



**Work Session**

**WS**

**Milwaukie City Council**

## COUNCIL WORK SESSION

City Hall Council Chambers, 10722 SE Main Street  
& Zoom Video Conference ([www.milwaukieoregon.gov](http://www.milwaukieoregon.gov))

## AGENDA

JULY 19, 2022

**Council will hold this meeting in-person and through video conference.** The public may attend the meeting by coming to City Hall or joining the Zoom webinar, or watch the meeting on the [city's YouTube channel](#) or Comcast Cable channel 30 in city limits. For Zoom login visit <https://www.milwaukieoregon.gov/citycouncil/city-council-work-session-304>.

**To participate in this meeting by phone** dial 1-253-215-8782 and enter Webinar ID 847 1299 8920 and Passcode: 331507. To raise hand by phone dial \*9.

**Written comments** may be delivered to City Hall or emailed to [ocr@milwaukieoregon.gov](mailto:ocr@milwaukieoregon.gov). Council may take limited verbal comments.

**Note:** agenda item times are estimates and are subject to change.

**Page #**

**1. Climate Financing – Discussion (4:00 p.m.)**

**1**

Staff: Peter Passarelli, Public Works Director

**2. Adjourn (5:30 p.m.)**

### Executive Session

After the work session Council will meet in executive session pursuant to Oregon Revised Statute (ORS) 192.660 (2)(h) to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

### Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice

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### Servicios de Accesibilidad para Reuniones y Aviso de la Ley de Estadounidenses con Discapacidades (ADA)

La ciudad se compromete a proporcionar igualdad de acceso para reuniones públicas. Para solicitar servicios de asistencia auditiva y de movilidad, favor de comunicarse a la Oficina del Registro de la Ciudad con un mínimo de 48 horas antes de la reunión por correo electrónico a [ocr@milwaukieoregon.gov](mailto:ocr@milwaukieoregon.gov) o llame al 503-786-7502. Para solicitar servicios de traducción al español, envíe un correo electrónico a [espanol@milwaukieoregon.gov](mailto:espanol@milwaukieoregon.gov) al menos 48 horas antes de la reunión. El personal hará todo lo posible para responder de manera oportuna y atender las solicitudes. La mayoría de las reuniones del Consejo de la Ciudad se transmiten en vivo en el [canal de YouTube de la ciudad](#) y el Canal 30 de Comcast dentro de los límites de la ciudad.

**Executive Sessions.** The City Council may meet in executive session pursuant to Oregon Revised Statute (ORS) 192.660(2); all discussions are confidential; news media representatives may attend but may not disclose any information discussed. Final decisions and actions may not be taken in executive sessions.

**COUNCIL STAFF REPORT**

**To:** Mayor and City Council  
Ann Ober, City Manager

**Date Written:** July 6, 2022

**Reviewed:** Jennifer Lee, Administrative Specialist II (as to form)

**From:** Peter Passarelli, Public Works Director, and Natalie Rogers, Climate & Natural Resource Manager

**Subject:** **Climate Financing**

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**ACTION REQUESTED**

Council is asked to review potential options for generating additional revenue to support ongoing climate action work at the city and provide direction on proposed option(s) to explore further and upcoming stakeholder interviews.

**HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

[May 2, 2017](#): Council adopted a resolution setting goals for the 2017-2018 biennium, including a climate change action goal calling for the creation of a climate action plan for the city.

[October 2, 2018](#): Council adopted the Milwaukie [Climate Action Plan](#) (CAP) which includes high-level carbon reduction goals and 53 city-led actions to mitigate emissions and adapt to a changing climate.

[January 21, 2020](#): Council adopted a resolution to declare a climate emergency and calls for the acceleration of the adopted CAP carbon reduction goals by 5-years for each goal.

[August 18, 2020](#): Council adopted the [2020 Comprehensive Plan](#), including policies related to climate and energy, and environmental policies focused on natural resources, surface water utilities, and trees in Milwaukie.

[July 20, 2021](#): Council discussed 2021 and 2022 goal setting, including continuing the climate action goal. As a component of the renewed climate goal, council discussed having staff focus on exploring long-term financing mechanisms to institutionalize climate work at the city.

[September 21, 2021](#): Council adopted a resolution adopting the 2021 and 2022 council goals, including the renewed climate action goal.

[October 12, 2021](#): Staff presented an update on Milwaukie's to-date climate programming and relevant projects implemented to achieve the city's climate goals.

**ANALYSIS**

Council adopted the city's first 'climate change action' council goal in 2017, calling for the creation of the CAP to address climate change in Milwaukie. Council has since adopted the CAP and a [climate emergency declaration](#) which work together to call for carbon-free electricity by 2030, zero-emissions from fossil fuels by 2035, and community carbon neutrality by 2045.

Over the last five years, staff have integrated climate action into ongoing city processes and educated staff and community members on climate impacts associated with municipal and

community processes. Staff have also created and expanded city-led sustainability and carbon reduction programs and projects as directed by council and the CAP, with the public works department leading that work. Staff continue to collaborate with local energy utilities, state agencies, and regional stakeholders to meet the adopted CAP goals and implement CAP actions associated with building energy and transportation emissions, natural resources, and community resiliency. This work aligns with policies adopted in the 2020 Comprehensive Plan, which includes specific climate and energy policies and environmental policies.

Through the most recent 2021/2022 council goal adoption process, council highlighted the ongoing importance of climate action and the need to institutionalize climate work into city processes rather than continue to adopt annual council climate goals. Council directed staff to explore long-term funding strategies to support this work in future years.

### **Funding Goal**

City staff have contracted with FCS Group, a private consulting group that works with public sector clients to address financial, management and economic topics, to explore revenue opportunities within existing city financing systems and propose a variety of options to Council for consideration. The city has worked with FCS Group previously for wastewater utility system development charge options.

FCS Group worked with city staff to identify and evaluate potential revenue options for the administrative costs of performing the climate work outlined in the CAP. Staff asked FCS to consider a funding range between \$300,000 to \$750,000 for each option. These continual “soft costs” are harder to fund through grants and opportunistic funding opportunities as they are typically not related to individual projects or programs or do not meet grant project requirements, and instead cover resources such as staff time and employment, outreach and education materials, and hardship assistance funds.

### **Internal Stakeholder Meetings**

FCS Group held meetings with public works staff to identify existing revenue pathways within the city which could be modified or utilized to meet the funding needs. Public works staff provided context on Milwaukie’s utility rate setting, budgetary processes and constraints, and previous feedback on utility and living costs from community members. Staff also provided FCS Group with additional information to consider, including the city’s [Carbon Calculator](#), overview of utility customer type and rate schedules, and business registration types. FCS Group also met with the city’s administrative services director, community development director, and city manager to collect feedback on opportunities and challenges and review the proposed options.

### Proposed Funding Strategy Options

FCS Group and city staff have identified the following funding strategy options to generate revenue for Milwaukie’s climate work:

Funding Strategy Option	Description
Utility Service Options	
Charge based on water utility services	Flat charge per account type
Charge based on water utility services	Flat monthly charge based on meter size
Charge based on utility service fee	Scaled monthly charge based on water consumption
Business License Option	
Two-part Business License Fee Charge	Annual flat fee per license type and number of full-time employees (FTEs)
Transportation Impacts Options	
Charge based on transportation impacts	Monthly charge based on transportation impacts using surface streets maintenance program data, charge based on equivalent residential unit
Fee based on transportation impacts (excluding single family residential)	Monthly charge based on transportation impacts using surface streets maintenance program data, charge based on equivalent residential unit, <i>(only applies multi-family residential customers)</i>
Greenhouse Gas (GHG) Emissions Option	
Charge based on estimated GHG emissions	Monthly charge based on estimated GHG impacts using surface streets maintenance program billing data.

### Preliminary Evaluation

Each of the above options has the capability of generating \$300,00 to \$750,000 for the city’s climate work. FCS Group has performed a preliminary evaluation of the above proposed options using the following policy considerations:

- Socio-Economic Equity
- Industrial Equity
- Revenue Reliability
- Market Acceptance
- Implementation
- Auditability
- Accounting
- Administrability

Overall, each funding strategy option showed strengths and weaknesses meeting the above policy considerations. Staff and FCS Group will present an overview of rankings for each option in the presentation to council on July 19. FCS Group will present fiscal impacts to each customer type at the July 19 council presentation.

**BUDGET IMPACT**

Selection and implementation of one or more of the proposed options for revenue generation strategies could result in a significant increase in budget for climate programming and projects in Milwaukie.

**WORKLOAD IMPACT**

Additional funding through the revenue options explored above could allow for better implementation of climate policies, programs and projects adopted as actions in the 2018 CAP but are currently without allocated resources. Implementation of these additional actions may increase potential workload of public works staff however, increased funding could also allow staff flexibility to contract out for more efficient processes if needed, explore internships and stakeholder partnerships to reduce city-staff workload and build partnerships, and potentially fund collaborative processes with community-based organizations to manage programs in the community.

Finance department staff will have additional workload for the administration of the selected revenue strategy during the implementation phase.

**CLIMATE IMPACT**

Additional funds for the city's climate program would better align the city's ongoing climate work with the expectations outlined in the CAP. A budget increase could provide important resources to create or expand programming which would lead to carbon emission reductions or better climate adaptation and resiliency benefits for the community.

**COORDINATION, CONCURRENCE, OR DISSENT**

FCS Group and city staff are continuing to coordinate with community development, finance, and the city manager to explore financial strategies for climate work.

**STAFF RECOMMENDATION**

Staff recommends that Council hear the proposed funding strategy options and provide feedback and direction to staff on preferred options or alternatives.

**ALTERNATIVES**

None.

**ATTACHMENTS**

None.

# Climate Action Plan Funding Alternatives



CITY OF MILWAUKIE

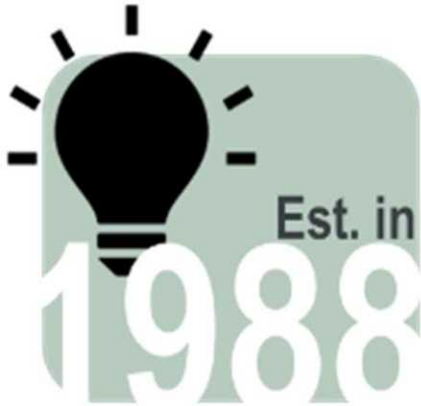
WS 1. 7/19/22  
Presentation

## PRELIMINARY FINDINGS CITY COUNCIL WORKSHOP

Martin Chaw, Project Manager  
Evan Coughlan, Analyst  
Todd Chase, Principal

July 19, 2022

# About FCS Group



- **Utility rate and fee consulting**
- **Utility management consulting**
- **Financial planning and analysis**
- **Economic services**





# Scope of Work

- Identify and evaluate potential revenue options to fund administrative costs of the City's Climate Action Plan
  - » **Targeted Revenue Requirement: \$300K to \$750K per year**
- Stakeholder interviews for feedback on potential revenue options
- Prepare written report with findings



## **Tonight's Objective**

- **Brief Council on revenue options evaluated**
- **Seek Council direction on preferred option or options**
- **Discuss next steps**



# Funding Strategies

- **Four general revenue approaches**

Charge based on  
Utility Services  
(per water account)

Charge based on  
Business License  
and FTEs

Charge based on  
Transportation  
Impacts

Charge based on  
estimated Green  
House Gas  
Emissions

Charge based on  
Utility Service  
(water meter size)

Charge based on  
Transportation  
Impacts  
(excluding SFR)

Charge based on  
Utility Service Fee  
(water consumption)



# Funding Strategies

- **Utility Services Options**

Charge based on  
Utility Services  
(per account)

**A. Flat monthly charge assessed on each water utility account**  
**6,800 water utility accounts, billed monthly**  
***\$3.70 to \$9.20 per month***

Charge based on  
Utility Service  
(Meter Size)

**B. Charge scaled based on size of water meter**  
***\$2.60 to \$6.50 per month for 5/8" x 3/4" water meter***  
***(most common meter for SFR customers)***  
***\$6.50 - \$416.80 per month for 1" to 6" water meter***

Charge based on  
Utility Service Fee  
(water consumption)

**C. Charge based on amount of water used**  
***\$0.34 to \$0.83 per ccf per month***  
***\$2.04 to \$4.98 per month***  
***(for the average SFR user typical 6ccf monthly water usage)***



# Funding Strategies

- **Business license option (Based on full time equivalent workers)**

Charge based on  
Business License  
and FTEs

## Two-part charge

- **Annual fee based on business license**
- **Number of reported FTEs**

***\$89 - \$221 per year per business license***

***\$15 - \$37 per year per employee***



# Funding Strategies

- **Transportation Impacts options**

Charge based on  
Transportation  
Impacts

**A. Monthly charge based on transportation impacts**  
*(using surface streets maintenance program billing data)*

***\$1.16 to \$2.90 per month***

*(charge based on equivalent residential unit)*

Fee based on  
Transportation  
Impacts  
(excluding SFR)

**B. Same as above, but applies to non-single family  
residential customers only**

***\$1.61 to \$4.02 per month***

*(charge based on equivalent residential unit)*



# Funding Strategies

- **Green House Gas emissions option**

Charge based on  
estimated Green  
House Gas  
Emissions

**Monthly charge based on estimated GHG impacts (using surface streets maintenance program billing data)**

***Average monthly charge per ERU***

***Residential: \$1.17 to \$2.92***

***Services: \$0.24 to \$0.60***

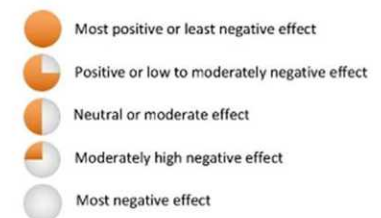
***Retail: \$0.13 - \$0.32***

***Industrial: \$2.97 - \$7.41***



# Preliminary Evaluation

Policy Consideration	Utility – Account	Utility – Meter Size	Utility – Consumption	Business License and FTE	Transp. Impact	Transp. Impact (No SFR)	Green House Gas
Socio-Economic Equity							
Industrial Equity							
Revenue Reliability							
Market Acceptance							
Implementation							
Finance & Administration							
Nexus to CAP							
<b>Total Score</b>							





# **Sample Customer Analysis**

- **Single Family Residential (small, average, large)**
- **Multifamily Residential**
- **Commercial (drug store, supermarket)**
- **Non-SFR (manufacturing, industrial)**
- **Other (restaurant, coffee shop)**



# Sample Customers

Customer Class	Number of Utility Accounts	Utility Meter Size (Inches)	Utility Consumption (CCF)	Business License and FTE	Transp. Impact (SSMP)	Transp. Impact (No SFR)	Green House Gas
SFR – Small	1	3/4 inch	3.0 ccf	n/a	1.00	--	1.00
SFR – Average	1	3/4 inch	6.0 ccf	n/a	1.00	--	1.00
SFR – Large	1	3/4 inch	15.0 ccf	n/a	1.00	--	1.00
Multifamily	6	2 inch	74.0 ccf	n/a	230.00	230.00	230.00
Comm. Retailer 1	1	1.5 inch	5.0 ccf	1 & 23 FTEs	23.96	23.96	23.96
Comm. Retailer 2	1	2 inch	150.0 ccf	1 & 124 FTEs	45.26	45.26	45.26
Industrial Heavy	1	4 inch	2,088.0 ccf	1 & 289 FTEs	159.70	159.70	159.70
Industrial Light	1	1.5 inch	105.0 ccf	1 & 44 FTEs	18.72	18.72	18.72
Restaurant 1	1	2.0 inch	64.0 ccf	1 & 11 FTEs	2.35	2.35	2.35
Restaurant 2	1	3/4 inch	4.0 ccf	1 & 4 FTEs	1.50	1.50	1.50



# Customer Impacts – Monthly Charges

(for sample customers)

Customer Type	Utility – Account	Utility – Meter Size	Utility – Consumption	Business License and FTE	Transp. Impact	Transp. Impact (No SFR)	Green House Gas
SFR (small)	\$4 - 9	\$3 – 7	\$1 – 3	n/a	\$1 – 3	n/a	\$1 – 3
SFR (avg)			\$2 – 5				
SFR (large)			\$5 – 13				
MFR		\$124 – 308	\$25 – 62	\$15 – 37	\$266 – 667	\$371 – 925	\$269 – 672
Commercial 1		\$21 – 51	\$2 – 4	\$36 – 90	\$28 – 70	\$39 – 96	\$3 – 8
Commercial 2			\$51 – 125	\$162 – 400	\$53 – 131	\$73 – 182	\$6 – 15
Ind. Heavy		\$21 – 51	\$710 - 1,733	\$369 – 910	\$185 – 463	\$257 – 642	\$474 – 1,183
Ind. Light		\$13 – 32	\$36 – 87	\$63 – 154	\$22 – 54	\$30 – 75	\$56 – 139
Restaurant 1		\$3 – 7	\$22 – 53	\$21 – 52	\$3 – 7	\$4 – 9	\$1 – 2
Restaurant 2		\$7 – 16	\$2 – 4	\$12 – 31	\$2 – 5	\$2 – 6	\$0.50 – 1

*Charges rounded to nearest dollar.*



# Customer Impacts – \$500,000 Revenue Target

(monthly charges for sample customers)

Customer Type	Utility – Account	Utility – Meter Size	Utility – Consumption	Business License and FTE	Transp. Impact	Transp. Impact (No SFR)	Green House Gas
SFR – Small	\$6	\$4	\$2	n/a	\$2	n/a	\$2
SFR – Average			\$3				
SFR – Large			\$9				
Multifamily	\$37	\$205	\$42	\$25	\$444	\$616	\$449
Comm. Retailer 1	\$6	\$34	\$3	\$60	\$46	\$64	\$5
Comm. Retailer 2			\$84	\$271	\$87	\$121	\$10
Industrial Heavy			\$1,169	\$614	\$308	\$428	\$789
Industrial Light		\$21	\$59	\$104	\$36	\$50	\$93
Restaurant 1		\$4	\$36	\$35	\$5	\$6	\$1
Restaurant 2		\$11	\$2	\$21	\$3	\$4	\$1



# Discussion and Next Steps

- **Council discussion**
- **Preferred alternative(s)?**
- **Direction to staff and consultants?**
- **Recap and Next Steps**

# Thank you!

## Questions?

**Todd Chase**  
Principal/Economist  
503.374.0676  
toddc@fcsgroup.com

**Martin Chaw**  
Sr. Project Manager  
425.274.2853  
martinc@fcsgroup.com

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

Re: Written Testimony for **Agenda 1, Climate Financing**, Work Session, July 19, 2022

To: Mayor Gamba, Council President Hyzy, and Councilors Batey, Nicodemus, Khosrobadi; City Manager Ober and Public Works Director Passarelli

I don't suppose Council would **refer to Milwaukie Citizens/voters the Final Say (approval or rejection)** on any new fee (s), or increase in fee(s), sought by Council for funding the City's Climate Action activities? I should think Council would be especially sensitive to the plight of citizens given the surge in living costs and would as such give voters the final say if Council should want to pursue separate funding for the City's Climate Action activities.

As an **alternative to adding to water bills** as outlined by City Staff in this Work Session packet, might the Council consider **increasing the franchise fee for Utility natural gas instead?**

This is not something I care for, and it would also increase living costs, but it could be viewed as a **compromise approach to allowing fuel choice to continue for Home Heating** (instead of banning or restricting through regulation the use of natural gas for home heating) which furthers the funding for Climate Action Plan activities.

A Franchise Fee increase could, for instance, fund actions which have tangible and relatively near-term benefits for Milwaukie residents. I am thinking here of using some of these extra funds to give property owners a break on their water bills if they plant and maintain trees near the street (but not in right-of-way), to provide shade to diminish summer urban heat sink effects of streets. Of course, the trees so induced would have to be of a variety(s) which doesn't (don't) increase street maintenance costs or cause interference with overhead utility lines or line of sight for drivers.

Well, I continue to believe the costs and trade offs of government interference in our lives in the name of climate change is foolish – as it seems lacking any common sense to think Milwaukie or even a conglomeration of Oregon cities can change the temperature of the Globe and even while such efforts by the City only duplicates state government bureaucracy which also aims to sharply reduce/offset greenhouse gas emissions (although while also allowing more flexibility than outright bans/hard restrictions).

Sincerely,  
Elvis Clark  
Ardenwald neighborhood  
Milwaukie 97222