
Oak Lodge Governance

Analysis of Gladstone Annexation and Incorporation with Gladstone Service Levels for the Oak Grove- Jennings Lodge Area

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*Note: Key terms are **bolded** throughout the report and defined in Appendix A.*

I. Introduction

The Oak Grove/Jennings Lodge (“Oak Lodge”) community is an unincorporated region of Clackamas County between the cities of Milwaukie (to the north) and Gladstone (to the south). Community members have frequently been curious about various governance structures for the community and what fiscal and social impacts those governance structures may have on the community. To begin answering these questions, the Oak Lodge Governance Project, a group of dedicated Oak Lodge residents committed to making sense of various governance options, formed a steering committee to work with ECONorthwest and analyze the following three governance options:

- **Option 1:** Remain unincorporated (no change)
- **Option 2:** Annex into Milwaukie
- **Option 3:** Incorporate as an independent city with Milwaukie service levels

The [report](#) analyzed potential revenues and expenditures of key services, including law enforcement, community development, government administration, and public works.

Purpose of This Report

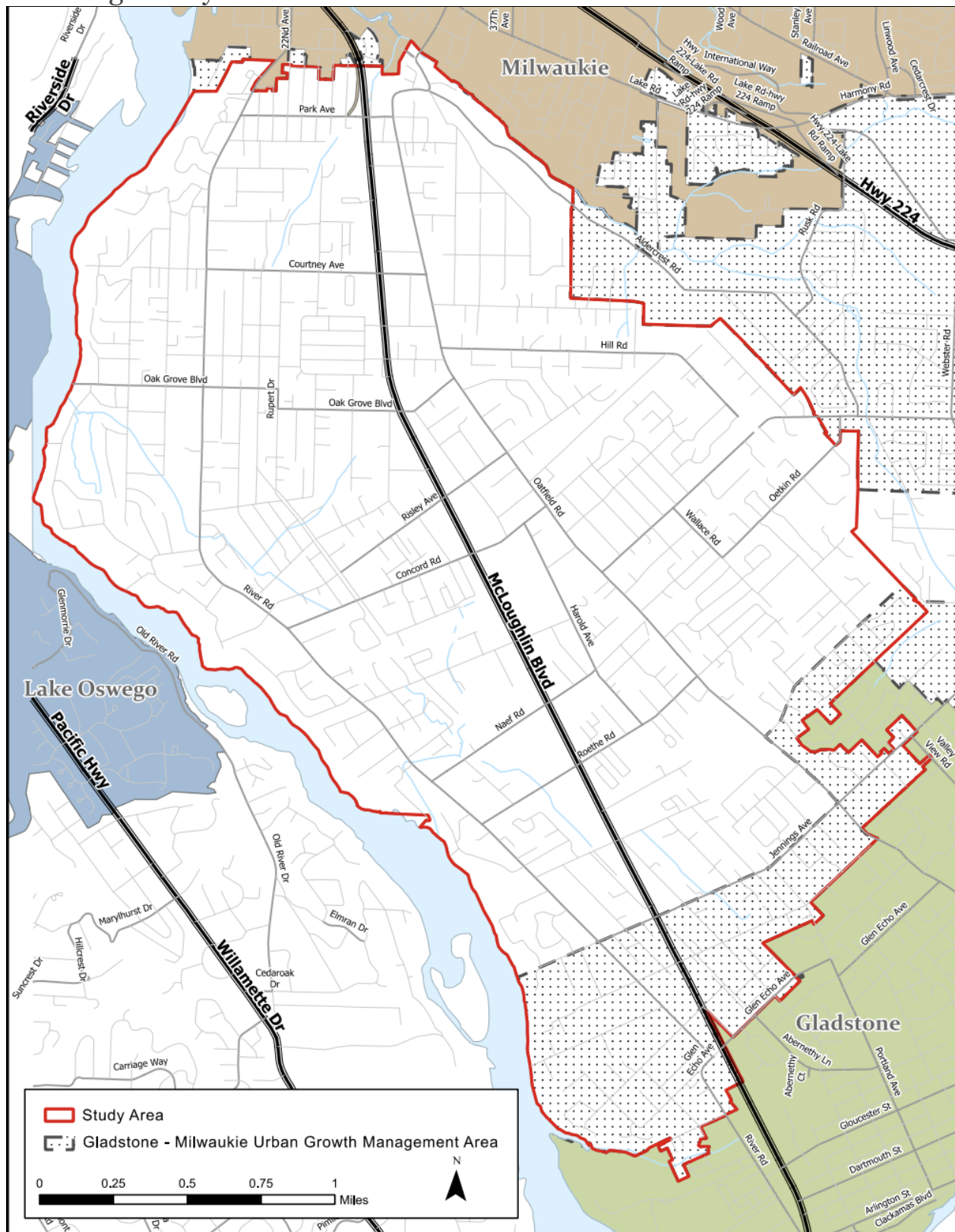
The ECONorthwest project team analyzed annexation into Milwaukie over Gladstone because Milwaukie shares some services with Oak Lodge. They also did not have the budget necessary to complete both analyses. However, in their findings, ECONorthwest suggests analyzing the fiscal impacts of annexation into Gladstone because much of Jennings Lodge is abutting Gladstone, and Gladstone offers services that Milwaukie does not offer. Therefore, for comparison and informational purposes, **this report will analyze the fiscal impacts, benefits, and feasibility of the Oak Lodge area annexing into Gladstone (referred to as “Option 4”).** For additional consideration, this report also estimates a permanent tax rate that would support Gladstone’s current level of service for the study area if it were to incorporate as its own city (referred to as “Option 5”).

This report does not make formal recommendations for Oak Lodge governance. Instead, the purpose is to provide information for community discussion and consideration.

The Oak Lodge Community

Oak Lodge consists of the two unincorporated Clackamas County communities of Oak Grove and Jennings Lodge. As of 2021, it was estimated that Oak Lodge has approximately 27,778 residents. Because the area is unincorporated, it is represented by the five Clackamas County Commissioners who are elected county-wide. Note that the southern portion of the study area includes portions of the Gladstone **urban growth management area** because this area has historically been considered part of Jennings Lodge.

Oak Lodge Study Area



Source: [Oak Lodge Governance, Analysis of Governance Options for the Oak Grove - Jennings Lodge Area](#), ECONorthwest, 2021, p. 4

Community Concerns

While no one has conducted a formal, robust community engagement process to determine the priorities of the community members in terms of governance options, the Oak Lodge Governance Project has conducted a brief survey and held meetings at which engaged residents shared their concerns. Below is a brief – and not comprehensive – summary of some key concerns for the residents living in this unincorporated yet urbanized area.

- **Transportation Infrastructure.** Residents feel that much of the infrastructure in Oak Lodge is not adequate or safe. There are large swaths of roadways without accompanying sidewalks or designated bike lanes, thus making active transportation options fairly dangerous. Without any localized transportation planning efforts, it is challenging to design these roadways to meet local priorities; instead, the main thoroughfare is OR99E, designed to Oregon Department of Transportation design criteria. The remaining surface roads are designed to Clackamas County design standards, which often do not include the same active transportation components due to the typically rural context for those roads.
- **Land Use Ordinances.** Generally, Oak Lodge residents do not have much influence on local land use ordinances and potential protections that other communities may prioritize. As an example, trees and open greenspaces are important to many Oak Lodge residents. Despite activism and testimony, Clackamas County has approved developments in Oak Lodge that do not honor the wishes of many concerned residents. Without any local policy and planning control, it is challenging for these residents to create and implement land use ordinances intended to protect the historic trees and greenspaces in Oak Lodge.
- **Lack of Localized Vision.** Similarly, there is no localized body creating a formal vision for the Oak Lodge community. Bisected by a state highway, much of the development in the center of the community is commercial development without any distinct character informed by a community visioning process.

These concerns are single instances of the key concern with the current governance of Oak Lodge: the community does not have the local political influence necessary to implement changes in alignment with resident priorities. Because they are represented by the five Clackamas County Commissioners responsible for representing the entirety of the county – which is larger than the state of Rhode Island – there is not the localized attention necessary to improve transportation infrastructure beyond the state and county requirements, develop ordinances informed by public input, and establish a community vision that informs land use planning and investment.

II. Oak Lodge Governance

Current Governance Structure

As an **unincorporated community**, Oak Lodge is currently subject to the plans and policies of Clackamas County as established by the five Clackamas County Commissioners. The County provides administrative services, community development services, law enforcement, and fire services for the area. The Clackamas County Commissioners are responsible for establishing policies for the entirety of Clackamas County, most of which is rural. Thus, there can be a disconnect between the rural issues experienced by most of the county and urban issues experienced by Oak Lodge residents.

As of 2020, Clackamas County's population was 426,515 people. With five commissioners, each commissioner represents 85,303 County residents. The commissioners are not elected by region, so there is not one commissioner that is "responsible" for the governance of Oak Lodge. This, plus the large ratio of residents to commissioners, means that Oak Lodge residents do not have much political clout in terms of representation or the ability to affect local policy.

Oak Lodge also relies heavily on **special districts** to provide services. In Oregon, special districts are sovereign local government agencies that typically provide a single service to a specific geographic region. These potential services range from schools (school districts) to public transportation (transit district) to water services.

Oak Lodge currently relies on the special districts outlined in Table 1.

| Table 1: Study Area Special Districts | |
|---|--|
| Special District | Service |
| North Clackamas Parks and Recreation District (NCPRD) | NCPRD operates over 30 parks across Clackamas, Milwaukie, Damascus, Happy Valley, and Oak Lodge. These parks include dog parks, sports fields (disc golf, baseball, soccer, and tennis), hiking trails, and recreation areas with picnic tables and fishing. |
| Oak Lodge Water Services District (OLWSD) | OLWSD provides drinking water, wastewater, and stormwater treatment services in the study area. |
| Clackamas Fire Department #1 | The Clackamas Fire Department #1 provides fire protection and emergency medical services to much of the unincorporated urban Clackamas County region and nearby cities such as Milwaukie, Oregon City, and Johnson City. |

Given that these special districts are heavily dependent upon existing infrastructure, such as the pipes that provide and collect Oak Lodge residents' water, many of them would remain intact regardless of the potential governance option as outlined in this report and ECO Northwest's

report. This assumption remains constant for the Gladstone annexation only for OLWSD, as Gladstone provides their own parks and fire services.

Annexation

Oak Lodge could also decide to **annex** into an adjacent incorporated city. Annexation is the process of changing the boundary of an incorporated city to include land that is currently unincorporated (i.e., not legally part of an existing city). Once annexed, the owners of that land are required to pay taxes at the city's **permanent property tax rate** and will receive services provided by the city. The local elected representation would switch from the Clackamas County Commissioners to the city councilors of the city into which the subject area annexed. State law requires that land must be contiguous for annexation, so Oak Lodge has the option of annexing into Milwaukie (to the north) or Gladstone (to the south).

There are both state and local requirements for annexation. The state requirements are found in section 222 of the Oregon Revised Statutes (ORS). Table 2 outlines the five potential avenues for annexation, although some are unlikely for this study area, such as the annexation method pursuant to a health hazard.

| Table 2: Five Potential Avenues for Annexation in Oregon | |
|--|---|
| Annexation Option | Explanation |
| Consent of All Owners of Land (ORS 222.125) | All of the landowners in the area to be annexed and more than 50 percent of the electors, if any, residing in the area must consent in writing to the annexation. |
| Triple Majority (ORS 222.170(1)) | At least half of the landowners in the area to be annexed, who also own at least half of the land in the contiguous territory and represent at least half of the assessed value of all real property in the area must consent in writing to the annexation of their land. |
| Double Majority Consent Petition (ORS 222.170(2)) | A majority of the electors registered in the area to be annexed consent in writing to annexation and the owners of at least half of the land in that area consent in writing to the annexation of their land. |
| Gladstone City Council Ordinance (ORS 222.111(2)) | The Gladstone City Council could initiate a proposal to annex contiguous portions of land into Gladstone. |
| Pursuant to a Health Hazard (ORS 222.840 to 222.915) | The Gladstone City Council could choose to annex any land currently located within its urban growth boundary without a public vote if it were to provide municipal services that would alleviate a public health hazard. |

These state standards outline the general requirements for annexation, but incorporated cities also have the opportunity to develop their own requirements or processes for annexation based upon these state requirements. The City of Gladstone may have its own process that is modeled

after one of the aforementioned state processes. Prior to any annexation effort, the party seeking annexation should meet with City of Gladstone staff to determine any additional requirements.

Incorporation

Finally, Oak Lodge could decide to **incorporate** as its own city. While annexation requires that the annexed territory become part of an existing city with established elected officials, policies, and programs, incorporation allows the new city to define its own policies. ORS 221.020 states that “people of an area, no part of which lies in an incorporated city and in which 150 persons reside, may incorporate a city by approving at an election called and held according to ORS 221.031 to 221.061 a proposition provided by those sections for incorporating the city.”

For this specific study area, the applicable sections of ORS 221.031 to 221.061 require that:¹

- A legal petition is filed with the Clackamas County Clerk in accordance with Secretary of State requirements (ORS 221.031);
- There is no petition for annexation during the incorporation process (ORS 221.032);
- An economic feasibility assessment is prepared for the study area (ORS 221.035);
- Clackamas County hold a public hearing (ORS 221.040);
- The incorporated community hold an election to determine at least five city council members (ORS 221.050); and
- Any costs associated with conducting the city council election or preparing the legal description of the new city come from the city’s general fund (ORS 221.061).

Due to the legal and administrative processes required for incorporation, it can be an expensive process, potentially requiring commercial loans. The ECO Northwest report assessed the financial feasibility of incorporation and found that it would be expensive but feasible. The benefit of incorporation is complete control of the development of the new city’s policies, services, and elected representatives; however, it is more challenging and expensive than annexation.

What could self-governance provide?

While understanding the anticipated financial impacts of local governance is important, it is just one factor for residents to consider. Through various Oak Lodge Governance Project public meetings, some residents have expressed concerns with issues related to local governance, such as transportation infrastructure, green space conservation, tree canopy ordinances, creating a community character, and land use planning. Under the current governance model, the study area is represented by five Clackamas County Commissioners who cannot provide dedicated attention to the Oak Lodge area. Thus, if some or all of the residents of Oak Lodge decide to annex into an adjacent city or incorporate as their own city, they could expect:

¹ The author of this report is not a licensed attorney. Any of the information provided in this report is purely for informational purposes and should not be considered legal advice.

- City-level services, including localized transportation planning, utility infrastructure maintenance, and law enforcement.
- Increased representational clout simply by being part of a smaller number of people represented by each elected official.
- Improved ability to communicate and connect with local government staff.
- Localized land use planning and economic development initiatives that respond to community desires and a long-term vision.

III. Methodology

The primary analysis in this report is modeled after ECO Northwest’s approach to maintain consistency for comparison. ECO Northwest relied on many sources, as outlined in their report, but heavily relied upon [Clackamas County’s FY20-21 Adopted Budget](#) and the [City of Milwaukie’s BN20-22 Adopted Budget](#).

Much of the analysis utilizes the adopted budget figures for the fiscal year ending June 30, 2021. Clackamas County operates on a one-year budget cycle, but the City of Milwaukie operates on a two-year biennium. The adopted budget used for the original analysis is for the biennium spanning July 1, 2020, to June 30, 2022. However, it includes an intermediate figure for fiscal year 2021 for each revenue and expenditure.

The City of Gladstone operates on a biennium, and the budget cycle does not align with the City of Milwaukie; Gladstone’s budget including fiscal year 2021 is its budget spanning from July 1, 2019, to June 30, 2021. The analyses in this report use the [City of Gladstone BN19-21 Adopted Budget](#). The City of Gladstone has already adopted and begun implementing its BN21-23 budget; however, to maintain consistency across the analysis, the calculations in this report rely on the BN19-21 budget because it includes the same base fiscal year 2021 used in the original analysis.

The City of Gladstone BN19-21 budget does not include intermediate figures for the middle of the biennium as the Milwaukie budget does. To account for this, I used a “multiplier” of 0.5134 to estimate the distinction between the first fiscal year revenues and expenditures and the second. I determined this “multiplier” by calculating the average ratio of allocated dollars spent on the second fiscal year versus the first fiscal year of the Milwaukie budget. While not an exact portrayal of the discrepancy between 2019-2020 and 2020-2021 spending, it will partially account for inflation and provide consistency between the methodologies.

What follows is a summary of my findings for annexing into Gladstone.² The revenue and expenditure calculations are included in Appendix B. I have also completed additional property

² All of the dollar figures presented in this report are purely estimates based upon historic budget decisions. Nothing in this report should be considered an expectation or guarantee. Further, any forecasts are subject to various social, environmental, or economic impacts not factored into the initial models.

tax revenue forecasts for future years, outlined in Appendix C. These types of forecasts are not in the original ECO Northwest report, so I have decided to keep them separate from the primary analysis.

Finally, this analysis is predicated on the assumption that, if incorporated, the study area would operate as a **home rule** municipality. This means that the voters and elected officials maintain the right to complete local control, except for any state or federal law preemptions.

IV. Annexing into Gladstone (Option 4)

City of Gladstone

Located near the southern portion of the study area, Gladstone is a four-square-mile city of approximately 12,000 residents. It was incorporated in 1911 and utilizes a **council-manager** form of government, with a six-member City Council and a mayor elected by Gladstone residents who appoint a city manager. The city manager is responsible for overseeing the daily operations of the city and implementing City Council policies.

Services

The City of Gladstone is a full-service city and provides the services outlined in Table 3 to all residents located within the Gladstone city limits.

| Table 3: Summary of City of Gladstone Services | |
|--|---|
| Service | Summary |
| Police | <p>As of the 2020 annual report, the Gladstone Police Department had 21.5 FTE, totaling approximately 1 sworn officer for every 774 residents. The Police Department conducts patrols in the city, enforces the municipal code, and has detectives responsible for investigations.</p> <p><i>Note: Gladstone residents passed a police levy of \$0.68 per \$1,000 of assessed value which is valid through 2024.</i></p> |
| Fire | <p>The City of Gladstone has its own Fire Department consisting of 5 FTE, and it is separate from the Clackamas County Fire District. The Fire Department is responsible for responding to fire and other emergencies in the city.</p> <p><i>Note: Gladstone residents passed a police levy of \$0.31 per \$1,000 of assessed value which is valid through 2024. The levy was first approved in 1998 and has been re-approved every five years since its inception.</i></p> |
| Community Development | <p>The City of Gladstone contracts with Clackamas County for land use and building permit review. Through this contract, Clackamas County staff are responsible for implementing the City's land use ordinance, developing land use and utility master plans, and providing building permits.</p> |

| | |
|------------------------------------|---|
| Library | The City of Gladstone and Clackamas County are currently constructing a new library, located at the former Gladstone City Hall site (525 Portland Avenue). While Gladstone previously managed its own library, the city has made an agreement to manage the new library following its construction in exchange for \$200,000 per year. |
| Senior Center | <p>The City of Gladstone operates a Senior Center that provides a community gathering space to eat meals and enjoy social activities. The Senior Center also provides meal boxes to homebound Gladstone residents.</p> <p>The Center offers a variety of recreational classes, meals at the Center or homes, and a transport program to local area residents.</p> |
| Parks and Recreation | The City of Gladstone's Public Works Department manages eight city parks plus other various wetlands, recreational trails, and recreation fields. |
| Public Works | The City of Gladstone's Public Works Department manages the development and maintenance of city streets, domestic water infrastructure, sanitary sewer, stormwater, parks (see above), and the City's facilities. In addition, the Public Works Department offers other services to residents such as leaf pickup in the fall. |
| Municipal Court | The City of Gladstone operates a Municipal Court to handle various misdemeanors, traffic violations, and other minor infractions. |
| Governmental Administration | The City of Gladstone has a fully-staffed administrative team consisting of a City Administrator, City Recorder/Human Resources Generalist, and a finance team responsible for preparing the biennial budget, tracking expenses, and forecasting revenues. |

Finances

Table 4 outlines the estimated annual revenues and expenditures for the study area annexing into Gladstone. Note that it is a “snapshot in time” analysis, meaning it reflects the conditions as they were presented for one moment in time (FY21) in the Gladstone BN19-21 budget. Refer to Appendix B for the calculations and methodologies where appropriate.

| Table 4: Estimated Annual Revenues and Expenditures for Annexing into Gladstone | | | |
|---|---------------------|---------------------|----------------------|
| Service | Revenues | Expenditures | Difference (Δ) |
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087 | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037 | (\$3,344,880) |
| Stormwater | \$3,490,473 | \$3,391,881 | \$98,592 |
| Parks & Recreation | \$1,199,181 | \$1,495,394 | (\$296,213) |
| Library | \$372,991 | \$200,000 | \$172,991 |
| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$37,010,223 | \$42,357,992 | (\$5,347,769) |

Table 4 notes:

1. The estimated transportation expenditures are negative because the initial analysis included \$1.6 million of planned **capital projects**. There are three transportation projects currently listed in the Clackamas County **transportation system plan** in the study area, which ECO Northwest assumed – and, thus, this report assumes – would transfer as an expenditure to any governance option (annexation or incorporation) the study area residents pursue. However, it is possible that Clackamas County does construct some or all of these projects prior to any change in governance.
2. Over \$3 million of the wastewater expenditures are due to **debt service**, likely originally expended to pay for infrastructure costs. In other words, the stark wastewater **deficit** is due to a one-time infrastructure cost, not routine **operating costs**.
3. Finally, all of the figures represented in Table 4 assume a one-to-one increase in services. However, this is not likely in reality; a new staff member is not hired immediately as a region's population grows. Services grow and flex in response to community demand and priorities.

Potential Property Tax Revenues

Table 5 represents three different scenarios for potential property tax revenue if the entire study area were to annex into Gladstone. The scenarios assume an **assessed value** of \$2,648,148,099,³ Gladstone's permanent tax rate of \$4.8174 per \$1,000 of assessed value, and an average **delinquency rate** of 3%. The scenarios differ by considering three different assessed value growth rates: pessimistic, realistic, and optimistic. Property values can increase for a variety of reasons, such as home renovations or new nearby infrastructure projects. However, all of the scenarios cap the market value increase at 3% per year in accordance with Oregon's state laws that limit property value growth and taxation rates, **Measure 5** and **Measure 50**.

Approved by voters in 1990, Measure 5 sets limits on taxes that can be collected from property tax depending upon the category of tax. General government taxes, those that would be collected by a city to provide services, are limited at \$10 per \$1,000 of **real market value**. Taxes for education (school districts) are limited at \$5 per \$1,000 of real market value under Measure 5. Because of these limitations, local governments in Oregon generally have to use other financing mechanisms for large projects, such as **general obligation bonds**.

Instead of limiting the rate at which properties are taxed, Measure 50 limits property values. Voters approved Measure 50 in 1997 which rolled back the assessed value of each property in the state to 90% of its 1996 value, creating what is called the **maximum assessed value** (MAV). Further, Measure 50 limits the increase of this value to 3% each year and mandates that the assessed value is the lesser of the real market value or the maximum assessed value. (The maximum assessed value is almost always the lower of the two, but sometimes the market value is lower than the MAV, such as during the 2008 Great Recession).

The scenarios are calculated for a total of six fiscal years simply for illustrative purposes.

| Table 5: Property Tax Revenue Forecasts | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Scenario | FY1 | FY2 | FY3 | FY4 | FY5 | FY6 |
| Pessimistic | \$12,374,473 | \$12,862,529 | \$13,271,769 | \$13,704,969 | \$14,162,847 | \$14,646,143 |
| Realistic | \$12,374,473 | \$12,862,529 | \$13,318,498 | \$13,811,511 | \$14,319,314 | \$14,865,715 |
| Optimistic | \$12,374,473 | \$12,862,529 | \$13,365,227 | \$13,906,370 | \$14,487,112 | \$15,108,640 |

Regardless of the scenario, the forecast results are fairly similar due to the limitations established in Measure 5 and Measure 50. However, regardless of these limitations, the study area is a large tax base and generally provides plenty of revenue to fund city-level services.

³ This is the assessed value used throughout ECO Northwest's report, as determined in conjunction with the Clackamas County Assessor's Office.

V. Incorporation with Gladstone Service Levels (Option 5)

Overview

Incorporating with Gladstone **service levels** is the fifth and final option assessed between this report and the ECO Northwest report. It is the second incorporation analysis but differs from the first (Option 3 in the ECO Northwest report) by assuming that the new city would provide the same services as Gladstone. The key differences in service provision include the addition of a city fire department and parks and recreation department instead of the Clackamas Fire District and North Clackamas Parks and Recreation District.

The information presented in this section is largely for comparison and discussion purposes; it should not be construed as an incorporation permanent tax rate recommendation.

Tax Rate

The crux of this analysis is to determine an estimated tax rate the study area would need to adopt to support Gladstone-level services, which is **\$3.27 per \$1,000 of assessed value**. This rate was calculated by:

1. Dividing the total assessed value by the estimated expenditures necessary to provide Gladstone-level services.
2. Dividing the amount determined in Step 1 by \$1,000 to determine a rate based on \$1,000 of assessed value, not the entire property value.
3. Multiplying the amount determined in Step 2 by the average proportion of Gladstone revenue from property taxes (22%).
 - a. This step creates a much more realistic property tax rate because local governments have sources of revenue other than property taxes, such as **state revenue sharing**.

This estimated tax rate is fairly significantly lower than Gladstone's current permanent property tax rate, even though the expenditures are controlled for a significant increase in population between the study area and Gladstone. (The study area is approximately 233% larger than Gladstone). While challenging to determine in the scope of this report, this discrepancy is likely because the assessed value is generally higher in the study area than in Gladstone. Further, as with the analyses conducted to determine the estimated revenues and expenditures in Option 4, this property tax calculation is predicated on a "point in time" analysis.

VI. Comparison of Governance Options

Representation

Elected representation is fundamental to governance, and representation comes at every level of government: federal (representatives and senators), state (state representatives and senators), local (councilors, commissioners, or selectmen), and even some special districts (school board members, utility board members, etc.). At its core, the intent of representation in local government is for community members to elect individuals who act on behalf of the community to implement policies.

Most people across the country take local representation for granted and might not even realize who their local elected officials are. However, Oak Lodge residents do not get the hyperlocal representation found in other incorporated cities around Oregon. While they do technically have local elected representatives (Clackamas County Commissioners), these representatives are unable to focus on hyperlocal issues for the Oak Lodge area. Because of this, it is critical to understand that representation is the key to governance, and it is the key to implementing any changes for the Oak Lodge area.

Thus, to compare the representation levels across each governance option, Table 6 outlines the number of residents represented per elected official for each governance option.

| Table 6: Comparison of Elected Official Representation | | | |
|--|----------------------|--|---------------------------------------|
| Governance Option | No. of Officials | Population | Ratio |
| Option 1 Unincorporated | 5 Commissioners | 426,515 residents | 85,303 residents per elected official |
| Option 2 Annex – Milwaukie | 4 Councilors + Mayor | 20,700 residents (current Milwaukie) + 27,778 residents (study area) = 48,478 residents | 9,969 residents per elected official |
| Option 3 Incorporate as a New City | 4 Councilors + Mayor | 27,778 residents | 5,556 residents per elected official |
| Option 4 Annex – Gladstone | 6 Councilors + Mayor | 11,945 residents (current Gladstone) + 27,778 residents (study area) = 39,723 residents | 5,675 residents per elected official |
| Option 5 Incorporate with Gladstone Levels | 6 Councilors + Mayor | 27,778 residents | 3,968 residents per elected official |

Table 6 note: The number of elected officials for Option 3 and Option 5 are examples to show the ratio of residents per elected official for a scenario with four councilors and a mayor (modeled after Milwaukie) and another scenario with six councilors and a mayor (modeled after Gladstone). However, the number of elected officials in any incorporation scenario will depend on the desire of the residents seeking incorporation.

Services

The agency providing any service to the study area changes with each governance option. Table 7 outlines who provides each key service to the study area under each governance option.

| Table 7: Service Provision for Each Governance Option in Oak Lodge | | | | | | | | | |
|--|-----------------|------------|------------|----------|--------------|-------|------------|--------------|-----------|
| | Law Enforcement | Comm. Dev. | Stormwater | Transpo. | Govt. Admin. | Water | Wastewater | Parks & Rec. | Fire, EMS |
| Option 1 Unincorporated | CO | CO | CO SD | CO | CO | SD | SD | SD | CO |
| Option 2 Annex into Milwaukie | CI | CI | CI SD | CI | CI | SD | SD | SD | CO |
| Option 3 Incorporate | CI | CI | CI SD | CI | CI | SD | SD | SD | CO |
| Option 4 Annex into Gladstone | CI | CO* | CI SD | CI | CI | SD | SD | CI | CI |
| Option 5 Incorporate - Gladstone | CI | CO* | CI SD | CI | CI | SD | SD | CI | CI |

Table 7 Key

| |
|--|
| CO – Service provided by Clackamas County (* denotes a city contracting with Clackamas County) |
| CI – Service provided by a city |
| SD – Service provided by a special district |
| CO SD – Service provided by both Clackamas County and a special district |
| CI SD – Service provided by both a city and a special district |

Table 7 notes:

1. Regardless of the governance option, stormwater is provided in partnership by either Clackamas County or a city (Milwaukie, Gladstone, or a new city under Option 3 or 5)

and the Oak Lodge Water Services District (OLWSD). The County or the city provides the infrastructure for stormwater conveyance (collection), while OLWSD provides stormwater treatment and quality management.

2. Similarly, OLWSD remains the water and wastewater service provider in every scenario because both services are heavily dependent upon infrastructure that is already built and maintained by OLWSD. Instead of transferring ownership or operation to the respective jurisdiction under any of the governance options, water and wastewater would remain part of the OLWSD service portfolio for the study area.
3. As shown in the table, the parks & recreation and fire services are provided by a city in only Options 4 and 5.
4. For a point of comparison, an additional analysis was conducted to determine the efficiency of police and fire services for Gladstone compared to Clackamas County. These calculations are averages and based on the expenditures for providing law enforcement and fire services for one year and the number of calls each respective agency received. The findings are as follows:
 - a. Clackamas County cost per unit of service
 - i. Law Enforcement: \$502 per call (study area), \$857 per call (entire county)
 - ii. Fire: \$3,038 (study area and the entire district)
 - b. Gladstone cost per unit of service
 - i. Law Enforcement: \$228 per call
 - ii. Fire: \$1,337 per call

Finances

Resident Tax Bill

Existing Oak Lodge residents made it clear that it is important to understand the financial impacts imposed on residents – largely through owning property – under each governance option analyzed. Table 8 lists each applicable taxing district for property owners in the study area and the estimated tax bill for a house with an assessed value of \$350,000 in 2021, which is slightly higher than the estimated average for the study area. Anyone reading this report who owns property in the study area can calculate their anticipated tax bill using their assessed value with the various rates shown for each governance option in Table 8.

| Table 8: Comparison of Estimated Resident Tax Bill for Each Governance Option | | | | | |
|---|---------------------------|------------------------------|---------------------------|-----------------------------|-------------------------------------|
| A Home in Oak Lodge | Option 1: Unincorporated* | Option 2: Annex – Milwaukie* | Option 3: Incorporation* | Option 4: Annex – Gladstone | Option 5: Incorporation – Gladstone |
| Annual Property Tax Bill Change | No change | +15.8% | +4.5% | +8.47% | +3.23% |
| \$150,000 of AV | \$2,708 | \$3,135 (+ \$36/month) | \$2,831 (+ \$10/month) | \$3,027 (+ \$27/month) | \$2,795 (+ \$7/month) |
| \$350,000 of AV | \$6,319 | \$7,314 (+ \$83/month) | \$6,605 (+ \$24/month) | \$7,063 (+ \$62/month) | \$6,523 (+ \$17/month) |

* Data extrapolated from ECONorthwest report, p. 35

Table 8 notes:

1. **Option 1:** In this option, the study area remains as is – an unincorporated area in Clackamas County. This option provides the lowest permanent tax rate for a non-incorporation scenario but also the lowest service level. Some of the services are provided by special districts instead of the County, and the community concerns are sustained (no sense of localized government or community development, for example). This is the only scenario in which residents pay the “rural” Clackamas County permanent tax rate of \$2.9766 per \$1,000 of assessed value instead of the slightly reduced “city” permanent property tax rate of \$2.4042 per \$1,000 of assessed value.
2. **Option 2:** The Milwaukie annexation scenario results in the highest tax bill for residents, but this comes with a significantly increased service level for some services like planning and community development. Milwaukie does not have the highest permanent property tax rate of the options assessed, but residents still pay for some services through special districts.
3. **Option 3:** The first of two incorporation examples, Option 3 is one example of what it would cost residents to incorporate as a city. This option should be considered a “base level” option, meaning it provides the minimum permanent property tax rate required for the study area to incorporate and provide legally required services. Option 3 still includes reliance on special districts for parks & recreation and fire, as with Options 1 and 2. Finally, it must be noted that this is just an example taxation scenario; the real tax rate would be determined at the time of incorporation and would be a reflection of what is necessary to cover the costs of services determined by the residents of the new city.
4. **Option 4:** This option consists of the highest permanent tax rate but an average overall tax bill because of more city-provided services and fewer special districts. Annexing into Gladstone would also mean that the residents who annexed would have to pay the city’s police levy (\$0.68/\$1,000 of AV) and fire levy (\$0.31/\$1,000 of AV). Gladstone also generally provides a more efficient cost per unit of service when compared to the services provided by Clackamas County.
5. **Option 5:** Option 5 is the second incorporation example, this time assuming incorporation with the same service levels as Gladstone. Due to an assumed greater assessed value of the study area when compared to Gladstone, the tax rate is lower than Gladstone’s permanent tax rate, and this scenario results in an average tax bill among

the five options. However, this scenario should be considered the bare minimum tax rate, and the calculated tax rate is based upon the entire study area annexing. If a smaller portion of the study area, especially a portion with a lower average assessed value, the tax rate would likely need to increase, thus increasing the overall tax bill. As with Option 3, this is one example of numerous incorporation scenarios.

Table 9 breaks down each estimated tax bill per taxing district. In reviewing the table, one can see which taxes are no longer applicable under various governance options.

| Table 9: Comparing Average Resident Tax Bill Among the Five Governance Options | | | | | | | |
|--|--------------|------------------------|---------------------------|------------------------------|------------------------|-----------------------------|--|
| Taxing District | Type | Rate (\$ / \$1,000 AV) | Option 1: Unincorporated* | Option 2: Annex – Milwaukie* | Option 3: Incorporate* | Option 4: Annex – Gladstone | Option 5: Incorporate (Gladstone levels) |
| Clackamas County - Rural | Permanent | 2.9766 | \$1,042 | – | – | – | |
| Clackamas County - City | Permanent | 2.4042 | – | \$841 | \$841 | \$841 | \$841 |
| Clackamas County Extension & 4H | Permanent | 0.0500 | \$18 | \$18 | \$18 | \$18 | \$18 |
| Clackamas County Law Enhanced | Permanent | 0.7198 | \$252 | – | – | – | – |
| Clackamas County Library | Permanent | 0.3974 | \$139 | \$139 | \$139 | \$139 | \$139 |
| Clackamas County Public Safety | Local Option | 0.2480 | \$87 | \$87 | \$87 | \$87 | \$87 |
| Clackamas County Emergency Radio | Bond | 0.0965 | \$34 | \$34 | \$34 | \$34 | \$34 |
| Clackamas Fire District #1 | Permanent | 2.4012 | \$840 | \$840 | \$840 | – | – |
| Clackamas Fire District #1 | Bond | 0.0888 | \$31 | \$31 | \$31 | – | – |
| North Clackamas Parks & Recreation | Permanent | 0.5382 | \$188 | \$188 | \$188 | – | – |
| City of Milwaukie | Permanent | 4.1367 | – | \$1,448 | – | – | – |
| New City (incorporation #1) | Permanent | 2.1098 | – | – | \$738 | – | – |
| City of Gladstone - Property | Permanent | 4.8174 | – | – | – | \$1,686 | – |
| City of Gladstone - Police Levy | Local Option | 0.68 | – | – | – | \$238 | \$238 |
| City of Gladstone - Fire Levy | Local Option | 0.31 | – | – | – | \$109 | \$109 |
| City of Gladstone - Urban Renewal | Permanent | 0.64 | – | – | – | \$223 | \$223 |
| New City (incorporation #2) | Permanent | 3.27 | – | – | – | – | \$1,146 |
| Other Districts | Multiple | 10.5373 | \$3,688 | \$3,688 | \$3,688 | \$3,688 | \$3,688 |
| Total | | | \$6,319 | \$7,314 | \$6,605 | \$7,063 | \$6,523 |

* Data from ECO Northwest report, p. 35

Community Values Comparison

The final component of this analysis consists of a comparison of the most recent values each agency's elected officials adopted. The purpose of this comparison is strictly to illustrate the stark differences between each agency's values and not cast any judgement.

Table 10 breaks down each general topic included within all of the goals and then uses a color coded system to show whether each jurisdiction's goals clearly expressed, slightly expressed, or did not express that topic or sentiment in their goals. While the author of this report attempted to remain objective in this analysis, it is an inherently subjective exercise.

The goals used for this comparison are as follows:

Milwaukie (City Council's Goals for 2021-22)⁴

- Climate change mitigation and resilience action
- Equity, justice, and inclusion

Gladstone (City Council Goals in the 2021 budget)⁵

- Enhance the livability in Gladstone
- Address critical civic building needs
- Ensure a highly qualified workforce
- Maintain the health and long term vibrancy (stability) of the City of Gladstone
- Ensure financial stewardship and long term municipal financial stability

Clackamas County (Commission's Strategic Plan Goals)⁶

- Honor, utilize, promote and invest in our natural resources
- Grow a vibrant economy
- Ensure safe, healthy and secure communities
- Build a strong infrastructure
- Build public trust through good government

| Jurisdiction | Economy | Fiscal Responsibility | Environment | Climate | Inclusion | Safety | Infrastructure | Forward Thinking |
|------------------|---------|-----------------------|-------------|---------|-----------|--------|----------------|------------------|
| Milwaukie | Yellow | Red | Green | Green | Green | Yellow | Yellow | Green |
| Clackamas County | Green | Red | Green | Red | Red | Green | Green | Yellow |
| Gladstone | Green | Green | Red | Red | Red | Red | Yellow | Yellow |

⁴ <https://www.milwaukieoregon.gov/citycouncil/goals>

⁵ https://www.ci.gladstone.or.us/sites/default/files/fileattachments/finance/page/1191/adopted_cog_budget_final.pdf

⁶ <https://www.clackamas.us/performance>

Table 10 Key

| | | |
|-------------------|--------------------|---------------|
| Clearly expressed | Slightly expressed | Not expressed |
|-------------------|--------------------|---------------|

VII. Conclusion

The purpose of this is to provide additional information for Oak Lodge residents to have informed discussions about governance options. Now that residents understand potential financial implications and feasibility of Gladstone annexation and incorporation, they can continue discussions about how they want to move forward – individually or collectively.

It is very likely that residents will want to do different things in terms of governance – some may want to annex into Milwaukie, some may want to annex into Gladstone, and others may want to remain unincorporated. All of those options are viable and reasonable; what is important in terms of this report, however, is that it provides a solid foundation for future forums and engagement to determine community sentiment about the various options available to Oak Lodge.

Appendices

Appendix A – Glossary of Key Terms

Appendix B – Revenue and Expenditure Calculations

Appendix C – Property Tax Revenue Forecasts

Appendix D – OLGP Steering Committee Presentation #1 (February 19, 2022)

Appendix E – OLGP Steering Committee Presentation #2 (March 5, 2022)

Appendix A: Glossary of Key Terms

Annex – The legal process of bringing land that is not part of a city into a city to receive services from that city.

Assessed Value – The taxable value of a property.

Capital Projects – Infrastructure projects such as roads, bridges, water pipes, etc.

Council-manager – The form of government in which an elected city or county manager hires a city or county manager to oversee the daily operations of the city and implement council initiatives.

Debt Service – Repaying money loaned to an entity to cover a large cost.

Deficit – A difference between two numbers that is negative; in terms of budgets, a deficit would mean more expenditures than revenues.

Delinquency Rate – The rate at which people do not pay their property tax bill.

General Obligation Bonds – A voter-approved agreement between a local agency and a lender to fund a large project. The project generally benefits the community as a whole, and the agreement is secured by the full-faith-and-credit of the agency.

Home Rule – “The term ‘home rule’ refers to the extent to which a city may set policy and manage its own affairs without the need to obtain authority from a state legislature, except where preempted. Voters who reside in home rule cities have the authority to establish their own form of local government and empower that government to self-regulate for the protection of the public health, safety, and welfare as well as to license, tax and incur debt.”⁷

Incorporate – The legal process of becoming a city in an area that is currently not part of a city and thus governed by its county.

Maximum Assessed Value – Maximum assessed value is calculated by multiplying the prior year’s property value by 1.03 or the current year’s value by 1.00 and taking the higher of the two figures.

Operating Costs – Expenditures for the daily functions of a city or county, such as personnel costs, materials and services.

Permanent Property Tax Rate – A municipality’s tax rate at the time Measure 50 passed.

⁷ [Home Rule 101](#), League of Oregon Cities

Real Market Value – The amount a home could sell for, not its assessed value as determined Measure 5.

Service Levels – The services a city provides and the extent to which they are provided.

Special Districts – A local government agency established to provide a distinct service to a geographically-defined area. In Oregon, these can be any one of the following (per ORS 198.010):

- (1) A people's utility district organized under ORS chapter 261.
- (2) A domestic water supply district organized under ORS chapter 264.
- (3) A cemetery maintenance district organized under ORS chapter 265.
- (4) A park and recreation district organized under ORS chapter 266.
- (5) A mass transit district organized under ORS 267.010 to 267.394.
- (6) A metropolitan service district organized under ORS chapter 268.
- (7) A special road district organized under ORS 371.305 to 371.360.
- (8) A road assessment district organized under ORS 371.405 to 371.535.
- (9) A highway lighting district organized under ORS chapter 372.
- (10) A health district organized under ORS 440.305 to 440.410.
- (11) A sanitary district organized under ORS 450.005 to 450.245.
- (12) A sanitary authority, water authority or joint water and sanitary authority organized under ORS 450.600 to 450.989.
- (13) A vector control district organized under ORS 452.020 to 452.170.
- (14) A rural fire protection district organized under ORS chapter 478.
- (15) An irrigation district organized under ORS chapter 545.
- (16) A drainage district organized under ORS chapter 547.
- (17) A water improvement district organized under ORS chapter 552.
- (18) A water control district organized under ORS chapter 553.
- (19) A weather modification district organized under ORS 558.200 to 558.440.
- (20) A port organized under ORS 777.005 to 777.725 and 777.915 to 777.953.
- (21) A geothermal heating district organized under ORS chapter 523.
- (22) A transportation district organized under ORS 267.510 to 267.650.
- (23) A library district organized under ORS 357.216 to 357.286.
- (24) A 9-1-1 communications district organized under ORS 403.300 to 403.380.
- (25) A heritage district organized under ORS 358.442 to 358.474.
- (26) A radio and data district organized under ORS 403.500 to 403.542.
- (27) A sand control district organized under ORS 555.500 to 555.535.
- (28) The urban flood safety and water quality district created under ORS 550.150 to 550.400.

State Revenue Sharing – A portion of State of Oregon funds provided to incorporated cities based on a statutory formula, as outlined in ORS 221.770.

Transportation System Plan – “A transportation system plan describes a transportation system and outlines projects, programs, and policies to meet its needs now and in the future based on the community’s aspirations.”⁸

Unincorporated Community – An area located within a county that is not part of a city.

Urban Growth Management Area – Land immediately outside of a city’s boundaries identified for potential future growth.

⁸ [*What is a transportation system plan?*](#), State of Oregon

Appendix B: Revenue and Expenditure Calculations

The calculations for each service's estimated revenues and expenditures are listed below. Note that each item pulled from Gladstone's BN19-21 Budget is multiplied by a multiplier of 0.5134 to convert the two year budget figures into an estimated one year budget figure.

Law Enforcement

Revenues

| Exhibit 1: Law Enforcement Revenue Data | | | |
|---|--|-------------|----------------------------|
| | KEY DATA (Revenues) | Value | Source/Method |
| A | Total Police Contacts - study area | 27,984 | CCSO, Average 2018 to 2020 |
| B | Study Area Population | 27,778 | ECONorthwest, 2021 |
| C | Gladstone Population | 11,945 | PSU, 2020 |
| D | Ratio of Study Area to Gladstone | 232.55% | B / C |
| E | Gladstone Total GF Expenditures | \$9,669,648 | Gladstone BN19-21 Budget |
| F | Gladstone Total Police Expenditures | \$2,834,048 | Gladstone BN19-21 Budget |
| G | Share of Gladstone GF Expenditures | 29.31% | F / E |
| H | Share of Gladstone GF Expenditures Spent on Police Proportionate to Study Area | 69.30% | D * G |

| Exhibit 2: Estimated Law Enforcement Revenues | | | | |
|---|----------------------------------|--------------------|--------------------|---|
| | REVENUES (General Fund) | Gladstone Total | Amount | Method |
| A | Taxes | \$5,112,051 | \$3,542,651 | Figure from "Gladstone Total" column multiplied the share of gladstone general fund expenditures spent on police proportionate to study area (H in Exhibit 1) |
| B | Franchise Taxes | \$898,450 | \$622,626 | |
| C | State Revenue | \$453,567 | \$314,322 | |
| D | Other Intergovernmental (Grants) | \$73,391 | \$50,860 | |
| E | Licenses (Fees, Charge for Use) | \$195,862 | \$135,732 | |
| F | Fees & Fines | \$397,885 | \$275,734 | |
| G | Other Revenues | \$218,195 | \$151,209 | |
| H | Interfund Transfers | \$405,265 | \$280,849 | |
| I | Police Levy | \$786,592 | \$786,592 | |
| | Total | \$7,754,666 | \$6,160,575 | |

Expenditures

| Exhibit 3: Law Enforcement Expenditures Data | | | |
|--|---|---------|---------------------------------------|
| | KEY DATA (Expenditures) | Value | Source/Method |
| A | Total Annual Police Contacts - study area | 27,984 | CCSO, Average 2018 to 2020 |
| B | Total Annual Police Contacts - Gladstone | 14,253 | Avg. of 2018 and 2019, BN19-21 budget |
| C | Total Clackamas County Sheriff's Office (CCSO) Contacts | 119,109 | CCSO, Average 2018 to 2020 |
| D | Ratio of study area contacts to CC total | 23.5% | = A / C |
| E | Ratio of study area contact to Gladstone | 196.3% | = A / B |

| Exhibit 4: Estimated Law Enforcement Expenditures | | | |
|---|--------------------|--------------------|---|
| EXPENDITURES | Gladstone Total | Amount | Method |
| Personnel Services | \$2,368,010 | \$4,648,404 | Each figure from the "Gladstone Total" column multiplied by the ratio of study area contact to Gladstone (E in Exhibit 3) |
| Materials and Services | \$350,523 | \$688,076 | |
| Allocated Costs | \$0 | \$0 | |
| Capital Outlay | \$115,515 | \$226,756 | |
| Special Payments | \$0 | \$0 | |
| Interfund Transfers | \$0 | \$0 | |
| Total | \$2,834,048 | \$5,563,236 | |

Transportation

Revenues

| Exhibit 5: Transportation Revenues Data | | | |
|---|----------------------------------|-----------------|-------------------------------------|
| | Key Data (Revenues) | Value | Source/Methods |
| A | Study Area Population | 27,778 | ECONorthwest, 2021 |
| B | Gladstone Population | 11,945 | PSU, 2020 |
| C | Ratio of Study Area to Gladstone | 232.55% | A / B |
| D | Assessed Value of Study Area | \$2,648,148,099 | Clackamas County Assessor, FYE 2021 |

| Exhibit 6: Estimated Transportation Revenues | | | |
|--|-----------------------|--------------------|--|
| REVENUES | Gladstone Total | Amount | Method |
| State Revenue | \$943,178.95 | \$2,193,354.95 | Multiply the figure in the "Gladstone Total" column by the ratio of the study area to Gladstone (C in Exhibit 5) |
| Fees & Charges | \$468,220.80 | \$1,088,843.65 | |
| Miscellaneous | \$30,804.00 | \$71,634.45 | |
| Interfund Transfers | \$253,019.95 | \$588,395.83 | |
| Total | \$1,695,223.70 | \$3,942,229 | |

Expenditures

| Exhibit 7: Transportation Expenditures Data | | | |
|---|---|-------------|------------------------------------|
| | Key Data (Expenditures) | Value | Source/Method |
| A | Miles of Roads in Study Area | 77.8 | ECONorthwest, 2021 |
| B | Miles of Roads Maintained by Gladstone | 37.4 | 2017 Gladstone TSP |
| C | Ratio of Roads in Study Area to City of Gladstone | 208.02% | A / B |
| D | Study Area Capital Projects | \$1,623,238 | ECONorthwest, 2021 (see Exhibit 8) |

| Exhibit 8: Transportation Capital Projects in the Oak Lodge Study Area* | | | |
|---|--------------------|-------------------------------------|--------------------|
| Project Name | Total Cost | Project Length (Number of Years) | Cost/Year |
| Oatfield Rd ARTS Systemic & Hot Spot Signals and Illumination Project | \$293,000 | 2 | \$146,500 |
| Jennings Ave - Sidewalk and Bike Lanes | \$4,040,213 | 3 | \$1,346,738 |
| Fiber Communication Project on Oatfield Rd | \$130,000 | 1 | \$130,000 |
| Total | \$4,463,213 | | \$1,623,238 |

* From the ECONorthwest report, p. 78, Exhibit 36

| Exhibit 9: Estimated Transportation Expenditures | | | |
|--|-----------------------|--------------------|--|
| EXPENDITURES | Gladstone Total | Amount | Method |
| Personnel Services | \$411,020.34 | \$855,004.51 | Multiply the "Gladstone Total" column by the ratio of road miles in study area to Gladstone (C in Exhibit 7) |
| Materials & Services | \$508,553.50 | \$1,057,893.00 | |
| Capital Outlay | | \$1,623,238.00 | |
| Interfund Transfers | \$508,581.74 | \$1,057,951.74 | |
| Total | \$1,428,155.58 | \$4,594,087 | |

Community Development

The City of Gladstone contracts with Clackamas County for Community Development services. These calculations simply rely on the City of Gladstone Community Development expenditures outlined in the BN19-21 budget (\$82,144) and the planning application fee revenue also listed in the BN19-21 budget (\$35,938).

Governmental Administration

Revenues

| Exhibit 10: Governmental Administration Revenues Data | | | |
|---|---|-------------|--------------------------|
| | KEY DATA (Revenues) | Value | Source/Method |
| A | Study Area Population | 27,778 | ECONorthwest, 2021 |
| B | Ratio of Study Area to Gladstone | 232.55% | |
| C | City of Gladstone Total General Fund Expenditures | \$9,669,648 | Gladstone BN19-21 Budget |
| D | City of Gladstone Administrative Expenditures | \$1,680,946 | Gladstone BN19-21 Budget |
| E | Share of Gladstone General Fund | 17.4% | D / C |
| F | Share of Gladstone Administrative | 40.4% | E x B |

| Exhibit 11: Estimated Governmental Administration Revenues | | | |
|--|--------------------|--------------------|--|
| REVENUES | Gladstone Total | Study Area Total | Method |
| Licenses & Permits | \$99,600 | \$40,264 | Multiply the figures in the "Gladstone Total" column by the share of Gladstone administrative (F in Exhibit 10). |
| Misc. Revenue | \$218,195 | \$88,207 | |
| Property/Local Taxes | \$5,112,051 | \$2,066,591 | |
| Franchise/ROW Fees | \$898,450 | \$363,206 | |
| State Revenue | \$453,567 | \$183,359 | |
| Other Governmental (Grants) | \$73,391 | \$29,669 | |
| Fees & Fines | \$397,885 | \$160,848 | |
| Interfund Transfers | \$405,265 | \$163,832 | |
| Charges for Services | \$96,263 | \$38,915 | |
| Total | \$7,754,666 | \$3,134,891 | |

Expenditures

| Exhibit 12: Governmental Administration Expenditures Data | | | |
|---|----------------------------------|---------|--------------------|
| | KEY DATA (Expenditures) | Value | Source/Method |
| A | Study Area Population | 27,778 | ECONorthwest, 2021 |
| B | Ratio of Study Area to Gladstone | 232.55% | |

| Exhibit 13: Estimated Governmental Administration Expenditures | | | |
|--|--------------------|--------------------|---|
| EXPENDITURES | Gladstone Total | Amount | Method |
| Personnel Services | \$872,618 | \$2,029,273 | Multiply the amount in the "Gladstone Total" column by the ratio of the study area to Gladstone (B in Exhibit 12) |
| Materials & Services | \$808,328 | \$1,879,766 | |
| Total | \$1,680,946 | \$3,909,039 | |

Water

The water revenues and expenditures are consistent across all governance options because the service would not change. The tables below are pulled from the ECONorthwest report with each respective page number cited.

Revenues

| Exhibit 14: Water Revenues Data* | | | |
|----------------------------------|---|-----------|---|
| | KEY DATA (Revenues) | Value | Source/Method |
| A | Gallons of Water Consumption, OLWSD Total | 1,196,433 | ECONorthwest, 2021, with data from OLWSD, May 2020 through April 2021 |
| B | Gallons of Water Consumption, OLWSD inside Study Area | 1,155,363 | ECONorthwest, 2021, with data from OLWSD, May 2020 through April 2021 |
| C | Percent Water Usage in Study Area | 96.6% | B / A |

* ECONorthwest report, 2021, p. 102, Exhibit 71

| Exhibit 15: Estimated Water Revenues* | | | |
|---------------------------------------|--------------------|------------------|--------------------|
| Revenue | OLWSD Total | Study Area Share | |
| | | Percent | Total |
| Water Sales | \$4,038,000 | 96.6% | \$3,899,385 |
| SDCs | \$100,000 | 96.6% | \$96,567 |
| Leases & Other | \$348,000 | 96.6% | \$336,054 |
| Total | \$4,486,000 | | \$4,332,006 |

* ECONorthwest report, 2021, p. 102, Exhibit 72

Expenditures

| Exhibit 16: Water Expenditures Data* | | | |
|--------------------------------------|---|--------------|---|
| | KEY DATA (Expenditures) | Value | Source/Method |
| A | Gallons of Water Consumption, OLWSD Total | 1,196,433 | ECONorthwest, 2021, with data from OLWSD, May 2020 through April 2021 |
| B | Gallons of Water Consumption, OLWSD Inside Study Area | 1,155,363 | ECONorthwest, 2021, with data from OLWSD, May 2020 through April 2021 |
| C | Share of OLWSD Water Consumption Inside Study Area | 96.6% | B / A |
| D | Total Non-Administrative Expenditures, OLWSD | \$13,748,044 | Oak Lodge Water Service District Budget, FY 2020-21 |
| E | Total Drinking Water Fund and Water Capital Expenditures, OLWSD | \$4,157,301 | Oak Lodge Water Service District Budget, FY 2020-21 |
| F | Water Share of Total Non-Administrative Expenditures | 30.2% | E / D |
| G | Share of Administrative Expenditures Allocated to Water in Study Area | 29.2% | C x F |

* ECONorthwest report, 2021, p. 103, Exhibit 73

| Exhibit 17: Estimated Water Expenditures* | | | | |
|---|-------------|------------------|-------------|---|
| Expenditure | OLWSD Total | Study Area Share | | Method |
| | | Percent | Amount | |
| Water | | | | |
| Personnel Services | \$989,000 | 96.6% | \$955,050 | Share of water consumption in study area |
| Materials & Services | \$1,443,500 | 96.6% | \$1,393,948 | |
| Capital Outlay | \$1,515,000 | 96.6% | \$1,462,993 | |
| Debt Service | \$209,801 | 96.6% | \$202,599 | |
| Subtotal | \$4,157,301 | 96.6% | \$4,014,590 | |
| Administrative Services | | | | |
| Personnel Services | \$1,977,000 | 29.2% | \$577,307 | Share of administrative expense allocated to study area |
| Materials & Services | \$2,237,000 | 29.2% | \$653,230 | |
| Capital Outlay | - | 29.2% | - | |
| Debt Service | - | 29.2% | - | |
| Special Payments | \$552,000 | 29.2% | \$161,190 | |
| Subtotal | \$4,766,000 | 29.2% | \$1,391,728 | |
| Total | \$8,923,301 | | \$5,406,318 | |

* ECONorthwest report, 2021, p. 104, Exhibit 74

Wastewater

The wastewater revenues and expenditures are consistent across all governance options because the service would not change. The tables on the following pages are pulled from the ECONorthwest report with each respective page number cited.

Revenues

| Exhibit 18: Wastewater Revenues Data* | | | |
|---------------------------------------|--|---------|--|
| | KEY DATA (Revenues) | Value | Source/Method |
| A | Average Monthly Water Consumption (gallons), Winter, OLWSD Total | 153,859 | ECONorthwest, 2021, with data from OLWSD |
| B | Average Monthly Water Consumption (gallons), Winter, inside Study Area | 149,247 | ECONorthwest, 2021, with data from OLWSD |
| C | Percent Water Usage in Study Area | 97.0% | B / A |

* ECONorthwest report, 2021, p. 105, Exhibit 75

| Exhibit 19: Estimated Wastewater Revenues* | | | |
|--|--------------------|------------------|--------------------|
| Revenue | OLWSD Total | Study Area Share | |
| | | Percent | Total |
| Water Sales | \$8,270,000 | 97.0% | \$8,022,103 |
| SDCs | \$125,000 | 97.0% | \$121,253 |
| Leases & Other | \$40,000 | 97.0% | \$38,801 |
| Total | \$4,486,000 | | \$8,182,157 |

* ECONorthwest report, 2021, p. 105, Exhibit 76

Expenditures

| Exhibit 20: Wastewater Expenditures Data* | | | |
|---|--|--------------|---|
| | KEY DATA (Expenditures) | Value | Source/Method |
| A | Average Monthly Water Consumption (gallons), winter, OLWSD Total | 153,859 | ECONorthwest, 2021, with data from OLWSD, May 2020 through April 2021 |
| B | Average Monthly Water Consumption (gallons), winter, inside Study Area | 149,247 | ECONorthwest, 2021, with data from OLWSD, May 2020 through April 2021 |
| C | Share of OLWSD Water Consumption Inside Study Area | 97.0% | B / A |
| D | Total Non-Administrative Expenditures, OLWSD | \$13,748,044 | Oak Lodge Water Service District Budget, FY 2020-21 |
| E | Total Wastewater Reclamation Fund | \$8,824,185 | Oak Lodge Water Service District Budget, FY 2020-21 |
| F | Water Share of Total Non-Administrative Expenditures | 64.2% | E / D |
| G | Share of Administrative Expenditures Allocated to Water in Study Area | 62.3% | C x G |

* ECONorthwest report, 2021, p. 106, Exhibit 77

| Exhibit 21: Estimated Wastewater Expenditures* | | | | |
|--|--------------|------------------|--------------|---|
| Expenditure | OLWSD Total | Study Area Share | | Method |
| | | Percent | Amount | |
| Wastewater | | | | |
| Personnel Services | \$1,721,000 | 97.0% | \$1,669,412 | Share of winter water consumption in study area |
| Materials & Services | \$1,046,000 | 97.0% | \$1,014,646 | |
| Capital Outlay | \$2,450,000 | 97.0% | \$2,376,560 | |
| Debt Service | \$3,607,185 | 97.0% | \$3,499,058 | |
| Subtotal | \$8,824,185 | | \$8,559,676 | |
| Administrative Services | | | | |
| Personnel Services | \$1,977,000 | 62.3% | \$1,230,901 | Share of administrative expense allocated to study area |
| Materials & Services | \$2,237,000 | 62.3% | \$1,392,780 | |
| Capital Outlay | - | 62.3% | - | |
| Debt Service | - | 62.3% | - | |
| Special Payments | \$552,000 | 62.3% | \$343,681 | |
| Subtotal | \$4,766,000 | 62.3% | \$2,967,361 | |
| Total | \$13,590,185 | | \$11,527,037 | |

* ECONorthwest report, 2021, p. 107, Exhibit 78

Stormwater

Revenues

| Exhibit 22: Stormwater Revenues Data | | | |
|--------------------------------------|---|---------|--------------------|
| | KEY DATA (Revenues) | Value | Source/Method |
| A | Population of Study Area | 27,778 | ECONorthwest, 2021 |
| B | Population of City of Gladstone | 11,945 | PSU, 2020 |
| C | Ratio of Study Area Population to City of Gladstone | 232.55% | B / A |

| Exhibit 23: Estimated Stormwater Revenues | | | |
|---|--------------------|------------------|-------------|
| Revenue | Jurisdiction Total | Study Area Share | |
| | | Percent | Amount |
| OLWSD* | | | |
| Watershed Charges | \$1,548,000 | 92.9% | \$1,437,456 |
| Other Revenue | \$28,000 | 92.9% | \$26,000 |
| Subtotal | \$1,576,000 | | \$1,463,456 |
| City of Gladstone | | | |
| Charges and Fees | \$818,118 | 232.55% | \$1,902,534 |
| Other Revenue | \$5,134 | 232.55% | \$11,939 |
| Subtotal | \$823,252 | | \$1,914,473 |
| Combined | | | |
| Charges and Fees | \$2,366,118 | | \$3,339,990 |
| Other Revenue | \$33,134 | | \$37,939 |
| Total | \$2,399,252 | | \$3,377,929 |

* ECONorthwest report, 2021, p. 88, Exhibit 51

Expenditures

| Exhibit 24: Stormwater Expenditures Data | | | |
|--|---|---------|--------------------|
| | KEY DATA (Expenditures) | Value | Source/Method |
| A | Population of Study Area | 27,778 | ECONorthwest, 2021 |
| B | Population of City of Gladstone | 11,945 | PSU, 2020 |
| C | Ratio of Study Area Population to City of Gladstone | 232.55% | B / A |

| Exhibit 25: Stormwater Expenditures | | | | | |
|-------------------------------------|--------------------|---------|--------------------|------------------|--------------------|
| City of Gladstone | | | | OLWSD* | Total |
| Expenditures | Gladstone Total | Percent | Study Area Share | Study Area Share | Study Area Share |
| Personnel Services | \$288,936 | 232.55% | \$671,920 | \$226,792 | \$898,712 |
| Materials and Services | \$122,682 | 232.55% | \$285,297 | \$213,325 | \$498,622 |
| Capital Outlay | \$511,304 | 232.55% | \$1,189,037 | \$431,794 | \$1,620,831 |
| Other | \$123,434 | 232.55% | \$287,045 | \$58,091 | \$345,136 |
| Special Payments | - | - | - | \$28,580 | \$28,580 |
| Total | \$1,046,355 | | \$2,433,299 | \$958,582 | \$3,391,881 |

* ECONorthwest report, 2021, p. 92, Exhibit 56

Library

The library expenditures are \$200,000 per year because the City of Gladstone noted in their BN21-23 budget that they have entered into an intergovernmental agreement with Clackamas County. The County will manage the Gladstone Library for a cost of \$200,000 per year.

Fire

Revenues

| Exhibit 26: Fire Revenues Data | | | |
|--------------------------------|---|-------------|--------------------------|
| | KEY DATA (Revenues) | Value | Source/Method |
| A | Gladstone Total GF Expenditures | \$9,669,648 | Gladstone BN19-21 Budget |
| B | Gladstone Fire GF Expenditures | \$1,805,864 | PSU, 2020 |
| C | Share of Gladstone GF Expenditures | 18.68% | B / A |
| D | Ratio of Study Area Population to City of Gladstone | 232.55% | |

| Exhibit 27: Fire Revenues Data | | | |
|--------------------------------|-----------------|---------|------------------|
| Revenue | Gladstone Total | Percent | Study Area Total |
| Gladstone General Fund | \$1,805,864 | 232.55% | \$1,287,899 |
| Gladstone Fire Levy | \$553,816 | 232.55% | \$4,199,538 |
| Total | \$2,359,680 | 232.55% | \$5,487,437 |

Expenditures

| Exhibit 28: Estimated Fire Expenditures | | | |
|---|----------------------|------------------|-------------|
| Expenditures | Gladstone Fire Total | Study Area Share | |
| | | Percent | Total |
| General Fund | | | |
| Personnel Services | \$1,136,704 | 232.55% | \$2,643,405 |
| Materials and Services | \$406,782 | 232.55% | \$945,971 |
| Capital Outlay | \$262,379 | 232.55% | \$610,162 |
| Subtotal | \$1,805,864 | | \$4,199,538 |
| Fire Levy Fund | | | |
| Personnel Services | \$180,205 | 232.55% | \$419,067 |
| Materials and Services | \$45,000 | 232.55% | \$104,647 |
| Capital Outlay | \$273,129 | 232.55% | \$635,161 |
| Subtotal | \$498,334 | | \$1,158,876 |
| Total | \$2,304,198 | | \$5,358,413 |

Parks and Recreation

Revenues

| Exhibit 29: Estimated Parks and Recreation Revenues | | |
|---|--------------------|--|
| Revenue | Value | Source/Method |
| Total Gladstone GF Revenues | \$9,669,648 | Gladstone BN19-21 budget |
| Gladstone Parks GF Revenues | \$643,007 | Gladstone BN19-21 budget |
| Percent share | 232.55% | |
| Percent of GF spent on parks | 6.6% | |
| Study area share | 15% | |
| Study area GF revenues | \$1,199,181 | GF revenues (minus reserves) multiplied by study area share |

Expenditures

| Exhibit 30: Estimated Parks and Recreation Expenditures | | | |
|---|------------------|---------|--------------------|
| EXPENDITURES | Value | Percent | Study Area Total |
| Personnel Services | \$337,293 | 232.55% | \$784,374 |
| Materials and Services | \$208,882 | 232.55% | \$485,755 |
| Capital | \$96,833 | 232.55% | \$225,185 |
| Total | \$643,007 | | \$1,495,314 |

Senior Center

Revenues

| Exhibit 31: Estimated Parks and Recreation Revenues | | |
|---|------------------|--|
| Revenue | Value | Source/Method |
| Total Gladstone GF Revenues | \$9,669,648 | Gladstone BN19-21 budget |
| Gladstone Senior Center GF Expenditures | \$344,622 | Gladstone BN19-21 budget |
| Percent share | 232.55% | |
| Percent of GF spent on Senior Center | 6.6% | |
| Study area share | 15% | |
| Study area GF revenues | \$801,419 | GF revenues (minus reserves) multiplied by study area share |

Expenditures

| Exhibit 32: Estimated Parks and Recreation Expenditures | | | |
|---|-----------|---------|------------------|
| Expenditure | Value | Percent | Study Area Total |
| Personnel Services | \$288,781 | 232.55% | \$671,560 |
| Materials & Services | \$49,167 | 232.55% | \$114,339 |
| Capital Outlay | \$6,674 | 232.55% | \$15,521 |
| Total | \$344,622 | | \$801,419 |

Appendix C: Property Tax Forecasts

| | Oak Lodge Study Area Property Tax Forecasts - Realistic Scenario | | | | | |
|--------------------------------------|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY1 | FY2 | FY3 | FY4 | FY5 | FY6 |
| Assessed Value | \$ 2,648,148,099 | \$ 2,752,592,542 | \$ 2,850,170,318 | \$ 2,955,675,428 | \$ 3,064,345,691 | \$ 3,181,276,061 |
| Permanent Property Tax Rate | 4.81740 | 4.81740 | 4.81740 | 4.81740 | 4.81740 | 4.81740 |
| Total Estimated Revenue (Gross) | \$ 12,757,189 | \$ 13,260,339 | \$ 13,730,410 | \$ 14,238,671 | \$ 14,762,179 | \$ 15,325,479 |
| Delinquency Rate | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3% |
| Total Estimated Revenue (Net) | \$ 12,374,473 | \$ 12,862,529 | \$ 13,318,498 | \$ 13,811,511 | \$ 14,319,314 | \$ 14,865,715 |
| | | | | | | |
| Increase in Assessed Value | \$ 25,000,000 | \$ 15,000,000 | \$ 20,000,000 | \$ 20,000,000 | \$ 25,000,000 | |
| Measure 5 Value Increase Limit | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | |

| | Oak Lodge Study Area Property Tax Forecasts - Pessimistic Scenario | | | | | |
|--------------------------------------|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY1 | FY2 | FY3 | FY4 | FY5 | FY6 |
| Assessed Value | \$ 2,648,148,099 | \$ 2,752,592,542 | \$ 2,840,170,318 | \$ 2,932,875,428 | \$ 3,030,861,691 | \$ 3,134,287,541 |
| Permanent Property Tax Rate | 4.81740 | 4.81740 | 4.81740 | 4.81740 | 4.81740 | 4.81740 |
| Total Estimated Revenue (Gross) | \$ 12,757,189 | \$ 13,260,339 | \$ 13,682,236 | \$ 14,128,834 | \$ 14,600,873 | \$ 15,099,117 |
| Delinquency Rate | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3% |
| Total Estimated Revenue (Net) | \$ 12,374,473 | \$ 12,862,529 | \$ 13,271,769 | \$ 13,704,969 | \$ 14,162,847 | \$ 14,646,143 |
| | | | | | | |
| Increase in Assessed Value | \$ 25,000,000 | \$ 5,000,000 | \$ 7,500,000 | \$ 10,000,000 | \$ 12,500,000 | |
| Measure 5 Value Increase Limit | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | |

| | Oak Lodge Study Area Property Tax Forecasts - OptimisticScenario | | | | | |
|--------------------------------------|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY1 | FY2 | FY3 | FY4 | FY5 | FY6 |
| Assessed Value | \$ 2,648,148,099 | \$ 2,752,592,542 | \$ 2,860,170,318 | \$ 2,975,975,428 | \$ 3,100,254,691 | \$ 3,233,262,331 |
| Permanent Property Tax Rate | 4.81740 | 4.81740 | 4.81740 | 4.81740 | 4.81740 | 4.81740 |
| Total Estimated Revenue (Gross) | \$ 12,757,189 | \$ 13,260,339 | \$ 13,778,584 | \$ 14,336,464 | \$ 14,935,167 | \$ 15,575,918 |
| Delinquency Rate | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3% |
| Total Estimated Revenue (Net) | \$ 12,374,473 | \$ 12,862,529 | \$ 13,365,227 | \$ 13,906,370 | \$ 14,487,112 | \$ 15,108,640 |
| | | | | | | |
| Increase in Assessed Value | \$ 25,000,000 | \$ 25,000,000 | \$ 30,000,000 | \$ 35,000,000 | \$ 40,000,000 | |
| Measure 5 Value Increase Limit | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | |

Appendix D: OLGP Steering Committee Presentation #1
(February 19, 2022)

Oak Lodge Governance Project Analysis of Gladstone Annexation

Presented by Alexander Nelson for the Oak Lodge Governance Project



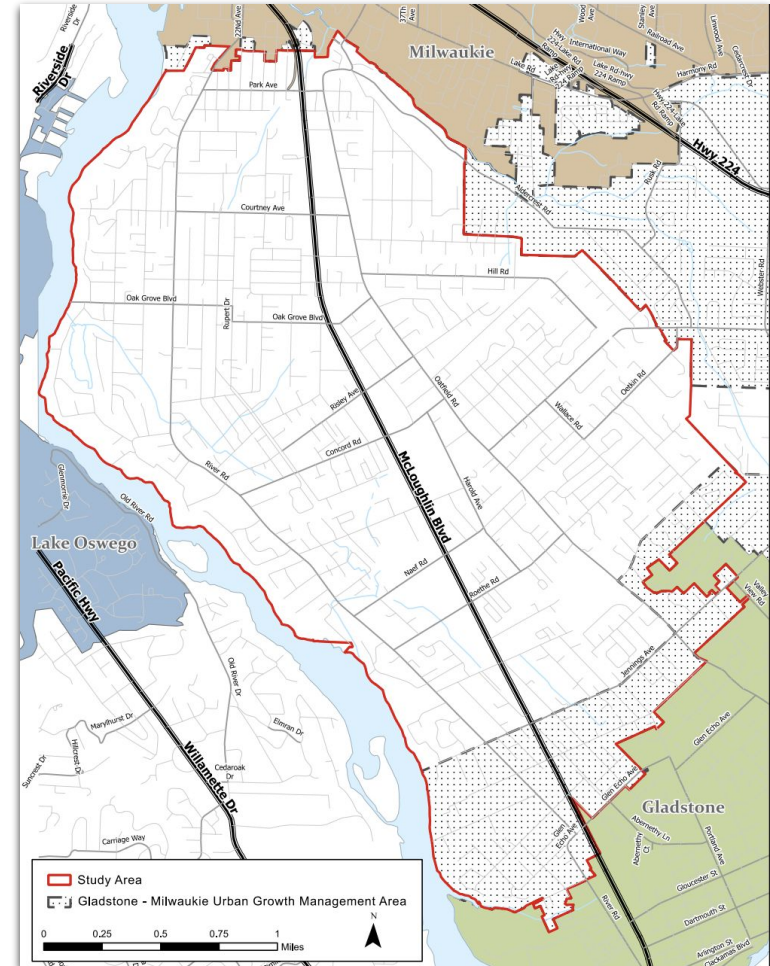
February 19, 2022

Preview of coming attractions

Project Background

Governance in Oak Lodge

- Milwaukie to the north, Gladstone to the south
- Unincorporated Clackamas County
- Represented by five Commissioners for the whole county
- Dependent upon many special districts
- Rural form of government for an urban area



Annexation

Various Processes

| Annexation Option | Explanation |
|--|---|
| Consent of All Owners of Land (ORS 222.125) | All of the landowners in the area to be annexed and more than 50 percent of the electors, if any, residing in the area must consent in writing to the annexation. |
| Triple Majority (ORS 222.170(1)) | At least half of the landowners in the area to be annexed, who also own at least half of the land in the contiguous territory and represent at least half of the assessed value of all real property in the area must consent in writing to the annexation of their land. |
| Double Majority Consent Petition (ORS 222.170(2)) | A majority of the electors registered in the area to be annexed consent in writing to annexation and the owners of at least half of the land in that area consent in writing to the annexation of their land. |
| Gladstone City Council Ordinance (ORS 222.111(2)) | The Gladstone City Council could initiate a proposal to annex contiguous portions of land into Gladstone. |
| Pursuant to a Health Hazard (ORS 222.840 to 222.915) | The Gladstone City Council could choose to annex any land currently located within its urban growth boundary without a public vote if it were to provide municipal services that would alleviate a public health hazard. |

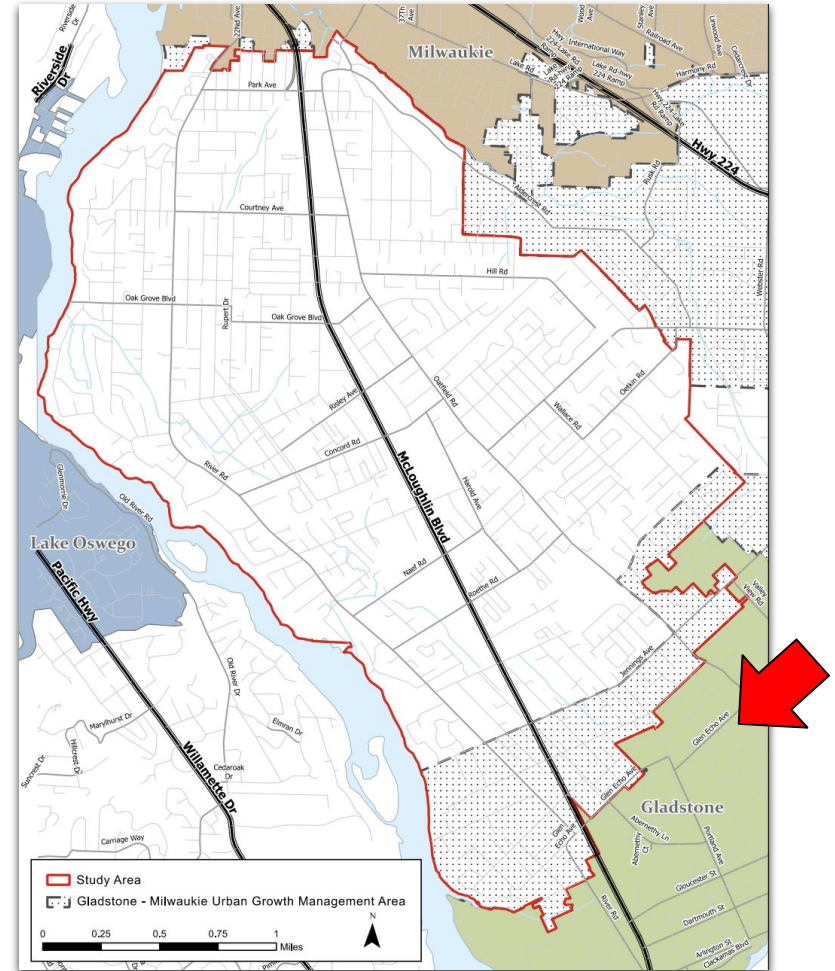
Gladstone may have additional requirements

**A brief moment
to discuss
methodology...**

City of Gladstone

Gladstone, Oregon

- Four square miles
- Incorporated in 1911
- Approximately 12,000 residents
- Six-member City Council



Services in Gladstone

- Police
- Fire
- Community Development*
- Library*
- Senior Center
- Parks and Recreation
- Public Works (transportation, stormwater, water, and wastewater)
- Municipal Court
- Governmental Administration

Finances

Anticipated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
|-----------------------------|---------------------|---------------------|-------------------------|
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087* | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037** | (\$3,344,880) |
| Stormwater | \$3,490,473 | \$2,433,299 | \$1,057,174 |
| Parks | \$1,199,181 | \$1,495,394 | (\$296,213) |
| Library | \$372,991 | \$200,000 | \$172,991 |
| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

Estimated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
|-----------------------------|---------------------|---------------------|-------------------------|
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087* | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037** | (\$3,344,880) |
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| Parks | \$1,199,181 | \$1,495,394 | (\$296,213) |
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| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
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| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

Estimated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
|-----------------------------|---------------------|---------------------|-------------------------|
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087* | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037** | (\$3,344,880) |
| Stormwater | \$3,490,473 | \$2,433,299 | \$1,057,174 |
| Parks | \$1,199,181 | \$1,495,394 | (\$296,213) |
| Library | \$372,991 | \$200,000 | \$172,991 |
| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

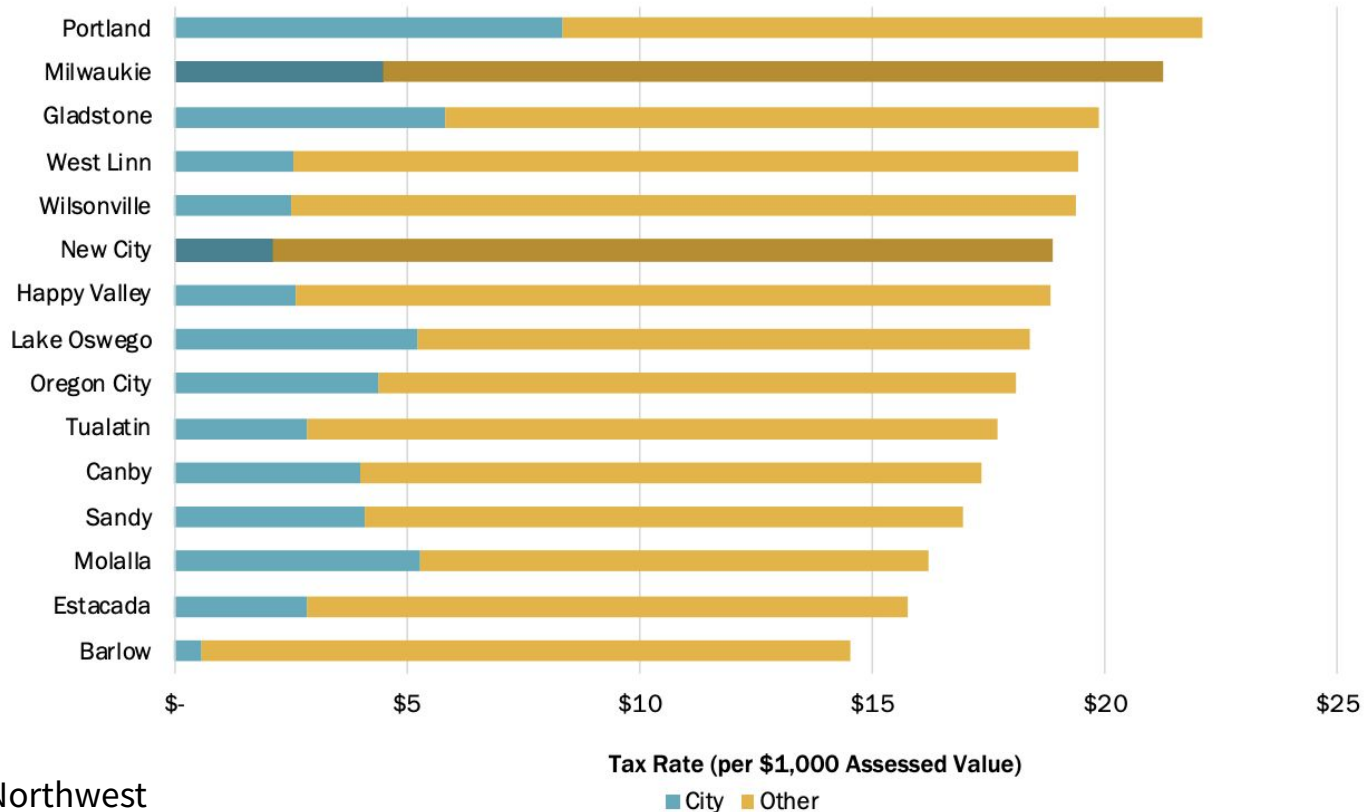
Estimated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
|-----------------------------|---------------------|---------------------|-------------------------|
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087* | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037** | (\$3,344,880) |
| Stormwater | \$3,490,473 | \$2,433,299 | \$1,057,174 |
| Parks | \$1,199,181 | \$1,495,394 | (\$296,213) |
| Library | \$372,991 | \$200,000 | \$172,991 |
| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

Estimated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
|-----------------------------|---------------------|---------------------|-------------------------|
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087* | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037** | (\$3,344,880) |
| Stormwater | \$3,490,473 | \$2,433,299 | \$1,057,174 |
| Parks | \$1,199,181 | \$1,495,394 | (\$296,213) |
| Library | \$372,991 | \$200,000 | \$172,991 |
| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

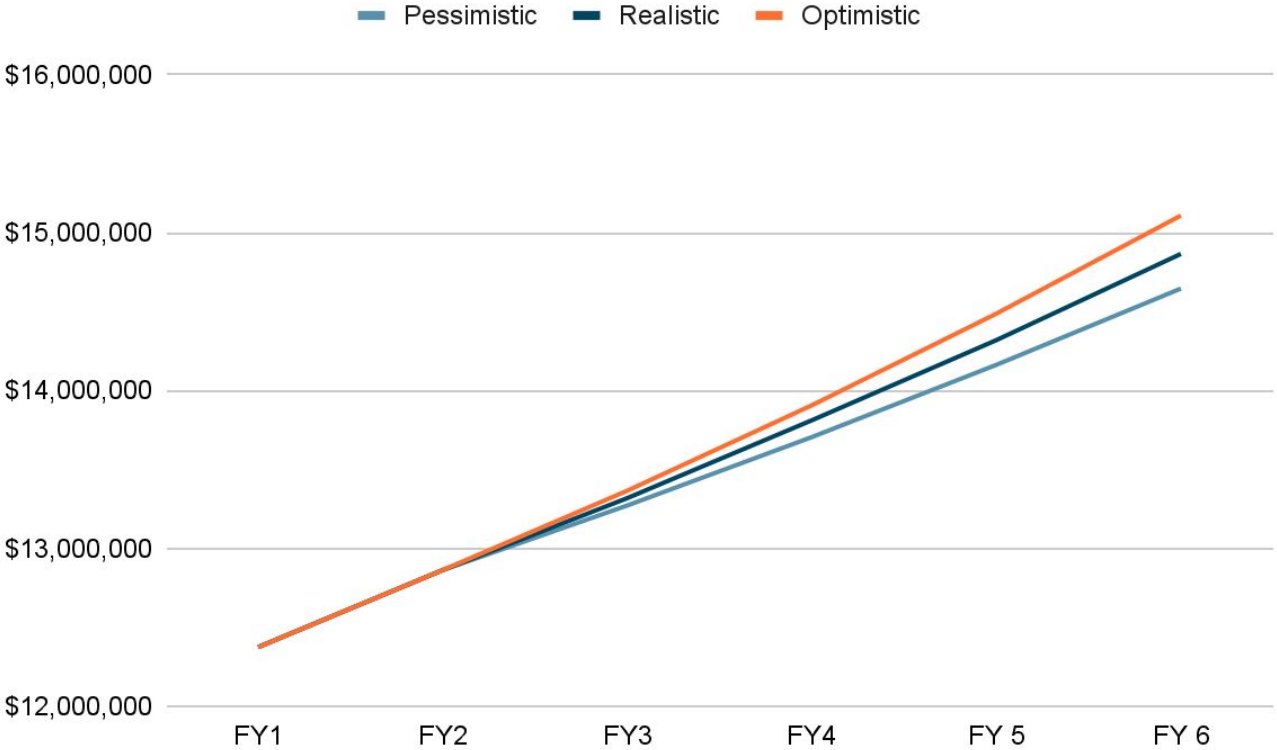
Gladstone's Property Tax Rate



Estimated Property Tax Revenues

| Scenario | FY1 | FY2 | FY3 | FY4 | FY5 | FY6 |
|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pessimistic | \$12,374,473 | \$12,862,529 | \$13,271,769 | \$13,704,969 | \$14,162,847 | \$14,646,143 |
| Realistic | \$12,374,473 | \$12,862,529 | \$13,318,498 | \$13,811,511 | \$14,319,314 | \$14,865,715 |
| Optimistic | \$12,374,473 | \$12,862,529 | \$13,365,227 | \$13,906,370 | \$14,487,112 | \$15,108,640 |

Estimated Property Tax Revenues



Gladstone's Values

- Enhance the **livability** in Gladstone
- Address critical **civic building** needs
- Ensure a highly qualified **workforce**
- Maintain the health and **long term vibrancy** (stability) of the City of Gladstone
- Ensure **financial stewardship** and long term municipal financial stability

Comparison of Governance Options

Representation

| Governance Option | No. of Officials | Population* | Ratio |
|---------------------------|----------------------|------------------------------|---------------------------|
| Unincorporated | 5 Commissioners | 426,515 | 92,503 residents/official |
| Annex – Milwaukie | 4 Councilors + Mayor | 48,478 [show calculation] | 9,969 residents/official |
| Incorporate as a New City | Depends | 27,778 | Depends |
| Annex – Gladstone | 6 Councilors + Mayor | 39,723 | 5,675 residents/official |

* Including annexed study area population, where applicable

Services

| | Law Enforcement | Comm. Dev. | Stormwater | Transpo. | Govt. Admin. | Water | Wastewater | Parks | Fire, EMS |
|---|-----------------|------------|------------|----------|--------------|-------|------------|-------|-----------|
| Option 1 Unincorporated | CO | CO | CO SD | CO | CO | SD | SD | SD | CO |
| Option 2 Annex into Milwaukie | CI | CI | CI SD | CI | CI | SD | SD | SD | CO |
| Option 3 Incorporate | CI | CI | CI SD | CI | CI | SD | SD | SD | SD |
| Option 4 Annex into Gladstone | CI | CO* | CI SD | CI | CI | SD | SD | CI | CI |

Resident Tax Bill

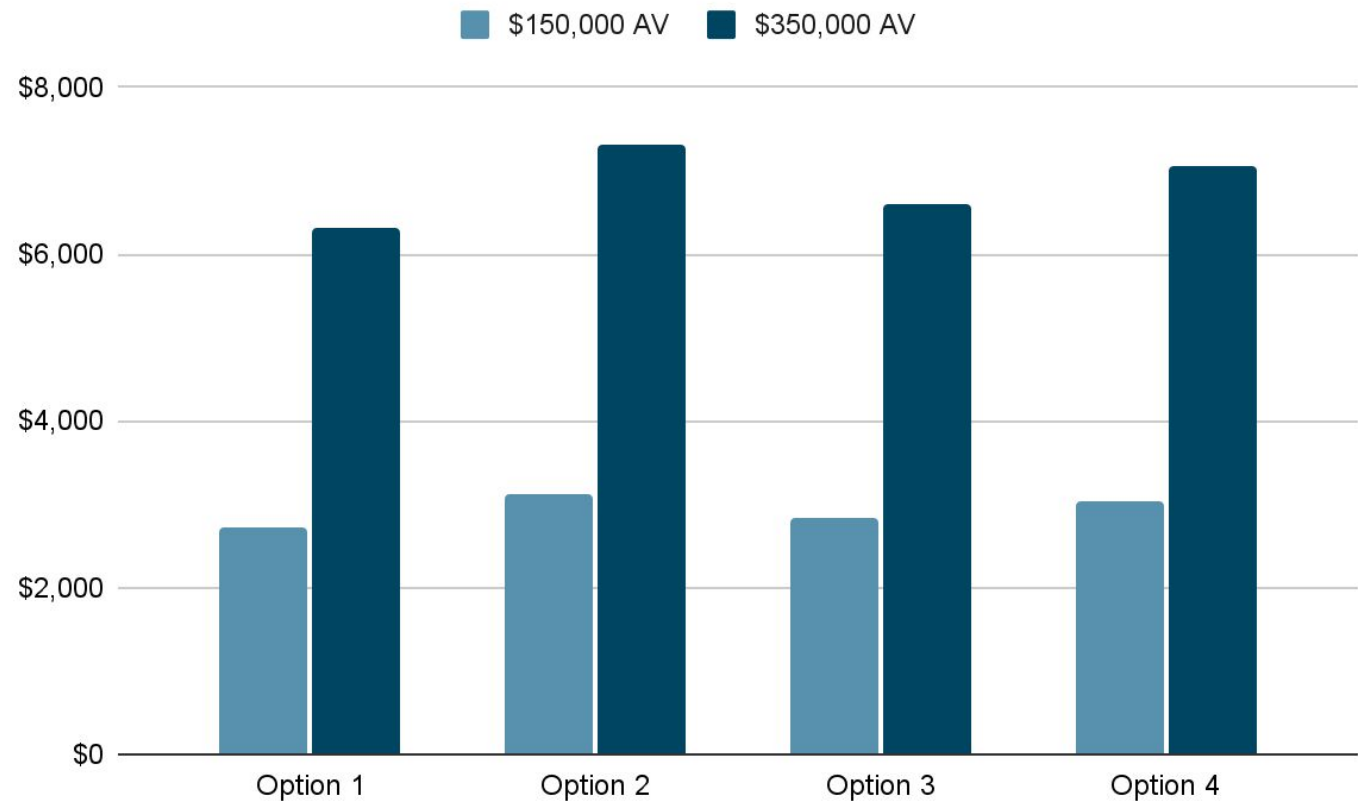
| A Home in Oak Lodge | Option 1: Unincorporated* | Option 2: Annex – Milwaukie* | Option 3: Incorporation* | Option 4: Annex – Gladstone |
|---------------------------------|------------------------------|---------------------------------|-----------------------------|--------------------------------|
| Annual Property Tax Bill Change | No change | +15.8% | +4.5% | +8.47% |
| \$150,000 of AV | \$2,708 | \$3,135 (+ \$36/month) | \$2,831 (+ \$10/month) | \$3,027 (+ \$27/month) |
| \$350,000 of AV | \$6,319 | \$7,314 (+ \$83/month) | \$6,605 (+ \$24/month) | \$7,063 (+ \$62/month) |

* Data from ECO Northwest report, 2021

Key changes:

- Gladstone permanent property tax rate of \$4.8174/\$1,000 AV
- Gladstone Urban Renewal Area
- Police levy (\$0.68)
- Fire levy (\$0.31)

Resident Tax Bill



Comparison of Values/Goals

- Milwaukie (Council Goals)
 - Climate change mitigation and resilience action
 - Equity, justice, and inclusion
- Clackamas County (Commission's Strategic Goals)
 - Honor, Utilize, Promote and Invest in our Natural Resources
 - Grow a Vibrant Economy
 - Ensure Safe, Healthy and Secure Communities
 - Build a Strong Infrastructure
 - Build Public Trust through Good Government
- Gladstone (Strategic Plan)
 - Enhance the livability in Gladstone
 - Address critical civic building needs
 - Ensure a highly qualified workforce
 - Maintain the health and long term vibrancy (stability) of the City of Gladstone
 - Ensure financial stewardship and long term municipal financial stability

Notable Considerations

Notable Considerations for Gladstone Annexation

- State revenue sharing
- Additional services – parks, fire, senior center
- Highest elected official representation
- Police and fire levies
- Gladstone Community Development
- Jennings Lodge would need to be the first portion of the study area to annex
- Urban Renewal Area

What to do with this information

Thank you!

Appendix E: OLGP Steering Committee Presentation #2
(March 5, 2022)

Oak Lodge Governance Project Analysis of Gladstone Annexation

Presented by Alexander Nelson for the Oak Lodge Governance Project Steering Committee



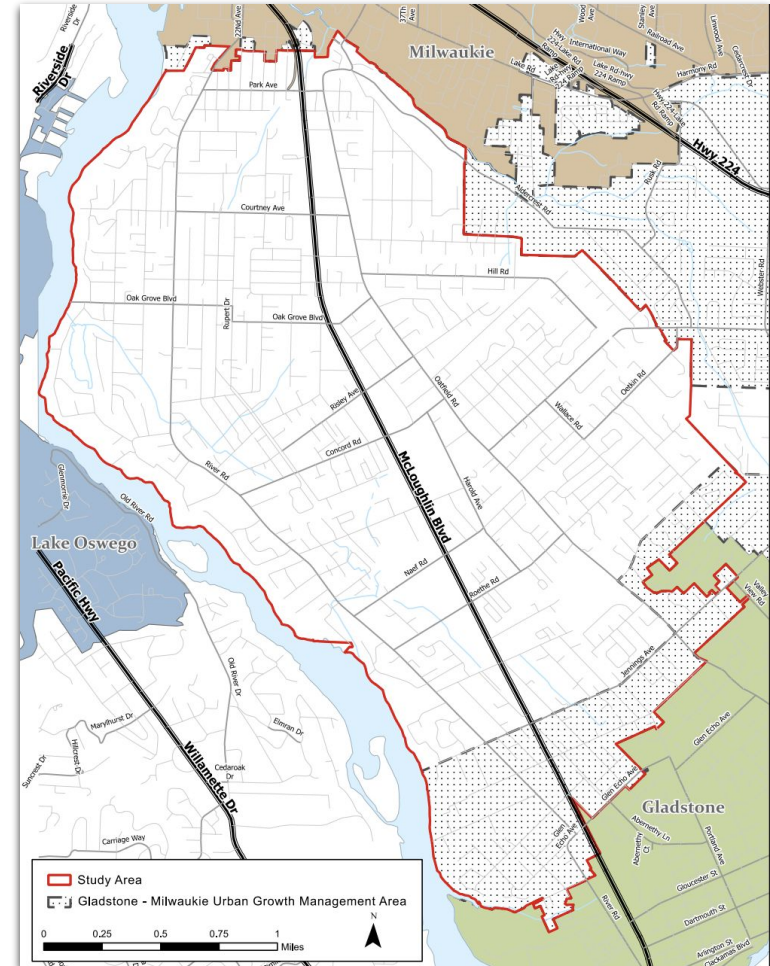
March 5, 2022

Preview of coming attractions

Project Background

Governance in Oak Lodge

- Milwaukie to the north, Gladstone to the south
- Unincorporated Clackamas County
- Represented by five Commissioners for the whole county
- Dependent upon many special districts
- Rural form of government for an urban area



Annexation

Various Processes

| Annexation Option | Explanation |
|--|---|
| Consent of All Owners of Land (ORS 222.125) | All of the landowners in the area to be annexed and more than 50 percent of the electors, if any, residing in the area must consent in writing to the annexation. |
| Triple Majority (ORS 222.170(1)) | At least half of the landowners in the area to be annexed, who also own at least half of the land in the contiguous territory and represent at least half of the assessed value of all real property in the area must consent in writing to the annexation of their land. |
| Double Majority Consent Petition (ORS 222.170(2)) | A majority of the electors registered in the area to be annexed consent in writing to annexation and the owners of at least half of the land in that area consent in writing to the annexation of their land. |
| Gladstone City Council Ordinance (ORS 222.111(2)) | The Gladstone City Council could initiate a proposal to annex contiguous portions of land into Gladstone. |
| Pursuant to a Health Hazard (ORS 222.840 to 222.915) | The Gladstone City Council could choose to annex any land currently located within its urban growth boundary without a public vote if it were to provide municipal services that would alleviate a public health hazard. |

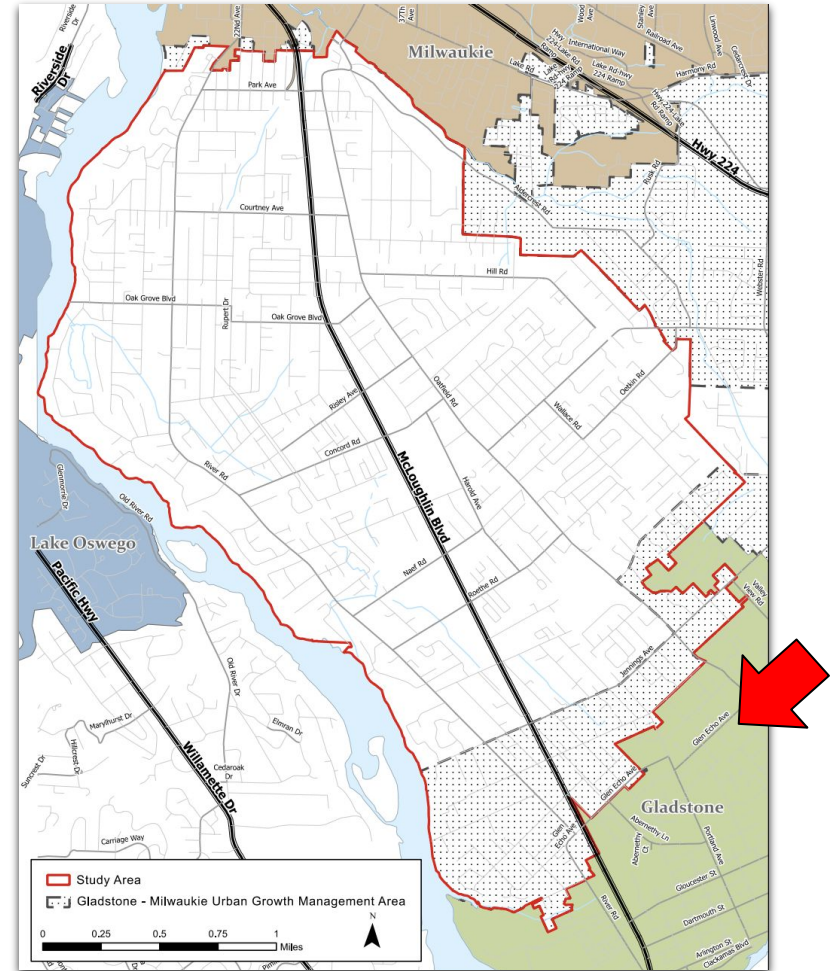
Gladstone may have additional requirements

**A brief moment
to discuss
methodology...**

City of Gladstone

Gladstone, Oregon

- Four square miles
- Incorporated in 1911
- Approximately 12,000 residents
- Six-member City Council



Services Provided By the City of Gladstone

- Police
- Fire
- Community Development*
- Library*
- Senior Center
- Parks and Recreation
- Public Works (transportation, stormwater, water, and wastewater)
- Municipal Court
- Governmental Administration

** Contracted with Clackamas County*

Finances

Anticipated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
|-----------------------------|---------------------|---------------------|-------------------------|
| Law Enforcement | \$6,160,525 | \$5,563,236 | \$597,289 |
| Transportation | \$3,942,229 | \$4,494,087* | (\$551,858) |
| Community Development | \$35,938 | \$82,144 | (\$46,161) |
| Governmental Administration | \$3,134,891 | \$3,909,039 | (\$774,148) |
| Water | \$4,332,006 | \$5,406,318 | (\$1,074,312) |
| Wastewater | \$8,182,157 | \$11,527,037** | (\$3,344,880) |
| Stormwater | \$3,490,473 | \$2,433, 299 | \$1,057,174 |
| Parks & Recreation | \$1,199,181 | \$1,495,394 | (\$296,213) |
| Library | \$372,991 | \$200,000 | \$172,991 |
| Fire | \$5,358,413 | \$5,487,437 | (\$129,024) |
| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

Estimated Annual Revenues and Expenditures

| Service | Revenues | Expenditures | Difference (Δ) |
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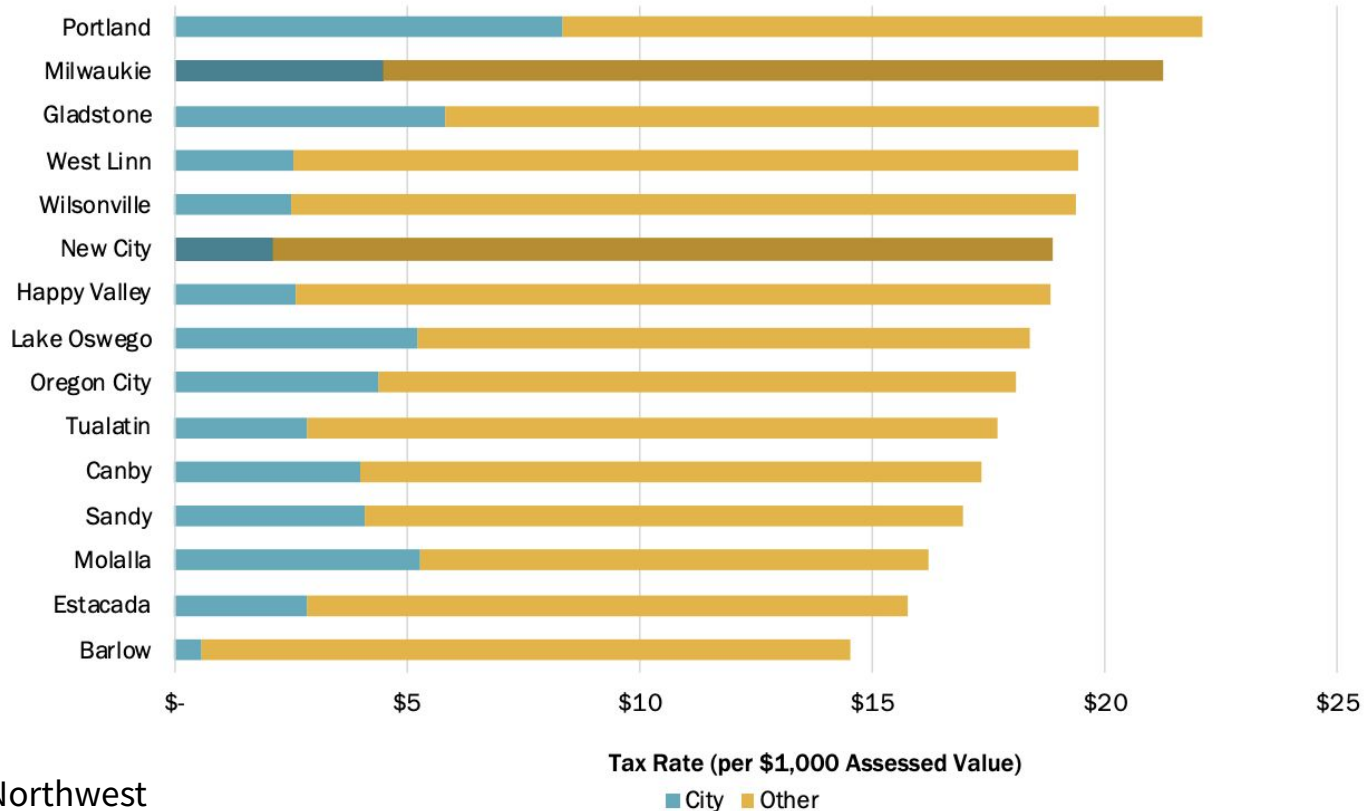
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| Senior Center | \$801,419 | \$801,419 | \$0 |
| TOTAL | \$33,519,750 | \$38,966,111 | (\$5,446,361)*** |

Gladstone's Property Tax Rate



Estimated Property Tax Revenues

| Scenario | FY1 | FY2 | FY3 | FY4 | FY5 | FY6 |
|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pessimistic | \$12,374,473 | \$12,862,529 | \$13,271,769 | \$13,704,969 | \$14,162,847 | \$14,646,143 |
| Realistic | \$12,374,473 | \$12,862,529 | \$13,318,498 | \$13,811,511 | \$14,319,314 | \$14,865,715 |
| Optimistic | \$12,374,473 | \$12,862,529 | \$13,365,227 | \$13,906,370 | \$14,487,112 | \$15,108,640 |

In sum, the study area is a large tax base that would provide appropriate revenue to the City of Gladstone.

Gladstone's Values

- Enhance the **livability** in Gladstone
- Address critical **civic building** needs
- Ensure a highly qualified **workforce**
- Maintain the health and **long term vibrancy** (stability) of the City of Gladstone
- Ensure **financial stewardship** and long term municipal financial stability

Introducing...

Option #5!

Incorporating with Gladstone's Service Level

Option #5 – Incorporating with Gladstone's Service Level

- If study area were to incorporate with the same services as Gladstone
- Lowest possible permanent tax rate of \$3.27 per \$1,000 of AV
- Methodology
 - Point in time assessed value
 - Only a proportion of the revenues
 - Assumes 1:1 service level increase
- Takeaway: this should be considered the lowest possible option; higher will allow flexibility for improved service.

Comparison of Governance Options

Representation

| Governance Option | No. of Officials | Population* | Ratio |
|--|----------------------|--|---------------------------|
| Option 1 Unincorporated | 5 Commissioners | 426,515 residents | 92,503 residents/official |
| Option 2 Annex – Milwaukie | 4 Councilors + Mayor | 20,700 residents (current Milwaukie) + 27,778 residents (study area) = 48,478 residents | 9,969 residents/official |
| Option 3 Incorporate as a New City | Depends | 27,778 residents | Depends |
| Option 4 Annex – Gladstone | 6 Councilors + Mayor | 11,945 residents (current Gladstone) + 27,778 residents (study area) = 39,723 residents | 5,675 residents/official |
| Option 5 Incorporate with Gladstone Levels | Depends | 27,778 residents | Depends |

* Including annexed study area population, where applicable

Services

| | Law Enforcement | Comm. Dev. | Stormwater | Transpo. | Govt. Admin. | Water | Wastewater | Parks & Rec. | Fire, EMS |
|--|-----------------|------------|------------|----------|--------------|-------|------------|--------------|-----------|
| Option 1 Unincorporated | CO | CO | CO SD | CO | CO | SD | SD | SD | CO |
| Option 2 Annex into Milwaukie | CI | CI | CI SD | CI | CI | SD | SD | SD | CO |
| Option 3 Incorporate | CI | CI | CI SD | CI | CI | SD | SD | SD | CO |
| Option 4 Annex into Gladstone | CI | CO* | CI SD | CI | CI | SD | SD | CI | CI |
| Option 5 Incorporate - Gladstone | CI | CO* | CI SD | CI | CI | SD | SD | CI | CI |

Service provided by **Clackamas County**

Service provided by a **city**

Service provided by a **special district**

Service provided by both **Clackamas County** and a **special district**

Service provided by both a **city** and a **special district**

Clackamas County cost per unit of service:

- Police: \$502 (study area), \$857 (entire county)
- Fire: \$3,038 (study area and entire district)

Gladstone cost per unit of service:

- Police: \$228 per incident (avg.)
- Fire: \$1,337 (avg.)

* Contracted out to Clackamas County staff

Resident Tax Bill

| A Home in Oak Lodge | Option 1: Unincorporated* | Option 2: Annex – Milwaukie* | Option 3: Incorporation* | Option 4: Annex – Gladstone | Option 5: Incorporation – Gladstone |
|---------------------------------|------------------------------|---------------------------------|-----------------------------|--------------------------------|--|
| Annual Property Tax Bill Change | No change | +15.8% | +4.5% | +8.47% | +3.23% |
| \$150,000 of AV | \$2,708 | \$3,135 (+ \$36/month) | \$2,831 (+ \$10/month) | \$3,027 (+ \$27/month) | \$2,795 (+ \$7/month) |
| \$350,000 of AV | \$6,319 | \$7,314 (+ \$83/month) | \$6,605 (+ \$24/month) | \$7,063 (+ \$62/month) | \$6,523 (+ \$17/month) |

* Data from ECO Northwest report, 2021

Resident Tax Bill – Option 1 (unincorporated)

| A Home in Oak Lodge | Option 1: Unincorporated* |
|---------------------------------|---------------------------|
| Annual Property Tax Bill Change | No change |
| \$150,000 of AV | \$2,708 |
| \$350,000 of AV | \$6,319 |

* Data from ECO Northwest report, 2021

Key considerations:

- Lowest permanent property tax rate
- Lowest service level
- Paying for additional services via special districts
- No sense of localized government, community development, “central hub” – sustained concerns with being governed by Clackamas County

Resident Tax Bill – Option 2 (Milwaukie annexation)

| A Home in Oak Lodge | Option 2: Annex – Milwaukie* |
|---------------------------------|---------------------------------|
| Annual Property Tax Bill Change | +15.8% |
| \$150,000 of AV | \$3,135 (+ \$36/month) |
| \$350,000 of AV | \$7,314 (+ \$83/month) |

* Data from ECO Northwest report, 2021

Key considerations:

- Average permanent tax rate
- Highest tax bill
- Highest sense of community development/vision
- Special districts for parks/recreation and fire
- Paying for additional services via special districts

Resident Tax Bill – Option 3 (incorporation #1)

| A Home in Oak Lodge | Option 3: Incorporation* |
|---------------------------------|---------------------------|
| Annual Property Tax Bill Change | +4.5% |
| \$150,000 of AV | \$2,831 (+ \$10/month) |
| \$350,000 of AV | \$6,605 (+ \$24/month) |

* Data from ECO Northwest report, 2021

Key considerations:

- Lowest permanent tax rate
- Lower tax bill
- Special districts for parks/recreation and fire
- Complete autonomy
- Purely a “base level” – no additional services or priorities identified

DISCLAIMER: This is only one example for incorporation; the real tax rate would be determined at the time of incorporation and would be a reflection of what is necessary to cover the costs of services determined.

Resident Tax Bill – Option 4 (Gladstone annexation)

| A Home in Oak Lodge | Option 4: Annex – Gladstone |
|---------------------------------|--------------------------------|
| Annual Property Tax Bill Change | +8.47% |
| \$150,000 of AV | \$3,027 (+ \$27/month) |
| \$350,000 of AV | \$7,063 (+ \$62/month) |

Key considerations:

- Highest permanent tax rate
- Average tax bill
- More city-provided services; fewer special districts
- Important changes:
 - Gladstone Urban Renewal Area
 - Police levy (\$0.68/\$1,000 of AV)
 - Fire levy (\$0.31/\$1,000 of AV)
- Typically more efficient cost per unit of service for public safety

Resident Tax Bill – Option 5 (incorporation #2)

| A Home in Oak Lodge | Option 5: Incorporation – Gladstone |
|---------------------------------|--|
| Annual Property Tax Bill Change | +3.23% |
| \$150,000 of AV | \$2,795 (+ \$7/month) |
| \$350,000 of AV | \$6,523 (+ \$17/month) |

Key considerations:

- Lower permanent tax rate, but should be assumed to be a bare minimum
- Average tax bill
- More city-provided services; fewer special districts
- Complete autonomy
- Typically more efficient cost per unit of service for public safety

Comparison of Values/Goals

| Jurisdiction | Economy | Fiscal Responsibility | Environment | Climate | Inclusion | Safety | Infrastructure | Forward Thinking |
|------------------|---------|-----------------------|-------------|---------|-----------|--------|----------------|------------------|
| Milwaukie | | | | | | | | |
| Clackamas County | | | | | | | | |
| Gladstone | | | | | | | | |

Milwaukie (Council Goals)

- Climate change mitigation and resilience action
- Equity, justice, and inclusion

Clackamas County (Commission's Strategic Goals)

- Honor, Utilize, Promote and Invest in our Natural Resources
- Grow a Vibrant Economy
- Ensure Safe, Healthy and Secure Communities
- Build a Strong Infrastructure
- Build Public Trust through Good Government

Gladstone (Strategic Plan)

- Enhance the livability in Gladstone
- Address critical civic building needs
- Ensure a highly qualified workforce
- Maintain the health and long term vibrancy (stability) of the City of Gladstone
- Ensure financial stewardship and long term municipal financial stability

Clearly expressed

Slightly expressed

Not expressed

Notable Considerations

Notable Considerations

- State revenue sharing
- Additional services – parks, fire, senior center
- Highest elected official representation
- Police and fire levies
- Gladstone Community Development vs. Milwaukie Community Development
- Jennings Lodge would need to be the first portion of the study area to annex

**What to do with
this information**

Thank you!