

CITIZENS UTILITY ADVISORY BOARD

In-person and Video Meeting
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MINUTES

November 4, 2024

Present: David Chitsazan, William Johnson, Mary Rowe, Leslie Schockner, Sofie Sherman-Burton

Absent:

Guest(s): John Ghilarducci, FCS Group, Principal
Charles Bird, Island Station

Staff: Finance Director Michael Osborne
Public Works Director Peter Passarelli
Accountant Judy Serio

CALL TO ORDER

Osborne started the meeting at 5:32 pm.

1. INTRODUCTIONS**2. COMMUNITY COMMENTS**

Charles Bird, Island Station, asked for clarification on projects for his that are eligible for Good Neighbor funds. In reference to the August minutes, noted the Good Neighbor funds should be more than what was stated in the minutes.

Passarelli responded that there will be updates for both questions during the meeting.

3. REVIEW AND APPROVAL OF AUGUST 5, 2024, MINUTES

Chitsazan made a motion to approve the minutes as written. **Rowe** seconded the motion.

Motion passed with the following vote: Chitsazan, Johnson, Rowe, Schockner, Sherman-Burton voting "aye." (5:0)

4. WATER & WASTEWATER UTILITY RATE STUDY

Passarelli gave an overview of the FCS Group's presentation. The rate study presented will apply to the next biennium.

Ghilarducci began the presentation by going over the existing city utility rates and their components. A comparison of surrounding cities' water and wastewater rates was presented. Milwaukie is a wholesale customer of Water Environment Services (WES).

Johnson asked why the rates are high.

Ghilarducci and **Passarelli** stated contributing factors include process improvement, aging infrastructure, wastewater is capital intensive and there are regulatory requirements.

Chitsazan asked if there have been any major corporate infractions in the last few years.

Passarelli responded there have been past industrial activities that have impacted ground water.

Ghilarducci continued with the importance of a rate study. Revenues must cover utility costs and are dedicated to the utility's purpose. Policies, priorities, and initiatives are quantified along with providing a true cost of service. The study communicates the impact of the financial decisions to the public. Rate study steps include financial policy evaluation, revenue requirement forecast, cost of service analysis, rate design and communication plan.

Schockner asked if the rate design considers the cost-of-service study.

Ghilarducci responded yes.

Ghilarducci continued with the revenue requirement. Operating costs are regular and ongoing while capital costs are periodic. The financial policy and policy recommendations will determine if bonding should be done. The policy will build in minimum fund balance requirements. Water has more volatile revenues compared to wastewater.

Sherman-Burton asked if climate change affects this study.

Passarelli responded there has been a decrease in water consumption; there are quite a few contributing factors.

Ghilarducci continued with rate-funded capital, that is a capital mechanism. Repairs should be paid with cash while maintenance should be paid with debt. Maintenance is based on a city's capital assets database. Revenue bond debt rates must be set that the debt service payments are secure and there is enough money to cover the debt service payments.

Ghilarducci presented the capital funding philosophy which includes cash, debt, and a hybrid method. The cost-of-service analysis will determine how to equitably distribute the costs. Revenue requirements by cost bucket that make up the service costs were presented for water and wastewater. Customer classes have different weight based on contributing factors. The study looks at it by customer class. A flow chart was presented for allocating administrative costs of service.

Chitsazan asked if fire storage requirements were reviewed during the study.

Committee members discussed fire storage requirements.

Ghilarducci explained how costs will be equitably distributed to recover target level of revenue. Next steps include revenue requirement analysis, cost of service analysis, rate design, and council meetings.

Committee members discussed the presentation materials and asked questions.

5. GOOD NEIGHBOR PROGRAM

Passarelli began with a summary of last meeting's discussion. The current equivalent dwelling unit (EDU) count generates \$142K in revenue a year, which WES pays in July

every year. Debt service is \$84K through 2029 for Milwaukie Bay Park. The current balance of funds is \$371K as of November 22, 2024, which accounts for an upcoming debt service payment of \$7,800 for interest only.

Bird asked if there would be a restriction on additional debt.

Passarelli responded that additional debt is a possibility if it meets the criteria. The map of the eligible area was presented to committee members.

Schockner asked if there was coordination with the Kellogg dam removal project.

Passarelli responded since there are limited amounts of funds available and they will not be used for other projects. Project eligibility requirements were presented to the committee. Program guidelines were presented. Member discussed when the review of applications would take place, as there will be work in drafting the grant agreements.

Rowe commented applications should be done in a timely manner in order to coincide with the summer weather.

Schockner mentioned May is a busy month when budget hearings are scheduled, recommends application review should be done in the fall.

Passarelli added there will be a lot of staff time upfront by himself and the Finance department.

Rowe asked if the implementation will be a heavy lift for staff and would there be a way to coordinate all city grants offered at the same time.

Passarelli responded that staff is trying to use existing templates. The selection criteria were presented to the committee.

Schockner asked if an applicant's track record will be included in the selection criteria.

Passarelli responded that criteria can be added, such as matching funds. The application has not yet been drafted.

Rowe asked if funds would be used to pay for labor.

Passarelli responded funds cannot be used for staff or contractors. External projects will require a grant agreement, and quarterly reporting on project expenditures and submission of a project completion report.

6. CUAB BY-LAWS

Osborne opened the discussion of the draft committee bylaws.

Rowe would like the Term of Office section clarified.

Osborne will have the City Recorder clarify requirements and edit the section appropriately.

Schockner requested the provision to clarify that the draft minutes will be included in the packet for the subsequent meeting be added to the bylaws.

Chitsazan made a motion to approve the bylaws with the stated edits. **Sherman-Burton** seconded the motion.

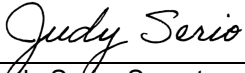
Motion passed with the following vote: Chitsazan, Johnson, Rowe, Schockner, Sherman-Burton voting "aye." (5:0)

7.ADJOURN

Schockner made a motion to adjourn the meeting. **Chitsazan** seconded the motion. Motion passed with the following vote: Chitsazan, Johnson, Rowe, Schockner, Sherman-Burton voting "aye" (5:0).

The meeting adjourned at 7:30 pm.

Respectfully submitted,



Judy Serio, Secretary / Accountant