,444
Deferred inflows of resources - OPEB	59,284	6,587	65,871
TOTAL DEFERRED INFLOWS OF RESOURCES	354,012	37,303	391,315
NET POSITION:			
Net investment in capital assets	43,107,368	23,102,442	66,209,810
Restricted for:			
Library services	9,271,777	-	9,271,777
Public safety supplies	144,395	-	144,395
Debt service	368,719	12,056	380,775
Building operations	840,763	-	840,763
Urban renewal	95,236	-	95,236
Capital projects	1,529,199	-	1,529,199
Unrestricted	(6,468,813)	11,975,025	5,506,212
TOTAL NET POSITION	\$ 48,888,644	\$ 35,089,523	\$ 83,978,167

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 11,437,073	\$ 9,981,381	\$ 855,619	\$ -	\$ (600,073)	\$ -	\$ (600,073)
Highways and streets	4,324,435	1,679,150	1,497,631	2,139,193	991,539	-	991,539
Public safety	7,630,393	447,281	-	-	(7,183,112)	-	(7,183,112)
Culture and recreation	3,185,187	-	1,676,569	-	(1,508,618)	-	(1,508,618)
Interest on long-term debt	560,016	-	-	-	(560,016)	-	(560,016)
TOTAL GOVERNMENTAL ACTIVITIES	27,137,104	12,107,812	4,029,819	2,139,193	(8,860,280)	-	(8,860,280)
BUSINESS-TYPE ACTIVITIES:							
Water	3,169,273	4,075,196	-	-	-	905,923	905,923
Wastewater	7,043,854	7,935,062	-	-	-	891,208	891,208
Stormwater	2,700,587	3,834,998	-	-	-	1,134,411	1,134,411
TOTAL BUSINESS-TYPE ACTIVITIES	12,913,714	15,845,256	-	-	-	2,931,542	2,931,542
TOTAL ACTIVITIES	\$ 40,050,818	\$ 27,953,068	\$ 4,029,819	\$ 2,139,193	(8,860,280)	2,931,542	(5,928,738)
GENERAL REVENUES:							
Property taxes, levied for general purposes					9,292,471	-	9,292,471
Franchise taxes					3,255,650	-	3,255,650
Unrestricted investment earnings					488,384	54,580	542,964
Gain on sale of capital assets					39,245	15,200	54,445
TOTAL GENERAL REVENUES					13,075,750	69,780	13,145,530
CHANGE IN NET POSITION					4,215,470	3,001,322	7,216,792
NET POSITION, June 30, 2017 (previously reported)					45,369,028	32,165,518	77,534,546
RESTATEMENT, Note 15					(695,854)	(77,317)	(773,171)
NET POSITION - beginning					44,673,174	32,088,201	76,761,375
NET POSITION - ending					\$ 48,888,644	\$ 35,089,523	\$ 83,978,167

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2018

	General Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 7,358,728	\$ 4,253,385	\$ 1,564,901	\$ -	\$ 13,177,014
Restricted cash and investments	218,698	-	9,265,971	2,727,606	12,212,275
Property taxes receivable	529,192	-	-	6,021	535,213
Accounts receivable	1,894,130	1,176,137	-	28,223	3,098,490
Prepaid expenditures	125,045	590,190	5,806	221,601	942,642
TOTAL ASSETS	\$ 10,125,793	\$ 6,019,712	\$ 10,836,678	\$ 2,983,451	\$ 29,965,634
LIABILITIES:					
Accounts payable	\$ 557,719	\$ 316,808	\$ 446,319	\$ 120,704	\$ 1,441,550
Accrued salaries and payroll taxes	248,840	8,779	32,435	5,558	295,612
Deposits payable	3,000	81,619	-	-	84,619
Unearned revenue	27,735	665,208	-	23,272	716,215
TOTAL LIABILITIES	837,294	1,072,414	478,754	149,534	2,537,996
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	476,088	-	-	-	476,088
Unavailable revenue - municipal court assessments	1,161,512	-	-	-	1,161,512
Unavailable revenue - assessment liens	98,427	-	-	-	98,427
Unavailable revenue - grants	-	499,492	-	-	499,492
TOTAL DEFERRED INFLOWS OF RESOURCES	1,736,027	499,492	-	-	2,235,519
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,573,321	1,571,906	478,754	149,534	4,773,515
FUND BALANCES:					
Nonspendable	125,045	590,190	5,806	221,601	942,642
Restricted	19,350	-	9,265,971	2,612,316	11,897,637
Committed	-	3,857,616	-	-	3,857,616
Assigned	-	-	1,086,147	-	1,086,147
Unassigned	7,408,077	-	-	-	7,408,077
TOTAL FUND BALANCES	7,552,472	4,447,806	10,357,924	2,833,917	25,192,119
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,125,793	\$ 6,019,712	\$ 10,836,678	\$ 2,983,451	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources
and therefore, are not reported in funds. 48,812,518

Other assets are not available to pay for current-period expenditures and
are therefore deferred in the funds:

Net OPEB asset	35,760	
Deferred outflows of resources - pensions	4,496,183	
Deferred outflows of resources - OPEB	82,193	
Revenues available	<u>2,235,519</u>	6,849,655

Liabilities, including accrued liabilities and bonds payable, that are not due
and payable in the current period and therefore, are not reported in funds:

Accrued compensated absences payable	(1,139,543)	
Accrued interest payable	(94,528)	
Net pension liability	(12,404,050)	
Total OPEB liability	(743,365)	
Deferred inflows of resources - pension	(294,728)	
Deferred inflows of resources - OPEB	(59,284)	
Long-term debt obligations	<u>(17,230,150)</u>	(31,965,648)
Net position of governmental activities		<u>\$ 48,888,644</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 7,393,646	\$ -	\$ 825,863	\$ 1,067,976	\$ 9,287,485
Franchise taxes	2,081,171	1,174,479	-	-	3,255,650
Intergovernmental	1,233,560	3,595,465	2,976,569	89,122	7,894,716
Fines and forfeitures	831,327	-	47,964	-	879,291
Licenses and permits	750,867	-	-	1,015,217	1,766,084
Charges for services	5,420,000	1,679,150	-	-	7,099,150
Systems development charges	-	-	-	258,797	258,797
Investment earnings	273,979	38,334	147,508	28,563	488,384
Miscellaneous	134,109	11,931	19,250	1,796	167,086
TOTAL REVENUES	18,118,659	6,499,359	4,017,154	2,461,471	31,096,643
EXPENDITURES:					
Current:					
General government	10,057,513	-	-	494,832	10,552,345
Highways and streets	-	2,071,845	-	-	2,071,845
Public safety	6,654,626	-	-	-	6,654,626
Culture and recreation	-	-	2,635,938	-	2,635,938
Debt service:					
Principal	227,371	-	-	565,000	792,371
Interest	200,253	-	-	380,605	580,858
Capital outlay	856,385	3,815,461	1,106,308	341,017	6,119,171
TOTAL EXPENDITURES	17,996,148	5,887,306	3,742,246	1,781,454	29,407,154
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	122,511	612,053	274,908	680,017	1,689,489
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	91,992	2,612	-	-	94,604
Proceeds from borrowing	-	385,000	-	-	385,000
TOTAL OTHER FINANCING SOURCES (USES)	91,992	387,612	-	-	479,604
NET CHANGE IN FUND BALANCES	214,503	999,665	274,908	680,017	2,169,093
FUND BALANCES - beginning	7,337,969	3,448,141	10,083,016	2,153,900	23,023,026
FUND BALANCES - ending	\$ 7,552,472	\$ 4,447,806	\$ 10,357,924	\$ 2,833,917	\$ 25,192,119

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances – total government funds	\$	2,169,093
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was greater than depreciation.

Capital outlay	\$ 6,119,171	
Depreciation expense	<u>(3,101,041)</u>	3,018,130

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net position.	(55,357)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	216,686
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The issuance of long-term debt (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents debt issued during the current fiscal year and scheduled principal payments on existing debt.

Deposit proceeds from issuance of debt	(385,000)	
Long-term debt principal repayments	<u>792,371</u>	407,371

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net pension liability and related deferrals	(1,484,792)	
Net OPEB liability and related deferrals	11,160	
Accrued interest payable	(25,627)	
Gain on refinancing of debt	46,467	
Accrued compensated absences payable	(127,718)	
Amortization of bond premium	<u>\$ 40,057</u>	<u>(1,540,453)</u>

Change in net position of governmental activities	\$	<u>4,215,470</u>
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The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 3,733,727	\$ 4,877,040	\$ 4,233,016	\$ 12,843,783
Restricted cash and investments	-	12,056	-	12,056
Accounts receivable, net of allowance for doubtful accounts	452,463	945,186	368,871	1,766,520
Prepaid expenses	2,232	165	325	2,722
Total current assets	4,188,422	5,834,447	4,602,212	14,625,081
Noncurrent assets:				
Other receivable	-	82,774	-	82,774
Net OPEB asset	1,589	795	1,589	3,973
Capital assets not being depreciated	2,160,937	321,353	1,069,644	3,551,934
Capital assets, net of accumulated depreciation	7,874,775	8,696,352	4,233,333	20,804,460
Total noncurrent assets	10,037,301	9,101,274	5,304,566	24,443,141
TOTAL ASSETS	14,225,723	14,935,721	9,906,778	39,068,222
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows of resources - pensions	188,413	104,516	175,647	468,576
Deferred outflows of resources - OPEB	3,653	1,826	3,653	9,133
TOTAL DEFERRED OUTFLOWS OF RESOURCES	192,066	106,342	179,300	477,709
LIABILITIES:				
Current liabilities:				
Accounts payable	210,467	903,542	118,978	1,232,987
Accrued salaries and payroll taxes payable	15,667	7,670	14,617	37,954
Accrued compensated absences payable	37,128	25,636	25,377	88,141
Accrued interest payable	-	1,931	-	1,931
Deposits payable	11,100	-	-	11,100
Unearned revenue	-	297,739	120,000	417,739
Current portion of long-term debt	-	96,458	-	96,458
Total current liabilities	274,362	1,332,976	278,972	1,886,310
Noncurrent liabilities:				
Net pension liability	519,792	288,338	484,575	1,292,705
Total OPEB liability	33,038	16,519	33,038	82,595
Long-term debt	-	1,157,494	-	1,157,494
TOTAL LIABILITIES	827,192	2,795,328	796,585	4,419,104
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows of resources - pensions	12,351	6,851	11,514	30,716
Deferred inflows of resources - OPEB	2,635	1,317	2,635	6,587
TOTAL DEFERRED INFLOWS OF RESOURCES	14,986	8,168	14,149	37,303
NET POSITION:				
Net investment in capital assets	10,035,712	7,763,753	5,302,977	23,102,442
Restricted for debt service	-	12,056	-	12,056
Unrestricted	3,539,899	4,462,759	3,972,367	11,975,025
TOTAL NET POSITION	\$ 13,575,611	\$ 12,238,568	\$ 9,275,344	\$ 35,089,523

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
OPERATING REVENUES:				
Charges for services	\$ 4,049,395	\$ 7,928,079	\$ 3,805,522	\$ 15,782,996
Miscellaneous	25,801	6,983	29,476	62,260
TOTAL OPERATING REVENUES	<u>4,075,196</u>	<u>7,935,062</u>	<u>3,834,998</u>	<u>15,845,256</u>
OPERATING EXPENSES:				
Salaries and wages	689,752	413,317	755,139	1,858,208
Materials and services	2,010,881	6,149,805	1,557,900	9,718,586
Depreciation	468,640	474,221	387,548	1,330,409
TOTAL OPERATING EXPENSES	<u>3,169,273</u>	<u>7,037,343</u>	<u>2,700,587</u>	<u>12,907,203</u>
OPERATING INCOME	<u>905,923</u>	<u>897,719</u>	<u>1,134,411</u>	<u>2,938,053</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	3,847	21,773	28,960	54,580
Interest expense	-	(6,511)	-	(6,511)
Gain on disposal of capital assets	9,200	3,008	2,992	15,200
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>13,047</u>	<u>18,270</u>	<u>31,952</u>	<u>63,269</u>
CHANGE IN NET POSITION	<u>918,970</u>	<u>915,989</u>	<u>1,166,363</u>	<u>3,001,322</u>
NET POSITION - beginning	12,687,568	11,338,042	8,139,908	32,165,518
RESTATEMENT (Note 15)	(30,927)	(15,463)	(30,927)	(77,317)
NET POSITION - beginning, as restated	<u>12,656,641</u>	<u>11,322,579</u>	<u>8,108,981</u>	<u>32,088,201</u>
NET POSITION - ending	<u>\$ 13,575,611</u>	<u>\$ 12,238,568</u>	<u>\$ 9,275,344</u>	<u>\$ 35,089,523</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 4,049,949	\$ 8,004,754	\$ 3,779,237	\$ 15,833,940
Payments to suppliers for goods and services	(2,069,839)	(6,073,198)	(1,808,736)	(9,951,773)
Payments to employees for services	(667,384)	(420,856)	(667,008)	(1,755,248)
NET CASH FROM OPERATING ACTIVITIES	1,312,726	1,510,700	1,303,493	4,126,919
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	9,200	3,008	2,992	15,200
Principal paid on capital debt	-	(96,248)	-	(96,248)
Interest paid on capital debt	-	(6,511)	-	(6,511)
Acquisition and construction of capital assets	(490,240)	(351,669)	(1,084,568)	(1,926,477)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(481,040)	(451,420)	(1,081,576)	(2,014,036)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings received on investments	3,847	21,773	28,960	54,580
NET INCREASE IN CASH AND INVESTMENTS	835,533	1,081,053	250,877	2,167,463
CASH AND INVESTMENTS - beginning	2,898,194	3,808,043	3,982,139	10,688,376
CASH AND INVESTMENTS - ending (including \$12,056 for the Wastewater fund reported in restricted accounts)	\$ 3,733,727	\$ 4,889,096	\$ 4,233,016	\$ 12,855,839
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income	\$ 905,923	\$ 897,719	\$ 1,134,411	\$ 2,938,053
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	468,640	474,221	387,548	1,330,409
Pension expense (income)	18,090	(13,421)	80,644	85,313
OPEB expense (income)	(496)	(249)	(496)	(1,241)
(Increase) decrease in accounts receivable	(25,247)	66,209	(55,761)	(14,799)
(Increase) decrease in prepaid expenses	392	(12)	(172)	208
Increase (decrease) in accounts payable	(66,250)	76,619	(250,665)	(240,296)
Increase (decrease) in deposits payable	6,900	-	-	6,900
Increase (decrease) in accrued salaries and payroll taxes payable	682	(473)	2,655	2,864
Increase (decrease) in accrued compensated absences payable	4,092	6,604	5,329	16,025
Increase (decrease) in unearned revenue	-	3,483	-	3,483
NET CASH FROM OPERATING ACTIVITIES	\$ 1,312,726	\$ 1,510,700	\$ 1,303,493	\$ 4,126,919

The notes to basic financial statements are an integral part of this statement.

CITY OF MILWAUKIE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Milwaukie, Oregon (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City is a municipal corporation, incorporated in 1903. It operates under its own charter with a Council/City Manager form of government. The City Council, composed of the Mayor and four councilors, comprise the legislative branch of the government. Individual departments are under the direction of the City Manager who is appointed by the Council.

The City provides a full range of municipal services to the community, which includes police protection and municipal court services, traffic control and improvement, street maintenance and improvement, water, sewer and stormwater management services, community development, planning and zoning regulation, building inspection and regulation, and community library services.

Basis of Presentation – Government-wide Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for service revenues.

Government-wide financial statements display information about the City as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

Basis of Presentation – Fund Financial Statements

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported in the fund financial statements. Nonmajor funds are reported in the aggregate.

The City reports the following major governmental funds:

- *General Fund* - This fund accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, community development, engineering, planning, facilities management, fleet services, and related debt service. The primary revenue sources are property taxes, franchise taxes, reimbursement charges for services to other funds, fines and forfeitures, licenses and permits, and miscellaneous income.
- *Transportation Fund* - This fund accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues that include state and local gas taxes dedicated to construction and maintenance of local streets, franchise fees, PGE privilege tax, and charges for services.
- *Library Fund* - This fund accounts for the operation of the City's Ledding Library. Major revenue sources are intergovernmental revenues and property taxes.

The City has nonmajor governmental funds that are reported as special revenue, debt service and capital projects funds. Nonmajor funds are:

- *Systems Development Charges Fund* - This fund accounts for the receipt and expenditures of system development charges (SDCs) dedicated to streets, water, wastewater and stormwater systems.
- *Building Inspections Fund* - This fund accounts for the receipt and expenditure of dedicated revenue sources related to building permits and inspections, and is primarily supported by licenses and permit revenues.

- *Milwaukie Redevelopment Commission Fund* – This fund accounts for the urban renewal redevelopment. The primary revenue source is property taxes.
- *Debt Service Fund* - This fund accounts for the accumulation of resources for the payment of general obligation bonds and full faith and credit obligation principal and interest.

The City reports each of its three proprietary funds as major funds:

- *Water Fund* – This fund accounts for the operation and maintenance of water service and distribution facilities, and is primarily supported through fees for service.
- *Wastewater Fund* – This fund accounts for the operation and maintenance of the wastewater collection and treatment systems, and is primarily supported through fees for service.
- *Stormwater Fund* – This fund accounts for the operation and maintenance of the stormwater management and collection systems, and is primarily supported through fees for service.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary fund financial statements. An economic resource measurement focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual basis accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on the modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes, intergovernmental revenues, grants, and investment income.

A deferred inflow of resources arises on the balance sheet of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period, long-term assessments receivable and court receivables. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus the deferred inflow of resources created on the balance sheet of the governmental funds for unavailable revenue is eliminated. In the government-wide Statement of Net Position, deferred outflows of resources and deferred inflows of resources are recorded for pensions and other post-employment benefits.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position

Cash and Investments

Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP). The individual funds' portion of the cash pool is presented as "Cash and investments" in the basic financial statements.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes.

Receivables and Revenues

Property taxes are levied on and become a lien against property on July 1 of the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, property taxes receivable collected within 60 days of fiscal year end are considered *measurable* and *available*, and therefore, are recognized as revenue. The property taxes receivable portion beyond 60 days is recorded as deferred inflows of resources. Assessments are recognized as receivables at the time property owners are assessed on property improvements. Court receivables are recognized at the time the citation is adjudicated. These receivables are entirely offset by deferred inflows of resources, as assessment and court receivable revenue is recognized upon collection.

In the government-wide financial statements, property taxes, court receivables and assessment receivables are recognized as revenue when earned and are shown net of an allowance for uncollectible amounts.

Enterprise fund receivables include billings for residential and commercial customers utilizing the City's water, sewer, and stormwater services and are reported net of an allowance for uncollectible accounts, determined based upon an estimated percentage of the receivable balance.

Capital Assets

Purchased or constructed capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition cost at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year has been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than \$10,000 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives (in years)
Buildings and structures	30 – 50
Improvements other than buildings	10 – 50
Vehicles and equipment	4 – 30
Infrastructure	20 – 50

Accrued Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the City does not pay out sick leave banks when employees separate from service. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. As compensated absences are due and payable on demand, they are considered due within one year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of termination or retirement.

Long-term Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. When significant, bond premiums, discounts, and amounts deferred on refundings, are amortized over the applicable bond term. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the year of issue. The face amount of debt issued and related premium are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Pension Obligations

The City's net pension liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by the Oregon Public Employees Retirement System (OPERS).

Other Postemployment Benefits Obligations

The City's OPEB asset and liability, deferred inflows and outflows of resources related to OPEB and OPEB expense have determined on the basis of independent actuarial valuations.

Equity

In the government-wide Statement of Net Position, equity is referred to as net position and is segregated into the following three components: 1) net investment in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations on the use of resources for specific purposes. Fund balance is categorized as follows:

- *Non-spendable* – Includes items that are not in a spendable form either because the underlying resources are not in spendable form or because they are legally or contractually required to be maintained.
- *Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest decision making authority. The City Council reserves

the authority by Ordinance and City Code to establish and modify commitments of revenues and ending fund balance.

- *Assigned* – Includes items assigned by specific uses, authorized by Council or officials or other bodies delegated by Council.
- *Unassigned* – This is the residual classification used for balances not assigned to another category in the general fund. Deficit fund balances in other governmental funds are also presented as unassigned.

GASB Statement 54 requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. The City has designated the City Manager and/or Finance Director to make assignments of fund balance. Reserve policy guidelines are measured as a percentage of annual operating expenditures and generally range between 5 and 17 percent depending on the fund.

Net Position Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. It is the City's policy to deplete restricted net position first before unrestricted net position is depleted.

Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied last.

Deferred Inflows and Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. Deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statement of Net Position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

Use of Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at

the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2. Cash and Investments

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by Oregon Revised Statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bonds and strips; Federal instrumentality securities from specific Federal Agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; Oregon State Treasurer's Local Government Investment Pool limited by State statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2018, the City's cash and investments were comprised of the following:

Cash on hand	\$ 5,780
Deposits with financial institutions	502,573
Oregon State Treasurer's Local Government Investment Pool	37,736,775
Total cash and investments	<u>\$ 38,245,128</u>

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 13,177,014	\$ 12,843,783	\$ 26,020,797
Restricted cash and investments	12,212,275	12,056	12,224,331
Total cash and investments	<u>\$ 25,389,289</u>	<u>\$ 12,855,839</u>	<u>\$ 38,245,128</u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of \$1,378,025 were covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. Cash on hand balances representing petty cash accounts are uninsured and uncollateralized.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the average maturities in the City's pooled investment portfolio to eighteen months or less.

Credit risk. State law and the City's investment policy limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its use of these investment types to the top two ratings issued by NRSROs, where applicable. The State of Oregon Local Government Investment Pool (LGIP) is not rated by NRSROs.

Concentration of credit risk. The City's investment policy, as it relates to investing outside of the LGIP, does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments (ORS 294.035).

Custodial credit risk. Custodial risk is the risk that in the event of failure of the counterparty the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2018, all City deposits are insured or collateralized and are therefore not subject to custodial credit risk.

The City participates in an external investment pool, the State of Oregon Treasury Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes (ORS) and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Oregon Investment Council and is responsible for all funds in the State Treasury.

Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. These investments are further governed by portfolio guidelines issued by the Oregon Short Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment pool belonging to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter Street NE, Salem, Oregon 97310-0840.

Note 3. Receivables

As of June 30, 2018, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts. The allowance for uncollectible accounts pertains only to utility billing collections in the business-type activities, and street maintenance fees in governmental activities.

Accounts, contracts, assessments and grants	\$ 4,953,325
Allowance for uncollectible accounts	(5,541)
Total accounts receivable	<u>\$ 4,947,784</u>
Accounts receivable – governmental activities	\$ 3,098,490
Accounts receivable – business-type activities	1,849,294
Total accounts receivable	<u>\$ 4,947,784</u>

Note 4. Unavailable and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered to be available to liquidate liabilities in the current period. Governmental funds also report a liability in connection with resources that have been received, but not yet earned. At the end of the fiscal year, various components of deferred inflows of resources and unearned revenue were reported in the governmental funds as follows:

	Deferred Inflows of Resources	Unearned Revenue
Municipal court collections receivable	\$ 1,161,512	\$ -
Property taxes receivable	476,088	-
Assessment liens receivable	98,427	-
Grants receivable	499,492	-
Contracts receivable	-	23,272
Fees in lieu of construction	-	655,207
Bail escrow	-	24,955
Seized cash & deposits	-	2,781
	<u>\$ 2,235,519</u>	<u>\$ 716,215</u>

Amounts reported above as unearned are reported as unearned revenue in governmental activities on the *Statement of Net Position*.

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance as of June 30, 2017	Additions	Reductions and adjustments	Balance as of June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 5,993,683	\$ 146,675	\$ -	\$ 6,140,358
Construction in progress	1,336,362	5,309,688	(256,226)	6,389,824
Total capital assets not being depreciated	<u>7,330,045</u>	<u>5,456,363</u>	<u>(256,226)</u>	<u>12,530,182</u>
Capital assets being depreciated:				
Buildings and improvements	20,549,656	312,922	-	20,862,578
Vehicles and equipment	5,373,422	448,668	(768,470)	5,053,620
Infrastructure	53,904,652	102,087	-	54,006,739
Total capital assets being depreciated	<u>79,827,730</u>	<u>863,677</u>	<u>(768,470)</u>	<u>79,922,937</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,426,720)	(876,518)	-	(8,303,238)
Vehicles and equipment	(4,081,356)	(327,536)	768,470	(3,640,422)
Infrastructure	(29,799,954)	(1,896,987)	-	(31,696,941)
Total accumulated depreciation	<u>(41,308,030)</u>	<u>(3,101,041)</u>	<u>768,470</u>	<u>(43,640,601)</u>
Total capital assets being depreciated, net	<u>38,519,700</u>	<u>(2,237,364)</u>	<u>-</u>	<u>36,282,336</u>
Total capital assets, net	<u>\$ 45,849,745</u>	<u>\$ 3,218,999</u>	<u>\$ (256,226)</u>	<u>\$ 48,812,518</u>

	Balance as of June 30, 2017	Additions	Reductions and adjustments	Balance as of June 30, 2018
Business type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 392,560	\$ 440,028	\$ -	\$ 832,588
Construction in progress	2,135,059	937,052	(352,765)	2,719,346
Total capital assets not being depreciated	2,527,619	1,377,080	(352,765)	3,551,934
Capital assets being depreciated:				
Buildings and improvements	6,790,089	-	-	6,790,089
Vehicles and equipment	4,091,833	549,427	(21,444)	4,619,816
Infrastructure	32,875,873	352,736	-	33,228,609
Total capital assets being depreciated	43,757,795	902,163	(21,444)	44,638,514
Less accumulated depreciation for:				
Buildings and improvements	(3,077,402)	(191,774)	-	(3,269,176)
Vehicles and equipment	(2,491,425)	(233,473)	21,444	(2,703,454)
Infrastructure	(16,956,262)	(905,162)	-	(17,861,424)
Total accumulated depreciation	(22,525,089)	(1,330,409)	21,444	(23,834,054)
Total capital assets being depreciated, net	21,232,706	(428,246)	-	20,804,460
Total capital assets, net	\$ 23,760,325	\$ 948,834	\$ (352,765)	\$ 24,356,394

Depreciation expense was charged to functions/programs for governmental and business-type activities respectively as follows:

	Governmental Activities	Business-type Activities	Total
General government	\$ 280,073	\$ -	\$ 280,073
Highways and streets	2,206,466	-	2,206,466
Public safety	248,407	-	248,407
Culture and recreation	366,095	-	366,095
Water	-	468,640	468,640
Wastewater	-	474,221	474,221
Stormwater	-	387,548	387,548
Depreciation expense	\$ 3,101,041	\$ 1,330,409	\$ 4,431,450

Note 6. Interfund Transfers

Transfers for services between funds are utilized to provide support for various city programs in accordance with budgetary authorizations. These transfers are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For the fiscal year ended June 30, 2018, all City transfers are properly classified under charges for services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets.

Note 7. Leases

Leases which meet certain criteria established by the GASB are classified as capital leases. When these leases are initiated, the assets and related liabilities are recorded at the lesser of the present value of minimum lease payments or the fair value of the lease. Leases which do not meet the criteria of a capital lease are classified as operating leases and related rental payments are charged to operations in their respective funds. Currently, all of the City's leases are classified as operating leases.

The City leases various copiers for use in its operations under cancelable and noncancelable operating leases. Total cost for such leases was approximately \$35,500 for the fiscal year ended June 30, 2018. The future minimum lease payments for noncancelable operating leases are as follows:

Year Ending	Copier Leases
June	
2019	\$ 43,000
2020	42,200
2021	42,200
2022	38,500
	<u>\$ 165,900</u>

Note 8. Long-term Liabilities

In the following tables information regarding the City's long-term liabilities is presented separately with respect to governmental and business-type activities. The following table presents current year changes in those obligations and the current portions due for each issue. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. As compensated absences are due and payable on demand, they are considered due within one year.

	Balance as of June 30, 2017	Additions	Reductions	Balance as of June 30, 2018	Due within one year
Governmental activities					
2003 Oregon State Energy Loan Program Loan, interest rate of 4.3%, original amount of \$170,938, due 2018	\$ 17,846	\$ -	\$ (17,846)	\$ -	\$ -
2005 PERS Unfunded Actuarial Liability Bonds, interest rates of 4.0% to 5.5%, original amount of \$4,285,000, due 2028	3,555,000	-	(185,000)	3,370,000	210,000
2018 Refinanced Oregon Special Public Works Fund (SPWF) Loan for North Main Village public area improvements, interest rate of 4-5%, original amount of \$738,000, due 2032	532,058	-	(70,992)	461,066	29,359
2014 Full Faith and Credit Obligations for Riverfront Park enhancements, interest rate from 3-4%, original amount of \$965,000, due 2029	800,000	-	(55,000)	745,000	55,000
2014 General Obligation Bonds for refinancing of Light-Rail enhancements, interest rate of 3-4%, original amount of \$3,695,000, due 2034	3,310,000	-	(145,000)	3,165,000	145,000
2016 General Obligation Bonds for Library expansion, interest rate of 2-4%, original amount of \$9,200,000, due 2036	8,815,000	-	(365,000)	8,450,000	375,000
Advance on 2018 Full Faith and Credit Obligations for Transportation, interest rate of 3.5-5%, original amount of \$20,970,000, due 2048	-	385,000	-	385,000	-
Plus: Bond issuance premium	694,141	-	(40,057)	654,084	-
Long-term debt obligations	17,724,045	385,000	(878,895)	17,230,150	814,359
Compensated absences for governmental activities	1,011,815	1,032,228	(904,500)	1,139,543	1,139,543
Total governmental activities	18,735,860	1,417,228	(1,783,395)	18,369,693	1,953,902
Business-type activities					
State of Oregon loan:					
2010 Oregon DEQ Loan, amortized fees in lieu of interest, interest rate of 0%, original loan draws of \$2,229,318 in 2010 and \$1,622,016 in 2011, one-half converted to grant in 2012, due 2031	1,350,200	-	(96,248)	1,253,952	96,458
Compensated absences for business-type activities	72,116	133,725	(117,700)	88,141	88,141
Total business-type activities	1,422,316	133,725	(213,948)	1,342,093	184,599
Total long-term obligations	\$ 20,158,176	\$ 1,550,953	\$ (1,997,343)	\$ 19,711,786	\$ 2,138,501

Future maturities of principal and interest are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 814,359	\$ 552,194	\$ 96,458	\$ 5,750	\$ 910,817	\$ 557,944
2020	859,533	530,953	96,458	5,250	955,991	536,203
2021	904,720	502,104	96,458	4,750	1,001,178	506,854
2022	949,919	470,796	96,458	4,250	1,046,377	475,046
2023	1,015,127	433,474	96,458	3,750	1,111,585	437,224
2024-2028	5,744,153	1,491,671	482,290	11,250	6,226,443	1,502,921
2029-2033	3,948,255	605,758	289,372	1,000	4,237,627	606,758
2034-2036	1,955,000	101,248	-	-	1,955,000	101,248
	<u>\$16,191,066</u>	<u>\$4,688,198</u>	<u>\$1,253,952</u>	<u>\$ 36,000</u>	<u>\$17,445,018</u>	<u>\$4,724,198</u>

Debt Covenants

The City pledges its net operating revenues in the wastewater fund at 135 percent of annual debt service on the Oregon Department of Environmental Quality (DEQ) loan. Additionally, the City is required to keep \$12,056 in a loan reserve account. At June 30, 2018 the City was compliant with these terms.

Note 9. Employee Retirement Pension Plans

Plan Description. The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon.

Defined Benefit Plan Benefits

OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by State statute. This defined benefit pension plan portion of OPERS is closed to new members hired on or after August 29, 2003.

Benefits under the defined benefit pension plan program include a retirement allowance payable monthly for life that may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

Benefits generally vest after five years of continuous service. Retirement is allowed at age fifty-eight with unreduced benefits, but retirement is generally available after age fifty-five with reduced benefits. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

Disability Benefits. A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retirement and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2016 and beyond will vary based on the amount of the annual benefit.

ORS 238A OPSRP Defined Benefit Plan Benefits

This portion of the defined benefit pension plan of OPERS provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

- For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, or if the pension program is terminated, the date on which termination becomes effective.

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives 50 percent of the pension that would otherwise have been paid to the deceased member, for life.

Disability Benefits. A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2016 and beyond vary based on the amount of the annual benefit.

Contributions. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. The City's rates for the year ended June 30, 2018 were 19.14 percent for OPERS and 9.72 percent for OPSRP – general employees, and 14.49 percent for OPSRP – police employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by the Oregon Legislature. Employer required contributions for the year ended June 30, 2018, were approximately \$1,336,000.

In September 2005, the City issued \$4,285,000 in pension obligation bonds to pay the City's unfunded actuarial liability as identified by OPERS based on the December 31, 2003 system valuation. Debt service on these bonds is made by the General Fund and recovered through interfund transfers. Further details are contained in the long-term liabilities footnote to these financial statements.

Plan Audited Financial Report. Both OPERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the OPERS web site at www.pers.state.or.us.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions. At June 30, 2018, the City reported a liability of \$13,696,755 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The City's proportionate share was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool as actuarially determined. At June 30, 2018 and 2017, the City's proportion was 0.10160770 and 0.10097892 percent, respectively.

For the year ended June 30, 2018, the City recognized pension expense of \$2,923,157 for the defined benefit portion of the pension plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 662,381	\$ -
Changes in assumptions	2,496,674	-
Net difference between projected and actual earnings on pension plan investments	141,109	-
Changes in proportionate share	328,488	65,929
Differences between employer contributions and proportionate share of system contributions	-	259,515
Subtotal	3,628,652	325,444
City contributions subsequent to the measurement date	1,336,107	-
Total	<u>\$ 4,964,759</u>	<u>\$ 325,444</u>

The deferred outflow of resources of \$1,336,107 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 620,648
2020	1,743,013
2021	1,230,091
2022	(308,491)
2023	17,947
Total	<u>\$ 3,303,208</u>

Actuarial Assumptions. The employer contribution rates effective July 1, 2017 through June 30, 2018 were set using the entry age normal actuarial cost method.

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

- Valuation Date December 31, 2015
- Measurement Date June 30, 2017
- Experience Study Report 2014, published September, 2015
- Actuarial Cost Method Entry Age Normal
- Actuarial Assumptions
 - Inflation Rate 2.50 percent
 - Long-term Expected Rate of Return 7.50 percent
 - Discount Rate 7.50 percent
 - Projected Salary Increases 3.50 percent
 - Cost of Living Adjustments (COLA) Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
 - Mortality

Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.

Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.

Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study that reviewed experience for the four-year period ended on December 31, 2014.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as the City's proportionate share of the net pension liability if calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 23,341,774	\$ 13,696,755	\$ 5,631,736

Long-term Expected Rate of Return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2014 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation			Actual Allocation
	Low Range	High Range	Target	
Cash	0.00%	3.00%	0.00%	4.10%
Debt Securities	15.00	25.00	20.00	19.20
Public Equity	32.50	42.50	37.50	38.80
Private Equity	14.00	21.00	17.50	19.40
Real Estate	9.50	15.50	12.50	11.20
Alternative Equity	0.00	12.50	12.50	5.30
Opportunity Portfolio	0.00	3.00	0.00	2.00
			100.0%	100.0%

Asset Class	Target Allocation	Annual Arithmetic Return	Compounded Annual (Geometric) Return
Core Fixed Income	8.00%	4.10%	4.00%
Short-Term Bonds	8.00	3.65	3.61
Bank/Leveraged Loans	3.00	5.69	5.42
High Yield Bonds	1.00	6.67	6.20
Large/Mid Cap US Equities	15.75	7.96	6.70
Small Cap US Equities	1.31	8.93	6.99
Micro Cap US Equities	1.31	9.37	7.01
Developed Foreign Equities	13.13	8.34	6.73
Emerging Market Equities	4.12	10.56	7.25
Non-US Small Cap Equities	1.88	9.01	7.22
Private Equity	17.50	11.60	7.97
Real Estate (Property)	10.00	6.48	5.84
Real Estate (REITS)	2.50	8.74	6.69
Hedge Fund of Funds - Diversified	2.50	4.94	4.64
Hedge Fund - Event-driven	0.63	7.07	6.72
Timber	1.88	6.60	5.85
Farmland	1.88	7.11	6.37
Infrastructure	3.75	8.31	7.13
Commodities	1.88	6.07	4.58
	100.00%		

Assumed Inflation - Mean

2.50%

Payable to OPERS. At June 30, 2018, the City owed \$82,430 to OPERS for defined benefit contributions. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Individual Account Program (IAP)

Plan Description. During the 2003 legislature, the Individual Account Program (IAP) was established to provide an individual account-based retirement benefit for new employees hired on or after August 29, 2003. Active participants in OPERS defined benefit pension plans also participate in the IAP defined contribution plan.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum, the member's account balance, rollover account balance and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary is entitled to receive the remaining installment payments or a lump-sum payment.

Contributions. Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in IAP. The City makes this contribution on behalf of its employees. For the fiscal year ended June 30, 2018, the City contributed approximately \$606,000 representing the employees' 6 percent portion.

Retirement Health Insurance Account (RHIA)

Plan Description. As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

Funding Policy. Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. An eligible surviving spouse or dependent of a deceased OPERS retiree may receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS, or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS. As of June 30, 2018, the percent of annual covered payroll for Tier One/Tier Two and OPSRP were 0.50 percent and 0.43 percent, respectively. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Deferred Compensation Plan

The City has a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code Section 457(g). The Plan is managed by independent plan administrators. The Plan is available to all employees of the City. The City contributes 2 – 2.5 percent of covered wages to the Plan depending on the employees bargaining unit status and employees may defer a portion of their salary until future years. City Council may establish or amend plan provisions including contribution requirements. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, Plan assets and related liabilities are not recorded in the City's basic financial statements.

Note 10. Other Postemployment Benefits (OPEB)

Plan Description. The City does not have a formal, stand-alone postemployment benefit plan for its employees; however, the City is required by ORS 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. The City maintains a single employer defined benefit plan allowing eligible retirees to purchase health insurance benefits at premium rates set equal to the rates paid by active employees.

Funding Policy. The City collects insurance premiums from all retirees each month then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the City's pay-as-you-go amount and amount paid by retirees. For the fiscal year ended June 30, 2018, the City's retirees paid 100% of their insurance premium costs.

The program values the implicit retiree health insurance subsidy as the difference between the health insurance premiums and the expected age-adjusted claim costs for early retirees. Contribution amounts shown are the estimated implicit employer contributions.

Benefits Provided. The program is a defined benefit plan that provides post-employment health insurance to eligible City retirees. The program allows eligible retirees and their dependents to purchase the City's health insurance benefits at premium rates set equal to the rates paid by active employees. As of the valuation date of June 30, 2018, there were 129 active employees and six retired employees in the City.

Total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. The City's total OPEB liability of \$825,960 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

The City recognized OPEB expense from this plan of \$78,825 for the year ended June 30, 2018. Additionally, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 47,163
Contributions made subsequent to measurement date	45,297	
Total	<u>\$ 45,297</u>	<u>\$ 47,163</u>

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>		
2019	\$	(5,752)
2020		(5,752)
2021		(5,752)
2022		(5,752)
2023		(5,752)
Thereafter		(18,403)
Total	<u>\$</u>	<u>(47,163)</u>

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

- Actuarial Cost Method Entry Age Normal
- Actuarial Assumptions
 - Inflation Rate 2.50 percent
 - Discount Rate 3.58 percent
 - Projected Salary Increases 3.50 percent overall payroll growth
 - Healthy Mortality RP-2000 healthy white-collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

Change in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability
Total OPEB liability, June 30, 2017	\$ 843,871
Service cost	59,530
Interest on total OPEB liability	25,046
Changes in assumptions	(52,915)
Benefit payments	(49,572)
Total OPEB liability, June 30, 2018	\$ 825,960

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the City's total OPEB liability calculated using the discount rate of 3.58 percent, as well as what the total liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 898,163	\$ 825,960	\$ 759,366

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 736,645	\$ 825,960	\$ 931,390

Note 11. Fund Balance Classification

Governmental fund balances are classified as follows as of June 30, 2018:

	General Fund	Transportation Fund	Library Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid expenditures	\$ 125,045	\$ 590,190	\$ 5,806	\$ 221,601	\$ 942,642
Restricted					
Public safety supplies	19,350	-	-	-	19,350
Library services	-	-	9,265,971	-	9,265,971
Infrastructure	-	-	-	1,307,948	1,307,948
Building operations	-	-	-	840,413	840,413
Debt service	-	-	-	368,719	368,719
Urban revitalization	-	-	-	95,236	95,236
	19,350	-	9,265,971	2,612,316	11,897,637
Committed					
Street services	-	3,857,616	-	-	3,857,616
Assigned					
Library services	-	-	1,086,147	-	1,086,147
Unassigned	7,408,077	-	-	-	7,408,077
Total fund balance	\$ 7,552,472	\$ 4,447,806	\$ 10,357,924	\$ 2,833,917	\$ 25,192,119

Note 12. Commitments and Contingencies

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

Following this paragraph are various commitments and contingencies that the City is involved with.

Clackamas Sewer District No.1 – The City has an agreement with Clackamas Sewer District No.1 (the District) to treat sewage wastewater. Pertinent terms of this agreement are as follows:

- The original agreement for wastewater treatment services dated November 25, 1970 was extended and modified several times. In May 2012 the City and the District signed a memorandum of understanding for services effective July 1, 2012 through June 30, 2037.
- Following an independent review of the number of sewer connections during fiscal year 2012, the baseline number of Equivalent Dwelling Units (EDU's) was determined to be 10,939.
- The City agreed to pay up to \$30.25 per EDU per month in year one and the District's wholesale rate thereafter. The wholesale rate for this fiscal year was \$34.75 per EDU. This amounts to approximately \$4.6 million each fiscal year.
- EDU counts are updated semi-annually on March 1st and September 1st.

Clackamas Fire District No.1 – The City has various agreements with Clackamas County Fire District No.1 (Fire District) as follows:

- The City passed Ordinance No. 1958 in February 2006 following Ballot Measure 3-166 where voters authorized the annexation of fire services into the Fire District. This Ordinance reduced the City's permanent tax rate of \$6.5379 per \$1,000 of Assessed Value by the permanent rate of the Fire District equating to \$2.4012 offset by their annual bonded debt rate until then-existing bonds were paid off in fiscal year 2015.
- The City has an intergovernmental agreement with the Fire District for their use of Station 2 at the City's Public Safety Building. This agreement, signed in December 2014, provides that the Fire District will pay the City one dollar (\$1) annually for rent, \$500 per month for general maintenance and janitorial services, and their share of utilities.
- This same intergovernmental agreement with the Fire District provides the City exclusive use of the Fire District's facility at 6596 SE Lake Road. The agreement provides that the City will pay for utilities, cleaning, and all other operating costs with the Fire District paying for interior and exterior maintenance.

Clackamas River Water (CRW):

Joint-Billing Services - The City and CRW signed an intergovernmental agreement in January 2015 authorizing the City to perform meter reading, custom billing and customer service activities to customers served by CRW. The terms of the agreement are as follows:

- Provide a combined utility bill for property owners; however, services for water are still maintained by CRW and services for wastewater, stormwater, and street maintenance are maintained by the City.
- The City receives a 5% administration fee monthly from CRW charges collected in the previous month.

Public Safety 911/Communication Services – The City has an agreement with the City of Lake Oswego to provide public safety dispatching services for Milwaukie's Police Department. Pertinent terms of this agreement are as follows:

- The Intergovernmental Cooperative Agreement is effective July 1, 2016, through June 30, 2018.
- The dispatching services include but are not limited to 24-hour-per-day answering of emergency telephone lines (including 9-1-1 calls) for fire, police, and emergency medical service requests, radio communications with police personnel regarding emergency and routine police matters, and other dispatching services for law enforcement purposes.
- As part of this agreement, the State redirects the City's state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately \$103,000 per fiscal year.
- The Intergovernmental Cooperative Agreement effective July 1, 2018 through June 30, 2022 estimates the annual contract cost for Fiscal Year 2019 to be \$589,000.

Oregon Department of Transportation (ODOT):

Motor Vehicle Fuel License Tax - The City entered into an intergovernmental agreement effective July 1, 2007 to have ODOT commence collecting \$0.02 cents per gallon motor vehicle fuel license tax (i.e. local gas tax) on fuel dealers that sell, use, or distribute fuel in the City. This local gas tax is in addition to the state gas tax (which currently is at \$0.30 cents per gallon). Pertinent terms of this agreement are as follows:

- The agreement expires on September 30, 2021 unless extended.
- Ordinance No. 1970 limits the use of this local gas tax fund to the purposes associated with the administration, construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads and streets within the City.

Other Commitments – The City has entered into various contracts in the ordinary course of business. The most significant contracts include the following:

Project	Significant Contracts Outstanding	Costs as of June 30, 2018	Remaining Costs	Estimated Completion
Ledding Library Improvements	\$ 2,233,710	\$ 1,325,668	\$ 908,042	2019
Kellogg Creek Bridge Repair	2,827,689	2,485,186	342,503	2018

Note 13. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from the previous fiscal year. Workers compensation claims are insured through incurred loss retrospective policies and the City is self-insured for unemployment compensation claims. Settled claims have not exceeded coverage for any of the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Note 14. Property Tax Limitation

The citizens of the State of Oregon approved the first property tax limitation in 1990 – Measure 5. This limitation divides property taxes into an education category and a non-education category. The tax rate in the education category was limited to \$5 per thousand of real market value for fiscal year 1995-96 and thereafter. The non-education category was limited to \$10 per thousand of real market value. Although non-education taxes to the City do not currently generally exceed the \$10 per \$1,000 of property real market value limitation, this limitation may affect the availability of future tax revenues for the City.

A second property tax limitation was approved in November 1996 and later modified in May 1997 – Measures 47 and 50, respectively. This limitation set a maximum permanent tax rate for the City exclusive of bonded debt at \$6.5379 per \$1,000 assessed value. Assessed values can only grow by a maximum of 3 percent per year, exclusive of new construction and annexations.

Note 15. Change in Accounting Principle

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under this new guidance, the City is required to record its relative share of postemployment benefits in its *Statement of Net Position* and *Statement of Activities*. As a result of the new pronouncement, the City restated the beginning net position for governmental and business-type activities. The total net position was restated by \$773,171 for the adoption of this new pronouncement.

Note 16. Subsequent Events

On July 10, 2018 the City issued \$20,970,000 in full faith and credit obligation bonds to fund the City's Transportation plan. Interest rates vary by year between 3.5 percent and 5 percent. The maturity date is 2048.

During September 2018, the City entered into a lease agreement with Modern Building Systems to provide temporary modular buildings. These modular buildings provide a temporary location for the Ledding Library during construction; which is anticipated to be completed in FY 2020. The minimum term for the lease is 18-months with a not to exceed amount of \$325,000.



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REQUIRED SUPPLEMENTARY INFORMATION

*Schedules of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual*

Schedule of Total OPEB Liability

Schedule of Changes in Total OPEB Liability

*Schedule of the City's Proportionate Share of the
Net OPEB (Asset)/Liability*

*Schedule of the City's Proportionate Share of the
Net Pension (Asset)/Liability*

Schedule of the City's Contributions

Notes to Required Supplementary Information

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (required supplementary information)

GENERAL FUND

SPECIAL REVENUE MAJOR FUNDS

Transportation Fund

Library Fund

CITY OF MILWAUKIE, OREGON

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Property taxes	\$ 14,676,000	\$ 14,676,000	\$ 7,117,718	\$ 7,393,646	\$ 14,511,364	\$ (164,636)
Franchise taxes	3,345,000	3,345,000	1,749,601	2,081,171	3,830,772	485,772
Intergovernmental	4,069,000	2,364,000	1,140,399	1,233,560	2,373,959	9,959
Fines and forfeitures	2,659,000	2,659,000	1,012,624	831,327	1,843,951	(815,049)
Licenses and permits	1,035,000	1,035,000	607,450	750,867	1,358,317	323,317
Investment earnings	145,000	145,000	97,138	273,979	371,117	226,117
Miscellaneous	231,000	264,000	221,644	134,109	355,753	91,753
TOTAL REVENUES	26,160,000	24,488,000	11,946,574	12,698,659	24,645,233	157,233
EXPENDITURES:						
City Council	235,000	235,000	100,575	106,246	206,821	28,179
City Manager	2,029,000	2,277,000	963,554	1,063,488	2,027,042	249,958
Community Development	3,537,000	1,995,000	794,861	949,418	1,744,279	250,721
Public Works Admin	1,303,000	1,347,000	667,908	662,409	1,330,317	16,683
Engineering Services	1,284,000	1,659,000	611,123	863,948	1,475,071	183,929
Facilities Management	2,463,000	2,526,000	960,500	1,496,447	2,456,947	69,053
Finance	2,239,000	2,239,000	1,098,753	1,139,789	2,238,542	458
Fleet Services	1,424,000	1,424,000	542,565	578,515	1,121,080	302,920
Human Resources	690,000	705,000	326,202	369,358	695,560	9,440
Information Technology	2,768,000	2,768,000	1,028,869	1,472,563	2,501,432	266,568
Municipal Court	762,000	762,000	344,816	354,815	699,631	62,369
Planning	1,746,000	1,746,000	717,348	745,445	1,462,793	283,207
Code Enforcement	365,000	365,000	157,681	149,637	307,318	57,682
Public Access Studio	170,000	170,000	59,449	66,899	126,348	43,652
Records and Information Management	964,000	795,000	377,760	372,656	750,416	44,584
Police Administration	1,228,000	1,228,000	597,953	695,595	1,293,548	(65,548)
Police Field Services	11,900,000	11,954,000	5,599,079	5,633,421	11,232,500	721,500
Police Support Services	813,000	813,000	384,195	443,907	828,102	(15,102)
Nondepartmental						
General Services	1,607,000	1,629,379	750,109	831,592	1,581,701	47,678
Contingency	800,000	777,621	-	-	-	777,621
TOTAL EXPENDITURES	38,327,000	37,415,000	16,083,300	17,996,148	34,079,448	3,335,552
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(12,167,000)	(12,927,000)	(4,136,726)	(5,297,489)	(9,434,215)	3,492,785
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	-	91,992	91,992	91,992
Transfers from other funds	10,380,000	10,780,000	5,360,000	5,420,000	10,780,000	-
TOTAL OTHER FINANCING SOURCES (USES)	10,380,000	10,780,000	5,360,000	5,511,992	10,871,992	91,992
NET CHANGE IN FUND BALANCES	(1,787,000)	(2,147,000)	1,223,274	214,503	1,437,777	3,584,777
FUND BALANCES - beginning	5,395,000	5,395,000	6,114,695	7,337,969	6,114,695	719,695
FUND BALANCES - ending	\$ 3,608,000	\$ 3,248,000	\$ 7,337,969	\$ 7,552,472	\$ 7,552,472	\$ 4,304,472

CITY OF MILWAUKIE, OREGON

TRANSPORTATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Intergovernmental	\$ 7,377,000	\$ 10,348,000	\$ 1,578,903	\$ 3,595,465	\$ 5,174,368	\$ (5,173,632)
Franchise fees	2,305,000	2,305,000	1,107,416	1,174,479	2,281,895	(23,105)
Charges for services	1,390,000	2,740,000	1,087,132	1,679,150	2,766,282	26,282
Investment earnings	-	-	35,676	38,334	74,010	74,010
Miscellaneous	164,000	164,000	16,091	11,931	28,022	(135,978)
TOTAL REVENUES	11,236,000	15,557,000	3,825,218	6,499,359	10,324,577	(5,232,423)
EXPENDITURES:						
Personnel services	949,000	949,000	375,178	399,917	775,095	173,905
Materials and services	1,077,000	1,127,000	451,369	471,928	923,297	203,703
Debt service	14,000	-	-	-	-	-
Capital outlay	8,391,000	12,497,750	477,358	3,815,461	4,292,819	8,204,931
Contingency	750,000	438,250	-	-	-	438,250
TOTAL EXPENDITURES	11,181,000	15,012,000	1,303,905	4,687,306	5,991,211	9,020,789
EXCESS OF REVENUES OVER EXPENDITURES	55,000	545,000	2,521,313	1,812,053	4,333,366	3,788,366
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	-	2,612	2,612	2,612
Proceeds from issuance of debt	390,000	-	-	385,000	385,000	385,000
Transfers to other funds	(2,090,000)	(2,490,000)	(1,290,000)	(1,200,000)	(2,490,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,700,000)	(2,490,000)	(1,290,000)	(812,388)	(2,102,388)	387,612
NET CHANGE IN FUND BALANCES	(1,645,000)	(1,945,000)	1,231,313	999,665	2,230,978	4,175,978
FUND BALANCES - beginning	2,174,000	2,174,000	2,216,828	3,448,141	2,216,828	42,828
FUND BALANCES - ending	\$ 529,000	\$ 229,000	\$ 3,448,141	\$ 4,447,806	\$ 4,447,806	\$ 4,218,806

CITY OF MILWAUKIE, OREGON

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Property taxes	\$ 1,703,000	\$ 1,703,000	\$ 800,721	\$ 825,863	\$ 1,626,584	\$ (76,416)
Intergovernmental	4,261,000	4,261,000	1,616,332	2,976,569	4,592,901	331,901
Fines and forfeitures	112,000	112,000	52,638	47,964	100,602	(11,398)
Investment earnings	-	-	96,019	147,508	243,527	243,527
Miscellaneous	30,000	30,000	7,101	19,250	26,351	(3,649)
TOTAL REVENUES	6,106,000	6,106,000	2,572,811	4,017,154	6,589,965	483,965
EXPENDITURES:						
Personnel services	3,339,000	3,339,000	1,609,407	1,700,851	3,310,258	28,742
Materials and services	415,000	415,000	359,721	195,087	554,808	(139,808)
Capital outlay	10,445,000	10,445,000	258,337	1,106,308	1,364,645	9,080,355
Contingency	100,000	100,000	-	-	-	100,000
TOTAL EXPENDITURES	14,299,000	14,299,000	2,227,465	3,002,246	5,229,711	9,069,289
EXCESS OF REVENUES OVER EXPENDITURES	(8,193,000)	(8,193,000)	345,346	1,014,908	1,360,254	9,553,254
OTHER FINANCING USES:						
Issuance of debt	9,200,000	9,200,000	9,200,000	-	9,200,000	-
Bond premium on issuance of debt	-	-	415,946	-	415,946	415,946
Transfers to other funds	(1,460,000)	(1,460,000)	(720,000)	(740,000)	(1,460,000)	-
NET CHANGE IN FUND BALANCES	(453,000)	(453,000)	9,241,292	274,908	9,516,200	9,969,200
FUND BALANCES - beginning	954,000	954,000	841,724	10,083,016	841,724	(112,276)
FUND BALANCES - ending	\$ 501,000	\$ 501,000	\$ 10,083,016	\$10,357,924	\$10,357,924	\$ 9,856,924

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

JUNE 30, 2018

SCHEDULE OF TOTAL OPEB LIABILITY (TOL)

Fiscal year Ended June 30,	City's Total OPEB liability	City's covered payroll	TOL as a percentage of covered payroll
2018	\$ 825,960	\$ 9,921,800	8.3%
2017	843,871	9,351,333	9.0%
2016 ¹	-	-	-
2015 ¹	-	-	-
2014 ¹	-	-	-
2013 ¹	-	-	-
2012 ¹	-	-	-
2011 ¹	-	-	-
2010 ¹	-	-	-
2009 ¹	-	-	-

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL)

Fiscal year Ended June 30,	TOL beginning balance	Service Costs	Interest on the TOL	Benefit payments	Changes of assumptions	TOL ending balance
2018	\$ 843,871	\$ 59,530	\$ 25,046	\$ (49,572)	\$ (52,915)	\$ 825,960
2017 ¹	-	-	-	-	-	-
2016 ¹	-	-	-	-	-	-
2015 ¹	-	-	-	-	-	-
2014 ¹	-	-	-	-	-	-
2013 ¹	-	-	-	-	-	-
2012 ¹	-	-	-	-	-	-
2011 ¹	-	-	-	-	-	-
2010 ¹	-	-	-	-	-	-
2009 ¹	-	-	-	-	-	-

¹ Actuarial information not available.

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE

JUNE 30, 2018

CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Fiscal year Ended June 30,	City's ² proportion of the net OPEB liability (asset)	City's ² proportionate share of the net OPEB liability (asset)	City's covered payroll	City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability / (asset)
2018	0.09520229%	\$ 26,272	\$ 9,921,800	0.3%	108.9%
2017	0.00967439%	(39,733)	9,351,333	-0.4%	94.2%
2016 ¹	-	-	-	-	-
2015 ¹	-	-	-	-	-
2014 ¹	-	-	-	-	-
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-

**CITY'S PROPORTIONATE SHARE OF THE OREGON PUBLIC EMPLOYEE RETIREMENT
PENSION PLAN (OPERS) NET PENSION LIABILITY (ASSET)**

Fiscal year Ended June 30,	City's ² proportion of the net pension liability (asset)	City's ² proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability / (asset)
2018	0.10160770%	\$ 13,696,755	\$ 9,921,800	138.0%	83.1%
2017	0.10097892%	15,159,280	9,351,333	162.1%	80.5%
2016	0.09405887%	5,400,354	8,793,003	61.4%	91.9%
2015	0.10109889%	(2,291,623)	8,468,557	(27.1%)	103.6%
2014	0.10109889%	5,159,224	8,611,274	60.0%	92.0%
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-

¹ Actuarial information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON

SCHEDULE OF THE CITY'S CONTRIBUTIONS

JUNE 30, 2018

SCHEDULE OF CITY'S OPEB RHIA PLAN CONTRIBUTIONS²

Fiscal year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2018	\$ 46,027	\$ 46,027	\$ -	\$ 10,109,017	0.5%
2017	47,590	47,590	-	9,921,800	0.5%
2016 ¹	-	-	-	-	-
2015 ¹	-	-	-	-	-
2014 ¹	-	-	-	-	-
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-

**SCHEDULE OF CITY'S OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (OPERS)
CONTRIBUTIONS²**

Fiscal year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2018	\$ 1,336,107	\$ 1,336,107	\$ -	\$ 10,109,017	13.2%
2017	928,786	928,786	-	9,921,800	9.4%
2016	906,240	906,240	-	9,351,333	9.7%
2015	825,536	881,500	(55,964)	8,793,003	10.0%
2014	774,851	860,200	(85,349)	8,468,557	10.2%
2013 ¹	-	-	-	-	-
2012 ¹	-	-	-	-	-
2011 ¹	-	-	-	-	-
2010 ¹	-	-	-	-	-
2009 ¹	-	-	-	-	-

¹ Information not available.

² Actuarial information provided by OPERS actuary.

CITY OF MILWAUKIE, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Required Supplementary Information includes budgetary comparisons for the general, transportation, and library funds. The budgetary comparison information for all other funds can be found in Other Supplementary Information which follows this section. Budgets are prepared on a biennium term using the modified accrual basis of accounting.

1. Budgetary Information

Municipal budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The City Manager is responsible for submitting a proposed budget to the Budget Committee comprised of the City Council and an equal number of citizens of the City. The City is required to prepare a budget for each fund.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total ad valorem taxes to be levied, no additional tax levy may be made for that budget period.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. In the general fund, the levels of budgetary control established by resolution are set at the department level. For all other funds, the levels of budgetary control are personnel services, materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse at the end of the biennium for goods or services not yet received.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and an approval by the Budget Committee and City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the fiscal year ended June 30, 2018, one supplemental budget resolution and three budget transfers were approved through the second year of the 2017-2018 biennium.

2. Oregon Public Employee Retirement Pension Plan (PERS)

Changes in Assumptions – A summary of key changes implemented with the December 31, 2015 actuarial valuation which was used in the pension calculations and amounts reported for fiscal year ended June 30, 2018, along with additional detail and a comprehensive list of changes in methods and assumptions from the December 31, 2014 actuarial valuation can be found at: <http://www.oregon.gov/pers>.

Changes in Plan Provisions Subsequent to Measurement Date – On July 28, 2017 the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2% effective on January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the result of this change is not readily available at this time.

3. Other Postemployment Benefits (OPEB)

Changes of Benefit Terms – OPEB (implicit rate subsidy plan) - There were no changes of benefit terms used to measure the June 30, 2018 total OPEB liability.

Changes of Assumptions – OPEB (implicit rate subsidy plan) – Below is a summary of key assumption changes implemented with the July 1, 2016 valuation utilized in the OPEB amounts reported for fiscal year ended June 30, 2018.

- Changes in Actuarial methods and Allocation Procedures – The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method.
- Health Care Cost Trend – Medical and vision costs increased to 6.0 per year.
- General Inflation – General inflation decreased to 2.5 percent.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental *Combining & Individual Fund Financial Statements*

Capital Projects Fund

Systems Development Charges Fund – accounts for systems development charges which are restricted for capacity increasing capital projects.

Special Revenue Funds

Building Inspections Fund – accounts for building inspection activities which are restricted by statute.

Milwaukie Redevelopment Commission Fund – accounts for economic development which generates redevelopment in specific areas.

Debt Service Fund

Debt Service Fund – accounts for the payment of general obligation bonds and full faith and credit obligation principal and interest.



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CITY OF MILWAUKIE, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Capital Projects	Special Revenue	Debt Service	Total Non-Major Funds
	Systems Development Charges	Building Inspections	Milwaukie Redevelopment Commission Debt Service	
ASSETS:				
Restricted cash and investments	\$ 1,329,317	\$ 940,355	\$ 93,301	\$ 2,727,606
Property taxes receivable	-	-	1,935	6,021
Accounts receivable	28,223	-	-	28,223
Prepaid expenditures	221,251	350	-	221,601
TOTAL ASSETS	1,578,791	940,705	95,236	2,983,451
LIABILITIES:				
Accounts payable	26,320	94,384	-	120,704
Accrued salaries and payroll taxes	-	5,558	-	5,558
Unearned revenue	23,272	-	-	23,272
TOTAL LIABILITIES	49,592	99,942	-	149,534
FUND BALANCES:				
Nonspendable	221,251	350	-	221,601
Restricted	1,307,948	840,413	95,236	2,612,316
TOTAL FUND BALANCES	1,529,199	840,763	95,236	2,833,917
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,578,791	\$ 940,705	\$ 95,236	\$ 2,983,451

CITY OF MILWAUKIE, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Capital Projects	Special Revenue	Debt Service		
	Systems Development Charges	Building Inspections	Milwaukie Redevelopment Commission	Total Non-Major Funds	
REVENUES:					
Property taxes	\$ -	\$ -	\$ 94,291	\$ 973,685	\$ 1,067,976
Intergovernmental	-	3,222	-	85,900	89,122
Licenses and permits	-	1,015,217	-	-	1,015,217
Systems development charges	258,797	-	-	-	258,797
Investment earnings	13,392	5,544	872	8,755	28,563
Miscellaneous	372	1,351	73	-	1,796
TOTAL REVENUES	272,561	1,025,334	95,236	1,068,340	2,461,471
EXPENDITURES:					
Personnel services	-	257,685	-	-	257,685
Materials and services	-	117,147	-	-	117,147
Debt service:					
Principal	-	-	-	565,000	565,000
Interest	-	-	-	380,605	380,605
Capital outlay	341,017	-	-	-	341,017
TOTAL EXPENDITURES	341,017	374,832	-	945,605	1,661,454
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(68,456)	650,502	95,236	122,735	800,017
OTHER FINANCING SOURCES (USES):					
Transfers to other funds	-	(120,000)	-	-	(120,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(120,000)	-	-	(120,000)
NET CHANGE IN FUND BALANCES	(68,456)	530,502	95,236	122,735	680,017
FUND BALANCES - beginning	1,597,655	310,261	-	245,984	2,153,900
FUND BALANCES - ending	\$ 1,529,199	\$ 840,763	\$ 95,236	\$ 368,719	\$ 2,833,917

CITY OF MILWAUKIE, OREGON

SYSTEMS DEVELOPMENT CHARGES FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Systems development charges	\$ 106,000	\$ 166,000	\$ 141,583	\$ 258,797	\$ 400,380	\$ 234,380
Investment earnings	-	-	12,863	13,392	26,255	26,255
Miscellaneous	2,000	2,000	625	372	997	(1,003)
					-	
TOTAL REVENUES	<u>108,000</u>	<u>168,000</u>	<u>155,071</u>	<u>272,561</u>	<u>427,632</u>	<u>259,632</u>
EXPENDITURES:						
Materials and services	50,000	50,000	-	-	-	50,000
Capital outlay	623,000	773,000	2,249	341,017	343,266	429,734
Contingency	545,000	545,000	-	-	-	545,000
TOTAL EXPENDITURES	<u>1,218,000</u>	<u>1,368,000</u>	<u>2,249</u>	<u>341,017</u>	<u>343,266</u>	<u>1,024,734</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,110,000)</u>	<u>(1,200,000)</u>	<u>152,822</u>	<u>(68,456)</u>	<u>84,366</u>	<u>1,284,366</u>
FUND BALANCES - beginning	<u>1,352,000</u>	<u>1,352,000</u>	<u>1,444,833</u>	<u>1,597,655</u>	<u>1,444,833</u>	<u>92,833</u>
FUND BALANCES - ending	<u>\$ 242,000</u>	<u>\$ 152,000</u>	<u>\$ 1,597,655</u>	<u>\$ 1,529,199</u>	<u>\$ 1,529,199</u>	<u>\$ 1,377,199</u>

CITY OF MILWAUKIE, OREGON

BUILDING INSPECTIONS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Licenses and permits	\$ 965,000	\$ 1,045,000	\$ 450,076	\$ 1,015,217	\$ 1,465,293	\$ 420,293
Intergovernmental	2,000	2,000	1,066	3,222	4,288	2,288
Investment earnings	-	-	3,227	5,544	8,771	8,771
Miscellaneous	2,000	2,000	1,823	1,351	3,174	1,174
TOTAL REVENUES	969,000	1,049,000	456,192	1,025,334	1,481,526	432,526
EXPENDITURES:						
Personnel services	511,000	511,000	250,597	257,685	508,282	2,718
Materials and services	166,000	246,000	92,972	117,147	210,119	35,881
Contingency	50,000	50,000	-	-	-	50,000
TOTAL EXPENDITURES	727,000	807,000	343,569	374,832	718,401	88,599
EXCESS OF REVENUES OVER EXPENDITURES	242,000	242,000	112,623	650,502	763,125	521,125
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(240,000)	(240,000)	(120,000)	(120,000)	(240,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(240,000)	(240,000)	(120,000)	(120,000)	(240,000)	-
NET CHANGE IN FUND BALANCES	2,000	2,000	(7,377)	530,502	523,125	521,125
FUND BALANCES - beginning	233,000	233,000	317,638	310,261	317,638	84,638
FUND BALANCES - ending	\$ 235,000	\$ 235,000	\$ 310,261	\$ 840,763	\$ 840,763	\$ 605,763

CITY OF MILWAUKIE, OREGON

MILWAUKIE REDEVELOPMENT COMMISSION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Property taxes	\$ -	\$ 130,000	\$ -	\$ 94,291	\$ 94,291	\$ (35,709)
Investment earnings	-	-	-	872	872	872
Miscellaneous	-	-	-	73	73	73
TOTAL REVENUES	-	130,000	-	95,236	95,236	(34,764)
EXPENDITURES:						
Materials and services	-	130,000	-	-	-	130,000
TOTAL EXPENDITURES	-	130,000	-	-	-	130,000
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	95,236	95,236	95,236
FUND BALANCES - beginning		-	-	-	-	-
FUND BALANCES - ending	\$ -	\$ -	\$ -	\$ 95,236	\$ 95,236	\$ 95,236

CITY OF MILWAUKIE, OREGON

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Property taxes	\$ 479,000	\$ 1,659,000	\$ 979,884	\$ 973,685	\$ 1,953,569	\$ 294,569
Intergovernmental	174,000	174,000	87,550	85,900	173,450	(550)
Investment earnings	-	-	2,275	8,755	11,030	11,030
TOTAL REVENUES	653,000	1,833,000	1,069,709	1,068,340	2,138,049	305,049
EXPENDITURES:						
Debt service:						
Principal	395,000	1,145,000	580,000	565,000	1,145,000	-
Interest	308,000	738,000	354,475	380,605	735,080	2,920
TOTAL EXPENDITURES	703,000	1,883,000	934,475	945,605	1,880,080	2,920
EXCESS OF REVENUES OVER EXPENDITURES	(50,000)	(50,000)	135,234	122,735	257,969	307,969
FUND BALANCES - beginning	100,000	100,000	110,750	245,984	110,750	10,750
FUND BALANCES - ending	\$ 50,000	\$ 50,000	\$ 245,984	\$ 368,719	\$ 368,719	\$ 318,719

PROPRIETARY FUNDS

Individual Fund Financial Statements

Proprietary Funds

These funds account for operations of the City's enterprise activities. All proprietary funds are major funds of the City.

Water Fund – accounts for the City's water utility operations including maintenance and operations. All water related revenues and expenditures, including capital replacement are included in this fund.

Wastewater Fund – accounts for the operations and maintenance of the wastewater, collections, and treatment systems. All wastewater related revenues and expenditures, including capital replacement are included in this fund.

Stormwater Fund – accounts for the operations and maintenance of the stormwater management and collection systems. All stormwater related revenues and expenditures, including capital replacement are included in this fund.



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CITY OF MILWAUKIE, OREGON

WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Water charges	\$ 7,921,000	\$ 7,921,000	\$ 3,655,863	\$ 4,084,396	\$ 7,740,259	\$ (180,741)
Reimbursement fees	12,000	12,000	10,581	12,999	23,580	11,580
Investment earnings	-	-	26,743	3,847	30,590	30,590
Miscellaneous	118,000	118,000	53,511	25,801	79,312	(38,688)
TOTAL REVENUES	8,051,000	8,051,000	3,746,698	4,127,043	7,873,741	(177,260)
EXPENDITURES:						
Personnel services	1,616,000	1,616,000	715,767	672,158	1,387,925	228,075
Materials and services	1,804,000	1,804,000	766,467	830,881	1,597,348	206,652
Debt service	14,000	-	-	-	-	-
Capital outlay	3,960,000	4,281,250	1,665,556	487,240	2,152,796	2,128,454
Contingency	300,000	222,750	-	-	-	222,750
TOTAL EXPENDITURES	7,694,000	7,924,000	3,147,790	1,990,279	5,138,069	2,785,931
EXCESS OF REVENUES OVER EXPENDITURES	357,000	127,000	598,908	2,136,764	2,735,672	2,608,671
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	-	6,200	6,200	6,200
Proceeds from issuance of debt	130,000	-	-	-	-	-
Transfers to other funds	(2,320,000)	(2,320,000)	(1,140,000)	(1,180,000)	(2,320,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,190,000)	(2,320,000)	(1,140,000)	(1,173,800)	(2,313,800)	6,200
NET CHANGE IN FUND BALANCES	(1,833,000)	(2,193,000)	(541,092)	962,964	421,872	2,614,871
FUND BALANCES - beginning	3,100,000	3,100,000	3,462,471	2,921,379	3,462,471	362,471
FUND BALANCES - ending	\$ 1,267,000	\$ 907,000	2,921,379	3,884,343	\$ 3,884,343	\$ 2,977,342
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			2,056,913	2,160,937		
Adjustment for capital assets, net of accumulated depreciation			7,957,199	7,874,775		
Adjustment for net pension liability			(659,311)	(519,792)		
Adjustment for Net OPEB asset			-	1,589		
Adjustment for total OPEB liability			-	(33,038)		
Adjustment for deferred outflows of resources			349,278	192,066		
Adjustment for revenue earned but not received			77,717	29,717		
Adjustment for deferred inflows of resources			(15,607)	(14,986)		
NET POSITION - GAAP BASIS, ending			\$ 12,687,568	\$13,575,611		

CITY OF MILWAUKIE, OREGON

WASTEWATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Wastewater charges	\$ 15,451,000	\$ 15,451,000	\$ 7,660,663	\$ 7,905,595	\$15,566,258	\$ 115,258
Intergovernmental	30,000	66,500	-	-	-	(66,500)
Reimbursement fees	150,000	150,000	85,017	42,276	127,293	(22,707)
Investment Earnings	-	-	35,255	21,773	57,028	57,028
Miscellaneous	46,000	4,000	18,888	6,983	25,871	21,871
TOTAL REVENUES	15,677,000	15,671,500	7,799,823	7,976,627	15,776,450	104,949
EXPENDITURES:						
Personnel services	950,000	950,000	410,617	426,987	837,604	112,396
Materials and services	10,321,000	10,321,000	4,897,894	5,029,805	9,927,699	393,301
Debt service:						
Principal	200,000	200,000	96,500	96,458	192,958	7,042
Interest	14,000	14,000	6,993	6,511	13,504	496
Capital outlay	2,560,000	2,776,250	726,479	348,662	1,075,141	1,701,109
Contingency	300,000	78,250	-	-	-	78,250
TOTAL EXPENDITURES	14,345,000	14,339,500	6,138,483	5,908,423	12,046,906	2,292,594
EXCESS OF REVENUES OVER EXPENDITURES	1,332,000	1,332,000	1,661,340	2,068,204	3,729,544	2,397,544
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(2,190,000)	(2,190,000)	(1,070,000)	(1,120,000)	(2,190,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,190,000)	(2,190,000)	(1,070,000)	(1,120,000)	(2,190,000)	-
NET CHANGE IN FUND BALANCES	(858,000)	(858,000)	591,340	948,204	1,539,544	2,397,544
FUND BALANCES - beginning	3,274,000	3,274,000	3,271,883	3,863,223	3,271,883	(2,117)
FUND BALANCES - ending	\$ 2,416,000	\$ 2,416,000	3,863,223	4,811,427	\$ 4,811,427	\$ 2,395,427
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			74,021	321,353		
Adjustment for capital assets, net of accumulated depreciation			9,066,235	8,696,352		
Adjustment for net pension liability			(413,219)	(288,338)		
Adjustment for Net OPEB asset			-	795		
Adjustment for total OPEB liability			-	(16,519)		
Adjustment for deferred outflows of resources			218,907	106,342		
Adjustment for unearned revenue			(111,143)	(130,724)		
Adjustment for deferred inflows of resources			(9,782)	(8,168)		
Adjustment for loan payable - due within one year			(96,500)	(96,458)		
Adjustment for loan payable less portion due within one year			(1,253,700)	(1,157,494)		
NET POSITION - GAAP BASIS, ending			\$ 11,338,042	\$12,238,568		

CITY OF MILWAUKIE, OREGON

STORMWATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES), AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget for the 2017-2018 Biennium		Actual			Variance with Final Budget
	Original	Final	1st Year FY 2016-17	2nd Year FY 2017-18	Total	
REVENUES:						
Stormwater charges	\$ 7,069,000	\$ 7,069,000	\$ 3,357,032	\$ 3,805,522	\$ 7,162,554	\$ 93,554
Reimbursement fees	6,000	6,000	-	-	-	(6,000)
Investment earnings	-	-	37,149	28,960	66,109	66,109
Miscellaneous	8,000	8,000	25,362	29,476	54,838	46,838
TOTAL REVENUES	7,083,000	7,083,000	3,419,543	3,863,958	7,283,501	200,501
EXPENDITURES:						
Personnel services	1,445,000	1,445,000	560,045	674,992	1,235,037	209,963
Materials and services	1,005,000	1,005,000	414,599	497,900	912,499	92,501
Debt service	14,000	14,000	-	-	-	14,000
Capital outlay	4,835,000	4,835,000	604,535	1,081,575	1,686,110	3,148,890
Contingency	300,000	300,000	-	-	-	300,000
TOTAL EXPENDITURES	7,599,000	7,599,000	1,579,179	2,254,467	3,833,646	3,765,354
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(516,000)	(516,000)	1,840,364	1,609,491	3,449,855	3,965,855
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of debt	130,000	130,000	-	-	-	(130,000)
Transfers to other funds	(2,080,000)	(2,080,000)	(1,020,000)	(1,060,000)	(2,080,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,950,000)	(1,950,000)	(1,020,000)	(1,060,000)	(2,080,000)	(130,000)
NET CHANGE IN FUND BALANCES	(2,466,000)	(2,466,000)	820,364	549,491	1,369,855	3,835,855
FUND BALANCES - beginning	2,784,000	2,784,000	2,953,385	3,773,749	2,953,385	169,385
FUND BALANCES - ending	\$ 318,000	\$ 318,000	3,773,749	4,323,240	\$ 4,323,240	\$ 4,005,240
RECONCILIATION TO NET POSITION - GAAP BASIS:						
Adjustment for capital assets not being depreciated			396,685	1,069,644		
Adjustment for capital assets, net of accumulated depreciation			4,209,272	4,233,333		
Adjustment for net pension liability			(485,499)	(484,575)		
Adjustment for Net OPEB asset			-	1,589		
Adjustment for total OPEB liability			-	(33,038)		
Adjustment for deferred outflows of resources			257,199	179,300		
Adjustment for deferred inflows of resources			(11,498)	(14,149)		
NET POSITION - GAAP BASIS, ending			\$ 8,139,908	\$ 9,275,344		



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OTHER FINANCIAL SCHEDULES

Schedule of Future Debt Service Requirements

*Schedule of Accountability of Independently Elected
Officials*

CITY OF MILWAUKIE, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2018

FUTURE DEBT SERVICE PRINCIPAL

Fiscal year	2014 Full Faith & Credit Bond	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2019	\$ 55,000	\$ 145,000	\$ 375,000	\$ 29,359	\$ 210,000	\$ 96,458	\$ 910,817
2020	60,000	150,000	380,000	29,533	240,000	96,458	955,991
2021	60,000	160,000	390,000	24,720	270,000	96,458	1,001,178
2022	60,000	165,000	395,000	24,919	305,000	96,458	1,046,377
2023	65,000	170,000	410,000	30,127	340,000	96,458	1,111,585
2024	65,000	180,000	420,000	30,346	380,000	96,458	1,171,804
2025	70,000	185,000	430,000	30,575	420,000	96,458	1,232,033
2026	75,000	195,000	450,000	30,819	465,000	96,458	1,312,277
2027	75,000	200,000	465,000	36,074	510,000	96,458	1,382,532
2028	80,000	205,000	480,000	36,339	230,000	96,458	1,127,797
2029	80,000	210,000	490,000	36,617	-	96,458	913,075
2030	-	220,000	500,000	36,906	-	96,458	853,364
2031	-	230,000	510,000	42,208	-	96,456	878,664
2032	-	240,000	525,000	42,524	-	-	807,524
2033	-	250,000	535,000	-	-	-	785,000
2034	-	260,000	550,000	-	-	-	810,000
2035	-	-	565,000	-	-	-	565,000
2036	-	-	580,000	-	-	-	580,000
	<u>\$ 745,000</u>	<u>\$ 3,165,000</u>	<u>\$ 8,450,000</u>	<u>\$ 461,066</u>	<u>\$ 3,370,000</u>	<u>\$ 1,253,952</u>	<u>\$ 17,445,018</u>

FUTURE DEBT SERVICE INTEREST

Fiscal year	2014 Full Faith & Credit Bond	GO Bonds Series 2014	GO Bonds Series 2016	SPWF Loan	PERS UAL Bonds	Oregon DEQ Loan	Total
2019	\$ 29,250	\$ 114,975	\$ 223,080	\$ 16,907	\$ 167,982	\$ 5,750	\$ 557,944
2020	27,600	109,175	215,580	20,820	157,778	5,250	536,203
2021	25,200	103,175	207,980	19,633	146,116	4,750	506,854
2022	22,800	96,775	200,180	18,435	132,606	4,250	475,046
2023	20,400	90,175	188,330	17,225	117,344	3,750	437,224
2024	17,800	83,375	176,030	15,758	100,330	3,250	396,543
2025	15,200	76,175	163,430	14,278	81,316	2,750	353,149
2026	12,400	68,775	146,230	12,784	60,298	2,250	302,737
2027	9,400	62,925	128,230	11,279	37,030	1,750	250,614
2028	6,400	56,925	114,280	9,513	11,510	1,250	199,878
2029	3,200	50,775	104,680	7,736	-	750	167,141
2030	-	42,375	94,880	5,947	-	250	143,452
2031	-	33,575	84,255	4,145	-	-	121,975
2032	-	24,375	72,143	2,079	-	-	98,597
2033	-	16,575	59,018	-	-	-	75,593
2034	-	8,450	45,643	-	-	-	54,093
2035	-	-	31,205	-	-	-	31,205
2036	-	-	15,950	-	-	-	15,950
	<u>\$ 189,650</u>	<u>\$ 1,038,575</u>	<u>\$ 2,271,124</u>	<u>\$ 176,539</u>	<u>\$ 1,012,310</u>	<u>\$ 36,000</u>	<u>\$ 4,724,198</u>

CITY OF MILWAUKIE, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Oregon Revised Statutes (ORS) Section 297 requires a statement of accountability for each independently elected official collecting or receiving money in the municipal corporation. In compliance with ORS 297, there are no independently elected officials that collect or receive money on behalf of the City of Milwaukie.



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SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	95
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	100
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	105
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	110
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	113

Sources: The information in these schedules is derived from the comprehensive annual financial reports or annual financial statements for the relevant year, unless otherwise noted. The City implemented GASB Statement 54 in fiscal year 2011, GASB Statement 63 in fiscal year 2013, GASB Statement 65 in fiscal year 2014, GASB 68 in fiscal year 2015 and GASB 75 in fiscal year 2018.

CITY OF MILWAUKIE, OREGON

NET POSITION BY COMPONENT for the last ten fiscal years (accrual basis of accounting) (in thousands)

	Fiscal Year Ended									
	2009	2010	2011	2012	2013 (restated)	2014 (restated)	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 41,423	\$ 39,717	\$ 39,274	\$ 38,433	\$ 41,361	\$ 41,361	\$ 42,965	\$ 43,558	\$ 40,950	\$ 43,107
Restricted	3,274	2,714	2,125	2,235	1,788	1,789	1,921	2,200	11,587	12,250
Unrestricted	5,586	5,403	6,594	7,031	8,115	1,427	5,166	866	(7,168)	(6,469)
Total governmental activities net position	<u>50,283</u>	<u>47,834</u>	<u>47,993</u>	<u>47,699</u>	<u>51,265</u>	<u>44,577</u>	<u>50,052</u>	<u>46,624</u>	<u>45,369</u>	<u>48,888</u>
Business-type activities										
Net investment in capital assets	15,444	14,740	14,773	16,528	18,041	18,041	18,903	20,506	22,410	23,102
Restricted	-	-	-	12	12	12	12	12	12	12
Unrestricted	4,107	3,896	3,881	4,426	5,726	5,302	7,659	9,102	9,744	11,975
Total business-type activities net position	<u>19,551</u>	<u>18,636</u>	<u>18,654</u>	<u>20,966</u>	<u>23,779</u>	<u>23,355</u>	<u>26,574</u>	<u>29,620</u>	<u>32,166</u>	<u>35,090</u>
Primary government										
Net investment in capital assets	56,867	54,457	54,047	54,961	59,402	59,402	61,868	64,064	63,360	66,209
Restricted	3,274	2,714	2,125	2,247	1,800	1,801	1,933	2,212	11,599	12,262
Unrestricted	9,693	9,299	10,475	11,457	13,841	6,729	12,825	9,968	2,576	5,506
Total primary government net position	<u>\$ 69,834</u>	<u>\$ 66,470</u>	<u>\$ 66,647</u>	<u>\$ 68,665</u>	<u>\$ 75,043</u>	<u>\$ 67,932</u>	<u>\$ 76,626</u>	<u>\$ 76,244</u>	<u>\$ 77,535</u>	<u>\$ 83,978</u>

CITY OF MILWAUKIE, OREGON

CHANGES IN NET POSITION for the last ten fiscal years (accrual basis of accounting) (in thousands)

	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 2,794	\$ 3,854	\$ 9,813	\$ 9,489	\$ 9,109	\$ 9,322	\$ 7,811	\$ 10,757	\$ 10,568	\$ 11,437
Highways and streets	3,932	2,865	2,094	2,155	2,126	1,028	1,851	4,026	5,548	4,324
Public safety	7,326	7,627	6,210	6,720	6,636	6,458	5,412	7,685	7,201	7,630
Culture and recreation	2,036	2,376	1,585	1,770	2,630	2,665	2,309	3,102	3,240	3,185
Interest on long-term debt	341	318	292	273	487	407	408	367	568	560
Total governmental activities expenses	16,429	17,040	19,994	20,407	20,988	19,880	17,791	25,937	27,125	27,136
Business-type activities:										
Water	2,091	2,143	2,397	2,520	2,526	2,610	2,573	2,840	3,183	3,169
Wastewater	2,577	4,580	5,023	4,801	6,067	6,062	6,052	6,545	6,832	7,044
Stormwater	1,052	1,152	1,710	1,660	1,569	1,578	1,776	2,132	2,387	2,701
Total business-type activities expenses	5,720	7,875	9,130	8,981	10,162	10,249	10,401	11,517	12,402	12,914
Total primary government expenses	\$ 22,149	\$ 24,915	\$ 29,124	\$ 29,388	\$ 31,150	\$ 30,130	\$ 28,192	\$ 37,454	\$ 39,527	\$ 40,050
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 692	\$ 467	\$ 5,110	\$ 5,052	\$ 5,150	\$ 5,323	\$ 5,695	\$ 6,773	\$ 7,391	\$ 9,981
Highways and streets	1,076	1,080	663	609	693	633	635	748	1,088	1,679
Public safety	1,555	1,746	1,940	1,734	1,693	1,609	948	307	307	447
Culture and recreation	59	59	59	59	67	60	60	60	-	-
Operating grants and contributions	1,873	2,697	3,313	3,555	4,610	4,454	4,324	2,935	4,742	4,030
Capital grants and contributions	30	27	47	80	107	145	1,731	1,478	312	2,139
Total governmental activities program revenues	5,285	6,076	11,132	11,089	12,320	12,224	13,393	12,301	13,840	18,277
Business-type activities:										
Charges for services:										
Water	2,234	2,273	2,173	2,354	2,819	3,158	3,698	3,965	3,798	4,075
Wastewater	3,586	4,437	5,032	4,947	6,316	6,627	6,894	7,290	7,668	7,935
Stormwater	1,540	1,722	1,794	1,840	1,989	2,212	2,581	2,946	3,382	3,835
Capital grants and contributions	29	-	-	1,929	10	-	-	-	-	-
Total business-type activities program revenues	7,389	8,432	8,999	11,070	11,134	11,997	13,173	14,201	14,848	15,845
Total primary government program revenues	\$ 12,674	\$ 14,508	\$ 20,131	\$ 22,159	\$ 23,454	\$ 24,220	\$ 26,566	\$ 26,502	\$ 28,689	\$ 34,122

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	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense) Revenue										
Governmental activities	\$ (11,144)	\$ (10,964)	\$ (8,862)	\$ (9,318)	\$ (8,668)	\$ (7,656)	\$ (4,399)	\$ (13,636)	\$ (13,285)	\$ (8,859)
Business-type activities	1,669	557	(131)	2,089	972	1,747	2,772	2,684	2,446	2,932
Total primary government net expenses	<u>\$ (9,475)</u>	<u>\$ (10,407)</u>	<u>\$ (8,993)</u>	<u>\$ (7,229)</u>	<u>\$ (7,696)</u>	<u>\$ (5,909)</u>	<u>\$ (1,627)</u>	<u>\$ (10,952)</u>	<u>\$ (10,838)</u>	<u>\$ (5,928)</u>
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,929	\$ 5,998	\$ 6,112	\$ 6,487	\$ 6,565	\$ 7,014	\$ 7,590	\$ 7,925	\$ 8,927	\$ 9,292
Property taxes, levied for debt service	579	601	-	-	-	-	-	-	-	-
Franchise taxes	1,620	1,838	2,561	2,594	2,479	2,439	2,568	2,570	2,857	3,256
Intergovernmental	517	583	297	97	-	-	-	-	-	-
Miscellaneous	603	928	-	-	-	-	-	-	-	-
Interest and investment earnings	209	114	115	60	77	66	87	75	246	488
Gain on disposition of capital assets	14	-	-	-	4	-	75	-	-	39
Transfers	-	1,485	(64)	(214)	-	(93)	(448)	(362)	-	-
Total governmental activities	<u>9,471</u>	<u>11,547</u>	<u>9,021</u>	<u>9,021</u>	<u>9,125</u>	<u>9,426</u>	<u>9,872</u>	<u>10,208</u>	<u>12,030</u>	<u>13,076</u>
Business-type activities:										
Interest and investment earnings	127	12	85	9	-	-	-	-	99	55
Gain on disposition of capital assets	-	-	-	-	-	-	-	-	-	15
Transfers	-	(1,485)	64	214	-	93	448	362	-	-
Total business-type activities	<u>127</u>	<u>(1,473)</u>	<u>149</u>	<u>223</u>	<u>-</u>	<u>93</u>	<u>448</u>	<u>362</u>	<u>99</u>	<u>70</u>
Total primary government	<u>\$ 9,598</u>	<u>\$ 10,074</u>	<u>\$ 9,170</u>	<u>\$ 9,244</u>	<u>\$ 9,125</u>	<u>\$ 9,519</u>	<u>\$ 10,320</u>	<u>\$ 10,570</u>	<u>\$ 12,129</u>	<u>\$ 13,145</u>
Change in Net Position										
Governmental activities	\$ (1,673)	\$ 583	\$ 159	\$ (297)	\$ 457	\$ 1,770	\$ 5,474	\$ (3,428)	\$ (1,255)	\$ 4,216
Business-type activities	1,796	(916)	18	2,312	972	1,840	3,220	3,046	2,545	3,001
Total primary government	<u>\$ 123</u>	<u>\$ (333)</u>	<u>\$ 177</u>	<u>\$ 9,170</u>	<u>\$ 1,429</u>	<u>\$ 3,610</u>	<u>\$ 8,694</u>	<u>\$ (382)</u>	<u>\$ 1,291</u>	<u>\$ 7,217</u>

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CITY OF MILWAUKIE, OREGON

FUND BALANCES OF GOVERNMENTAL FUNDS

for the last ten fiscal years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nonspendable	\$ -	\$ 13	\$ -	\$ -	\$ 36	\$ 35	\$ 65	\$ 146	\$ 130	\$ 125
Restricted	-	14	11	23	28	30	39	30	33	19
Assigned	-	-	201	-	-	-	-	-	-	-
Unassigned	1,631	6,116	6,086	5,759	5,380	5,974	5,676	5,939	7,175	7,408
Total general fund	<u>\$ 1,631</u>	<u>\$ 6,143</u>	<u>\$ 6,298</u>	<u>\$ 5,782</u>	<u>\$ 5,444</u>	<u>\$ 6,039</u>	<u>\$ 5,780</u>	<u>\$ 6,115</u>	<u>\$ 7,338</u>	<u>\$ 7,552</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 105	\$ 154	\$ 815	\$ 816	\$ 818
Restricted	2,445	2,610	2,115	2,211	1,995	1,618	1,725	1,799	11,199	11,878
Committed	-	-	-	1,739	1,322	1,459	1,954	1,627	2,858	3,858
Assigned	-	928	1,321	389	231	390	594	691	812	1,086
Total all other governmental funds	<u>\$ 2,445</u>	<u>\$ 3,538</u>	<u>\$ 3,436</u>	<u>\$ 4,339</u>	<u>\$ 3,581</u>	<u>\$ 3,572</u>	<u>\$ 4,426</u>	<u>\$ 4,932</u>	<u>\$15,685</u>	<u>\$17,640</u>

CITY OF MILWAUKIE, OREGON

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

for the last ten fiscal years

(modified accrual basis of accounting)

(in thousands)

	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property taxes	\$ 6,405	\$ 6,623	\$ 6,164	\$ 6,429	\$ 6,564	\$ 7,019	\$ 7,587	\$ 7,892	\$ 8,898	\$ 9,287
Intergovernmental	2,529	2,815	3,313	3,634	4,233	4,270	5,747	5,765	4,424	7,895
Franchise taxes	1,758	1,851	2,561	2,579	2,479	2,439	2,568	2,570	2,857	3,256
Fines and forfeitures	1,602	1,801	1,857	1,502	1,754	1,690	1,252	1,267	1,065	879
Licenses and permits	1,697	1,638	586	964	1,112	626	667	985	1,058	1,766
Charges for services	-	-	5,235	4,637	5,176	5,155	5,042	5,158	6,447	7,099
Miscellaneous	529	841	412	114	223	224	327	303	636	914
Total revenues	14,520	15,569	20,128	19,859	21,541	21,423	23,189	23,940	25,386	31,097
Expenditures:										
Current:										
General government	1,262	1,983	8,495	8,328	8,066	8,165	7,867	8,687	9,168	10,552
Highway and streets	2,144	1,099	1,870	1,891	1,883	1,753	1,712	1,708	2,117	2,072
Public safety	7,327	7,627	5,546	5,897	5,877	5,590	5,955	6,149	6,435	6,655
Culture and recreation	1,995	2,246	1,415	1,553	2,329	2,339	2,350	2,468	2,689	2,636
Debt service:										
Principal	452	488	570	144	378	196	3,983	379	778	792
Interest	324	303	292	273	253	415	557	380	564	581
Capital outlay	1,789	1,766	1,386	1,385	7,508	2,441	5,181	2,967	1,274	6,119
Total expenditures	15,293	15,512	19,574	19,471	26,294	20,899	27,607	22,738	23,025	29,407
Excess (deficiency) of revenues over (under) expenditures	(773)	57	554	388	(4,753)	524	(4,417)	1,202	2,361	1,689
Other financing sources (uses):										
Transfers from other funds	652	776	8,245	-	-	-	-	57	-	-
Transfers to other funds	(620)	(754)	(8,572)	-	-	-	-	(419)	-	-
Proceeds from sale of capital assets	-	-	13	-	6	-	-	-	-	95
Issuance of debt	-	-	-	-	3,650	63	4,660	-	9,200	-
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	385
Bond premium on issuance of debt	-	-	-	-	-	-	353	-	416	-
Total other financing sources (uses)	32	22	(314)	-	3,656	63	5,013	(362)	9,616	480
Net change in fund balances	\$ (741)	\$ 79	\$ 240	\$ 388	\$ (1,097)	\$ 586	\$ 595	\$ 840	\$ 11,977	\$ 2,169
Debt service as a percentage of noncapital expenditures	5.7%	5.8%	4.7%	2.3%	3.4%	3.3%	20.2%	3.8%	6.2%	5.9%

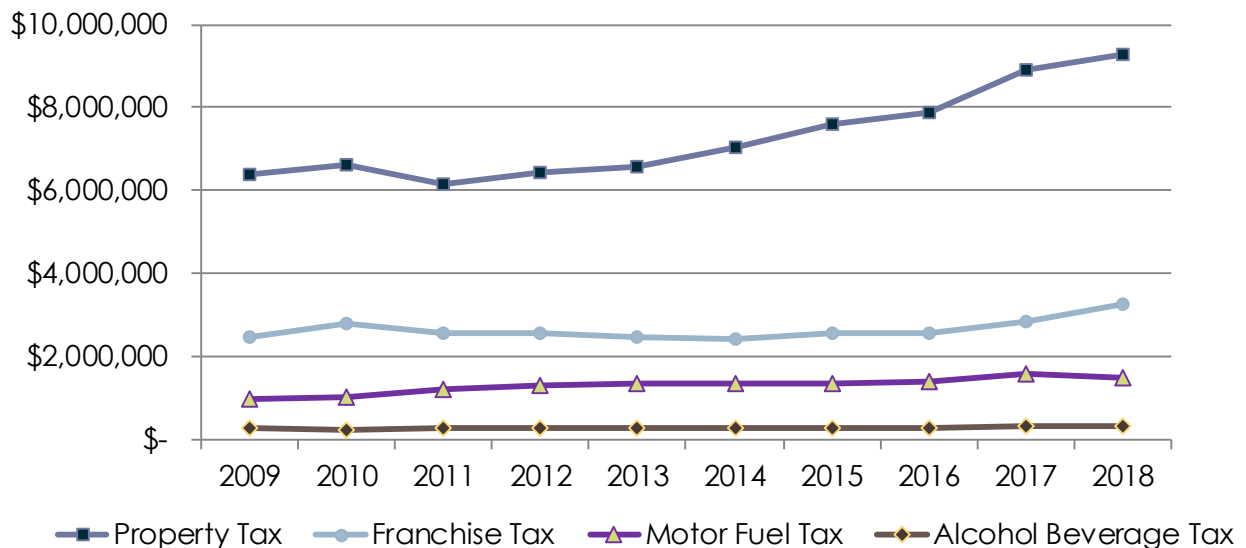
CITY OF MILWAUKIE, OREGON

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE for the last ten fiscal years (modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Motor Fuel Tax ¹	Alcoholic Beverage Tax ¹	Total
2009	\$ 6,405,173	\$ 2,464,766	\$ 979,713	\$ 270,755	\$ 10,120,407
2010	6,622,583	2,817,967	1,021,084	216,494	10,678,128
2011	6,164,063	2,560,743	1,215,175	263,425	10,203,406
2012	6,428,522	2,578,604	1,289,164	260,353	10,556,643
2013	6,563,755	2,478,784	1,336,694	272,331	10,651,564
2014	7,018,918	2,438,915	1,337,709	287,203	11,082,745
2015	7,586,610	2,567,903	1,351,269	295,213	11,800,995
2016	7,891,754	2,570,403	1,393,489	297,093	12,152,739
2017	8,898,323	2,857,017	1,578,903	314,256	13,648,499
2018	9,287,485	3,255,650	1,497,631	327,481	14,368,247

¹ Motor fuel and alcoholic beverage taxes are assessed by the State of Oregon, including the City of Milwaukie's Local Gas Tax, with the City's portion allocated back to the City.

Trend Lines of Tax Revenues by Source



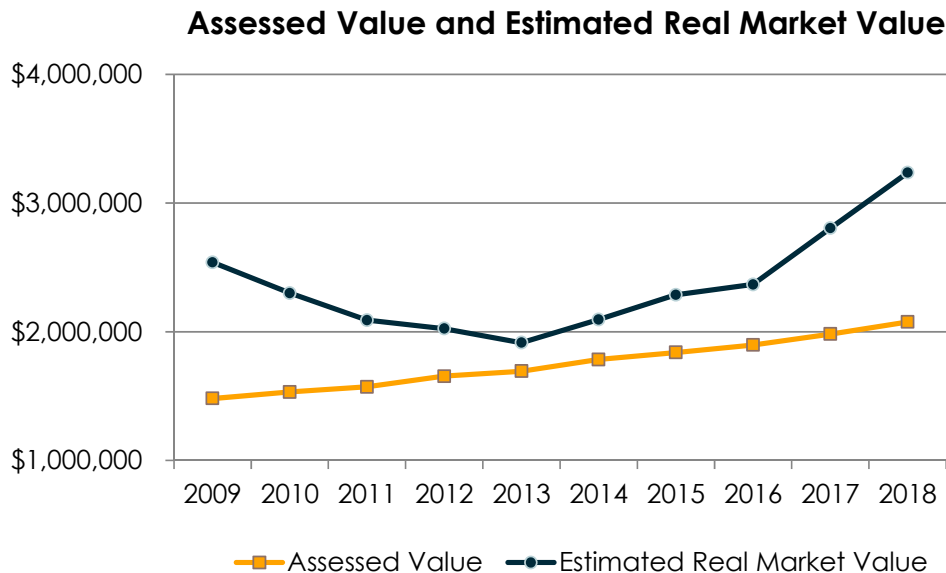
CITY OF MILWAUKIE, OREGON

ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE OF TAXABLE PROPERTY for the last ten fiscal years (in thousands)

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manufactured structure	Public utility	Total assessed value (AV)		Estimated real market value (RMV)	
2009	\$ 1,397,513	\$ 55,711	\$ 1,453	\$ 26,193	\$ 1,480,870	\$ 4.4590	\$ 2,539,356	58%
2010	1,434,482	55,303	1,340	40,955	1,532,080	4.4561	2,300,619	67
2011	1,478,677	53,418	1,207	38,678	1,571,981	4.0681	2,090,525	75
2012	1,534,190	55,064	1,212	63,771	1,654,237	4.0718	2,023,966	82
2013	1,573,358	57,836	1,265	61,501	1,693,960	4.0731	1,915,291	88
2014	1,655,121	65,752	1,229	62,537	1,784,639	4.0777	2,094,734	85
2015	1,705,226	65,570	1,245	67,219	1,839,260	4.2660	2,286,961	80
2016	1,764,097	60,350	1,201	71,879	1,897,527	4.1866	2,368,057	80
2017	1,838,296	73,811	1,281	69,117	1,982,505	4.5718	2,804,852	71
2018	1,913,170	80,904	1,370	80,373	2,075,816	4.5276	3,235,850	64

Note: Property is generally assessed as of July 1st of each fiscal year

Source: Clackamas and Multnomah County Departments of Assessment and Taxation

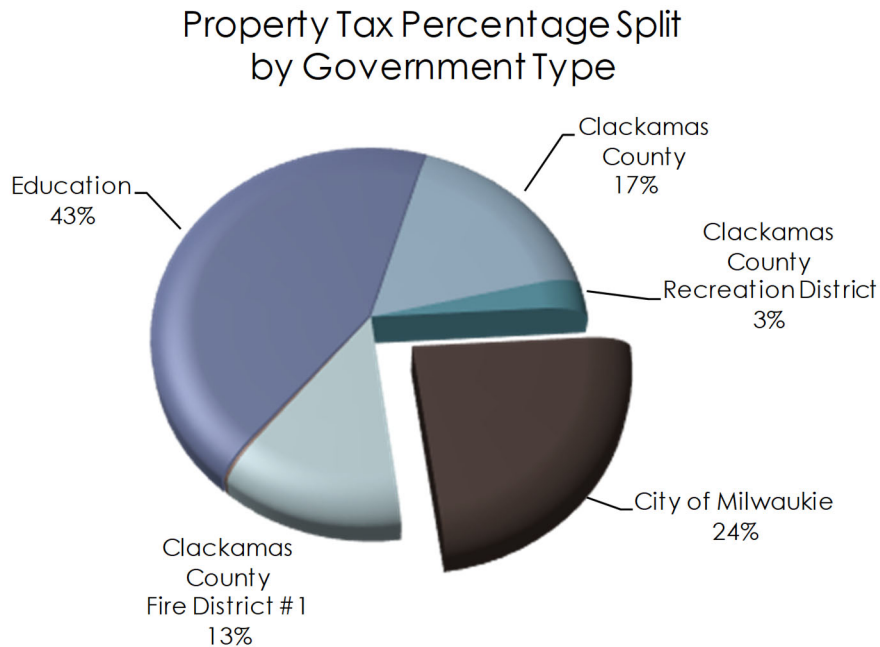


CITY OF MILWAUKIE, OREGON

PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS for the last ten fiscal years (rate per \$1,000 of assessed value)

Fiscal year	City direct rates					Overlapping rates							Total direct and overlapping
	Permanent tax rate	Bonded debt tax rate	Less	Less	Total direct	North	Clackamas		Clackamas		Education Service District	Other	
			CCFD#1 permanent tax rate	CCFD#1 bonded debt rate		School District	Clackamas County	County Fire Dist #1	County Recreation District	County Community College			
2009	\$ 6.5379	\$ 0.3909	\$ (2.4012)	\$ (0.0076)	\$ 4.5200	\$ 6.52	\$ 2.81	\$ 2.41	\$ 0.48	\$ 0.74	\$ 0.36	\$ 1.02	\$ 18.85
2010	6.5379	0.3880	(2.4012)	(0.0707)	4.4540	6.51	3.30	2.37	0.50	0.72	0.36	1.12	19.34
2011	6.5379	-	(2.4012)	(0.0686)	4.0681	6.58	3.29	2.47	0.50	0.70	0.36	0.99	18.97
2012	6.5379	-	(2.4012)	(0.0649)	4.0718	7.22	3.77	2.47	0.51	0.68	0.36	0.36	19.44
2013	6.5379	-	(2.4012)	(0.0636)	4.0731	6.78	3.77	2.36	0.51	0.70	0.36	0.49	19.04
2014	6.5379	-	(2.4012)	(0.0590)	4.0777	7.09	3.22	2.46	0.54	0.71	0.37	0.49	18.95
2015	6.5379	0.1859	(2.4012)	(0.0562)	4.2664	6.82	3.22	2.46	0.54	0.71	0.37	0.05	18.43
2016	6.5379	0.1438	(2.4012)	(0.0939)	4.1866	7.24	3.22	2.50	0.54	0.75	0.37	0.05	18.84
2017	6.5379	0.5277	(2.4012)	(0.0926)	4.5718	7.23	3.22	2.49	0.54	0.74	0.37	0.05	19.21
2018	6.5379	0.4972	(2.4012)	(0.1063)	4.5276	7.22	3.22	2.51	0.54	0.75	0.37	0.05	19.19

Source: Clackamas County Assessor's Office



CITY OF MILWAUKIE, OREGON

PRINCIPAL PROPERTY TAXPAYERS current year and nine years ago

Name	2018			2009		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
PCC Structural Inc.	\$ 58,917,185	1	2.8%	\$ 26,164,449	2	1.8%
Blount Inc.	57,865,099	2	2.8	41,757,053	1	2.8
Comcast Corporation	24,375,199	3	1.2			
Waverly Greens Apts	19,057,818	4	0.9	14,673,911	3	1.0
Lincoln Advisory Group LTD	18,552,655	5	0.9			
Carlston Greg	16,275,287	6	0.8			
Portland General Electric Co	15,430,000	7	0.7	9,530,000	7	0.6
KIMCO Realty Group	14,577,915	8	0.7			
Miramonte Milwaukie LP	11,818,168	9	0.6			
SE International Way SPE LLC	10,864,619	10	0.5	8,560,525	8	0.6
Downs Alice M Trustee				12,035,675	5	0.8
Moda (fka ODS) Plaza Inc				8,504,688	9	0.6
Holland Partners				9,600,199	6	0.6
SSR Realty Advisors				13,496,370	4	0.9
Art Mtg Borrower Property Co				8,212,485	10	0.6
Sub-total, top ten	247,733,945		11.9	152,535,355		10.3
All other City taxpayers	1,828,082,276		88.1	1,328,334,393		89.7
Total City taxpayers	\$ 2,075,816,221		100.0%	\$ 1,480,869,748		100.0%

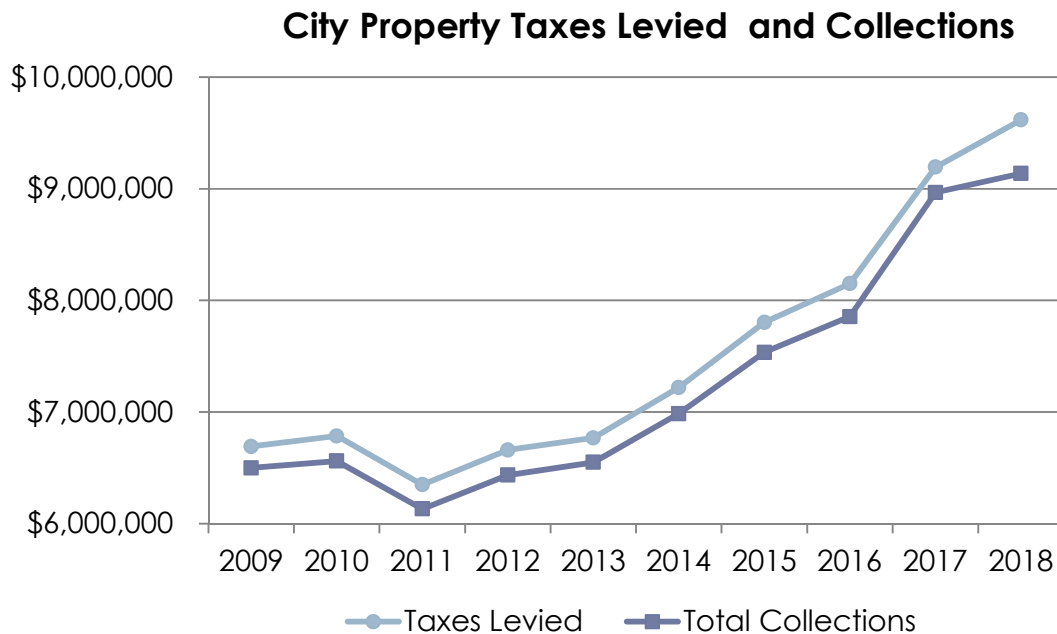
Source: Clackamas County Assessor's Office

CITY OF MILWAUKIE, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS for the last ten fiscal years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2009	\$ 6,690,766	\$ 6,229,318	93%	\$ 270,113	\$ 6,499,431	97%
2010	6,785,356	6,355,747	94	204,877	6,560,624	97
2011	6,350,048	5,918,005	93	214,125	6,132,130	97
2012	6,660,414	6,239,599	94	195,351	6,434,950	97
2013	6,769,000	6,362,993	94	186,454	6,549,447	97
2014	7,220,047	6,821,366	94	163,634	6,985,000	97
2015	7,802,935	7,389,248	95	145,376	7,534,624	97
2016	8,150,481	7,752,374	95	101,884	7,854,258	96
2017	9,194,072	8,899,767	97	66,696	8,966,463	98
2018	9,616,768	9,136,795	95	-	9,136,795	95

Source: City of Milwaukie Finance Department.



CITY OF MILWAUKIE, OREGON

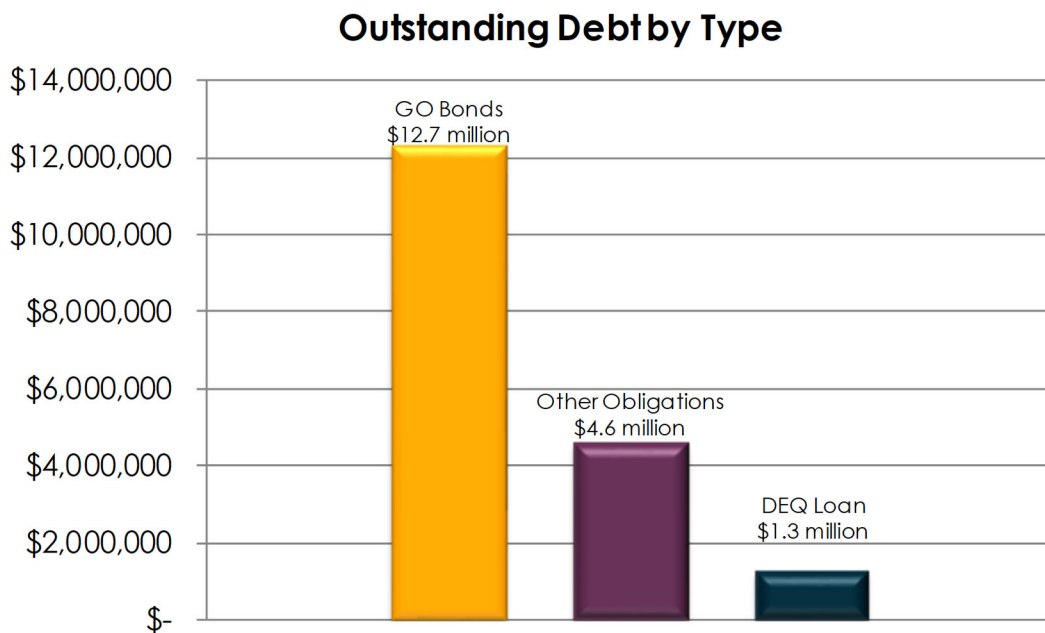
RATIOS OF OUTSTANDING DEBT BY TYPE *for the last ten fiscal years*

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of Personal income	Per capita**
	General obligation bonds	Other Obligations	Water Revenue bonds	Wastewater/ DEQ loan			
2009	\$ 875,000	\$ 5,542,310	\$ 125,000	-	\$6,542,310	0.80 %	313
2010	450,000	5,436,133	-	2,229,318	8,115,451	1.00	400
2011	-	5,316,547	-	3,851,334	9,167,881	1.09	452
2012	-	5,172,425	-	1,832,700	7,005,125	0.80	343
2013	-	8,444,314	-	1,736,200	10,180,514	1.14	498
2014	-	8,311,646	-	1,639,700	9,951,346	1.06	487
2015	3,829,279	5,494,629	-	1,543,200	10,867,108	1.10	530
2016	3,683,083	5,245,813	-	1,446,700	10,375,596	1.00	506
2017	12,819,141	4,904,904	-	1,350,200	19,074,245	*	930
2018	12,654,084	4,576,066	-	1,253,952	18,484,102	*	899

* Information unavailable at this time.

**Population data can be found on page 110.

Source: Annual financial statements of the City of Milwaukie



CITY OF MILWAUKIE, OREGON

RATIOS OF GENERAL BONDED DEBT OUTSTANDING for the last ten fiscal years

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property ¹	Per capita ²
2008	\$ 1,280,000	\$ (222,103)	\$ 1,057,897	7.00%	51
2009	875,000	(344,995)	530,005	0.04	25
2010	450,000	(484,787)	(34,787)	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	3,829,279	(100,460)	3,728,819	0.20	182
2016	3,683,083	(110,750)	3,572,333	0.18	174
2017	12,819,141	(245,984)	12,573,157	0.63	613
2018	12,654,084	(368,719)	12,285,365	0.59	598

¹ Assessed value property data can be found on page 101.

² Population data can be found on page 110.

CITY OF MILWAUKIE, OREGON

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT as of June 30, 2018

Governmental unit	Real Market Values of Overlapping Districts	Tax-Supported Debt Outstanding	Percentage Overlapping ¹	Overlapping Debt Applicable to the City of Milwaukie
Debt repaid with property taxes:				
Clackamas Community College	\$ 52,768,772,411	\$ 98,403,913	6.07%	\$ 5,976,365
Clackamas County	71,989,650,457	138,185,000	4.47	6,174,935
Clackamas City RFPD 1	32,883,578,278	25,770,000	9.87	2,542,674
Clackamas City SD 12 (North Clackamas)	21,069,876,153	601,147,673	15.27	91,783,227
Metro	304,749,597,459	205,735,000	1.06	2,190,461
Multnomah County	161,490,084,458	369,970,117	0.02	63,265
Multnomah City SD 1J (Portland)	123,680,930,280	982,119,880	0.02	219,013
Portland Community College	243,528,863,890	461,071,466	0.01	52,101
Subtotal, overlapping debt	1,012,161,353,386	2,882,403,049		109,002,041
Direct debt outstanding:				
City of Milwaukie	3,235,849,583	17,230,150	100.00%	17,230,150
Total direct and overlapping debt outstanding	\$ 1,015,397,202,969	\$ 2,899,633,199		\$ 126,232,191

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

Source: Oregon State Treasury Department, Debt Management Division

CITY OF MILWAUKIE, OREGON

LEGAL DEBT MARGIN INFORMATION for the last ten fiscal years (in thousands)

	Fiscal Year Ended				
	2009	2010	2011	2012	2013
Debt maximum limitation	\$ 76,181	\$ 69,019	\$ 62,716	\$ 60,719	\$ 57,459
Debt applicable to maximum limit	875	450	-	-	-
Legal debt margin available	<u>\$ 77,056</u>	<u>\$ 69,469</u>	<u>\$ 62,716</u>	<u>\$ 60,719</u>	<u>\$ 57,459</u>
Debt applicable to the maximum limit as a percentage of debt limitation	1.15%	0.65%	0.00%	0.00%	0.00%
	2014	2015	2016	2017	2018
Debt maximum limitation	\$ 62,842	\$ 68,609	\$ 71,042	\$ 84,146	\$ 97,075
Debt applicable to maximum limit	-	3,585	3,450	12,125	12,654
Legal debt margin available	<u>\$ 62,842</u>	<u>\$ 65,024</u>	<u>\$ 67,592</u>	<u>\$ 72,021</u>	<u>\$ 84,421</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0.00%	5.23%	4.86%	14.41%	13.04%

Legal debt margin calculation for fiscal year ended June 30, 2018:

Total property real market value	\$ 3,235,849,583
	3%
Debt maximum limitation (3% of total property real market value) ¹	<u>97,075,487</u>
Amount of debt applicable to debt limit:	
Total debt	18,484,102
Less debt excluded from debt limit:	
SPWF loan	(461,066)
PERS UAL bonds	(3,370,000)
Full Faith and Credit Obligation bonds	(745,000)
Oregon DEQ loan	(1,253,952)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>-</u>
Net amount of debt applicable to limit	12,654,084
Legal debt margin - amount available for future indebtedness	<u>\$ 84,421,403</u>
Percentage of City's indebtedness to total allowed	13.04%

¹ Pursuant to Oregon Revised Statutes 287.004, outstanding general obligation debt is limited to three percent of real market value.

Source: Clackamas County Department of Assessment and Taxation

CITY OF MILWAUKIE, OREGON

PLEDGED-REVENUE COVERAGE
for the last ten fiscal years

Water Revenue Bonds						
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2009	\$2,137,300	\$1,461,628	\$ 675,672	\$ 120,000	\$ 13,475	5.06
2010	2,528,894	1,513,875	1,015,019	125,000	6,875	7.70
2011	-	-	-	-	-	n/a
2012	-	-	-	-	-	n/a
2013	-	-	-	-	-	n/a
2014	-	-	-	-	-	n/a
2015	-	-	-	-	-	n/a
2016	-	-	-	-	-	n/a
2017	-	-	-	-	-	n/a
2018	-	-	-	-	-	n/a

Wastewater Department of Environmental Quality Loan						
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirements		Coverage
				Principal	Interest	
2009	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2010	-	-	-	-	-	n/a
2011	-	-	-	-	-	n/a
2012	4,539,621	3,503,728	1,035,893	96,229	9,405	9.81
2013	6,323,714	4,802,943	1,520,771	96,458	4,461	15.07
2014	6,531,522	5,815,520	716,002	96,458	4,220	7.11
2015	6,893,855	5,772,119	1,121,736	96,458	7,958	10.74
2016	7,289,147	6,186,770	1,102,377	96,500	7,250	10.63
2018	7,649,464	6,409,137	1,240,327	96,500	6,993	11.98
2018	7,928,079	6,563,122	1,364,957	96,458	6,511	13.26

Note: Water Revenue Bonds were paid off in fiscal year 2010.

Source: Annual financial statements of the City of Milwaukie

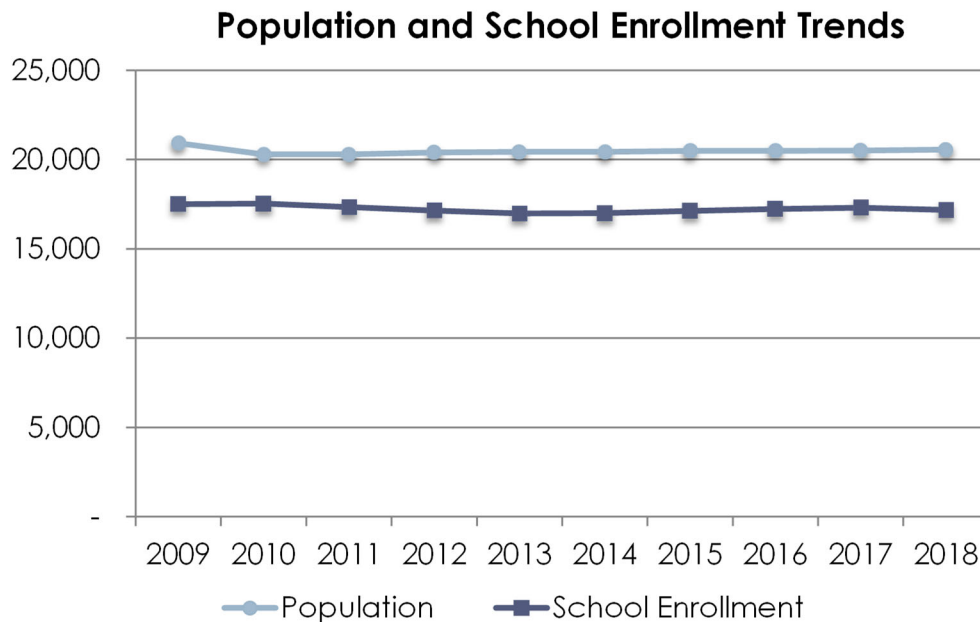
CITY OF MILWAUKIE, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS *for the last ten fiscal years*

Fiscal year	Population	Personal income (in thousands)	Per capita personal income	School enrollment	Unemployment rate
2009	20,920	\$ 815,231	\$ 38,969	17,506	10.7 %
2010	20,291	808,454	39,843	17,530	8.7
2011	20,290	838,018	41,302	17,334	9.6
2012	20,400	879,301	43,103	17,152	8.7
2013	20,435	893,582	43,728	16,976	7.8
2014	20,435	935,800	45,794	16,993	4.6
2015	20,491	992,215	48,422	17,130	5.5
2016	20,491	1,034,570	50,489	17,241	5.2
2017	20,510	*	*	17,309	3.7
2018	20,556	*	*	17,177	4.1

* Information unavailable at this time.

Sources: Center for Population Research and Census,
Portland State University Bureau of Economic Analysis,
State of Oregon Employment Department, and
Oregon Department of Education



CITY OF MILWAUKIE, OREGON

PRINCIPAL EMPLOYERS current year and nine years ago

Employer	2018			2012 ²		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Blount Inc.	839	1	5.71%			
PCC Structurals Inc.	541	2	3.68	500	2	3.62%
Providence Milwaukie Hospital	395	3	2.69			
North Clackamas School District ¹	385	4	2.62	385	4	2.79
Oeco LLC	321	5	2.18	300	5	2.17
Nature Bake	252	6	1.71			
ODS (Moda)	218	7	1.48			
Active Telesource	163	8	1.11			
Portland Mechanical Construction	148	9	1.01			
City of Milwaukie	147	10	1.00			
Bob's Red Mill Natural Foods				250	7	1.81
United Grocers				630	1	4.57
R M International				500	3	3.62
Safeway (3 locations)				280	6	2.03
To Your Home from Willamette				200	8	1.45
Stoner Electric Group				150	10	1.09
Marquis Home Health				200	9	1.45
Total	3,409		23.19%	3,395		24.60%

¹ North Clackamas School District has approximately 2,088 employees. There are 385 employees in the schools located in Milwaukie including Milwaukie High School, Ardenwald, Lewelling, Linwood, Milwaukie Elementary and Rowe Middle School.

² The earliest available data is 2012.

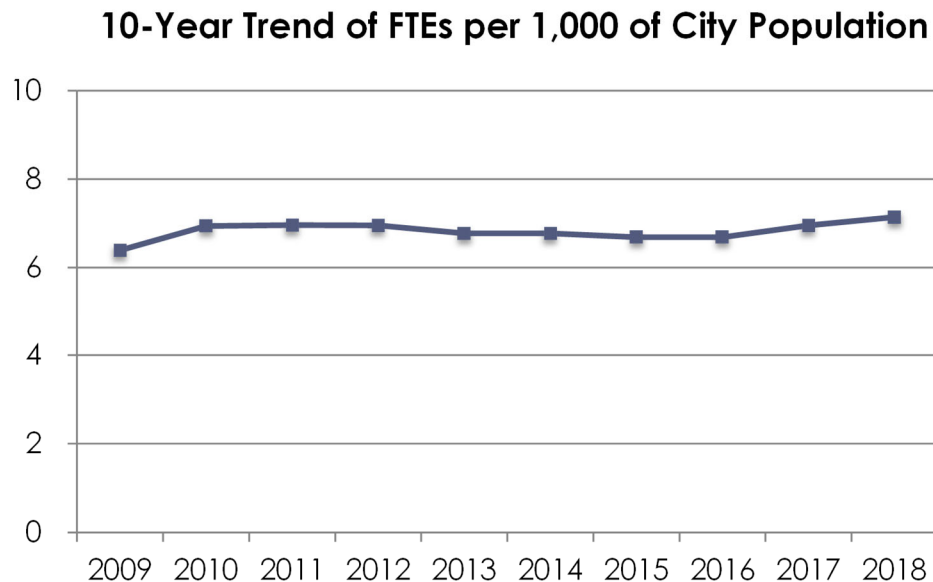
Source: City of Milwaukie Finance Department.

CITY OF MILWAUKIE, OREGON

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	20.00	19.00	22.30	20.50	20.50	20.50	18.90	17.70	25.00	24.00
Public safety	41.00	43.00	41.50	42.00	42.25	42.25	41.85	41.85	42.75	42.75
Community services	19.34	24.25	23.79	24.76	23.76	23.76	25.26	26.46	26.26	27.26
Community development	23.00	23.75	24.50	24.50	23.50	23.50	20.60	20.60	17.00	20.00
Facilities	2.00	2.00	2.67	2.67	2.00	2.00	2.00	2.00	2.00	3.00
Streets	5.50	5.50	6.30	6.30	6.00	6.00	5.50	5.50	5.00	5.00
Water	5.84	5.84	6.30	7.30	7.00	7.00	7.20	7.20	8.20	8.20
Wastewater	5.33	5.33	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Stormwater	5.33	5.33	5.80	5.80	5.25	5.25	7.80	7.80	8.30	8.50
Fleet services	6.25	6.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total FTEs	133.59	140.75	141.16	141.83	138.26	138.26	137.11	137.11	142.51	146.71
City Population	20,920	20,291	20,290	20,400	20,435	20,435	20,491	20,491	20,510	20,556
FTEs per 1,000 of population	6.39	6.94	6.96	6.95	6.77	6.77	6.69	6.69	6.95	7.14

Source: City of Milwaukie Finance Department



CITY OF MILWAUKIE, OREGON

OPERATING INDICATORS BY FUNCTION for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Public safety										
Citations:										
Traffic	13,447	12,540	11,415	10,306	14,959	12,522	9,159	9,813	7,633	4,340
Parking	1,013	384	433	721	949	463	243	1,629	1,261	1,459
City ordinance	85	74	90	114	137	92	141	93	85	96
Non-traffic violation	86	102	170	127	119	126	147	148	72	9
Total citations processed	14,631	13,100	12,108	11,268	16,164	13,203	9,690	11,683	9,051	5,904
Number of seat belt classes	212	218	40	34	65	54	27	42	58	31
Number of officers per 1,000 capita	1.70	1.70	1.80	1.90	1.60	1.60	1.60	1.60	1.60	1.60
Culture and recreation										
Library items in collection	107,924	117,788	121,078	121,982	120,075	117,693	118,024	115,040	114,360	95,152
Circulation	651,764	671,554	717,821	709,618	720,951	725,861	711,150	685,157	660,438	635,428
Average circulation per capita	31.81	33.01	35.48	33.70	18.43	18.25	17.84	17.08	16.34	15.80
Number of library programs	305	378	408	505	539	611	663	627	615	623
Attendance at library programs	9,902	11,415	11,987	12,619	15,580	17,230	19,565	20,079	20,513	19,834
Number of library volunteers	894	1,114	1,368	1,507	1,561	1,473	1,607	1,547	1,470	1,386
Library volunteer hours	6,992	8,513	8,493	8,679	9,591	9,004	9,798	9,948	8,646	7,758
Community development										
Building:										
Building permits issued	600	523	550	587	157	144	185	240	218	298
Inspections performed	3,200	2,784	1,450	1,430	1,514	1,577	1,693	1,872	2,128	3,107
Investigations	60	56	64	55	50	40	48	15	26	36
Violations resolved	24	18	20	19	25	29	33	9	18	24
Planning:										
Land use applications processed ¹	21	14	15	72	67	58	87	100	156	139
Business-type activities:										
Water										
Service connections	6,911	6,911	7,000	6,929	6,690	6,777	6,813	6,870	6,870	6,845
Number of fire hydrants maintained	295	180	419	409	792	788	789	404	105	6
Sanitary sewer (in feet)										
Sewer mainline cleaning	125,344	139,876	125,000	110,610	143,034	109,594	134,263	99,998	74,360	41,312
Mainline inspections completed	143,566	113,401	125,000	125,894	152,541	124,525	134,663	165,396	70,326	49,755

¹ Previous years (FY 2013 - FY 2015) have been corrected.

Source: Various departments within the City of Milwaukie.

CITY OF MILWAUKIE, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION for the last ten fiscal years

Function/Program	Fiscal Year Ended									
	2009 ¹	2010 ¹	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government										
City-owned building facilities	4	4	4	5	5	5	5	5	5	5
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	24	13	17	24	24	24	24	24	21
Culture and recreation										
Library facility	1	1	1	1	1	1	1	1	1	1
Community development										
Residential Construction	\$ 1,283	\$ 417	\$ 312	\$ -	\$ 1,343	\$ 2,029	\$ 2,370	\$ 2,135	\$ 6,994	\$30,685
Commercial Construction	135	674	669	9,822	16,804	1,656	610	303	5,266	41,264
Total value of new building construction (in thousands) ²	\$ 1,418	\$ 1,091	\$ 982	\$ 9,822	\$18,147	\$ 3,685	\$ 2,980	\$ 2,438	\$12,260	\$71,949
Highways and streets										
Miles of streets (street lane miles)	158	158	215	165	158	158	160	160	160	157
Surface water catch basins	1,100	1,100	1,190	1,613	1,603	1,622	1,631	1,631	1,679	1,685
Business-type activities:										
Water										
Water mains (miles)	102	102	115	100	100	100	100	100	100	101
Number of pump stations	4	4	4	4	5	5	5	5	5	5
Number of water storage reservoirs	3	3	3	3	3	3	3	3	3	3
Sanitary sewer										
Sanitary sewer (miles)	70	70	74	78	79	79	79	79	79	79
Number of sewer manholes	1,600	1,600	1,607	1,688	1,695	1,697	1,692	1,692	1,692	1,700

¹ Information for fiscal years 2009 – 2010 is not available, therefore estimates were used based upon best historical information available.

² Information in years 2009 - 2011 were previously reported without commercial buildings.

Source: Various departments within the City of Milwaukie.

SECTION IV

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATIONS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MILWAUKIE, OREGON
COMPLIANCE SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Oregon Administrative Rules 162-10-050 through 162-10-320, incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report.

The following report from Talbot, Korvola & Warwick LLP is contained in this section:

- Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations



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& Warwick, LLP**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS**

Mayor and City Council
City of Milwaukie
Milwaukie, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milwaukie, Oregon (the City), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS (Continued)**

COMPLIANCE (Continued)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as follows:

- The General Fund reported over expenditures of \$65,548 in Police Administration and \$15,102 in Police Support Services appropriations.
- The Library Fund reported an over expenditure of \$139,808 in materials and services appropriations.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the Audit Committee, Mayor and City Council, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kimola J Dawick, LLP

Lake Oswego, Oregon
December 19, 2018



ACHIEVE MORE

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& Warwick, LLP**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Milwaukie
Milwaukie, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milwaukie, Oregon (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Karvola & Warwick, LLP

Lake Oswego, Oregon
December 19, 2018



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Milwaukie
Milwaukie, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Milwaukie, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2018. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Talbot, Korola & Warwick, LLP

Lake Oswego, Oregon
December 19, 2018

CITY OF MILWAUKIE, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Homeland Security				
Passed through Oregon Military Office of Emergency Management				
FEMA Public Assistance Program				
Disaster Grants - Public Assistance	97.036	DR-4258-OR	\$ -	\$ 1,597,763
FEMA Flood Mitigation Assistance Program				
Flood Mitigation Assistance	97.029	FMA-PJ-10-OR2016-002	-	324,231
Total U.S. Department of Homeland Security			<u>-</u>	<u>1,921,994</u>
U.S. Department of Justice				
Asset Forfeiture	16.000	Direct	-	22,687
Bulletproof Vest Partnership Program	16.607	Direct	-	2,542
Total U.S. Department of Justice			<u>-</u>	<u>25,229</u>
U.S. Department of Transportation				
State and Community Highway Safety				
Highway Safety Cluster	20.600	Direct	-	7,349
Total U.S. Department of Transportation			<u>-</u>	<u>7,349</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,954,572</u>

See the notes to the Schedule of Expenditures of Federal Awards

CITY OF MILWAUKIE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

2. Basis of Presentation

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF MILWAUKIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

CITY OF MILWAUKIE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.



CITY OF MILWAUKIE

FINANCE DEPARTMENT

Finance Director Bonnie Dennis, MBA DennisB@milwaukieoregon.gov

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WS140

2018

MILWAUKIE, OREGON

Popular Annual Financial Report

Fiscal Year Ended June 30, 2018



CITY OF MILWAUKIE

WS141



LETTER FROM THE CITY MANAGER

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Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of Milwaukie
Oregon**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell
Executive Director/CEO

Dear Citizens of Milwaukie,

I am pleased to present the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018. This report is designed to provide transparency and accountability of City financial information, which is a key organizational goal.

The City of Milwaukie is proud that it has received all three of the Government Finance Officers Association (GFOA) awards for local government finance:

- Distinguished Budget Presentation Award
- Certificate of Achievement for Excellence in Financial Reporting
- Award for Outstanding Achievement in Popular Annual Financial Reporting

It is our belief that participation in GFOA award programs enhances our citizens' understanding of Milwaukie finances. Attaining these awards demonstrates our belief that sharing financial information in formats consistent with the highest standards in governmental financial reporting is the best way to achieve financial transparency.

The PAFR is designed to provide a summary view of the financial activities of the City. It is a high-level report for citizens who wish to learn more about Milwaukie finances. All information in this report can be found in greater detail in the Comprehensive Annual Financial Report (CAFR) for the City.

Throughout the year, the Finance Department works on budgets, audits, financial policies, financial forecasts, and financial management. As always, the City of Milwaukie invites citizens to share their thoughts and opinions with us.

If you have any questions about this document, please email Finance Director Bonnie Dennis at DennisB@milwaukieoregon.gov.

Sincerely,



Ann Ober
City Manager

The information in this report is drawn from the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. Please review the CAFR online, or email Finance Director Bonnie Dennis at DennisB@milwaukieoregon.gov to request a copy or with questions about this report.

MILWAUKIE LEADERSHIP



Milwaukie operates under a Council-Manager form of government. The Mayor and City Councilors are responsible for establishing policy and providing direction to the City Manager. The Mayor and City Councilors are elected at-large and serve staggered four-year terms. The Mayor presides at official meetings and work sessions.

The City’s administration is committed to professionalism and efficiency. This is the City of Milwaukie’s seventh *Popular Annual Financial Report*, which is published as part of the Finance Department’s ongoing mission to provide the utmost transparency and understanding of Milwaukie’s finances.

Elected Officials as of June 30, 2018



MAYOR
Mark Gamba
12/31/18

COUNCILOR #1
Angel Falconer
12/31/20

COUNCILOR #2
Lisa Batey
12/31/18

COUNCILOR #3
Wilda Parks
12/31/20

COUNCILOR #4
Shane Abma
12/31/18

CURRENT APPOINTED OFFICIALS

Ann Ober City Manager
Justin Gericke City Attorney
Kimberly Graves Municipal Court Judge



CITY COUNCIL GOALS & PRIORITIES

On May 2, 2017, the Council adopted three goals for the 2017-2018 Biennium. Below is a summary of the adopted Council Goals. These goals were re-adopted April 17, 2018 for calendar year 2018. Additionally, Council expanded the Climate Change Action goal to direct more resources towards achieving climate-related items called out in the Vision Action Plan and the CAP.



GOAL 1 HOUSING

Whereas, Milwaukie is in a housing state of emergency; and the Draft Milwaukie 2040 Vision calls for all residents to have affordable housing; and Milwaukie and the Metro Region are currently experiencing record low rental vacancies and extreme housing affordability issues generally, which are causing displacement, disruption of lives and in some cases homelessness. Therefore, the City Manager is directed to take every opportunity to address this housing crisis, including finding and working with partners to add new affordable housing units, and to encourage the private market to develop housing options that are affordable for Milwaukians at every income level and stage of life.



GOAL 2 CLIMATE CHANGE ACTION

Whereas, Climate Change is the single largest threat to the future citizens of Milwaukie; and the Draft Milwaukie Vision calls for Milwaukie to become a Net Zero City by the year 2040 as our contribution towards forestalling the worst effects of climate change. Therefore, the City Manager is directed to begin the process of addressing climate change in the City of Milwaukie and to create the Milwaukie Climate Action Plan and to establish the city’s current carbon foot print as first steps toward dramatically reducing the City’s carbon impact.



GOAL 3 COMPLETION OF MILWAUKIE BAY PARK

Whereas, Milwaukie Bay Park is our most prominent park and remains incomplete; and the citizens of Milwaukie called for its completion in the Draft Vision Action Plan. Therefore, the City Manager is directed to work with North Clackamas Parks and Recreation Department (NCPRD) and our Parks and Recreation Board (PARB) to explore potential changes to the current master plan and to prioritize the accumulation of funding necessary to complete Milwaukie Bay Park by 2022.

ABOUT MILWAUKIE



The City of Milwaukie, located within miles of downtown Portland, offers a small town feel with easy access to Portland and regional activities and services. Within the City, residents regularly engage in City activities as board members, volunteers or simply as participants in a myriad of events organized by local residents and organizations. The City’s estimated population is 20,556.

Known as the “Dogwood City of the West,” Milwaukie’s economy is linked with the entire Portland Metropolitan area. The downtown area of Milwaukie is undergoing a revival in which new apartments and retail space are under construction and a riverfront park is being developed.

Milwaukie provides a clean environment, good transportation, schools, health care centers, and many cultural opportunities. The Sunday Farmers’ Market, Art a la Carte on the first Friday of the month, and the on-going poetry series are just a few of the many cultural offerings in the City.

The City’s administration is committed to professionalism, efficiency, and customer service. The City operates its own police department, municipal court, water, wastewater, and stormwater utilities, and provides street operations, planning, building inspections, engineering, community development and library services.

Clackamas Fire District #1 provides fire and emergency services and North Clackamas Parks and Recreation District provides parks and recreation services to the community. Milwaukie lies within Clackamas County, which is headed by five commissioners and is based in Oregon City. Milwaukie is also part of METRO, the tri-county urban services district based in Portland.

FY 2018 FACT	FIGURE
City Property Tax Rate:	\$4.1367/\$1,000 TAV
City Bonded Debt Tax Rate:	\$0.4972/\$1,000 TAV
Total Property Tax Rate:	\$19.7781/\$1,000 TAV
City Share of Total:	23%
Total Annual Budget:	\$106 million
Population:	20,556
Employees:	150 FTE
Outstanding Debt:	\$18.4 million
Bond Rating:	Aa2*
City Maintained Roads:	157 lane miles
Building Permits:	298
Sewer Miles:	79
Water Lines Maintained:	101
Number of Traffic Citations:	4,340
Avg. Library Circulation/Capita:	15.80
Unemployment Rate:	3.7%

* Investment Grade - Rated as high quality and very low credit risk.

RANK	PRINCIPAL EMPLOYERS	EMPLOYEES
1	Blount, Inc.	839
2	PCC Structurals	541
3	Providence Milwaukie Hospital	395
4	North Clackamas School District	385
5	OECO LLC	321
6	Nature Bake	252
7	ODS (Moda)	218
8	Active Telesource	163
9	Portland Mechanical Contractors	148
10	City of Milwaukie	147

DOWNTOWN MILWAUKIE: REINVEST, REIMAGINE, REVITALIZE



ARBOR DAY

Almost 200 people enjoyed the 2018 Arbor Day celebration alongside Milwaukie's Tree Board on April 21st at Ball-Michel Park. The festivities included: A tree giveaway; a ceremonial tree planting at Ball-Michel Park with special guest Governor Kate Brown helping out; kids' activities; and more!

LEDDING LIBRARY GOUNDBREAKING CELEBRATION



On October 16th, there was a special groundbreaking ceremony to celebrate the start of construction for the new library building. It was a family-friendly event that featured a creative building challenge with modeling clay, a take-home mini pumpkin decorating activity, lots of sidewalk chalk and a giant Jenga! At 5:15 p.m., the official groundbreaking ceremony began with remarks from the library director and elected officials.





The City of Milwaukie has thirteen appointed boards, commissions, and committees as mandated by the City’s Municipal Code. Qualified applicants are appointed by the City Council following an application and interview process. Terms for membership are two years for all but the Budget Committee and the Planning Commission. For more information about the City’s boards, committees and commissions, and to apply visit: www.milwaukieoregon.gov/bc.

Arts Committee

The Arts Committee works to connect artists with resources and to connect the community with art. The committee has enriched Milwaukie with the City Hall Sculpture Garden, a comic book art show, new murals, and many smaller projects.

Audit Committee

The Audit Committee ensures audits of the financial statements are completed annually, that oversight of the city’s independent auditors is a shared responsibility between city management and the City Council, and that the City Council has the opportunity to assist city management in the review and selection of the city’s independent auditor to ensure transparency in the management of city audits.

Budget Committee

The Budget Committee is established in accordance with the provisions of ORS 294.336 to review the annual city budget document as prepared by the city budget officer and to recommend an approved budget to the City Council for adoption.

Milwaukie Center/Community Advisory Board

The Community Advisory Board advises the Milwaukie City Council and North Clackamas Parks and Recreation District (NCPRD) on Milwaukie Center needs. The board weighs-in on capital improvement projects, programs, policies, and makes budget recommendations to the NCPRD.

Citizens Utility Advisory Board (CUAB)

The CUAB was established for the purpose of advising the City Council on the methods and manner in which city utility rates and capital improvements are scheduled and carried out.

Community Action Board (CAB)

The CAB is a county-level social needs group that advocates on issues related to people and households with low-incomes. The Mayor of Milwaukie serves as a CAB member and appoints an alternate to attend meetings in his or her absence.

Design and Landmarks Committee (DLC)

The DLC was established to advise the Planning Commission and City Council on urban design, architectural, and historic preservation activities including but not limited to design review of development proposals in the downtown, education and outreach, designation of historic districts and landmarks, and historic and cultural resources inventories.

Kellogg Good Neighbor Committee (KGNC)

The KGNC's purpose is to recommend to the City Council how the "good neighbor fund" should be prioritized and spent. This fund was established through the Intergovernmental Agreement (IGA) between the city and Clackamas County Service District #1 for the provision of wastewater treatment services.

The KGNC has recommended to provide financial support for the Riverfront Park area adjacent to the Kellogg Wastewater Treatment Plant, overseen the completion of an odor study, and implemented a landscaping plan for the area around the plant.

Library Board

The public library board was established for the purpose of advising City Council and Ledding Library staff regarding library patrons’ needs. The board shall be responsible for, but not limited to, the following activities:

- Reviewing and commenting on library rules and policies
- Commenting on the acceptance of donations of personal property or funds to the library
- Commenting on the annual operating budget for the library
- Commenting on sites for public library buildings or for location of library facilities
- Other activities Council may assign

Park and Recreation Board (PARB)

PARB was created to focus greater energy and resources toward meeting community park and recreation needs through cooperative partnership with the city and the NCPRD.

Planning Commission

The Planning Commission was established for the purpose of reviewing and advising on matters of planning and zoning according to the provisions of the Comprehensive Plan, Zoning Ordinance, and other planning implementation documents.

Public Safety Advisory Committee (PSAC)

The PSAC advises and makes recommendations on community livability concerns related to public safety and neighborhood livability in Milwaukie and its Urban Growth Boundary. PSAC members include representatives from each of the city’s seven neighborhoods.

Tree Board

The Tree Board maintains the city's plan for trees and shrubs in public places and advises City Council and NCPRD on tree-related policies.



OVERVIEW OF AUDITED RESULTS



The following summary highlights are taken directly from the Management Discussion and Analysis section of the fiscal year 2018 Comprehensive Annual Financial Report (CAFR):

- The City’s assets totaled \$117.8 million at June 30, 2018, consisting of \$73.2 million in capital assets, \$26.0 million in unrestricted cash and investments, \$12.2 million in restricted cash and investments, and \$6.4 million in other assets. Total assets increased by \$8.7 million (8%) from the previous fiscal year.
- The City’s liabilities totaled \$38.6 million at June 30, 2018 consisting of \$33.0 million in long-term liabilities and \$5.6 million in accounts payable and other liabilities. Total liabilities decreased by \$0.7 million from the previous fiscal year.
- The assets of the City exceeded its liabilities by \$83.9 million at the close of fiscal year 2018. Unrestricted net position totaled \$5.5 million with the remainder of the City’s net position invested in capital assets (\$66.2 million) and restricted for capital projects, building operations, library services, debt service, and public safety (\$12.2 million).
- For its governmental activities, the City generated \$12.1 million in charges for services and received \$6.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$27.1 million for the year, resulting in a net expense of \$8.8 million. The City also received \$13.1 million of general revenues and the City increased its net position by \$4.2 million. The increase is attributed to various intergovernmental grants and increased activity in the Building Inspections Fund.
- For its business-type activities, the City generated \$15.9 million in charges for services to fund direct expenses of \$12.9 million. Business-type activities had an increase in net position of \$3.0 million as a result of rate increase, interest earned and gains on disposal of assets.
- Fund balance in the City’s governmental funds was \$25.2 million at June 30, 2018, an increase of \$2.2 million from the previous fiscal year. The increase in mainly attributed to intergovernmental grants, interest earnings and fee increases.

BALANCE SHEET // STATEMENT OF NET POSITION

The Statement of Net Position reflects a healthy financial condition as of June 30, 2018. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$83 million at the close of fiscal year 2018. This balance sheet is presented as a high-level summary overview of net position.

	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016
Assets			
Current asset and other assets	\$ 44,713,222	\$ 39,528,056	\$ 25,268,246
Capital assets	73,168,912	69,610,070	70,724,373
Total assets	117,882,134	109,138,126	95,992,619
Deferred Outflows of Resources			
Pension / OPEB	5,056,085	8,030,806	1,197,454
Liabilities			
Current liabilities	5,561,918	5,930,871	4,129,176
Long-term liabilities	33,006,818	33,344,654	15,286,037
Total liabilities	38,568,736	39,275,525	19,415,213
Deferred Inflows of Resources			
Pension / OPEB	391,315	358,861	1,531,341
Net Position	<u>\$ 83,978,167</u>	<u>\$ 77,534,546</u>	<u>\$ 76,243,519</u>

For greater detail, see the City’s complete *Comprehensive Annual Financial Report*, available online at www.milwaukieoregon.gov/finance.

INCOME STATEMENT // STATEMENT OF ACTIVITIES

The Statement of Activities reports all financial activity for the fiscal year ended June 30, 2018. This statement presents high-level summary information about how the City’s net position changed during fiscal year 2018 as a result of all financial activity (i.e. revenues and expenses).

	FY 2018	FY 2017	FY 2016
Revenues	\$ 47,267,610	\$ 40,818,099	\$ 37,434,951
Expenses	(40,050,818)	(39,527,072)	(37,817,175)
Increase (Decrease) in net position	7,216,792	1,291,027	(382,224)
Net position, beginning of year	76,761,375	76,243,519	76,625,743
Net position, end of year	<u>\$ 83,978,167</u>	<u>\$ 77,534,546</u>	<u>\$ 76,243,519</u>

For greater detail, see the City’s complete *Comprehensive Annual Financial Report*, available online at www.milwaukieoregon.gov/finance.

The City of Milwaukie is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of Fiscal Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition. These policies are adopted by the City Council as the basic framework for overall financial management of the City, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

- 1. Provide an adequate financial base to sustain the desired level of municipal services to maintain the social wellbeing and physical conditions of the City.
- 2. Deliver cost effective and efficient services to citizens.
- 3. Provide and maintain essential public facilities, utilities, and capital equipment.
- 4. Protect and enhance the City’s credit rating to obtain the lowest cost of borrowing and assure taxpayers and the financial community that the City is well managed and financially sound.
- 5. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the requirements of the community, and respond to changes as they affect the City’s residents and businesses.
- 6. Adhere to the highest standards of financial management and reporting practices as set by GFOA, the Governmental Accounting Standards Board, and other professional standards.
- 7. Fully comply with finance related legal mandates, laws and regulations.
- 8. To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves, and internal controls. These policies are reviewed annually by management, the Budget Committee, and City Council and amended as necessary as part of the budget process.

To review all financial policies for the City of Milwaukie, please see page 20 of the *Milwaukie Adopted Budget for the 2017-2018 Biennium*, available online at www.milwaukieoregon.gov/finance/budgets.



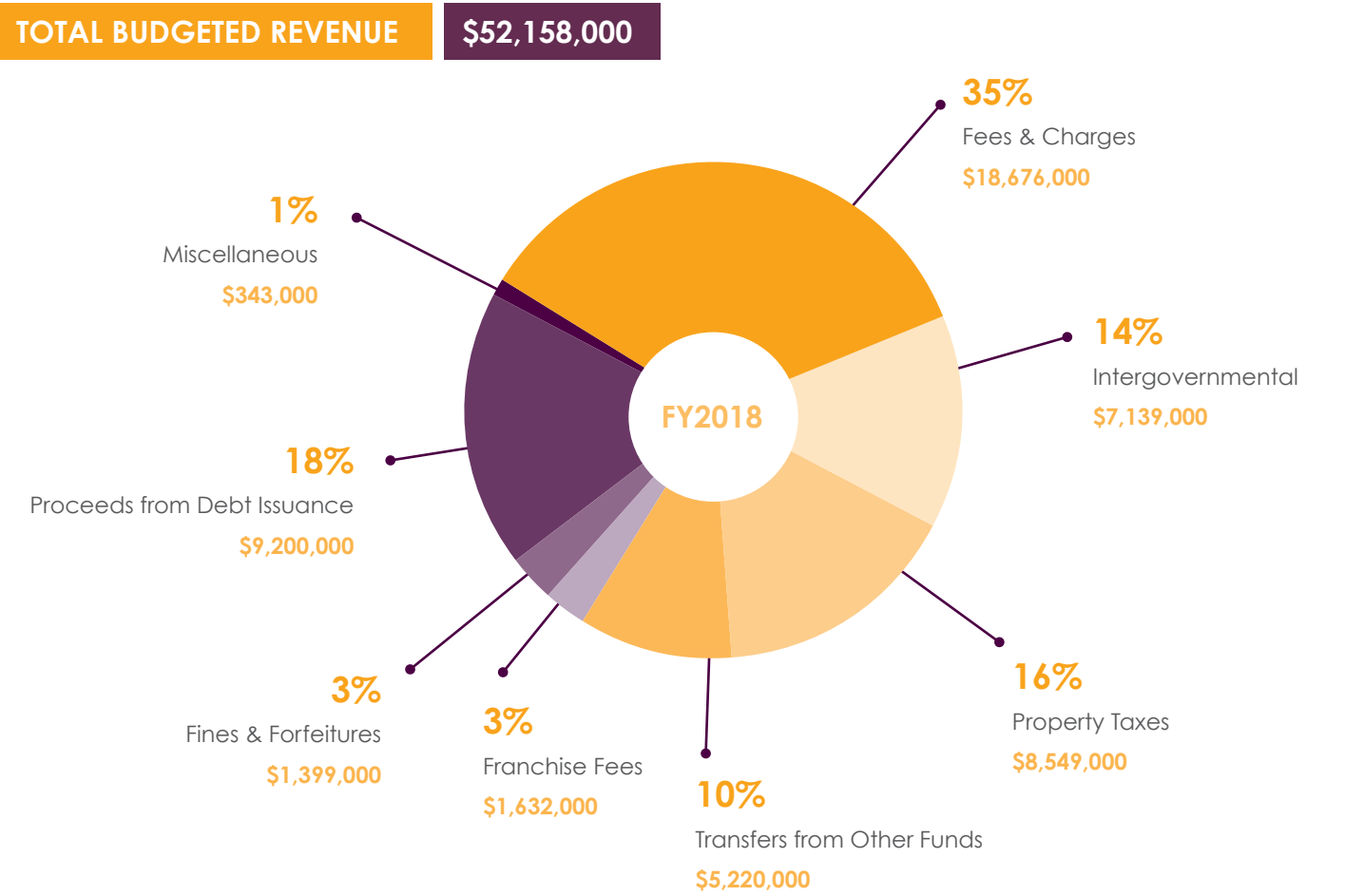
The Budget Committee unanimously approved the 2017-2018 Biennial Budget which was then adopted by the City Council on June 7, 2016. On February 9, 2017, a supplemental budget resolution was approved through the first year of the 2017-2018 biennium. The Budget Committee unanimously approved the 2015-2016 Biennial Budget which was then adopted by the City Council on June 17, 2014. On December 16, 2014, a supplemental budget resolution was approved through the first year of the 2015-2016 biennium, and on April 19, 2016 a second supplemental budget resolution was adopted through the second year of the 2015-2016 biennium. To best illustrate trends, below are the fiscal year budget amounts for the most recently adopted budget, including supplemental budgets, along with comparative fiscal years.

	FY 2018	FY 2017	FY 2016	FY 2015
City Budget:				
Personal Services	\$ 16,907,000	\$ 15,892,000	\$ 15,530,000	\$ 14,664,000
Materials & Services	12,429,000	12,122,000	11,197,000	11,031,000
Debt Service	930,000	869,000	973,000	4,959,000
Transfers	5,220,000	5,160,000	4,470,000	4,420,000
Annual Operating Budget	35,486,000	34,043,000	32,170,000	35,074,000
Capital Outlay	20,477,000	13,322,000	7,608,000	11,875,000
Reserves	12,051,000	15,856,000	9,374,000	10,785,000
Total City Budget	\$ 68,014,000	\$ 63,221,000	\$ 49,152,000	\$ 57,734,000

Note: The budgeted data presented is projected data which may differ significantly from the Generally Accepted Accounting Principles derived data in the Comprehensive Annual Financial Report (CAFR).

BUDGET: WHERE OUR MONEY COMES FROM

The City of Milwaukie budgets at the “fund” level. The City maintains nine distinct funds to account for governmental services. A fund is a fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, and balances and changes, which are segregated for specific activities and objectives.



MAJOR REVENUE TYPES INCLUDE:

Fees & Charges (35%)

Charges for water, wastewater, stormwater, and street maintenance are charged to all users in the City of Milwaukie. The fees for water, sewer, wastewater, stormwater, and street maintenance are established through the City fees and charges resolution; this resolution is updated each year. The City Council approves utility rates based on costs to provide services.

Intergovernmental (14%)

State revenues are distributed to cities based on state statute, which defines formulas incorporating population and per capita income. The League of Oregon Cities provides the source data for State Revenue Sharing projections. Pursuant to ORS 221.770, the City of Milwaukie must elect to receive its proportionate share of the revenues to be apportioned to the cities by the State of Oregon for the fiscal year. Further, ORS 221.760 provides that cities located in a county having more than 100,000 inhabitants, according to the most recent federal decennial census, can disburse state shared revenue funds only if the city provides four or more of the following services: police protection; fire protection; street construction, maintenance, and lighting; sanitary sewer; storm sewers; planning, zoning, and subdivision control; one or more utility services.

BUDGET: WHERE OUR MONEY COMES FROM (CONTINUED)

Property Taxes (16%)

Milwaukie’s permanent tax rate is applied to the projected taxable assessed value of property to generate revenues to support core City operations. The City assumes a 94 percent collection rate for property tax revenue, so the budgeted total amount of property taxes is approximately 94 percent of the total calculated property tax revenue. Taxable assessed values of existing property are limited to an increase of three percent per year; value added to a community via new construction increases the assessed value over the three percent growth rate limited by Measure 50.

The City passed Ordinance No. 1958 in February 2008 following the annexation Ballot Measure 3-166 where the voters authorized the annexation of fire services into Clackamas Fire District No. 1 (CFD). This Ordinance reduces the City’s permanent tax rate of \$6.5379 per \$1,000 of assessed value by the permanent rate of the Fire District, equating to \$2.4012 offset by its annual bonded debt rate until then existing bonds were paid off in fiscal year 2014-15. Accordingly, the actual property tax rate levied by the City is its permanent tax rate of \$6.5379 less CFD’s permanent rate of \$2.4012 or \$4.1367.

Transfers from Other Funds (10%)

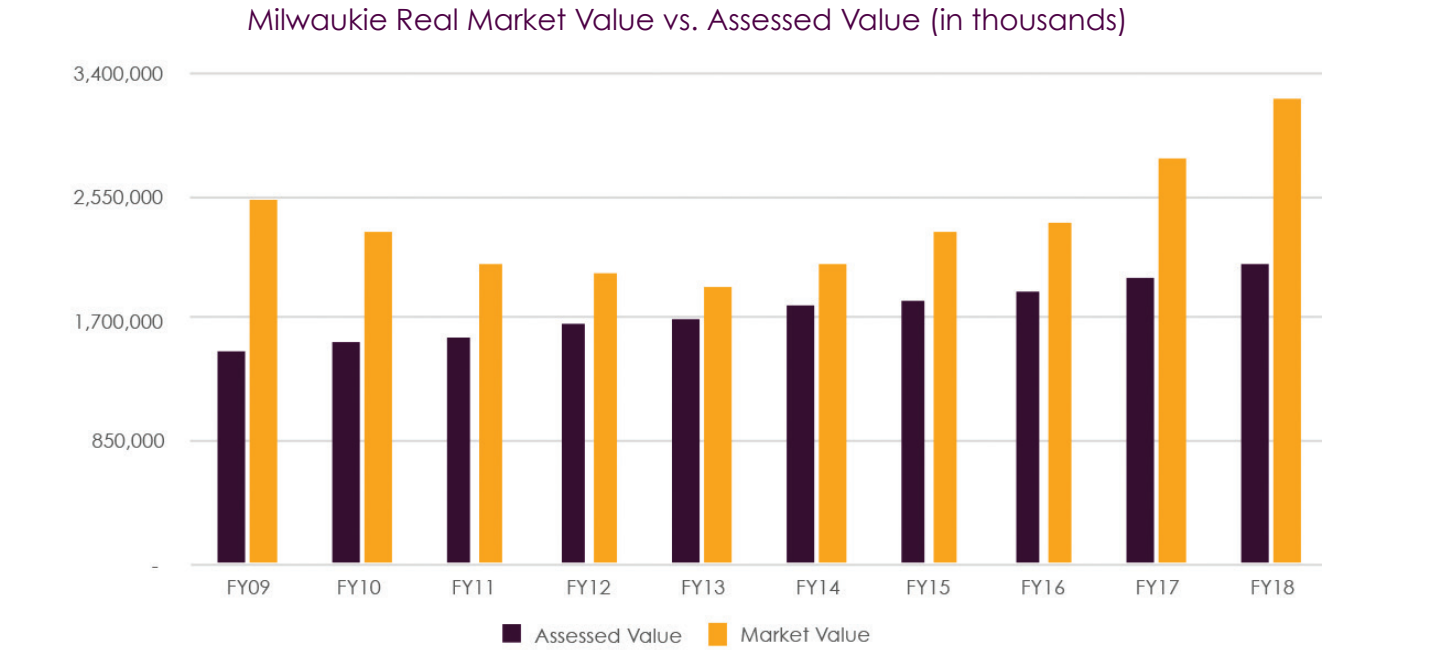
Transfers from other funds occur when revenues are transferred between funds; revenue is received by a fund providing an internal service from a fund receiving the service, where the cost of the service is shown as an expense. All City services that receive reimbursement charge revenue are consolidated into the General Fund. The amount that other funds are charged for reimbursement costs is based on individual metrics identified for

each City service. The City calculates inter-fund reimbursement charges when services are provided to another fund. The cost of these services is based on a cost allocation methodology, which assumes that the services provided have value, and that value is shown as a reimbursement amount.

Franchise Fees (3%)

The City of Milwaukie receives franchise fees for the use of public rights of way within the City for utility, solid waste and recycling collection, and similar services. Fees are paid for the right to this access.

REVENUE TYPE	BUDGET \$ (in thousands)	%
Fees & Charges	18,676	35%
Intergovernmental	7,139	14%
Property Taxes	8,549	16%
Transfers from Other Funds	5,220	10%
Franchise Fees	1,632	3%
Fines & Forfeitures	1,399	3%
Proceeds from Debt Issuance	9,200	18%
Miscellaneous	343	1%
TOTAL	\$52,158	100%

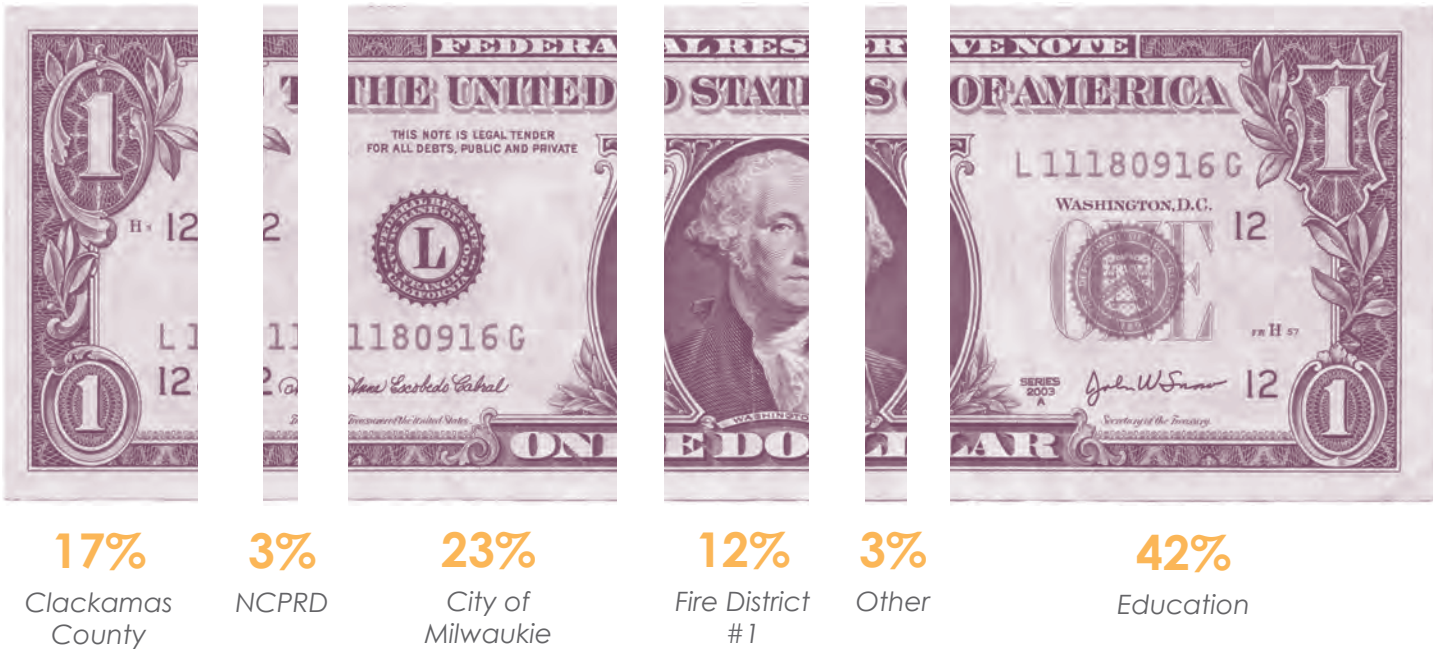


Note: The budgeted data presented is projected data which may differ significantly from the GAAP derived data in the Comprehensive Annual Financial Report (CAFR).

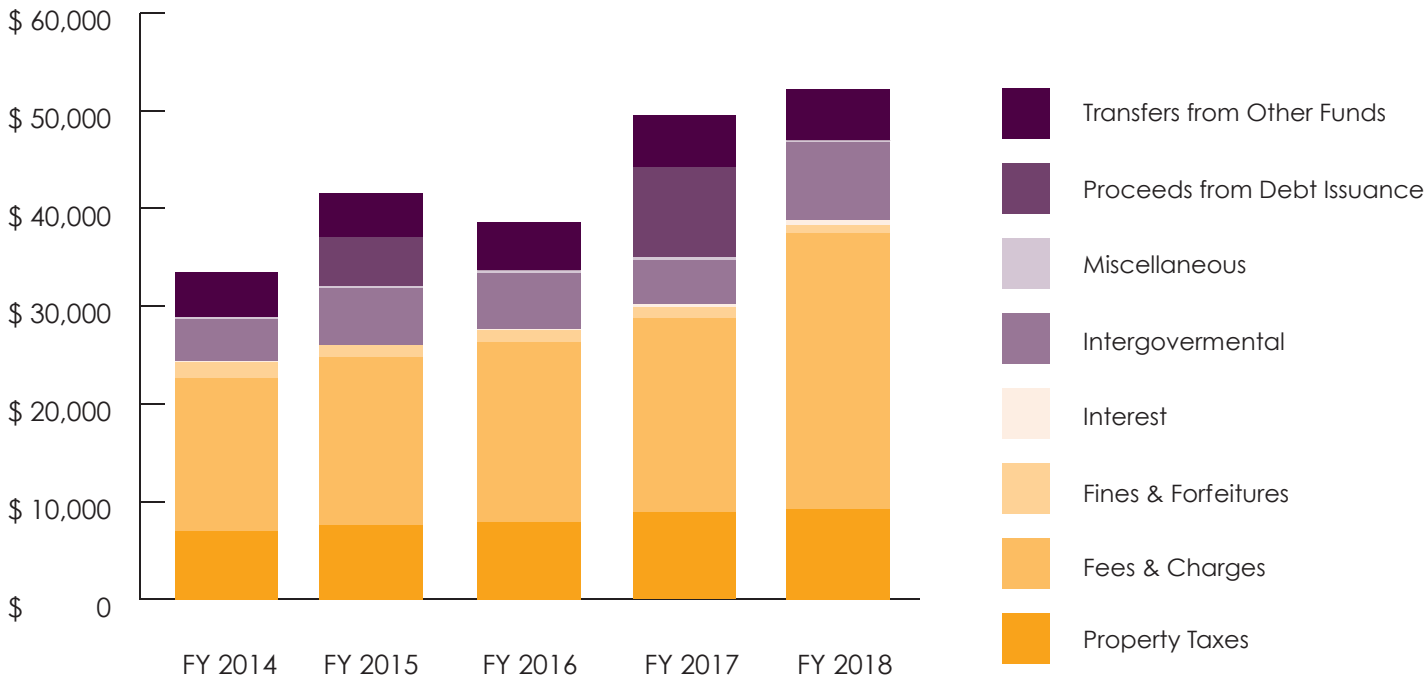
WHERE YOUR TAXES GO

Milwaukie Property Tax Dollars:

Clackamas County assesses property taxes on behalf of the county, schools, special districts, and the City of Milwaukie on a consolidated property tax bill. Of this tax bill, 23 percent of the total is allocated to the City of Milwaukie. Of every dollar paid, \$0.23 goes to the City:

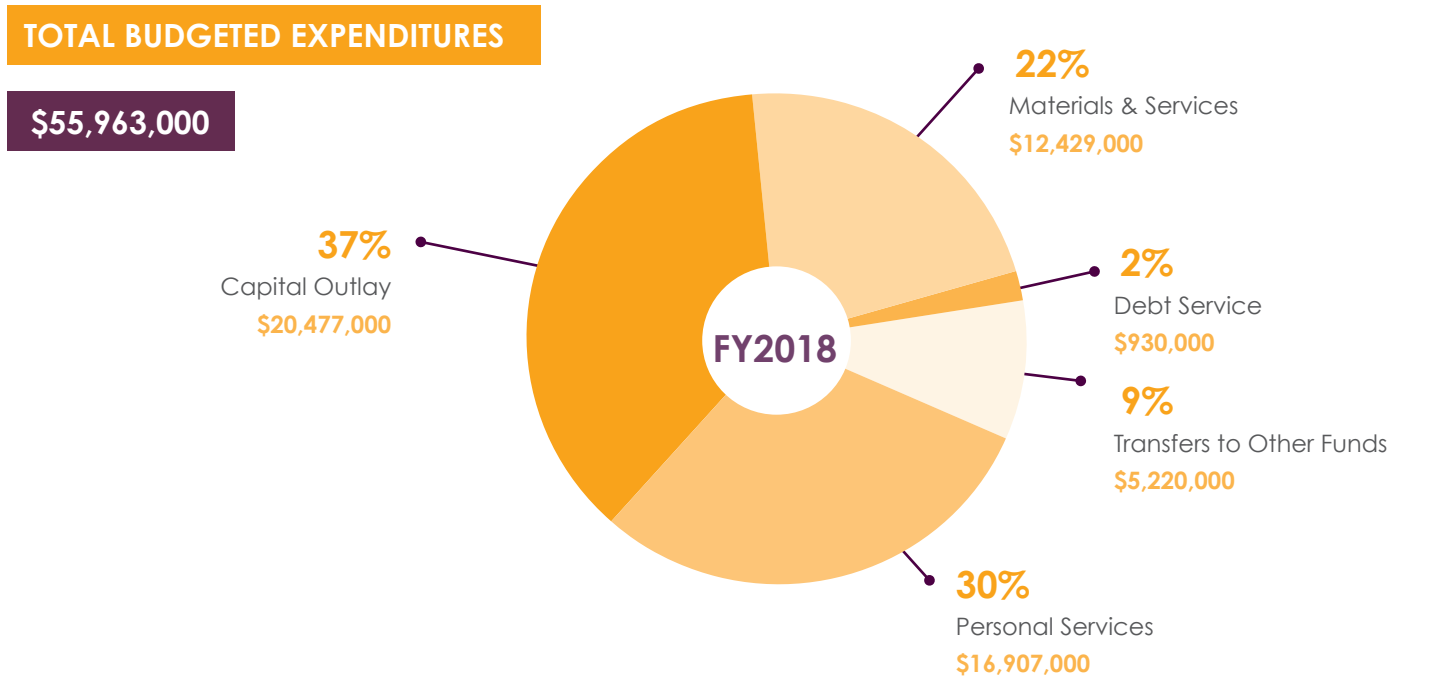


TOTAL ACTUAL RESOURCES BY MAJOR SOURCE (IN THOUSANDS)



HOW WE SPEND OUR MONEY

The City of Milwaukie plans for expenditures using several short and long-range planning tools. Five-year financial forecasts, prior to the development of the budget, guide short-term spending. The five-year forecasting model anticipates projected increases and decreases in revenues and expenditures. Fifty-two percent of total expenditures are represented by Personnel Services and Materials & Services. These requirements relate to the people who provide City services and the materials they need to complete their job requirements. Citywide, budgeted requirements are expected to increase for inflation going forward.



Personnel Services (30%)

Citywide, personnel services budgeted requirements decreased in the 2017-2018 biennium due primarily to the addition of full-time equivalent positions and increasing benefit costs.

Capital Outlay (37%)

The Capital Outlay budget had increased dramatically from prior year due to planned and necessary infrastructure projects over the 2017-2018 biennium.

Materials & Services (22%)

Citywide, Materials & Services budgeted requirement increased over the prior fiscal year are, in many situations, based on known expenditure increases. Where such increases are unknown, 2017-2018 biennium amounts are identified using an inflationary cost increase from the prior biennium.

Debt Service (2%)

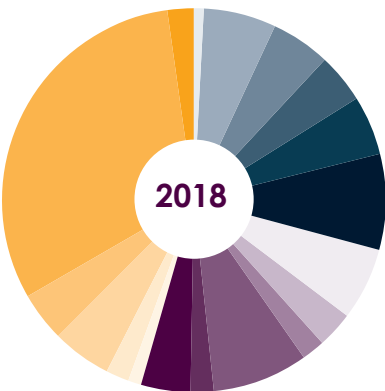
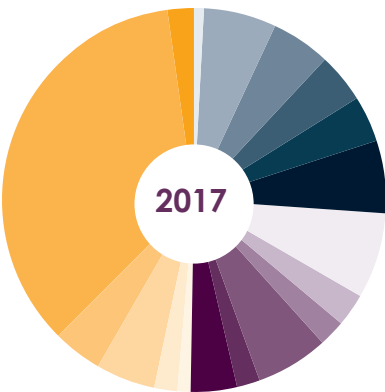
Biennial Debt service requirements are based on known obligations of the City.

Transfers to Other Funds (9%)

Budgeted transfers represent transfers to account for the support services costs of General Fund departments.

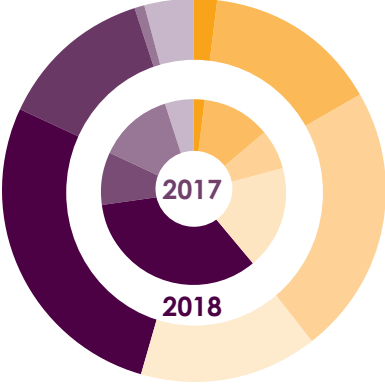
HOW WE SPEND OUR MONEY (CONTINUED)

GENERAL FUND



EXPENDITURES BY DEPARTMENT	FY17	FY18
 City Council	1%	1%
 City Manager	6%	6%
 City Attorney	0%	0%
 Community Development	5%	5%
 Public Works Administration	4%	4%
 Engineering	4%	5%
 Facilities Management	6%	8%
 Finance	7%	6%
 Fleet Services	3%	3%
 Human Resources	2%	2%
 Information Technology	6%	8%
 Municipal Court	2%	2%
 Planning	4%	4%
 Code Enforcement	1%	1%
 Public Access Studio	0%	0%
 Records & Information Mgmt	2%	2%
 Nondepartmental	5%	5%
 Police Administration	4%	4%
 Police Field Services	35%	32%
 Police Support Services	2%	2%
TOTAL ACTUAL DOLLAR AMOUNT	\$16,083	\$17,996

ALL OTHER FUNDS



EXPENDITURES BY DEPARTMENT	FY17	FY18
 Building Inspections Fund	2%	2%
 Affordable Housing Fund	0%	0%
 Library Fund	12%	15%
 Transportation Fund	7%	24%
 Water Fund	18%	13%
 Wastewater Fund	34%	28%
 Stormwater Fund	9%	13%
 SDC	13%	1%
 Debt Service	5%	4%
 Milwaukie Redevelopment Commission	0%	0%
TOTAL ACTUAL DOLLAR AMOUNT	\$17,924	\$24,924

FINANCIAL PLANNING

The City of Milwaukie prepared a five-year financial forecast prior to the development of the budget. The five-year model takes into account projected increases and decreases in revenues and expenditures. This information is shared during budget deliberations. Financial forecasts are key to strategizing, studying different financial outcomes, modeling demographic trends, anticipating changes in revenue streams, and forecasting utility rates.



GLOSSARY

Business-type Activities

Activities financed in whole or in part by fees charged to external parties for goods or services.

Capital Assets

Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all other tangible or intangible assets that are used in operations, that have initial useful lives extending beyond one year with an initial cost of more than \$10,000.

Capital Grant

Grant received to support acquisition of capital assets.

Charges for Services

Includes a wide variety of fees charged for services provided to the public and other agencies.

Deferred Inflows of Resources

Refers to an acquisition of an asset that is applicable to a future reporting period.

Deferred Outflows of Resources

Refers to a consumption of an asset that is applicable to a future reporting period.

Fund Balance

The net ending balance of a Fund's financial resources that are spendable or available for appropriation.

Governmental Activities

Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Governmental Funds

Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Net Investment in Capital Assets

Component of net position consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction or improvement of those assets.

Operating Grant

Grant received to support operations.

Restricted Net Position

Component of net position calculated by reducing the carrying value of restricted assets by amounts repayable from those assets, excluding capital-related debt.

Unrestricted Net Position

The portion of net position that is neither restricted nor invested in capital assets.



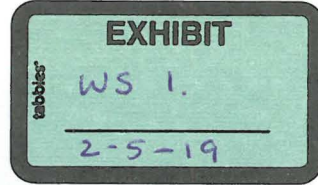
CITY OF MILWAUKIE

FINANCE DEPARTMENT

Finance Director Bonnie Dennis, MBA DennisB@milwaukieoregon.gov

10722 SE Main St, Milwaukie, OR 97222 (503) 786-7555 www.milwaukieoregon.gov/finance

WS151



City of Milwaukie, Oregon

AUDIT RESULTS FOR THE YEAR ENDED JUNE 30, 2018

FEBRUARY 5, 2019



Audit Results and Reporting

- ✓ **Independent Auditor's Report - Unmodified opinion**
 - Financial statements are presented fairly in accordance with U.S. GAAP
- ✓ **Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations**
 - Noncompliance related to overexpenditures



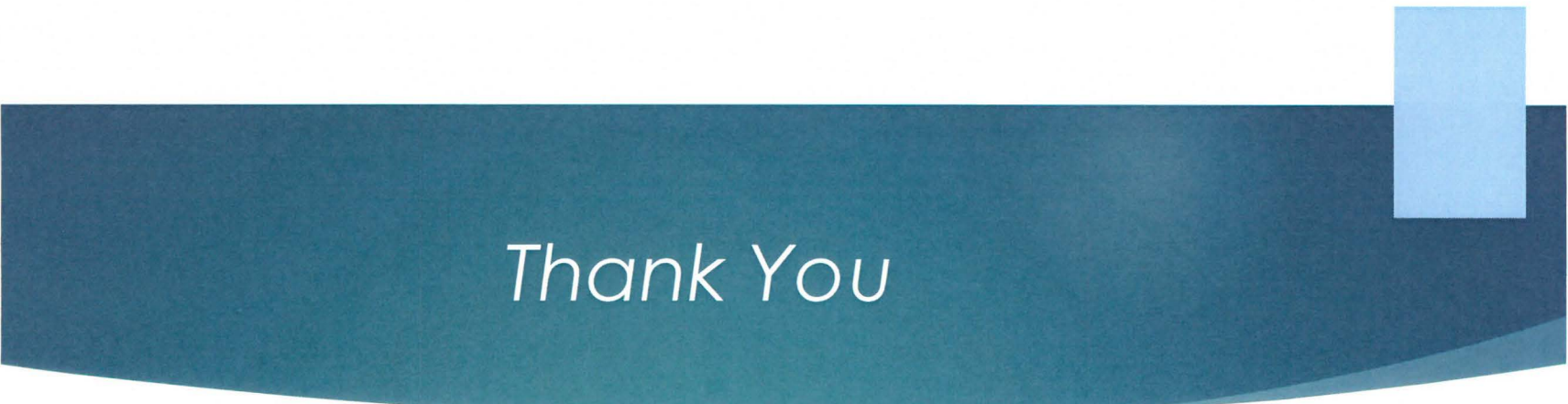
Single Audit Reports

- ✓ **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Unmodified opinion**
 - No control findings
 - No compliance findings

- ✓ **Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance**
 - No control findings
 - No compliance findings

Required Communications

- ✓ Met with the Audit Committee in July 2018 and January 2019
- ✓ No difficulties encountered during the audit
- ✓ No auditor proposed adjusting journal entries
- ✓ One uncorrected misstatement related to revenue cutoff
- ✓ No disagreements with management
- ✓ Not aware of any consultations with other accountants



Thank You

Contact Information:

Julie Fahey, Audit Partner

Talbot, Korvola & Warwick, LLP

jfahey@tkw.com

503.274.2849

4800 Meadows Rd.

Lake Oswego, OR 97035



COUNCIL STAFF REPORT

To: Mayor and City Council
Ann Ober, City Manager

Date Written: Jan. 25, 2019

Reviewed: Christina Fadenrecht (as to form), Administrative Specialist, II
From: Kelly Brooks, Assistant City Manager

Subject: **Milwaukie Bay Park Project Update**

ACTION REQUESTED

Receive update from North Clackamas Parks and Recreation (NCPRD) on the Milwaukie Bay Park project.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

June 30, 2017 – Council discussed options associated with construction of Phase III.

October 2, 2017 – NCPRD presented the scope of the project and announced it intended to release a Request for Qualifications.

January 16, 2018 – Council provided direction to NCPRD regarding the scope of work for design refinement.

May 1, 2018 – NCPRD announced that 2.ink Studio was selected as the consultant for the project and provided an overview of the public engagement structure.

September 18, 2018 – NCPRD provided an overview of public outreach to date, technical updates, and discussed next steps for the project.

December 18, 2018 – NCPRD provided an update on comments received through outreach, revised cost estimates for the project, and an overview of the process for arriving at a final design in January 2019.

ANALYSIS

The project update will provide the following:

- Overview of preferred design
- Cost estimate for preferred design and options for implementation
- Project schedule update and next steps

BUDGET IMPACTS

The City committed \$250,000 towards construction of Milwaukie Bay Park in the 19/20 biennial budget.

WORKLOAD IMPACTS

None.

COORDINATION, CONCURRENCE, OR DISSENT

The City's Parks and Recreation Board (PARB) serves on the stakeholder advisory committee for the project and has been directly involved in the design process.

ATTACHMENTS

1. Draft Preferred Alternative

Draft Preferred Alternative





Milwaukie Bay Park Final Design

Project Update to City Council

February 5, 2019



Previous Session

Council Goal Update – December 4, 2018

- Fall Progress
- Process: 3 Alternatives
Final Design
- Concept Estimates &
Funding
- Schedule

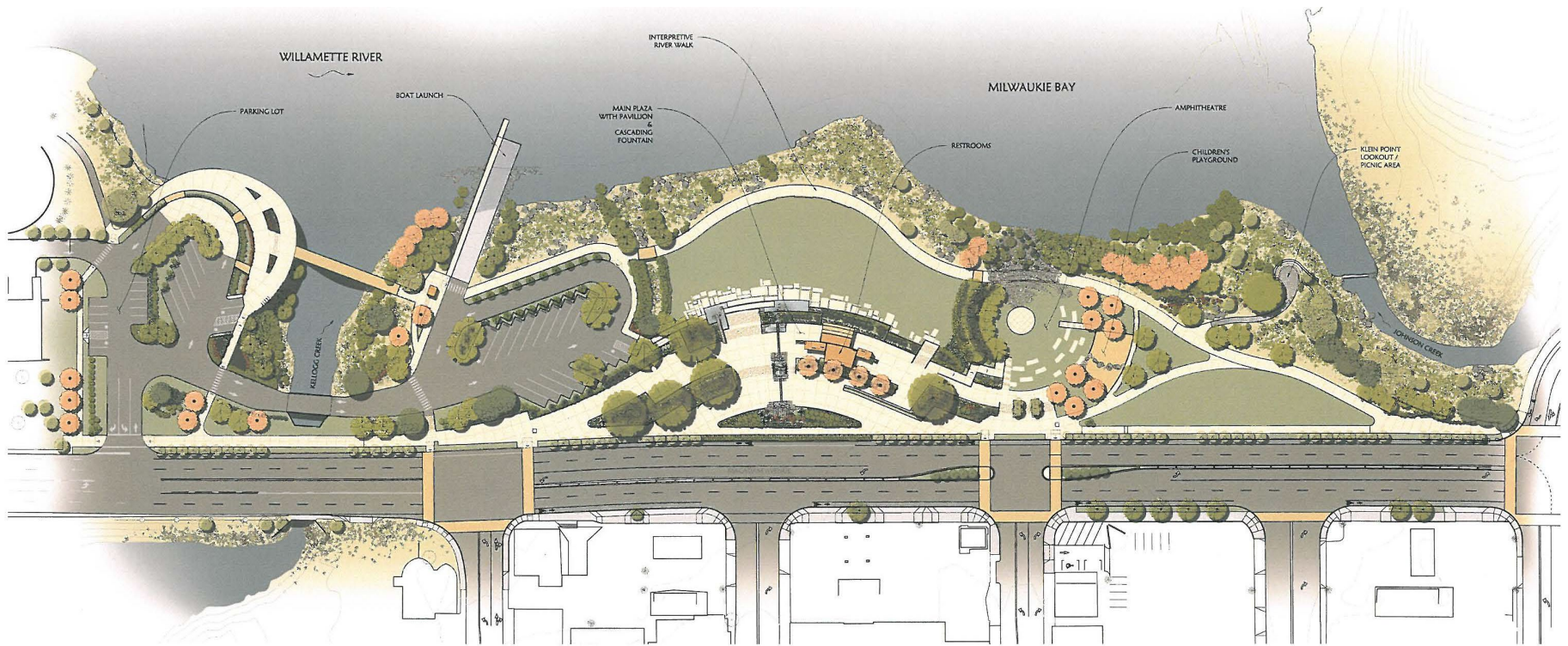


Update

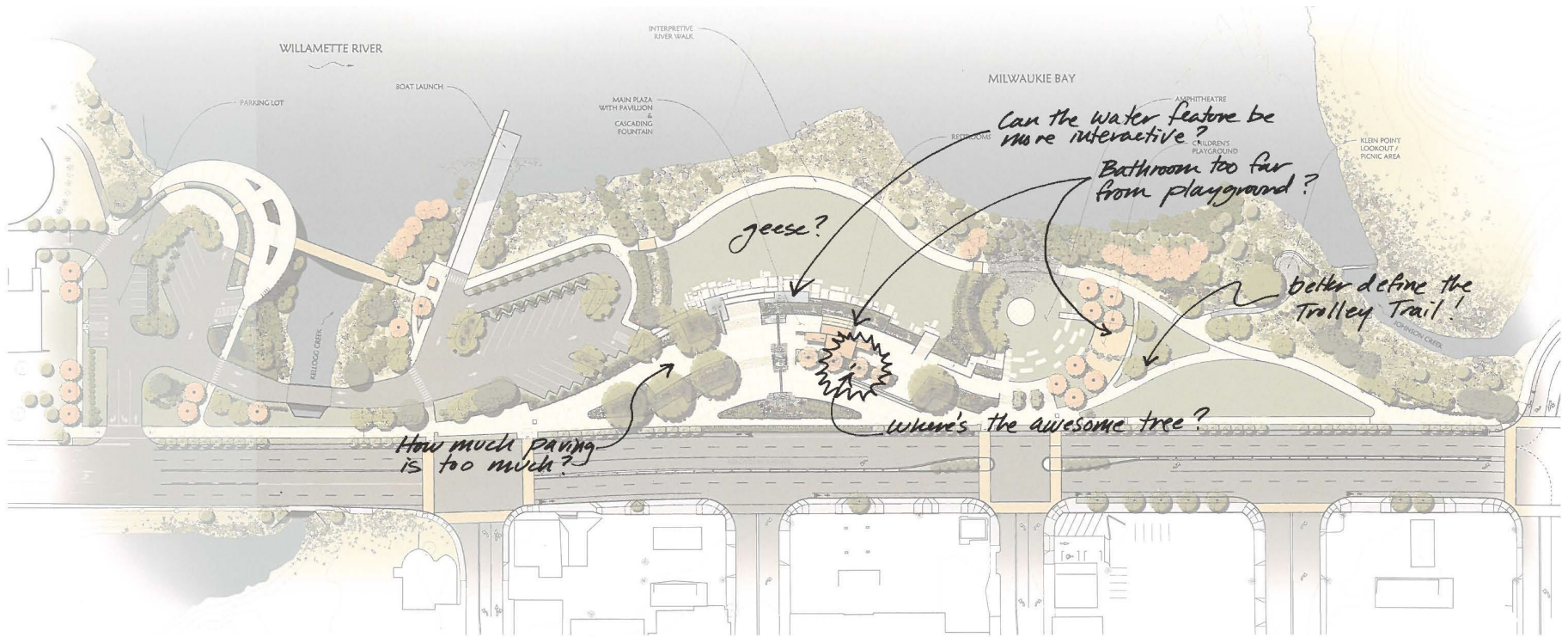
- Process to date
- Where we are
- Preferred Alternative
- Cost Estimate
- Funding
- Review Phase Process & Scenarios
- Challenges
- Timeline
- Next steps & Discussion



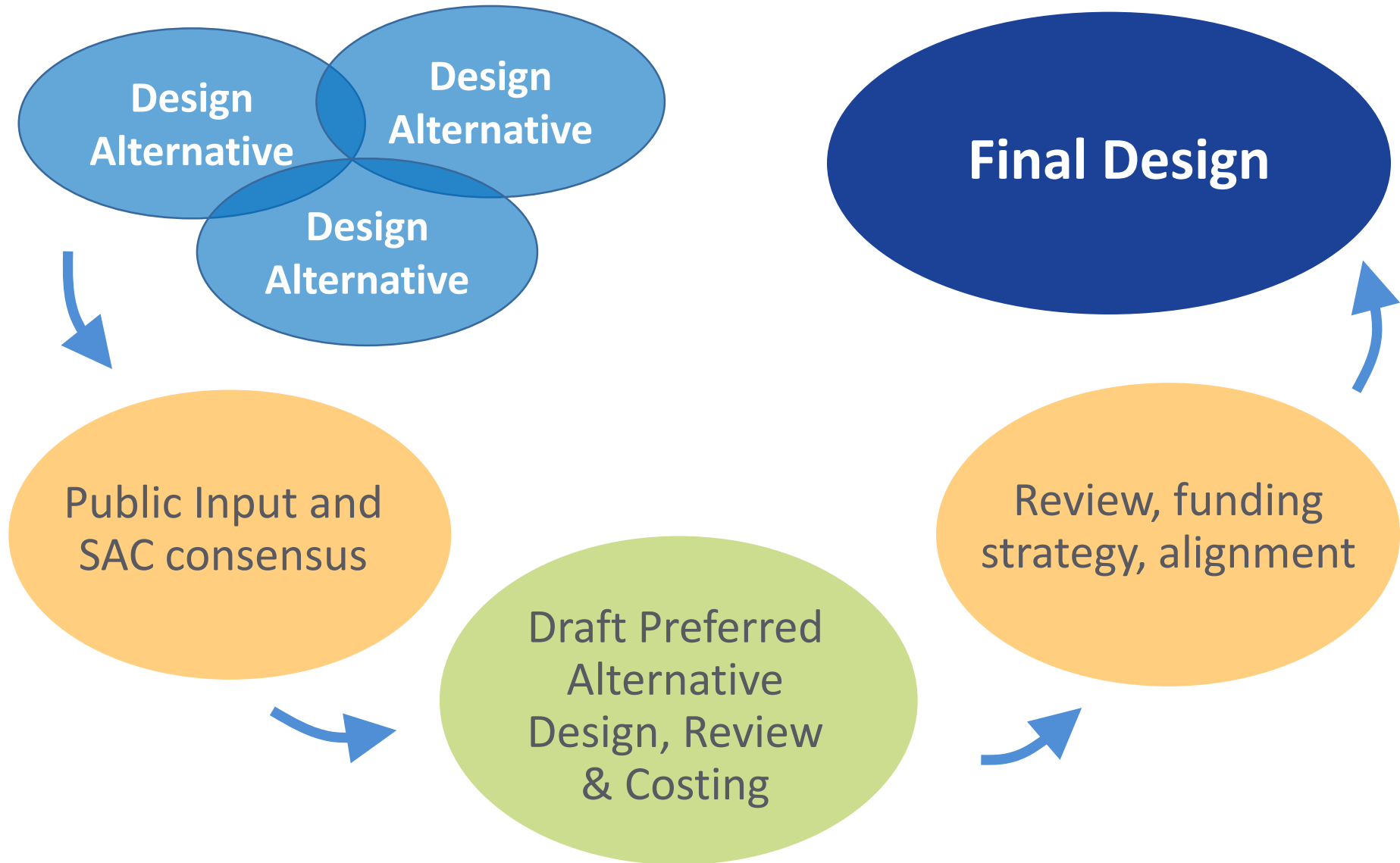
2010 Master Plan



2010 Master Plan



Development of Final Design



Public Engagement Summary

- August and November events: ~300 people
- Small group discussions: ~80 participants
- Two surveys: ~1,100+ respondents
- Spanish-speaking residents & communities with disabilities



Where We Are: Review Phase

Dec./Jan.

Jan./Feb.

Mar.

Alternatives

Draft Preferred
Alternative and Cost
Estimate with Options

For internal
presentation and
review

Review

- Board of County Commissioners
- Milwaukie City Council
- City and NCPRD Staff
- Steering Advisory Committee (SAC)
- Technical Advisory Group (TAG)

**Complete funding
strategy**

**Align alternatives with
funding**

Final Design

For public and
planning review; to
support funding
plan

Draft Preferred Alternative



Draft Preferred Alternative



Draft Preferred Alternative



Draft Preferred Alternative



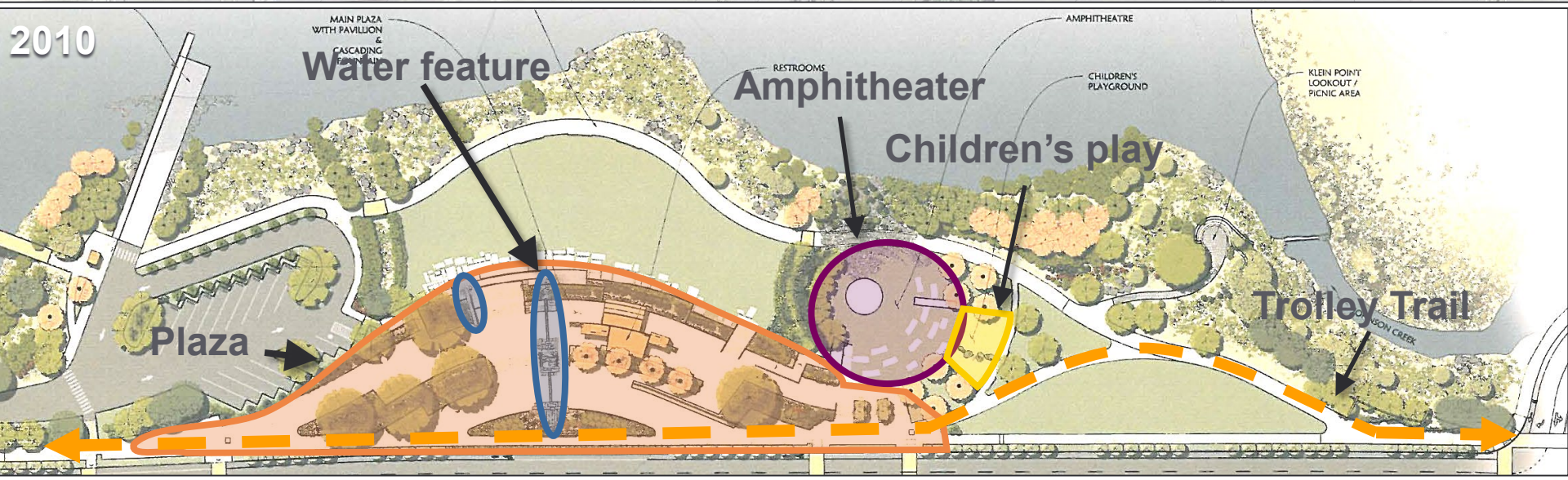
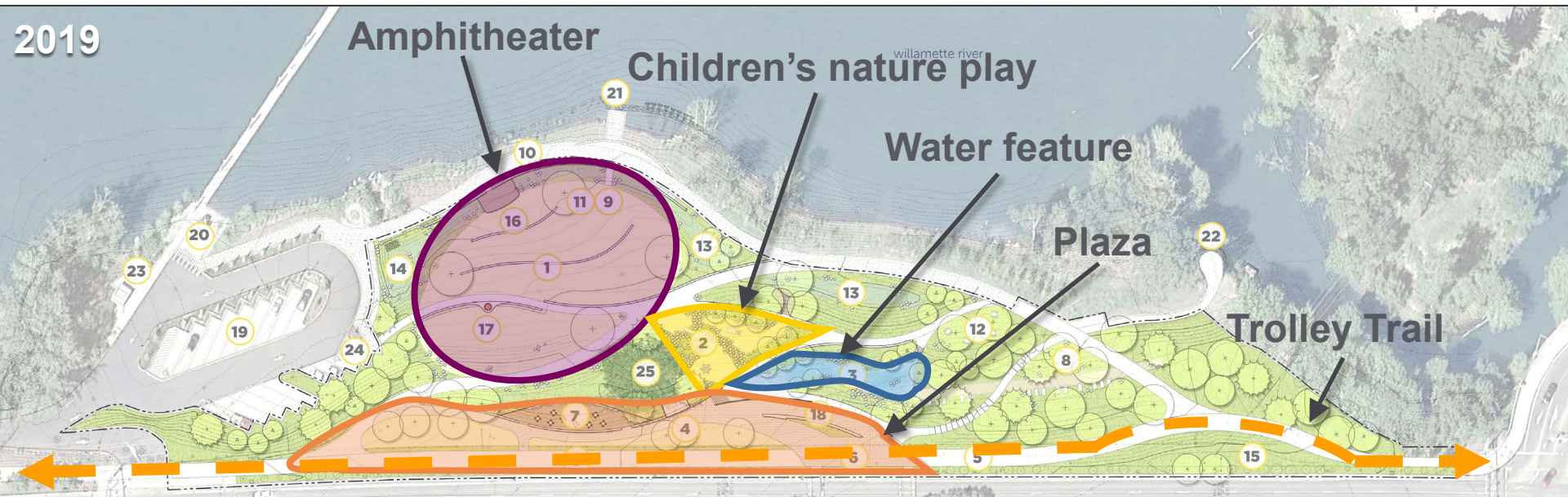
Draft Preferred Alternative



Draft Preferred Alternative



Draft Preferred Alternative



Concept Cost Estimates

Estimate based on draft preferred alternative

- **\$8.2 million** (construction costs)
 - Includes contingencies & escalation (16%)
 - Does not include soft costs (estimated at \$1.6m)

City estimates going in to project

- **\$3 million** estimated in Milwaukie's CIP 2017-22 (construction costs 2013, based on 2010 plan)
- **\$3.8 million** included for Project Budget in RFP (construction costs, with escalation from 2013)

Accounting for difference

- Economy: 2010-2019 escalation
- Differences in estimating and past assumptions

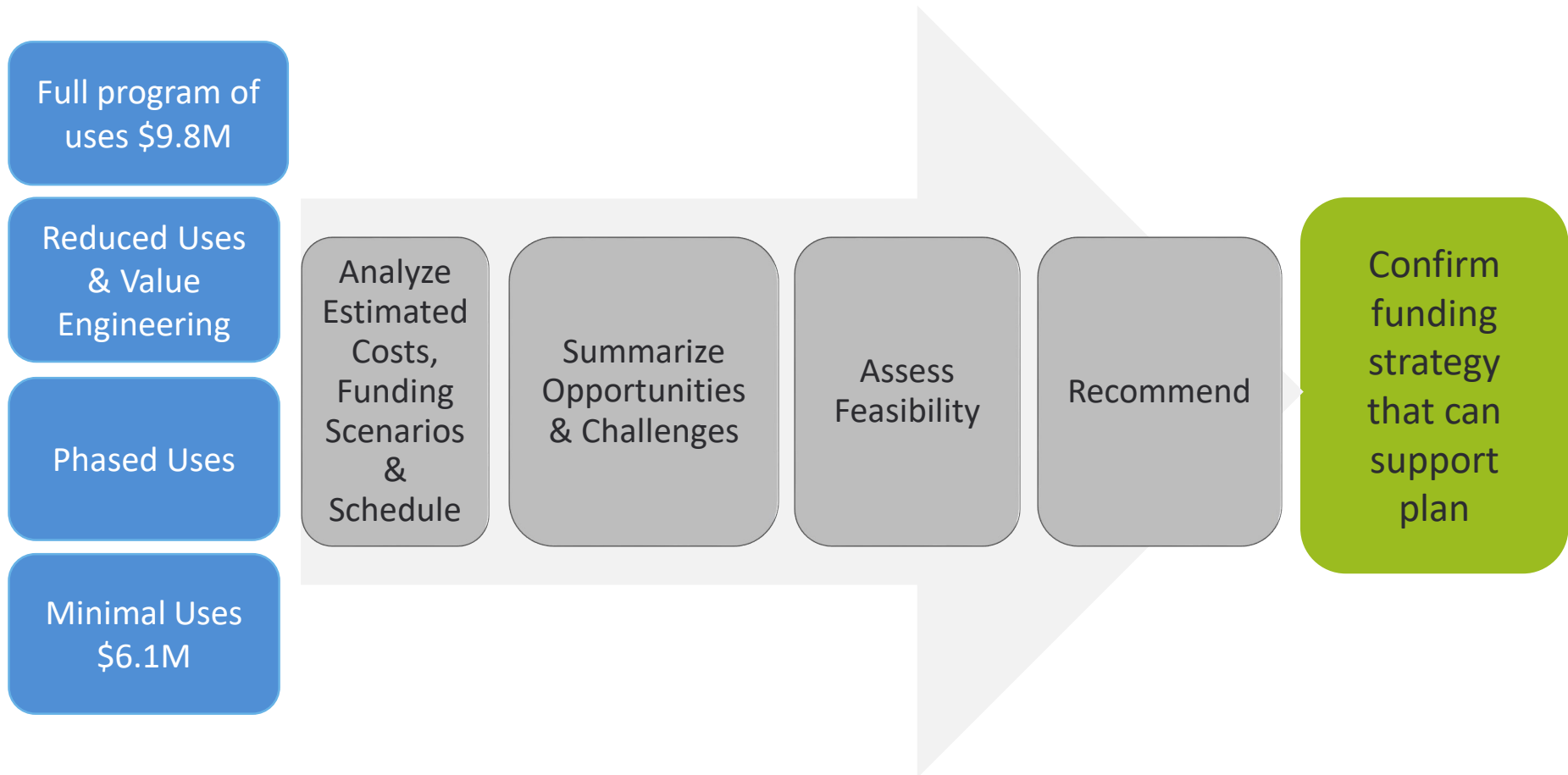
Funding

NCPRD-City Development of Funding Strategy in 2018/19

Source	Potential Amount
NCPRD SDC Zone 1 funds	Up to 1,600,000
City funds	250,000
Metro NCPRD Local Share (potential - pending bond measure)	500,000
Metro City Local Share (potential - pending bond measure)	TBD
Metro CIP (potential - pending bond measure)	750,000
Competitive Grants (parks, rec, state, regional, utility, trail, etc.)	Up to 1,000,000
NCPRD General Obligation Bond	TBD
Other or private	TBD
Estimated Total Funds	\$ 4,100,000
Estimated Cost (including soft costs)	\$ 9,800,000
Estimate Gap in Funding	\$ 5,700,000

Review phase

Aligning Uses and Funding Sources



Scenarios

Full Program

- All program elements, all finishes
- \$9.8m
- Requires bond (timing and outcome TBD)

Minimal Program

- Amphitheater, stage, paths, vegetation; no finishes
- \$6.1m
- Funding brought together 2019-21

Phasing (two kinds)

- Build elements at later date (after minimal program)
- Install infrastructure now, complete later
- Cost ranges and spread over time

Challenges

Balancing goals

- Funding availability
- Quality design: service and longevity
- Feasibility & timing of bond
- Timing of project

Challenges

Balancing goals

- Funding availability
- Quality design: service and longevity
- Feasibility & timing of bond
- Timing of project
 - Army Corps permit through Oct. 2020

Timeline for Project Completion



Design & Review

Ongoing - March 2019



Funding Strategy

Ongoing - January 2020+

Construction Docs

April 2019 - November 2019

Permits/Approvals

August 2019 - December 2019



Bidding

3 months; TBD per funding plan

Construction

12 months; TBD per funding plan

Next Steps

- Continue District & City reviews, determining the most viable design plan
- Continue development of funding strategy to match uses
- February SAC Meeting – review and advise
- Spring Public Meeting #3
- Design Development and Construction Documents



Questions or Comments?

For more information:

Heather Koch, Senior Planner

HKoch@ncprd.com / 503.742.4354



COUNCIL STAFF REPORT

To: Mayor and City Council
Ann Ober, City Manager

Date Written: Jan. 25, 2019

Reviewed: Kelly Brooks, Assistant City Manager

From: Jennifer Garbely, Assistant City Engineer

Subject: **Kronberg Multi-Use Path Project Update**

ACTION REQUESTED

Receive information on the Kronberg Multi-Use Path project.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

[October 20, 2015](#)- the revised Kronberg Park Master Plan (File #CPA-2015-002) was adopted by City Council, ordinance number 2107. As listed in the master plan cost estimate, Phase 1 includes the pathway and access improvements. The total estimated cost associated with Phase 1 construction and fees for design and construction documentation at that time was \$1,459,300.

[October 4, 2016](#)- City Council passed resolution 109-2016 that allowed the Mayor to sign an intergovernmental agreement (IGA) between the City of Milwaukie and the Oregon Department of Transportation (ODOT). The resolution also accepted funds from the ConnectOregon VI program for the construction of the path through the park in accordance with the approved master plan. The approved project budget through ConnectOregon was \$1,769,100.

[September 5, 2017](#)- staff presented two alignment options and associated costs to the City Council. Council eliminated alignment 2 due to the proximity to McLoughlin Blvd. City Council directed the Engineering Department to explore adding a curvilinear element to the alignment 1 elevated structure. Council indicated a preference for concurrent land use application and Willamette Greenway permit submittals. Possible funding options were discussed and were to be investigated further.

[October 17, 2017](#)- Staff presented two additional alignment options and associated costs to the City Council. Council selected alignment 4 and authorized an additional \$507,900 to the project to cover cost overruns. The final path width of 10 feet was used as the basis for the cost estimates, which corresponds to Milwaukie Municipal Code (MMC) for Multi-Use paths.

[June 5, 2018](#)- Staff presented a high-level update on the status of the Kronberg Project as part of a 2018 construction update during the Council work session. In this discussion, staff highlighted the need to provide additional contingency funding to the project in advance of sending it out to bid. During adoption of the Budget at the Council regular session on the same evening, an additional \$200,000 was budgeted for the Kronberg Park Multi-Use Path.

Staff presented and City Council authorized an amendment to the IGA at the June 19, 2018 Council meeting to request additional time and design amendments to reduce project costs and comply with the MMC.

[October 16, 2018](#)- staff provided an update on the Kronberg Project about the large sequoia tree, south connection to McLoughlin Blvd, hazardous materials, and Migratory Bird Treaty Act (MBTA) impacts.

ANALYSIS

Key elements occurring on the Kronberg Project are discussed below:

Contracts

Staff has broken this construction project into two contracts to meet the MBTA requirements. This includes having the trees on the site removed by March 1.

- 1) Tree removal and clearing & grubbing of the proposed walkway alignment
 - a. Documents prepared
 - b. Select a Contractor by February 7
- 2) Construction of the Kronberg Park Multi-Use Walkway
 - a. Preparing construction documents

Trees

The proposed tree removal plan has been attached for your information. All permits through the City and ODOT have been submitted. The City's public comment period ended January 23, 2019. ODOT has no public comment period.

Status of ODOT Review

ODOT has requested traffic control plans to be revised for the work to be performed at the south connection to McLoughlin Blvd. Updated drawings were submitted to ODOT on January 22, 2019. ODOT committed to a two-week turnaround period, which would put us at February 5 for final comments. Once traffic control plans are approved, the City may apply for construction permits and go out to bid.

Permits

- Land Use - submitted for a Type II review, public review period ends February 7, 2019
- City of Milwaukie Tree Removal Permit – pending (these should be complete by Feb 5)
- ODOT Tree Removal Permit – pending (these should be complete by Feb 5)
- City of Milwaukie building permits – pending until land use approval
- ODOT construction permit – City has submitted. Will receive after design receives final approval.

Budget

Our total budget for the project is \$2,369,700.

Schedule

Item	Schedule
Tree removal	Feb 7 to 28
Award Construction Contract	April
Construction Begins	Summer
Construction Complete	December

Risks: If we don't receive land use approval in time to remove trees by March 1, the project could be delayed.

BUDGET IMPACTS

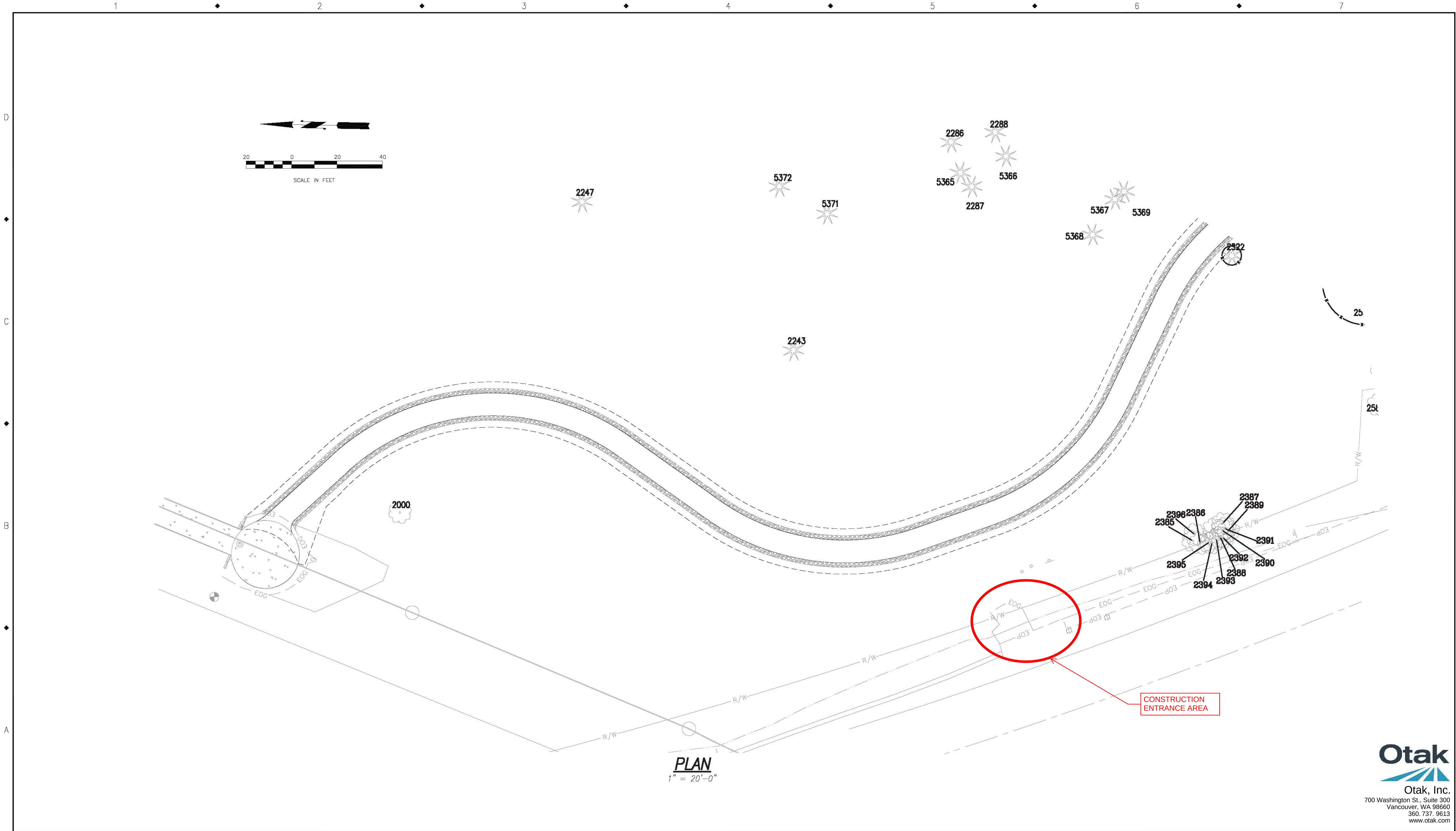
There may be a budget impact to splitting the project into two contracts and this will be confirmed when the main construction project bids.

COORDINATION, CONCURRENCE, OR DISSENT

Staff is working with North Clackamas Parks and Recreation District to complete a review on the mitigation plan and checking in with ODOT on a regular basis to ensure the process is moving forward.

ATTACHMENTS

1. Tree Removal Plan



NO.	DATE	BY	REVISIONS

DESIGNED	DATE
DRAFTED	DATE
CHECKED	DATE
APPROVED	DATE



MILWAUKIE
Dogwood City of the West

6101 SE JOHNSON CREEK BLVD.
MILWAUKIE, OR 97206

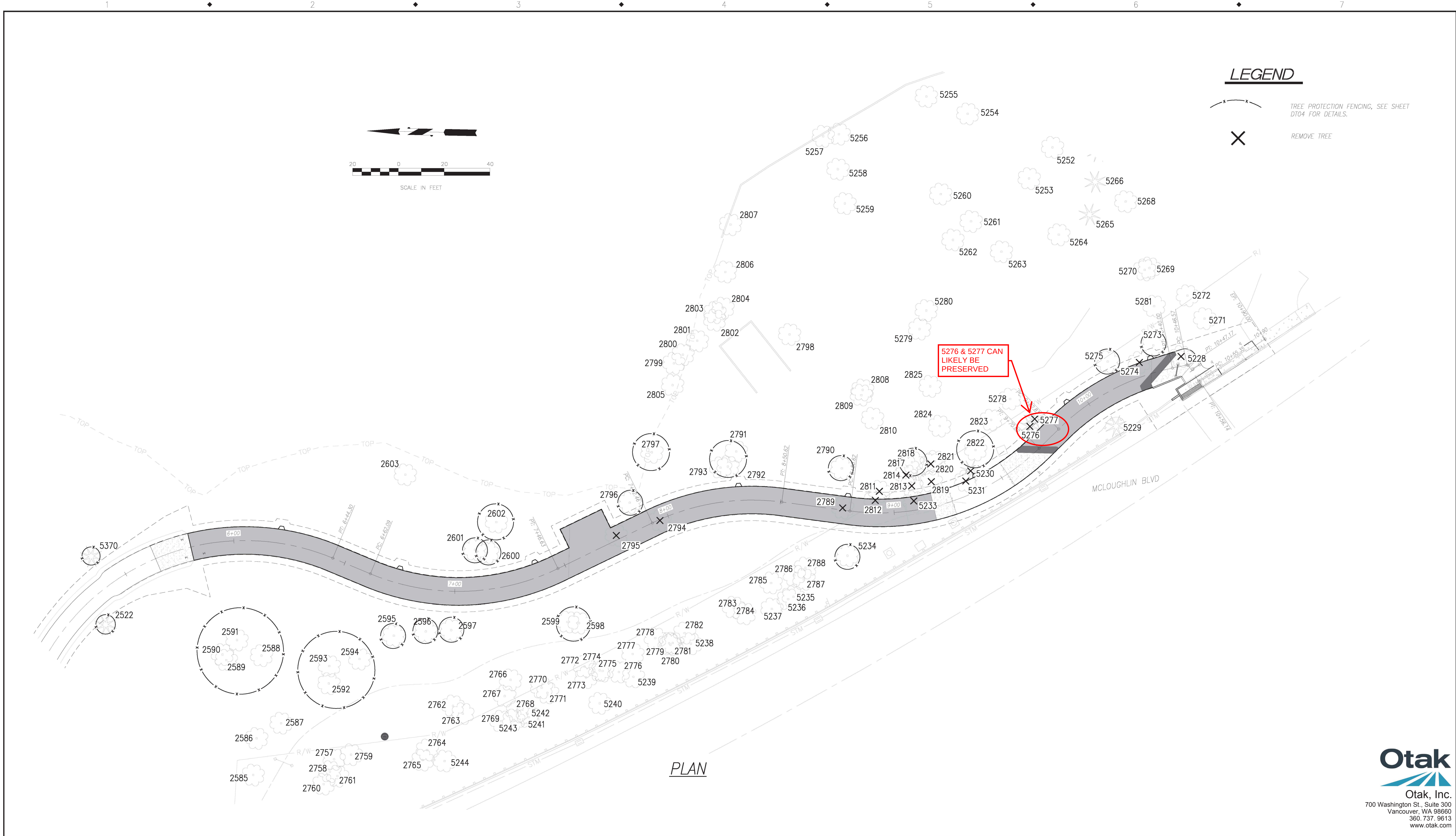
PHONE: 503-786-7600
FAX: 503-774-8236

KRONBERG PARK MULTI-USE PATHWAY

TREE REMOVAL

PROJECT NO.: CIP2017-D29	CONTRACT NO.:	DATE:	SHEET NO.: TR01 TR00
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Nov 20, 2018 - 12:03pm
V:\PROJECT\18400\CADD\ACAD\DWG\18408C-Tree removal.dwg



PLAN

NO.	DATE	BY	REVISIONS

C. Green	11/20/2018
DESIGNED	DATE
S. Lozano	11/20/2018
DRAFTED	DATE
CHECKED	DATE
APPROVED	DATE



MILWAUKIE
Dogwood City of the West

6101 SE JOHNSON CREEK BLVD.
MILWAUKIE, OR 97206

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KRONBERG PARK MULTI-USE WALKWAY

TREE REMOVAL

PROJECT NO.: CIP2017-D29	CONTRACT NO.:	DATE: NOV 2018	SHEET NO.: TR01
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Otak
Otak, Inc.
700 Washington St., Suite 300
Vancouver, WA 98660
360.737.9613
www.otak.com

WS 3. 2/5/19

Presentation

CITY OF MILWAUKIE KRONBERG PARK MULTI-USE WALKWAY

Jennifer Garbely

Kelly Brooks



OVERVIEW OF THE WALKWAY



- Tree removal
 - Documents prepared
 - Select a Contractor by February 7
 - Deadline March 1, 2019
- Main Construction
 - Preparing construction documents
 - Bid March 2019



ODOT REVIEW

Final approval of Traffic Control Plan (TCP) for maintaining pedestrian access 24/7



- Type II application
- Public comment period ends February 7th
 - NCPRD comment on mitigation plan
 - As of today no additional public comments received
- Require Land Use approval before trees can be removed



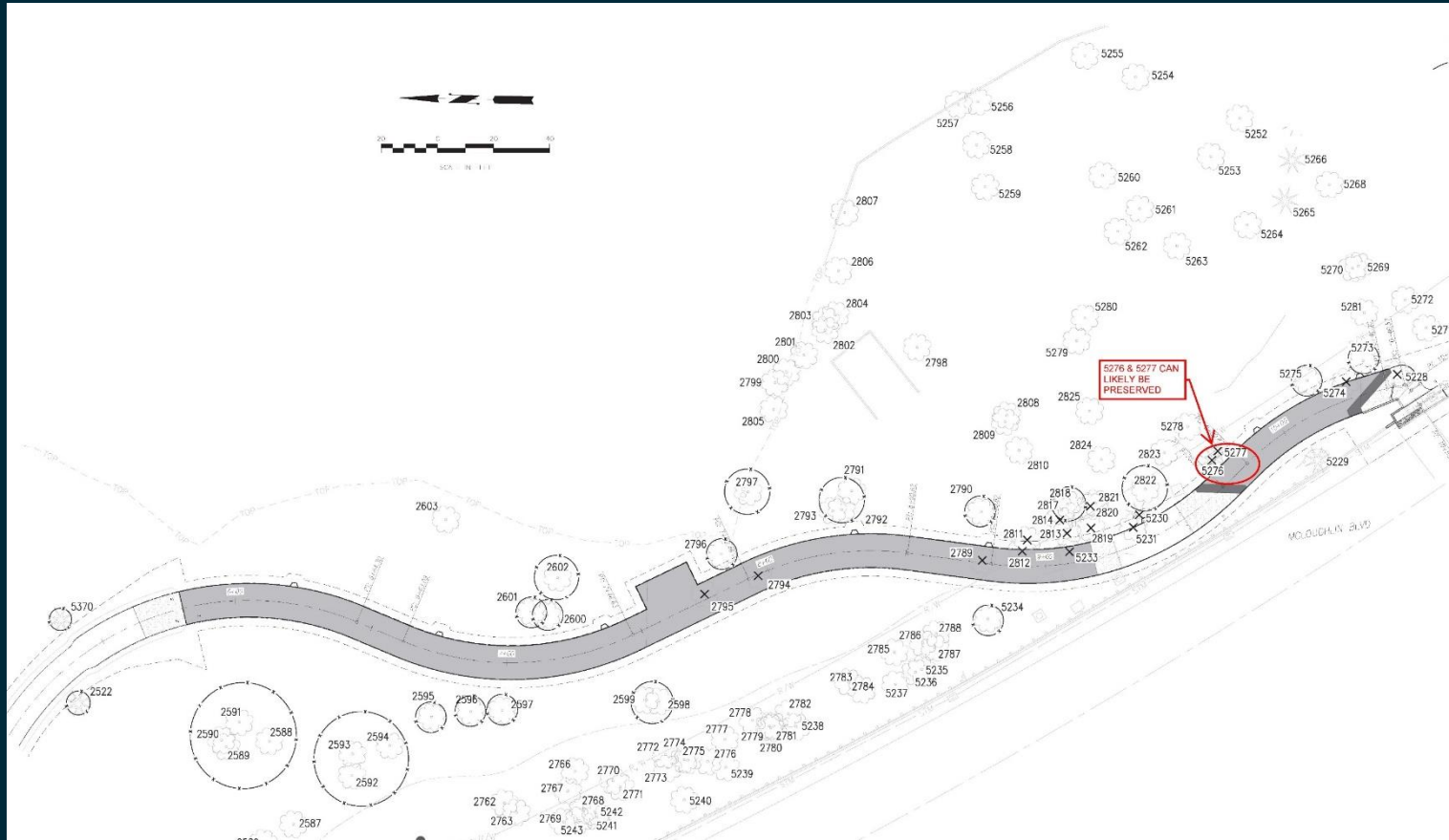
PERMITS

- City Tree Removal Permit
- ODOT Tree Removal Permit – Contractor's TCP
- Building Permits – pending until land use approval
- ODOT Construction Permit – Waiting for Engineering and maintenance approval



TREE REMOVAL

14 trees to
be removed



SCHEDULE

- Responding to Land Use comments
- Finalizing ODOT comments for final design
- Bid March 2019
- Award April 2019
- Anticipated completion Dec 2019



