

CITIZENS UTILITY ADVISORY BOARD

In-person and Video Meeting
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MINUTES

April 1, 2024

Present: David Chitsazan, William Johnson, Mary Rowe, Leslie Schockner

Absent: Sofie Sherman-Burton

Guest(s): Charles Bird, Island Station Chair

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

CALL TO ORDER

Passarelli started the meeting at 5:35 pm.

1. INTRODUCTIONS**2. COMMUNITY COMMENTS**

Charles Bird, Island Station Chair, is requesting funds for the restoration of Elk Rock Island. The third Saturday of every month volunteers work to remove the invasive species on the northwest side of the island. The number of volunteers continues to increase, and the funds would be used for items such as plants, gravel, and equipment.

Schockner asked if there is a documented plan to distribute all the Good Neighbor funds.

Bird responded that his plan for Elk Rock Island was emailed to **Passarelli** late this afternoon asking for guidance on the plan and clarifying the amount that could be used.

Schockner asked if the drafted plan will require public comment on how the funds will be spent.

Passarelli responded that the previous meeting identified the criteria related to spending the funds. Staff would review the process of revising the plan for review.

Bird identified past involvement on the Good Neighbor Committee and the CUAB. Pointed out the map does not include Spring Park.

Passarelli responded that this is an oversight.

Bird understands that Spring Park and Elk Rock were combined on the map, but is only requesting funds for Elk Rock, since the county is responsible for Spring Park. It was

clarified that for the Saturday workdays there is always combined approval to work in both areas.

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

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

Motion passed with the following vote: Chitsazan, Johnson, Rowe, Schockner voting “aye.” (4:0)

4. UTILITY RATE DESIGN

Passarelli reviewed the rate recommendations from the previous meeting. Rate design considerations for water and wastewater will be presented tonight. Commercial water rates will increase to bring fees closer to cost of service; this will not affect utility assistance customers as there is not a fixed water charge and they are not commercial customers.

Schocker asked what is the percentage of customers that participate in the utility assistance program.

Passarelli responded there are 120 accounts in the program.

Osborne added that a yearly renewal is done by staff to verify participants are eligible for the program.

Passarelli continued that the wastewater rate design, there will be adjustments to commercial fixed charges to bring the fee closer to cost of service; this will maintain a zero neutral increase. To summarize, the proposed water fee increases were presented for fiscal years 2025 and 2026; the volume charge will increase, the low use discount will remain, and the meters’ fixed charge will increase. The wastewater will have a revenue neutral adjustment; the residential fixed charge will decrease, and the commercial charge will increase to bring the fees closer to cost of service. Stormwater will remain flat with no adjustments. SAFE & SSMP fees will increase 5.64%; based on the inflation factors adopted when the fees were authorized. All adjustments will be effective July 1, 2024. The rate impacts for residential customers use the assumption of 6 CCF of water used.

Chitsazan stated that utility assistance customers should not see an increase given SAFE and SSMP are not assessed to program participants.

Passarelli continued that fiscal year 2025 will have a 1.13% overall increase for a customer using 6 CCF of water. A graph comparing average utility bills of surrounding cities was presented; in the past, Milwaukie’s rates were the third highest in the area but now the city is in the middle when compared to surrounding cities. The table shows that other cities assess fees for services such as parks or police that are not included in Milwaukie’s utility rates, so the costs among cities are not directly comparable. .

Schockner asked why surface water is higher than others.

Passarelli responded that was stormwater. The reason for this is the 2012-2014 system plan recommended 12-14% increases to fund capital projects using rate increases, adopted by city council.

Chitsazan asked if the average bills are indexed for similar sized housing.

Passarelli responded it is indexed by number of units. System development charges are indexed for size of house. If members are comfortable with the proposed rates, it will be presented to the City Council tomorrow night.

Chitsazan made a motion to approve the proposed utility increases as presented. **Schockner** seconded the motion.

Motion passed with the following vote: Chitsazan, Johnson, Rowe, Schockner voting "aye." (4:0)

5. FIVE-YEAR REVENUE FORECAST

Sagor stated this presentation will be made at the City Council work session tomorrow; since council is half of the budget committee, staff wanted to make the same presentation this evening to the other half of the budget committee. As the proposed budget has been developed staff are focusing on stability now and in the future; fiscal responsibility that will be tightened wherever possible; keeping in mind the city's vision that has adopted goals and strategic plan priorities. Milwaukie and most cities are experiencing inflation, property tax limits, expiration of pandemic recovery, and new/increasing demands.

Osborne presented the five-year forecast. Fiscal year 2027, or the next biennium, is when the fund balance is projected to be in the red (negative). This shortfall used to be five years out but now is only three years away. Contributing factors include inflation, future costs, contract negotiations and property tax revenue cap. Historically, materials and services spending was at 80% but this year it will be at 90%+; this increase will result in reduced carryover to the next fiscal year. The new city hall building does have higher maintenance costs. Without new revenue, cuts to service could be made. This upcoming budget will be realistic as departments hold the line, no FTE increases, and the capital improvement plan will reflect the city's capacity to deliver. Staff will be recommending to City Council an increase of the right-of-way fee on energy providers to 8%, up from 5%.

Johnson asked 8% of what number.

Osborne responded it is 8% of gross revenue.

Chitsazan asked what a right-of-way is.

Sagor responded it is a fee charged on the utility companies for the privilege of being in the city.

Rowe asked if this increase can automatically be passed onto residents or if the Public Utility Commission (PUC) must approve.

Passarelli offered that PGE socializes 3.5% of right-of-way fees already. Northwest Natural socializes 3%. Both agencies pass these fees on to customers; it does not need to go through the PUC.

Sagor offered that this method would buy the city time and that it will also capture some costs of increased service demands of new development.

Osborne presented the projected impacts on average consumers as it relates to the right-of-way fee increase.

Chitsazan asked if the fee increase could be 20% to sustain the city even longer.

Sagor responded that there is not a cap but 10% is a safe increase, due to previous litigation with the City of Gresham.

Rowe asked what year the projections are illustrating.

Osborne responded it would be FY 2028.

Rowe asked what other revenue streams staff are exploring.

Sagor responded with voter approval that there can be a property tax increase, police fee, or parks fee. Most cities are experiencing the restraints of Measures 5 & 50. The upcoming budget will preserve financial stability over the 5-year forecast; institutionalize our climate and equity progress and set a foundation for future goal work. At the first budget hearing on April 27, 2024, the Budget Committee will be presented with two forecasts, one holding stable and the other with the fee increase.

Chitsazan mentioned that the new city hall building does not have an ADA door button on every entrance, would this be included in the upcoming budget.

Sagor responded this is the type of item that could be done with a stronger general fund budget.

Passarelli added that the building does meet the accessibility requirements.

Sagor mentioned that all this information presented on the 5-year forecast will be presented at tomorrow's City Council work session.

6. CUAB BY-LAWS

Osborne began by mentioning the bylaws could be postponed to the August meeting in which the committee would have more time to review and discuss. Multiple handouts were provided to the members.

Schocker clarified items written in an email, that was provided to members. Realizes the Adelphi process would not be compliant with public meeting rules. Would like to see a process where each member sends comments to a designated staff person who would compile all comments before a specific date and then send them out for everyone to review prior to the meeting.

Sagor responded that is the process used for City Council.

Schocker asked what needs to be done with the bylaws.

Osborne responded that after they are finalized with members the City Council will need to approve the bylaws.

Sagor explained that committee members can attend the council meeting to answer any questions the City Council may have on the bylaws. An ordinance will be drafted by staff to update the city code.

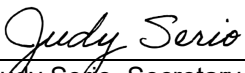
Chitsazan mentioned preference to have the meeting packet ahead of time to review.

Sagor responded that the agenda is always posted a week in advance and the packet usually is posted the Friday before the meeting.

7.ADJOURN

Chitsazan made a motion to adjourn the meeting. **Rowe** seconded the motion. Motion passed with the following vote: Chitsazan, Johnson, Rowe, Schockner voting “aye” (4:0). The meeting adjourned at 7:02 pm.

Respectfully submitted,



Judy Serio, Secretary / Accountant