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Clackamas County - City of Milwaukie Urban Services Study: Financial Analysis


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CLACKAMAS COUNTY – CITY OF MILWAUKIE URBAN SERVICES STUDY: FINANCIAL ANALYSIS



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Clackamas County
City of Milwaukie

by

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Clackamas County – City of Milwaukie Urban Services Study: Financial Analysis

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Clackamas County – City of Milwaukie Urban Services Study: Financial Analysis

EXECUTIVE SUMMARY

The provision of local government services within the urbanizing area of northwest Clackamas County has posed a difficult challenge for a number of years. This report examines the financial aspects of providing urban services to a study area with the following boundaries: the Clackamas County/Multnomah County line to the north, Interstate 205 to the east, highway 224 to the south, and the City of Milwaukie to the west.

At the request of Clackamas County and the City of Milwaukie this document was prepared to provide a comparative financial analysis of the costs and revenues associated with the provision of urban services for the study area under the following scenarios: 1) the study area remains an unincorporated area within Clackamas County, 2) the study area is annexed by the City of Milwaukie. Joint delivery of services through contracting or intergovernmental agreements was also considered where appropriate within the context of these two scenarios.

Uncertainty has surrounded the provision of urban services in this area. Such ambiguity potentially jeopardizes the stability and level of services provided to study area residents in the future. Determining the fiscal feasibility of alternative service delivery scenarios can help clarify this issue and ensure that study area residents receive the services appropriate for an urbanizing area, and that these services are provided in an efficient manner.

As described above, this study is a financial analysis only, and is not designed to explore the potential benefits or costs of annexation to study area residents. This study examines revenues and expenditures related to providing urban services, but does not explore quality of service issues. The intent of this study is to examine the fiscal feasibility of alternative service delivery options. In part, this analysis will be used to determine whether further analyses of issues, such as quality of service or costs and benefits to study area residents, are warranted and should commence.

Section I of this report provides contextual information pertaining to the need for an urban services study. Section II describes the financial analysis procedures and results. Some of the findings of the analysis are summarized below.

DISCUSSION OF RESULTS

Milwaukie

The analysis shows that a full annexation of the study area would be fiscally beneficial to the City of Milwaukie over the twenty-year study period. Before accounting for increased capital

expenses, the City would see a fiscal gain of \$700,000 per year in the short-term. In the short-term, annexation would increase the City's revenues by \$5.5 million each year, while increasing operating and maintenance expenses by only \$4.8 million.

By the end of the twenty-year study period, we estimate that the city would see a fiscal gain of \$1.3 million per year, before accounting for increased capital expenses. This is based on projected increased revenues in the long-term of \$7.9 million each year minus long-term increased operating costs of \$6.6 million each year.

Increased capital expenses related to annexation would affect the City's potential fiscal position. With annexation, Milwaukie would incur an additional \$10 million in capital costs for road projects. These costs would occur in uneven increments throughout the twenty-year planning period. When these capital costs are accounted for, a full annexation of the study area would put Milwaukie in a negative net fiscal position for the first four years. The losses during these first four years would be relatively small (approximately \$200,000 in total), and may be within the margin of error of this study. Milwaukie would experience a positive net fiscal position every year following 2005. Milwaukie's total net fiscal gain for the entire twenty-year planning period would be \$11.4 million, an average of \$545,000 per year.

Clackamas County

The analysis shows that annexation of the study area to the City of Milwaukie would also be fiscally beneficial to Clackamas County. Before accounting for a decrease in capital expenses, the County would see a fiscal gain of \$3.8 million per year in the short-term. Annexation would decrease the County's operating and maintenance expenses by \$3.7 million each year, and actually increase the County's revenue by \$107,000 each year.

By the end of the twenty-year study period, we estimate that the County would see a fiscal gain of \$4.8 million per year, before accounting for decreased capital expenses. This is based on projected cost savings for operating and maintenance of \$4.7 million each year, and increased revenues of \$102,000 each year.

The projected increased revenue to the County is a product of urban renewal. The county would continue to maintain the two urban renewal areas located within the study area. Application of the city's higher tax rates would account for the increased revenue to the county. It is important to note that urban renewal revenue is somewhat limited in use in that it can only be applied to projects in the County's urban renewal areas.

With annexation, Clackamas would save \$10 million in capital costs for road projects, which would be shifted to the City. This transfer of costs would improve the County's net fiscal position as a result of annexation. The County's total net fiscal gain for the twenty-year planning period would be \$100 million, an average of \$4.8 million per year.

Overall, the analysis indicates that annexation of the study area to the City of Milwaukie could be fiscally beneficial to both jurisdictions. The combined net fiscal gain of the two jurisdictions

over the twenty-year planning period is projected to be \$111 million, an average of \$5.3 million per year. The projected net fiscal gains related to annexation are a product of increased revenues from property taxes, greater access to state revenue sources for the study area, and cost efficiencies in some expenditure categories. The Oregon state government provides highway tax, cigarette tax, liquor tax and other revenues to localities. These revenues are distributed based on population and other measures. The funds are provided from separate pools for cities and counties. Since annexation would increase the population of the City of Milwaukie without decreasing the population of Clackamas County, annexation would greatly enhance the share of state revenues drawn by the study area. In the short term annexation would result in a net increase in revenue of \$5.7 million per year for the City and County combined. Approximately 13 percent of this increase (approximately \$700,000) would come from access to state revenue sources.

Several strategies could be developed to alleviate the negative net fiscal position that Milwaukie would face in the first few years following annexation. Such strategies include appropriate phasing of the annexation, realignment of the urban renewal area boundaries, delayed construction of road projects, or sharing of certain road project costs. In conducting the analysis, we divided the study area in three sub-areas, defined by dominant land use characteristics, and in part by Urban Renewal Area boundaries. Each of these sub-areas has a distinct and different impact on local revenues and expenditures and would yield unique fiscal impacts in the case of annexation. The suggested phasing strategies are based on this sub-area analysis. These strategies are outlined in Chapter 6, *Analysis and Conclusions*.

While we project that annexation would be fiscally beneficial to both the City and the County, it could also provide stability in the provision of urban services to the study area and ensure a level service appropriate to an urbanizing area. Annexation could also provide study area residents with a more direct input into local government decisions and policies. Milwaukie is a much smaller locality than Clackamas County, and the study area would represent a significant portion of the Milwaukie population. Clearly, annexation of the study area would involve extensive consultation between the citizens, elected officials, and professional staffs in the two jurisdictions. This analysis indicates that further examination of the potential implications of annexation – including the potential benefits and costs to study area residents – is warranted.

SUMMARY OF CONCLUSIONS

Chapter 6, *Analysis and Conclusions*, outlines the following eight conclusions of this analysis:

- 1:** Before accounting for capital expenses, full annexation would be fiscally beneficial to the City of Milwaukie.
- 2:** Before accounting for capital expenses, full annexation would be fiscally beneficial to Clackamas County.

- 3: Operating costs of providing services to the study area are similar for the City and the County.
- 4: The projected fiscal gains related to annexation are largely a product of increased revenues from property taxes and greater access to state revenue sources for the study area.
- 5: When capital costs are accounted for, a full annexation of the study area would put Milwaukie in a negative net fiscal position for the first four years. Milwaukie would experience a positive net fiscal position every year following 2005. The losses during these first four years would be relatively small (approximately \$200,000 in total), and may be within the margin of error of this study. Over the twenty-year planning period, the City would experience a total net gain of \$11.4 million, which averages to approximately \$545,000 per year.
- 6: When capital costs are accounted for, a full annexation of the study area would have a positive net fiscal impact for Clackamas County. The County's total net fiscal gain for the twenty-year planning period would be \$100 million, an average of \$4.8 million per year.
- 7: After accounting for capital cost transfers, annexation of Sub-Area B, the Industrial Area, would yield positive net fiscal impacts for both the City and the County in all years of the planning horizon. Annexation of Sub-Area C, the Residential Area would yield a positive fiscal impact for the City only after the second year of the planning horizon, but would yield a positive net fiscal impact for the County in all years. Annexation of Sub-Area A, the Town Center Area, would yield a negative net fiscal impact for the City in all years and a positive net fiscal impact to the County in all years.
- 8: Annexation provides a service delivery alternative that is financially feasible and potentially beneficial to the City, the County and residents of the study area. Further discussion of this option is warranted.

**SECTION I:
BACKGROUND & CONTEXT**

CHAPTER 1: INTRODUCTION

The provision of services within the urbanizing area of northwest Clackamas County has posed a difficult challenge for a number of years. This report examines the financial aspects of providing urban services to a study area with the following boundaries: the Clackamas County/Multnomah County line to the north, Interstate 205 to the east, highway 224 to the south, and the City of Milwaukie to the west. The purpose of this study is to address alternatives to the current urban services delivery system within this study area.

Uncertainty has surrounded the provision of urban services in this area. Such ambiguity potentially jeopardizes the stability and level of services provided to study area residents in the future. Determining the fiscal feasibility of alternative service delivery scenarios can help clarify this issue and ensure that study area residents receive the services appropriate for an urbanizing area, and that these services are provided in an efficient manner.

REPORT OVERVIEW

This report is divided into two sections and contains six chapters. Section I, *Background and Context*, describes the purpose of the study and provides the context that has given rise to this urban services study. Section II, *Analysis*, includes the methodology used to carry out the study and contains the results of the financial analysis with conclusions and implications for policymakers to consider.

Section I includes the first three chapters. The current chapter, *Introduction*, provides a brief overview of the historical background regarding the provision of urban services within the study area, a description of some of the general perspectives of elected and administrative officials within the City of Milwaukie and Clackamas County, and a description of the work program. Chapter 2, *Study Area Description*, describes the study area location and boundaries and summarizes existing physical and demographic characteristics. Chapter 3, *Existing Urban Service Provision*, describes existing institutional responsibilities for the provision of urban services within the study area and within the City of Milwaukie.

Section II includes chapters 4 through 6. Chapter 4, *Methodology and Key Assumptions*, provides an overview of the research approach. Chapter 5, *Revenues and Expenditures*, describes the results of the research. Chapter 6, *Analysis and Conclusions*, provides a final summary and some alternatives for policymakers to consider.

BACKGROUND

Historical Context:

Provision of services within the urbanizing northwest Clackamas County area has posed a difficult challenge for a number of years. In the mid-1980s the incorporation of a new locality, the City of McLoughlin, was proposed. This would have incorporated the area east of the Willamette River, north of the Clackamas River, and west of I-205. The incorporation vote failed by a large margin.

In 1990 the City of Milwaukie and Clackamas County entered into an Urban Growth Management Agreement (UGMA) to satisfy statutory requirements for land use coordination, to establish working communications between the jurisdictions, and to implement orderly and cost-effective conversion of potential urban land to urban uses.¹ The urban growth area indicated in this agreement includes a large area extending east from the Milwaukie boundary to I-205. It is bounded on the north approximately by the Multnomah County line and extends south of Sunnyside Road and SR 224 to approximately Clackamas Road. This urban growth area also includes some additional land east of I-205 at the Sunnyside Interchange, and an additional long segment of land just south of SR 224 extending west to the Willamette River. This area is shown in Figure 1-1.

Under this agreement, the City of Milwaukie and Clackamas County have identified the urban growth management area as an area in which the city and the county have mutual interest in coordinating effective and efficient service delivery. The agreement further recognizes Milwaukie's role as a service provider, Clackamas County's role in coordination of land use and public facilities planning, and the importance of inter-jurisdictional service delivery arrangements:

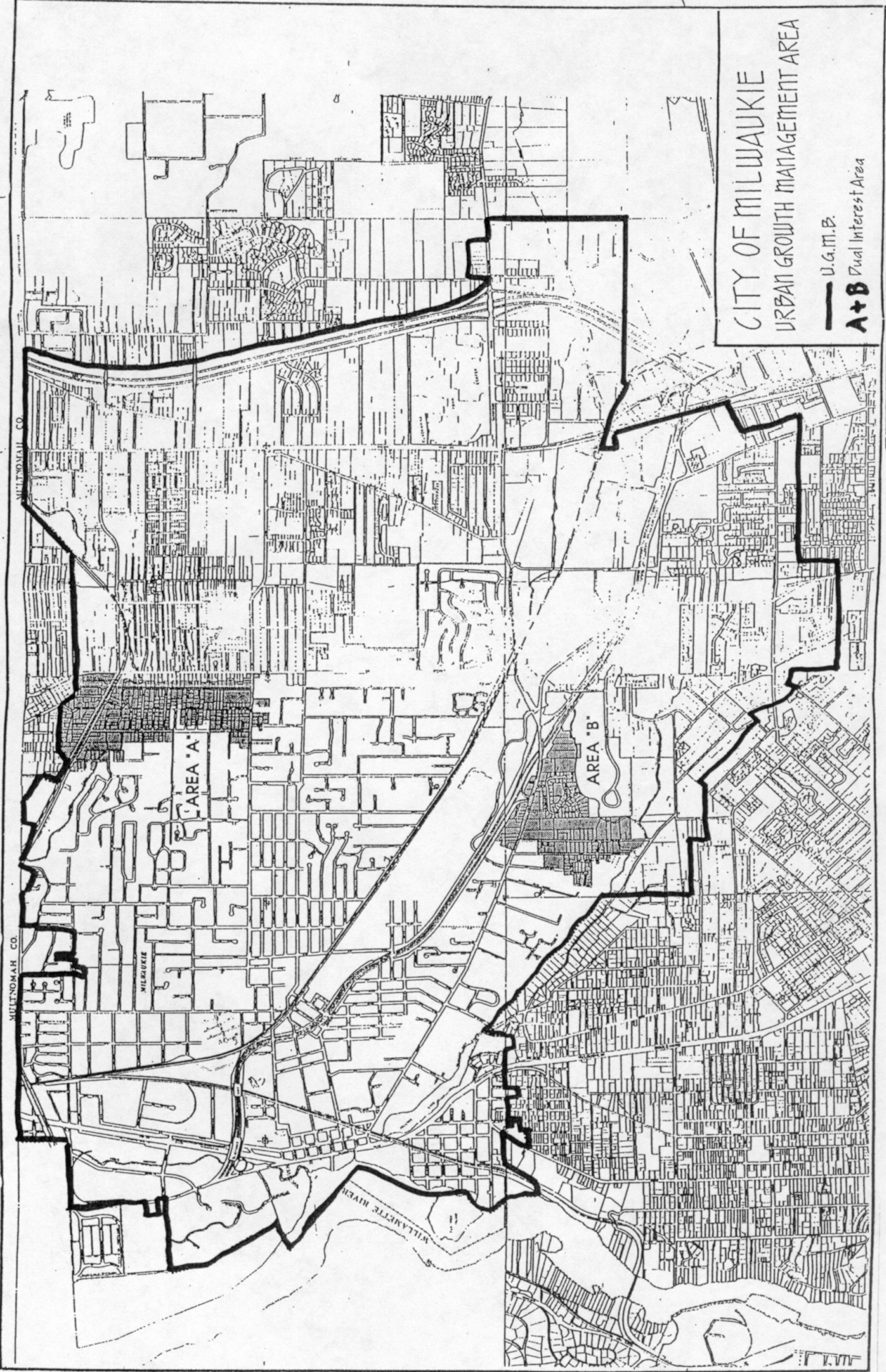
“Whereas, the City's interests are best served in defining its role as a service provider within the general North Clackamas area, and in defining its responsibilities in providing cost-effective and coordinated services to said area in the future; and

Whereas, the County's interests are best served by fulfilling its responsibility for ensuring coordinated land use plans throughout the county and for adopting a Public Facilities Plan that serves as a framework for future cost-effective service provision in urbanizing areas, and

Whereas, the City's and County's interest are best served by establishing processes and procedures whereby issues of regionalization and/or various inter-jurisdictional service delivery arrangements can be explored.”²

¹ Urban Growth Management Agreement between City of Milwaukie and Clackamas County, July 5, 1990, page 1.

² Ibid



CITY OF MILWAUKEE
 URBAN GROWTH MANAGEMENT AREA

— U.G.M.A.
A+B Dual Interest Area

Figure 1-1

While this agreement has provided a general framework for Milwaukie and Clackamas County to address land use and urban service questions, it has not resolved the question of how to provide coordinated urban services within Milwaukie's urban growth area or within the study area addressed here.

In the early and mid-1990s local governments in North Clackamas County participated in a process to determine service responsibilities and create urban service agreements for urbanizing portions of the North Clackamas area.³ This project was designed to address requirements of ORS Chapter 195, which require that urban service agreements for specific urban services be completed no later than the time of each local government's state-mandated comprehensive plan review.⁴

While considerable coordination has occurred during the past ten years, questions remain about the best way to ensure efficient service provision to the urbanizing area of northwest Clackamas County. This uncertainty potentially jeopardizes the stability and level of services provided to study area residents in the future. For example, the study area contains approximately 1,000 homes that are not currently connected to a sewage collection system. When individual cesspools in this area fail there is no consensus between the City and County as to the appropriate provision of future sewage connections. Currently, Clackamas County Service District No. 1 addresses cesspool failures in this area on a case by case basis, but has been unwilling to commit to a large capital investment in the area since it is within Milwaukie's Urban Growth Management area. The desire to clarify future responsibility for sewage service in this area was one of the factors that influenced the commission of this study.

This urban services study has been conducted within the framework of the Urban Growth Management Agreement to help evaluate alternatives for the provision of urban services within the study area. Determining the fiscal feasibility of alternative service delivery scenarios can help clarify such issues and ensure that study area residents receive the services appropriate for an urbanizing area, and that these services are provided in an efficient manner.

Milwaukie and Clackamas County Perspectives:

Both the City of Happy Valley and the City of Milwaukie have expressed an interest in annexation of Milwaukie's urban growth area west of I-205.⁵ Interviews with City of Milwaukie elected and administrative officials show that the City's interest in annexation of the study area dates back to the early 1990s. Milwaukie's opportunities for expansion are limited. The City is bounded on the west by the Willamette River and on the north by the City of Portland. On the south, the unincorporated Oak Grove community has been historically opposed to annexation.

³ North Clackamas Urban Services Agreement Project, McKeever/Morris, Inc., August 1995, pages 1-4; White Paper Annexation-Incorporation in Clackamas County, Charles Heying, Portland State University Center for Urban Studies, prepared for Clackamas County Urban Services Project, Phase II, October 1996.

⁴ ORS 195 agreements are to cover sanitary sewer, water fire protection, parks, open space, recreation and streets, roads and mass transit.

⁵ City of Milwaukie Annexation Policy, draft, undated, page 2.

Milwaukie's city officials have expressed a sense that the study area may represent an important option for future growth.

This option for growth also provides a potential opportunity to strengthen the long-range financial position of the City of Milwaukie. During the past several years Milwaukie's revenues have remained relatively flat or declined somewhat, while the cost of providing services to its residents have been increasing. The City Council has recently expressed its interest in a broader vision for the City of Milwaukie, which focuses both on financial considerations and the goal of providing better services to its residents. Annexation of the study area is seen as one positive way to address these financial trends and improve urban services to residents within the area. Although there are significant costs involved with provision of some services within the study area, residential, commercial and industrial areas offer the potential for generating income that might offset declining revenues, and allow for provision of appropriate services to study area residents.

Clackamas County faces different demands for service from the urban study area and the more rural areas that make up much of the County. The study area has become almost fully urbanized, although some vacant land and potential for infill remains. This urban character brings with it demands for a full range and intensity of urban services substantially greater than that required in the rural areas of the County.

For example, code enforcement, public safety, sanitary sewage disposal, and some other county services are provided at a much lesser intensity in rural areas of the County than within the urbanized study area. As a result, Clackamas County's costs for providing services within the study area may be higher than in the rural areas of the County. (The study area might also bring greater revenues.) These contrasting needs for service delivery create conflicts regarding appropriate levels of County expenditures between residents of the study area and rural residents within Clackamas County. Annexation of the study area to the City of Milwaukie could potentially resolve some of these conflicts, and ensure that study area residents receive an appropriate level of service provision.

As described above, the study area is located within Milwaukie's urban growth area. While annexation could be beneficial to both the City and the County for the reasons discussed above, it could also ensure that residents of the study area receive a level of services appropriate to an urbanizing area. Annexation could also provide study area residents with a more direct input into local government decisions and policies. Milwaukie is a much smaller locality than Clackamas County, and the study area would represent a significant portion of the Milwaukie population.

Purpose:

The issues described above have given impetus to this urban services study. The purpose of this study is to further address alternatives to the current urban service delivery system within the designated study area. This study is a financial analysis only, and is not designed to explore the potential benefits or costs of annexation to study area residents. This study examines revenues and expenditures related to providing urban services, but does not closely explore quality of service issues. The intent of this study is to examine the fiscal feasibility of alternative service

delivery options. In part, this analysis will be used to determine whether further analyses of issues, such as quality of service or costs and benefits to study area residents, are warranted and should commence.

URBAN SERVICES FINANCIAL ANALYSIS & SCOPE OF WORK

An important question to address in the provision of urban services to the study area is the financial impact that would be experienced by the City of Milwaukie and Clackamas County in the event of annexation of the study area to the City. At the request of Clackamas County and the City of Milwaukie this document was prepared to provide a comparative financial analysis of the costs and revenues associated with the provision of urban services for the study area under the following scenarios: 1) the study area remains an unincorporated area within Clackamas County, 2) the study area is annexed by the City of Milwaukie. Joint delivery of services through contracting or intergovernmental agreements was also considered where appropriate within the context of these two scenarios.

This research was performed under the provisions of an Intergovernmental Educational Services Agreement by the Executive Leadership Institute and the Center for Urban Studies at the College of Urban and Public Affairs of Portland State University.⁶ A cost-revenue financial analysis has been carried out to evaluate the feasibility of the service-provision alternatives identified above. The following is a description of the tasks agreed to and carried out in this study.

Task 1: Preliminary tasks

Preliminary tasks included a tour of the study area and meetings with City and County officials to finalize the study area boundaries, a review of the legal requirements for urban services within the area, and interviews with county and city elected and key administrative officials regarding their interests and concerns as they relate to the provision of urban services within the study area.

Task 2: Develop the cost-revenue methodology to be used in evaluating two scenarios: 1) urban services provided by Clackamas County, and 2) urban services provided by the City of Milwaukie. Joint delivery of services through contracting or intergovernmental agreements was also considered where appropriate within the context of these two scenarios.

To carry out Task 2, the research team identified the range of municipal service costs and municipal revenues to be included in the study, and then identified the alternative service delivery mechanisms and providers for each of the scenarios evaluated in the study. Appropriate methods were defined for calculating urban services costs and revenues, and sources of cost and revenue data were identified. The research team then used this information to prepare the cost/revenue spreadsheets for the scenarios to be evaluated in the study.

Task 3: Execute the financial cost/revenue analysis for each scenario.

⁶ Intergovernmental Educational Services Agreement between Executive Leadership Institute and City of Milwaukie, July 19, 2001

The research team collected data on municipal service costs and revenues that were used in the financial analysis of each of the scenarios, developed the spreadsheet analysis for each scenario, analyzed the results of the analysis and identified key conclusions for the study. The City of Milwaukie and Clackamas County provided necessary technical staff support to develop the cost and revenue data required.

Task 4: Prepare draft and final reports

The research team then prepared a draft report for review by appropriate City of Milwaukie and Clackamas County officials. Based on comments from this review, the research team prepared and submitted a final report to the City and the County.

COUNTY AND CITY STAFF REVIEW AND COLLABORATION

The development of this final report involved multiple opportunities for collaboration and review by City and County staff, County service district staff, and City and County administrative leaders. Numerous opportunities for review and input allowed the research team to reach consensus on various methodological issues, projections and cost and revenue estimates. Representatives from the following agencies provided valuable input and review:

**City of Milwaukie
Departments**

- City Manager
- Community Development Administration
- Engineering
- Planning
- Police
- Finance

**Clackamas County
Departments**

- County Administrator
- Transportation & Development
- Assessment & Taxation
- Sheriff
- Finance
- Water & Environment Services

**County Districts and
Agencies**

- Clackamas Development Agency
- Clackamas River Water
- Clackamas County Service District 1

CHAPTER 2: STUDY AREA DESCRIPTION

This chapter provides a description of the study area location and boundaries as well as an examination of existing physical and demographic conditions within the study area. An understanding of these existing conditions provides an important base for the projection of future revenues and costs associated with alternative service provision scenarios.


STUDY AREA LOCATION & BOUNDARIES

The urban services study area is located in an unincorporated section of northwest Clackamas County, adjacent to the City of Milwaukie. The boundaries of the study area are defined as the Clackamas County/Multnomah County line to the north, Interstate 205 to the east, highway 224 to the south, and the City of Milwaukie to the west (see Figure 2-1: Study Area Location Map). At approximately 2,000 acres, or 3.1 square miles, the study area is roughly two-thirds the size of the City of Milwaukie.



The study area is located within the boundaries of several large service districts. These include the North Clackamas Park District, the Clackamas River Water District, Clackamas Fire District No. 1, and the enhanced law enforcement and street lighting districts. The majority of the study area is located within Clackamas County Service District No. 1.

Portions of two urban renewal areas are located within the study area. The Clackamas Town Center Urban Renewal Area is located almost entirely within the boundaries of the study area, with a small area extending east of the I-205 boundary. Approximately 25 percent of the study area is included in the Town Center Urban Renewal Area. The boundaries of the Clackamas Industrial Urban Renewal Area also overlap the study area. The majority of this large urban renewal area is located southeast of the study area, but a small “finger” extends into the study area along the Highway 224 boundary, encompassing part of the industrial concentration that exists there. The boundaries of these urban renewal areas are depicted in Figure 2-2: Urban Renewal Areas Map.

Study Area Boundary

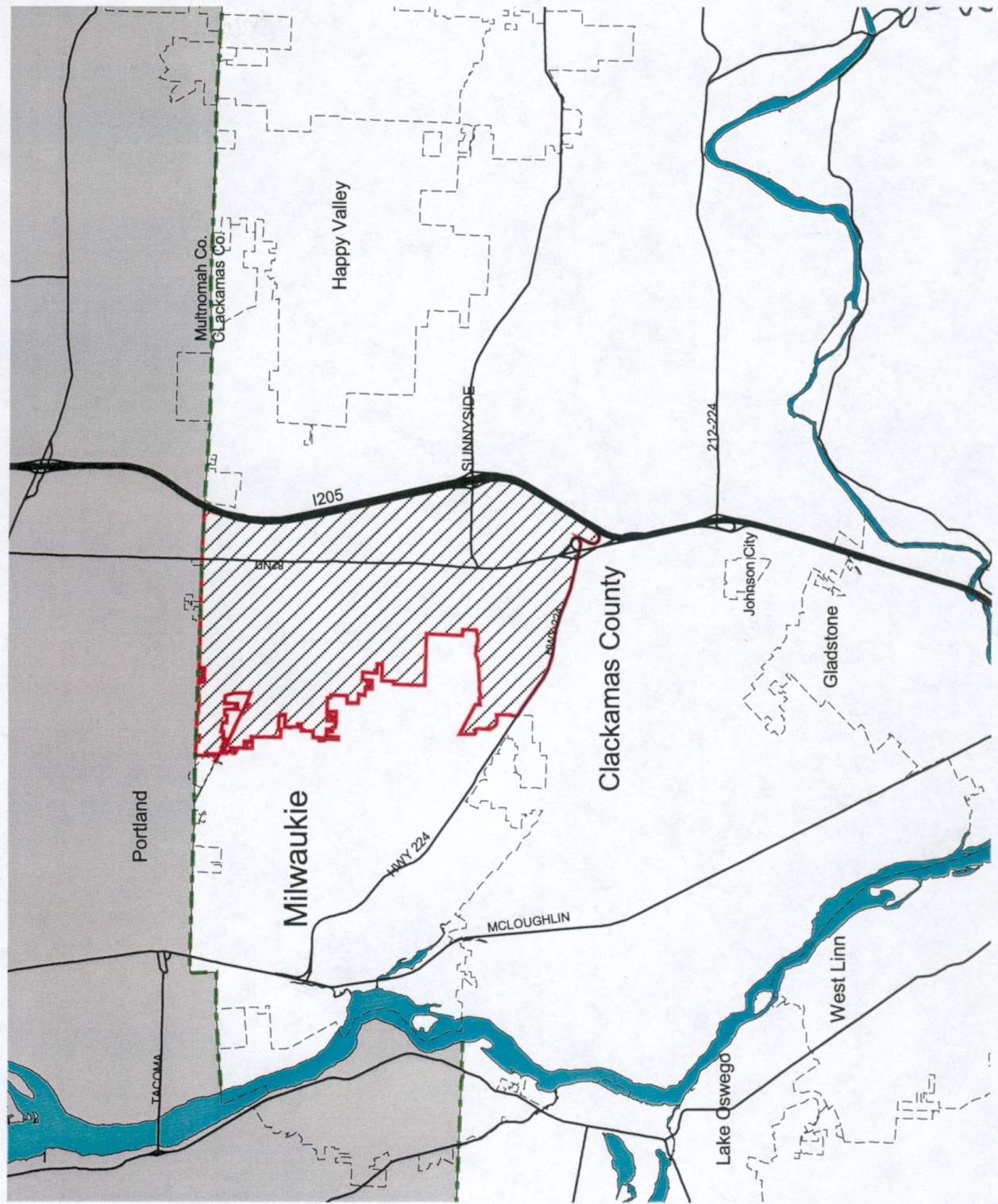


Counties

- Clackamas Co. 
- Multnomah Co. 

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source: RLIS



Study Area Location

Figure 2-1

Urban Renewal Areas

Clackamas Town Center

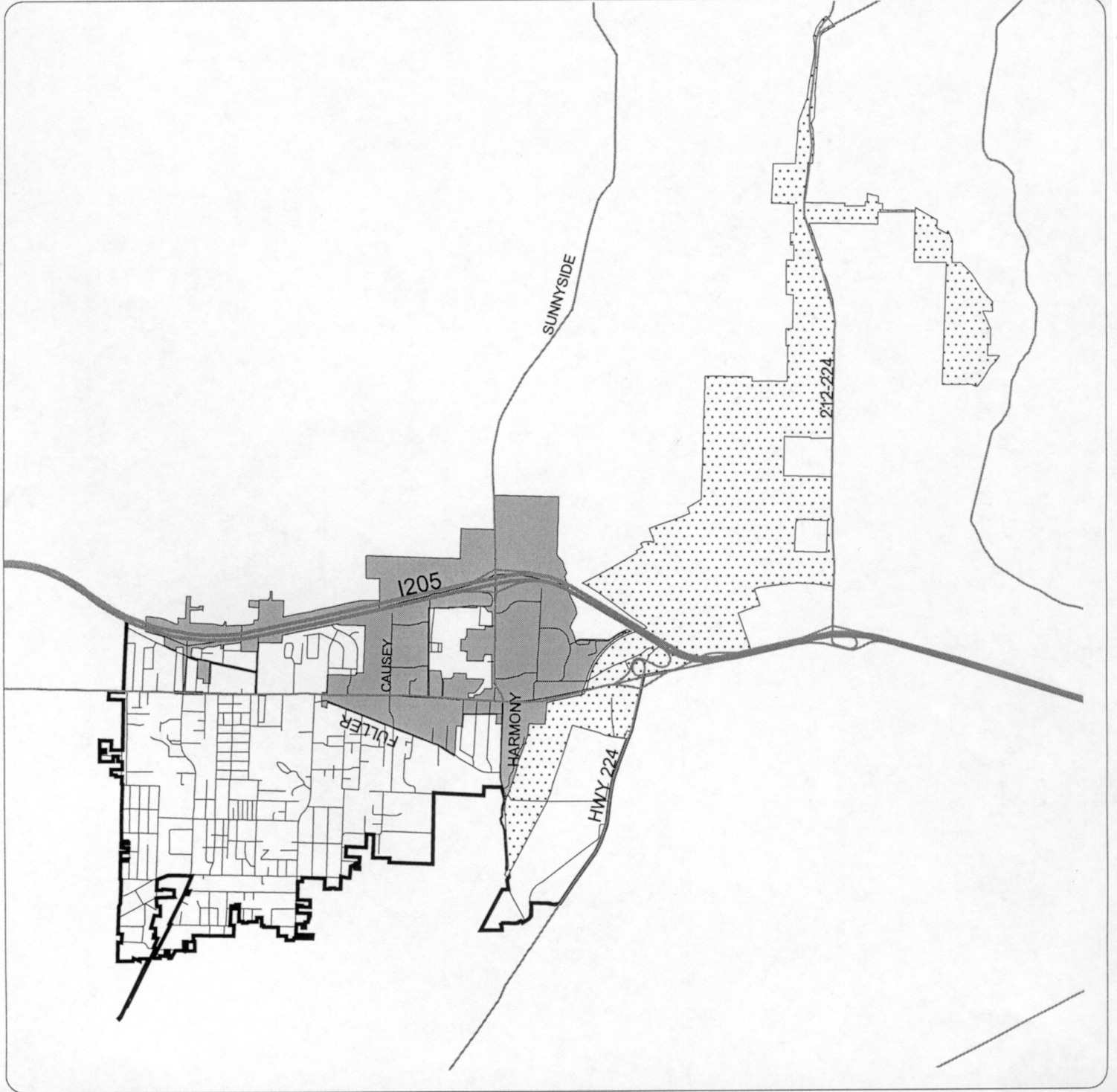
Industrial



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Source: Clackamas County

Clackamas County - City of Milwaukie
Urban Services Study



Urban Renewal Areas

Figure 2-2

LAND USE & ASSESSED VALUATION

Descriptions and maps of study area land use were derived from information provided by the Clackamas County Department of Transportation and Development and information contained in the most recent quarterly update to Metro's Regional Land Information (RLIS) database. Assessed value data were provided by the Clackamas County Department of Transportation and Development, as extracted from a constantly-updated data source maintained by the Clackamas County Department of Assessment and Taxation. The data were extracted in May of 2002 and the assessed values in the set reflect those in the Clackamas County 2001 certified roll.

The study area is comprised of a mix of residential, commercial, industrial and agricultural land, as depicted in Figure 2-3: Existing Land Use Map. The Clackamas Town Center, a regional shopping center located in the southeastern portion of the study area, anchors the significant commercial corridor along 82nd Avenue. This corridor contains a variety of retailers, including a number of "big box" stores.

Commercial uses account for approximately 24 percent of the total land area and are generally concentrated along the 82nd corridor and within and near the Clackamas Town Center. A concentration of large industrial uses exists along the study area's southern boundary, just north of highway 224. A smaller cluster of industrial land exists near the Spring Water Corridor and Johnson Creek Boulevard, in the study area's northern section. Along with a few other scattered sites, these industrial uses cover approximately 16 percent of the study area. The majority of the land west of the 82nd Avenue commercial corridor is single family residential. A large mobile home park (shown as single family) sits in the center of the study area, just north of King Street, and several multi-family uses are scattered throughout the area. Residential land uses account for approximately 40 percent of the land area.

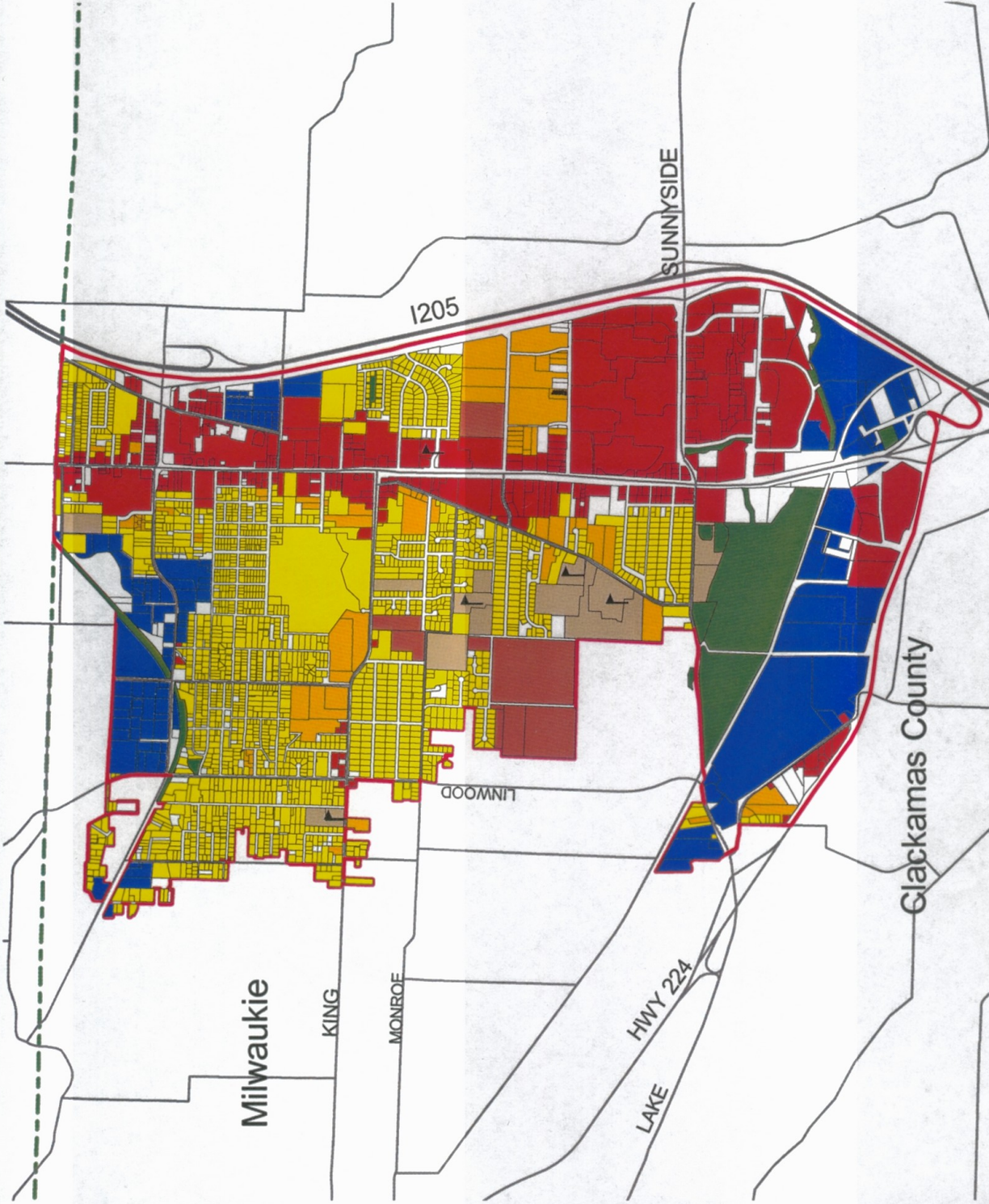
Existing Land Use

Existing Land Use

- Agricultural
- Commercial
- Industrial
- Multi-Family
- Educ./Instit./Rural
- Single Family
- Vacant / Undeveloped
- Parks/Open Space

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Source: Clackamas County



Existing Land Use

Figure 2-3

Table 2-1 below summarizes the study area’s existing land uses by percent of total land area, mean total assessed value, and aggregate total assessed value. The study area contains 2,962 tax lots. Properties in the Educational/Institutional/Rural land use category have the highest mean total assessed value in the study area. This category mainly includes educational uses (La Salle High School, Clackamas Community College, and North Clackamas School District facilities), which do not generate tax revenue. The highest aggregate assessed value is generated by commercial uses. Figure 2-4: Assessed Values Map displays the distribution of total assessed property values within the study area.

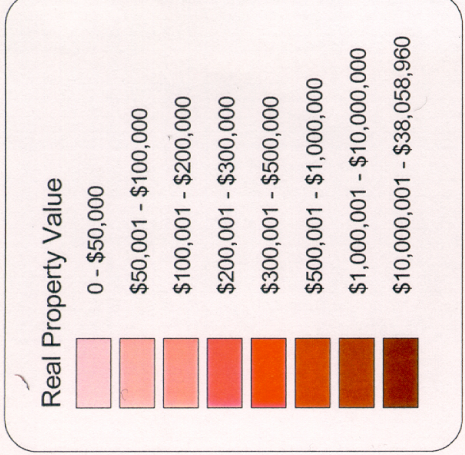
**Table 2-1:
Study Area Land Uses and Assessed Values**

Land Use	Count of			Mean Assessed Value	Aggregate Assessed Value
	Tax Lots	Area (Acres)	% of Area		
Single Family	2,077	629	32%	\$ 103,037	\$ 214,007,840
Multi-Family	114	138	7%	\$ 1,168,382	\$ 133,195,509
Commercial	349	481	24%	\$ 1,065,946	\$ 372,014,999
Industrial	149	320	16%	\$ 994,497	\$ 148,180,058
Agricultural	8	81	4%	\$ 196,544	\$ 1,572,351
Rural (Edu./Instit.)	11	81	4%	\$ 3,435,186	\$ 37,787,048
Other / Unclassified	25	14	1%	\$ 166,049	\$ 4,151,232
Vacant / Undeveloped	229	227	12%	\$ 85,764	\$ 19,639,994
TOTAL	2,962	1,971		\$ 314,162	\$ 930,549,031

Source: Clackamas County

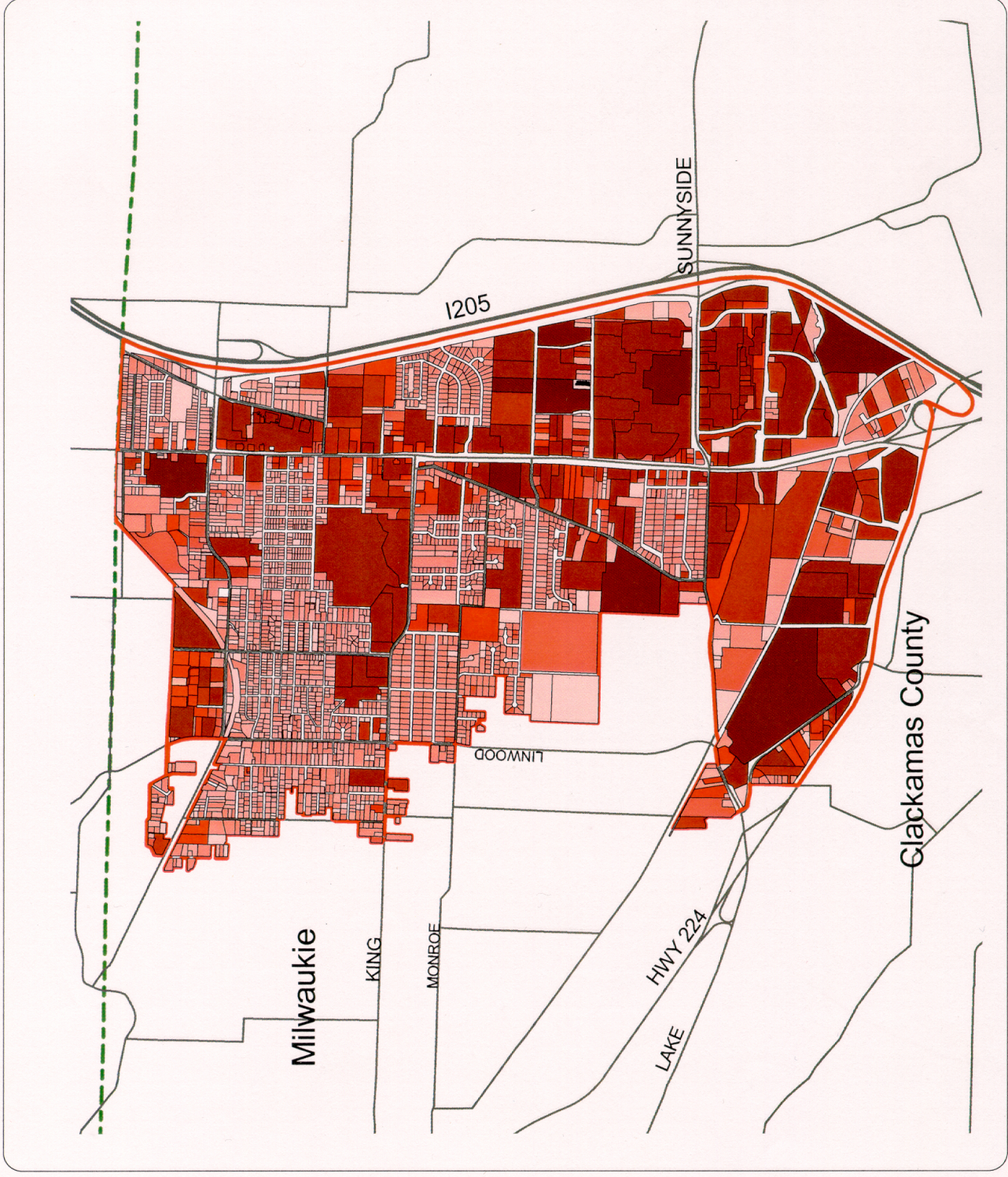
DEMOGRAPHIC PROFILE

Demographic profile information provided in the following sections was obtained from the 1990 and 2000 US Census, summary tape files 1 and 3. Figures for the study area were calculated at the block group level, with adjustments to improve correspondence with study area geography. Since the block group geography does not correspond exactly with that of the study area, data associated with appropriate block group parts that are contained within other census defined places (CDP) were subtracted. Data associated with parts of census tract 215, block group 1 that overlapped the City of Milwaukie and Oatfield CDP were removed for 1990 and 2000. Data associated with parts of tract 221.04, block group 2 that overlapped with Clackamas CDP were removed for 2000. Although Figure 2-5: 1990 Census Geography Map and Figure 2-6: 2000 Census Geography Map depict areas larger than the study area, these adjustments allowed the census data collection geography to very nearly match that of the study area.



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Source: RLIS, Clackamas County



Clackamas County - City of Milwaukie
Urban Services Study

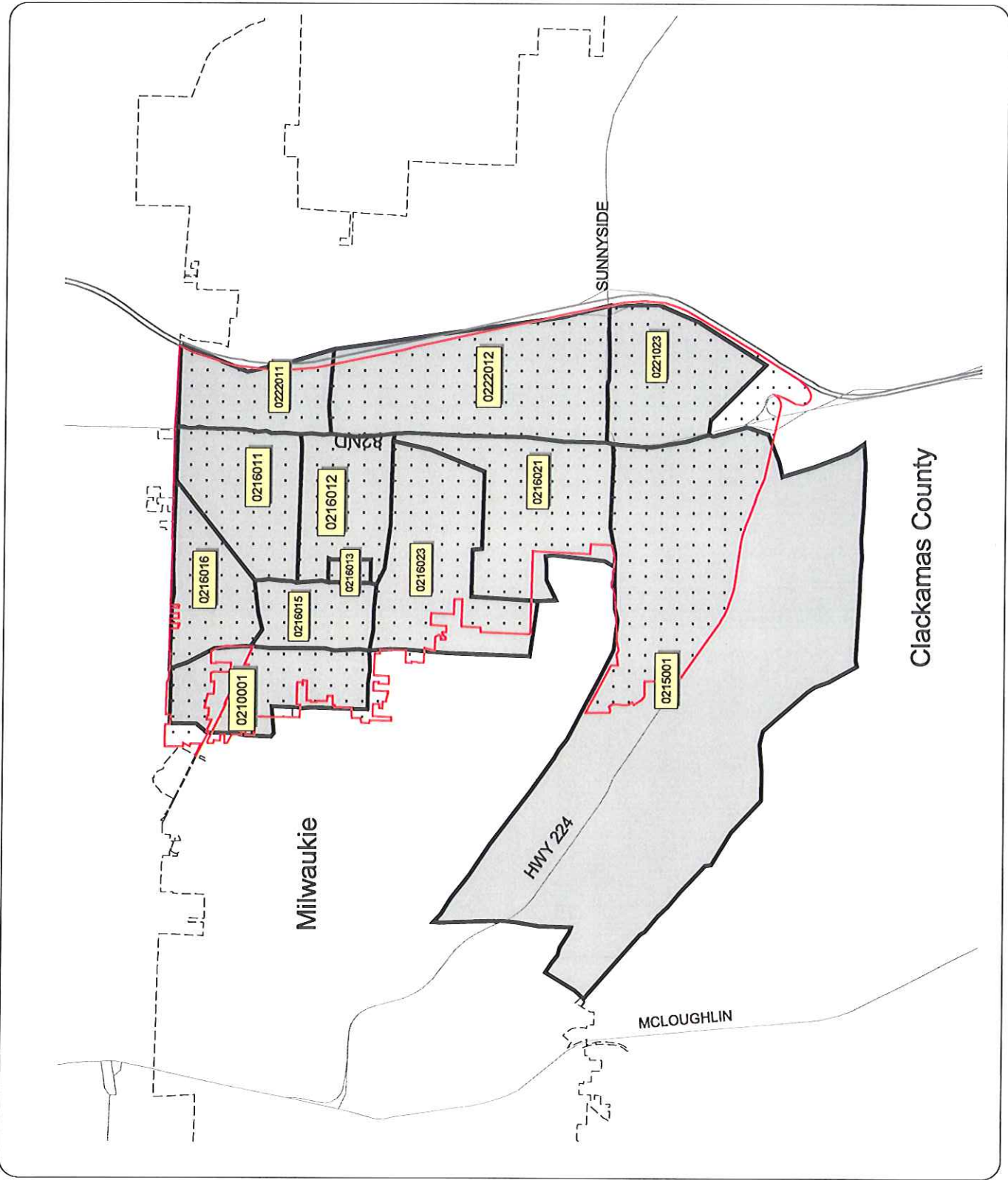
Figure 2-4

Assessed Values

 Study Area
 1990 Block Groups

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 December 2001

source: RLIS



1990 Census Geography

Figure 2-5

Clackamas County - City of Milwaukie
 Urban Services Study Area

Study Area

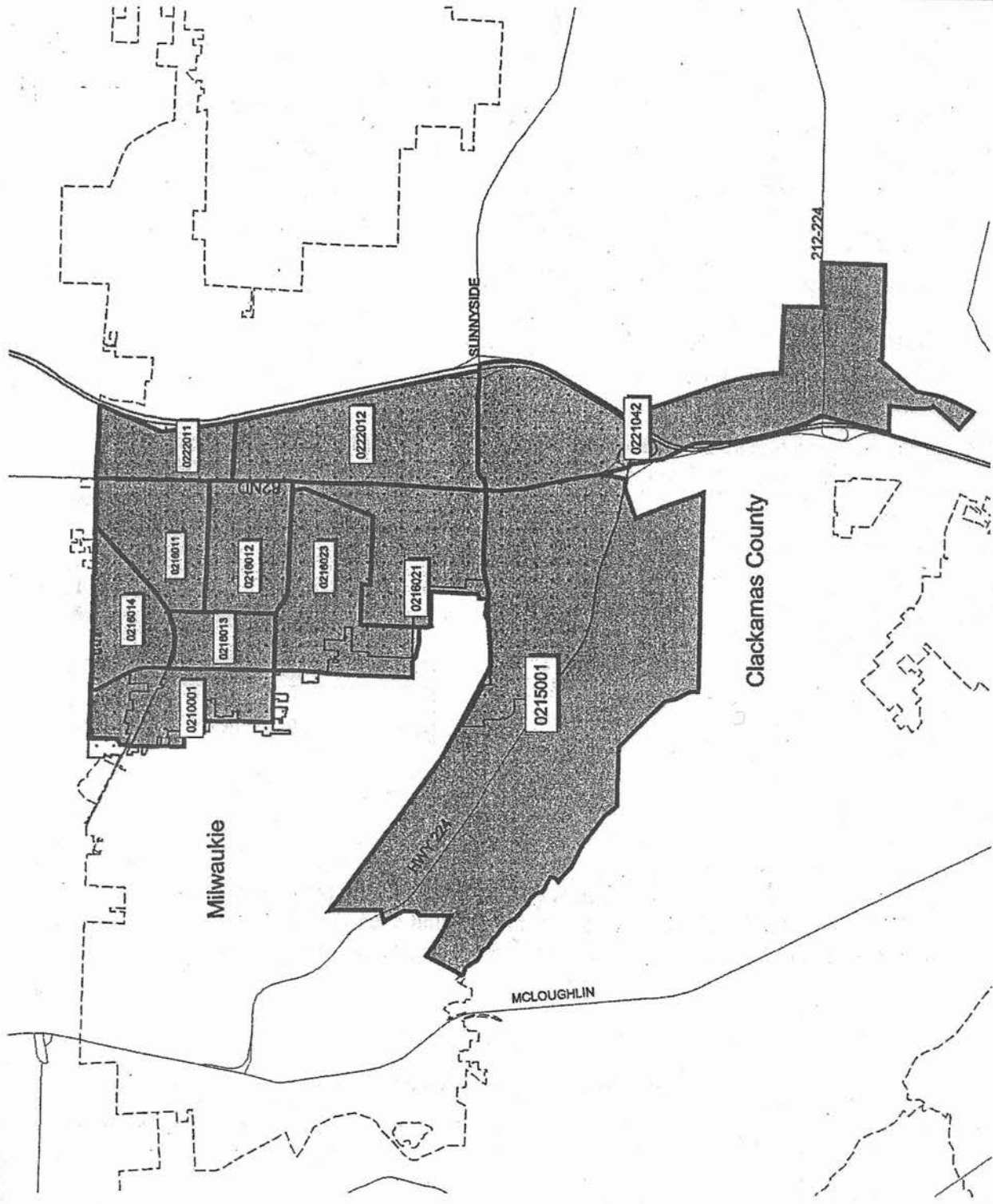


2000 Block Groups



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source: RLIS



2000 Census Geography

Figure 2-6

Clackamas County - City of Milwaukie
Urban Services Study

Population Trends:

Between 1990 and 2000, population within the study area grew at a faster pace than Clackamas County, and much more rapidly than the City of Milwaukie. The number of persons per household in the study area in 2000 was 2.41. Table 2-2 below shows the 1990-2000 trend in population and households for the study area, as compared to the City of Milwaukie and Clackamas County.

**Table 2-2:
Trends in Population and Households
1990-2000**

	Study Area			Milwaukie			Clackamas County		
	1990	2000	% Growth	1990	2000	% Growth	1990	2000	% Growth
Persons	11,843	15,912	34%	18,692	20,490	10%	278,850	338,391	21%
Housholds	5,109	6,860	34%	7,900	8,561	8%	103,530	128,201	24%

Source: US Census Bureau

The study area is similar to the City of Milwaukie in both land area and population size. As depicted in Table 2-3 below, if Milwaukie were to annex the full study area, the city’s population would nearly double, growing to 36,402 persons.

**Table 2-3:
Milwaukie Annexation Scenario**

	pre	post	% Growth
Persons	20,490	36,402	78%
Housholds	8,561	15,164	77%

Income:

The 2000 mean household income for the study area was lower than that of Milwaukie, and significantly lower than the mean household income of Clackamas County, as shown in Table 2-4. The study area also experienced a slower growth in mean household income between 1990 and 2000.

**Table 2-4:
Mean Household Income in Milwaukie, Clackamas County, & Study Area
1990-2000**

	Study Area			Milwaukie			Clackamas		
	1990	2000	% Change	1990	2000	% Change	1990	2000	% Change
Mean Household Income	\$ 29,111	\$ 41,074	41%	\$ 32,984	\$ 50,705	54%	\$ 43,833	\$ 67,937	55%

Source: US Census Bureau

Housing Stock:

Table 2-5 shows 1990-2000 trends in housing characteristics for the study area, as compared to the City of Milwaukie and Clackamas County. Data presented below in Table 2-6 provide a characterization of the study area's housing types.

**Table 2-5:
Trends in Housing Characteristics for Study Area, Milwaukie & Clackamas County
1990-2000**

	Study Area			Milwaukie			Clackamas County		
	1990	2000	% Growth	1990	2000	% Growth	1990	2000	% Growth
Housing Units	5,449	6,860	26%	8,170	8,988	10%	109,003	136,954	26%
Percent Occupied	94%	94%		97%	95%		95%	94%	
Percent Owner Occupied	49%	41%		58%	60%		72%	71%	

Source: US Census Bureau

**Table 2-6:
Study Area Housing Units by Type
1990-2000**

	1990		2000	
	Count	% of Total	Count	% of Total
Single Family	2,800	51%	2,708	50%
Multi-Family	2,001	37%	3,489	64%
Mobile home or trailer	606	11%	611	11%
Other	42	1%	52	1%
Total	5,449		6,860	

Source: US Census Bureau

The study area saw a significant increase in the number of multi-family units between 1990 and 2000. Approximately one-third of the study area's 3,489 multi-family units were in large complexes that contained 50 or more units.

Employment:

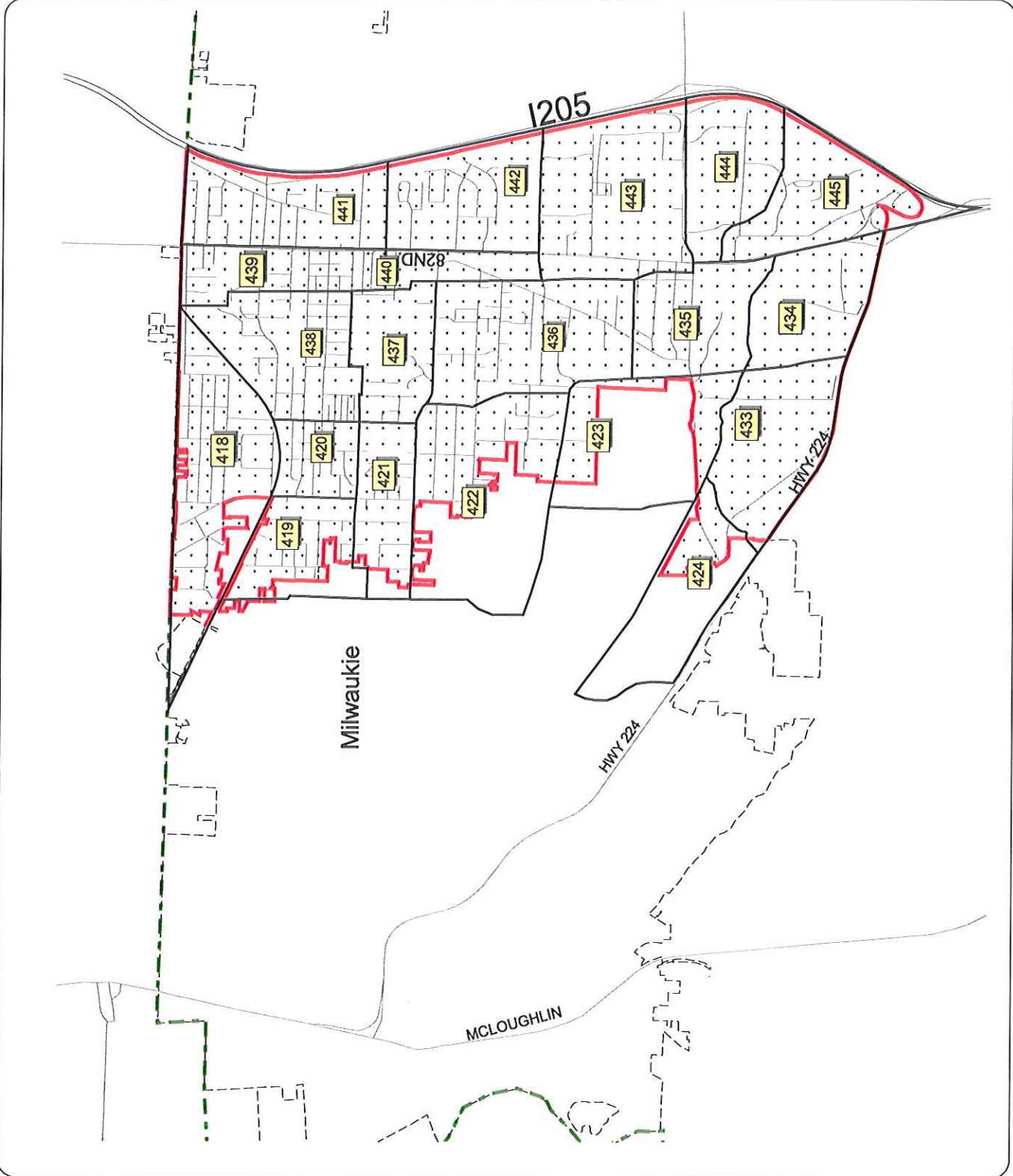
A significant number of jobs exist within the study area, with its regional shopping mall, major commercial corridor, and industrial concentrations. Metro provides employment figures by Transportation Analysis Zone (TAZ). Figure 2-7: Study Area Transportation Analysis Zone Map depicts the TAZ geography. The study area's employment figures for 2000 are detailed in Table 2-7. Data for TAZ 424 were adjusted to reflect this zone's overlap with the City of Milwaukie. This TAZ contains a significant employment concentration, consisting of primarily industrial land in both the study area and Milwaukie. Since approximately half of this zone's geography correlates with that of the study area, figures for TAZ 424 were adjusted by a factor of 0.5. In this analysis, data for TAZ 423, which also overlaps Milwaukie, were not removed because this zone does not contain a significant employment concentration.

The study area contains more jobs than it does residents. About half of the area's employees in 2000 were retail workers. Not surprisingly, the zones with the highest employment figures (443 and 444) were commercial centers, containing and adjacent to the Clackamas Town Center.

 Study Area
 Transportation Analysis Zone

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 December 2001

source: RLIS



Study Area Transportation Analysis Zones

Figure 2-7

**Table 2-7:
Study Area Employment
2000**

TAZ	Ag.For.Fish	Mining	Construction	Manufacture	TCPU	Whole. Trade	Retail Trade	FIRE	Services	Gov	TOTAL
418	10	-	153	636	-	111	96	18	204	-	1,228
419	-	-	4	52	-	3	-	-	12	-	71
420	5	-	7	-	4	-	-	-	12	-	28
421	6	-	4	-	4	-	-	98	58	52	223
422	2	-	39	3	6	3	63	5	106	-	226
423	-	-	15	-	-	3	14	18	12	-	63
424*	-	-	26	650	606	102	84	13	71	-	1,553
433	-	-	13	642	16	159	97	154	260	-	1,341
434	-	-	5	128	118	213	174	-	101	-	739
435	-	-	11	-	-	3	74	5	124	51	268
436	24	-	4	-	4	7	11	28	86	85	249
437	12	-	7	3	-	-	11	-	30	-	64
438	141	-	151	152	-	110	19	14	23	-	610
439	10	-	18	55	-	3	1,452	49	82	-	1,669
440	-	-	8	12	4	56	1,004	57	137	-	1,278
441	-	-	69	122	-	4	-	5	22	-	222
442	-	-	15	-	9	-	287	5	6	-	322
443	19	-	36	-	17	10	5,091	260	1,607	-	7,039
444	-	-	-	-	163	75	643	126	365	464	1,835
445	-	-	220	825	4	202	392	5	101	-	1,749
Total	229	-	804	3,282	957	1,066	9,512	858	3,418	652	20,777

* indicates adjusted figure

Source: Metro Regional Forecast and TAZ Allocations, RTP 8.1

CHAPTER 3: EXISTING URBAN SERVICE PROVISION

This chapter briefly describes the governance structure of both the City of Milwaukie and Clackamas County, and introduces the existing system of service provision within the study area. This information provides the background necessary to understand the potential service delivery options available to study area residents.

GOVERNANCE AND ADMINISTRATION

City of Milwaukie Governance & Policy:

Milwaukie has a city manager form of government, with a five-member city council who set policy and a city manager who manages city staff and administers the ongoing activities of city government. Council members in the City of Milwaukie are elected at large rather than by council district.

Clackamas County Governance & Policy within Study Area:

Clackamas County is governed by a three-member commission elected at large to four-year terms. The county is managed by a professional administrator appointed by the Board of County Commissioners. The County Administrator's Office works with the Board of County Commissioners to facilitate service delivery in all county departments and programs. The County Administrator serves as the Chief Executive Officer of the County and is responsible for providing overall direction to County Departments and programs consistent with policy established by the Board of County Commissioners. The County Commissioners also sit on the boards of directors of county service districts that operate within the study area. These districts are separate municipal corporations with financial structures that are separate from Clackamas County. In addition to the County Commissioners, county residents also elect six other county officials to govern the affairs of Clackamas County:

- Assessors
- District Attorney
- Treasurer
- Clerk
- Sheriff
- Surveyor

Urban Growth Management Agreement:

As described in Chapter 1, the City of Milwaukie and Clackamas County developed an Urban Growth Management Agreement in 1990. The agreement defined Milwaukie's urban growth area, which includes the study area, and established the City and County's mutual interest in coordinating effective and efficient service delivery.

OVERVIEW OF URBAN SERVICE PROVIDERS

Table 3-1 below provides a brief overview of urban service providers within the City of Milwaukie and within the study area.

**Table 3-1:
Current Urban Service Providers**

SERVICE	PROVIDERS WITHIN CITY OF MILWAUKIE	PROVIDERS WITHIN UNINCORPORATED STUDY AREA
Sewer: Collection & treatment	Collection: <ul style="list-style-type: none"> • City of Milwaukie Treatment: <ul style="list-style-type: none"> • Clackamas Co. Service District No. 1 • Oak Lodge Sanitary Sewer District 	Collection & Treatment: <ul style="list-style-type: none"> • Clackamas Co. Service District No. 1 • City of Portland • Oak Lodge Sanitary Sewer District
Water: Source, treatment & distribution	Sources: <ul style="list-style-type: none"> • City of Milwaukie wells • Clackamas River Water (CRW) • City of Portland (backup) • Oak Lodge Water District (backup) Treatment: <ul style="list-style-type: none"> • City of Milwaukie wells • Clackamas River Water • City of Portland Distribution: <ul style="list-style-type: none"> • City of Milwaukie 	Source: <ul style="list-style-type: none"> • Clackamas River Water Treatment: <ul style="list-style-type: none"> • Clackamas River Water Distribution: <ul style="list-style-type: none"> • Clackamas River Water
Storm Water	City of Milwaukie	Clackamas County Service District No. 1
Street Lighting	City of Milwaukie	Clackamas County Service District No. 5
Police	City of Milwaukie	Clackamas Co. Sheriff: <ul style="list-style-type: none"> • Enhanced district services within study area • Supplemental safety & crime prevention program within Overland Park

**Table 3-1 (Continued):
Current Urban Service Providers**

SERVICE	PROVIDERS WITHIN CITY OF MILWAUKIE	PROVIDERS WITHIN UNINCORPORATED STUDY AREA
Parks	Ownership of Milwaukie Parks: <ul style="list-style-type: none"> • City of Milwaukie Parks Maintenance & Capital Improvements: • North Clackamas County Parks and Recreation District (NCCPRD) Recreational Programming: <ul style="list-style-type: none"> • NCCPRD 	North Clackamas County Parks and Recreation District (NCCPRD)
Libraries	Ledding Library <ul style="list-style-type: none"> • City residents access all libraries within Clackamas County at no charge through membership in LINCC 	Study area residents access all member libraries within Clackamas County at no charge through membership in LINCC, including Milwaukie’s Ledding Library
Streets	City of Milwaukie	Clackamas County
Planning & Code Enforcement	City of Milwaukie	Clackamas County

Source: Executive Leadership Institute/Center for Urban Studies

The following sections provide a more detailed description of the current services offered within the City of Milwaukie and the study area. In the course of initial interviews with elected officials and administrative officials from the City of Milwaukie, Clackamas County, and the other service districts providing urban services within the study area, a number of concerns related to provision of services emerged. These concerns are documented in Appendix A: *Discussion of Service Concerns*.

Water Service within City of Milwaukie:

The City of Milwaukie provides potable water to the residents of Milwaukie from city owned wells with a maximum and minimum flow of between 2.3 million gallon per day (mgd) /year during the wet season to 2.4mgd/year during dry seasons. In addition to this well system supply, Milwaukie currently has a contract with Clackamas River Water (CRW) to provide a minimum of 24 million cubic feet of potable surplus water per year to the City for a twenty-year period beginning July 1998.¹

¹ Agreement for Water Supply between the City of Milwaukie and Clackamas River Water, December 2, 1998, page 1.

The City of Milwaukie distributes water to residents within the incorporated city limits through its own distribution system, which it owns, operates and maintains. In addition, the City is committed to provide water for domestic services to those areas of the Clackamas River Water service area “as may be best serviced by Milwaukie and as authorized by CRW.” A similar arrangement is provided by Clackamas River Water, which “agrees to provide water for domestic service to areas of Milwaukie as may be best served by CRW and as authorized by Milwaukie.”² The Cities of Milwaukie and Portland also have executed a long-term intergovernmental agreement for construction, operation and maintenance of a connection between the two municipal corporations and for the sale of water for emergency and backup purposes.³ Water meter reading, billing, collections and financial management are carried out by the City of Milwaukie within the incorporated area of Milwaukie. The City of Milwaukie is responsible for water systems planning for city residents living within the city limits.

Water Service within Unincorporated Study Area:

Clackamas River Water supplies potable water to residents of the study area from its intake facility in the Clackamas River. A contract between CRW and Portland General Electric provides for supplementing Clackamas River flows through releases of water from Timothy Lake during periods of low flow in the Clackamas River.⁴

Clackamas River Water distributes water to residents of the study area through its own distribution system. Water meter reading, billing and accounting within the study area are carried out by Clackamas River Water. Clackamas River Water is responsible for water systems planning for the unincorporated area, including water supply, intake, treatment, storage and distribution. In addition, Clackamas River Water, the City of Milwaukie, and a number of other incorporated cities and water providers are jointly responsible for coordinating water supply planning and regional related water projects before initiating such projects.⁵

Finally, Clackamas River Water serves about 20 or 30 residents of the study area through a main owned by the City of Milwaukie. These customers are billed directly by Clackamas River Water, and there is no formal agreement between Milwaukie and Clackamas River Water for purchase of water. The boundaries of the Clackamas River Water District are shown in Figure 3-1.

² Agreement for Water Supply, December 2, 1998, page 3.

³ Intergovernmental Agreement between Milwaukie and Portland, date stamped February 22, 2001.

⁴ Intergovernmental Agreement for Coordinating Use of Water Resources from the Clackamas River, 1999, page 1.

⁵ Intergovernmental Agreement for Coordinating Use of Water Resources from Clackamas River, May 5, 1999, pages 1, 2.

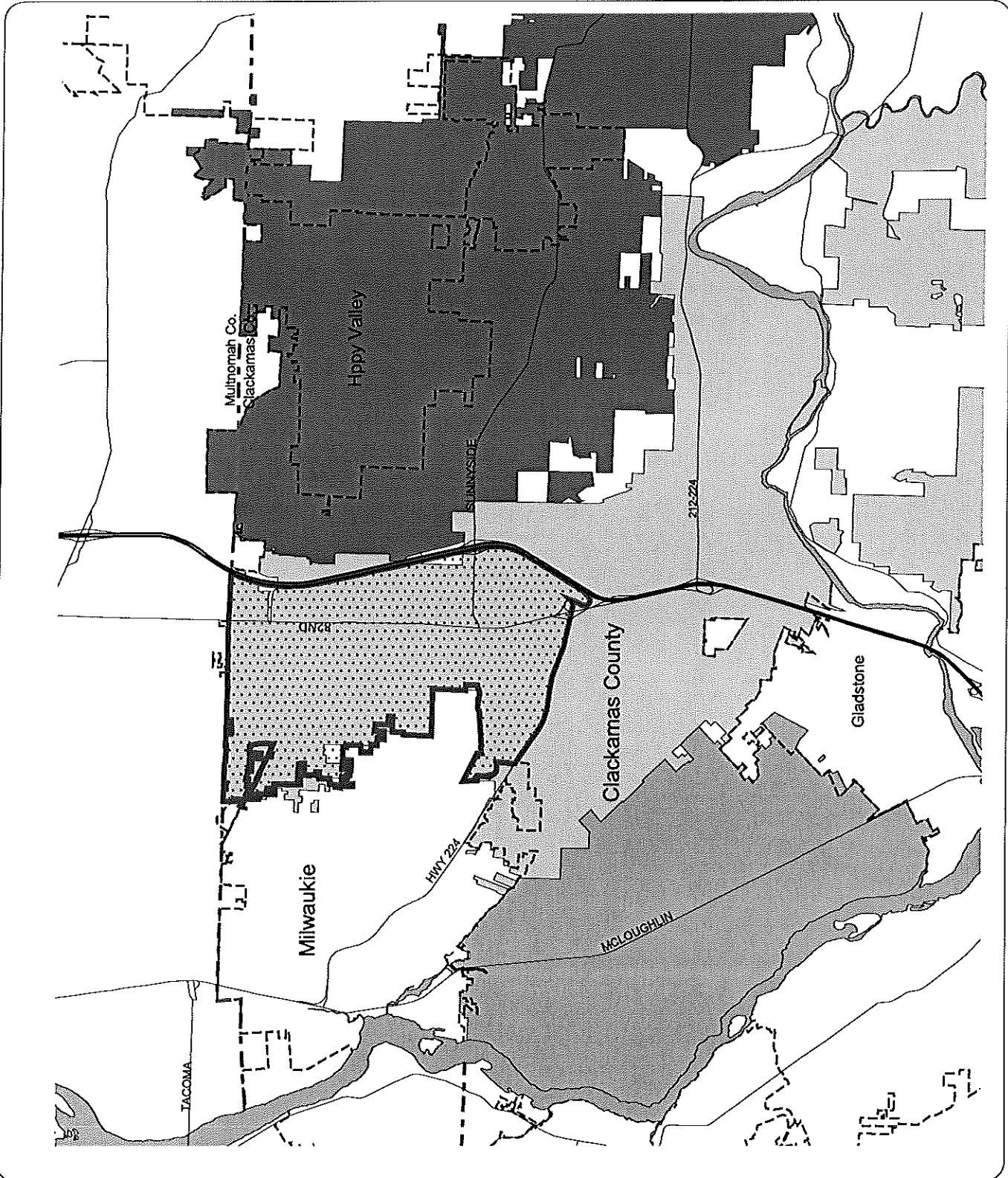
Water Districts



- Clackamas River Water Dist.
- Oak Lodge Water Dist. #4
- Sunrise Water Authority
- Study Area

Portland State University
College of Urban & Public Affairs
December, 2001

source: RLIS



Water Districts

Figure 3-1

Sanitary Sewage Service within City of Milwaukie:

The sanitary sewerage collection system and lift stations that serve the residents of the City of Milwaukie are owned, operated and maintained by the City of Milwaukie. Additionally, a small volume of wastewater from an area in northern Milwaukie flows to the City of Portland through the Johnson Creek/Lentz Interceptor, and is treated and discharged into the Columbia River by the City of Portland.

Clackamas County Service District No. 1, a county service district, provides the city with sewerage treatment and effluent discharge into the Willamette River at the District's Kellogg Creek Wastewater Treatment Plant in downtown Milwaukie, under a payment plan agreement with the City. Under this agreement Milwaukie pays an allocated share of operations, maintenance, repair, replacement and capital improvement costs to the district for these services on an annual basis.⁶ This agreement is essentially a "pay as you go" agreement, and not a long-term inter-local agreement defining rights and responsibilities over a specific term into the future. The city of Milwaukie is responsible for billing, collections, accounting and financial management for the operation of this system.

Sanitary Sewer Service within Study Area:

Clackamas County Service District No. 1 owns, operates and maintains the sanitary sewerage collection system that services the majority of the unincorporated study area. Effluent collected from this portion of the study area is transported to the District's Kellogg Treatment Plant in downtown Milwaukie adjacent to the Willamette River, treated and then discharged into the Willamette River.

Within a portion of the study area located near the Springwater Trail and South of the Multnomah County line, about 1,000 homes and businesses are served by cesspools and are not connected to any sewer system. The District has purchased from the City of Portland 2,000 equivalent dwelling units of sewage transportation and treatment capacity to provide for sewer service to this area.⁷ As cesspools fail within this area, residents and businesses are incrementally connected to the collection system discharging into the Johnson Creek/Lentz Interceptor located within the Springwater Corridor. This effluent is then treated and discharged into the Columbia River by the City of Portland. The desire to clarify future responsibility for sewage service in this area was one of the factors that influenced the commission of this study. The boundaries of Clackamas County Service District No.1 are shown in Figure 3-2.

⁶ Intergovernmental Agreement between City of Milwaukie and Clackamas County Service District No. 1, August, 21, 2001, page 1.

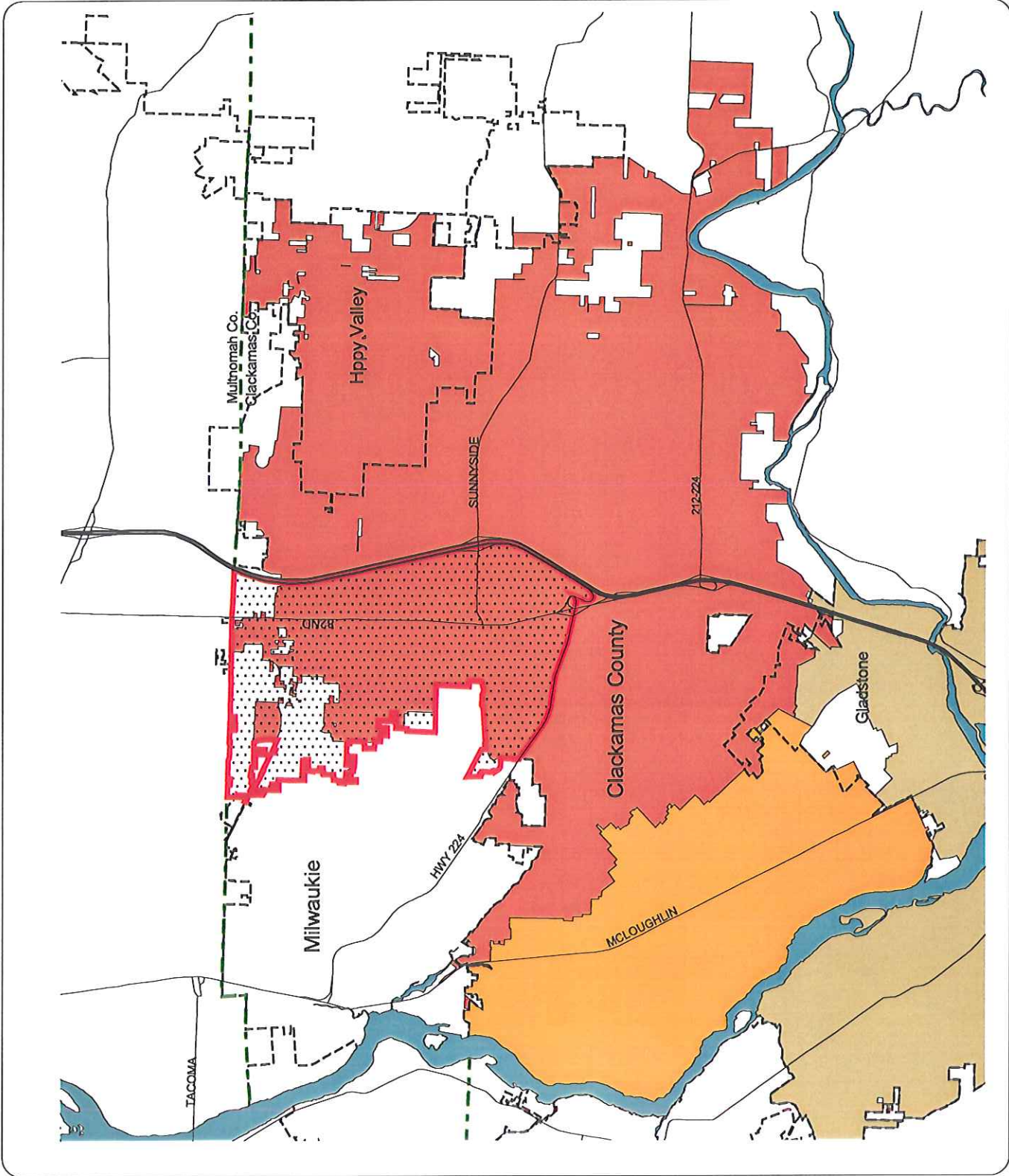
⁷ City of Portland and Clackamas County Service District No. 1 Wholesale Sewer Service Agreement, October 17, 1990, page 2.

Sewer Districts

- Clackamas Co. Service Dist. #1
- Oak Lodge 2 Sanitary Dist. #5
- Tri-City Service Dist. #4
- Study Area

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December 2001

source: RLIS



Sewer Districts

Figure 3-2

Clackamas County - City of Milwaukie
Urban Services Study

Surface Water Management within City of Milwaukie:

The City of Milwaukie provides surface water collection within the city limits of Milwaukie. The collection system is a combination of direct runoff from covered land and streets into drywells and ditches, with some storm sewers in the downtown area and other specific areas of the City. This runoff is discharged by the City into Johnson and Kellogg Creeks, and into the Willamette River through a number of outfalls. Water quality is managed by the City through a National Pollution Discharge Elimination System (NPDES) water quality permit authorizing this discharge according to specific standards established by the federal government. The City's NPDES permit is actually a part of the stormwater permit held by Clackamas County Service District No. 1, rather than a separate NPDES permit held by the City.

Surface Water Management within Study Area:

Surface water collection within the study area is carried out by Clackamas County Service District No. 1. Collection of surface water occurs through runoff from covered land and streets into drywells and ditches. This runoff is discharged into Johnson Creek and Kellogg Creek through a number of outfalls by the District, which holds an NPDES water quality permit authorizing this discharge according to specific standards set by the federal government.

Street Operation and Maintenance within City of Milwaukie:

The City of Milwaukie is responsible for development and maintenance of arterials, collector streets and neighborhood streets within the city limits. McLoughlin Boulevard and SR 224 within the City of Milwaukie are maintained by the Oregon State Department of Transportation with state and federal funding. Stanley Avenue, Johnson Creek Boulevard, Linwood Avenue and a portion of Harmony Road, are maintained by Clackamas County.

Street Operation and Maintenance within Study Area:

Clackamas County is responsible for development and maintenance of arterials, collector streets and neighborhood streets within the unincorporated study area, with the exception of I-205, Highway 224, and 82nd Street, which are state and/or federal highways built and maintained by the Oregon State Department of Transportation.

Street Lighting within City of Milwaukie:

The City of Milwaukie is responsible for planning, developing and maintaining street lighting within the city limits of Milwaukie through a contract with Portland General Electric.

Street Lighting within Study Area:

Clackamas County Service District No. 5 is the agency responsible for street lighting in the study area. The District contracts with Portland General Electric (PGE) to design, install, maintain and operate streetlights. PGE in turn bills the County for this service based on tariff rates set by the Oregon Public Utility Commission. These costs are passed on to those served by the District as a special assessment on their property tax statements. Street lighting services are supported entirely by these special assessments.

Police Services within City of Milwaukie:

Police and safety services within the City of Milwaukie are provided by the City of Milwaukie.

Police Services within Study Area:

The Clackamas County Sheriff's Department provides police and safety services within the study area, using a substation located at the Clackamas Town Center. Three levels of service are provided. The area is served generally by the Clackamas County Sheriff as are all unincorporated areas of the County. This service includes jail, corrections, and patrol. Patrol is staffed at 0.5 officers per 1,000 population.

Most of the study area is served by a Clackamas County Enhanced Law Enforcement District that was created in 1994. Residents of this district pay a special levy to receive a more intense level of law enforcement services. Generally, the District provides an additional 0.5 officers per 1,000 population. The boundaries of this district are shown in Figure 3-3.

Because of higher crime rates in the Overland Park area, the Clackamas County District Attorney's Office has received a multi-year Community Prosecution grant by the United States Department of Justice. A partnership of local residents, business leaders, school officials, and law enforcement agencies works with the Clackamas County District Attorney's office to develop local prosecution priorities. This effort focuses on the Overland Park neighborhood, an eight square mile area located in the north and northwest corner of the study area (see Figure 3-4: Overland Park).

**CLACKAMAS COUNTY
ENHANCED SHERIFF
PATROL DISTRICT**

DISTRICT AREA

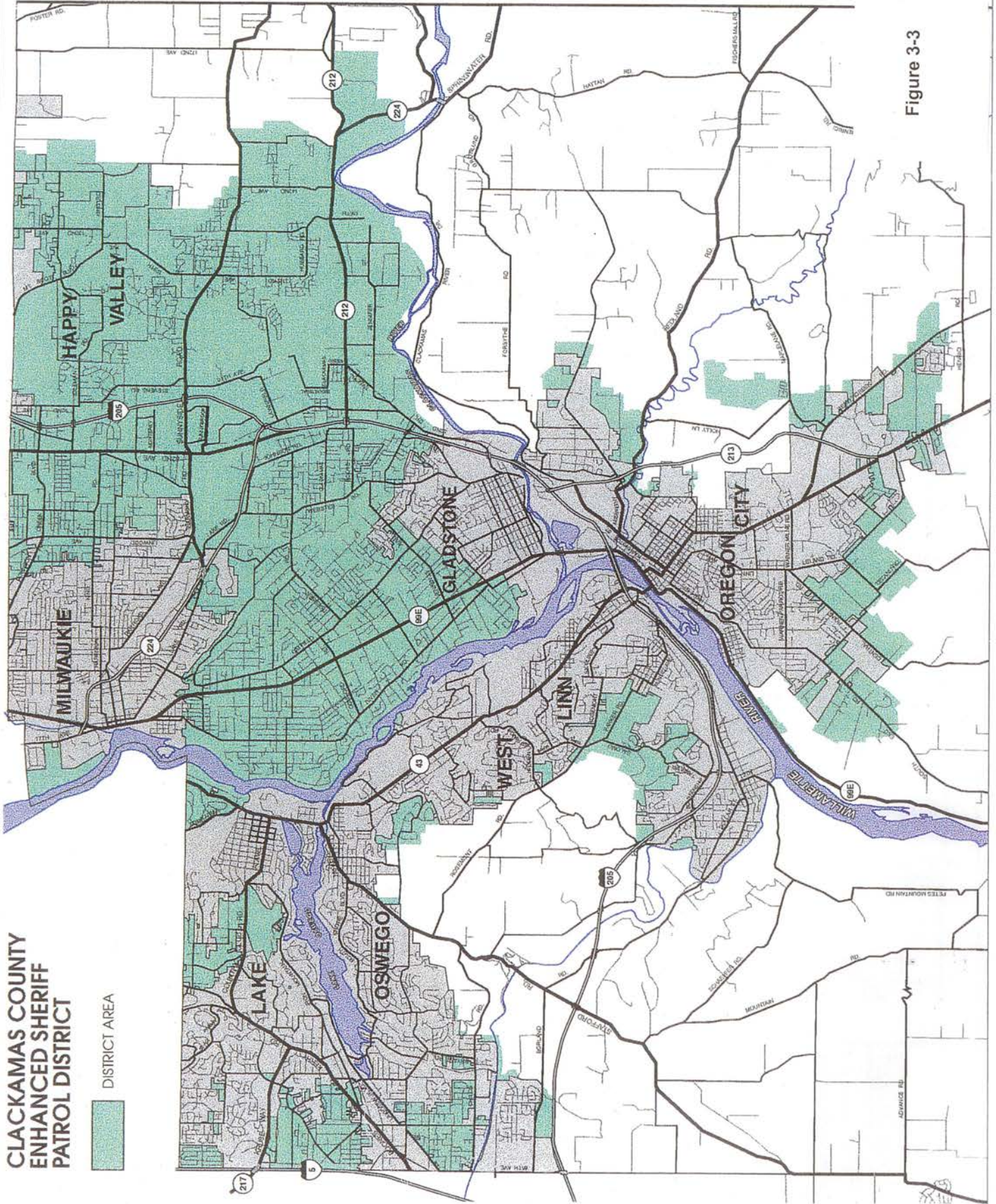


Figure 3-3

OVERLAND PARK
STUDY AREA

-  OVERLAND PARK
-  STREAMS AND PONDS
-  ZIPCODE BOUNDARY
-  ELEMENTARY SCHOOL
-  PARK



SCALE 1:11000

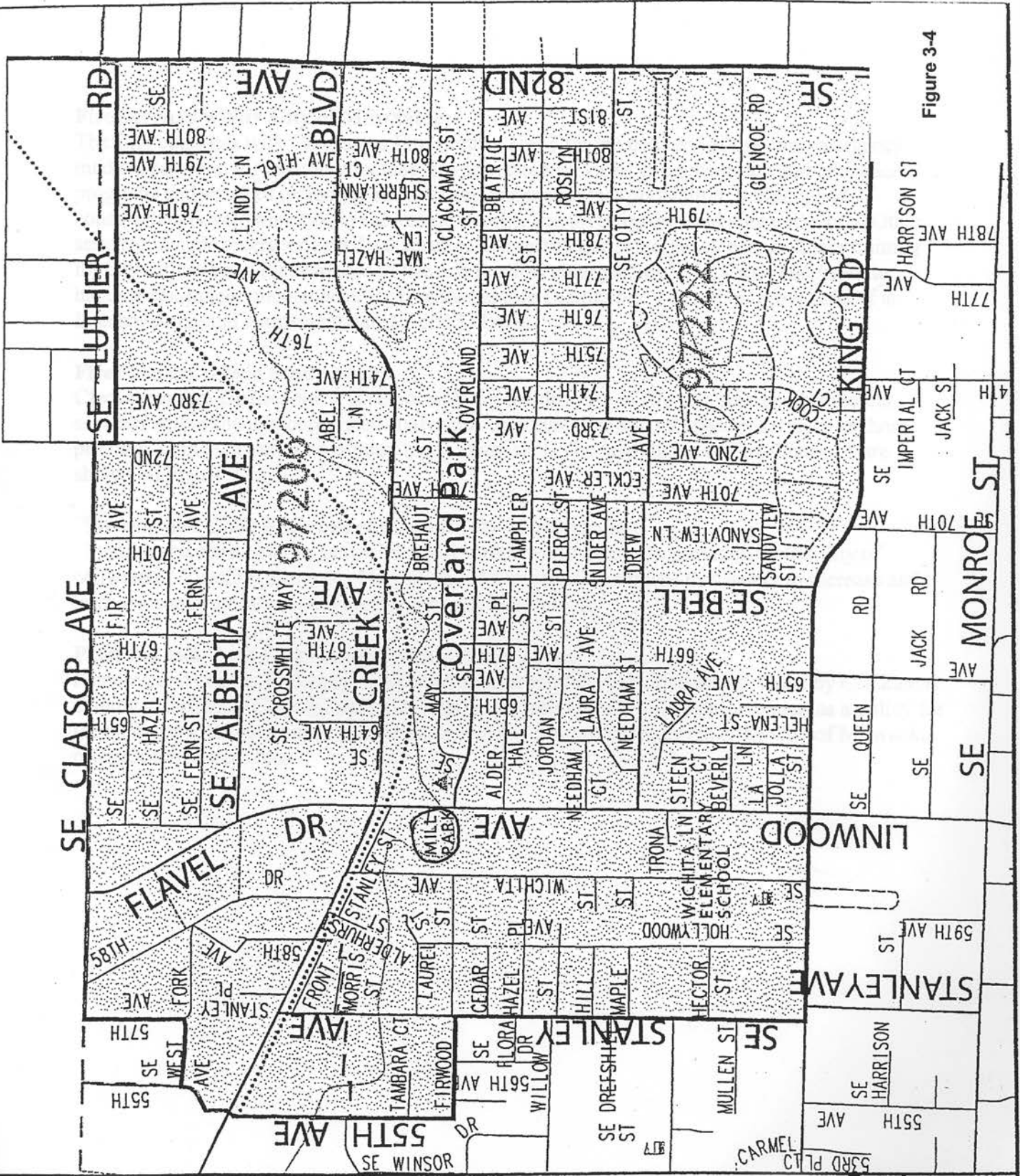


Figure 3-4

STATE OF OREGON - DEPARTMENT OF LAND MANAGEMENT
 EXPLANATION OF INFORMATION SERVICES GEOGRAPHIC INFORMATION SYSTEMS
 ORLEON CITY, OREGON 97134

This map and other information have been compiled only for preliminary and general purposes. They are not intended to be used as a legal document or as a basis for any legal action. The user assumes all liability for the accuracy and suitability of the property for specific uses.

Fire Services within City of Milwaukie:

The City contracts with Clackamas Fire District No. 1 for the delivery of fire and emergency medical services. Fire services include fire protection services, fire prevention and education programs and services including business and residential loss prevention, building and construction development code enforcement tasks, fire investigation and data collection. Other services include emergency medical services and instruction, emergency preparedness training for city officials and the response to fire and medical emergencies.⁸ The City of Milwaukie handles equipment maintenance for Clackamas Fire District No. 1 based on provisions of an Intergovernmental Agreement dated April 7, 1998.

Fire Services within Study Area:

Clackamas Fire District No. 1 is responsible for the delivery of fire and emergency medical services within the unincorporated study area. The same fire and emergency services as those provided to the City are also offered to the study area. The boundaries of Fire District 1 are shown on Figure 3-5.

Planning and Code Enforcement within City of Milwaukie:

Planning and code enforcement within Milwaukie's city limits are provided by the City of Milwaukie. The City also has a Neighborhood Services Department that works to increase and improve communication between the city and its residents.

Planning and Code Enforcement within Study Area:

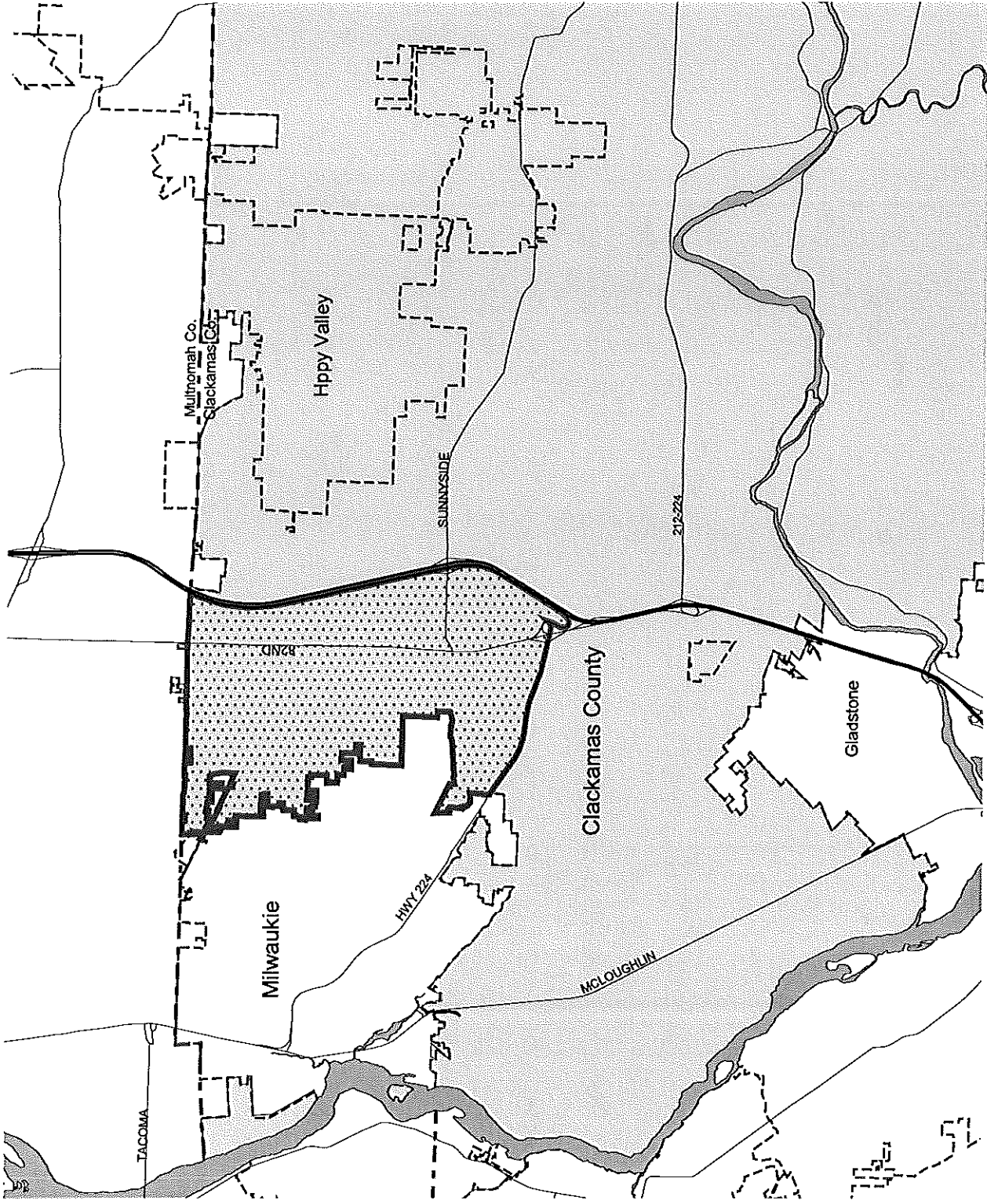
Planning and code enforcement within the unincorporated study area are provided by Clackamas County. Clackamas County has decided upon a reduced level of code enforcement as a policy for the study area, and does not offer the same level of code enforcement that the City of Milwaukie offers at the current time.

⁸ Agreement between City of Milwaukie and Clackamas County Fire District No. 1. December 15, 1997.

Fire Districts
 Clackamas RFPD #1
 Study Area

Portland State University
 College of Urban & Public Affairs
 December, 2001

source: RLIS



Fire District

Figure 3-6

Parks and Recreation Facilities and Services within City of Milwaukie:

The North Clackamas Parks and Recreation District (NCPRD) maintains and provides capital improvements to its parks within the City of Milwaukie. The City continues to own parks within its jurisdictions, and approves all capital improvements made to these facilities by the District. The City does not own or operate any larger regional parks, but it is responsible for developing a system of neighborhood parks within the City as well as along the riverfront. NCPRD provides aquatics programming, coordination and scheduling of field services, and summer youth recreation programs for the entire north Clackamas area, including the City of Milwaukie.⁹

Parks and Recreation within Study Area:

NCPRD is a county service district governed by the Board of County Commissioners and directed by a Parks Advisory Board. NCPRD develops and maintains park facilities and provides recreational services for residents within the study area. NCPRD owns and/or operates more than 40 parks, open spaces and other facilities within the boundaries of their district. The District has historically focused on larger regional facilities and has not become involved in developing neighborhood level facilities. Its boundaries are shown on Figure 3-6.

⁹ Cooperative Agreement Between the City of Milwaukie and Clackamas County, May 1, 1990.

Park Districts

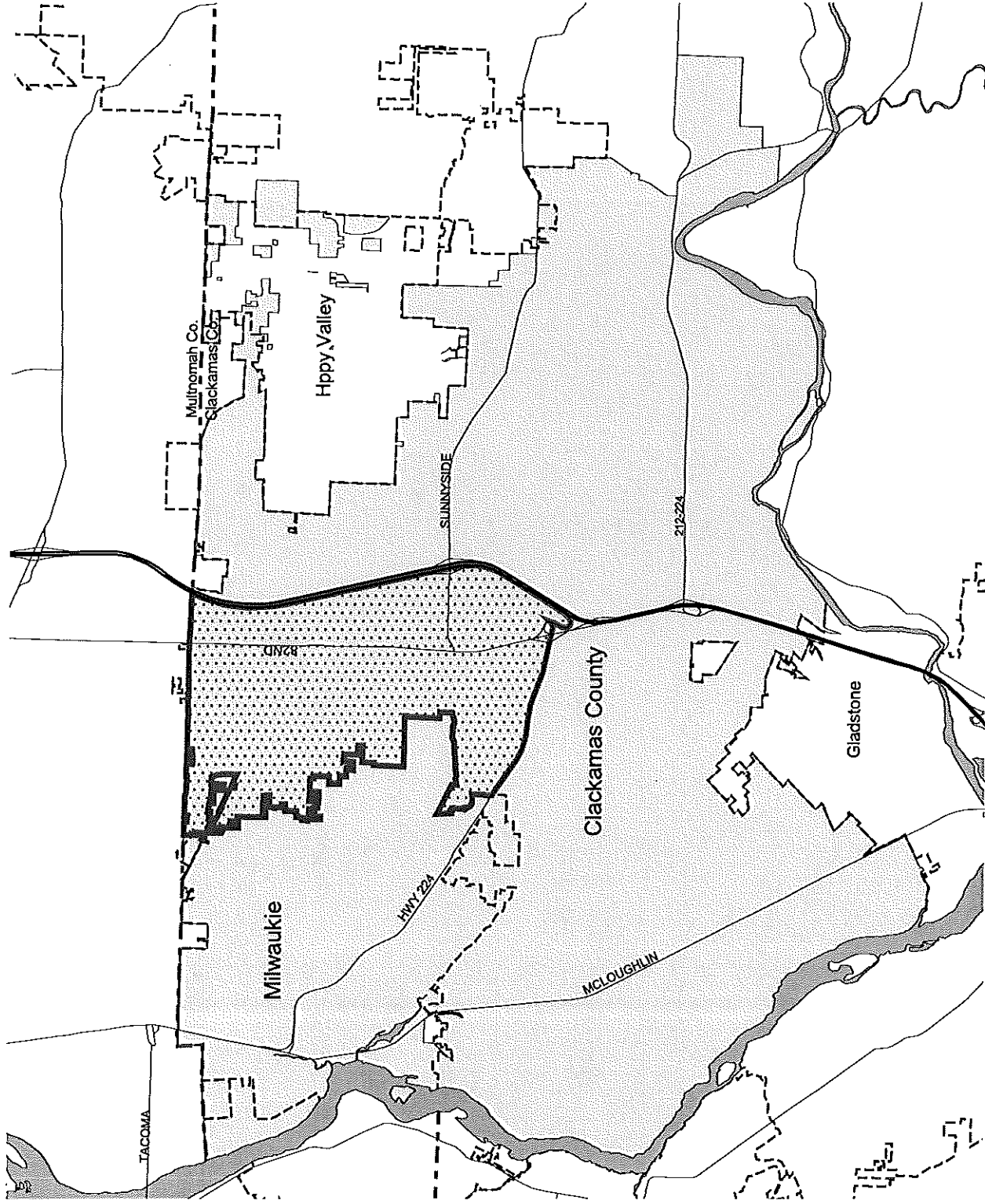
North Clackamas Park Dist. #2

Study Area



Portland State University
College of Urban & Public Affairs
December 2001

source: RLIS



Park District

Figure 3-5

Clackamas County - City of Milwaukie
Urban Services Study

Library Information Network of Clackamas County:

The Library Information Network of Clackamas County (LINCC) is a Clackamas County department funded through the County general fund and charged with the distribution of general fund tax revenue to member public libraries in Clackamas County for the provision of coordinated public library service to all residents of Clackamas County. LINCC is governed by the county's Board of County Commissioners, who are advised by the Library Network Intergovernmental Board (LNIB).

Library Services within City of Milwaukie:

Milwaukie's Ledding Library is owned and operated by the City of Milwaukie, which is a member of the Library Information Network of Clackamas County (LINCC).¹⁰ Through this coordinated network of libraries, residents of the City of Milwaukie can obtain a free library card and use the collections of any of the member libraries within Clackamas County.

Library Services within Study Area:

Clackamas County has three libraries within the county-owned and operated library system: Oak Grove, Clackamas Town Center and Hoodland. Residents of the unincorporated study area are eligible to obtain a free library card and use the collections of any of the LINCC member libraries within Clackamas County, including city and county libraries.

Urban Renewal Areas:

Portions of two urban renewal areas are located within the study area. The Clackamas Town Center Urban Renewal Area is located almost entirely within the boundaries of the study area, with a small area extending east of the I-205 boundary. Approximately 25 percent of the study area is included in the Town Center Urban Renewal Area. The boundaries of the Clackamas Industrial Urban Renewal Area also overlap the study area. The majority of this large urban renewal area is located southeast of the study area, but a small "finger" extends into the study area along the Highway 224 boundary, encompassing part of the industrial concentration that exists there. The Clackamas County Development Agency oversees planning and capital improvement activities within these urban renewal areas. The boundaries of these urban renewal areas are depicted in Figure 2-2: Urban Renewal Areas Map.

¹⁰ City of Milwaukie Resolution No. 8-2001, [A Resolution to Adopt the LINAS Agreement for the Library Information Network of Clackamas County](#), February 20, 2001.

**SECTION II:
ANALYSIS**

CHAPTER 4: METHODOLOGY AND KEY ASSUMPTIONS

The purpose of this study is to examine the fiscal feasibility of alternative service provision options for the study area. To that end, this report provides a comparative financial analysis of the costs and revenues associated with the provision of urban services for the study area under the following scenarios: 1) the study area remains an unincorporated area within Clackamas County, 2) the study area is annexed by the City of Milwaukie. Joint delivery of services through contracting or intergovernmental agreements was also considered where appropriate within the context of these two scenarios.

This chapter describes the service delivery scenarios to be analyzed and explains the methodology used to conduct the financial analysis. The chapter also describes the key assumptions that underlie the results. We divided the study area into three sub-areas for the analysis – these sub-areas are described in this chapter. Our analysis of future expenditures and revenue are based on projections of future land use and demographics. Those capacity analysis projections are also detailed here.

SERVICE DELIVERY ASSUMPTIONS

Baseline Scenario:

The baseline scenario assumes that Clackamas County will remain the lead governmental agency managing public services in the Study Area. The County Sheriff's Office would continue to provide police service. Streets would be maintained to existing County standards by the County department. Code enforcement and planning services would be maintained at existing County standards. The County Service Districts would continue to provide sewer, storm water, parks, and fire services. Clackamas River Water would provide water supply. This scenario assumes that state-mandated sewer service would be provided by Clackamas County to the unserved residents in the study area, using existing cost recovery formulas and rates.

Annexation Scenario:

In the annexation scenario, the City of Milwaukie would annex the study area and become the lead agency in providing urban services. Those services would be maintained at the existing city level of service. Police service in the study area would be provided by the Milwaukie Police Department. The City would maintain patrol and investigation levels similar to that in the current city boundaries. The City would maintain the street network in the study area (minus certain roads maintained by the State Department of Transportation or roads that are currently maintained by the County within the City limits) and maintain the street quality standards at existing city levels. The City would provide code enforcement and planning service to the study area at existing city levels. The City would provide sewer collections and continue to purchase sewer treatment service from Clackamas County Service District No. 1, extending those purchases to cover the study area. The City would either purchase water supply from Clackamas

River Water to supplement its well water, or contract with Clackamas River Water for additional water provision services.

Clackamas County Fire District provides fire protection service in both the City of Milwaukie and in the study area. We have assumed that they will keep same service role following annexation. However, the service to the study area is provided by the tax rate in the area, while the service to the City is provided by an intergovernmental agreement that includes both a payment and some use of city property. We have assumed that the permanent tax rates applying within the City would be extended to the entire study area. That would mean that the Fire District would lose its taxing authority. As a result, we have assumed that the payments that Milwaukie makes to the Fire District would be increased to hold Fire District harmless from losing its tax levy in study area.

In some cases, services could be provided by contract or intergovernmental agreement with County departments or service districts. Such arrangements are considered within the context of the baseline or annexation scenarios where appropriate.

Parts of two urban renewal areas that are managed by Clackamas County Development Agency exist inside the study area. We have assumed that responsibility for fulfilling those urban renewal area development plans will remain with the County Development Agency over the planning horizon for the study. This assumes that the Development Agency will continue to propose and develop projects. At the same time, annexation means that a greater amount of property tax will be raised by the Development Agency for those properties.

FINANCIAL ANALYSIS ASSUMPTIONS

Constant Dollar Assumption:

This study is designed to make financial projections over a twenty-year planning horizon. Over such a long time, inflation will erode the value of a dollar, so that comparing financial impacts in future years and current years is made more difficult. As a result, we have adjusted for inflation in our study, using a 3 percent inflation assumption.

Making an inflation prediction over such a long period of time is very difficult. However, since the 1970's, inflation in the United States has been greatly reduced and considerably more stable than in previous years. Since 1985, the average rate of inflation has been 3.18 percent, so a 3 percent inflation assumption is not unreasonable.

The 3 percent figure is also convenient for projections of property tax revenues, the most important local government tax source. Since the passage of Measures 5 and 50, property taxes on a given property in Oregon are limited by the growth in assessed value. Assessed value for a property that does not undergo any improvements can increase by no more than 3 percent per year. Because some properties experience depreciation in value, the average assessed value grows by less than 3 percent. The Clackamas County Department of Assessment and Taxation estimates this rate of growth at between 2.3 percent and 2.5 percent per year. However this slow

growth is counter-balanced by additions and improvements to property and by new construction and redevelopment of property. In our model, we project new construction and redevelopment using the Metro capacity analysis methodology, as described below. Since this methodology does not account for additions and improvements, and we believe they add fractions of a percent in annual property value growth, we have assumed that the rise in assessed value from statutorily permitted assessed value growth and from additions and improvements would total 3 percent.

In effect, the 3 percent inflation assumption is counterbalanced by the 3 percent assessed value growth assumption. The net effect is that we are able to project no change for assessed values measured in constant-dollar terms over the 20-year planning horizon for properties that do not redevelop. As a result, all assessed value growth in our projection results from new construction and redevelopment

Time Horizon Assumption:

For this study, we have examined the budgetary impacts of an annexation scenario measured relative to a Baseline (or No Annexation) Scenario for two different years, 2002 and 2022. For 2002, we assume there is an immediate annexation of the study area by Milwaukie. We assume that all of the development that is forecasted by our projections occurs by 2022.

Obviously the financial impacts for 2002 can be projected with much greater certainty than those for 2022. A financial impact can be determined for any intermediate year by taking an average of the impacts in years 2002 and 2022 and weighting the average by the number of years between those two years. For example, suppose expenses for a certain service are expected to rise by \$500,000 in 2002 and by \$1,500,000 in year 2022. To estimate the impact in 2007, recognize that 2007 is 5 years into a 20-year planning horizon. Therefore the impact in 2007 would be $\$500,000 + (5/20)(\$1,500,000 - \$500,000)$ or \$750,000.

In essence, our assumption is that growth over the 20-year planning horizon will be evenly distributed within each year. This includes population growth, employment growth, property value growth, new construction activity, etc.

Property Values:

We have used taxable assessed values to estimate property tax revenues for this report. These values were provided by the Clackamas County Department of Transportation and Development, as extracted from a constantly-updated data source maintained by the Clackamas County Department of Assessment and Taxation. The data were extracted in May of 2002 and the assessed values in the set reflect those in the Clackamas County 2001 certified roll. The use of 2001 values provides consistency, as the expenditures and revenues analyzed in this report are based on 2001 budgets. Estimates of value growth due to new construction and redevelopment are based on development assumptions derived in collaboration with Clackamas and Milwaukie planning staff.

Tax Rate Assumptions:

For this analysis, we have made the assumption that tax rates will be kept the same throughout the twenty-year planning period wherever possible. This assumption eliminates the need to

forecast political decisions that would change tax rates or tax policy. For example, we assume that highway, liquor, and cigarette tax rates will be kept constant. Receipts will change with population (or whatever the driver is for that particular tax). We also assume that property tax rates will remain the same, with the exception of rates that support bonded indebtedness. These rates will change if the base burdened with repaying the debt service is changed.

Under the annexation scenario, the particular set of property tax rates applied to the study area would change, as Milwaukie's permanent rates would be applied. Table 4-1 below compares current baseline property tax rates to the rates that would apply with annexation. Clackamas County's property tax rates would change from the higher "rural" rate to the lower "city" rate. The Clackamas County Sheriff's Enhanced Law Enforcement District tax rate would no longer apply since the study area would be incorporated and served by Milwaukie Police. We also make the assumption that the Clackamas County Fire District tax rate and bonded tax rate would no longer apply and that Milwaukie would make payments to the Fire District to compensate for this.

Milwaukie currently has a tax rate of \$0.3415 per thousand dollars of assessed value to support bonded indebtedness. This rate would fall with annexation, since the levy amount needed to support the existing debt service would be spread over a larger base.¹ We have estimated the impact on the bonded tax rate by adjusting for the additional assessed value that the study area would add to Milwaukie's existing tax base. Our estimate is that the rate would fall to \$0.2255 per one thousand dollars of assessed value, as is shown in Table 4-1.²

¹ An assumption that these rates would not change would imply that Milwaukie would need to issue and pass new bonds immediately *in conjunction* with annexation.

² This decreased rate may still slightly overestimate the tax revenue and tax burden with annexation for two reasons: 1) This rate would change over time as assessed values increased or decreased; and 2) The rate is associated with a bond that is scheduled to be fully repaid by 2011. However, it is also likely that Milwaukie will pass new general obligation bonds during the planning period, for which we have not accounted. This would mitigate any overestimation.

**Table 4-1:
Property Tax Rates
Baseline and Annexation
Tax Rate per \$1,000 Assessed Value**

Baseline (No Annexation)	Tax Rates	Annexation Scenario	Tax Rates
Clackamas County (Rural)	2.9707	Clackamas County (City)	2.4042
Clackamas County (Law Enhancement District)	0.7198	City of Milwaukie	6.5379
Clackamas Fire District 1	2.4012	City of Milwaukie Bond ³	0.2255
Clackamas Fire District 1 Bond	0.1736		
SUBTOTAL	6.2653	SUBTOTAL	9.1676
Clackamas CC	0.5582	Clackamas CC	0.5582
Clackamas CC Bond	0.3035	Clackamas CC Bond	0.3035
Clackamas Educ. Serv. Dist.	0.3687	Clackamas Educ. Serv. Dist.	0.3687
N. Clackamas Schools	4.8701	N. Clackamas Schools	4.8701
N. Clackamas Schools Bond	1.2627	N. Clackamas Schools Bond	1.2627
N. Clackamas Park District	0.5382	N. Clackamas Park District	0.5382
Port of Portland	0.0701	Port of Portland	0.0701
Port of Portland Bond	0.0006	Port of Portland Bond	0.0006
Metro Service Dist. 2	0.0966	Metro Service Dist. 2	0.0966
Metro Service Dist. 2 Bond	0.2273	Metro Service Dist. 2 Bond	0.2273
County Sp. Urban Renewal	0.1681	County Sp. Urban Renewal	0.1681
Vector Control	0.0065	Vector Control	0.0065
Tri-Met Transportation Bond	0.1372	Tri-Met Transportation Bond	0.1372
SUBTOTAL	8.6078	SUBTOTAL	8.6078
TOTAL	14.8731	TOTAL	17.7754

Source: Clackamas County Department of Assessment and Taxation, *Statement of Taxes Levied in Clackamas County, Oregon*

³ Estimated adjusted rate.

Urban Renewal Areas:

Clackamas County operates two urban renewal areas that include land inside and outside the study area. The two districts are the Clackamas Town Center Area and the Clackamas Industrial Area. For this analysis, we have assumed that these urban renewal plans will continue over the 20-year planning horizon under the jurisdiction of the Clackamas County Development Agency⁴. With the help of Development Agency officials and the Clackamas County Department of Assessment and Taxation, we have identified those properties in the study area that are within the urban renewal areas. We have also identified and incorporated recent boundary changes that were made to the Clackamas Industrial Area that released a significant amount of property value to the regular tax rolls.

Urban renewal distributes property tax revenues to taxing districts through a process known as "division of taxes." Taxable property value within a given property tax code that is located within an urban renewal area is divided between a frozen value (the value at the time of the district's establishment) and the excess value (the incremental value occurring after the district's establishment). The respective permanent tax rates and bond tax rates are levied on the frozen value. On the excess value, the consolidated billing rates of the various tax jurisdictions are applied, minus the urban renewal special levy (and some other charges as well). The revenues from the taxes on the excess value accrue to the urban renewal agency.

It was not possible to determine the exact frozen and excess values of the urban renewal districts within the study area because these values are known only at the tax code level, not on a property-by-property basis. Each urban renewal district is composed of several tax codes and these tax codes overlap the study area. However, within the study area almost all of the Town Center Urban Renewal properties are located in tax code 012-124, and almost of the Industrial Area Urban Renewal properties are located in tax code 012-135. For the sake of this analysis we have assumed that the ratio of excess value to total assessed value (the excess value ratio) within the study area's urban renewal districts is the same as the excess value ratio in these tax codes. These ratios and values are shown in Table 4-2 below. This allows us to estimate the property tax revenues under the baseline and annexation scenarios.

⁴ This assumption does not account for maximum indebtedness limitations. It is possible that the Clackamas Industrial Area will be dissolved during the 20-year planning period.

**Table 4-2:
Study Area Urban Renewal Areas
2002 Values and Ratios**

Urban Renewal District		Town Center		Industrial Area
Frozen Value	8.06%	\$ 29,179,056	39.46%	\$ 9,556,575
Excess Value	91.94%	\$ 332,843,973	60.54%	\$ 14,661,811
Total Value		\$ 362,023,029		\$ 24,218,386

Property Tax Compression:

Property taxes in Oregon are subject to constitutional limitation, such that no more than \$5 per thousand dollars of Real Market Value (RMV) can be collected for schools and no more than \$10 per thousand dollars of RMV can be collected for general government purposes. Taxes collected for bonded indebtedness are not subject to constitutional limitation. Should tax rates in either the schools category or the general government category exceed the constitutional limit, those taxes would need to be "compressed" in a proportionate way to all those taxing jurisdictions in the category.

The recent ruling in the court case of *Shilo Inns v. Multnomah County* has complicated this issue because the court has declared that all urban renewal revenue should be categorized as general government revenue.⁵ This impacts this study since the application of Milwaukie’s higher property tax rates to the study area would appear to trigger compression of those taxes.

However, the recent decision by the Oregon Department of Revenue to adopt the "shared revenue model" has reduced the impact of this *Shilo* case.⁶ Taxes raised by the urban renewal district are viewed as being shared across the entire taxing jurisdiction, meaning the entire Clackamas County in this case, so that compression only occurs when assessed values are very close to real market values. Working with a model developed by the Clackamas County Department of Assessment and Taxation, we determined that compression would only occur in about 1 percent of the cases under either the baseline or the annexation scenario – principally those cases where assessed value reaches 97 percent or higher of market value.⁷ Moreover, the amount of revenue loss on those properties is very small compared to the overall property tax

⁵ *Shilo Inn v. Multnomah County*, City of Portland and Portland Development Commission and Department of Revenue, December 20, 2001.

⁶ Oregon Department of Revenue, “Administrative Rule Review, Rule No. OAR 150-457.440(9).” April 23, 2002.

⁷ For example, in the annexation scenario the adjusted general government tax rate that would apply for compression testing is \$10.01 per thousand dollars of AV. Since this is barely over the limit of \$10 per thousand dollars of RMV, the AV to RMV ratio would need to approach 99.9 percent before compression would become necessary. The adjusted tax rate for schools would be \$5.1787 per thousand, so compression would occur when the AV to RMV ratio reaches 96.55 percent.

revenue from all properties in the study area (less than 1 percent of total property tax revenue). Finally, there were not any substantial differences in the compression effects between the two scenarios. As a result, we have not adjusted for the minimal impact of compression in our analysis.⁸

SUB-AREA RATIONALE AND DESCRIPTIONS

The fiscal impact of providing urban services to an area is partly a function of the demographic and land use characteristics of that area. As a result, our financial analysis is in part based on an examination of the existing physical and demographic conditions within the study area and projections of future conditions. The magnitude of future revenues and costs associated with the study area will be driven by its future population, employment and land use mix.

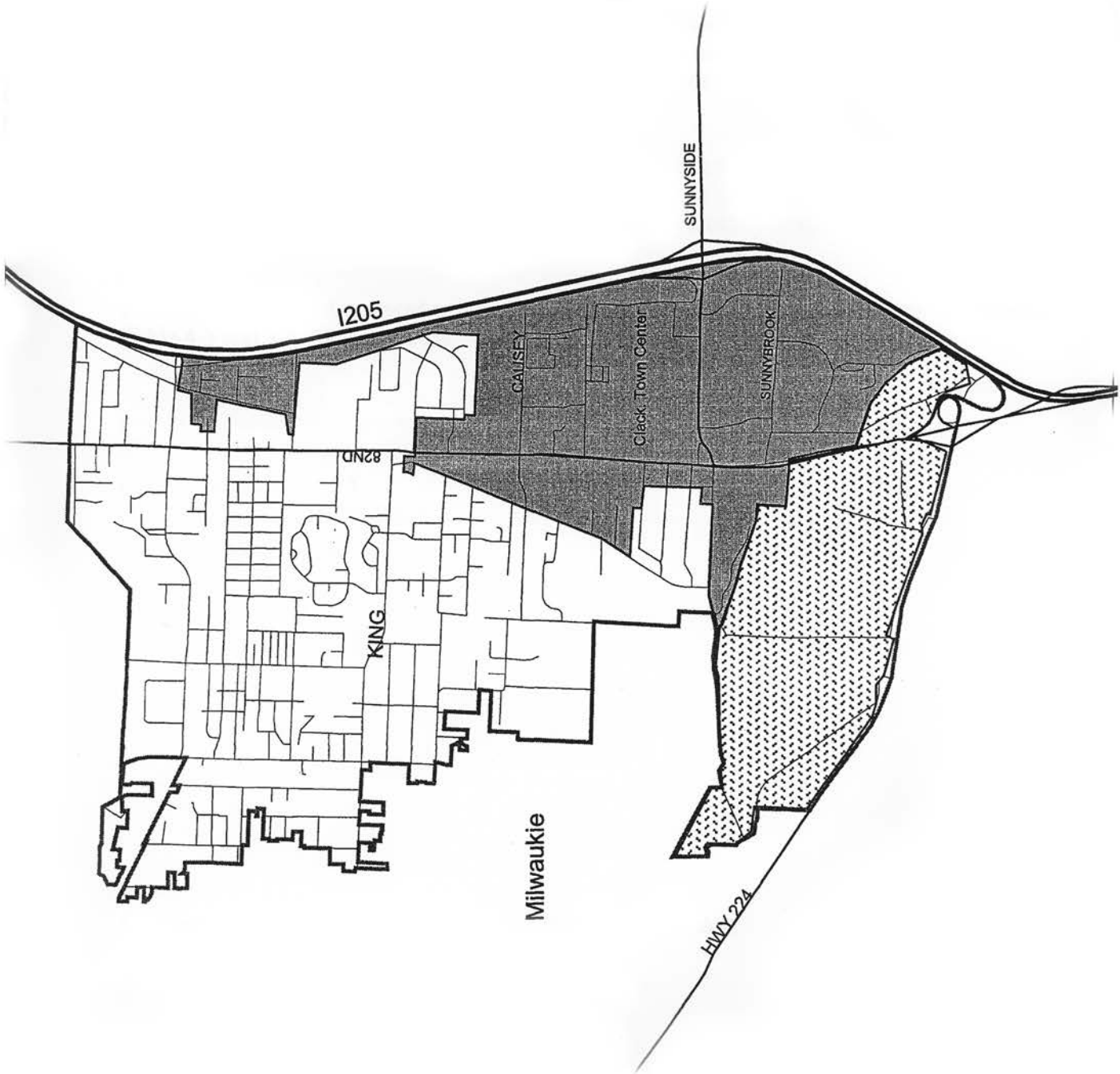
In conducting our projections, we divided the study area into three separate sub-areas, defined by dominant land use characteristics, and in part by Urban Renewal Area boundaries. These sub-areas will be used for land use and demographic projections and throughout the duration of the financial analysis. Results will be presented both by sub-area and for the study area in total. The sub-areas are depicted in Figure 4-1: Sub-Area Geography Map, and are referred to as:

Sub-Area A, Town Center Area




Sub-Area B, Industrial Area

Sub-Area C, Residential Area

⁸ Having said this, compression could become a major issue should there be a substantial decline in property values in the County or the study area. Currently, the average ratio of assessed value to market value in the study area is approximately 75 percent. That difference allows a cushion both in terms of real market value operating as a cap on assessed value, and as a cushion against the constitutional property tax limits creating compression. Should there be a collapse of property values or a sustained period when property values are stagnant over the 20-year planning horizon, property tax collections could be severely impacted relative to our projections. Such a situation would be unusual and would apply to some degree to both the baseline and the annexation scenarios. We have assumed property value growth occurring within the average of historic norms.



Sub Areas

-  Town Center - Sub Area A
-  Industrial Area - Sub Area B
-  Residential - Sub Area C

Portland State University
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Sub Area Geography

Figure 4-1

The use of sub-areas provides several advantages. The study area is quite large and contains a broad mix of land uses including residential, commercial and industrial concentrations. Each of these land use concentrations has a distinct and different impact on local revenues and expenditures. Separating these land use concentrations into sub-areas allows these impacts to be disaggregated in the financial analysis. Sub-Area A, which includes the Clackamas Town Center, contains 53 percent of the commercial acreage in the study area and 54 percent of the study area's employment. Sub-Area B contains 54 percent of the study area's industrial land and has the highest ratio of jobs per acre (13.7). Sub-Area C contains 93 percent of the study area's single-family land and 75 percent of its population.

The study area also includes part of two Urban Renewal Areas. (Refer to Figure 2-2: Urban Renewal Areas Map.) The different taxing structure of these areas and the associated impact on revenues are contained within Sub-Areas A and B. Sub Area A follows the boundaries of the portion of the Town Center Urban Renewal Area that lies within the study area. (This sub-area also includes the Clackamas Town Center proper, which has been removed from the Town Center Urban Renewal Area.) Sub-Area B contains the portion of the Clackamas Industrial Area Urban Renewal Area that lies within the study area.

Sub-Area disaggregation also allows for more flexibility in the interpretation of the financial analysis. Since the study area is so large, any annexation is likely to occur in phases. Analysis of revenues and expenditures by sub-area provides increased utility in the discussion of annexation phasing.

Existing land use and assessed value characteristics for each of the sub-areas are summarized in Table 4-3 and 4-4. Tables 4-5 and 4-6 summarize current demographic conditions by sub-area.

**Table 4-3:
Current Acreage by Land Use Type
2002**

Land Use	Sub-Area A		Sub-Area B		Sub-Area C		Study Area Total	
	Town Center		Industrial Area		Residential Area			
Single Family	39.94	8%	2.59	1%	586.12	51%	628.65	32%
Multi-Family	70.38	14%	0.76	0%	66.93	6%	138.07	7%
Commercial	256.06	52%	35.90	11%	189.25	16%	481.21	24%
Industrial	50.57	10%	174.06	53%	95.20	8%	319.83	16%
Agricultural	9.78	2%	-	0%	70.96	6%	80.75	4%
Rural (Edu./Instit.)	16.18	3%	-	0%	65.26	6%	81.44	4%
Vacant / Undeveloped	43.85	9%	111.04	34%	72.02	6%	226.91	12%
Other / Unclassified	1.85	0%	5.01	2%	6.93	1%	13.79	1%
TOTAL ACREAGE	488.61		329.35		1,152.69		1,970.65	

Source: Clackamas County

**Table 4-4:
Current Assessed Value by Land Use Type 2002**

Land Use	Sub-Area A		Sub-Area B		Sub-Area C		Study Area Total	
	Town Center		Industrial Area		Residential Area			
Single Family	\$ 10,968,343	3%	\$ 469,713	0%	\$ 202,569,784	47%	\$ 214,007,840	23%
Multi-Family	\$ 85,007,193	21%	\$ 386,730	0%	\$ 47,801,586	11%	\$ 133,195,509	14%
Commercial	\$ 243,763,133	61%	\$ 7,325,747	7%	\$ 120,926,119	28%	\$ 372,014,999	40%
Industrial	\$ 35,386,481	9%	\$ 85,212,219	87%	\$ 27,581,358	6%	\$ 148,180,058	16%
Agricultural	\$ 626,340	0%	\$ -	0%	\$ 946,011	0%	\$ 1,572,351	0%
Rural (Edu./Instit.)	\$ 13,834,574	3%	\$ -	0%	\$ 23,952,474	6%	\$ 37,787,048	4%
Vacant / Undeveloped	\$ 8,660,920	2%	\$ 4,998,909	5%	\$ 5,980,165	1%	\$ 19,639,994	2%
Other / Unclassified	\$ 18,937	0%	\$ -	0%	\$ 4,132,295	1%	\$ 4,151,232	0%
TOTAL ASSESSED	\$ 398,265,921		\$ 98,393,318		\$ 433,889,792		\$ 930,549,031	

Source: Clackamas County

**Table 4-5:
Current Demographics by Sub-Area 2000**

	<u>Households</u>	<u>Population</u>
Town Center Sub-Area A	1,482	3,572
Industrial Area Sub-Area B	187	452
Residential Area Sub-Area C	4,933	11,889
Study Area Total	6,603	15,912

Source: US Census Bureau

**Table 4-6:
Current Employment by Sub-Area 2000**

	<u>Ag.For.Fish</u>	<u>Mining</u>	<u>Construction</u>	<u>Manufacture</u>	<u>TCPU</u>	<u>Whole. Trade</u>	<u>Retail Trade</u>	<u>FIRE</u>	<u>Services</u>	<u>Gov</u>	<u>TOTAL</u>
Town Center Sub-Area A	43	-	202	480	190	226	6,589	452	2,314	600	11,096
Industrial Area Sub-Area B	-	-	154	1,833	743	575	551	169	482	-	4,508
Residential Area Sub-Area C	186	-	445	966	22	250	2,121	223	588	52	4,854
Study Area Total	229	-	801	3,279	955	1,052	9,261	844	3,384	652	20,458

Source: Metro Regional Forecast and TAZ Allocation, TRP 8.1

Note: Transportation, Communications and Public Utilities (TCPU), Finance, Insurance & Real Estate (FIRE)

LAND USE AND DEMOGRAPHIC PROJECTIONS

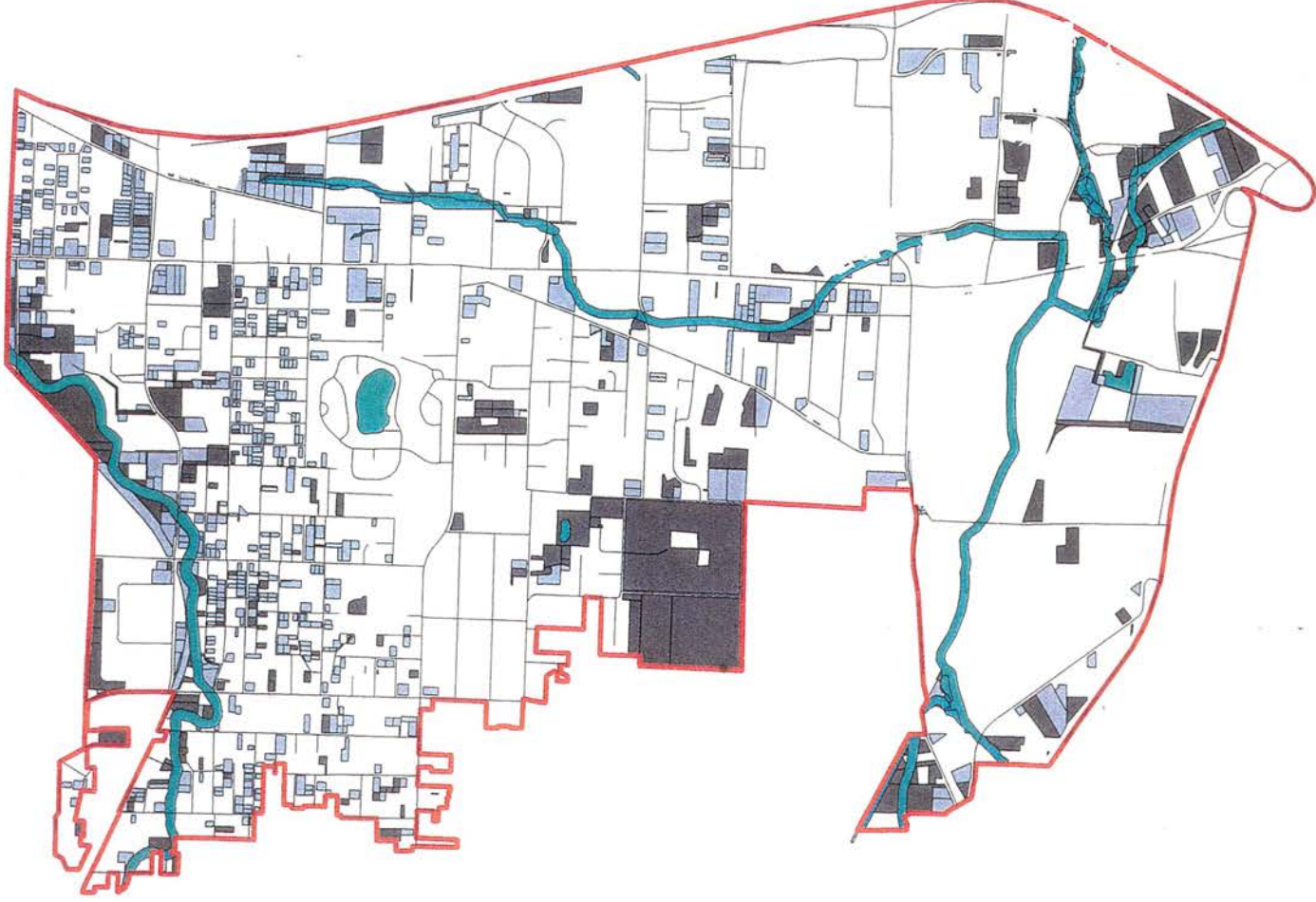
Future land use and demographic characteristics were projected using a twenty-year capacity analysis methodology. This methodology, as described by Metro, allows for the projection of an area's future capacity for population and employment based on the availability and potential use of vacant or redevelopable land.⁹ The methodology assumes that vacant and unconstrained land will develop over a twenty-year period according to local land use plans and zoning designations. It also assumes that certain parcels with low assessed values will be redeveloped at higher value uses according to the local land use plans. Projections of future population and employment are based on the carrying capacity of this new development and redevelopment. (Appendix B contains a more detailed description of the capacity analysis methodology used here, and a comparison of results to Metro Regional Forecast and TAZ Allocations for 2022.)

Two sets of future land use and demographic projections were prepared – a baseline scenario and an alternative scenario based on an additional set of redevelopment assumptions. The baseline projections reflect how the study area might look in twenty years with future development predictions based on current Clackamas County land use plans and zoning designations. The alternative projections reflect additional redevelopment assumptions that include the redevelopment of certain parcels to uses that are not consistent with current Clackamas County zoning.

Baseline Projections:

To develop the baseline projections, vacant and redevelopable parcels throughout the study area were identified to provide a sum of buildable acres. Vacant land designations were based on Metro's most recent coverage of undeveloped land, which is derived from aerial photography. Environmentally constrained land and land for parking and street improvements were subtracted from the sum, where appropriate. Additional revisions were made based on input from Clackamas County planning staff and staff from the Clackamas Development Agency. The final buildable land coverage is depicted in Figure 4-2: Vacant and Redevelopable Properties Map. Approximately 236 acres of vacant buildable land and 329 acres of redevelopable land were identified. The largest undeveloped parcel in the study area is a 52-acre farm located along the western boundary in Sub-Area C. Current Clackamas County zoning for this lot is R-7 Single Family. The majority of the buildable land is found in Sub-Area C. Table 4-7 summarizes the breakdown of vacant and buildable land by sub-area (further detail is provided in Appendix B.)

⁹ Metro, "1999 Urban Growth Report Update – September 1999."



Title 3 Constrained
 Vacant
 Redevelopable



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source: RLIS and Clackamas County

Vacant and Redevelopable Properties (baseline)

Figure 4-2

**Table 4-7:
Vacant and Redevelopable Land
Baseline (No Annexation)**

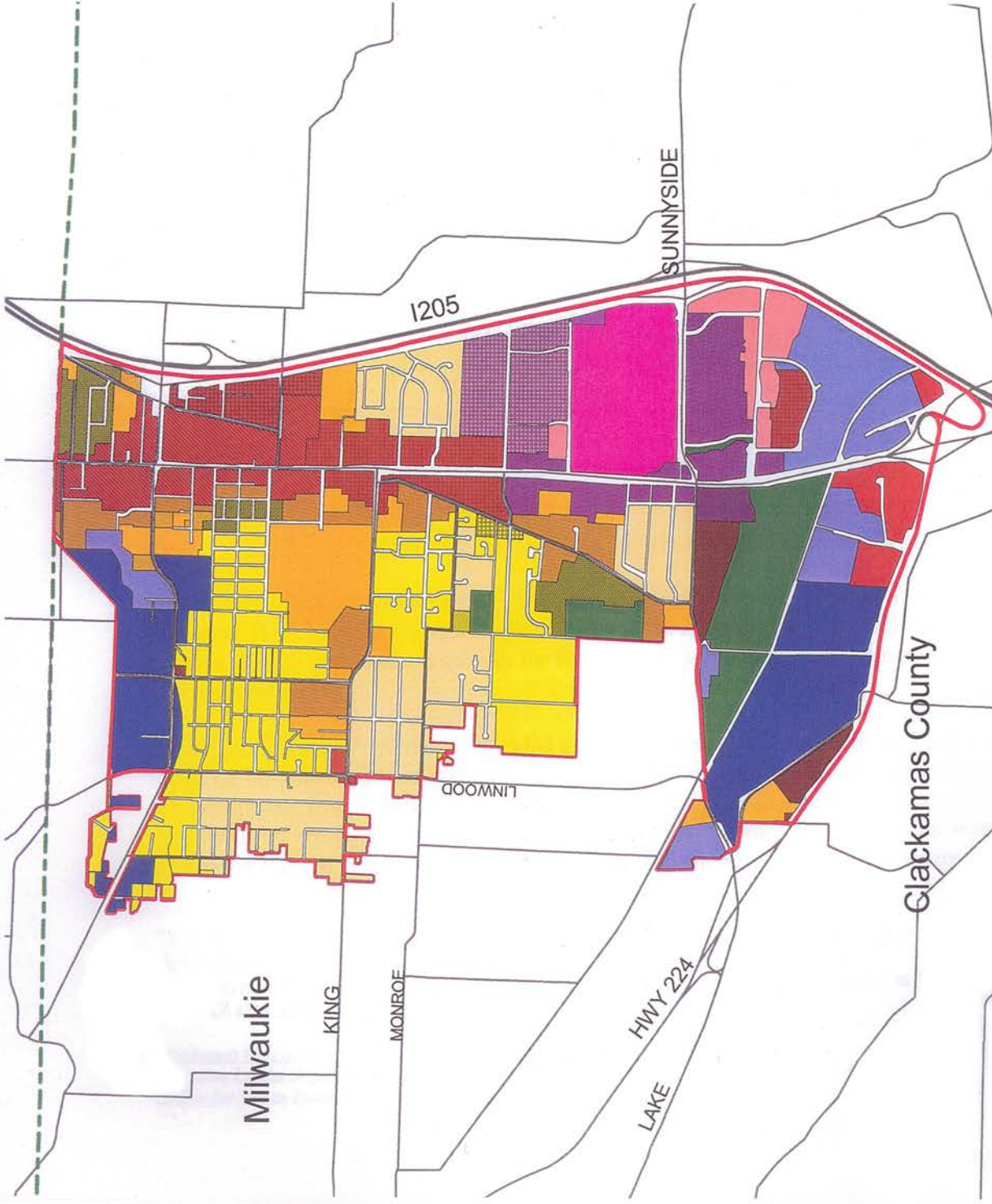
	Vacant (Acres)	Redevelopable (Acres)	Total Builable Land (Acres)
Town Center Sub-Area A	34.52	60.49	95.01
Industrial Area Sub-Area B	43.13	96.95	140.08
Residential Area Sub-Area C	158.67	171.06	329.73
Study Area Total	236.33	328.50	564.82

Clackamas County Zoning

Clackamas County Zoning
(C3) General Commercial
(RTL) Retail
(C2) Community Commercial
(CC) Commercial Corridor
(NC) Neighborhood Commercial
(LTC) Low Traffic Impact Commercial Corridor
(OC) Office Commercial
(PMU1) Planned Mixed Use 1
(PMU2) Planned Mixed Use 2
(PMU3) Planned Mixed Use 3
(RCO) Regional Center Office
RICHD
RCC
(I2) Light Industrial
(I3) General Industrial
(HDR) High Density MF
(MR2) Med-High Density MF
(MR1) Medium Density MF
R2.5
R5
R7
R8.5
R10
(OSM) Open Space

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Source: Clackamas County



Clackamas County Zoning

Figure 4-3

Clackamas County - City of Milwaukie
Urban Services Study

Vacant and redevelopable land was separated by zoning category, and future capacity was determined by applying housing and employment density factors by zone. These density factors were developed in consultation with the Clackamas County planning staff and reflect those used in the County’s *Clackamas Regional Center Area Plan*, which also employed capacity analysis projections.¹⁰ The baseline projections assume that buildable land will develop or redevelop based on current Clackamas County zoning as depicted in Figure 4-3: Clackamas County Zoning Map.

Table 4-8 below summarizes the baseline population and employment projections based on development and redevelopment consistent with current Clackamas County zoning.

**Table 4-8:
Summary of Population and Employment Projections
Baseline (No Annexation)**

	Baseline			Baseline		
	2000 Population	Net Population Growth	2022 Projected Population	2000 Employment	Net Employment Growth	2022 Projected Employment
Town Center Sub-Area A	3,572 +	1,280	4,852	11,096 +	5,857	16,953
Industrial Area Sub-Area B	452 +	5	457	4,508 +	1,233	5,741
Residential Area Sub-Area C	11,889 +	2,477	14,366	4,854 +	4,637	9,491
Study Area Total	15,913 +	3,761	19,674	20,458 +	11,727	32,185

Sectors of high employment growth for Sub-Area A are expected to be retail trade and services. Sub-Area B will see its highest employment growth in manufacturing and wholesale trade. Sectors of high employment growth for Sub-Area C are expected to be retail trade and services and manufacturing.¹¹

The capacity analysis methodology also allows for the projection of future land values since it is based on land development patterns. We projected the value of new development and redevelopment over the twenty-year period by applying an assessed value factor to the buildable land totals by zoning category. To generate these value factors, properties that were developed within the last ten years were separated by land use categories. These properties were used to

¹⁰ Clackamas County Department of Transportation and Development, “Clackamas Regional Center Area Draft Plan,” August 1998.

¹¹ Employment sector growth descriptions are based on Metro projections as described in “Metro Regional Forecast and TAZ allocations, RTP 8.1

determine a mean assessed value per acre of new development by property type. The constant dollar assumption, described above, allows us to use these figures as estimates of future assessed value per acre for different land uses. Table 4-9 summarizes the baseline projections of future assessed values. (Assessed values were provided by the Clackamas County Department of Transportation and Development, as extracted from a constantly-updated data source maintained by the Clackamas County Department of Assessment and Taxation. The data were extracted in May of 2002 and the assessed values in the set reflect those in the Clackamas County 2001 certified roll.)

**Table 4-9:
Summary of Assessed Value Projections
Baseline (No Annexation)**

				Baseline
	Current (2002)		Projected Total Value	
	Total Value	Net Value Growth		
Town Center Sub-Area A	\$ 398,265,921	\$ 29,509,889	\$ 427,775,810	
Industrial Area Sub-Area B	\$ 98,393,318	\$ 29,624,600	\$ 128,017,918	
Residential Area Sub-Area C	\$ 433,889,792	\$ 191,367,005	\$ 625,256,797	
Study Area Total	\$ 930,549,031	\$ 250,501,494	\$ 1,181,050,525	

Under the baseline scenario, Sub-Area C, the largest of the three sub-areas, is expected to see the greatest growth in population and assessed value, with significant employment growth as well.

Alternate Projections:

The City of Milwaukie and Clackamas County planning staffs identified additional redevelopment scenarios that have been modeled under the alternate projections. The alternate projections involve five additional redevelopment scenarios that are not consistent with current Clackamas zoning, but that the Milwaukie staff believes could occur if the study area were to be annexed. The scenarios were identified in consultation with Milwaukie planning staff and refined in collaboration with planning staff from Clackamas County. These additional redevelopment scenarios are depicted on Figure 4-4: Additional Redevelopment Scenarios Map, and are referred to by location as The Farm, King Boulevard South, Linwood and King, Northeast Fuller, and The Quarry.

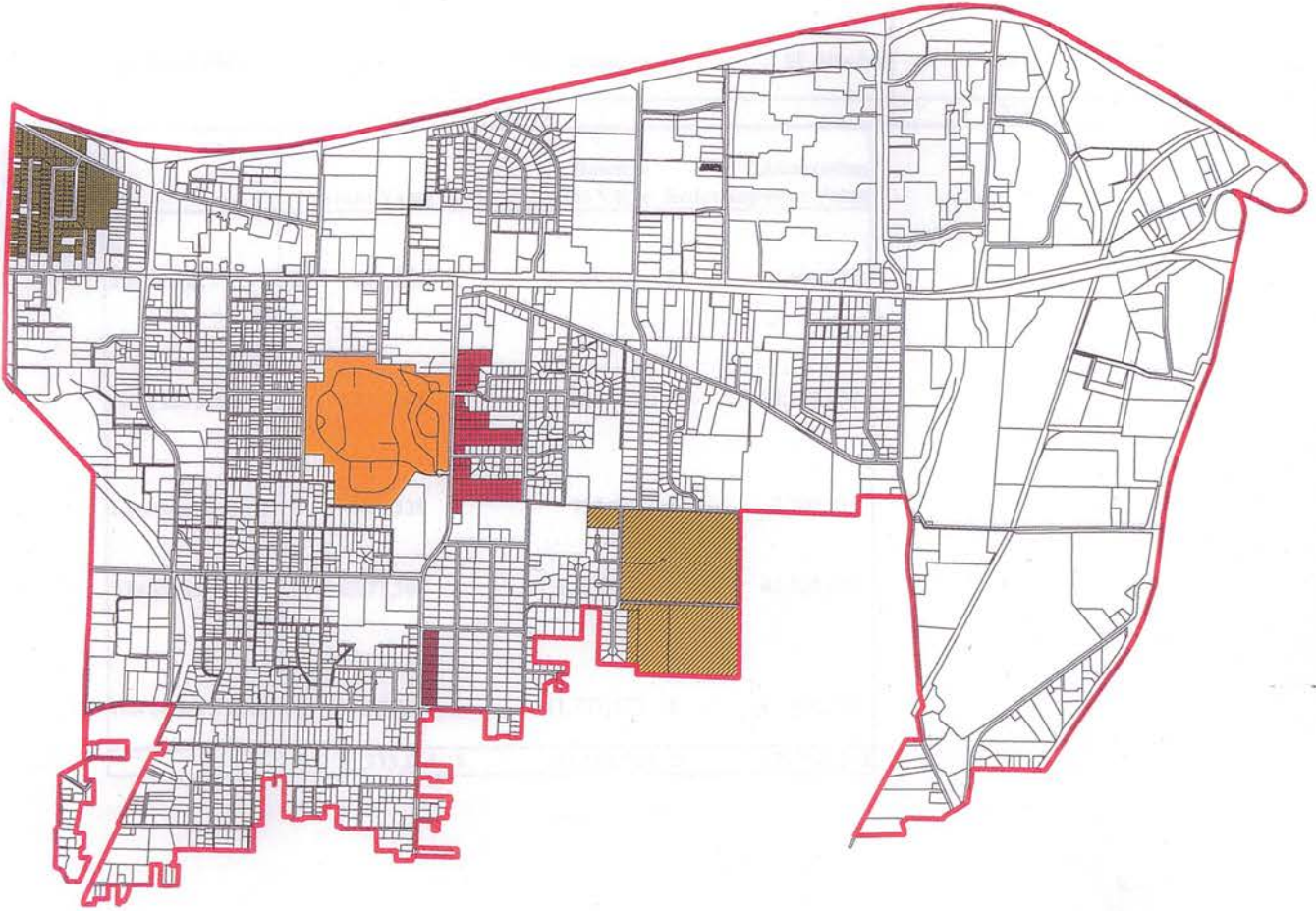
Because these projections are based on redevelopment assumptions that are not consistent with current Clackamas County zoning, we will only use the results of the alternate projections in the calculation of revenue and costs associated with the annexation scenario. In other words, the baseline projections will be used to reflect future land use and assessed values in the event that annexation does not occur, while the alternate projections will be used to reflect future land use and assessed values following annexation by Milwaukie.

The alternate redevelopment scenarios create additional capacity for population and employment growth as well as additional assessed value. All of the additional redevelopment scenarios occur in Sub-Area C. The impact of the additional redevelopment scenarios is summarized in Table 4-10.

Redevelopment Area

- SF Attached (Northeast Fuller)
- Office Commercial (Linwood & King)
- SF Attached/Retail (King Blvd South)
- SF Attached (The Farm)
- Multi-family (The Quarry)

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Source: Clackamas County, City of Milwaukie



Additional Redevelopment Scenarios

Figure 4-4

**Table 4-10:
Alternate Redevelopment Scenarios**

	Existing / Baseline Land Use	Acres	Existing Zoning	Annexation Future Land Use	Net Population Growth	Net Employment Growth
The Farm	Agr./ Single Family	52.25	Single Family	SF Attached	567	-
King Blvd South	Single Family	19.73	Single Family	SF Attached / Retail	477	11
Linwood & King	Single Family	3.63	Single Family	Office-Commercial	(22)	181
The Quarry	Mobile Home / Single Family	46.65	Single Family	Multi-family	672	-
Northeast Fuller	Single Family	29.91	Single Family	SF Attached	531	-
Total		152.18			2,224	192

	Current Value	Baseline Redevelopment Value	Annexation Redevelopment Value
The Farm	\$ 492,116	\$ 27,721,033	\$ 38,405,551
King Blvd South	\$ 2,825,049	\$ 6,639,482	\$ 15,123,457
Linwood & King	\$ 765,538	\$ 932,630	\$ 3,703,810
The Quarry	\$ 6,777,507	\$ 6,777,507	\$ 43,828,693
Northeast Fuller	\$ 10,473,604	\$ 11,377,877	\$ 21,986,732
	\$ 21,333,814	\$ 53,448,529	\$ 123,048,243

The alternate redevelopment scenarios would add an additional 2,224 people and 192 jobs to the study area over the twenty-year planning period. They would also account for an additional \$69 million in assessed value. This represents an 11.3 percent increase in population, a 0.6 percent increase in employment and a 5.9 percent increase in assessed value. Table 4-11 below provides a comparison of the baseline and alternate projections.¹²

**Table 4-11:
Comparison of Baseline and Annexation**

	Baseline 2022 Projected Population	Alternate 2022 Projected Population	Baseline 2022 Projected Employment	Alternate 2022 Projected Employment	Baseline 2022 Projected Value	Alternate 2022 Projected Value
Town Center Sub-Area A	4,852	4,852	16,953	16,953	\$ 427,775,810	\$ 427,775,810
Industrial Area Sub-Area B	457	457	5,741	5,741	\$ 128,017,918	\$ 128,017,918
Residential Area Sub-Area C	14,366	16,590	9,491	9,683	\$ 625,256,797	\$ 694,856,511
Study Area	19,674	21,898	32,185	32,377	\$ 1,181,050,525	\$ 1,250,650,239

These projections will be used to develop the costs associated with various urban services in the study area for the planning period as well as the revenues generated by the study area.

¹² The calculations in the following sections of this document assume that the alternate redevelopment scenarios would only occur under annexation. It is also possible that these redevelopment scenarios could occur without annexation. This would require a change of the current Clackamas County zoning. Should this redevelopment occur without annexation, our projections would underestimate the 2022 assessed value of the study area in the baseline scenario by 5.8 percent (or \$69,000,000). As a result, our projections would also underestimate the County's 2022 property tax income in the baseline scenario by approximately \$250,000.

FINANCIAL ANALYSIS METHODOLOGY SUMMARY

We used these land use and demographic projections, along with the methodological assumptions outlined above, in our calculation of potential expenditure and revenue impacts to the city and the county under both the baseline and annexation scenarios. We relied on input from county and city staff members to improve the precision of our projections.

Potential revenue impacts were based on the following revenue sources:

- Property taxes
- Highway revenues
- Liquor taxes
- Cigarette taxes
- Miscellaneous taxes/fees

Potential expenditure impacts were calculated for the following urban services:

- Public safety (Police/Sheriff and 9-1-1)
- Streets
- Planning & Code Enforcement
- Enterprise Fund Services (Sewer, Stormwater and Water)

We examined operating and maintenance costs as well as capital expenditures.

Our projections of cost increases and savings are based on assumptions of specific cost-drivers and the predicted impact of annexation on those drivers. For example, lane-miles serve as the cost-driver for street operating and maintenance expenditures (i.e., street operating and maintenance costs are driven by the number of lane-miles for which a jurisdiction is responsible). In the annexation scenario, Milwaukie will see an increase in the number of lane-miles that they must maintain, while Clackamas County will see a decrease. Our projections of budget impacts will be based on the proportion of total lane-miles represented by the study area. So if Clackamas releases 5 percent of their total lane miles with an annexation, we would project a cost savings equivalent to 5 percent of their variable expenses (recognizing that certain fixed costs will not change). Similarly, we would project that Milwaukie's variable expenses for street operation and maintenance would increase by an amount equivalent to the percentage increase in lane-miles.

The other cost-drivers we have used are listed below:

Public Safety:	Population
Streets:	Lane-Miles
Planning & Code Enforcement:	Population
Sewer:	Equivalent Dwelling Units (EDU)
Stormwater:	Equivalent Service Units (ESU)
Water:	Service Connections/ Water Demand

We have worked to develop cost-drivers that are appropriately representative, yet simple enough to allow us to create expenditure analyses that are easy to follow and easy to replicate. This design also allows for adjustments to be made to the analyses. For example, take our assumption that Milwaukie's variable expenditures for street operation and maintenance will increase by 71 percent as a result of annexation, due to a 71 percent increase in lane-miles. If a reader has reason to believe that variable street expenditures will increase more or less due to the condition of the roads in the study area, the reader can easily calculate such adjustment.

For some services, Clackamas County might choose not to decrease staff or cut spending as a result of a decrease in the size of their service area. This might be the case for a service where some needs are currently going unmet elsewhere in the County's service area. The county might then choose to reallocate the resources no longer needed for service in the study area to meet other currently unmet needs. Although this sort of action will not result in a budget decrease, we consider this type of resource transfer to be a costs savings, since the ability to meet unmet needs would arise as a result of annexation. This allows us to make an "apples-to-apples" comparison of costs increases for Milwaukie and costs savings for Clackamas County, enhancing the utility of this study.

The development of this final report involved significant collaboration and review by City and County agencies and County service districts. Numerous opportunities for review and input allowed us to reach consensus on various methodological issues, projections and cost and revenue estimates.

This result of the analysis is a comparison of revenue in the baseline and annexation scenario, for both the City and County, and a similar comparison of expenditures in the baseline and annexation scenario. The revenue and expenditure projections are provided for both 2002 and 2022. The net impact of the baseline or annexation scenario for the City or the County can be determined by comparing projected costs to projected revenue.

CHAPTER 5: REVENUES AND EXPENDITURES

This chapter describes the results obtained from application of the methodology described in Chapter 4. It begins with a discussion of the potential impact of annexation on revenues for Milwaukie and Clackamas County. This is followed by an examination of the potential impact on expenses for both jurisdictions.

REVENUE

The first section of the financial analysis will examine the potential revenue that would be derived from the study area in 2002 and 2022 in the baseline and annexation scenarios. Revenue sources include property taxes, highway, liquor and cigarette taxes, and other miscellaneous taxes and fees.

Property Taxes:

We estimated property tax revenues for 2002 and 2022 in both the baseline and annexation scenarios using the tax rates outlined in Chapter 4 and in Table 4-1. Property values for 2022 were estimated using development scenarios agreed upon by the Clackamas and Milwaukie planning staff. Because of the constant dollar assumptions outlined in Chapter 4, only value growth due to new construction or redevelopment is reflected here. Projected values for the study area in 2022 are higher in the annexation scenario because of specific alternate redevelopment assumptions included in this scenario.

Tables 5-1 through 5-3 summarize the assessed values of the study area in 2002 and projected values for 2022 for the baseline and annexation scenarios. Under the annexation scenario the tax rate in the study area would increase from \$14.8731 per thousand to \$17.7754. The typical single-family homeowner would see a tax increase of \$305 annually.¹

¹ Based on an average assessed value of \$105,000 for a single-family home. This average excludes the mobile home park.

**Table 5-1:
Assessed Values 2002²**

	Non Urban Renewal Area	Urban Renewal Frozen Value	Urban Renewal Excess Value	Current Value (2002)
Town Center Sub-Area A	\$ 36,242,892	\$ 29,179,056	\$ 332,843,973	\$398,265,921
Industrial Area Sub-Area B	\$ 74,174,932	\$ 9,556,575	\$ 14,661,811	\$ 98,393,318
Residential Area Sub-Area C	\$433,889,792	\$ -	\$ -	\$433,889,792
Study Area Total	\$544,307,616	\$ 38,735,631	\$ 347,505,784	\$930,549,031

**Table 5-2:
Projected Assessed Values 2022
Baseline Scenario (No Annexation)**

	Non Urban Renewal Area	Urban Renewal Frozen Value	Urban Renewal Increment Value	Projected Value (2022)
Town Center Sub-Area A	\$ 36,242,892	\$ 29,179,056	\$ 362,353,862	\$ 427,775,810
Industrial Area Sub- Area B	\$ 103,799,532	\$ 9,556,575	\$ 14,661,811	\$ 128,017,918
Residential Area Sub-Area C	\$ 625,256,797	\$ -	\$ -	\$ 625,256,797
Study Area Total	\$ 765,299,221	\$ 38,735,631	\$ 377,015,673	\$ 1,181,050,525

² Frozen and excess values are based on ratio of excess to total value in tax codes 012-124 and 012-135.

**Table 5-3:
Projected Assessed Values 2022
Annexation Scenario**

	Non Urban Renewal Area	Urban Renewal Frozen Value	Urban Renewal Increment Value	Projected Value (2022)
Town Center Sub-Area A	\$ 36,242,892	\$ 29,179,056	\$ 362,353,862	\$ 427,775,810
Industrial Area Sub-Area B	\$ 103,799,532	\$ 9,556,575	\$ 14,661,811	\$ 128,017,918
Residential Area Sub-Area C	\$ 694,856,511	\$ -	\$ -	\$ 694,856,511
Study Area Total	\$ 834,898,935	\$ 38,735,631	\$ 377,015,673	\$ 1,250,650,239

With annexation, the permanent Clackamas County tax rate applied to the study area would drop from the rural rate of \$2.9707 per thousand to the city rate of \$2.4042 per thousand, and the Clackamas Enhanced Law District Rate would no longer apply. While these changes would create revenue losses, the County would see an increase in revenue from the Urban Renewal Areas as Milwaukie’s higher tax rates would be applied to these areas. Since the Urban Renewal areas would continue under the jurisdiction of the County’s Development Agency, the tax revenue generated by the excess value in the areas would accrue to the County. However, it is important to note that the additional urban renewal revenue that the county would gain from application of the higher city tax rates is somewhat limited in use. This revenue could only be used in the urban renewal areas, and only for projects included in the County’s urban renewal plans.

If the additional urban renewal revenue is considered as a gain, the annexation scenario would result in a *net increase* in tax revenue for the County. In 2002 this increase would be \$259,000, as shown in Table 5-4. As this figure shows, the County would gain \$1,008,566 in urban renewal revenue as a result of annexation. This would offset a loss of \$330,294 in general fund revenue and \$419,675 in enhanced law enforcement revenue. However, as described above, the relative utility of urban renewal revenue needs to be considered in comparison to that of general fund revenue.

In the annexation scenario the property tax rate for Fire District No. 1 would no longer be applied to the study area. This represents a loss of \$1,501,220 in revenue in 2002 and \$2,070,229 in 2022. Since Fire District No. 1 would continue to serve the study area under the annexation

scenario we have assumed that Milwaukie will make annual payments to the district to offset the revenue lost from the removal of the tax rate.

**Table 5-4:³
Study Area Property Tax Revenue
2002 & 2022**

	Milwaukie General Fund	Milwaukie Total	Clackamas General Fund	Clackamas Urban Renewal	Clackamas Enhanced Law District	Clackamas Total	Clackamas Fire District #1
2002 Baseline	\$ -	\$ -	\$ 1,732,047	\$ 5,110,073	\$ 419,675	\$ 7,261,795	\$ 1,501,220
2002 Annexation	\$ 3,811,878	\$ 3,811,878	\$ 1,401,753	\$ 6,118,639	\$ -	\$ 7,520,392	
2002 Net	\$ 3,811,878	\$ 3,811,878	\$ (330,294)	\$ 1,008,566	\$ (419,675)	\$ 258,597	\$ (1,501,220)
2022 Baseline	\$ -	\$ -	\$ 2,388,546	\$ 5,544,015	\$ 578,744	\$ 8,511,305	\$ 2,070,229
2022 Annexation	\$ 5,711,735	\$ 5,711,735	\$ 2,100,392	\$ 6,638,228	\$ -	\$ 8,738,620	
2022 Net	\$ 5,711,735	\$ 5,711,735	\$ (288,154)	\$ 1,094,213	\$ (578,744)	\$ 227,315	\$ (2,070,229)

³ As explained in Chapter 5, should the alternate redevelopment scenarios without annexation, these figures would underestimate the 2022 assessed value in the baseline scenario, and therefore underestimate the County's 2022 property tax income in the baseline scenario by approximately \$250,000.

Highway Revenues:

Highway revenues in Oregon are collected at the state level and distributed to counties and cities on a formula basis. Oregon sets aside separate pools of money for cities and counties, with the city pool allocated by city population and the county pool allocated by the number of car registrations

As a result of those state policies, we project that the City of Milwaukie would gain approximately \$573,000 in 2002 from annexation, and the County would experience no revenue loss. The revenue gain by Milwaukie would come at the expense of the other cities in the state. In 2002, both jurisdictions would gain financially, since their populations are projected to grow faster than the average for the cities and counties in the state of Oregon. The County would gain marginally due to annexation since the additional redevelopment scenarios would create a small population increase for the County. (See Table: 5-5: Highway Revenues.)

**Table 5-5:
Highway Revenues**

	Milwaukie	Clackamas
2002 Baseline	747,000	14,243,000
2002 Annexation	1,319,510	14,243,000
	+572,510	-
2022 Baseline	805,925	15,818,722
2022 Annexation	1,419,961	15,875,057
	+614,036	+56,335

Liquor Tax:

Liquor taxes are collected by the state of Oregon and allocated in separate pools to cities and counties. The primary basis for allocating both pools is population, although there is some adjustments made for level of income. We did not feel that the relative income levels of the City would change substantially enough to affect this allocation; therefore, the primary driver used was population.

As a result of this assumption, Milwaukie would gain \$127,000 in revenue resulting from the liquor tax due annexation in 2002. Again, this revenue increase would come at the expense of other cities statewide. The County would suffer no loss of revenue since the revenue pool for counties is separate. In 2022, both jurisdictions would gain revenue from annexation – Milwaukie from continued population growth in the study area, Clackamas County from the small additional increases in study area population due to the additional redevelopment scenarios. (See Table 5-6: Liquor Tax Revenue.)

**Table 5-6:
Liquor Tax Revenue**

	Milwaukie	Clackamas
2002 Baseline	166,000	850,000
2002 Annexation	293,225	850,000
	+127,225	-
2022 Baseline	179,094	944,037
2022 Annexation	315,547	947,399
	+136,453	+3,362

Cigarette Tax:

Revenue from the state's cigarette tax contributes in part to funds for local governments. There are separate pools for counties and cities, based upon each jurisdiction's share of the total population for counties and cities, respectively. As a result, annexation would allow the City of Milwaukie to increase its share of the pool of money allocated for cities. Clackamas County would continue to receive the same share of the money allocated for counties.

We project that the city's revenues from the cigarette tax would grow by 76.6 percent, or \$31,000 in 2002 with annexation. The County's revenues would be unaffected. By 2022, the City's revenue would continue to grow based upon the population growth in the study area. Because the additional redevelopment scenarios associated with annexation assume there would be a slightly

higher rate of population growth, County revenues would rise by a small amount. (See Table 5-7: Cigarette Tax Revenue.)

**Table 5-7:
Cigarette Tax Revenue**

	Milwaukie	Clackamas
2002 Baseline	41,000	400,000
2002 Annexation	72,423	400,000
	+31,423	-
2022 Baseline	44,234	444,253
2022 Annexation	77,936	445,835
	+33,702	+1,582

Miscellaneous Taxes:

In this section, we looked at several miscellaneous taxes and fees that are imposed in the City of Milwaukie, with no direct counterpart in Clackamas County. Annexation of the study area would result in revenue increases for each of these taxes and fees. The taxes and fees include taxes on electricity service, natural gas service, telephone usage, and business licenses. The first three taxes are collected as a percentage of sales by the utility. The business license fee in Milwaukie is calculated as a flat charge per business.

To model this, we increased the amount of revenue collected by the City of Milwaukie for electricity tax, natural tax, and telephone tax by the percentage of population growth resulting from annexation, 76.6 percent. For the business license tax, we used the amount of employment as a measure of the new of businesses, and increased the amount of revenue collected by the city at 126 percent, which is the amount of employment growth resulting from annexation.

As a result of these assumptions, the City of Milwaukie would gain \$694,000 in additional revenue in 2002 from annexation. That net revenue growth would rise to \$998,000 in 2022 as population and employment grows in the study area. (See Table 5-8: Miscellaneous Taxes.)

**Table 5-8:
Miscellaneous Taxes**

Milwaukie	Electricity Tax	Natural Gas Tax	Telephone Tax	Business License	Total
2002 Baseline	536,000	125,000	105,000	85,000	851,000
2002 Annexation	946,797	220,802	185,473	192,024	1,545,096
					+694,096
2022 Baseline	730,373	170,329	143,077	120,182	1,163,961
2022 Annexation	1,287,424	300,239	252,201	312,373	2,152,236
					+988,275

Other Fees:

In this section, we examined various fees and taxes that are collected by both the City of Milwaukie and Clackamas County in unincorporated areas. This includes the tax on telephone usage to pay for 9-1-1 service, taxes on cable television service, and taxes on garbage haulers. We also included in this section a tax on cable TV to pay for public television production, which only applies in Milwaukie. Our modeling assumption was that these taxes varied with the amount of population in each jurisdiction.

As a result, we estimated the taxes collected by Clackamas County in the study area as the study area's percentage of unincorporated population. Following annexation the City would collect such taxes, so this amount was reduced to zero for the County. For 2002, we estimated the increase in revenue to the City of Milwaukie by its rate of population growth as a result of annexation, 76.6 percent.

According to these assumptions, Milwaukie would gain \$320,000 in revenue from miscellaneous fees in 2002, and Clackamas County would lose \$151,000 in revenue. In each of the cases where the tax shifts from County to City, the amount collected rises, indicating that the tax rates charged by the City are higher than those charged by the County. The higher Milwaukie rates account for \$96,792 of the \$168,966 net increase in revenue to the two jurisdictions collectively. An additional \$72,174 comes from the extension of the Public TV access fee to the study area. (See Tables 5-9 and 5-10.)

**Table 5-9:
Miscellaneous Fees
Milwaukie**

Milwaukie	911 Telephone Tax	Cable TV Fee	Public TV Fee	Garbage Franchise	Total
2002 Baseline	102,000	100,000	102,000	114,000	418,000
2002 Annexation	180,174	176,641	180,174	201,371	738,361
					+320,361
2022 Baseline	110,046	136,264	138,989	155,340	540,639
2022 Annexation	193,890	240,191	244,995	273,818	952,894
					+412,255

**Table 5-10:
Miscellaneous Fees
Clackamas County**

Clackamas County	911 Telephone Tax	Cable TV Fee	Public TV Fee	Garbage Franchise	Total
2002 Baseline	678,000	250,000	-	775,000	1,703,000
2002 Annexation	617,707	227,780	-	706,118	1,551,605
					-151,395
2022 Baseline	679,171	316,297	-	980,521	-1,975,989
2022 Annexation	614,904	286,496	-	888,138	1,789,538
					-186,451

Revenue Summary:

Table 5-11 below provides a summary of how annexation would impact both jurisdictions in terms of revenue collected from the study area for 2002. The data are disaggregated by sub-area. Annexation would increase the amount of revenue to Milwaukie by \$5.6 million in the short term, while Clackamas would also see an increase in the amount of \$107,000. Table 5-12 shows how these revenue impacts would change by 2022.

Aside from increasing property tax revenues, annexation would improve access to state revenue sources for the study area. The Oregon state government provides highway tax, cigarette tax, liquor tax and other revenues to localities. These revenues are distributed based on population and other measures. The funds are provided from separate pools for cities and counties. Since annexation would increase the population of the City of Milwaukie without decreasing the population of Clackamas County, annexation would greatly enhance the share of state revenues drawn by the study area.

**Table 5-11:
2002 Revenue
Net Deviations from Baseline with Annexation**

	Milwaukie				Clackamas			
	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Total	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Total
Property Tax	\$ 427,722	\$ 547,428	\$ 2,836,728	\$ 3,811,878	\$ 881,860	\$ (65,151)	\$ (558,112)	\$ 258,597
Hwy	\$ 127,170	\$ 17,603	\$ 427,737	\$ 572,510				
Liquor	\$ 28,260	\$ 3,912	\$ 95,053	\$ 127,225				
Cigarette	\$ 6,980	\$ 966	\$ 23,477	\$ 31,423				
Misc. Taxes	\$ 188,452	\$ 41,633	\$ 464,010	\$ 694,096				
Misc. Fees	\$ 71,161	\$ 9,850	\$ 239,349	\$ 320,360	\$ (33,629)	\$ (4,655)	\$ (113,111)	\$ (151,395)
Total	\$ 849,745	\$ 621,392	\$ 4,086,355	\$ 5,557,492	\$ 848,231	\$ (69,806)	\$ (671,223)	\$ 107,202

**Table 5-12:
2022 Revenue
Net Deviations from Baseline with Annexation**

	Milwaukie				Clackamas			
	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Total	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Total
Property Tax	\$ 427,722	\$ 741,111	\$ 4,542,902	\$ 5,711,735	\$ 967,506	\$ (103,256)	\$ (636,936)	\$ 227,314
Hwy	\$ 136,047	\$ 12,814	\$ 465,175	\$ 614,036	\$ 12,482	\$ 1,176	\$ 42,678	\$ 56,335
Liquor	\$ 30,233	\$ 2,848	\$ 103,373	\$ 136,453	\$ 745	\$ 70	\$ 2,547	\$ 3,362
Cigarette	\$ 7,467	\$ 703	\$ 25,532	\$ 33,702	\$ 351	\$ 33	\$ 1,198	\$ 1,582
Misc. Taxes	\$ 277,016	\$ 50,692	\$ 660,568	\$ 988,276				
Misc. Fees	\$ 91,340	\$ 8,603	\$ 312,312	\$ 412,255	\$ (41,311)	\$ (3,891)	\$ (141,249)	\$ (186,451)
Total	\$ 969,826	\$ 816,771	\$ 6,109,860	\$ 7,896,457	\$ 939,773	\$ (105,868)	\$ (731,762)	\$ 102,142

EXPENDITURES

We worked with City and County staff to examine the factors (or “cost drivers”) that best predict the necessary level of provision of public services. These drivers were then used to project future expenditures for both the City and County in the baseline and annexation scenarios. This involved identifying the actual output of public service in physical terms (the length of streets repaired or gallons of fresh water delivered) rather than in terms of costs directly. Different elements of public service have different cost drivers, so input from agency officials was a critical element of this analysis. Review and input from County and City staff allowed us to reach consensus on various cost and revenue estimates. We prepared expenditure forecasts for each of the scenarios in the study area, and developed cost forecasts for both the City of Milwaukie and Clackamas County.

We did not analyze expenditures for services where no change would occur under the annexation scenario. These include parks and recreation, library, and fire protection services. These services are provided by County districts or agencies that would not be impacted by the possible annexation. As a result, expenditures in the baseline and annexation scenarios would be identical. As discussed earlier, there also would be no change in service provision by Clackamas County Fire District #1. Milwaukie currently makes contractual payments to Fire District #1 for service in the current city limits. The City makes those payments since the Fire District does not levy property taxes with the city. Since annexation would remove the Fire District's tax levy in the study area, we assumed that the City's payments to the Fire District would increase to cover the district's revenue loss in the study area. However, no service changes are modeled.

We have determined that in a number of areas, Milwaukie has lower labor costs than Clackamas County for equivalent services. Table 5-13 below presents data from a number of services provided by both the City and the County and shows that the City's expenses per employee are considerably lower. This suggests that an important cost savings from annexation would result from reduced labor expenses.

**Table 5-13:
Comparison of City & County Expenditures per Employee**

County	FTE	Personnel Costs per FTE	FTE	Personnel Costs per FTE	Milwaukie
Sheriff: Administration, Patrol, Detectives, Law Enforcement District	218	\$ 88,869	34	\$ 67,903	Police: Administration, Field, Support Services
Planning/Code Enforcement	101	\$ 73,054	8	\$ 59,226	Planning/Code Enforcement
Streets (minus Bridge Maintenance)	141	\$ 68,359	11	\$ 63,890	Streets (plus Public Works Engineering)
County Library	19	\$ 57,197	15	\$ 52,821	Ledding Library

It is important to note that existing employees would be held harmless from the results of annexation, at least for one year. Under ORS 236.610, public employees cannot lose their jobs as a direct result of annexation. Employees who would lose their jobs must be offered a job at their current salary for one additional year. Normally, every public agency experiences some labor turnover so that a reduction of 2 percent or 3 percent in staff in a single year can be managed given some advance warning. Larger reductions in staff might take a few years for an agency to handle. However an annexation case where the annexing city will be hiring staff presents an opportunity to continue the employment of laid-off county workers, whose agency budgets are being reduced.

For our modeling purposes, we did not take this factor directly into account. We believe this is reasonable since the 2002 and 2022 budget impacts are intended to help identify the financial impact of annexation for any year in the 20-year planning horizon. Moreover, most departments had labor reductions below 3 percent turnover rates. Nevertheless, the cost savings identified for the County in the first year may be slightly over-stated in some cases. For each of the various services analyses, we have provided an estimate of the number of additional employees that would be required by the City along with the corresponding labor reduction for the County.

Public Safety Expenditures:

The Clackamas County Sheriff's Department currently provides law enforcement services in the study area, both as part of the regular sheriff service as well as part of the Enhanced Law Enforcement District. The District was created to offer a higher level of service in the urbanized but unincorporated portions of Clackamas County. We have assumed that this service would continue under the baseline scenario, while under the annexation scenario the Milwaukie Police Department would provide law enforcement services in the entire study area.

Our analysis also considered expenditures for 9-1-1 emergency services. For both the County and the City, the cost of this service is accounted in a separate budget, and our analysis will consider these costs separately later in this section.

Sheriff and Police Service:

Milwaukie's police expenditures are included in three budgets that represent police administration, field services, and support services. Because the Sheriff's Department provides both regular and enhanced district services in the study area, we grouped the department's budgets into the following two categories: 1) Regular Sheriff service expenses, which are contained in three budgets that represent administration, patrol and detectives; and 2) Enhanced district expenses, which are contained in a single budget. Sheriff's Department budgets for Jail, Corrections, Marine, Records, Civil, and Data Processing were not included in this analysis. These services will remain the responsibility of the County Sheriff under either scenario; therefore these expenditures would not change or shift to Milwaukie with annexation.

We used population as the cost driver for Sheriff and Police expenditures, assuming that labor costs would increase or decrease linearly with changes in population due to annexation or growth over time. The Clackamas County Sheriff helped identify variable non-labor costs, which we also assumed would increase or decrease with population. These variable costs include uniforms, vehicle-related costs, certain office supplies and tools, and telephone and communication equipment. Using this methodology, approximately 28 percent of the Sheriff's non-labor costs were variable and 25 percent of the City's police non-labor costs were variable.

Table 5-14 summarizes the results of the Sheriff and Police expenditure analysis. We calculated that the study area population represents 17 percent of the Sheriff's enhanced district and 8 percent of the regular service area in the baseline. With annexation the Sheriff's labor and variable non-labor costs would fall by this amount in the short term. At the same time, Milwaukie labor and variable non-labor costs would grow by 76 percent – the city's increase in population due to annexation. In the near term, the Sheriff's total expenditures would decrease by approximately \$1,981,000 while Milwaukie's Police costs would rise by \$1,941,000. These figures would grow over the twenty-year planning period due to population growth. With annexation the County's costs savings would be \$2,657,000 in 2022, and the City's costs would increase by \$2,602,000.

With annexation, the Sheriff's labor cost reductions represent a reduction of 21 employees in 2002, while Milwaukie's labor cost increase represents an additional 24 Police Department employees.

**Table 5-14:
Sheriff & Police Expenditures**

	Milwaukie Police			Clackamas Sheriff		
	Labor	Variable Non-Labor	Total	Labor	Variable Non-Labor	Total
2002 Baseline	\$ 2,308,704	\$ 356,965	\$2,665,669	\$19,373,536	\$1,892,496	\$21,266,032
Cost to Serve Study Area	\$ 1,667,257	\$ 273,578	\$1,940,835	\$ 1,829,492	\$ 151,210	\$ 1,980,703
2002 Total Cost w/ Annexation	\$ 3,975,961	\$ 630,543	\$4,606,504	\$17,544,044	\$1,741,286	\$19,285,329
2022 Baseline	\$ 3,145,840	\$ 486,401	\$3,632,241	\$27,197,939	\$2,687,344	\$27,197,939
Cost to Serve Study Area	\$ 2,234,828	\$ 366,913	\$2,601,741	\$ 2,453,715	\$ 202,803	\$ 2,656,518
2022 Total Cost w/ Annexation	\$ 5,380,668	\$ 853,314	\$6,233,981	\$24,744,224	\$2,484,541	\$27,228,764

9-1-1 Emergency Service:

Clackamas County currently provides emergency 9-1-1 service in the study area. We have assumed that the county would continue to provide this service under the baseline scenario, while the City of Milwaukie would be responsible for service under the annexation scenario.

Milwaukie has recently made a significant change in their provision of 9-1-1 services. Milwaukie previously provided this service internally through a staff of 6 dispatchers, but has developed an intergovernmental agreement with Lake Oswego to consolidate dispatch services.⁴ Under this agreement, 9-1-1 services for the City of Milwaukie will be provided through Lake Oswego's Dispatch Center. (Lake Oswego also currently provides service to West Linn through contract.) Milwaukie will transfer 3 dispatchers to Lake Oswego to handle the increased burden. Under the annexation scenario, 9-1-1 services would be provided to the study area by Lake Oswego as part of Milwaukie's contract.

⁴ Memo from Milwaukie Police Chief Kanzler to Milwaukie Mayor, City Council and City Manager, June 25, 2002.

Table 5-15 summarizes the results of the 9-1-1 Emergency Service expenditure analysis. Milwaukie's contract with Lake Oswego impacts the calculation used to project future expenditures in the baseline and annexation scenarios. Milwaukie's 2002 costs in the baseline scenario reflect their first year contract cost with Lake Oswego. Milwaukie will cover personnel costs of three dispatchers for the first year only. In succeeding years these personnel costs will not be included as part of Milwaukie's user fee. Milwaukie's 2022 costs in the baseline scenario reflect a user fee increase of 5 percent annually.⁵ This analysis shows no additional costs to Milwaukie associated with annexation in 2002 or 2022. Although Milwaukie's population would increase as a result of annexation, the contract with Lake Oswego is based on calls for service rather than population. Milwaukie staff has indicated that it would require an additional 10,000 calls for service annually before the need to hire an additional dispatcher arises. Milwaukie currently generates approximately 11,000 calls for service annually. A doubling in population could require that an additional dispatcher be hired. The 2022 population of the study area could account for an additional 10,000 calls for service; however, the cost of an additional dispatcher would be rather small in terms of this analysis and has therefore not been included.

For Clackamas, we have used population as the cost driver, assuming that labor costs will increase or decrease proportionately with population change and that non-labor costs are 50 percent variable. We calculated that the study area represents 8 percent of the total population served by Clackamas County 9-1-1 services in the baseline. With annexation, the County's labor and variable non-labor costs would fall by this amount in the short term. In the near term, the County's total 9-1-1 expenditures would decrease by approximately \$279,000. These figures would grow over the twenty-year planning period due to population growth. With annexation the county's costs savings would be \$374,000 in 2022. We calculated that employment by Clackamas County would decline by 3 employees.

⁵ LOCOM Overview and Dispatch Proposal for Milwaukie Police, May 2002

**Table 5-15:
9-1-1 Emergency Service Expenditures**

	Milwaukie			Clackamas		
	Labor	Variable Non-Labor	Total	Labor	Variable Non-Labor	Total
2002 Baseline	\$ 129,000	\$ 211,383	\$ 340,383	\$ 2,882,200	\$ 610,735	\$ 3,492,935
Cost to Serve Study Area	\$ -	\$ -	\$ -	\$ 230,288	\$ 48,798	\$ 279,085
Total Cost w/ Annexation	\$ 129,000	\$ 211,383	\$ 340,383	\$ 2,651,912	\$ 561,937	\$ 3,213,849

2022 Baseline	\$ -	\$ 454,723	\$ 454,723	\$ 4,092,724	\$ 867,243	\$ 4,959,967
Cost to Serve Study Area	\$ -	\$ -	\$ -	\$ 308,862	\$ 65,447	\$ 374,309
Total Cost w/ Annexation	\$ -	\$ 454,723	\$ 454,723	\$ 3,783,862	\$ 801,796	\$ 4,585,658

Streets:

Operation and Maintenance:

Operation and maintenance expenditures for streets were analyzed using lane-miles as a cost driver. Under the annexation scenario, we have assumed that Milwaukie would become responsible for maintenance of study area streets that are currently maintained by Clackamas County. The budgets used in this analysis were determined through consultation with City and County staff. For Milwaukie we have included expenditures from the budgets for State Gas Tax, Street Repair, Public Works Engineering, and Bike Path. For Clackamas County we have included expenditures from budgets for Road Maintenance, Road Administration, Engineering, Traffic Maintenance. (There are other street-related budgets for both the city and county, but they are either revenue funds or budgets for capital projects, which are not appropriate for inclusion in this section of the analysis. Capital expenditures for streets will be addressed in a following section.)

We assumed that labor expenses would increase or decrease proportionately with the number of lane-miles maintained and that non-labor costs would be partially fixed, increasing or decreasing at half the rate of lane-mile change. The City of Milwaukie currently maintains 140 lane-miles, while Clackamas County maintains 2,044 lane-miles. The study area currently includes approximately 100 lane-miles, or approximately 5 percent of the County’s total.

Table 5-16 summarizes the results of the streets operation and maintenance analysis. In the 2002 baseline scenario the County’s expenses for the study area are estimated to be 5 percent of their

total labor costs and 2.5 percent of their total non-labor costs, since the study area represent 5 percent of Clackamas County’s total lane-miles. With annexation, the County’s expenses for the study area would fall to zero. Milwaukie’s total lane-miles would increase by 71 percent with annexation, so we estimated that the City’s labor costs grow by 71 percent, while their non-labor costs would grow at half that rate. During the twenty-year planning period the study area lane-miles would grow by an additional 10 percent (based on estimates from the Clackamas County Capital Improvement Plan), increasing 2022 costs for Clackamas County in the baseline scenario and the City of Milwaukie in the annexation scenario.

Based on these assumptions, the County would experience a savings of approximately \$888,000 for street operation and maintenance expenditures in the short-term, while the City expenses would grow by approximately \$908,000. These figures translate to reduction of 7 employees for the County and an increase of 8 employees for the city.

**Table 5-16:
Street Expenditures: Operation and Maintenance**

	Milwaukie			Clackamas		
	Labor	Non-Labor	Total	Labor	Non-Labor	Total
2002 Baseline	\$ 702,791	\$ 1,139,465	\$ 1,842,256	\$ 9,638,587	\$ 17,007,618	\$ 26,646,205
Cost to Serve Study Area	\$ 501,994	\$ 406,952	\$ 908,945	\$ 471,555	\$ 416,038	\$ 887,593
2002 Cost w/ Annexation	\$ 1,204,785	\$ 1,546,417	\$ 2,751,201	\$ 9,167,032	\$ 16,591,580	\$ 25,758,612
2022 Cost to Serve Study Area	\$ 552,193	\$ 471,386	\$ 1,023,579	\$ 518,711	\$ 457,641	\$ 976,352

Capital Expenses:

In order to determine the street-related capital costs that would shift or change with annexation, we consulted with staff members from the City of Milwaukie and Clackamas County and reviewed the county’s Capital Improvements Plan (CIP). In so doing, we identified road projects in the study area that would likely become the responsibility of the City of Milwaukie if annexation were to occur. Unlike capital projects for sewer and stormwater, the City cannot rely upon increases to ratepayers to pay for these improvements. Moreover, failure to build these

roads could jeopardize the redevelopment potential of the study area, upon which future property tax estimates are based.

We first identified road projects in the County's 20-year CIP that would represent new capital expenses for the City with annexation.⁶ For projects that straddle the border of two jurisdictions, it was assumed that project costs would be shared between those jurisdictions. Portions of projects inside the existing Milwaukie city limits were excluded since those would be city expenses in either case. Portions of projects inside the urban renewal areas were excluded from the analysis since the Clackamas County Development Agency would retain responsibility for those projects.

To determine the net local cost of these new capital projects we examined other funding sources that would offset total project costs. We first considered system development charges (SDC), using estimates of SDC-eligible amounts for each project as projected by Clackamas County.⁷ We also considered likely eligibility of these projects for federal funding, given the characteristics of each project. The list was examined to find projects eligible for bridge construction funds, pedestrian and bicycle access funds, Congestion Management and Air Quality funds and Community Development Block Grant funds. These were considered with regard to the share such funding sources have historically contributed toward local road projects. We also estimated a percentage of discretionary regional Surface Transportations Program funds that each project might be eligible for. The analysis took into account the City of Milwaukie's desire to not exceed a local share of 50 percent for any road project.

After factoring in the assumptions and funding sources outlined above, the analysis resulted in a list representing \$10,110,855 in new local expenses that would impact the City of Milwaukie with annexation.⁸ Those projects had a total cost of \$84,637,920. There was an additional \$45,200,744 in projects that would not impact the City of Milwaukie following annexation. Table 5-17 below lists the capital projects used in the analysis and summarizes costs and funding sources. The costs are shown disaggregated by sub-area are and year in Table 5-22, in the expenditure summary section.

The City of Milwaukie has several options for financing the additional \$10,110,855 capital cost that would be incurred with annexation, including general obligation bonds and revenue bonds. (System development charges have already been accounted for in estimating the Milwaukie's

⁶ Clackamas County Department of Transportation and Development, *Clackamas County Capital Improvement Plan*, February 28, 2002. *A list of projects specific to the study area was also provided by Ron Weinman, Principal Transportation Planner, Clackamas County.*

⁷ Don Ganer & Associates, *Clackamas County Countywide Transportation System Development Charges Methodology Update Report*, January 7, 2002.

⁸ Federal funding is allocated through a competitive process. Our estimates of state and federal funding reflect Milwaukie's desire to limit local share to less than 50 percent. It is possible that Milwaukie will need to exceed a 50 percent local share to finance some of the included projects, which would increase the City's capital cost share. It should also be noted that failure to complete planned capital improvements could negatively impact the study area's redevelopment potential, which would negatively impact future property tax revenues.

capital cost share). We have estimated that the city would receive an additional \$572,000 in highway funds with annexation as a result of the city's population increase. By 2022, we have estimated that this amount will increase to \$614,000. A new set of revenue bonds could be issued to cover the annexation-related capital costs, with Milwaukie's increased highway funds earmarked to repay the debt service.

**Table 5-17:
Study Area Capital Expenditures – Streets**

Map #	Project	Time Period	Project Cost, 2001	Study Area (Milw.)	% SDC	% State-Federal	Local Share	Milwaukie Annexation Share
2	Johnson Creek, 55th to Bell	0-5 yrs	\$ 5,014,000	40%	11%	39%	50%	\$ 1,002,800
4	Johnson Creek, Bell to 82nd	0-5 yrs	\$ 8,720,000	90%	20%	78%	2%	\$ 180,760
7	SE 82nd, Clatsop-Johnson Creek	0-5 yrs	\$ 872,000	90%		50%	50%	\$ 392,400
16	SE 82nd, Johnson Creek to Causey	0-5 yrs	\$ 12,440,000	60%	11%	70%	19%	\$ 1,408,414
22	Fuller Road disconnect	0-5 yrs	\$ 222,000	50%		88%	12%	\$ 12,922
34	Harmony Rd.-Linwood Int.	0-5 yrs	\$ 16,020,000	40%	33%	50%	17%	\$ 1,064,292
35	Harmony Rd., 82nd- Hwy. 224	0-5 yrs	\$ 12,670,000	20%	20%	50%	31%	\$ 772,585
na	Linwood Ave., King to Johnson Creek	0-5 yrs	\$ 170,000	100%		50%	50%	\$ 85,000
na	ITS, community wide	0-5 yrs	\$ 2,500,000	15%		90%	10%	\$ 36,987
11	King-Stanley Int.	5-10 yrs.	\$ 1,660,000	50%	21%	29%	50%	\$ 415,000
na	Bell Ave, King to Johnson Creek	5-10 yrs.	\$ 221,000	100%		50%	50%	\$ 110,500
na	ITS, community wide	5-10 yrs.	\$ 2,500,000	15%		90%	10%	\$ 36,987
na	Harmony-Lake, Hwy 224 overpass	5-10 yrs.	\$ 100,000	50%		50%	50%	\$ 25,000
15	West Collector, Johnson Creek to King	10-20 yrs.	\$ 4,796,000	100%	39%	30%	31%	\$ 1,479,709
21	Fuller Rd, Otty to King/82nd	10-20 yrs.	\$ 3,736,520	90%	45%	30%	26%	\$ 858,444
23	Monroe St., 72nd to Fuller	10-20 yrs.	\$ 1,199,000	90%	43%	7%	50%	\$ 539,550
25	Fuller Rd, Harmony-King Rd.	10-20 yrs.	\$ 4,316,400	25%	29%	21%	50%	\$ 539,550
19	Otty Rd realign, Otty/82nd/Otty	10-20 yrs.	\$ 1,417,000	50%	27%	23%	50%	\$ 354,250
12	Linwood-Monroe int.	10-20 yrs.	\$ 726,000	75%		50%	50%	\$ 272,250
6	West Collector, Luther to Johnson Creek	10-20 yrs.	\$ 854,000	100%	45%	30%	26%	\$ 218,135
5	Clatsop-Luther, 72nd to Fuller	10-20 yrs.	\$ 1,635,000	50%	9%	78%	13%	\$ 108,623
9	Fuller Road ext., Johnson Creek to Hinkley	10-20 yrs.	\$ 400,000	50%		50%	50%	\$ 100,000
13	Stanley Road Bridge	10-20 yrs.	\$ 264,000	100%		85%	15%	\$ 39,457
na	ITS, community wide	10-20 yrs.	\$ 2,000,000	15%		90%	10%	\$ 29,590
14	Wichita Ave. Bridge	10-20 yrs.	\$ 185,000	100%		85%	15%	\$ 27,649
TOTAL			\$ 84,637,920					\$ 10,110,854

Planning & Code Enforcement:

Clackamas County currently provides planning and code enforcement services in the study area. We have assumed that these services would continue at their current level under the baseline scenario, while under the annexation scenario Milwaukie would provide these services at their current citywide service level.

We determined the appropriate budgets to include in this analysis through collaboration with City and County planning staff. The analysis includes expenditures from the following budgets for Milwaukie: Neighborhood Services, Planning, Public Works (Building, Electrical and Plumbing Inspection), and Community Development Administrative Services. The following budgets from the Clackamas County’s Department of Transportation and Development were used: Land Use and Environmental Planning, Project and Policy Development, Development Services and Community Environment⁹.

We assumed that both labor and non-labor costs for planning and code enforcement would increase or decrease proportionately at half the rate of population change.

Table 5-18 summarizes the results of the Planning and Code Enforcement expenditure analysis. In the 2002 baseline scenario the County’s expenses for the study area are estimated to be 4.4 percent of their total labor costs and 4.4 of their total non-labor costs, since the study area represents 8.8 percent of the County’s unincorporated population. With annexation, the County’s expenses for the study area would fall to zero. Milwaukie’s population would increase by 76.6 percent with annexation, so we estimated that the City’s costs would grow by half that rate. In the near term, the County’s total expenditures for planning and code enforcement would decrease by approximately \$545,000, while Milwaukie’s costs would increase by approximately \$484,000. With annexation the County’s costs savings would be \$731,000 in 2022, and the City’s costs would increase by \$872,000.

With annexation the County’s labor cost reduction represent a reduction of 4 employees in 2002, while Milwaukie’s labor cost increase represents an additional 3 employees.

⁹ Only the portion of the Community Environment budget that was related to code enforcement was used.

**Table 5-18:
Planning & Code Enforcement Expenditures**

	Milwaukie			Clackamas		
	Labor	Non-Labor	Total	Labor	Non-Labor	Total
2002 Baseline	\$ 473,808	\$ 788,241	\$ 1,262,049	\$ 7,356,537	\$ 5,053,993	\$ 12,410,530
Cost to Serve Study Area	\$ 181,563	\$ 302,054	\$ 483,617	\$ 323,320	\$ 222,123	\$ 545,443
Total Cost w/ Annexation	\$ 655,371	\$ 1,090,295	\$ 1,745,666	\$ 7,033,217	\$ 4,831,870	\$ 11,865,087
2022 Baseline	\$ 559,709	\$ 931,149	\$ 1,490,858	\$ 8,349,669	\$ 5,736,282	\$ 14,085,951
Cost to Serve Study Area	\$ 327,204	\$ 544,347	\$ 871,552	\$ 433,637	\$ 297,911	\$ 731,548
Total Cost w/ Annexation	\$ 886,914	\$ 1,475,496	\$ 2,362,410	\$ 7,916,033	\$ 5,438,371	\$ 13,354,403

Enterprise Fund Services:

The expenditure analyses for sewer, stormwater and water services have a different focus than those for other urban services. These services are provided by enterprise-funded systems, meaning that expenses are covered by user fees, or rates. (Capital costs are partly defrayed by system development charges.) Because these services are paid for directly by users through rates, and do not rely on tax or general fund revenue, we assume that there will be no net revenue gain or loss to the City of Milwaukie, Clackamas County or any other current service provider as a result of population change (whether this change is result of growth over time or annexation). Current service providers in the study area include Clackamas County Service District Number 1 (CCSD No. 1) for sewer and stormwater service, and Clackamas River Water (CRW) for water service. Any increase or decrease in expenditures for Milwaukie or any of the current providers will be offset by increasing or decreasing income from rates. These changes will not affect the fiscal “bottom line” for either Milwaukie or Clackamas County. However, it is possible that annexation could trigger an adjustment in current rates as a result of changing expenditures. Therefore, the analyses for the enterprise-funded systems will focus on whether any rate changes would be required. These analyses are based on the budgets and capital improvement program documents of the City of Milwaukie, CCSD No. 1 and CRW.

Sanitary Sewer System:

This section will examine the impact that a potential annexation of the study area by Milwaukie would have on sewer service rates. The annexation scenario is modeled with Milwaukie extending its service to the study area using the Clackamas County Service District Number 1 (CCSD No. 1) physical plant for sewage treatment. In the baseline scenario, CCSD No. 1 would continue to serve the study area.

We also assume that the unsewered parcels in the Johnson Creek area will receive sewer service during the planning period in either the annexation or baseline scenario. The capital costs for providing this service have been estimated and provided by CCSD No. 1. In either scenario, these capital costs will be paid directly by the affected property owners. In the annexation scenario, the unsewered parcels in would be brought into Milwaukie’s system with capital costs paid by property owners via a local improvement district. Without annexation, we assume that CCSD No. 1 would serve these parcels, also with property owners paying all capital costs. The capital cost of providing service to the unsewered parcels in the study area has been estimated to be \$5,000,000.

Growth over the twenty-year planning period was projected using equivalent dwelling units (EDU) growth rates included in the *North Clackamas Wastewater Treatment Options, Joint Report Draft (2002)*. The following Table 5-19 summarizes current and projected EDU with and without annexation. (The 2022 figures include the addition of the 1,000 parcels that are inside the study area boundary, but are currently unsewered.) The study area represents 41 percent of CCSD No. 1’s EDU.

**Table 5-19:
Equivalent Dwelling Units**

No	Milwaukie EDU			Study Area EDU			CCSD No. 1		
	2002	2022	Growth	2002	2022	Growth	2002	2022	Growth
Annexation	9,562	13,376	40%	11,342	15,663	38%	27,785	50,928	83%
Annexation	20,904	29,039					16,443	35,265	

Rate Comparisons: In the case of many urban services, the cost of provision will vary between jurisdictions as a result of decisions that each jurisdiction has made regarding the appropriate level and delivery of services. Localities might differ in their assessment of the appropriate number of fire fighters or police officers to serve a population. One jurisdiction might choose to offer more library branches than a neighboring locality. Such discrepancies are unlikely to exist with regard to services such as sewer and water provision, where certain standards must be met by all jurisdictions. The provision of sewer service in the City of Milwaukie should be more or less identical to the provision of sewer service in the boundaries of CCSD No. 1. As a result, the operating and maintenance costs faced by each jurisdiction should be the same relative to the population served.

CCSD No. 1 and the City of Milwaukie each charge the same monthly rate of \$22.00 for sewer service. These rates can each be disaggregated to determine the amount of each monthly bill that is applied toward treatment costs, billing costs, etc. We would expect the costs per EDU for things like treatment, collection and billing to be similar between the jurisdictions, but any

unique elements that exist in the composition of one rate and not the other could potentially trigger rate changes under the annexation scenario.

Part of the monthly charge to CCSD No. 1 users is designated to pay the debt service on a revenue bond. The annual debt service included in the 2001 budget is \$1.1 million, which equates to approximately \$3.31 per EDU per month. (CCSD No. 1 served 27,785 EDU in 2001.) This cost is unique to CCSD No. 1 customers. However, part of the monthly charge to Milwaukie users is dedicated to pay a franchise fee and an additional amount is used to make transfer payments to other city departments. These charges equate to \$3.53 per EDU per month. The magnitude of the unique elements included in the CCSD No. 1 rate and the Milwaukie rate are nearly identical.

The manner in which the remaining debt service of CCSD No. 1 is handled will determine the potential impact on rates in the annexation scenario. Future budgets for CCSD No. 1 include a debt service payment of \$737,000 annually. (This is smaller than the 2001 debt service because 35 percent of future debt service payments will be covered by storm water user fees.) If CCSD No. 1 were to retain responsibility for this entire debt service following an annexation, they would likely need to increase their rates slightly. CCSD No. 1 would have fewer customers over which to spread the debt service cost. With the current customer base of approximately 27,785, the debt service cost per EDU would be equal to \$2.21 per month. Annexation would decrease CCSD No. 1 customer base to 16,443. With this base, the future debt service per EDU would equal \$3.74 per month – an increase of \$1.53 per EDU per month. CCSD No. 1 would likely need to increase rates by approximately this amount. In this case, Milwaukie would not need to increase rates.

Alternatively, Milwaukie could agree to offset a portion of this future debt service. Since the study area represents 41 percent of CCSD No. 1's current customer base, Milwaukie might agree to compensate CCSD No. 1 for that portion of the future debt service. This would be equivalent to \$302,359 annually, or \$1.20 per EDU per month; however, Milwaukie would not need to increase rates by this full amount. Part of Milwaukie's current rates cover transfers payments to other city department in the amount of approximately \$200,000 annually. With the current customer base of 9,562 this is equivalent to \$1.77 per EDU per month. With an increased customer base of 20,904 as a result of annexation, this transfer amount could be covered with just \$0.80 per EDU per month. The difference of \$0.97 per month per EDU could be applied toward the debt service compensation, covering \$244,488 of the \$302,369 total. The remaining \$57,872 of the debt service compensation payment could be covered by a rate increase of \$0.23 per EDU per month. Under this alternative, CCSD No.1 would not need to increase rates. If Milwaukie were to reduce or eliminate the transfer payments associated with rate revenue from sewer service, the rate increase described here would become irrelevant.

Changes in capital costs associated with annexation could also trigger the need for rate increases in Milwaukie. CCSD No. 1 staff has indicated that no significant capital costs associated with their capital improvement program would shift to the City of Milwaukie as the result of annexation.

Storm Water System:

The section will examine the potential impact that annexation of the study area by Milwaukie would have on rates for the storm water system. CCSD No. 1 currently provides this service in the study area, and we have assumed that they would continue doing so in the baseline scenario. The annexation scenario is modeled with Milwaukie extending its service to the study area.

CCSD No.1 currently serves 40,674 equivalent service units (ESU). The study area contains 14,977 ESU, which represents 37 percent of CCSD No. 1's ESU. The City of Milwaukie provides service to 13,914 ESU.

Rate Comparisons: As with sewer service, major discrepancies in the cost of providing storm water service are unlikely to exist between jurisdictions. The operating and maintenance costs faced by each jurisdiction should be the same relative to the population served.

CCSD No.1 and the City of Milwaukie each charge the same monthly rate of \$6.00 for sewer service. These rates can each be disaggregated to determine the amount of each monthly bill that is applied toward treatment costs, billing costs, etc. We would expect the costs per ESU for things like treatment, collection and billing to be similar between the jurisdictions, but any unique elements that exist in the composition of one rate and not the other could potentially trigger rate changes under the annexation scenario.

As discussed in the sewer service analysis, part of the monthly charge to CCSD No. 1 users will be used to pay debt service. The annual debt service included in future budget is \$398,668, which equates to approximately \$0.82 per ESU per month. This cost is unique to CCSD No. 1 customers. Part of the monthly charge to Milwaukie users is dedicated to transfer payments to other city departments. These charges equate to \$1.50 per ESU per month.

Again, the manner in which the remaining debt service of CCSD No. 1 is handled will determine the potential impact on rates in the annexation scenario. If CCSD No. 1 were to retain responsibility for the entire debt service amount following an annexation, they would likely need to increase their rates slightly. CCSD No. 1 would have fewer customers over which to spread the debt service cost. Annexation would decrease the CCSD No. 1 customer base to 16,443. With this base, the future debt service per ESU would equal \$1.29 cents per month – an increase of \$0.48 per ESU per month. CCSD No. 1 would likely need to increase rates by approximately this amount. In this case, Milwaukie would not need to increase rates.

Alternatively, Milwaukie could agree to offset a portion of this future debt service. Since the study area represents 37% percent of CCSD No. 1's current customer base, Milwaukie might agree to compensate CCSD No. 1 for that portion of the future debt service. This would be equivalent to \$146,798 annually, or \$0.42 per ESU per month; however, Milwaukie would not need to increase rates at all in this scenario. Part of Milwaukie's current rates cover transfers payments to other city department in the amount of approximately \$250,000 annually. With their current customer base this is equivalent to \$1.50 per ESU per month. With an increased customer

base of 28,891 as a result of annexation, this transfer amount could be covered with just \$0.72 per ESU per month. Because this decrease is greater than the increase associated with the debt service compensation, Milwaukie rates would not need to increase. In fact, this scenario would leave a \$0.35 per ESU per month surplus. This equates to \$122,301 per year revenue, which could eliminate the need to increase sewer rates to cover debt service compensation. Under this alternative, neither Milwaukie nor CCSD No.1 would need to increase rates.

Changes in capital costs associated with annexation could also trigger the need for rate increases in Milwaukie. CCSD No. 1 staff has indicated that no significant capital costs associated with their capital improvement program would shift to the City of Milwaukie as the result of annexation.

Water System:

The section will examine the potential impact that annexation would have on water rates. Clackamas River Water (CRW) currently provides this service in the study area, and we have assumed that they would continue doing so in the baseline scenario. There are three potential water provision options for the study area in the annexation scenario:

- 1) Milwaukie could choose not to withdraw the study area from CRW, in which case CRW would continue to provide water service to the study area after an annexation.
- 2) Milwaukie could assume responsibility for the provision of water to the study area.
- 3) Milwaukie could annex to CRW, in which case CRW would supply water to the entire City of Milwaukie, including the study area.

CRW and City of Milwaukie staff provided critical analysis of the potential rate impacts of these options. The results are summarized below. (Further detail is provided in Appendix C: *Water Service Costs Memoranda*.)

Rate Comparisons: The current monthly bill for the average residential user is \$16.48 for Milwaukie users and \$18.37 for users in CRW's North Service Area. We assume that these rates would remain the same under option 1, in which CRW would continue to provide service to the study area, while the City of Milwaukie would continue to serve the users inside the current city boundaries.

Under option 2, in which the City of Milwaukie would assume water provision responsibility for the study area, CRW would lose 3,207 water service connections. This represents approximately 26 percent of CRW's total service connections and 42 percent of the connections in CRW's North Service Area. CRW has estimated that this loss could trigger a rate increase of 25-30

percent for the remaining customers in the North Service area.¹⁰ Milwaukie currently provides water to its customers from its own groundwater wells, and augments this supply by purchasing 0.5 million gallons per day (MGD) from CRW. Milwaukie would likely need to increase their wholesale water purchases from CRW if the city were to supply water to the study area. The city would gain revenue from an additional 3,207 service connections. Milwaukie staff has estimated that the city would be able to supply this additional water without increasing their current water rates.¹¹

CRW has also estimated the potential rate impacts associated with scenario 3, under which Milwaukie would annex to CRW and CRW would provide water service to the entire city of Milwaukie. This would add 6,590 water service connections to CRW. CRW has estimated that their average monthly water bill could be reduced by 5-7 percent, which would apply to both CRW North Service Area users and Milwaukie users. This would result in an average monthly bill of \$17.08, which is essentially the same as the current Milwaukie rate¹².

Based on this brief analysis, each of the options presented for water provision under the annexation scenario seem to be worth further consideration. The rate impacts of annexation would be determined by the option chosen by local decision makers.

¹⁰ Memorandum from Dale Jutila, CRW General Manager, to Emile Combe, Executive Leadership Institute Project Manager, October 23, 2002.

¹¹ Memorandum from Alice Rouyer, Milwaukie Director of Community Development, to Charles Santo, Executive Leadership Institute, November 13, 2002.

¹² Memorandum from Dale Jutila, CRW General Manager, to Emile Combe, Executive Leadership Institute Project Manager, October 23, 2002.

Expenditure Summary:

Table 5-20 below provides a summary of how annexation would impact both jurisdictions in terms of expenditures associated with providing services to the study area for 2002. The data are disaggregated by sub-area. Annexation would increase Milwaukie’s expenditures by \$5 million in the short term. Clackamas would see a cost savings in the amount of \$4.4 million. Table 5-21 shows how these impacts would change by 2022.

**Table 5-20:
2002 Expenses
Net Deviations from Baseline with Annexation**

	Milwaukie				Clackamas			
	Town Center	Industrial Area	Residential Area	Total	Town Center	Industrial Area	Residential Area	Total
	Sub-Area A	Sub-Area B	Sub-Area C		Sub-Area A	Sub-Area B	Sub-Area C	
Police	\$ 431,113	\$ 59,673	\$ 1,450,049	\$ 1,940,835	\$ (439,968)	\$ (60,899)	\$ (1,479,835)	\$ (1,980,703)
911	\$ -	\$ -	\$ -	\$ -	\$ (61,992)	\$ (8,581)	\$ (208,512)	\$ (279,085)
Fire	\$ 168,448	\$ 215,592	\$ 1,117,180	\$ 1,501,220	\$ -	\$ -	\$ -	\$ -
Streets	\$ 218,147	\$ 54,537	\$ 636,262	\$ 908,945	\$ (213,022)	\$ (53,256)	\$ (621,315)	\$ (887,593)
Planning	\$ 107,425	\$ 14,869	\$ 361,323	\$ 483,617	\$ (121,158)	\$ (16,770)	\$ (407,515)	\$ (545,443)
Total	\$ 925,133	\$ 344,671	\$ 3,564,813	\$ 4,834,617	\$ (836,141)	\$ (139,506)	\$ (2,717,177)	\$ (3,692,824)

**Table 5-21:
2022 Expenses
Net Deviation from Baseline with Annexation**

	Milwaukie				Clackamas			
	Town Center	Industrial Area	Residential Area	Total	Town Center	Industrial Area	Residential Area	Total
	Sub-Area A	Sub-Area B	Sub-Area C		Sub-Area A	Sub-Area B	Sub-Area C	
Police	\$ 576,449	\$ 54,295	\$ 1,970,998	\$ 2,601,741	\$ (588,585)	\$ (55,438)	\$ (2,012,495)	\$ (2,656,518)
911	\$ -	\$ -	\$ -	\$ -	\$ (82,933)	\$ (7,811)	\$ (283,565)	\$ (374,309)
Fire	\$ 232,296	\$ 297,308	\$ 1,540,625	\$ 2,070,229	\$ -	\$ -	\$ -	\$ -
Streets	\$ 245,659	\$ 61,415	\$ 716,505	\$ 1,023,579	\$ (234,324)	\$ (58,581)	\$ (683,446)	\$ (976,352)
Planning	\$ 193,103	\$ 18,188	\$ 660,261	\$ 871,552	\$ (162,084)	\$ (15,266)	\$ (554,198)	\$ (731,548)
Total	\$ 1,247,507	\$ 431,205	\$ 4,888,389	\$ 6,567,101	\$ (1,067,926)	\$ (137,096)	\$ (3,533,704)	\$ (4,738,727)

Table 5-22 shows the impact of annexation on capital expenditures, associated with road projects, disaggregated by sub-area. These figures represent cost savings for Clackamas and cost

increases for Milwaukie. We derived these estimates by examining the Clackamas County CIP and the list of road projects that would become the responsibility of Milwaukie under the annexation scenario (see Table 5-17).

**Table 5-22:
Capital Expenditures
Net Deviation from Baseline with Annexation**

	Town Center Area Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Study Area Total
0-5 Years	\$ -	\$ 1,457,982	\$ 3,498,179	\$ 4,956,161
5-10 Years	\$ -	\$ 32,397	\$ 555,090	\$ 587,487
10-20 Years	\$ -	\$ 5,918	\$ 4,561,289	\$ 4,567,207
Total	\$ -	\$ 1,496,297	\$ 8,614,558	\$ 10,110,855

CHAPTER 6: ANALYSIS & CONCLUSIONS

Chapter 5 individually described projected revenues from various sources and projected expenses for a number of services for the City and County in a baseline and annexation scenario. This chapter provides an analysis of these results by comparing projected revenues to expenses to determine the net fiscal impact of annexation. This net fiscal analysis will be used to determine whether the annexation scenario provides a service delivery alternative that is financially feasible and beneficial to both the City and the County.

The chapter begins by comparing projected changes in revenue to projected changes in operating and maintenance expenditures for both the City and the County in the annexation scenario. In addition to changes in operating and maintenance costs, annexation would transfer certain capital costs from the County to the City. This chapter discusses the projected impact of these capital costs transfers. Accounting for these costs allows for a determination of the net fiscal impact of annexation.

The analysis provided in this chapter is broken down by sub-area. This disaggregation allows for greater flexibility in interpretation. Since the study area is so large, any annexation could potentially occur in phases. Analysis of revenues and expenditures and net fiscal impact by sub-area provides increased utility in the discussion of annexation phasing.

Several important conclusions will be highlighted throughout this chapter. This analysis is followed by some general conclusions and some options for consideration by local policymakers.

COMPARISON OF REVENUES AND OPERATING EXPENSES

City of Milwaukie:

Conclusion 1: Before accounting for capital expenses, full annexation would be fiscally beneficial to the City of Milwaukie.

Table 6-1 summarizes the projected changes in revenues and operating expenditures that the City could expect as a result of annexation in the near-term. Overall, the City would see an increase in annual revenues of approximately \$5.6 million, compared to an increase in annual operating expenditures of \$4.8 million. This translates to a near-term fiscal gain of approximately \$700,000 annually (excluding capital costs, which will be considered in a following section).

Table 6-1 shows that the City would see substantial revenue increases from annexation in each of the three sub-areas. The leading revenue increases would come from property tax collections; however gains from access to state revenue funds are also significant. In terms of operating expenses, the annexation of the study area would require substantial increases in expenditures for

police service, fire service, streets maintenance, and planning services, with police service representing 40 percent of the increased costs.

When viewed by sub-area, the net impact to the City of Milwaukie would be positive for Sub-Areas B and C, the Industrial Area and the Residential Area, and negative for the Town Center Area, Sub-Area A. In the near-term, the City would see an annual gain of \$277,000 from Sub-Area B and \$522,000 from Sub-Area C. The City would experience a deficit of \$75,000 from the Town Center Sub-Area A. This somewhat counter-intuitive result largely derives from the assumption that the current Clackamas County urban renewal areas would remain in place and would continue to generate revenue for Clackamas County. Given that such a large percentage of the property tax base in the Town Center Sub-Area is frozen, relatively little new property tax revenue would flow into the city's general fund following annexation.

Table 6-2 shows how these results would change by 2022. By the end of the twenty-year study period, we estimate that the city would see a fiscal gain of \$1.3 million per year, before accounting for increased capital expenses. This is based on projected increased revenues in the long-term of \$7.9 million each year minus long-term increased operating costs of \$6.6 million each year.

The sub-area analysis from 2002 is largely maintained in 2022. The city would gain \$385,566 in revenue from the Industrial Sub-Area B and \$1,221,471 from Residential Sub-Area C, while losing \$277,681 from the Town Center Sub-Area A.

**Table 6-1:
Milwaukie Revenues and Expenses 2002
Net Deviation from Baseline with Annexation**

2002 Revenue	Town Center Sub-Area A			Industrial Area Sub-Area B			Residential Area Sub-Area C			Total
Property Tax	\$ 427,722	\$ 547,428	\$ 2,836,728	\$ 3,811,878						
Hwy	\$ 127,170	\$ 17,603	\$ 427,737	\$ 572,510						
Liquor	\$ 28,260	\$ 3,912	\$ 95,053	\$ 127,225						
Cigarette	\$ 6,980	\$ 966	\$ 23,477	\$ 31,423						
Misc. Taxes	\$ 188,452	\$ 41,633	\$ 464,010	\$ 694,096						
Misc. Fees	\$ 71,161	\$ 9,850	\$ 239,349	\$ 320,360						
Total	\$ 849,745	\$ 621,392	\$ 4,086,355	\$ 5,557,492						

Milwaukie 2002 Net	Town Center Sub-Area A			Industrial Area Sub-Area B			Residential Area Sub-Area C			Total
Revenue	\$ 849,745	\$ 621,392	\$ 4,086,355	\$ 5,557,492						
- Expenses	\$ 925,133	\$ 344,671	\$ 3,564,813	\$ 4,834,617						
Net Gain or Loss	\$ (75,387)	\$ 276,720	\$ 521,542	\$ 722,875						

2002 Expenses	Town Center Sub-Area A			Industrial Area Sub-Area B			Residential Area Sub-Area C			Total
Police	\$ 431,113	\$ 59,673	\$ 1,450,049	\$ 1,940,835						
911	\$ -	\$ -	\$ -	\$ -						
Fire	\$ 168,448	\$ 215,592	\$ 1,117,180	\$ 1,501,220						
Streets	\$ 218,147	\$ 54,537	\$ 636,262	\$ 908,945						
Planning	\$ 107,425	\$ 14,869	\$ 361,323	\$ 483,617						
Total	\$ 925,133	\$ 344,671	\$ 3,564,813	\$ 4,834,617						

**Table 6-2:
Milwaukie Revenues and Expenses 2022
Net Deviation from Baseline with Annexation**

2022 Revenue	Town Center			Industrial Area			Residential Area			Total
	Sub-Area A	Sub-Area B	Sub-Area C	Sub-Area A	Sub-Area B	Sub-Area C	Sub-Area A	Sub-Area B	Sub-Area C	
Property Tax	\$ 427,722	\$ 741,111	\$ 4,542,902	\$ 5,711,735						
Hwy	\$ 136,047	\$ 12,814	\$ 465,175	\$ 614,036						
Liquor	\$ 30,233	\$ 2,848	\$ 103,373	\$ 136,453						
Cigarette	\$ 7,467	\$ 703	\$ 25,532	\$ 33,702						
Misc. Taxes	\$ 277,016	\$ 50,692	\$ 660,568	\$ 988,276						
Misc. Fees	\$ 91,340	\$ 8,603	\$ 312,312	\$ 412,255						
Total	\$ 969,826	\$ 816,771	\$ 6,109,860	\$ 7,896,457						

2022 Expenses	Town Center			Industrial Area			Residential Area			Total
	Sub-Area A	Sub-Area B	Sub-Area C	Sub-Area A	Sub-Area B	Sub-Area C	Sub-Area A	Sub-Area B	Sub-Area C	
Police	\$ 576,449	\$ 54,295	\$ 1,970,998	\$ 2,601,741						
911	\$ -	\$ -	\$ -	\$ -						
Fire	\$ 232,296	\$ 297,308	\$ 1,540,625	\$ 2,070,229						
Streets	\$ 245,659	\$ 61,415	\$ 716,505	\$ 1,023,579						
Planning	\$ 193,103	\$ 18,188	\$ 660,261	\$ 871,552						
Total	\$ 1,247,507	\$ 431,205	\$ 4,888,389	\$ 6,567,101						

Milwaukie 2022 Net	Town Center			Industrial Area			Residential Area			Total
	Sub-Area A	Sub-Area B	Sub-Area C	Sub-Area A	Sub-Area B	Sub-Area C	Sub-Area A	Sub-Area B	Sub-Area C	
Revenue	\$ 969,826	\$ 816,771	\$ 6,109,860	\$ 7,896,457						
- Expenses	\$ 1,247,507	\$ 431,205	\$ 4,888,389	\$ 6,567,101						
Net Gain or Loss	\$ (277,681)	\$ 385,566	\$ 1,221,471	\$ 1,329,356						

Clackamas County:

Conclusion 2: Before accounting for capital expenses, full annexation would be fiscally beneficial to Clackamas County.

Table 6-3 summarizes the projected changes in revenues and operating expenditures that the County could expect as a result of annexation in the near-term. In this analysis, the gain to the County from annexation would be approximately \$3.8 million in the near-term, based on a small increase in revenue (approximately \$100,000) and a large savings in operating expenditures (approximately \$3.7 million). The unexpected projected rise in revenue is a result of the County maintaining its urban renewal areas and the application of the higher consolidated tax rate to these two areas. This effect would be greatest in the Town Center Sub-Area A, where so much of the assessed value is incremental value. As noted in Chapters 4 and 5, this revenue has limitations in that it can only be used for urban renewal projects inside the County's urban renewal districts. Table 5-4 in Chapter 5 shows that annexation would decrease the County's general fund revenue by about \$300,000. The fact that the County would not lose any revenue from state funds such as highway or liquor taxes also improves the bottom line. The County would see significant savings in operating costs with annexation. The largest costs savings would be associated with the provision of public safety services. Costs for street maintenance, planning and code enforcement, and 9-1-1 emergency services would also decline.

Before accounting for capital cost transfers, annexation would provide the County with a fiscal gain from each of the three sub-areas in the near-term. The largest gain would come from the Residential Sub-Area C (approximately \$2 million).

Table 6-4 shows how these results would change by 2022. By the end of the twenty-year study period, we estimate that the annual fiscal gains to Clackamas County would grow to approximately \$4.8 million, before accounting for capital cost transfers. This is based on projected cost savings for operating and maintenance of \$4.7 million each year, and increased revenues of \$102,000 each year. The sub-area analysis continues to show major fiscal gains to the County in the Residential Sub-Area C and the Town Center Sub-Area A.

**Table 6-3:
Clackamas Revenues and Expenses 2002
Net Deviation from Baseline with Annexation**

	2002 Revenue			2002 Expenses			Total
	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	
Property Tax	\$ 881,860	\$ (65,151)	\$ (558,112)	\$ (439,968)	\$ (60,899)	\$ (1,479,835)	\$ (1,980,703)
Hwy				\$ (61,992)	\$ (8,581)	\$ (208,512)	\$ (279,085)
Liquor				\$ -	\$ -	\$ -	\$ -
Cigarette				\$ (213,022)	\$ (53,256)	\$ (621,315)	\$ (887,593)
Misc. Taxes	\$ (33,629)	\$ (4,655)	\$ (113,111)	\$ (121,158)	\$ (16,770)	\$ (407,515)	\$ (545,443)
Misc. Fees							
Total	\$ 848,231	\$ (69,806)	\$ (671,223)	\$ (836,141)	\$ (139,506)	\$ (2,717,177)	\$ (3,692,824)

Clackamas				
	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Total
Revenue	\$ 848,231	\$ (69,806)	\$ (671,223)	\$ 107,202
- Expenses	\$ (836,141)	\$ (139,506)	\$ (2,717,177)	\$ (3,692,824)
Net Gain or Loss	\$ 1,684,372	\$ 69,700	\$ 2,045,954	\$ 3,800,026

Table 6-4:

**Clackamas Revenues and Expenses 2022
Net Deviation from Baseline with Annexation**

	2022 Revenue			2022 Expenses			Total
	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	Town Center Sub-Area A	Industrial Area Sub-Area B	Residential Area Sub-Area C	
Property Tax	\$ 967,506	\$ (103,256)	\$ (636,936)	\$ (588,585)	\$ (55,438)	\$ (2,012,495)	\$ (2,656,518)
Hwy	\$ 12,482	\$ 1,176	\$ 42,678	\$ (82,933)	\$ (7,811)	\$ (283,565)	\$ (374,309)
Liquor	\$ 745	\$ 70	\$ 2,547	\$ -	\$ -	\$ -	\$ -
Cigarette	\$ 351	\$ 33	\$ 1,198	\$ (234,324)	\$ (58,581)	\$ (683,446)	\$ (976,352)
Misc. Taxes	\$ (41,311)	\$ (3,891)	\$ (141,249)	\$ (162,084)	\$ (15,266)	\$ (554,198)	\$ (731,548)
Misc. Fees							
Total	\$ 939,773	\$ (105,868)	\$ (731,762)	\$ (1,067,926)	\$ (137,096)	\$ (3,533,704)	\$ (4,738,727)

Clackamas				
2022 Net	Town Center	Industrial Area	Residential Area	Total
	Sub-Area A	Sub-Area B	Sub-Area C	
Revenue	\$ 939,773	\$ (105,868)	\$ (731,762)	\$ 102,142
- Expenses	\$ (1,067,926)	\$ (137,096)	\$ (3,533,704)	\$ (4,738,727)
Net Gain or Loss	\$ 2,007,699	\$ 31,228	\$ 2,801,942	\$ 4,840,869

Tables 6-5 and 6-6 provide an alternate method by which to compare the changes in revenues and operating expenses that would be experienced by the City and the County in the annexation scenario. This comparison helps to illustrate why annexation would be fiscally beneficial to both the City and the County (before accounting for capital expense transfers).

Table 6-5 shows that in the near term, annexation would cause the combined annual revenue of the City and the County to increase by approximately \$5.7 million (a \$5.6 million increase for the City plus a \$100,000 increase for the County). This increased revenue is far greater than the \$1.1 million increase in annual operating costs that annexation would require (a \$4.8 million increase for the City minus a \$3.7 million decrease for the County). Table 6-6 shows how these results would be magnified in the long term.

Conclusion 3: Operating costs of providing services to the study area are similar for the City and the County.

As Tables 6-5 and 6-6 illustrate, Milwaukie's projected increased operating expenditures for providing service to the study area are extremely similar to the cost savings that would be experienced by the County. Annexation would provide increased cost efficiency in 9-1-1 service provision due to excess capacity in Milwaukie's service contract with Lake Oswego.

The inclusion of Milwaukie's projected payments of \$1.5 million and \$2 million to Clackamas Fire District No. 1 is somewhat deceptive in the context of this analysis. At first glance, the payments represent one of the largest expenditures resulting from annexation, which could make the provision of services seem less cost efficient in the annexation scenario. In reality these costs would exist in the baseline or annexation scenario. Remember that the Fire District currently provides service in the study area *and* in the City of Milwaukie. The District receives revenues to provide these services through direct payments from the City of Milwaukie and by levying property taxes in the study area. Under the annexation scenario assumptions, the Fire District would continue to provide the same services, but would lose its taxing authority in the study area. The projected payments are designed to reimburse the District for the revenue they would give up by losing their taxing authority in the study area.

Conclusion 4: The projected fiscal gains related to annexation are largely a product of increased revenues from property taxes and greater access to state revenue sources for the study area.

Tables 6-5 and 6-6 also illustrate this conclusion. The application of higher tax rates would create an obvious boost in the revenue generated by the study area. Both the City and the County would benefit financially from this impact. However, one of the main benefits of annexation would come from improved access to state revenue sources for the study area. The Oregon state government provides highway tax, cigarette tax, liquor tax and other revenues to localities. These revenues are distributed based on population and other measures. The funds are provided from separate pools for cities and counties. Since annexation would increase the population of the City of Milwaukie without decreasing the population of Clackamas County, annexation would greatly

enhance the share of state revenues drawn by the study area. These revenues could be used for capital improvements or enhanced services in the study area, or could potentially reduce or offset local taxes.

In addition, there are a variety of local business and utility taxes and fees that only cities impose. Therefore, annexation would create an additional flow of tax revenue, some of which would be paid by local residents, but non-resident property owners, consumers, and workers would pay significant amounts. As a result, much of these additional revenues would be injections from outside the study area. And as with state revenue funds, the city could respond either with increased services or reduced local taxes.

This impact is considerable. In the first year of the planning horizon, annexation would bring in over \$1.7 million per year in state revenue sharing, local taxes, and local fee income. This includes over \$700,000 in highway, cigarette, and liquor tax funds. The remainder includes \$700,000 in taxes on utility companies and businesses, and \$300,000 in fees paid by cable television companies, garbage haulers, and telephone companies. These tax burdens are likely to be shared by local residents and the firms and workers providing those services, therefore some of the taxes and fees income represents injections of revenue from outside the study area. Because most of these revenue sources are unavailable to county government, the revenue losses to the County are much smaller. These impacts are even more significant in 2022, as the population of the study area grows.

**Table 6-5:
2002 Revenues and Expenditures
Net Deviation from Baseline with Annexation**

Revenues	Clackamas		Expenses	Clackamas	
	Milwaukie	County		Milwaukie	County
Property Tax	\$ 3,811,878	\$ 258,598	Sheriff/ Police	\$ 1,940,835	\$(1,980,703)
Highway Fund	\$ 572,510	\$ -	911	\$ -	\$(279,085)
Liquor Tax	\$ 127,225	\$ -	Fire*	\$ 1,501,220	\$ -
Cigarette Tax	\$ 31,423	\$ -	Streets	\$ 908,945	\$(887,593)
Misc. Taxes	\$ 694,096	\$ -	Planning	\$ 483,617	\$(545,443)
Misc. Fees	\$ 320,361	\$ (151,395)	Water	\$ -	\$ -
			Sewer	\$ -	\$ -
			Stormwater	\$ -	\$ -
TOTAL	\$ 5,557,493	\$ 107,203	TOTAL	\$ 4,834,617	\$(3,692,824)

	Milwaukie	Clackamas
Total Revenue	\$5,557,493	\$ 107,203
-Total Expenses	\$4,834,617	\$(3,692,824)
Net Gain or Loss	\$ 722,876	\$ 3,800,027

**Table 6-6:
2022 Revenues and Expenditures
Net Deviation from Baseline with Annexation**

Revenues	Clackamas		Expenditures	Clackamas	
	Milwaukie	County		Milwaukie	County
Property Tax	\$ 5,711,735	\$ 227,314	Sheriff/ Police	\$ 2,601,741	\$(2,656,518)
Highway Fund	\$ 614,036	\$ 56,335	911	\$ -	\$ (374,309)
Liquor Tax	\$ 136,453	\$ 3,362	Fire*	\$ 2,070,229	\$ -
Cigarette Tax	\$ 33,702	\$ 1,582	Streets	\$ 1,023,579	\$ (976,352)
Misc. Taxes	\$ 988,275	\$ -	Planning	\$ 871,552	\$ (731,548)
Misc. Fees	\$ 412,255	\$ (186,451)	Water	\$ -	\$ -
			Sewer	\$ -	\$ -
			Stormwater	\$ -	\$ -
TOTAL	\$ 7,896,456	\$ 102,142	TOTAL	\$ 6,567,101	\$(4,738,727)
	Milwaukie	Clackamas			
Total Revenue	\$ 7,896,456	\$ 102,142			
-Total Expenses	\$ 6,567,101	\$(4,738,727)			
Net Gain or Loss	\$ 1,329,355	\$ 4,840,869			

NET FISCAL IMPACT SUMMARY

A more complete picture of the financial impacts of annexation is provided once capital expenses are added to the operating costs. The annexation scenario would result in a transfer of \$10 million in capital costs for road projects, as described in Chapter 5. Accounting for this cost transfer would negatively impact the City's net fiscal position and positively impact that of the County.

The following note of caution should be observed. This analysis of annexation impacts including capital expenditures is based on the assumptions regarding future road costs outlined in Chapter 6: Financial Analysis. The "Milwaukie annexation share" of future road CIP costs for the study area is based on certain assumptions about other funding sources, including federal funds. Federal funding is allocated through a competitive process. Our estimates of state and federal funding reflect Milwaukie's desire to limit local share to less than 50 percent. It is possible that Milwaukie will need to exceed a 50 percent local share to finance some of the included projects, which would increase the City's capital cost share. On the other hand, it is also possible that Milwaukie will choose not to implement all of the future study area road projects included on Clackamas County's CIP list. This may or may not affect future development potential. Any change in road CIP costs would impact the analysis provided here.

Aggregate Analysis:

The net fiscal impacts of annexation, including capital cost transfers, are summarized at an aggregate level in Tables 6-7 and 6-8. These tables present net fiscal impacts for each year in the planning horizon. Road capital expenses have been attributed to specific 5 or 10-year intervals and do not change by even increments over the 20-year planning horizon. The project timeframes are based on the Clackamas County Capital Improvements Plan. Chapter 5 provided a closer examination of the derivation of these capital cost figures.

Conclusion 5: When capital costs are accounted for, a full annexation of the study area would put Milwaukie in a negative net fiscal position for the first four years. Milwaukie would experience a positive net fiscal position every year following 2005. The losses during these first four years would be relatively small (approximately \$200,000 in total), and may be within the margin of error of this study. Over the twenty-year planning period, the City would experience a total net gain of \$11.4 million, which averages to approximately \$545,000 per year.

With annexation, Milwaukie would incur an additional \$10 million in capital costs for road projects. Table 6-7 summarizes the net fiscal impacts of annexation for the City of Milwaukie and Clackamas County for the years 2002-2022, accounting for capital expenses. As indicated in the column "Road CIP Transfer", a greater value of road capital projects have been scheduled for the 2002-07 time period than for any other time period in the planning horizon. Because these are transfers of expenses from the County budget to the City budget, the City's increased

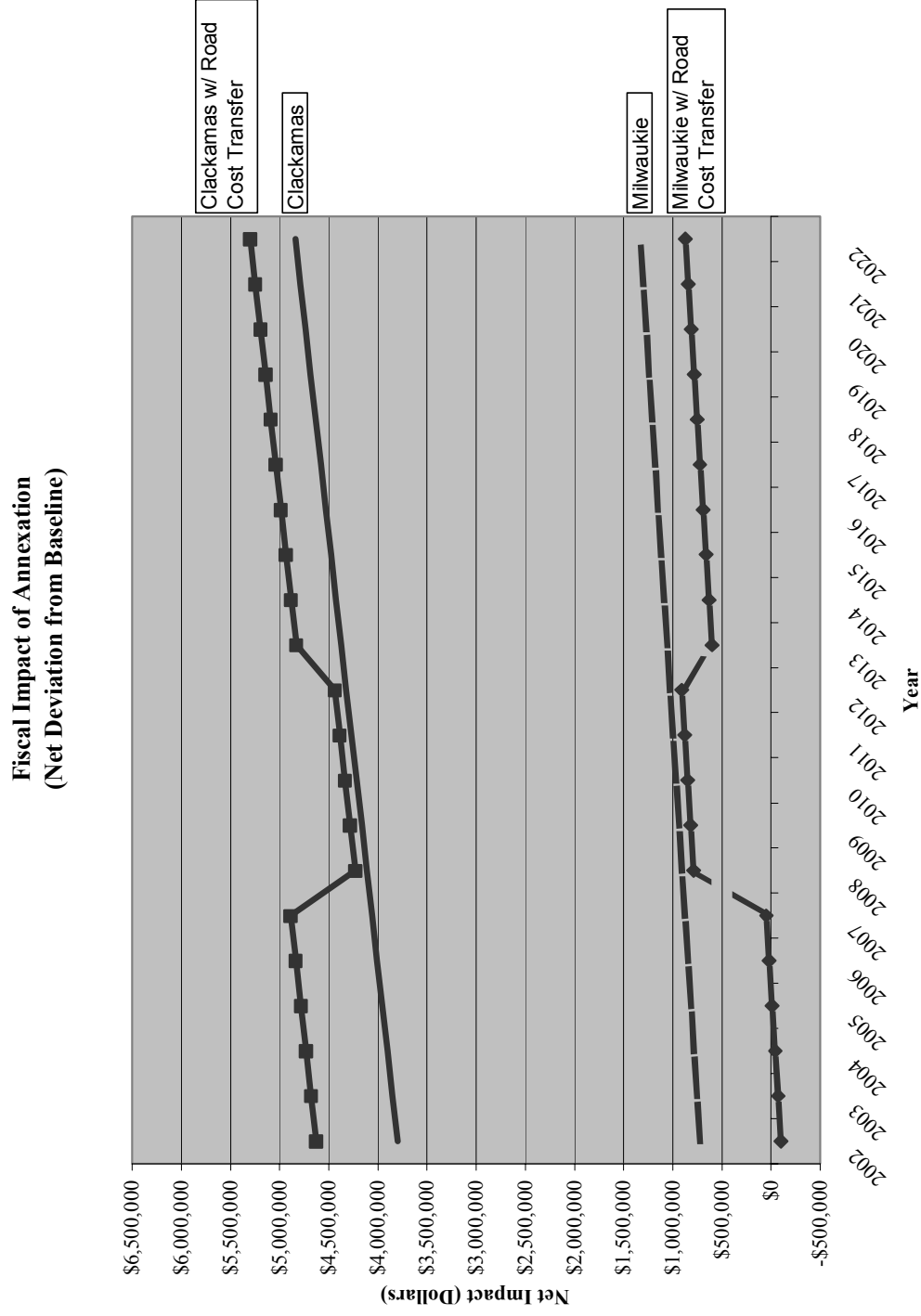
expense for each year equals the County's expenditure saving. Accounting for the additional capital expenses makes the projected net fiscal impact of annexation negative for Milwaukie during the first four years, 2002-05, after which the City would experience a net fiscal gain for the remainder of the planning horizon.

The losses during these first four years would be relatively small (approximately \$200,000 in total. In 2002 the city would see a net loss of \$103,000, which is about 2 percent of the increased revenue to the city budget in that year and probably within the margin of error of this analysis. Moreover, when viewed cumulatively, the City's net loss would convert to a gain in 2006, before the first 5-year interval in the Capital Improvement Plan ends. (And road capital projects are greatly reduced in value during the second 5-year interval). For all the years after 2007, the net revenue gain to the City of Milwaukie would be greater than \$500,000 per year; with each year representing a larger net gain than the combined losses in the first five years. Finally, over the twenty-year planning period, the City would experience a total net gain of \$11.4 million, which averages to approximately \$545,000 per year.

Conclusion 6: When capital costs are accounted for, a full annexation of the study area would have a positive net fiscal impact for Clackamas County. The County's total net fiscal gain for the twenty-year planning period would be \$100 million, an average of \$4.8 million per year.

From the County's perspective, the transfer of capital expenses would represent an additional cost savings as a result of annexation. Because the capital expenses are front-loaded in the 20-year planning horizon, these gains smooth out the net revenue impact of annexation so that the County would gain average net revenue of approximately \$4.8 million per year throughout the planning horizon. A graphical presentation of these conclusions is offered in Table 6-8.

**Table 6-8:
Fiscal Impact of Annexation Net Deviation from Baseline**



Sub-Area Analysis:

The net fiscal impacts of annexation, including capital cost transfers, are summarized for each of the sub-areas in Tables 6-9, 6-10, and 6-11. Because the road capital projects would occur in only two sub-areas, these capital expenses impact the view of annexation of the various sub-areas.

Conclusion 7: After accounting for capital cost transfers, annexation of Sub-Area B, the Industrial Area, would yield positive net fiscal impacts for both the City and the County in all years of the planning horizon. Annexation of Sub-Area C, the Residential Area would yield a positive fiscal impact for the City only after the second year of the planning horizon, but would yield a positive net fiscal impact for the County in all years. Annexation of Sub-Area A, the Town Center Area, would yield a negative net fiscal impact for the City in all years and a positive net fiscal impact to the County in all years.

Table 6-9 shows the projected net fiscal impact of annexation of Town Center Sub-Area A. Because the Clackamas County Development Agency would maintain its urban renewal area in the annexation scenario, all the road capital costs would remain with the County. And because the higher combined tax rates of the City would accrue to the County, annexation of this sub-area would deliver gains to the County and losses to the City. The projected net revenue gain to the County, accounting for capital expenses, averages \$1.8 million per year over the 20-year planning horizon, and the losses to the City average \$177,000 per year. Because the net gains to the County would greatly exceed the losses to the City, this suggests that some adjustment of the boundaries of the urban renewal area could lead both governments to become net revenue winners from annexation. This result is not automatic, however, as some additional capital projects in the sub-area would presumably change with the change in the urban renewal district. The limited utility of the urban renewal revenue must also be accounted for.

Table 6-10 shows the projected net fiscal impact of annexation of Industrial Sub-Area B. In this case, while the increased capital projects would reduce the net revenue gain to the City from annexation, the net impact to the City and to the County from annexation would be positive for both jurisdictions in every year of the planning horizon. However, the projected gains are quite modest, with the City averaging gains of \$260,000 per year over the planning horizon, and the County averaging gains of \$122,000 per year. The capital costs are largely front-loaded in the initial years of annexation.

Table 6-11 shows the projected fiscal impact of annexation of Residential Sub-Area C. In this case, road capital projects would represent a significant transfer of expenses from the County to the City, particularly in the initial years of the planning horizon. The projected net revenue gain to the County from annexation of Sub-Area C, accounting for capital costs, would average \$2.8 million per year over the 20-year planning horizon, while the net revenue to the City would average \$461,000 per year. Because of the high initial capital costs, the City would have a negative net revenue position in the first two years before becoming positive thereafter.

Table 6-9:
Net Fiscal Impact: Sub-Area A, Town Center

	Milwaukie					Clackamas				
	Revenues	- Expenses	Subtotal	- Road CIP Transfer	Net Gain or Loss	Revenues	- Expenses	Subtotal	- Road CIP Transfer	Net Gain or Loss
2002	\$ 849,745	\$ 925,133	\$ (75,388)	\$ -	\$ (75,388)	\$ 848,231	\$ (836,141)	\$ 1,684,372	\$ -	\$ 1,684,372
2003	\$ 855,749	\$ 941,252	\$ (85,503)	\$ -	\$ (85,503)	\$ 852,808	\$ (847,730)	\$ 1,700,538	\$ -	\$ 1,700,538
2004	\$ 861,753	\$ 957,370	\$ (95,617)	\$ -	\$ (95,617)	\$ 857,385	\$ (859,320)	\$ 1,716,705	\$ -	\$ 1,716,705
2005	\$ 867,757	\$ 973,489	\$ (105,732)	\$ -	\$ (105,732)	\$ 861,962	\$ (870,909)	\$ 1,732,871	\$ -	\$ 1,732,871
2006	\$ 873,761	\$ 989,608	\$ (115,847)	\$ -	\$ (115,847)	\$ 866,539	\$ (882,498)	\$ 1,749,037	\$ -	\$ 1,749,037
2007	\$ 879,765	\$ 1,005,727	\$ (125,961)	\$ -	\$ (125,961)	\$ 871,117	\$ (894,087)	\$ 1,765,204	\$ -	\$ 1,765,204
2008	\$ 885,769	\$ 1,021,845	\$ (136,076)	\$ -	\$ (136,076)	\$ 875,694	\$ (905,677)	\$ 1,781,370	\$ -	\$ 1,781,370
2009	\$ 891,773	\$ 1,037,964	\$ (146,191)	\$ -	\$ (146,191)	\$ 880,271	\$ (917,266)	\$ 1,797,536	\$ -	\$ 1,797,536
2010	\$ 897,777	\$ 1,054,083	\$ (156,305)	\$ -	\$ (156,305)	\$ 884,848	\$ (928,855)	\$ 1,813,703	\$ -	\$ 1,813,703
2011	\$ 903,781	\$ 1,070,201	\$ (166,420)	\$ -	\$ (166,420)	\$ 889,425	\$ (940,444)	\$ 1,829,869	\$ -	\$ 1,829,869
2012	\$ 909,786	\$ 1,086,320	\$ (176,534)	\$ -	\$ (176,534)	\$ 894,002	\$ (952,034)	\$ 1,846,036	\$ -	\$ 1,846,036
2013	\$ 915,790	\$ 1,102,439	\$ (186,649)	\$ -	\$ (186,649)	\$ 898,579	\$ (963,623)	\$ 1,862,202	\$ -	\$ 1,862,202
2014	\$ 921,794	\$ 1,118,557	\$ (196,764)	\$ -	\$ (196,764)	\$ 903,156	\$ (975,212)	\$ 1,878,368	\$ -	\$ 1,878,368
2015	\$ 927,798	\$ 1,134,676	\$ (206,878)	\$ -	\$ (206,878)	\$ 907,733	\$ (986,801)	\$ 1,894,535	\$ -	\$ 1,894,535
2016	\$ 933,802	\$ 1,150,795	\$ (216,993)	\$ -	\$ (216,993)	\$ 912,310	\$ (998,391)	\$ 1,910,701	\$ -	\$ 1,910,701
2017	\$ 939,806	\$ 1,166,914	\$ (227,108)	\$ -	\$ (227,108)	\$ 916,888	\$ (1,009,980)	\$ 1,926,867	\$ -	\$ 1,926,867
2018	\$ 945,810	\$ 1,183,032	\$ (237,222)	\$ -	\$ (237,222)	\$ 921,465	\$ (1,021,569)	\$ 1,943,034	\$ -	\$ 1,943,034
2019	\$ 951,814	\$ 1,199,151	\$ (247,337)	\$ -	\$ (247,337)	\$ 926,042	\$ (1,033,158)	\$ 1,959,200	\$ -	\$ 1,959,200
2020	\$ 957,818	\$ 1,215,270	\$ (257,452)	\$ -	\$ (257,452)	\$ 930,619	\$ (1,044,748)	\$ 1,975,366	\$ -	\$ 1,975,366
2021	\$ 963,822	\$ 1,231,388	\$ (267,566)	\$ -	\$ (267,566)	\$ 935,196	\$ (1,056,337)	\$ 1,991,533	\$ -	\$ 1,991,533
2022	\$ 969,826	\$ 1,247,507	\$ (277,681)	\$ -	\$ (277,681)	\$ 939,773	\$ (1,067,926)	\$ 2,007,699	\$ -	\$ 2,007,699
	Total 20-Year Net \$ (3,707,224)					Total 20-Year Net \$ 38,766,746				

Table 6-10:
Net Fiscal Impact: Sub-Area B, Industrial Area

	Milwaukie				Clackamas						
	Revenues	- Expenses	Subtotal	- Road CIP Transfer	Net Gain or Loss	Revenues	- Expenses	Subtotal	- Road CIP Transfer	Net Gain or Loss	
2002	\$ 621,392	\$ 344,671	\$ 276,721	\$ 242,997	\$ 33,724	\$ (69,806)	\$ (139,506)	\$ 69,700	\$ (242,997)	\$ 312,697	
2003	\$ 631,161	\$ 348,998	\$ 282,163	\$ 242,997	\$ 39,166	\$ (71,609)	\$ (139,386)	\$ 67,776	\$ (242,997)	\$ 310,773	
2004	\$ 640,930	\$ 353,324	\$ 287,606	\$ 242,997	\$ 44,608	\$ (73,412)	\$ (139,265)	\$ 65,853	\$ (242,997)	\$ 308,850	
2005	\$ 650,699	\$ 357,651	\$ 293,048	\$ 242,997	\$ 50,051	\$ (75,215)	\$ (139,145)	\$ 63,929	\$ (242,997)	\$ 306,926	
2006	\$ 660,468	\$ 361,978	\$ 298,490	\$ 242,997	\$ 55,493	\$ (77,018)	\$ (139,024)	\$ 62,006	\$ (242,997)	\$ 305,003	
2007	\$ 670,237	\$ 366,305	\$ 303,932	\$ 242,997	\$ 60,935	\$ (78,822)	\$ (138,904)	\$ 60,082	\$ (242,997)	\$ 303,079	
2008	\$ 680,006	\$ 370,631	\$ 309,375	\$ 6,479	\$ 302,895	\$ (80,625)	\$ (138,783)	\$ 58,158	\$ (6,479)	\$ 64,638	
2009	\$ 689,775	\$ 374,958	\$ 314,817	\$ 6,479	\$ 308,337	\$ (82,428)	\$ (138,663)	\$ 56,235	\$ (6,479)	\$ 62,714	
2010	\$ 699,544	\$ 379,285	\$ 320,259	\$ 6,479	\$ 313,780	\$ (84,231)	\$ (138,542)	\$ 54,311	\$ (6,479)	\$ 60,791	
2011	\$ 709,313	\$ 383,611	\$ 325,701	\$ 6,479	\$ 319,222	\$ (86,034)	\$ (138,422)	\$ 52,388	\$ (6,479)	\$ 58,867	
2012	\$ 719,082	\$ 387,938	\$ 331,143	\$ 6,479	\$ 324,664	\$ (87,837)	\$ (138,301)	\$ 50,464	\$ (6,479)	\$ 56,943	
2013	\$ 728,850	\$ 392,265	\$ 336,586	\$ 592	\$ 335,994	\$ (89,640)	\$ (138,181)	\$ 48,540	\$ (592)	\$ 49,132	
2014	\$ 738,619	\$ 396,591	\$ 342,028	\$ 592	\$ 341,436	\$ (91,443)	\$ (138,060)	\$ 46,617	\$ (592)	\$ 47,209	
2015	\$ 748,388	\$ 400,918	\$ 347,470	\$ 592	\$ 346,878	\$ (93,246)	\$ (137,940)	\$ 44,693	\$ (592)	\$ 45,285	
2016	\$ 758,157	\$ 405,245	\$ 352,912	\$ 592	\$ 352,321	\$ (95,049)	\$ (137,819)	\$ 42,770	\$ (592)	\$ 43,361	
2017	\$ 767,926	\$ 409,572	\$ 358,355	\$ 592	\$ 357,763	\$ (96,853)	\$ (137,699)	\$ 40,846	\$ (592)	\$ 41,438	
2018	\$ 777,695	\$ 413,898	\$ 363,797	\$ 592	\$ 363,205	\$ (98,656)	\$ (137,578)	\$ 38,922	\$ (592)	\$ 39,514	
2019	\$ 787,464	\$ 418,225	\$ 369,239	\$ 592	\$ 368,647	\$ (100,459)	\$ (137,458)	\$ 36,999	\$ (592)	\$ 37,591	
2020	\$ 797,233	\$ 422,552	\$ 374,681	\$ 592	\$ 374,090	\$ (102,262)	\$ (137,337)	\$ 35,075	\$ (592)	\$ 35,667	
2021	\$ 807,002	\$ 426,878	\$ 380,124	\$ 592	\$ 379,532	\$ (104,065)	\$ (137,217)	\$ 33,152	\$ (592)	\$ 33,743	
2022	\$ 816,771	\$ 431,205	\$ 385,566	\$ 592	\$ 384,974	\$ (105,868)	\$ (137,096)	\$ 31,228	\$ (592)	\$ 31,820	
				Total 20-Year Net	\$ 5,457,716					Total 20-Year Net	\$ 2,556,041

CONCLUSION AND DISCUSSION OF ALTERNATIVES

Overall, the analysis indicates that annexation of the study area to the City of Milwaukie could be fiscally beneficial to both jurisdictions. The combined net fiscal gain of the two jurisdictions over the twenty-year planning period is projected to be \$111 million, an average of \$5.3 million per year. Net fiscal impacts are positive for both jurisdictions for every year after 2005 and the impacts from annexation of the Industrial Sub-Area B are positive for both jurisdictions in every year. These gains come largely from higher property tax rates, greater access to state revenue sharing, and higher miscellaneous taxes, and cost efficiencies in some expenditure categories.

The county would see a net positive impact from annexation of each of the sub-areas in all years, and in aggregate the County would see substantially greater fiscal benefits from annexation than would the city. Negotiations for a successful annexation would require substantial bargaining between the two governments, their agencies, and the constituents of both jurisdictions. Clearly those decisions would involve judgments about the relative service levels provided by the various jurisdictions, much of which was beyond the scope in this study. However, this analysis suggests several alternative strategies that may make annexation easier for the jurisdictions to manage. These strategies are as follows:

- * Delayed annexation of the Sub-Areas A and C
- * Delayed construction of some of the road projects from the first 5 years
- * Shifting of some of road costs from the City to the County.
- * Borrowing money to cover the losses due to capital projects in the first 5 years
- * Reduction the size of the urban renewal area to allow more tax money to go to the City

The first strategy, delaying annexation or phasing an annexation, even by a few years, would improve the early fiscal impacts of annexation for City of Milwaukie. A delay might also allow the agencies to develop more detailed annexation plans and labor management plans, given the transition costs of annexation. But most importantly, delaying annexation would have the County bear more of the road construction costs in the Capital Improvements Plan, which could alleviate the negative net financial impacts projected for the City in the first few years following annexation.

An alternative strategy would be to delay the road capital projects listed for the first 5 years into the second 5 years of the planning horizon. Because the average net fiscal impact over the horizon is positive for all years, smoothing out the expenses would tend to make the net financial impact positive for every year. One should recognize that this works at cross purposes to the first strategy suggestion since the combination of the two would push more expenses onto the City, which has the smaller gain of the two parties.

Adjusting the share of the road costs directly might be a simpler method of adjusting those costs and would allow the County to gain from early annexation of the study area. This strategy is in line with annexation policies in other localities, where the annexed jurisdiction leaves the transferred capital base in a minimum acceptable condition. That is, if the study area is viewed in

the capital plan as being deficient in road capacity or road quality, the County could undergo a targeted or accelerated capital improvement plan so that the area would be less of a burden to the City of Milwaukie. Since the County is a net fiscal beneficiary, those extra expenses would advance the date when the net benefits begin to accrue.

The gains to the City of Milwaukie in the latter years of the planning horizon suggest that the City might borrow against those future earnings to pay for the net losses, particularly the capital expenses in the early years. This could be accomplished in a variety of ways. Since the revenues and expenses are measured in constant dollars, the amounts in the current and future years are comparable. Milwaukie could use their increased highway fund revenue as a repayment source for revenue bonds. The City could also propose either a bond measure or the creation of an urban renewal district to finance some of the capital projects in the study area.

Finally, a reduction of the size of the Clackamas Town Center Urban Renewal Area, along with a shifting of some of the capital costs within the Town Center Sub-Area A could go a long way to improving the fiscal position of the City from annexation and make both parties interested in an earlier annexation as opposed to a later one. Under the scenarios developed above, annexation of the Town Center Sub-Area A would never become a net fiscal gain to the City, which seems a strange result given its healthy tax base, demographics, and capital stock. Since the County taxpayers gain substantially from annexation of this sub-area, there should be interest in such a modification of the boundaries. The Clackamas Development Agency has previously been active in reducing the size of its urban renewal districts and returning more of the urban renewal tax base back to the regular tax rolls. Such a strategy would not be unprecedented.

Conclusion 8: Annexation provides a service delivery alternative that is financially feasible and potentially beneficial to the City, the County and residents of the study area. Further discussion of this option is warranted.

While we project that annexation would be fiscally beneficial to both the City and the County, it could also provide stability in the provision of urban services to the study area and ensure a level service appropriate to an urbanizing area. Annexation would greatly enhance the share of state revenues drawn by the study area. Annexation could also provide study area residents with a more direct input into local government decisions and policies. Milwaukie is a much smaller locality than Clackamas County, and the study area would represent a significant portion of the Milwaukie population.

Clearly, annexation of the study area would involve extensive consultation between the citizens, elected officials, and professional staffs in the two jurisdictions. This fiscal impact analysis indicates that further examination of the potential implications of annexation – including the potential benefits and costs to study area residents – is warranted.

APPENDICES

APPENDIX A: DISCUSSION OF SERVICE CONCERNS

In the course of initial interviews with elected officials and administrative officials from the City of Milwaukie, Clackamas County, and the other service districts providing urban services within the study area, a number of concerns related to provision of services emerged. These are documented in this appendix.

WATER

The following concerns relating to water service delivery were identified during the course of the initial interviews with elected and administrative officials.

- **Long Term Viability of Milwaukie Well Field:** Current PCE contamination in some of Milwaukie's water wells has been satisfactorily addressed through treatment facilities that currently render the water in compliance with water quality standards.
- **Peak and Future Water Source Problems:** The City of Milwaukie's well water source is currently supplemented by an agreement to purchase 500,000 gallons/day of potable from Clackamas River Water during peak water demand periods. The City's Water Master Plan (2001) has identified that the City needs to acquire an additional 3 mgd to meet projected peak demand in 2015. The master plan concluded that meeting these jointly with CRW would probably be the most economically favorable option.¹
- **Future Water Storage Problems:**² The City Water Master Plan also identified that the City needs an additional 1.5 million gallons of storage to serve its current population of 20,250 people. This storage deficit is projected to grow to 2.5 million gallons at buildout.³ The City's Water Master Plan indicates that this future storage can be accommodated through a negotiated contract with a water district or water authority within the area.
- **Aesthetic Concerns with Water from the Clackamas River:** Algae blooms during high temperature and low water flows in the Clackamas River sometimes create interim odor and taste problems with water from the Clackamas River. These characteristics do not present a health problem, and concerns relate to the aesthetic characteristics of this source of water.

¹ Letter from Scott Burgess, City of Milwaukie, to Dale Jutila, Clackamas River Water, October 11, 2001; City of Milwaukie Water Master Plan, 2001.

² Ibid.

³ Ibid.

SANITARY SEWER

The following concerns relating to water service delivery were identified during the course of the initial interviews with elected and administrative officials.

- **Lack of Sewage Collection and Treatment in Overland Park Area:** Within the study area several small areas (see Figure A-1: Unsewered Portions of Study Area), including about 1,700 homes in the Overland Park area and within the Johnson Creek watershed are not serviced by any sewer collection system. The majority of these homes utilize cesspools to dispose of sewage effluent. Many of these cesspools were installed many years ago. Periodically these cesspools tend to fail, leaving homes that are not adjacent to existing sewer lines without a way to dispose of sewerage effluent and creating a health hazard. Additionally, some of these homes lie within the Johnson Creek floodplain, and floodwaters sometimes become contaminated with cesspool contents.
- **Lack of Consensus Regarding Sewer Service Responsibility:** The Oregon Department of Environmental Quality (DEQ) is currently conducting water quality studies along Johnson Creek. Further research is needed to determine whether these studies might result in the DEQ requiring that a sewer collection system be installed in the area.

There is currently no consensus between the City of Milwaukie and Clackamas County regarding responsibility for addressing the lack of a sewer collection system within these unsewered portions of Overland Park. Currently the Clackamas Co. Service District No. 1 is addressing cesspool failures on a case by case basis, but is unwilling to invest in the capital improvements needed for sewage collection in this area unless the City of Milwaukie states that it does not intend to provide sewer service within the study area in the future.

- **Kellogg Treatment Plant Concerns:** One of two sewer treatment plants owned and operated by Clackamas Co. Service District No. 1, the Kellogg Plant, is located within the City of Milwaukie's downtown riverfront redevelopment area. However, the City of Milwaukie has established the objective of closing the Kellogg Treatment Plant⁴ and utilizing the Kellogg site for a riverfront hotel and restaurant redevelopment in the future.⁵ A decision regarding this question is currently pending.

⁴ Draft North Clackamas Wastewater Treatment Options Joint Report, City of Milwaukie, Clackamas Co. Service District No. 1, Oak Lodge Sanitary District, October 235, 2001, page 3.

⁵ Milwaukie Downtown and Riverfront Land Use Framework Plan: Ancillary Document to Milwaukie Comprehensive Plan, adopted September 19, 2000, Ordinance No. 1880, page 10.

Johnson Creek Vicinity Map

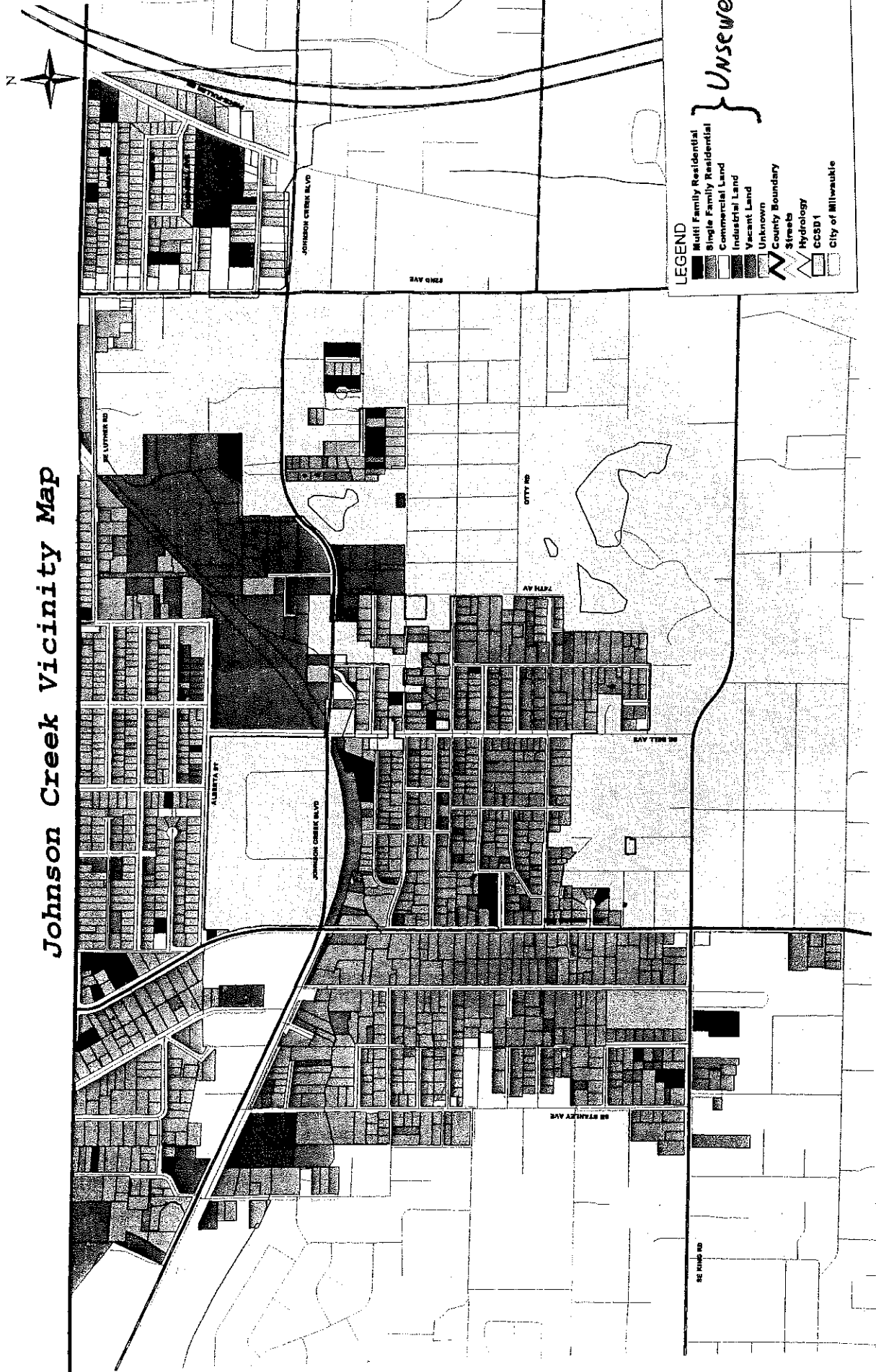


Figure A-1

STREETS AND ARTERIALS

The following concerns relating to streets and arterials were identified during the course of the initial interviews with elected and administrative officials.

- Many neighborhood streets within the study area are substandard and need improvement, as do neighborhood streets in the adjacent incorporated area of Milwaukie. To bring these areas up to a reasonable standard would be extremely costly, and it is unlikely that these types of improvements would be carried out comprehensively within the study area either by the City of Milwaukie or Clackamas County. It is likely that street improvements within the study area would be focused on arterial streets.
- Under the existing Urban Growth Management Agreement, if the City were to annex the study area, the City would be required to assume jurisdiction of County roads and local access roads within the annexation area. The County would reimburse the city for the cost of the overlay or install the overlay itself.⁶ The City's street fund is inadequate for maintaining even existing City roads.⁷

DRAINAGE AND FLOODING

The following concerns relating to drainage were identified during the course of the initial interviews with elected and administrative officials.

- The drainage system within the study area is a combination of streets, ditches and some storm sewers, and the jurisdiction in charge of drainage faces similar cost issues relating to inadequate storm drainage that is faced with local and collector streets within the area. Again, to bring these deficient areas up to a reasonable standard would be extremely costly, and it is unlikely that these types of improvements would be carried out comprehensively within the study area either by the City of Milwaukie or Clackamas County. It is likely that storm drainage improvements within the study area would be focused along arterial streets rather than neighborhood or collector streets.
- A portion of the developed area along Johnson Creek is within the floodplain and subject to flooding during periods of high seasonal rainfall.

LIGHTING

No concerns were identified relative to street lighting in the interviews.

⁶ Urban Growth Management Agreement: City of Milwaukie and Clackamas County, July 5, 1990, page 2-3.

⁷ City of Milwaukie Annexation Policy, draft, undated document, page 3.

POLICE & SAFETY ISSUES

The following concerns relating to police were identified during the course of the initial interviews with elected and administrative officials.

- Police services within the study area are provided at two levels. It is unclear how these levels of services might be addressed in the case of annexation of the study area to Milwaukie.
- Concern was expressed that Milwaukie police sometimes respond to requests for service in the study area, placing an undue demand for City services outside of the City limits.

FIRE

No concerns were identified relative to fire and emergency services in the interviews with elected and administrative officials.

PLANNING AND CODE ENFORCEMENT

The following concerns relating planning and code enforcement were identified during the course of the initial interviews with elected and administrative officials.

- Clackamas County has adopted a reduced level of code enforcement within the urbanized study area.
- Some officials feel the urbanized study area should have a higher level of code enforcement which is more appropriate to an urban area, while other officials feel that issues related to code enforcement should not be rigorous, and are best left to be resolved at the neighbor to neighbor level.

PARKS AND RECREATION

The following concerns relating parks and recreation services were identified during the course of the initial interviews with elected and administrative officials.

- Operating costs for existing facilities operated by the North Clackamas Park and Recreation District do not balance with revenues, and this deficit makes delivery of services and continued expansion of parks and recreation facilities difficult to achieve. In particular, these operating and maintenance costs are being driven upward by the Aquatic Center and Milwaukie Center.

- The discovery that a new countywide park and recreation district cannot include the territory of another district providing the same service may prevent the creation of the proposed combined library/parks district to solve the financial problems of the North Clackamas Parks and Recreation District.

LIBRARY

Long term funding for the library system was noted as a concern in interviews with elected and administrative officials. The Library Network Board will work to develop this long-term funding strategy.

APPENDIX B: CAPACITY ANALYSIS DATA

This appendix describes assumptions that underlie that capacity analysis projections used in this study and contains data from the intermediate steps of the analysis and comparisons to the results of Metro Regional Forecast and TAZ Allocation, RTP 8.1.

Table B-1 shows the housing and employment density factors used for the capacity analysis. These factors are based on those used in the Clackamas Regional Center Area Draft Plan and were developed in consultation with Clackamas planning staff. The Table also shows the assessed value factors used to project value of future development and redevelopment.

**Table B-1:
Capacity Analysis Factors**

Capacity Analysis Density Factors			Land Use Value Factors	
Zone	Hsg Units/acre	Jobs/acre	Properties Developed Since 1992	
			Land Use	Assessed Value/Acre
C3	-	23.00	Commercial	\$ 1,080,602
RTL	-	23.0	Industrial	\$ 975,560
C2	-	23.0	Multi-Family	\$ 939,465
CC	-	23.0	Single Family	\$ 530,514
NC	-	23.0	PMU	\$ 943,080
LTIC	-	10.0		
OC	-	50.0	R2.5/ R5 Mix	\$ 734,990
PMU1	25.9	2500 total		
PMU2	25.9	89 total		
PMU3	25.9	350 total		
RCO	-	90.0		
RCHD	30.0	7.0		
RCC	-	30.0		
I2	-	20.0		
I3	-	20.0		
HDR	22.5	1.8		
MR2	16.2	1.8		
MR1	9.6	1.8		
R2.5	12.0	1.8		
R5	7.0	1.8		
R7	5.0	1.8		
R8.5	4.1	1.8		
R10	3.4	1.8		
OSM	-	-		
R 2.5/R5 mix	9.5	1.80		

Tables B-2 through B-5 summarize the vacant buildable land by zoning category for the study area as a whole and each sub-area.

**Table B-2:
Vacant Buildable Land By Zoning Category, Study Area**

Study Area Total	ZONING	Constrained		Buildable		Hsg		Emp	
		Vacant (SF)	(SF)	(SF)	(acres)	Factors	Factors	Hsg	Emp
	OSM	501,066	62,116	438,951	10.08	0	0	-	-
	R10	703,977	41,410	662,567	15.21	3.4	1.8	52	27
	R8.5	66,257	-	66,257	1.52	4.1	1.8	6	3
	R7	3,391,515	111,808	3,279,707	75.29	5	1.8	376	136
	R5	277,450	-	277,450	6.37	7	1.8	45	11
	MR1	252,604	53,834	198,770	4.56	9.6	4	44	18
	R2.5	49,693	-	49,693	1.14	12	1.8	14	2
	MR2	41,410	-	41,410	0.95	16.2	4	15	4
	HDR	513,489	57,975	455,515	10.46	22.5	7	235	73
	RCHD	136,654	-	136,654	3.14	30	7	94	22
	LTC	302,296	45,551	256,745	5.89	10	10	-	59
	I2	2,169,907	563,182	1,606,725	36.89	20	20	-	738
	I3	1,577,738	248,463	1,329,275	30.52	20	20	-	610
	CC	360,271	-	360,271	8.27	23	23	-	190
	C2	8,282	-	8,282	0.19	23	23	-	4
	C3	505,207	57,975	447,233	10.27	23	23	-	236
	RTL	41,410	4,141	37,269	0.86	23	23	-	20
	RCC	161,501	57,975	103,526	2.38	30	30	-	71
	OC	252,604	-	252,604	5.80	50	50	-	290
	RCO	592,169	12,423	579,746	13.31	90	90	-	1,198
	PMU1*	186,347	33,128	153,219	3.52	25.9	*	91	2,500
	PMU3*	194,629	-	194,629	4.47	25.9	*	116	350
Total		12,286,478	1,349,980	10,936,497	# 251			1,088	6,563
Adjustments				(16)				-	(785)
Revised Total				235				1,088	5,778

* = hsg.factors taken from Metro generalized zoning, emp total taken from Clackamas Regional Center Plan

**Table B-3:
Vacant Buildable Land By Zoning Category, Sub-Area A**

Town Center - Subarea A											
ZONE	Vacant (SF)	Constrained (SF)	Buildable (SF)	Buildable Acres	Hsg Factors	Emp Factors	Hsg Growth	Emp Growth	Assessed Value Factors	Future Value Base	
OSM	161,501	-	161,501	3.71	0	0	-	-	\$ -	\$ -	
R10	78,680	-	78,680	1.81	3.4	1.8	6	3.25	\$ 530,514	\$ 958,240	
R8.5	-	-	-	-	4.1	1.8	-	-	\$ 530,514	\$ -	
R7	-	-	-	-	5	1.8	-	-	\$ 530,514	\$ -	
R5	-	-	-	-	7	1.8	-	-	\$ 530,514	\$ -	
MR1	57,975	10,666	47,309	1.09	9.6	4	10	4.34	\$ 939,465	\$ 1,020,316	
R2.5	-	-	-	-	12	1.8	-	-	\$ 939,465	\$ -	
MR2	28,987	-	28,987	0.67	16.2	4	11	2.66	\$ 939,465	\$ 625,176	
HDR	-	-	-	-	22.5	7	-	-	\$ 939,465	\$ -	
RCHD	136,654	-	136,654	3.14	30	7	94	21.96	\$ 939,465	\$ 2,947,259	
LTIC	49,693	-	49,693	1.14	-	10	-	11.41	\$ 1,080,602	\$ 1,232,738	
I2	877,901	302,203	575,698	13.22	20	20	-	264.33	\$ 975,560	\$ 12,893,251	
I3	-	-	-	-	20	20	-	-	\$ 975,560	\$ -	
CC	-	-	-	-	23	23	-	-	\$ 1,080,602	\$ -	
C2	-	-	-	-	23	23	-	-	\$ 1,080,602	\$ -	
C3	-	-	-	-	23	23	-	-	\$ 1,080,602	\$ -	
RTL	41,410	3,555	37,855	0.87	-	23	-	19.99	\$ 1,080,602	\$ 939,083	
RCC	161,501	-	161,501	3.71	30	30	-	111.23	\$ 1,080,602	\$ 4,006,398	
OC	-	-	-	-	50	50	-	-	\$ 1,080,602	\$ -	
RCO	592,169	14,221	577,948	13.27	-	90	-	1,194.11	\$ 1,080,602	\$ 14,337,333	
PMU1	186,347	33,128	153,219	3.52	25.9	*	91	2,500	\$ 943,082	\$ 3,317,232	
PMU3	194,629	-	194,629	4.47	25.9	*	116	350	\$ 943,082	\$ 4,213,772	
Subtotal	2,567,447	363,774	2,203,673	50.59	-	-	328	4,483.28	\$ -	\$ 46,490,798	
Adjustments from Staff Comment			(16.07)				-	(785)	\$ -	\$ (672,360)	
Current Value									\$ -	\$ (34,770,271)	
Total			34.52				328	3,698	\$ -	\$ 11,048,167	

**Table B-4:
Vacant Buildable Land By Zoning Category, Sub-Area B**

Industrial Area - Subarea B											
ZONE	Vacant (SF)	Constrained (SF)	Buildable (SF)	Buildable Acres	Buildable Hsg Factors	Emp Factors	Hsg	Emp	Assessed Value Factors	Future Value Base	
OSM	273,309	56,885	216,424	4.97	0	0	-	-	\$ -	\$ -	
R10	-	-	-	-	3.4	1.8	-	-	\$ 530,514	\$ -	
R8.5	-	-	-	-	4.1	1.8	-	-	\$ 530,514	\$ -	
R7	8,282	7,111	1,171	0.03	5	1.8	0	0	\$ 530,514	\$ 14,267	
R5	-	-	-	-	7	1.8	-	-	\$ 530,514	\$ -	
MR1	-	-	-	-	9.6	4	-	-	\$ 939,465	\$ -	
R2.5	-	-	-	-	12	1.8	-	-	\$ 939,465	\$ -	
MR2	-	-	-	-	16.2	4	-	-	\$ 939,465	\$ -	
HDR	-	-	-	-	22.5	7	-	-	\$ 939,465	\$ -	
RCHD	-	-	-	-	30	7	-	-	\$ 939,465	\$ -	
LTIC	-	-	-	-	10	10	-	-	\$ 1,080,602	\$ -	
I2	1,014,556	202,654	811,902	18.64	20	20	-	373	\$ 975,560	\$ 18,183,241	
I3	447,233	46,219	401,013	9.21	20	20	-	184	\$ 975,560	\$ 8,981,042	
CC	-	-	-	-	23	23	-	-	\$ 1,080,602	\$ -	
C2	-	-	-	-	23	23	-	-	\$ 1,080,602	\$ -	
C3	505,207	56,885	448,322	10.29	23	23	-	237	\$ 1,080,602	\$ 11,121,662	
RTL	-	-	-	-	23	23	-	-	\$ 1,080,602	\$ -	
RCC	-	-	-	-	30	30	-	-	\$ 1,080,602	\$ -	
OC	-	-	-	-	50	50	-	-	\$ 1,080,602	\$ -	
RCO	-	-	-	-	90	90	-	-	\$ 1,080,602	\$ -	
PMU1	-	-	-	-	25.9	*	-	-	\$ 943,082	\$ -	
PMU3	-	-	-	-	25.9	*	-	-	\$ 943,082	\$ -	
Subtotal	2,248,587	369,755	1,878,832	43.13	0	794	0	794	\$ 38,300,212	\$	
Current Value									\$ (17,076,467)	\$	
Total				43.13	0	794	0	794	\$ 21,223,745	\$	

**Table B-5:
Vacant Buildable Land By Zoning Category, Sub-Area C**

Remainder - Subarea C												
ZONE	Vacant (SF)	Constrained (SF)	Buildable (SF)	Buildable Acres	Hsg Factors	Emp Factors	Hsg	Emp	Assessed Value Factors	Future Value Base		
OSM	66,257	5230,296	61,026	1.40	0	0	0	-	\$ -	\$ -		
R10	625,298	41410,44	583,887	13.40	3.4	1.8	46	24	\$ 530,514	\$ 7,111,147		
R8.5	66,257	0	66,257	1.52	4.1	1.8	6	3	\$ 530,514	\$ 806,939		
R7	3,383,233	104697,518	3,278,535	75.27	5	1.8	376	135	\$ 530,514	\$ 39,929,199		
R5	277,450	0	277,450	6.37	7	1.8	45	11	\$ 530,514	\$ 3,379,056		
MR1	194,629	43167,566	151,462	3.48	9.6	4	33	14	\$ 939,465	\$ 3,266,606		
R2.5	49,693	0	49,693	1.14	12	1.8	14	2	\$ 939,465	\$ 1,071,730		
MR2	12,423	0	12,423	0.29	16.2	4	5	1	\$ 939,465	\$ 267,933		
HDR	513,489	57974,616	455,515	10.46	22.5	7	235	73	\$ 939,465	\$ 9,824,196		
RCHD	-	0	-	-	30	7	-	-	\$ 939,465	\$ -		
LTIC	252,604	45551,484	207,052	4.75	10	10	-	48	\$ 1,080,602	\$ 5,136,408		
I2	277,450	58324,379	219,126	5.03	20	20	-	101	\$ 975,560	\$ 4,907,507		
I3	1,130,505	202243,282	928,262	21.31	20	20	-	426	\$ 975,560	\$ 20,789,225		
CC	360,271	0	360,271	8.27	23	23	-	190	\$ 1,080,602	\$ 8,937,349		
C2	8,282	0	8,282	0.19	23	23	-	4	\$ 1,080,602	\$ 205,456		
C3	-	0	-	-	23	23	-	-	\$ 1,080,602	\$ -		
RTL	-	0	-	-	23	23	-	-	\$ 1,080,602	\$ -		
RCC	-	0	-	-	30	30	-	-	\$ 1,080,602	\$ -		
OC	252,604	0	252,604	5.80	50	50	-	290	\$ 1,080,602	\$ 6,266,417		
RCO	-	0	-	-	90	90	-	-	\$ 1,080,602	\$ -		
PMU1	-	0	-	-	25.9	*	-	-	\$ 943,082	\$ -		
PMU3	-	0	-	-	25.9	*	-	-	\$ 943,082	\$ -		
Subtotal	7,470,443	558,600	6,911,844	159			760	1,323		\$ 111,899,168		
Current Value										\$ (19,000,457)		
Total			158.67				760	1,323		\$ 92,898,711		

For this analysis, redevelopable land was defined as any unconstrained parcel with an assessed value of less than \$50,000. Figure B-6 summarizes the redevelopable land.

**Table B-6:
Redevelopable Land**

Calculations for future HH, emp and AV of baseline redevelopment properties (lots counted as vacant have not been included here).										
ZONE	Count	Assessed Value	Acres	Zoning Factors			Capacity		Future AV	
				HH	Emp	AV Factor	HH	Emp		
Residential Area - Subarea C										
C2	1	\$ 68,863	0	-	23	\$ 1,080,602	-	9	\$ 420,518	
CC	65	\$ 6,518,755	23	-	23	\$ 1,080,602	-	524	\$ 24,630,200	
HDR	16	\$ 571,873	4	23	7	\$ 939,465	80	25	\$ 3,359,628	
I2	5	\$ 195,948	2	-	20	\$ 975,560	-	35	\$ 1,718,379	
I3	32	\$ 1,650,698	20	-	20	\$ 975,560	-	406	\$ 19,799,216	
LTIC	12	\$ 634,301	4	-	10	\$ 1,080,602	-	45	\$ 4,822,093	
MR1	20	\$ 795,276	4	10	4	\$ 939,465	41	17	\$ 4,036,154	
MR2	6	\$ 218,078	1	16	4	\$ 939,465	15	4	\$ 889,167	
NC	3	\$ 123,855	1	-	23	\$ 1,080,602	-	18	\$ 835,530	
OC	5	\$ 704,363	10	-	23	\$ 1,080,602	-	237	\$ 11,151,383	
OSM	1	\$ 83,554	2	-	-		-	-	\$ 83,554	
R10	69	\$ 3,249,584	15	3	2	\$ 530,514	52	27	\$ 8,104,766	
R2.5	1	\$ 59,559	0	12	2	\$ 530,514	4	1	\$ 188,341	
R5	69	\$ 3,865,732	11	7	2	\$ 530,514	75	19	\$ 5,649,215	
R7	224	\$ 10,621,179	39	5	2	\$ 530,514	195	70	\$ 20,711,567	
RTL	8	\$ 859,688	3	-	23	\$ 1,080,602	-	75	\$ 3,509,928	
			140				463	1,512	\$ 109,909,638	
Current Capacity and value								(374)	(932)	\$ (30,221,306)
Southgate Adjustment								179	1,342	\$ 18,779,962
Total			171				268	1,923	\$ 98,468,294	
Town Center - Subarea A										
CC	20	\$ 1,016,839	4	-	23	\$ 1,080,602	-	89	\$ 4,164,810	
HDR	4	\$ 241,136	3	23	7	\$ 939,465	73	23	\$ 3,027,792	
LTIC	14	\$ 905,837	5	-	10	\$ 1,080,602	-	55	\$ 5,929,513	
MR1	2	\$ 54	1	10	4	\$ 939,465	7	3	\$ 649,354	
OSM	2	\$ 641,050	3	-	-		-	-	\$ 641,050	
PMU2	1	\$ 206,737	1	18*	89*	\$ 943,082	18	89	\$ 501,842	
R10	3	\$ 2,761	0	3	2	\$ 530,514	1	1	\$ 200,797	
R2.5	2	\$ 158,096	1	12	2	\$ 530,514	17	3	\$ 744,266	
RCC	34	\$ 6,169,911	16	-	30	\$ 1,080,602	-	485	\$ 17,477,115	
RCHD	10	\$ 511,876	4	30	7	\$ 530,514	110	26	\$ 1,936,748	
RCO	7	\$ 1,432,028	5	-	90	\$ 1,080,602	-	408	\$ 4,902,499	
RTL	7	\$ 2,072,457	4	-	23	\$ 1,080,602	-	99	\$ 4,642,080	
			47				225	1,279	\$ 44,817,865	
Current Capacity and value								(22)	(653)	\$ (13,358,782)
Staff Adjustments								-	(224)	\$ (12,997,361)
Total			60				203	402	\$ 18,461,722	
Industrial Area - Subarea B										
I2	12	\$ 901,667	8	-	20	\$ 975,560	-	156	\$ 7,629,212	
I3	3	\$ 226,352	2	-	20	\$ 975,560	-	35	\$ 1,719,689	
OSM	12	\$ 3,295,150	87	-	-		-	-	\$ 3,295,150	
R7	2	\$ 4,593	0	5	2	\$ 530,514	2	1	\$ 184,567	
			97				2	192	\$ 12,828,617	
Current Capacity and value								-	(123)	\$ (4,427,762)
Total			97				2	69	\$ 8,400,855	
STUDY AREA TOTAL			329				472	2,394	\$ 125,330,872	

Table B-7 provides a summary of the capacity analysis results, showing future capacity based on vacant and redevelopable land. The future employment capacity figures are increased by a 30 percent “refill” factor. This accounts for the fact that significant employment growth can occur on lots that are already built.¹ (New development or redevelopment is not necessary to accommodate new jobs.)

**Table B-7:
Capacity Analysis Summary**

Capacity Analysis Results - Baseline (Current Zoning, No Annexation)

	Future Buildable Acres	Future Household Capacity	Future Population Capacity	Future Employment Capacity	Future Additional Assessed Value
Sub Area A					
Town Center					
Vacant	34.52	328	790	3,698	\$ 11,048,167
Redevelop	60.49	203	489	402	\$ 18,461,722
Net Growth		531	1,280	4,100	\$ 29,509,889
w/ employment refill 30%				5,857	
Sub Area B					
Industrial Area					
Vacant	43.13	-	-	794	\$ 21,223,745
Redevelop	96.95	2	5	69	\$ 8,400,855
Net Growth		2	5	863	\$ 29,624,600
w/ employment refill 30%				1,233	
Sub Area C					
Residential Area					
Vacant	158.67	760	1,832	1,323	\$ 92,898,711
Redevelop	171.06	268	646	1,923	\$ 98,468,294
Net Growth		1,028	2,477	3,246	\$ 191,367,005
w/ employment refill 30%				4,637	
Study Area Total	564.82	1,561	3,762	8,209	\$ 250,501,494
w/ employment refill 30%				11,727	

¹ Metro, “1997 Urban Growth Report Update – September 1999.”

We compared the results of our capacity analysis to a set of Metro projections to ensure their reliability. Metro prepares regional forecasts of housing and employment based on past trends, migration, economic characteristics, land use and other factors. These forecasts are made for the entire metro area and are then disaggregated by Transportation Analysis Zone (TAZ). We used the results of the Metro Regional Forecast and TAZ Allocation, RTP 8.1, which forecasts to 2020, to cross-reference our projections. Since the TAZ boundaries do not match the geography of the study area, the figures for several TAZ were adjusted for accuracy. Figure B-8 summarizes the population forecast for the study area by TAZ. The forecasted population of 19,730 is very close to our projection of 19,7674.

**Table B-8:
Population Forecast by TAZ**

Metro Regional Forecast and TAZ Allocations, RTP 8.1

Population - Study Area		
TAZ	2020	
418*	-	
419	797	
420	608	
421	911	
422*	937	
423*	-	
424*	-	
433	686	
434	123	
435	1,503	
436	1,570	
437	1,020	
438	1,839	
439	1,846	
440	655	
441	2,099	
442	1,713	
443	1,861	
444	1,297	Capacity Analysis
445	266	2022 Projection
Total	19,730	19,674

*indicates adjusted figure

Table B-9 shows the TAZ forecast for employment. Our projection of 32,185 jobs is very close to this Metro forecast for 2020.

**Table B-9:
Employment Forecast by TAZ**

Metro Regional Forecast and TAZ Allocations, RTP 8.1

2020 Employment - Study Area

TAZ											2020
	Ag,For,Fish	Mining	Construction	Manufacture	TCPU	Whole. Trade	Retail Trade	FIRE	Services	Gov	TOTAL
418	12	-	95	655	-	130	152	19	175	-	1,238
419	-	-	4	88	-	6	-	-	6	-	104
420	13	-	11	-	13	-	-	-	-	-	37
421	7	-	2	-	5	-	100	94	146	97	451
422	2	-	22	3	7	4	187	4	179	-	407
423	-	-	21	-	-	9	-	43	-	-	73
424*	-	-	14	582	660	104	177	12	142	-	1,690
433	-	-	9	738	22	207	15	177	337	-	1,506
434	-	-	3	128	144	242	473	-	15	-	1,005
435	-	-	25	-	-	15	1,543	18	347	381	2,328
436	15	-	1	-	3	4	16	15	296	89	439
437	65	-	21	16	-	-	-	-	19	-	121
438	213	-	122	205	-	168	2	19	38	-	767
439	14	-	13	67	-	5	1,511	60	231	-	1,901
440	-	-	7	16	7	83	1,060	75	163	-	1,411
441	-	-	85	253	-	10	560	10	22	-	940
442	-	-	76	-	88	-	799	38	-	-	1,001
443	25	-	25	-	24	13	8,132	306	1,934	-	10,460
444	-	-	-	-	16	7	1,729	10	2,514	71	4,346
445	-	-	232	1,450	9	403	-	8	-	-	2,103
Total	366	-	788	4,203	999	1,410	16,456	908	6,564	637	32,330

*indicates adjusted figure

There are several reasons that we chose to use the capacity analysis methodology to project future population and employment rather than relying on the Metro TAZ allocations. The disaggregation of a regional forecast into TAZ boundaries could lead to a less precise set of estimates than were required for this study. (This concern is elevated by incongruence of the TAZ and study area boundaries.) The capacity analysis methodology allows for the projection of future land uses, which is essential in predicting future revenue based on property taxes.

APPENDIX C: WATER SERVICE COSTS MEMORANDA

MEMORANDUM

Date: October 23, 2002
To: Emile Combe
From: Dale Jutila
Subject: Milwaukie annexation study – Water service costs

We've been discussing the potential of Milwaukie annexing territory east to I-205, north of Highway 224 to the Clackamas-Multnomah county line, commonly referred to as the "study area." CRW has conducted preliminary analyses to roughly estimate the impacts of three potential scenarios, and this memo will summarize the results of this "10,000 foot level" review.

The three scenarios are:

- *Status quo* – the service responsibilities remain as they are today with Milwaukie providing service within its current boundaries and CRW likewise serving area outside the city. If Milwaukie annexes the study area and does not withdraw it from CRW, this would continue.
- *Milwaukie annexes the area, withdraws it, and takes over water service responsibility.* Under this scenario, it has been assumed that Milwaukie purchases all water for this area from CRW, in addition to the 0.5 million gallons per day (mgd) the city currently receives from CRW.
- *Milwaukie annexes the area and CRW continues water service in this area, plus provides all water service within the current Milwaukie boundaries.* This could also occur if Milwaukie does not annex the study area.

For the analysis, the status quo is considered the base case, and differences measured in relation to that. We have used the water bill for average consumption among residential customers as the basis for the comparisons. The level of detail is not to the point of calculating individual water rates, but rather, to measure the impact on the average bill.

1. The current monthly bills for the average residential consumption of 10 units under the status quo scenario are:

Milwaukie	\$16.48
CRW	\$18.37

These bills are separated by less than 12 percent, which as we understand it, is within the level of accuracy of the evaluation that's being conducted for the overall study. We also understand that Milwaukie rates have remained constant for approximately the last 10 years.

2. The study area contains these water services, using the listed volumes of water and generating the revenue, annually:

	Services	Volume (units)	Revenue
Residential	2,786	300,835	\$388,407
Commercial/industrial/ multifamily	320	852,365	\$1,120,248
Fire services	101	N/A	\$59,552
Total	3,207	1,153,200	\$1,568,208

Removing this large number of customers from the CRW service area would significantly impact the balance of the customers in the north portion of CRW. We have estimated that water bills could increase 25-30 percent for the customers remaining within CRW.

We provided the following estimates of wholesale water rates to Milwaukie for the water used in the study area, combined with the amount already purchased from CRW. One set of rates assumed that CRW would continue to own the storage at Otty Road, and the other set of rates assumed that Milwaukie would purchase the storage from CRW necessary to provide equalization, emergency and fire storage. The rough estimate for purchase of storage capacity (approximately five million gallons) is \$2.5 million.

	Mather	Otty	Annual
No storage purchase	\$0.46	\$0.93	\$1,125,882
Storage purchased	\$0.46	\$0.70	\$911,869

3. Information from the city of Milwaukie shows that the current city boundaries contain a total of 6,590 services. We have estimated the CRW average bill could be reduced by 5-7 percent, which would apply to CRW north and Milwaukie customers, representing a modest potential

increase for current city residents. Closer review could reveal changes in this estimate, up or down.

Average bill for CRW north and Milwaukie: \$17.08

We make these observations about this scenario and the estimated average bill:

- All debt service is included in the calculation, with no property tax support
- The current Milwaukie rates have been in place for 10 years, and at 3 percent per year, that could compound to a 34 percent increase.
- A fully integrated water distribution system could provide these advantages:
 - Shared storage for fire protection, as well as emergency and equalization storage
 - The incremental costs of providing high quality treated surface water are lower than operating the groundwater system
 - The groundwater system provides an excellent peaking and backup supply
 - The combined sources provide diversity of supply for enhanced reliability
 - Professional water laboratory and system services already provided in the CRW area could be extended to benefit Milwaukie customers

The water bill impacts for each scenario are summarized as:

Status quo – no change

Milwaukie annexes, withdraws, serves study area – 25-30 percent increase in water bills for CRW north customers

CRW serves study area and city territory – 5-7 percent reduction in balance of CRW area, stable cost in Milwaukie

From this rough analysis, it appears that the second scenario would dramatically impact the remaining CRW customers, making it the least attractive for further consideration. The status quo and CRW service to Milwaukie are worth considering.

Please let us know if we can answer other questions.

Thank you.



DATE: December 20, 2002

TO: Emile Combe
Charles Santo

FROM: Alice Rouyer, Director, Community Development & Public Works

SUBJECT: MILWAUKIE ANNEXATION STUDY—WATER SERVICE COSTS

Throughout the fall of 2002, staff from the City and CRW met with your project team to determine the cost of water service under several different future annexation scenarios. You have asked the City to respond to water rate impacts to City of Milwaukie customers. Here is the City's response:

- 1. Status Quo—This assumes that the City annexes the study area and retains Clackamas River Water as the water provider in the study area.**
Under this scenario, no changes to customer costs for water service are anticipated.
- 2. Milwaukie annexes and assumes water service in the Study Area.**
City staff analyzed this scenario and determined that costs to Milwaukie customers and existing CRW customers in the study area are not projected to increase.
- 3. CRW continues water service in the study area and assumes service in the existing Milwaukie boundaries.**
The City did not analyze this scenario in any detail. Data from the memorandum from Dale Jutila dated October 23, 2002 indicates that the city residents can expect a potential modest rate increase.

Based on these conclusions, it appears from the City's perspective that Scenario 1 or 2 are worth considering further.

If I can answer any further questions, please feel free to contact me at (503) 786-7654.