

**Work Session**

**WS**

**Milwaukie City Council**

## COUNCIL WORK SESSION

City Hall Council Chambers, 10501 SE Main Street  
& Zoom Video Conference ([www.milwaukieoregon.gov](http://www.milwaukieoregon.gov))

## REVISED AGENDA

MARCH 19, 2024

(Revised March 15, 2024)

**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-345>.

**To participate in this meeting by phone** dial 1-253-215-8782 and enter Webinar ID 829 4863 6541 and Passcode: 642219. 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.

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1. **Per- and Polyfluoroalkyl Substances (PFAS) – Update** (4:00 p.m.) 11  
Staff: Peter Passarelli, Public Works Director
2. **Houseless Services – Update** (removed from the agenda)
3. **Credit Card Fees – Discussion** (4:30 p.m.) 17  
Staff: Emma Sagor, Assistant City Manager, and  
Michael Osborne, Assistant Finance Director
4. **Adjourn** (5:30 p.m.)

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# CITY OF MILWAUKIE

## Memorandum

**To:** City Council  
**From:** Joseph Briglio, Community Development Director  
**CC:** Ann Ober, City Manager  
**Date:** March 19, 2024  
**Re:** Community Development Department Monthly Update

Community Development, Economic Development, & Housing	Planning	Building	Engineering
<ul style="list-style-type: none"><li>▪ City Hall</li><li>▪ Economic Development</li><li>▪ Affordable Housing</li></ul>	<ul style="list-style-type: none"><li>▪ Comprehensive Plan Implementation</li><li>▪ Planning Commission</li><li>▪ Design and Landmarks Committee</li><li>▪ Land Use/ Development Review</li></ul>	<ul style="list-style-type: none"><li>▪ February Review</li></ul>	<ul style="list-style-type: none"><li>▪ CIP</li><li>▪ Traffic/Parking Projects</li><li>▪ Right-of-Way Permits</li><li>▪ PIP</li><li>▪ Document Administration</li></ul>

## COMMUNITY DEVELOPMENT/ECONOMIC DEVELOPMENT/HOUSING

### City Hall Projects

#### Historic City Hall

- City staff and representatives from Henry Point Development have executed the disposition and development agreement (DDA). The DDA serves as the roadmap for preparing city hall for its next intended use and ensuring that conditions such as maintaining the historic façade, among others, are compulsory with the property transfer.
- Staff and Henry Point Development have agreed on an MOU that will help ensure that the city and the new ownership continue to partner in events, improvements, and other complementary operations.
- Henry Point Development received land use approval from the Planning Commission on June 27 for minor modifications to the site.
- In November 2023, Henry Point provided official notice to the city that it had completed its due diligence items and would like to proceed with the sale and transfer of the building.
- On February 1, the sale of historic city hall closed. A condition of the sale required a restrictive covenant to be placed over the building façade in order to preserve its historic significance in perpetuity.

- Henry Point Development had submitted plans to the building division prior to the transfer of the property in anticipation of moving forward as quickly as possible. They pulled their demo permit soon after the sale and have already begun the environmental abatement measures and interior demolition.
- pFriem Beer and Keeper Coffee recently announced their new locations at Historic City Hall and the press has been very positive - <https://www.oregonlive.com/beer/2024/03/pfriem-family-brewers-to-open-first-portland-area-taproom.html>
- The pFriem, Keeper, and Milwaukie flags flying in front of the building.

### **New City Hall**

- A mini-split air conditioning system was installed for the server room on the second floor and the general contractor has been paid for all work. This project is officially closed as of February 1.

### **Economic Development**

- *Downtown:* Staff worked closely with the owner of Spoke and Word, an independent bookstore, to find a location on Main Street. They are officially open. Mama's and Hapa's Zero Waste Shop in the Axletree building is also newer to downtown and open. The planning division received a pre-application for a food cart pod at the old Peakes Funeral home next to new city hall. The applicant has stated that this is exploratory at the moment and that nothing has been finalized. The Collectors Mall, along with the adjacent store fronts, is currently for sale.
- *Milwaukie Marketplace:* Tenant improvements continue to occur inside the New Seasons space. They held a community based soft-opening event on February 8<sup>th</sup> and are targeting March 27 for its official grand opening. The building division issued permits for Ace Hardware, which will be occupying the old Tuesday Morning space. Planet Fitness and Luna's Ice Cream are currently open.
- *Milwaukie Station:* In order to address new state wastewater requirements for food cart pods, staff worked on improving the site with sewer and grease interceptor traps. Without these upgrades, the food carts would no longer be allowed to operate at Milwaukie Station. The project is complete and operates well. Eleven of the twelve cart spaces are occupied.
- *Enterprise Zone:* Staff have met with two businesses relocating to Milwaukie's north innovation area and taking advantage of the North Clackamas Enterprise Zone tax incentives. The two businesses are Swagelock and Overland Van Project. The Overland Van Project was recently approved for the incentive. Additionally, City and County staff recently met with Alpine Foods who are interested in applying in order to help offset their current expansion costs. These are still ongoing.
- *Urban Renewal Area Economic Development Programs:* Staff recently contracted with regional economic development consultant and expert, John Southgate, to help create the criteria associated with the 5-Year Action Plan's Predevelopment Assistance, Tenant Improvement, and Small Business Assistance programs. The MRCCAC convened in November and January to discuss the draft criteria and provide feedback on the emerging programs. The next step is to present the draft criteria to the Council in March.

## **Affordable Housing**

- **Sparrow Site:** The city purchased the parcel ("main property") at the northeast corner of SE Sparrow Street and the Trolley Trail from TriMet for the purpose of land banking to support affordable housing several years ago. More recently, staff received a Metro Brownfields grant to support due diligence for the acquisition of 12302 SE 26<sup>th</sup> Avenue ("auxiliary property") from TriMet in order to help rectify access constraints to the main property. The city closed on the 12302 SE 26<sup>th</sup> Ave ("auxiliary") property and is considering next steps.
- **Coho Point:** The Developer presented an update to the city council during its February 21, 2023, work session and requested a 12-month extension of the Disposition and Development Agreement (DDA) due diligence period because of extenuating circumstances involving supply chain and subcontractor timing issues related to the COVID-19 pandemic. The due diligence period was officially extended to March 31, 2024. City Staff recently signed off on the Developer's conditional letter of map revision (CLOMR) submittal to FEMA so that they can begin the approval process for building within the flood plain. Staff were notified on May 10, 2023, that Black Rock had submitted the CLOMR to FEMA. The review process typically takes several months, and FEMA has requested additional information from the applicant in September 2023 and January 2024. The applicant has 90 days to address FEMA's comments and resubmit and will likely need another due diligence extension in order to get through the federal process.
- **Construction Excise Tax (CET) Program:** The CET Program was established by the city council in 2017 and codified within chapter 3.60 (Affordable Housing Construction Excise Tax) of the municipal code. The CET levy's a one percent tax on any development over \$100,000 in construction value. In example, a property owner who is building an addition that has an assessed construction value of \$100,000 would have to pay \$1,000 in CET to the city. As development continues throughout the city, the CET fund increases in proportionality.

The city released its inaugural competitive bid process for CET funds through a formal Request for Proposals (RFP). This resulted in Hillside Park Phase I being awarded \$1.7M (requested \$2M) and the Milwaukie Courtyard Housing Project (Now called Milwaukie Shortstack) with \$300K (requested \$600K).

On March 7, 2023, the city council authorized the city manager to execute the necessary grant agreements in the amounts listed above. The grants agreements for both projects have been signed and executed, and initial funding disbursements have occurred. Staff will now work with the applicants to ensure that their projects meet the conditions for funding.

# PLANNING

## **Comprehensive Plan Implementation**

- Following a series of public workshops and an online survey, planning and community development staff are moving forward with proposed code amendments and an economic development toolkit for the Neighborhood Hubs project.

Staff held a work session with the City Council on December 19 to discuss the project status and next steps. Staff met with the Planning Commission in a work session on January 23 to provide an update and discuss a draft set of proposed code amendments. A public hearing with the Planning Commission was scheduled for March 12. The required 30-day notice and code commentary was posted on February 7:

<https://www.milwaukieoregon.gov/planning/za-2024-001>.

Measure 56 notices, 300-ft notices, and emails to NDAs and other stakeholders were sent the week of February 12.

After a detailed presentation about the project and the proposed amendments, the Planning Commission voted unanimously to recommend approval of the amendments. The City Council hearing has been scheduled for May 7.

## **Transportation Systems Plan (TSP)**

- The TSP kicked off in October. Three Technical and Advisory Committee meetings have been held. To date, the committees have reviewed a plans and policy overview, financial forecast memo, a community profile, a community engagement plan, and a draft of the TSP goals and policies. The first community-wide meeting is scheduled for March 21 to introduce the project and solicit feedback on the draft goals and policies. The next Advisory Committee meeting will be held on Thursday, April 18, and the next Technical Committee meeting is scheduled for Wednesday, April 17.

## **Planning Commission**

- ZA-2022-005: A Type V code amendment application related to Climate Friendly Equitable Communities rulemaking. The Planning Commission held a public hearing on February 14<sup>th</sup> and voted 6-0 to recommend approval of the code amendments. The City Council discussed the amendments during the regular session on March 7<sup>th</sup>. These code amendments were put on hold until the rulemaking process was complete in the fall of 2023. Staff will be taking an updated code package to the Planning Commission for a workshop on February 27, 2024, and then for a public hearing on March 12, 2024. A work session is scheduled for April 2, 2024, with the City Council.
- ZA-2023-004: A Type V code amendment application to update the bicycle parking quantity and development standards for new and redevelopment projects. The Planning Commission held a work session on the proposed amendments on July 25<sup>th</sup>. These code amendments were put on hold until the rulemaking process was complete in the fall of 2023. Staff will be bringing these amendments to the Planning Commission and City Council at the same time as the Climate Friendly Equitable Communities code package above.
- ZA-2024-001: A Type V code amendment package related to Neighborhood Hubs. The Planning Commission public hearing was held on March 12, where the Commission voted unanimously to recommend approval of the proposed amendments. The City Council public hearing has been scheduled for May 7.

- ZA-2023-006: A Type V code amendment package related to updates and clarifications in Title 17 – Land Division. The Planning Commission held a work session on November 14, 2023. A work session with the City Council was held on February 20. The Planning Commission hearing has been scheduled for March 26; the required notices were posted on February 22: <https://www.milwaukieoregon.gov/planning/za-2023-006>. The City Council hearing has been tentatively scheduled for April 16.
- CU-2023-003: A Type III application to establish a new vacation rental (conditional use) at 8821 SE 29<sup>th</sup> Ave was approved by the Planning Commission on January 23, 2024. The appeal period ended on February 8, 2024, without appeal.

### **Land Use/Development Review**

- P-2024-001, TFR-2024-001: A Type II application for a parking modification for a 41-unit cottage cluster development at 9815-9833 SE 17<sup>th</sup> Ave. The request is to allow a parking ratio of 1.5 parking spaces per unit (rather than the maximum of 1 space per unit). The application was deemed complete. Referrals and public notices were sent on January 24. Comments were due by February 7. A large number of comments were submitted. The notice of decision to approve the application with conditions, including that the approved parking modification is for 1.2 spaces per unit (total of 49 parking spaces) was issued on March 8. The appeal period ends on March 25.
- TFR-2024-002: A Type II application to review the Transportation Impact Study for a 44-unit cottage cluster on the vacant lot adjacent to 5606 SE Monroe St. The application was deemed complete. Referrals and public notices were sent on February 23. Comments were due by March 8. Several comments were submitted; the application is in review.
- VR-2024-001: A Type II application for a variance request to adjust the street-side yard setback at 5607 SE Waymire St from 20 ft down to 15 ft. The project involves an addition to the existing house to establish an adult foster/care home. The application has been deemed complete, with referrals sent on March 4 and public notice mailed on March 6. Public comments will be accepted until at least March 20.

<sup>1</sup> Only land use applications requiring public notice are listed.

## BUILDING

Permit data for	February	FY to Date:
New single-family houses:	2	12
New ADU's	1	4
New Solar	2	49
Res. additions/alterations	1	37
Commercial new	0	2
Commercial Alterations	1	52
Demo's	0	2

Total Number of Permits issued: 933

(includes fire, electrical, mechanical, plumbing, and other structural)

Total Number of Inspections: 2646

Total Number of active permits: 981

# ENGINEERING

## Capital Improvement Projects (CIP):

### **CIP 2018-A13 Washington Street Area Improvements**

Summary: This project combines elements of the SAFE, SSMP, Water, Stormwater, and Wastewater programs. SAFE improvements include upgrading and adding ADA compliant facilities along 27<sup>th</sup> Ave, Washington St, and Edison St. Street Surface Maintenance Program improvements are planned for Washington Street, 27<sup>th</sup> Avenue, and Edison Street. The Spring Creek culvert under Washington Street at 27<sup>th</sup> Avenue will be removed, and a new structure added. The water system along Washington Street will be upsized from a 6" mainline to an 8" mainline. The stormwater system along Washington Street will be upsized from 18" to 24" storm lines. The project is being designed by AKS Engineering and Forestry.

Update: Notice to Proceed to Landis and Landis should be issued soon. Waiting for project schedule which is delayed until receive a confirmed PRV material delivery date.

### **CIP 2016-Y11 Meek Street Storm Improvements**

Summary: Project was identified in the 2014 Stormwater Master Plan to reduce flooding within this water basin. The project was split into a South Phase and a North Phase due to complications in working with UPRR.

Update: Contractor is working with Rail Pros to get approval to start pipeline installation in the railroad right-a-way.

### **CIP 2022-W56 Harvey Street Improvements**

Summary: The project includes water improvements and stormwater improvements on Harvey Street from 32nd Avenue to the east end, on 42nd Avenue from Harvey Street to Johnson Creek Boulevard, 33rd Avenue north of Harvey Street, 36th Avenue north of Harvey Street, Sherry Street west of 36th Avenue, 41st Street north of Wake Court, and Wake Court. Sanitary sewer work will be done on 40th Avenue between Harvey Street to Drake Street. The project also includes the installation of an ADA compliant sidewalk on Harvey Street from 32nd Avenue to 42nd Avenue and 42nd Avenue from Harvey Street to Howe Street. Roadway paving will be done throughout the project area.

Update: Century West Engineering was contracted for the design in July 2023. The project is currently at 30% design. An Open-House occurred January 31st with mainly positive feedback and additional requests for 60% design. The 60% design is expected in March for internal review and another open-house will be scheduled for afterwards.

### **CIP 2021-W61 Ardenwald North Improvements**

Summary: Project includes street repair on Van Water Street and Roswell Street with a shared street design for bicycles, pedestrians, and vehicles. Stormwater catch basins in the project boundary will be upgraded, the water system will be upsized on 29<sup>th</sup> Avenue, 30<sup>th</sup> Avenue, and 31<sup>st</sup> Avenue, and there will be wastewater improvements on 28<sup>th</sup> Avenue, 29<sup>th</sup> Avenue, and 31<sup>st</sup> Avenue to address multiple bellies and root intrusion to reduce debris buildup.

Update: Work is progressing on 100% design. Staff anticipates bidding the project this winter.

### **CIP 2022-A15 King Road Improvements**

Summary: King Road (43<sup>rd</sup> Avenue to city limits near Linwood Avenue) SAFE/SSMP Improvements will replace existing sidewalk and bike lane with a multi-use path, improve stormwater system, replace water pipe, and reconstruct roadway surface.

Update: Additional storm improvement scope was added to the project. Existing condition investigations have been conducted. A meeting is scheduled to discuss design options.

### **Waverly Heights Sewer Reconfiguration**

Summary: Waverly Heights Wastewater project was identified in the 2010 Wastewater System Master Plan. The project may replace approximately 2,500 feet of existing clay and concrete pipe.

Update: Authorization for the design contract with Stantec was approved by the Council on August 1, 2023. An engineering services agreement was executed with Stantec on Sept. 19, and the design effort was kicked off in early October of 2023. A flow monitoring program was initiated in October, and will continue through the wet season, concurrent with design. A public engagement plan was prepared in Fall of 2023, and a first set of informational material was mailed out to neighbors in the area in November, along with permit of entry forms. Stantec commenced with early site investigations in December of 2023 and will continue with 30 percent design through winter of 2024.

### **Monroe Street Greenway**

Summary: The Monroe Street Greenway will create a nearly four-mile, continuous, low-stress bikeway from downtown Milwaukie to the I-205 multi-use path. Once complete, it will serve as the spine of Milwaukie's active transportation network connecting users to the Max Orange Line, Max Green Line, Trolley Trail, 17<sup>th</sup> Avenue Bike Path, I-205 path, neighborhoods, schools, and parks. Funding grants through ODOT and Metro will allow the city to complete our 2.2-mile section of the Monroe Greenway from the Trolley Trail to Linwood Ave.

Update:

East Monroe Greenway (37<sup>th</sup> to Linwood): Staff have come to an agreement with ODOT and contracted CONSOR for the design. A Kick-off meeting has occurred, and the site is being surveyed. An Open-House was hosted on February 29<sup>th</sup> for all of the Monroe Greenway, ODOT's Highway-224 project, the City's TSP, and Kellogg Creek Restoration and Community Enhancement Project. The City received a lot of positive feedback for moving forward with the project and requests for speed mitigation and intersection controls.

Monroe Street & 37<sup>th</sup> Avenue (34<sup>th</sup> to 37<sup>th</sup>): This segment is complete. It was constructed as part of the private development of the 7 Acres Apartments.

Western Monroe Greenway (Downtown to 34<sup>th</sup>): The city has come to an agreement with ODOT on an IGA that will transfer \$1.55 M in STIP funding to the city to construct this segment of the Monroe Street Greenway. The City has signed the IGA and is awaiting an ODOT signed copy. City staff has also contracted with 3J Consulting to negotiate work at the railroad crossings. The city will also contract a survey team to aid 3J.

Monroe Street & Highway-224 Intersection: This project has now been combined with a larger project which will mill and overlay Highway-224 from 17<sup>th</sup> Avenue to Rusk Road. The city will design and replace the underlying water main by October 2024 and ODOT will proceed to

construction in the Fiscal Year 2026. An Open-House was hosted on February 29<sup>th</sup> for all of the Monroe Greenway, ODOT's Highway-224 project, the City's TSP, and Kellogg Creek Restoration and Community Enhancement Project. The City received concerns regarding the development of Highway-224 and Monroe Greenway pushing traffic from Monroe Street onto Penzance Street.

### **Kellogg Creek Restoration and Community Enhancement Project**

Summary: Project to remove the Kellogg Creek dam, replace the McLoughlin Blvd. bridge, improve fish passage, and restore the wetland and riparian area. City of Milwaukie staff are part of the project Leadership Team, Core Technical Team, and the Technical Advisory Committee. The Leadership Team and Core Technical Team both meet monthly. In addition to city staff, these groups include staff from North Clackamas Watershed Council (NCWC), Oregon Department of Transportation (ODOT), and American Rivers. The Technical Advisory Committee (TAC) for the Kellogg Creek Restoration & Community Enhancement Project involves all collaborative partners that include the Confederated Tribes of the Warm Springs Indian Reservation of Oregon, the Confederated Tribes of Grand Ronde, Clackamas Water Environment Services, Metro, North Clackamas Parks and Recreation District, Oregon Department of Environmental Quality, Oregon Department of Fish and Wildlife, Oregon Division of State Lands, the Native Fish Society, and the Natural Resources Office of Governor.

Update: ODOT project scope is still under review by Oregon Department of Justice. Request for Proposal (RFP) will be posted in Spring with construction still scheduled to begin in 2026.

Three small trees were removed from Kronberg Park in January and additional trees will be removed in the ODOT ROW. The tree removal was necessary for crane and barge access to the impoundment area for sediment sampling and geotechnical investigations that are scheduled for later this year.

### **Traffic / Parking Projects, Issues**

None.

### **Right-Of-Way (ROW) Permits (includes tree, use, construction, encroachment)**

Downtown Trees and Sidewalks

Update: Staff have a contract with AKS; working on what type of design works best now and in the future with both the trees and sidewalks & curbs.

### **Private Development – Public Improvement Projects (PIPS)**

Seven Acres Apartments (formerly Monroe Apartments) – 234 units

Update: We anticipate completion of all ROW improvements in summer 2023; Contractor is working on installing the main driveway on 37<sup>th</sup> Ave. (opposite from Washington Street) and ADA ramps on both sides of 37<sup>th</sup> Ave. at Washington Street. The developer has received a certificate of occupancy for all five buildings.

Henley Place (Kellogg Bowl redevelopment)- 175 units

Update: A Right-of-Way permit has been issued; construction of improvements is underway. Walnut Addition Subdivision – 9 lot subdivision at Roswell St. & 33<sup>rd</sup> Ave.

Update: Most of the street work has been completed; construction is in the project correction phase.

Elk Rock Estates – 5 lot subdivision at 19<sup>th</sup> Ave & Sparrow St.

Update: Most of the street work has been completed; construction is in the project correction phase.

Shah & Tripp Estates – 8-lot subdivision at Harrison Street and Home Ave.

Update: Design plans are under review.

Jackson / 52<sup>nd</sup> – 5-unit development.

Update: Design plans are under review. Staff and developer have agreed on a development agreement to have the developer pave Jackson Street from Home to 52<sup>nd</sup> Ave. and be reimbursed for areas outside of their responsibility. Pre-construction meeting has concluded. Construction is anticipated to start this summer.

### **Document Administration**

Master Plans

Summary: WSC is preparing the Stormwater System Plan.

**COUNCIL STAFF REPORT**

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

**Date Written:** Mar. 6, 2024

**Reviewed:** Jennifer Garbely, City Engineer

**From:** Peter Passarelli, Public Works Director

**Subject:** **Per- and Polyfluoroalkyl Substances (PFAS)**

**ACTION REQUESTED**

Council is asked to receive a presentation concerning Per- and Polyfluoroalkyl Substances (PFAS) and their potential impacts.

**HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

Not applicable.

**ANALYSIS****PFAS**

PFAS are synthetic chemicals that have been manufactured and used by a broad range of industries since the 1940s. PFAS are used in many applications because of their unique physical properties such as resistance to high and low temperatures, resistance to degradation, and nonstick characteristics. They are also used in firefighting foam, electronics manufacturing, chrome-plating, paper manufacturing, and other consumer and industrial uses. PFAS' have been detected worldwide in the air, soil, and water. Due to their widespread use and persistence in the environment, most people in the United States have been exposed to PFAS. There is evidence that continued exposure above specific levels to certain PFAS may cause adverse health effects.

**Chemical Nature of PFAS**

PFAS are comprised of carbon atoms linked to each other and bonded to fluorine atoms, by which the fluorination imparts properties to the molecule. The carbon may be partially fluorinated (polyfluorinated) or fully fluorinated. The two most known and studied PFAS are perfluorooctane sulfonic acid (PFOS) and perfluorooctanoic acid (PFOA). Both PFOS and PFOA are persistent, bioaccumulative, and toxic.

**PFAS Regulation**

Six PFAS compounds (PFOS, PFOA, PFNA, PFHxS, PFHpA, and PFBS) were among the list of contaminants that public water systems were required to monitor for under the United States Environmental Protection Agency's (EPA) third Unregulated Contaminant Monitoring Rule (UCMR3). All public water systems nationwide serving more than 10,000 people and 800 representative systems serving 10,000 or fewer people monitored for these and other unregulated contaminants from January 2013 through December 2015. In Oregon, 65 public water systems monitored for these PFAS contaminants and there were no detections reported. Results from testing in Milwaukee in 2013 produced no detections. It should be noted that the laboratory method used during this round of sampling was less sensitive than current methods

and had a minimum reporting limit ranging from 20 parts per trillion to 40 parts per trillion (ppt) dependent upon the analyte. The minimum reporting limit is the smallest measured concentration of a substance that can be reliably measured by using a given analytical method.

EPA's Fifth Unregulated Contaminant Monitoring Rule (UCMR5) requires sample collection and analysis for 29 PFAS compounds and lithium between 2023 and 2025. Milwaukie took its initial samples to meet this requirement in February 2024. Sample results are expected in late March or early April. Subsequent samples will be taken in August 2024. The Oregon Health Authority (OHA) will follow up with public water systems that have UCMR5 PFAS detections by providing information on how the results compare to state/federal health advisory levels and proposed regulations, reporting requirements to customers, and information on available funding to address the contaminant.

The OHA has established drinking water health advisory levels (HALs) for four PFAS compounds most commonly found in humans. These health advisory levels for PFOS, PFOA, PFNA, and PFHxS are based on adverse developmental and immune effects and are set at levels meant to protect all persons, including sensitive populations, from both short- and long-term exposures in drinking water. These HALs are set to 30 ppt.

Oregon's drinking water PFAS HALs are non-regulatory and do not mandate a required action; rather they provide information on health risks of certain PFAS compounds so that drinking water system operators and health officials can take the appropriate steps to protect drinking water consumers. OHA's expectation is that public water systems will notify their customers if a health advisory level is exceeded.

EPA has developed drinking water HALs for four PFAS chemicals: PFOA (0.004 ppt), PFOS (0.02 ppt), HFPO-DA (commonly referred to as GenX chemicals) (10 ppt), and PFBS (2000 ppt). EPA's HALs are non-enforceable and non-regulatory. These HALs are below the levels at which current analytical methods can measure PFOA and PFOS. The minimum reporting limit for PFOA (4 ppt), PFOS (4 ppt), GenX Chemicals (5 ppt), and PFBS (3 ppt). When results show the presence of PFAS in drinking water above an EPA HAL, EPA recommends public water systems take steps to assess contamination, inform customers, and limit exposure.

On March 14, 2023, EPA released a proposed National Primary Drinking Water Regulation (NPDWR) for six PFAS chemicals. EPA is proposing to set a Maximum Contaminant Level (MCL) of 4.0 parts per trillion (ppt) for PFOA and PFOS and a hazard index-based regulation method for four additional PFAS compounds: PFNA, PFHxS, PFBS, and HFPO-DA (commonly referred to as GenX chemicals). These chemicals are not currently regulated. Once final, both the MCL and hazard index will be legally enforceable levels, and if exceeded, water systems would be responsible for installing treatment or providing an alternate source of drinking water.

### **Milwaukie PFAS Susceptibility**

The city normally receives all its water supply from groundwater via the Troutdale Gravel Aquifer. This aquifer reaches more than 200 feet below ground and covers approximately 300 square miles. The city operates six active wells (Well Nos. 2-7). Well No. 8 is out of operation. Well No. 1 has been decommissioned. The wells range in depth from approximately 300-400 feet. Despite the depth of the city's production wells, they are somewhat susceptible to contamination from surface sources because of discontinuities in the low-permeability silt/clay confining layers that function to isolate the source aquifer from the ground surface.

Water from Wells 2, 3, 4, 5, and 7 has historically contained elevated Volatile Organic Compounds (VOCs). The city water system includes two facilities providing packed tower aeration treatment to reduce effluent VOC concentrations. The treatment facilities also include chlorine gas disinfection dosing before and after pumping water through the air stripping towers.

In 2023, the city engaged with GSI Water Solutions Inc to assess risk of groundwater contamination by PFAS. The use of PFAS has been identified as common practice with the following industries and applications: landfills, fire-training facilities, plating operations, wastewater treatment plants, aerospace, automotive, electronics, construction, dry cleaners, as well as areas formerly served by septic systems (EPA, 2021. IRTC, 2020). Due to the widespread usage of PFAS, there is potential for PFAS contamination stemming from many other industries and applications.

The assessment utilized an Environmental Data Resource (EDR) Radius Map available from the EPA to identify nearby potential PFAS sources that were within a 500-foot buffer of the city's production wells. This assessment identified 88 sites within Milwaukie that could be potential PFAS release sources based on past activities.

### Monitoring Well Sampling

As a result of this assessment, the city took samples during the summer of 2023 from a monitoring well (PWM4), see figure 1. These monitoring wells are not part of the city's municipal drinking water system but were installed to monitor groundwater contamination from past industrial activities from several sites which include the Milwaukie International Way (MIW), L.D McFarland (LDM), Precision Castparts Corporation (PCC) Structural, and Stanley Proto-Tools (SPT) sites to city water supply wells. These wells are shallower than the city's production wells. The results from the Summer 2023 sampling indicated the presence of PFAS in monitoring well PMW-4 at levels below the Oregon HALs but above the EPAs proposed MCL (See Table 1)

**Table 1. PFAS Concentrations in Monitoring Well PMW-4.**  
City of Milwaukie, Oregon.

Method			EPA 533 (ppt)				
Screening Criteria			PFOA	PFOS	PFBS	PFHxS	PFHxA
OHA-HALs			30	30	--	--	--
EPA Proposed MCL			4	4	--	--	--
Sample ID	Sample Date	Sample Type					
PMW-4-20230720	7/20/2023	Primary	4.7	9.03	7.06	5.4	ND U
PMW-4-FD-20230720	7/20/2023	Field Duplicate	4.7	8.67	7.64	5.71	3.08

**Notes**

Orange highlight = Result exceeds the referenced OHA-HAL

Yellow highlight = Result exceeds the referenced proposed MCL

Figure 1



Based on these results the city worked with GSI and expanded the sampling to three additional monitoring wells (PMW-1, PMW-2 and PMW-3) as shown in figure 2. These samples were taken in early February 2024 and the preliminary results have also shown the presence of PFAS.

**Figure 2** Monitoring wells near the former Stanley Proto Tools Site



## Next Steps

### UCMR5 Sampling

As noted above the city has also taken samples to meet the UCMR5 requirements in February of this year. These samples were taken at the three distribution points of entry within the system (the Upper Treatment Plant, Lower Treatment Plant and Well 6). These will be the first samples taken from the water system since the samples previously taken in 2013. The city is expecting results from this round of samples in late March or early April. These samples will be analyzed using updated analytical methods that will have a lower minimum reporting limit than in 2013, meaning it will be more sensitive.

### Feasibility Study

The city has recently submitted a grant application requesting \$125,350 to Business Oregon for 100% forgivable loan funding to perform a feasibility study to enhance the City's understanding of the prevalence of PFAS in the groundwater aquifer, which is the City's primary source of drinking water supply. Additional sampling and analysis of groundwater from monitoring wells and drinking water supply wells will be performed. Data synthesis and analysis will be performed to characterize the level of PFAS contamination present in the groundwater and establish design criteria for potential treatment strategies.

The study will review and assess regulatory applicability to the City's management of PFAS in the groundwater aquifer. Current requirements will be summarized, as well as anticipated actions by the EPA and Oregon DEQ. Contingencies and factors of safety related to unknown developments in regulatory action related to PFAS will be considered. This portion of the study will support development of a reduction target for potential treatment strategies.

The study will include assessment of management strategies and treatment technologies available to reduce public exposure to acceptable levels as currently identified by the EPA. Design values from previous steps in the study will be utilized to identify strategies that can meet the City's need. Availability of technology, compatibility of operation with existing systems, treatment system footprint and available property, management of residuals, and cost of construction, operation and maintenance among other considerations will be evaluated to support the City's selection of the optimal treatment method.

#### **BUDGET IMPACTS**

The presence of PFAS in the local aquifer may result in the need to install additional treatment to remove PFAS. These treatment requirements will add additional capital and operating expenditures in the future. The previously mentioned feasibility study will consider and document those potential costs.

#### **WORKLOAD IMPACTS**

Future work related to PFAS will be collaborative between Public Works and Engineering and use our current water on-call contracts.

#### **CLIMATE IMPACT**

Future capital work associated with mitigating impacts of PFAS will also consider the impacts of potential treatment system and will look for ways to reduce energy consumption within those treatment process.

#### **EQUITY IMPACTS**

Clean quality drinking water is critical and it is important to reinvest in the city's infrastructure to ensure that the city can provide this critical commodity. These investments come at a cost to all ratepayers. The city will continue to provide low income assistance to eligible customers to mitigate impacts to those customers.

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

Not applicable.

#### **STAFF RECOMMENDATION**

None.

#### **Alternatives**

Not applicable.

#### **ATTACHMENTS**

None.



CITY OF MILWAUKIE

# Per- and Polyfluoroalkyl Substances (PFAS)

March 19, 2024



# Summary



- PFAS are everywhere and pose a health risk.
- The EPA began monitoring PFAS as an unregulated contaminant in 2013
- OHA and EPA have established health advisory levels.
- The EPA is poised to adopt a new, much lower standard that will be legally enforceable.
- PFAS detected in three monitoring wells in 2023 and PFOS presence detected in two UCMR5 samples
  - Below OHA health advisory levels, but above new EPA proposed standard
- Milwaukie is taking this seriously and getting prepared.

# Per- and Polyfluoroalkyl Substances (PFAS)



- PFAS are synthetic chemicals that have been manufactured and used by a broad range of industries since the 1940s.
  - Most commonly known - PFOS & PFOA
- PFAS are used in many applications because of their unique physical properties such as resistance to high and low temperatures, resistance to degradation, and nonstick characteristics.
  - used in firefighting foam, electronics manufacturing, chrome-plating, paper manufacturing, and other consumer and industrial uses.
- PFAS' have been detected worldwide in the air, soil, and water.
- Persistent, bioaccumulative, and associated health impacts
- There is evidence that continued exposure above specific levels to certain PFAS may cause adverse health effects.

# PFAS Regulation



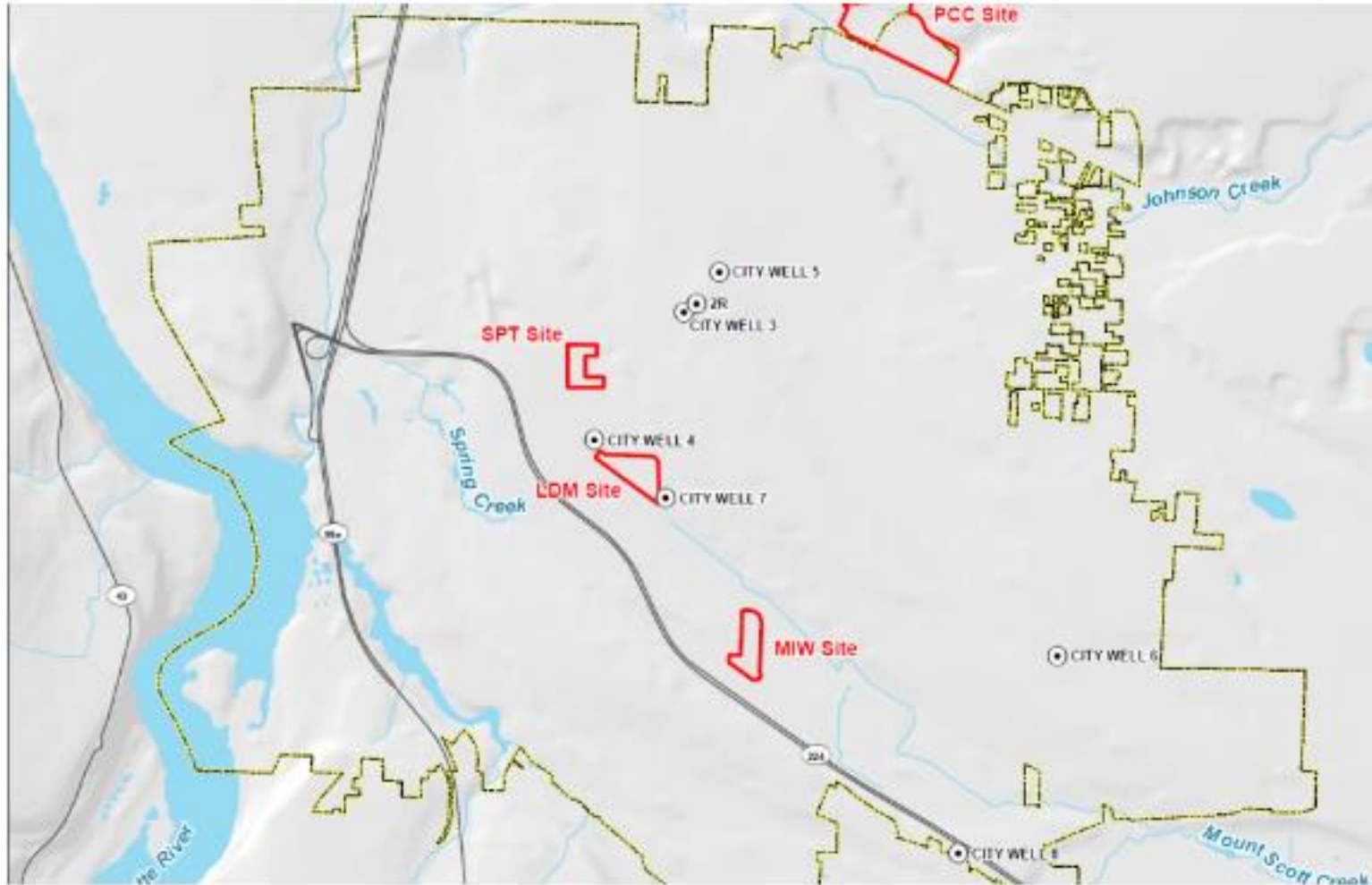
- Six PFAS compounds (PFOS, PFOA, PFNA, PFHxS, PFHpA, and PFBS) were monitored under the United States Environmental Protection Agency's (EPA) third Unregulated Contaminant Monitoring Rule (UCMR3).
  - Milwaukie sampled in 2013
  - Results from testing in Milwaukie in 2013 produced no detections.
  - The minimum reporting limit is the smallest measured concentration of a substance that can be reliably measured by using a given analytical method.
- EPA's Fifth Unregulated Contaminant Monitoring Rule (UCMR5) requires sample collection and analysis for 29 PFAS compounds
  - Milwaukie took its initial samples to meet this requirement in February 2024. Sample results are expected in late March or early April.
  - Subsequent samples will be taken in August 2024.
- OHA has established drinking water health advisory levels (HALs) for four PFAS compounds most commonly found in humans.
  - These health advisory levels for PFOS, PFOA, PFNA, and PFHxS
  - These HALs are set to 30 ppt.
  - Oregon's drinking water PFAS HALs are non-regulatory and do not mandate a required action

# PFAS Regulation



- EPA has developed drinking water HALs for four PFAS chemicals
  - PFOA (0.004 ppt), PFOS (0.02 ppt), HFPO-DA (commonly referred to as GenX chemicals) (10 ppt), and PFBS (2000 ppt).
  - EPA's HALs are non-enforceable and non-regulatory. These HALs are below the levels at which current analytical methods can measure PFOA and PFOS. The minimum reporting limit for PFOA (4 ppt), PFOS (4 ppt), GenX Chemicals (5 ppt), and PFBS (3 ppt).
- EPA released a proposed National Primary Drinking Water Regulation (NPDWR) for six PFAS chemicals in 2023.
  - EPA is proposing to set a Maximum Contaminant Level (MCL) of 4.0 ppt for PFOA and PFOS and a hazard index-based regulation method for four additional PFAS compounds: PFNA, PFHxS, PFBS, and HFPO-DA commonly referred to as GenX chemicals.
  - These chemicals are not currently regulated.
  - Once final (2024), both the MCL and hazard index will be legally enforceable levels
  - If exceeded, water systems would be responsible for installing treatment or providing an alternate source of drinking water.

# City of Milwaukie Groundwater Wells



- Six active wells
- Depths of ~300 to ~400 feet
- Completed in alluvial material that is not hydraulically isolated from surficial activities

# PFAS and Milwaukee



- Unregulated Contaminant Monitoring Rule (UCMR) 3 Sampling
  - 2013 – Sampled at Treatment Plants, Well 6 and Well 8
  - Not Detected
  - Higher reporting limit 20ppt to 40 ppt
- 2023 PFAS Susceptibility Analysis
  - Identify potential risks
  - Sample Monitoring wells
- Summer 2023 Sample Monitoring Well (PMW-4)
  - PFAS Detected in monitoring well
    - Below OHA HALs
    - Above EPA proposed limits
  - Depth -189.5 ft

# Sampling Results at PMW-4

Table 1. PFAS Concentrations in Monitoring Well PMW-4.  
City of Milwaukie, Oregon.

Method			EPA 533 (ppt)				
Screening Criteria			PFOA	PFOS	PFBS	PFHxS	PFHxA
OHA-HALs			30	30	--	--	--
EPA Proposed MCL			4	4	--	--	--
Sample ID	Sample Date	Sample Type					
PMW-4-20230720	7/20/2023	Primary	4.7	9.03	7.06	5.4	ND U
PMW-4-FD-20230720	7/20/2023	Field Duplicate	4.7	8.67	7.64	5.71	3.08

## Notes

Orange highlight = Result exceeds the referenced OHA-HAL

Yellow highlight = Result exceeds the referenced proposed MCL

BOLD: Detection

EPA: Environmental Protection Agency

MCL: Maximum Contaminant Level

OHA-HAL: Oregon Health Authority Health Advisory Level

ND = Not Detected

U = Result not detected above the referenced laboratory detection limit

-- = Not analyzed or not applicable

ppt = parts per trillion

# PFAS and Milwaukie

- Retest and expand sampling to additional Monitoring wells
  - Sampled in January 2024 –Detected
  - Depths PMW- 1(118ft), PMW-2 (142 FT) and PMW-4 (189.5 ft)

**Table 2. PFAS Concentrations in Monitoring Wells PMW-1, PMW-2, and PMW-4.**  
City of Milwaukie, Oregon.

Method			EPA 533 (ppt)							
Screening Criteria			PFOA	PFOS	PFBS	PFBA	PFHxS	PFHxA	PFHpA	PFPeA
OHA-HALs			30	30	--	--	--	--	--	--
EPA Proposed MCL			4	4	--	--	--	--	--	--
Sample ID	Sample Date	Sample Type								
PMW-1-20240201	2/1/2024	Primary	4.72	9.90	7.83	5.66	6.67	4.57	2.87	7.35
PMW-1-FD-20240201	2/1/2024	Field Duplicate	5.02	9.78	7.70	6.53	6.50	4.98	2.89	8.31
PMW-2-20240201	2/1/2024	Primary	5.18	12.5	5.10	ND U	4.38	3.16	2.01	3.81
PMW-4-20240201	2/1/2024	Primary	3.50	8.82	8.82	ND U	5.47	2.78	ND U	3.02

**Notes**

Orange highlight = Result exceeds the referenced OHA-HAL

Yellow highlight = Result exceeds the referenced proposed MCL

**BOLD:** Detection

EPA: Environmental Protection Agency

MCL: Maximum Contaminant Level

OHA-HAL: Oregon Health Authority Health Advisory Level

-- = Not analyzed or not applicable

ppt = parts per trillion

ND = Not Detected

U = Result not detected above the referenced laboratory detection limit

# Next Steps

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- UCMR 5 Sampling – February 2024
  - Results received March 18<sup>th</sup>
  - PFOS present in two samples above proposed EPA but below OHA HAL
- Engagement with DEQ and OHA
- Feasibility Study

PFAS

# Thank you!

Questions?

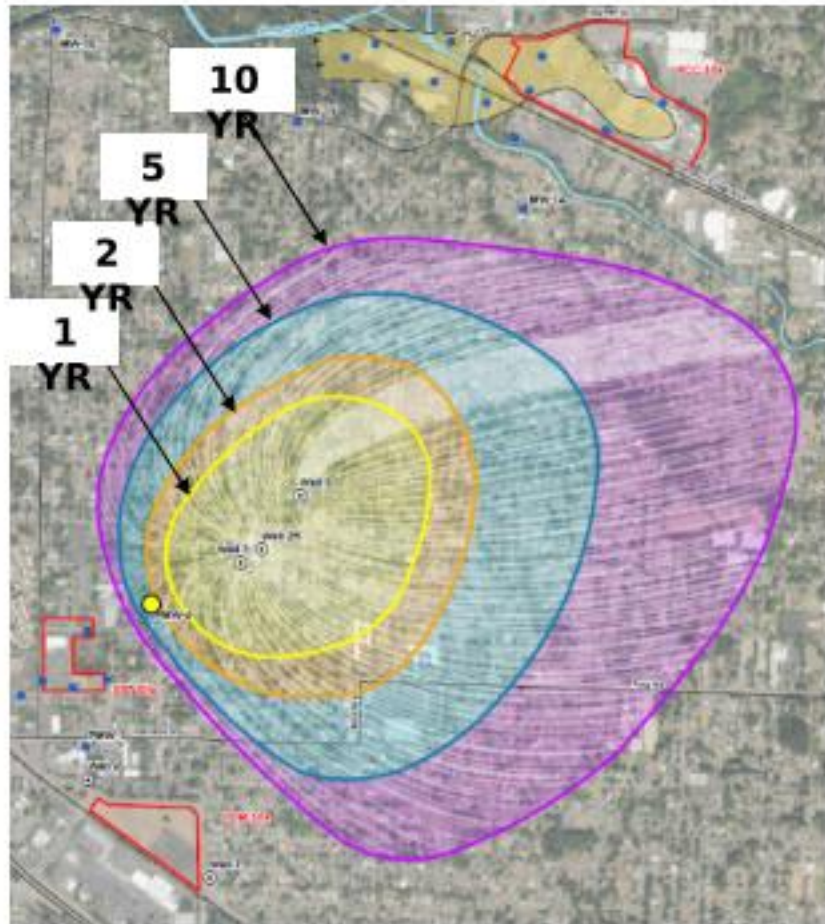
**Peter Passarelli**

Public Works Director

503-786-7614

[passarellip@milwaukieoregon.gov](mailto:passarellip@milwaukieoregon.gov)

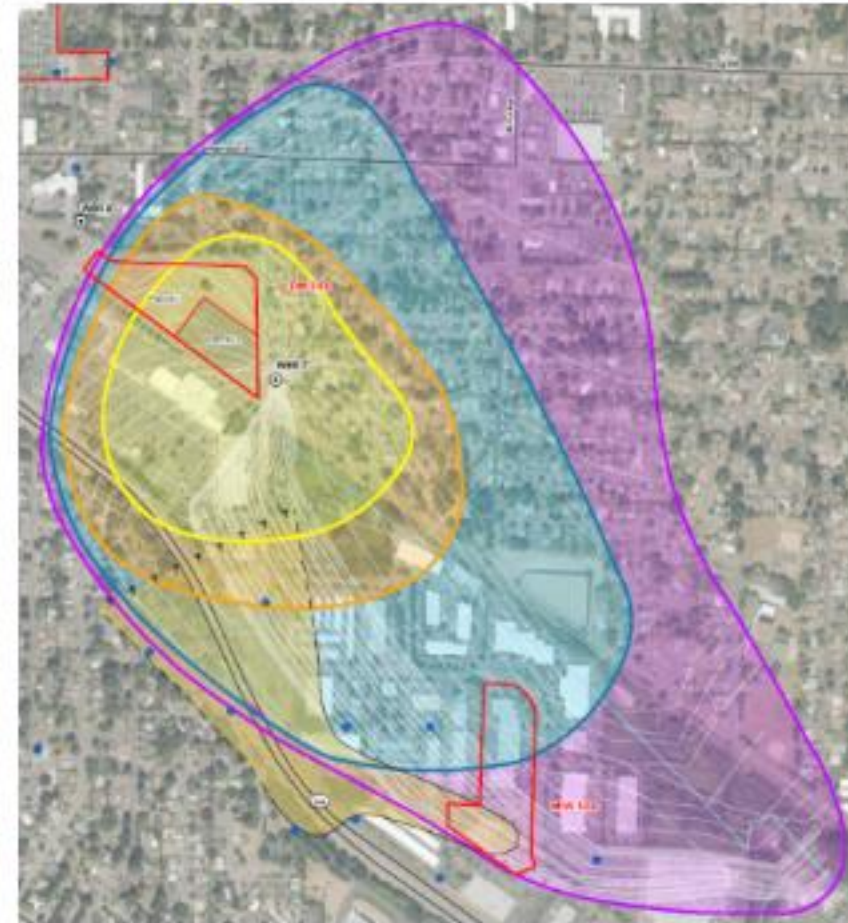
# City of Milwaukie Capture Zones



Well 2R, Well 3, Well 5



Well 4



Well 7

# Well Susceptibility Analysis

- Identify potential sources within the 10 year time-of-travel of each City well based on:
  - EDR Report (88 potential PFAS sources)
  - Historically unsewered areas
  - Fire station locations
- Applied a scoring system to identify relative risk of potential impact

**Table 2. Relative Potential for PFAS Impacts**

City Production Well Name	Total Sites	(1) Total Weighted Score	(2) Potential Maximum Score	(3) Normalized Score
Well 8	28	69	202	34.2%
Wells 2R, 3, and 5	16	40	118	33.9%
Well 7	28	53	202	26.2%
Well 4	15	26	111	23.4%
Well 6	1	3	13	23.1%

**COUNCIL STAFF REPORT**

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

**Date Written:** Mar. 10, 2024

**Reviewed:** Joseph Gardner, IT Manager, and  
Gabriela Santoyo Gutierrez, Equity & Inclusion Program Coordinator

**From:** Emma Sagor, Assistant City Manager, and  
Michael Osborne, Finance Director

**Subject:** **Credit Card Fees**

**ACTION REQUESTED**

Council is asked to receive a report on trends for city expenditures on credit card fees and potential policy actions that could be taken to limit increases in these expenditures in the next budget. Council is asked to provide direction to staff on desired next steps to inform development of the comprehensive fee schedule.

**HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

November 2018: Former finance director, Bonnie Dennis, prepared a memo for Council on rising bank charges (see attachment 1).

[April 5, 2022:](#) Council discussed the proposed 2023/2024 fee schedule, which included the addition of fees for credit cards in the miscellaneous section. The initial proposal was a credit card fee of 2.75% on transactions greater than \$2,000.

[June 7, 2022:](#) Council adopted the 2023/2024 fee schedule. Rather than adopting the 2.75% transaction fee, the adopted schedule sets a limit on credit card transactions of \$10,000.

**ANALYSIS**

The city and most local governments have seen an increase in the use of debit and credit cards (collectively referred to in this report as “payment cards”) to pay bills, fees, and fines. Payment cards are often seen by our constituents as the most convenient and accessible way to complete a transaction with the city, and from the city’s perspective, can lessen delinquencies, improve audit trails, and increase certainty of collection.

As the share of transactions conducted by payment card increases, however, the city is monitoring the rising impact on our financials due to the charges incurred from payment card issuers and processors. These fees range and can be up to 4.95% of the total transaction cost.

Milwaukee is not alone in this experience. The Government Finance Officers Association (GFOA) provides the following guidance to local governments:

*“Governments should bear in mind their own costs in processing cards, such as:*

- **Administrative costs.** *Governments have their own costs for equipment and associated personnel necessary to process card transactions, including costs associated in ensuring PCI compliance, which is the governments’ responsibility.*

- **Cost savings.** Governments should measure their administrative cost savings and compare this against receiving and processing checks and cash transactions.
- **Convenience fees.** Governments should consider charging a convenience fee for transactions. The advantage of convenience fees is that they can recoup the cost of merchant fees. A disadvantage of convenience fees is that they may deter some users from paying with a card. In addition, card companies have strict regulations that limit the use of convenience fees (for example, payments made by telephone or via a third-party processor). In most instances, major card companies do not allow governments or businesses to pass on merchant fees directly to customers.” ([GFOA, 2009](#))

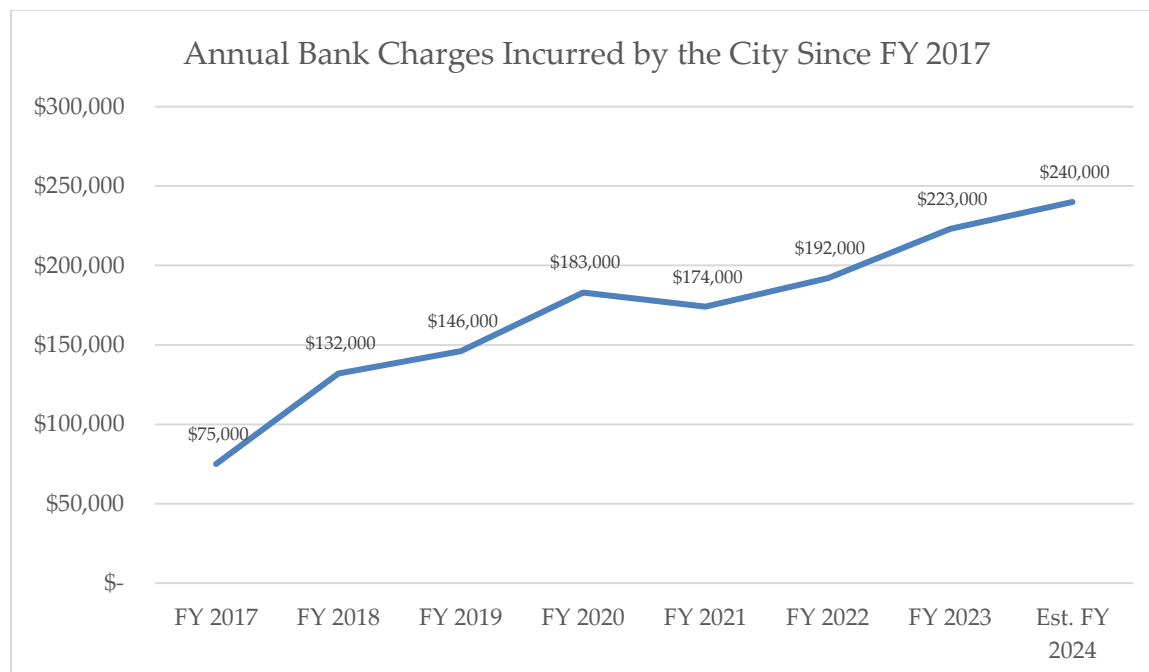
## Background and Current Practice

Today, the city accepts payments in the following ways:

- Check or cash in person or by mail (all payments)
- Payment card by phone (utility bills)
- Online by card:
  - Via [municipalonlinepayments.com/milwaukieor](https://municipalonlinepayments.com/milwaukieor) (utility bills, court charges)
  - Via [buildingpermits.oregon.gov](https://buildingpermits.oregon.gov) (building permits)
  - Via [milwaukie.govbuilt.com](https://milwaukie.govbuilt.com) (business registration, tree permits)
- Autopay from your bank account (utility bills)

## Financial Trends and Budget Impacts

The graph below shows the increase in annual bank charges incurred by the city since fiscal year (FY) 2017. This growth is driven by rising payment card fees. We are currently anticipating closing FY 2024 having spent around \$240,000 on these charges. This does not include processing charges absorbed in our IT budget, which are due to increase to approximately \$60,000 per fiscal year over the next biennium.



## Potential Mitigation Measures

Other agencies have utilized different strategies to mitigate the impact of rising payment card fees. These strategies can include:

- Charging a convenience fee for the use of a payment card.
- Setting limits on the size of transactions that can be completed with payment cards.
- Education and outreach to the public to encourage behavior change away from using payment cards for recurring transactions with the city.

## Examples from Neighboring Agencies and Jurisdictions

- **Oregon City:** Oregon City has set a [\\$500 credit card limit](#) per project, per department. This does not appear to apply to bill payments.
- **Lake Oswego:** Lake Oswego appears to have [lifted its \\$500 credit card limit](#) on Community Development projects (confirming with the city).
- **Happy Valley:** Not able to find any information on credit card limits or fees (confirming with the city).
- **Clackamas County Water Environment Services (WES):** Not able to find any information on credit card limits or fees (confirming with the County).
- **State Statute:** [ORS 1.005](#), which discusses credit card transactions for fees, security deposits, fines and other court-imposed obligations, states “Any rules adopted pursuant to this section may provide for recovery from the person using the credit card of an additional amount reasonably calculated to recover any charge to the court by a credit card company resulting from use of the credit card.”

## BUDGET IMPACT

Trends indicate these fees will continue to grow. Without intervention, we can expect costs to rise approximately 15% per fiscal year. This is unsustainable given the forecasted resource constraints the city is facing.

## CLIMATE IMPACT

None.

## EQUITY IMPACT

Payment cards are becoming a more ubiquitous tool, though some individuals do remain without bank accounts or payment cards due to accessibility issues, communication barriers, or documentation requirements. The potential policy mitigations considered in this staff report would not be expected to have an impact on currently unbanked individuals, as the city would continue accepting payments in cash and by check.

We do believe a significant portion of credit card transactions are made by individuals living on low or fixed incomes who do not have the funds available immediately to pay their bill, fee, or charge, though this is difficult to verify. The city should think through implications for these individuals of any policy change. If the city lowered the limit on what payments could be made by payment card, this could make it harder for these individuals to pay their bills or fees if

financial assistance was not augmented in parallel. If the city implemented a convenience charge for using a payment card, this could also increase burdens for people living on lower incomes if that is their only option for making a payment.

If the city proceeds with an educational and behavior change campaign to encourage and assist Milwaukians in shifting to other payment methods, we must consider accessibility of this information. This could include making the information available in multiple languages, providing direct assistance with making the transition to bank transfers, and/or partnering with trusted community partners.

### **WORKLOAD IMPACT**

Changing current practice and policy will have a marginal workload impact on the finance and front-desk teams who will likely experience increased customer service responsibilities as people navigate these changes. An education campaign will also increase workload for the Strategic Engagement Team. We feel these workload impacts are warranted for the expected financial benefit we anticipate.

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

Finance department staff have collaborated with representatives from information technology (IT), administration, public works, and community development on this topic to date, and would continue this collaboration in any next steps. Finance department staff are also in the process of reaching out to neighboring agencies to gather information on their practices.

### **STAFF RECOMMENDATION**

Staff recommend we proceed with the following:

- Further analysis to prepare a proposal for lowering the limit for what transactions can be made with a payment card. This proposal will be brought to Council along with the fee schedule through the biennial (BN) 2025-26 budget development process.
- Beginning work on an educational and behavior change campaign to help constituents transition to other, more efficient payment methods.

### **ALTERNATIVES**

Council could direct staff to develop a proposal for implementing a payment card convenience fee in addition to or instead of the recommendations above. Council could also direct staff to continue current practice for the time being.

### **ATTACHMENTS**

1. Bank Charges Staff Memo (2018)



# CITY OF MILWAUKIE

## Memorandum

Date: November 3, 2018

To: Budget Committee

From: Bonnie Dennis, Finance Director  
Judy Serio, Accountant

Subject: Summary of Bank Charges

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During the BN 2019-2020 budget hearings, there were several topics discussed and requested for additional information. One of those topics included the review of city banking fees and charges and provide the Budget Committee with analysis for further discussion. The questions during the budget hearings were:

- 1) What bank charges does the city pay?
- 2) Are there certain credit cards that the city should not accept based on the fees?
- 3) Should there be a dollar limit on credit card transactions due to the increase in fees? And, should the city consider offering an incentive to use cash or check instead of a credit card?
- 4) Can there be a system in place to recoup credit card and bank fees?

Each of these questions are addressed below to provide further clarification and discussion:

### **1) What bank charges does the city pay?**

#### Merchant Credit Card Fees (98%)

Merchant fees are the majority of the fees that the city pays, which account for 98% of the total fees. These fees are broken down into the following categories:

- Interchange Fees – There are several variables with Interchange Fees. These fees are assessed by the credit card company (Visa, Mastercard, etc.) based on the type of credit card, dollar value of the sale, and whether the card was accepted online, in person or over the phone. In FY 2018, total sales for all city-wide services were \$6.2 million - Interchange fees were approximately \$94,000 (or 2%) of the total sales for the fiscal year.

- Service Fees – Fees are assessed by the merchant provider based on the type of credit card received along with similar variables as the interchange fee. Service fees in FY 2018 were approximately \$5,000 for the fiscal year.
- Monthly Charges – These are set fees that remain the same during the period, and include base charges for compliance, leasing machines, etc. Monthly charges in FY 2018 were approximately \$6,000 for the fiscal year.

Banking Fees (1%)

The city banking fees consist of general account services as well as purchasing card, lockbox, depository, electronic transfer services, fraud alert systems and much more. Total banking fees account for approximately \$5,000 per month (or \$57,000) for FY 2018.

Incode Software Transaction Fees (1%)

The city accepts credit card payments for utilities and court through the city website. Transactions costs on average are \$1.25 to \$1.50 for each payment. These fees are in addition to the Merchant Credit Card fees. In FY 2018, the city paid approximately \$26,000 in Software System Transaction fees.

**2) Are there certain credit cards the city should not accept based on the fees?**

The majority of credit cards received throughout the city are Visa and MasterCard. The credit cards associated with higher fees (approximately 5%) are American Express, Discover, and Diners Club - the number of transactions that occurred in FY 2018 with one of these cards are minimal. Although there could be some cost savings associated with refusing to accept these cards, there is not enough activity to make an impact.

**3) Should there be a dollar limit on credit card transactions due to the increase in fees? And, should the city consider offering an incentive to use cash or check instead of a credit card?**

When preparing this analysis, the larger transactions are usually tied to development and building permits. On average, an interchange fee is about 3%; therefore, the city pays \$300 on a \$10,000 transaction.

If the city offered an incentive to pay with cash or check, there are still fees assessed by the bank. The bank fee is harder to determine because it depends on the volume of the deposit for the day, however, it is assumed that the processing of a check would be less than \$300. Checks can take several days to clear the bank as where a credit card is almost immediate. Large sums of cash have additional fees due to the nature of handling cash (i.e., counting, verifying legitimacy, processing).

#### **4) Can there be a system in place to recoup the credit card and bank fees?**

Several options are listed below that can facilitate the discussion on how to potentially recoup credit card fees. Before exploring those options, Finance has completed a comparison with other local cities to understand how each has handled the increase in banking fees and charges. Out of several cities, there were only two that assessed a fee on credit card payments. A majority of cities noted that they would rather receive the payment for the service rather than send customers to collections, proceed with liens or other avenues. In most cases the only ability to make a payment by a customer may be on a credit card, therefore, the increase in bank fees is closely tied to the increase in rates and charges.

#### **OPTIONS**

For discussion with the Budget Committee and City Council, the following options are outlined below:

- 1) Continue with the same method but look for alternative providers for merchant services when proceeding with the banking services review.
  - a. The banking services contract is up for renewal in 2019 with the plan for full migration of the new banking service (if applicable) by January 2020. This solicitation will include proposals for merchant services as well.
- 2) Set a threshold for accepting credit card payments to reduce fees; however, there may be additional fees assessed by the bank for accepting large checks. There may or may not be much savings in this option.
- 3) Build the fees into the rate schedules. This would occur during the next budget cycle.
- 4) Charge a convenience fee either a flat amount or a percentage of the transaction on credit card payments.
  - a. This fee is on all credit card transactions; there is not an ability to separate out high-dollar transactions.
  - b. A convenience fee would need to be reported and accepted by MasterCard and Visa prior to implementation.

# Payment Card Fees and Charges

March 19, 2024



# City payment methods

- Check or cash in person or by mail (all payments)
- Payment card by phone (utility bills)
- Online by card:
  - Via [municipalonlinepayments.com/milwaukieor](https://municipalonlinepayments.com/milwaukieor) (utility bills, court charges)
  - Via [buildingpermits.oregon.gov](https://buildingpermits.oregon.gov) (building permits)
  - Via [milwaukie.gov/built.com](https://milwaukie.gov/built.com) (business registration, tree permits)
- Electronic Funds Transfer (EFT) from your bank account (utility bills)



# Payment card use in FY23

- 41% of utility billing transactions were made by credit or debit card.
- 48% of court billing transactions were made by credit or debit card.
- 28% of building and permitting transactions were made by credit or debit card.
- Roughly 3,000 transactions over \$1,000
- Roughly 1,450 over \$2,000



# City costs associated with payment cards

Bank charges incurred include:

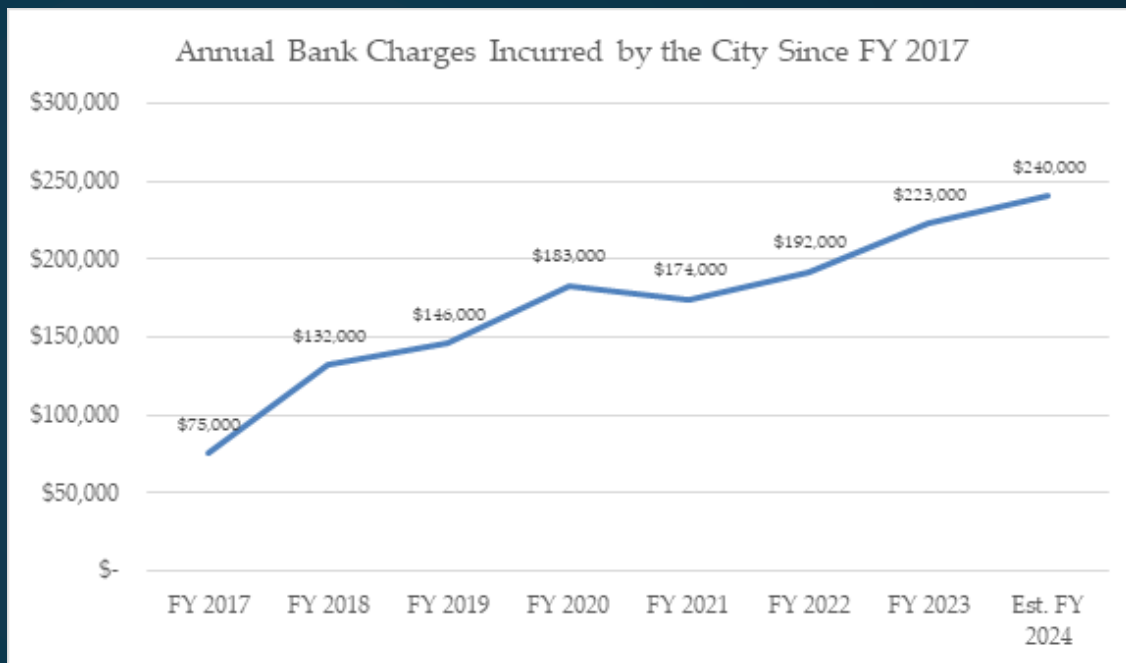
- **Merchant fees** – includes interchange and service fees
- **Banking fees** – includes general account services

Graph to the right does not include:

- **InCode software transaction fees**  
– increased from \$1.25 to \$2.00 per transaction last year
  - In FY 24, estimated to be \$86K

Total budget hit is \$320K+

All cities are experiencing this squeeze



# Mitigation options

- Education campaign and help customers transition to EFT
- Lower limit for payment card transactions from \$10,000 to \$1,000
- Charge a convenience fee on card transactions (*future discussion*)

## Considerations:

- **Equity impacts**
  - Some may be using a credit card because they don't have funds available to pay
- **Other drivers**
  - Many may still choose to use credit cards for points/rewards benefits
- **Neighboring jurisdictions**
  - Most do not charge a fee
  - Some apply limits on payment card transactions



# Discussion questions

- Does Council support staff's recommendation to lower limit for payment card transactions and proceed with a campaign to assist in moving customers to EFT?
- Are there other mitigation options Council would like to see staff explore?



# Contact Us

Emma Sagor

Assistant City Manager

[sagore@milwaukieoregon.gov](mailto:sagore@milwaukieoregon.gov)

Michael Osborne

Finance Director

[osbornem@milwaukieoregon.gov](mailto:osbornem@milwaukieoregon.gov)

