

Urban Flood Safety and Water Quality

Tax Measure Review - Measure 26-243

May 21, 2024 Election

OVERVIEW

Type of Measure	General Obligation Bond
Ballot Title	Bonds to upgrade levees, floodwalls, water pumps, natural floodplain restoration.
Estimated \$ Raised	The measure authorizes \$150 million in general obligation bonds.
Tax Impact	The average annual estimated tax rate is \$0.11 cents per \$1,000 of assessed property value. Bonds may be issued in multiple series, each maturing in 20 years or less.
Purpose	This measure would finance capital costs for district purposes to protect communities, businesses, PDX airport, and the environment, including by: raising levees, upgrading floodwalls, pumps, pipes, drains and supporting natural floodplain restoration and resilience projects.
Hearing Date/Time	May 01, 2024 @ 1:00 pm

What is a General Obligation Bond?

Many local governments have broad authority to take on debt to finance government operations. One of the most popular forms of debt is General Obligation Bonds.

The Oregon Constitution provides most local governments the authority to ask voters to approve General Obligation Bonds by putting a measure on the ballot. If the measure is approved, the district is able to levy property taxes in an annual amount sufficient to pay for the principal and interest (debt service) on the bonds.

Uses of bond proceeds are restricted by both Measure 5 (1990) and Measure 50 (1997). Under Measure 5, if the use does not meet the constitutional requirements the property tax levy could lose its exclusion from Measure 5's limitations. Measure 50 further restricted the uses to include only "capital construction and improvements". Statutory language defines capital construction and improvements to include "public safety and law enforcement vehicles" but exclude "maintenance and repairs, the need for which could be reasonably anticipated" or "supplies and equipment that are not intrinsic to the structure".



MEASURE SUMMARY

Urban Flood Safety and Water Quality District (UFSWQD) is seeking voter approval for an authorization to borrow \$150 million in general obligation bonds and pay the debt service by levying annual property taxes.

Summary from Request for Ballot Title

If passed, bond proceeds would upgrade aging flood safety infrastructure along the Columbia River. The current system is over 100 years old. In a changing climate, the system does not meet federal requirements.

Congress authorized nearly \$100,000,000 for flood safety projects, which may be unlocked for a limited period with local match. This measure would authorize issuing up to \$150,000,000 in principal amount of general obligation bonds for Urban Flood Safety and Water Quality District.

Estimated annual tax rate for bonds would be \$0.11 per \$1,000 of assessed value. The owner of a home assessed at \$246,712 would pay approximately \$2.19 per month, \$26.27 annually. This is the average assessed home value in the District, according to County Assessor. Bonds may be issued in multiple series, each maturing within 20 years of issuance.

This measure would finance capital costs for District purposes to protect communities, businesses, PDX airport, and the environment, including by:

- Raising levees, upgrading floodwalls, pumps, pipes, drains.
- Supporting natural floodplain restoration and resilience projects.

District would establish bond oversight committee. Audits required.

BACKGROUND

The Urban Flood Safety & Water Quality District was created when the Oregon Legislature passed SB 431 in 2019. This special district will ultimately replace the four independent drainage districts (Peninsula Drainage District #1, Peninsula Drainage District #2, Multnomah County Drainage District and Sandy Drainage Improvement Company) which currently manage parts of the system. The new district aims to establish a safer, more modern and sustainable way to manage flood safety and includes efforts to promote social justice and equity as well as preparing for and adapting to climate change. Residents within urban Multnomah County currently receive flood protection services along the Columbia River flood zone. This includes:

- Nearly 8,000 residents
- 50% of the region's manufacturing and warehouse jobs
- 2nd largest source of drinking water in Oregon
- 16 million+ passengers annually at PDX
- \$16 billion in annual economic activity
- 2,000+ acres of open space and natural habitat



Operational Funding

The district is in the process of finalizing a revenue model to fund operations. The new revenue approach will have two components:

- **Property Tax Assessments in the Managed Floodplain**
 - Assessments are currently levied on property owners in the legacy drainage districts and will continue in the new revenue model. This assessment is only applied to properties that receive a direct physical benefit from the flood safety infrastructure. Assessment amounts will be increased when the districts consolidate.
- **District-wide Flood Safety Benefit Fee**
 - To be charged to the cities (and Multnomah County for the unincorporated areas) based on population. Each jurisdiction will be responsible for determining how to raise the revenue to pay the fee.

SB 1517 passed in the Oregon legislature in March 2024, enabling the district to move forward with the model described above. Both revenue sources will be used for ongoing operations and maintenance costs.

Capital Funding

The district has identified a number of capital projects needed to continue to support the district area and is seeking funding through a combination of federal, state, and GO bond revenue:

Anticipated Revenue Sources	Anticipated Value
Flood Safety GO Bond Revenue	\$150,000,000
State Grant Funds	\$45,000,000
Federal Funds*	\$100,308,000
Total	\$295,308,000

* Based on estimated federal contribution to US Army Corps of Engineers Portland Metro Levee Study and FEMA Hazard Mitigation Grants for PIR pump station replacement.

Per the district, these capital projects are crucial to the region: “In the aftermath of Hurricane Katrina and Superstorm Sandy, the Federal Emergency Management Agency (FEMA) updated their resiliency regulations for levees. As a result, substantial investments need to be made in order to bring this system into compliance with those updated regulations. This infrastructure is currently operated and maintained by four drainage districts that were first established in 1917 by farmers and other business interests that wanted to drain the land along the river for year-round use. Although the drainage districts have done as much as they can with the resources provided, they were never intended to manage and make significant capital investments in what has become urban infrastructure. Falling out of compliance could cause FEMA to require a



remapping of the area to a Special Flood Hazard Area. That designation will restrict or stop new development and redevelopment in the managed floodplain. Development and redevelopment costs would increase, putting additional pressure on other buildable areas in the greater Portland region. Costs for existing property owners would increase significantly as they would be required to purchase flood insurance without federally subsidized rates – which could cost up to 10 times as much as the federal flood insurance program if it’s obtainable at all.”

MEASURE ANALYSIS

The proposed levy is for \$150 million and UFSWQD estimates the tax rate will be \$0.11 per \$1,000. Bonds may be issued in multiple series and mature in 20 years or less. The entirety of the levy will be used to pay debt service on the money. The district will borrow to fund the capital projects as described in the ballot measure.

In the resolution authorizing the Bond, the board references the district’s vision of “a flood-ready, equitable, and climate-resilient community, economy, and watershed” and its mission to “equitably reduce flood risk and prepare for and respond to flood emergencies by maintain levees, conveying water when necessary, and finding innovative and nature-based ways to live with more water around us while supporting community safety and the region’s economic vitality, contributing to the health of the river and watershed, planning for a more climate resilient future, and promoting equity in all we do” as reasons for requesting the bond.

The resolution also references federal funds expected to provide up to two-thirds of costs for the projects. The district anticipates \$100 million in federal funds.

Use of funds

Use of funds as described by documentation from UFSWQD:

Program Area*	Forecast Bond Expenditures*
Upgrade aging infrastructure. Raise levees, improve floodwalls, pumps, pipes, and drains in the most vulnerable areas. **	\$268,086,000
Floodplain restoration & resilience projects	\$27,222,000
Total	\$295,308,000

*Estimated funding allocation for each program area includes program administration, oversight, and contingency costs. Program administration and oversight is estimated to be between 5-10% of project costs.

**Where possible, District-led projects will integrate design features for climate resilience, environmental improvement, equity, cultural history, and other community values.

Proposed Bond Projects

If passed, this measure would authorize a tax increase to fund:

- Raising levees, upgrading floodwalls, pumps, pipes, and drains in selected areas.
- Increasing resilience with natural flood protection, such as the restoration of wetlands to store floodwaters and upgrade fish and wildlife habitat.

Specific projects include:

- Elevate and repair an estimated 9 miles of selected sections of the levee and floodwall system.
- Make levees and floodwalls stronger and more reliable by filling in low spots and widening selected sections.
- Build a new levee and floodwall along the segment of the 1948 levee breach.
- Upgrade levee surface to prevent erosion and support safe, reliable maintenance.
- Upgrade 7 aging pump stations.
 - Replace or upgrade aging and undersized pump stations.
 - Add capacity and redundancy where needed.
 - Make pumps more reliable and upgrade debris management.
- Back-up power capacity to critical pump stations in case of a power failure.
- Upgrade safety and efficiency of infrastructure operations and maintenance.
- Upgrade access to and safety of pump stations.
- Provide a safe and efficient space to support operations and maintenance during normal conditions and emergencies.
- Floodplain restoration and resilience projects.
- Restoration of wetlands to store floodwaters and upgrade fish and wildlife habitat.
- Integrated design features for climate resilience, environmental upgrades, equity, and sharing the cultural history of the floodplain. Where possible, District-led projects would integrate these project objectives during the project design phase. An estimated \$4.1 million would be budgeted for integrated design features on District-led projects.



Projects and dollar amounts are further described in the a “Flood Safety & Water Quality Capital Investment Program Summary”¹ document released in February 2024; see chart below.

Specific project activities may be adjusted within the bounds of the voter-approved bond purpose and program areas.

Proposed Flood Safety Projects	Estimated Project Sequencing		
	Phase I	Phase II	Phase III
Upgrade Aging infrastructure: Raise levees, improve floodwalls, pumps, pipes, and drains in the most vulnerable areas			\$268,086,000*
USACE PMLS Project **			
PMLS Complementary Projects			
FEMA Sunderland Levee Upgrade			
FEMA Salmon Creek Levee Rebuild			
FEMA Gate Tower Flow Structure			
Broadmoor Pump Station Upgrade ⁱ			
NE 181st Pump Station Upgrade ⁱ			
PIR Pump Station Replacement ** ⁱ			
Schmeer Rd Pump Station Upgrade ⁱ			
Levee Slope Resurfacing ⁱ			
Flood Safety Operations Center ⁱ			
Floodplain Restoration & Resilience Projects			\$27,222,000*
Floodplain Storage			
Levee Enhancements			
TOTAL			\$295,308,000

*Estimated funding allocation for each program area includes program administration, oversight, and contingency costs. Program administration and oversight is estimated to be between 5-10% of project costs.

**Projects that include federal match.

ⁱ District-led projects will, where possible, integrate design features for climate resilience, environmental improvement, equity, and cultural history.

¹ Page 9 of meeting materials from 2/7/24: [Document Library - Multnomah County Drainage District \(mcdd.org\)](https://www.mcdd.org/Document-Library)



Impact to District

If the bond does not pass, the proposed projects would not occur unless the district were to identify other funding sources. Repercussions could include impacts to flood insurance rates, recertification efforts, and a potential loss of federal funds for projects.

Oversight

The measure summary calls out the establishment of a bond oversight committee and required annual audits. Per the district, “The committee will report annually to the board and the public regarding progress toward and compliance with the purpose and projects of the bond measure, and to make recommendations, if any, for improving program efficiency, administration, or performance...the board of directors will receive the annual financial audit, an annual performance report from the Flood Safety Bond Community Oversight Committee, and regular financial updates. The board will review and approve all capital budgets through the annual budgeting process and annual approval of the 5-year Capital Improvement Plan.”

Property Tax Impact

The average annual estimated tax rate is \$0.11 cents per \$1,000 of assessed property value. A home with an assessed value of \$275,000 would be billed roughly \$30 yearly for the bond. General Obligation Bonds are outside of property tax limitations (commonly known as “compression”) and so all properties in the UFWSQ district taxing boundaries would pay this amount.