

# Urban Flood Safety & Water Quality District 2024-25 Public Hearing Minutes

Wednesday, June 5, 2024

1:00 p.m.

Port of Portland Headquarters

PIA Building P-2

Chinook Board Room

7200 NE Airport Way

Portland, Oregon

Also via Zoom Meeting

## **Present:**

### **TSCC:**

Vice-Chair Mark Wubbold, Commissioner Matt Donahue, Commissioner Tod Butron (via Zoom), Commissioner Allison Lugo Knapp, Executive Director Allegra Willhite, and Budget Analyst Tunie Betschart.

**Absent:** Chair Harmony Quiroz

### **UFSWQD:**

Board Members: Chair Steve Fancher, Tanney Staffenson, Corky Collier, Nancy Hendrickson, Erich Mueller, Heather King, Maryhelen Kincaid, Seth Reeser, Rachele Altman, and Emerald Bogue

UFSWQD staff: Executive Director Jim Middaugh, Director of Planning and Public Affairs Colin Rowan, Legal Counsel Hong Huynh, Board Coordinator Wendy Lynn, and Director of Finance & Administration Lori Baker.

Vice-Chair Mark Wubbold opened the public hearing by welcoming everyone to the hearing and briefly describing the duties and responsibilities of the TSCC. He reviewed the hearing process and stated the hearing was to engage the district leadership and provide an opportunity for the public to comment before the Urban Flood Safety & Water Quality District adopts its budget. He asked the TSCC Commissioners and staff to introduce themselves and state if they have business relationships with the district that could be perceived as a conflict of interest. Each commissioner and staff member introduced themselves and said they had no conflict of interest with the district. He asked the UFS&WQ district to introduce the board members and staff present.

Following introductions, Board Chair Steve Fancher expressed gratitude for the TSCC's oversight and public service. He highlighted the importance of transitioning from the four drainage districts to a more financially capable entity. He said they look forward to discussing the questions with TSCC commissioners.

Vice-Chair Wubbold asked if anyone had signed up to make a public comment. Executive Director Willhite reported that no one had signed up to speak at this hearing. But she had received written comments from Gyrid Hyde Towle, who could not attend but wanted the written comments read and added to the minutes of this hearing. Ms. Willhite explained that when giving testimony at TSCC hearings, each person is limited to three minutes. She will set the timer and read the comments provided. They will be attached in their entirety to the minutes of this meeting. (see attachment). Except for the written comments, no one

had signed up to give testimony.

**TSCC Questions:**

**Commissioner Mark Wubbold asked the following questions:**

Last year you were deep in the planning process to develop an ongoing revenue structure for the district. In this budget we see you have finalized a model. At a high level, can you please summarize the structure and who will be paying for it?

Mr. Steve Fanher said since the last meeting with the TSCC Commissioners, the district has made significant progress. It stands poised and ready with a sustainable revenue source, allowing the transition to the Urban District to be completed. The board worked through challenges presented by the limited revenue sources in ORS 550. The primary challenge with operating revenue was limited to a service fee model. Last summer and into the fall, the board and partners identified legal, financial, technical, and political reasons that a service fee would not work. The service fee could not be collected on the utility bills of the largest jurisdictions, requiring a direct billing model that would be very expensive and result in low compliance. The board collaborated to identify a different path, choosing a legislative path with a supportive delegation of state lawmakers. Senate Bill 1517 was introduced as a committee bill during the 2024 short session of the Legislative Assembly. The bill primarily aimed to add property assessments and flood safety intergovernmental fees as revenue tools. The legislative modifications added tools to the toolbox and didn't remove existing tools, such as service fees.

Based on the successful passage of Senate Bill 1517, the district's primary sources of operating revenues are property assessments and the new flood safety benefit fee. The property assessments on landowners in the floodplain are transferring from the legacy districts to the Urban District in the upcoming fiscal year. The board has approved an assessment ordinance that utilizes the existing allocation methodology for MCDD and SDIC districts. The budget includes an anticipated \$9.1 million from property assessments.

Each city will pay the flood safety intergovernmental fee within the district's boundaries and Multnomah County for unincorporated areas. The fee, anticipated to produce \$6.3 million, is allocated amongst the jurisdictions using population.

What is the timeline for implementing the allocation methodology for assessment? Can you explain more on this?

Mr. Jim Middaugh said the district submits to Multnomah County the amount of revenue needed that the board has adopted. The county uses its assessment methodology. When the taxpayer's individual property is assessed depends on when you make improvements, make a sale, or do something else that would trigger a reassessment. The board will evaluate what rate increase or decrease to impose yearly as part of its budget process.

**Commissioner Matt Donahue asked this follow-up question:**

Are there existing landowners that are going to see their assessment change?

Mr. Middaugh said the methodology change would change individual landowners' obligations. The district initially conferred with consultants to identify how big those swings might be. While every individual property depends on that assessment and the level of compression that only the assessor can do accurately, what the district found was the rate of change among individual properties was consistent with past years, and that's due to the methodology using several cost drivers that depend on what the district is working on in any given year. That changes the way the costs are calculated. Property owners will see some swings. For example, UFS&WQ is spending a lot of money on levy maintenance and management. Properties there will pay more than if the district does more pumping and spreads more broadly. Again, there's some randomness in the rates, which are also impacted by compression, local levies, and other tax measures that will affect the rates.

**Commissioner Matt Donahue asked the following questions:**

We were interested in reading about the new Flood Safety Benefit Fee. As we understand, cities and counties are charged the fee, and they can independently choose how to raise the funds to pay it. How does this square with the district's charge for equity? If methods for collecting the funds vary by city, could some choose not to charge residents and pay out of existing funds, while others may pass the fee directly on to ratepayers?

Ms. Nancy Hendirckson said the Flood Safety Intergovernmental Fee was developed with the Urban board and staff from the cities and county that will be assessed. The purpose of the fee is to compensate the district for the overall cost of operating the district and operating and maintaining district works that are not funded through other sources. The fee recognizes the benefit of district services to those inside and outside the managed floodplain.

The fee is based on the city's population or population of unincorporated county land inside the district. The fee can only increase annually by three percent or the percentage change in the Consumer Price Index, whichever is greater.

The board engaged in a robust conversation regarding how each jurisdiction would pay the fee and agreed that the cities or county should determine how to fairly pay the fee based on their budgets, their boards, and commissions' direction. All cities and the county have equity principles and adopted equity policies in place. UFS&WQ trusts they will serve their communities equitably in how they fund the Flood Safety intergovernmental fee.

Are you receiving any pushback on this fee? Are you concerned about collection rates in the first year as it is introduced? What will you use to convince taxpayers they must pay these fees?

Ms. Hendrickson said they developed this intergovernmental fee in close coordination with the jurisdictions, including discussions with many elected representatives of those cities and the county. Collection rate concerns should not be an issue as the fees will be assessed directly to the cities and the county, not individuals or properties.

Mr. Middaugh said the taxpayers have a statutory obligation to pay these fees, and the system is set up for quarterly payments, making it convenient for the taxpayers.

**Commissioner Todd Burton asked the following questions:**

The other source of ongoing funding is property tax assessments. We're curious to learn more about the impacts of migrating from the legacy districts to the new district - will there be any compression impacts as a result? Who will be most impacted?

Mr. Tanney Staffenson said the property tax assessments currently exist for all legacy districts and, three of the districts have historically been subject to the impacts of compression. SDIC properties have not traditionally been subject to compression impacts. All properties assessed by the Urban District are subject to the general government limitations of \$10 per \$1,000 of real market value that result in compression. Analysis completed by EcoNorthwest estimates total compression loss for the district at approximately 11% for the fiscal year 2024-2025.

Assessments are a small part of most landowner property tax bills for those subject to property tax. Analysis by EcoNorthwest indicated that compression for jurisdictions within the Urban District boundaries is relatively low for those jurisdictions that do not have local option levies. The Urban District assessments for the upcoming year are not estimated to impact the compression experienced by local partners significantly.

The Urban Board has discussed options for addressing equity issues related to property assessments, including the potential for a low-income refund program. The district will continue to research possibilities for supporting low-income owners who are disproportionately impacted.

Additionally, Multnomah County has a variety of tax exemption and deferral programs that apply to property assessments.

What's your long-term plan for increasing the property tax assessments? And how are you communicating with people paying the assessments about what to expect going forward?

Mr. Staffenson said the Board of Directors has the authority to make decisions on assessment rate increases annually. Historically, assessments have increased at varying rates, as necessary to balance the district budgets. Current projections assume assessment increases of between three and five percent. Actual rate increase approvals occur in public meetings during the budget process each year. Because of the impact of compression, communication of rate increases is not sent directly to landowners until the county has completed the annual property tax and assessment billing process.

**Commissioner Wubbold asked this follow-up question:**

What more are you doing to communicate with taxpayers about upcoming changes?

Mr. Middaugh said the district has not communicated much, nor have they received much feedback since rate increases have been proposed. There are plans to boost some communication activities with the new district, but there are not specific plans to send out a mailing about rate changes.

**Commissioner Donahue asked this follow-up question:**

This fee is unique to the State Property Tax system. Most taxing districts have a permanent rate, a limit they can assess. UFS&WQ determines the district's rate. The district is in a unique situation where they ask the board to decide what to consider. The fee is subject to compression, so properties in those districts don't pay any fees at all because of compression. Is this the correct understanding?

Mr. Middaugh said yes, that is true, but most districts will pay for something. Usually, those properties are government properties and don't pay property taxes, so the fees for the UFS&WQ district are the only source of compression they would usually pay.

**Commissioner Allison Lugo Knapp asked the following questions:**

Have you identified opportunities to reduce costs with the consolidation of the districts? What process and efforts did you make to identify potential cost savings?

Ms. Hendrickson said that to ensure operational stability, the boards of MCDD and the urban district signed an agreement providing that all existing employees of MCDD would transition to the new district. In addition, the new district will be engaged in a range of transition activities, including records management, recruiting and electing a regular board, creating a strategic planning framework, a watershed management plan, an equity action plan, an asset management plan, and new capital project selection criteria to reflect the new district's expanded mission.

Historically, the legacy districts were conservative about spending. This resulted in a backlog of maintenance and administrative work that must be completed. As the capital construction program ramps up, there will be a need for additional project management, financial oversight, and community relations to address construction impacts.

As the regular board becomes established and the capital program matures, there will be opportunities to shift existing resources to contingency, reserves, and new mandates. The board also could consider reducing rates. For the next several years, the combination of past under-investment, the development of new plans, the transition to a new district and new board, and the expanding capital program will likely require ongoing investments consistent with year one.

Staff will continue to hold existing positions vacant when possible, limit costs where feasible, and control the growth of new spending consistent with the district's needs.

**Commissioner Wubbold asked this follow-up question:**

The positions that currently exist across the four previous, now-dissolving districts, those people will continue to be employed at the newly created district. Is that correct?

Ms. Henderson said it's important to know that three districts contract with MCDD, so all the staff is already in one district.

Mr. Middaugh added that there was an MCDD agreement in 1996 among the boards called the staff consolidation. That staff began in a consolidated fashion under MCDD in 1997.

**Commissioner Donahue asked the following questions:**

Are there any increases to staffing in this budget above what was in the former drainage districts? If so, what positions were added, and what will they do?

Mr. Fancher said there are three new positions in the Urban District General Fund Budget:

1. In Engineering, there is an Asset Management Specialist who will play a vital role in the design and implementation of the asset management program for the district.
2. In Operations, there is an Operations Department Manager who will provide additional support for the maintenance and operations of the district.
3. There is a Pump Operations Specialist who will be responsible for the effective operation and maintenance of pumps for flood safety and other district purposes.

In addition, two limited-term positions have been identified to support the projects General Obligation Bond Capital Project Fund:

1. A Deputy Project Manager will have oversight responsibilities for project administration.
2. A Senior Bond Analyst will support the Bond Accountability Committee and be responsible for all financial and compliance-related activity for General Obligation Bond Projects.

**Commissioner Wubbold asked the following questions:**

Merging the legacy districts into the new district comes with new responsibilities, specifically in the areas of equity, environmental work, and cultural history. Can you please provide an example of how these are embedded in your budget?

Ms. Heather King said the responsibilities of the Urban Flood Safety & Water Quality District are to create a mosaic that will support flood safety, improve the environment's health, promote equity and social justice, and honor and amplify the cultural history of the area behind the levees. Together, the district will prepare for the increasing flood risks due to climate change and increase community resilience. The initial Urban Board is proud to establish a fiscal year 2024-2025 budget that provides the space and funding for these goals.

Evidence of these responsibilities can be seen in a few places in the budget: much of the environmental work will be driven by the first year of watershed improvement planning efforts included in the budget in the Planning & Public Affairs division. The watershed improvement plan will drive investments and coordinate efforts with partners.

The Planning and Public Affairs budget of \$500,000 is set aside for new responsibilities. This fund will be used for advancing the work on environmental efforts that contribute to improved water quality, fish and wildlife habitat, floodplain restoration and landscape resilience; climate change and preparedness efforts that advance resiliency and inform the district's approach to climate adaptation; and cultural history efforts that provide the public with information regarding the cultural history of the territory in the managed floodplain. During FY25, staff will work with the board, community-based organizations, and stakeholders to establish programs to support these efforts.

This coming fiscal year, staff will also make progress in establishing a program that considers justice, equity, diversity, and inclusion in all aspects of administering the district. The district has completed a competitive procurement process that identified an outside consultant supporting the

development of the equity program in the upcoming year. Areas that will be part of the equity planning include hiring and staff support, procurement, and criteria to consider equity in the evaluation and prioritization of projects. Funding for this work is found in the Executive Director's budget.

For the capital program, the new responsibilities are embedded in numerous places: directly, the bond includes more than \$27 million specifically for natural floodplain restoration and resilience projects that include the conservation, enhancement, and restoration of natural features such as floodplains, channels, native vegetation, and wetlands, to slow and store floodwaters and improve flood safety outcomes, and contribute to improvements in water quality, fish and wildlife habitat, floodplain restoration, or landscape resilience. Other bond-funded projects will embed multi-benefit designs, and the engineering team will utilize nature-based solutions and green infrastructure wherever practical. The board will establish a bond oversight and accountability committee to track progress on manifold goals and responsibilities.

Are new hires anticipated for some of these other responsibilities, such as equity environmental work and cultural history?

Mr. Middaugh said they see in the out years the need to bring on additional operations folks, particularly arborists or folks who can work with trees and vegetation, as well as channel management. Beyond that, the district has set aside \$500,000 in the initial year and plans to work with the elected board to determine how they want to program those funds. Then, staff will rely on that policy direction to determine the necessary staffing. Currently, there is no additional staffing anticipated in the first-year budget for these purposes.

**Commissioner Burton asked the following questions:**

How do you plan to measure your success in meeting the new responsibilities we discussed in the last question? When do you expect to start seeing results?

Ms. Emerald Bogue said the Urban District will strive to meet the community's expectations to advance the values established by the legislature. Staff will work with the board early in the fiscal year to advance a planning framework for the organization that embeds these values and establishes a plan to operationalize the benefits to the community that are possible with a renewed and multi-benefit approach to flood safety. This planning effort will provide a structure that connects all parts of the district's work and establishes key performance indicators and success metrics. The UFS&WQD expect the regular board of elected and appointed members seated in January of 2025 to drive the decisions regarding the metrics and key performance indicators associated with the new responsibilities.

Staff also work closely with community-based organizations, stakeholder groups, and the community. The Urban District board and staff will look to the community to help assess the effectiveness of the agency's actions.

Results will be on different time scales. The district will focus on "early wins" while focusing on long-term, more complex opportunities for change. The agency is already making progress in meeting the new responsibilities. For example, the Urban District has adopted an equity policy and awarded a contract to a consultant to help the board and staff define an equity action plan and lens to apply to all aspects of the organization. The approved budget before you today includes funding to advance this work, funding for a watershed improvement planning effort, and funding for new responsibilities. The UFS&WQD Board knows that the district's long-term investments and programs will have lasting positive outcomes for the community.

**Commissioner Lugo Knapp asked the following question:**

The district anticipates receiving over a million dollars in service agreements with the City of Portland, Port of Portland, and Multnomah County. Can you tell us more about these agreements?

What will UFSWQD provide, and what are the terms of the service agreements?

Ms. Rachele Altman said the legacy districts hold several service agreements with local partners, which will transfer to the urban district upon the dissolution of the legacy districts on June 30, 2024. The most significant agreements include:

- The stormwater fee agreement with the City of Portland expires in 2038 and covers stormwater management by the district for stormwater originating in the city. This is budgeted at approximately \$750,000.
- The facilities maintenance agreement with the Port of Portland covers maintenance services by the district on Port properties. This agreement is updated annually with the Port. This is budgeted at approximately \$290,000.
- A service agreement with Multnomah County, which expires in 2028, is for services performed on county properties. This is budgeted for \$10,000.

**Commissioner Donahue asked the following questions:**

Congratulations on the passage of the bond! What about capital projects outside of the bond projects? How will future projects be funded? What about ongoing maintenance and repairs for capital?

Mr. Foucher said several projects in the approved Capital Improvement Plan are funded yearly by the general fund. In the fiscal year 2024-2025 budget, there are several grant-funded projects totaling over \$3 million, including the 13th Avenue pump station discharge pipe project, the design work on the PIR Pump Station, and three levee accreditation projects that are funded through state grants through the Oregon Business Development Department. The general fund budget includes other capital acquisitions such as vehicles, technology projects and computer systems, and smaller operational capital.

Capital projects will be partially funded through general fund revenues in the future. These projects were consolidated in the Assets and Liabilities Study and are updated each year in the Capital Improvement Plan. Additionally, the district plans to continue efforts to apply for grant funding to support capital projects outside of the general obligation bond.

The board is committed to developing a capital reserve policy as the district moves into operations in the upcoming year. Depending upon cash flow needs, UFS&WQ anticipates beginning to set aside funds into a capital reserve and developing an ongoing reserve program to support future capital needs.

Ongoing maintenance and repairs outside the capital budget are also considered in the general fund budget in the Engineering and Operations Division. Non-capital projects such as the Salmon Creek dredging, cleaning and inspection of the toe drains, the levee technical program, and the slough levee modernization are included in the fiscal year 2024-2025 budget. Additionally, projects for local partners funded through intergovernmental agreements are also included in the budget, such as the Port Airtrans SCADA upgrade, Vanport pump station pump repair, and emergency repairs at the PIR pump station. The Operations budget includes \$222,000 in budget additions for maintenance of the levee system, internal drainage, and pump station maintenance in the fiscal year 2024-2025, and those additions are continued in the financial projections going forward as the district strengthens investments in maintenance of the system.

What is a toe drain?

Mr. Bill Owen said a toe drain is similar to a perforated pipe. It resembles a French drain that captures groundwater that would otherwise go into a basement. It is another type of perforated pipe used on the levy's dry side, unlike the riverside. It is designed to allow water to seep through them. The district wants to capture that water and discharge it in a controlled manner. So, those toe drains

must be inspected periodically to ensure they function correctly.

Vice-chair Wubbold thanked the district board members and staff for joining the discussion and contributing during the hearing. Then he acknowledged the receipt of an additional written testimony sent in by Emma Butts, Sandra Holly, and Joseph Robenson, who were unable to attend, and asked that this document be read and included in this hearing minutes for the record. Executive Director Willhite set the three-minute timer and read as far as possible in the allotted time. (For full testimony, see attached).

Following the reading of the written testimony, Vice-chair Wubbold closed the hearing and opened a regular Tax Supervising and Conservation Commission meeting to certify Urban Flood Safety & Water Quality District's 2024-25 Approved budget. He asked if the commissioners had any questions or comments concerning the budget.

Commissioner Burton asked now that you have the bonding authority, when do you anticipate issuing the bonds?

Ms. Lori Baker answered that they are working to do a bank offering in September. They are going to the OBDD board on June 7. They are considering a loan of \$155 million that'll be part of the GO bonds. So, this fall is when the district anticipate that the funds will be available to start moving forward with the spending.

Mr. Middaugh asked Lori to address the level of spending. Ms. Baker explained that this upcoming year's GO Bond capital fund has \$7.5 Million worth of expenditures. Most of that is associated with the PMLS projects that collaborate with the army core of engineers.

Additionally, three accreditation projects are included in that budget. However, most of it is related to the PMLS work along the levies, which is planning work that the district is currently doing with the Army Corps. Then, UFS&WQ will be moving forward with construction as things get planned. It's pretty small in the upcoming year. The district is doing both bank borrowing and borrowing from the state because the state treats it like a grant. So it's a reimbursement, and it's all tax-exempt. A portion of spending within the bond program needs to be taxable so the district is reaching a goal of not doing more than a penny and a half per thousand. You'll see a really small debt service budget for the GO Bond for the upcoming year. That was intentional because we will do tranches of debt and have that money available when we're ready to spend it. Mr. Middaugh added that one of the reasons the State of Oregon supports the district is to help keep that initial rate low. That's why the Oregon Business Development Department and the governor's office helped line up this potential loan.

Following this explanation of the bond spending, Vice-chair Wubbold asked Executive Director Allegra Willhite to give staff's recommendations for the certification letter.

Ms. Willhite said thanked the finance staff for their partnership throughout the budget process. TSCC staff appreciates their quick responses to the questions asked throughout the year and the collaboration throughout the budget process. They proactively reached out with budget questions to ensure they complied with budget law. She said staff found the budget estimates reasonable for the purposes stated and that the budget was in compliance with local budget law. Staff has no recommendations or objections to the fiscal year 2024-25 budget.

Vice-chair Wubbold called for a motion.

Commissioner Donahue moved to certify the Urban Flood Safety & Water Quality District's Approved Budget with no recommendations or objections as recommended by staff. Commissioner Lugo Knapp seconded the motion, which passed with a unanimous vote of the commissioners.

There being no other business, Chair Quiroz closed the meeting.