

Urban Flood Safety & Water Quality District 2022-23 Public Hearing Minutes

Thursday, June 13, 2022

Portland, Oregon
Via Zoom Meeting

Present:

TSCC:

Chair Harmony Quiroz, Vice-Chair James Ofsink, Commissioner Margo Norton, Commissioner Mark Wubbold, Commissioner Matt Donahue, Executive Director Allegra Willhite, and Budget Analyst Tunie Betschart.

Absent: None

UFSWQD:

Board Members: Board Chair Tanney Staffenson, Corky Collier, James Allison, Dave Ripma, Erik Molander, Marielle Bossio, Nancy Hendrickson, Bob Sallinger, Val Humbel, Erich Mueller, and John Niiyama

UFSWQD staff: Executive Director Jim Middaugh, Interim CFO Keith Hobson, Director of Planning and Public Affairs Colin Rowan, Legal Counsel Hong Huynh, Office Coordinator Kenny Hallquist, Transition Manager Emily Robertson, Budget Manager Ben Rowe, and Board Coordinator Wendy Lynn.

Chair Harmony Quiroz opened the public hearing by welcoming everyone to the hearing and briefly describing the duties and responsibilities of the TSCC. She reviewed the hearing process and stated the reason for the hearing was to engage the district leadership and provide an opportunity for the public to comment before Urban Flood Safety & Water Quality District adopts its budget. She 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 stated they had no conflict of interest with the district. She asked the UFS&WQ district to introduce the board members and staff present. Then she asked Board Chair Tanney Staffenson to make brief introductory remarks about the budget. She stated that following Mr. Staffenson's introductory remarks, testimony from the public would be taken.

After introductions, Mr. Staffenson recapped the district's activities, saying the budget for the fiscal year 2022-23 represents hours of staff collaboration. It will provide the district with the flexibility and resources needed to support the operations of this new special district. At \$2 million, this budget allows the UFSWQD to identify the appropriate scope and cost of ongoing and new programming and adopt and implement the new revenue structure to pay for them. It also provides the resources needed to transition to the nine-member regular board that can call for the dissolution of the four historic drainage districts by June 2024. This is an ambitious goal and timeline. Using strategic timing to draw from the line-of-credit from the City of Portland to fund this work will minimize debt costs as much as possible.

Following the overview of the budget, Chair Quiroz asked if there was anyone signed up to give public comment.

Executive Director Willhite reported that no one had signed up to speak at this hearing, and she had not received any written comments.

TSCC's questions followed the overview of the budget.

TSCC Questions:

Commissioner Norton asked the following questions:

Since the district's inception, the question of revenue sources has been a priority. We understand that a draft proposed revenue structure is on target for completion by early fiscal year 2023. Can you share your progress in identifying potential revenue sources and what next steps are planned?

Erik Molander said the ORS 550.190 sets the responsibilities of the district. The board takes this responsibility seriously and has adopted bylaws. The Mission, Vision, and Values statement are in the process of establishing an equity framework to help guide the work of evaluating service levels, estimating costs, and identifying viable revenue options. They are on target for adoption in the spring of 2023. The focus to date has been evaluating potential statutorily authorized revenue tools and setting up a model to help compare possible scenarios that include revenue options and different ranges of programming that could be delivered to meet the mandates.

ORS Chapter 550 calls for an approach that considers equity and social justice, climate change, and environmental benefit. Multnomah County Drainage District (MCDD) staff are working with stakeholders to consider how the existing work will carry forward, how it might be updated, and new programming needed to meet the purposes described in Chapter 550. Staff will present these concepts to the board over the summer, providing guidance to determine associated cost projections.

Once the cost projections are determined, the consulting team will identify a set of scenarios to evaluate and compare this fall. Through board and stakeholder discussion, the district will identify a preferred alternative to refine over the winter and adopt in the spring of 2023. The district will also be working on identifying viable ways to collect the revenue. The timeline provides less than a year to put those structures in place and collect initial operating revenue before the May 2024 election. The district must collect at least one dollar of operating revenue before transitioning from the 17-member appointed board to the ongoing 9-member board structure. The district is hoping this will happen in May 2024.

In February 2022, the State Legislature passed changes proposed by staff to ORS 550 to clarify the roles of the Board of Directors, sequencing of required actions, and the revenue structure options. Several representatives from partner agencies of the district, including Multnomah County, the City of Portland, Metro, and Senator Gorsek, delivered letters and testimony supporting the proposed changes to create a smooth district transition. The plans today reflect these clarifications in ORS 550.

Is EcoNW doing all the technical work, or are additional contractors involved? What is the expected total cost of the analysis and modeling?

Mr. Molander said they have a technical advisory group. The group has been a significant source of information, assistance, and experience developing questions to ask EcoNW.

Mr. Colin Rowan added that for UFS&WQ, EcoNW is the prime contractor, and they use

subcontractors to support them. EcoNW subcontractors include Wolf Water Resources, Willamette Partners Facilitation Support, Strategic Direction, and Tiberius Solutions.

Mr. Rowan said the potential revenue sources of payroll tax, and real estate transfer tax had been eliminated as options even though they are legislatively allowed. The legislation offers an option for permanent rate modeling, but only for comparisons. The legislation does not allow property tax other than through General Obligation bonds.

The board is looking at service fees as an option for all of Multnomah County within the urban growth boundary and studying the geographies based on the nexus of the benefits received and costs incurred. The boundaries include the currently managed floodplain, the properties behind the levees, and the broader district, which benefits from what happens behind those levees.

Other resources are statutorily allowed, such as system development fees which the district may pursue possibly for cost recovery for the system, but will not be included in the financial model because it would be such a small amount.

With the technical work drawing to a close, can you give an estimate of the total expenses for the technical work?

Mr. Rowan said the estimated costs are \$250,000 and include what has been paid and projected in the fiscal year 2023 budget.

Commissioner Donahue asked the following questions:

You are proposing to spend considerable time and money on communications and public engagement in the coming year, including introducing the new district, previewing potential revenue sources, gauging public acceptance, and possibly finding potential board candidates. Please tell us more about the plan: how will you frame the message, how will you utilize contractors, and how will this work impact the choice of revenue source?

Mr. Corkey Collier said the initial board is charged with developing a revenue structure to support the district's permanent operating and capital needs. This requires ongoing efforts to build awareness and to develop community trust. The fiscal year 23 budget makes it possible to introduce the district and the work it will do to its constituents. The four legacy drainage districts cover an area that includes approximately 8,000 residents. The new district has about 800,000 residents. Many people do not know that there are levees in Multnomah County, much less the considerable flood risk and the need to operate, maintain, and improve the system.

The adopted fiscal year 23 budget was established to allow the district to develop an operating revenue structure and refer a GO bond to the voters in May of 2023. This budget gives flexibility and choice regarding the timeline for putting revenue structures in place. Since the budget was created, the board decided it would be more manageable to work toward referring a bond measure to the voters in May of 2024. Therefore, a portion of the budget will likely carry over into the fiscal year 2024.

Mr. Collier reported nearly half of the proposed communications budget would be used for public opinion research. With a district the size of the UFSWQD and so few people having any awareness of the infrastructure and the chances of flooding along the Columbia River and Slough, the district will need to do extensive research to understand how residents and voters feel about the operating and capital-related revenue proposals. This information will be essential to establishing a politically

viable and publicly supported operating revenue structure and crafting and referring a GO bond measure.

If you defer the board election and potential GO bond until FY 24 and complete all this communications work in FY 23, how does that reconcile with the short memories we know voters have?

Mr. Collier said the district has an initial poll out to the public now that would allow the district to work toward May 2023, but most likely will be in 2024. The district will redo the schedule as needed. The concern for wasteful spending is valid, and the board will continually evaluate the timeline and work plan as they work toward the GO Bond referral.

Chair Quiroz asked the following questions:

The district considers equity as a core criterion for the new revenue model. Can you provide an example of how equity guides your decision-making process? How is equity weighed against the other criteria, such as financial capacity, ease, or legal feasibility?

Mr. Collier referred to ORS 550, which directs the board to "promote equity and social justice in all aspects of the district's operations." Given that charge, staff and the board are currently working with consultants from Ontiveros & Associates to establish an Equity Framework, which will provide a set of definitions, and principles to help guide decision-making going forward.

Once the framework is in place, the board plans to direct staff to develop organizational and department-specific equity action plans consistent with the Equity Framework. The revenue consultants have incorporated equity into the revenue planning work, including an equity analysis of the model outputs to consider affordability and impacts on specific demographics. This analysis will identify potential inequities and affordability issues for the board to consider in its revenue option evaluation.

Commissioner Ofsink asked the following questions:

Continuing on the equity theme - the equity engagement program is now in its second year. What are the program's key accomplishments, and what are the priorities for next year?

Mr. Collier said during the fiscal year 2022 TSCC hearing, they planned to establish an Equity Committee to help guide the equity work of the district. The district has decided to take a different approach to ensure equity is part of all decision-making related to programming and how the agency does business. Currently, the staff and board are working with Ontiveros & Associates to build on the Mission, Vision, Values statements adopted in December 2021 to establish an Equity Framework. They plan to use this framework to develop specific organization-wide and department-specific equity action plans for the next three to five years. This will help inform the revenue planning work.

Mr. Jim Middaugh added that they are developing a draft of the equity framework for the board's consideration. They hope to present the complete draft at the next meeting. The board will study this framework, make revisions, and plan to adopt it early next year and start equity action plans. The district is developing relationships with communities of color and non-profits in support of this work.

Mr. Middaugh said they had training for staff and the board to get shared understanding, which helps with consensus-building around actions.

Chair Quiroz asked the following questions:

We see that the district is considering a general obligation bond to take to voters next year or the year following. We understand the work is preliminary, but we hope you can discuss the intent and plans for a potential bond. In recent years, voters have approved several tax measures, including the Metro Parks & Nature bond, Multnomah County Library bond, etc. This is in addition to new income taxes for preschool and supportive housing. Given the increase in the tax burden on voters in recent years, what is it about this GO bond that will appeal to voters and convince them of the need for additional taxes?

Mr. Tanney Stafferson said there are significant risks in living along rivers and waterways. Flood loss is devastating. The region is still grappling with the legacies of the flood of 1948 that destroyed the City of Vanport, killing at least 15 people and leaving another 18,500 without homes. What was once Vanport, the community now uses as an economic hub, including a lot of critical public and private assets in the managed floodplain, such as the Portland International & Troutdale Airports, backup drinking water for almost a million people, over 2,500 businesses that generate 59,000 jobs and \$16 billion in annual economic activity, homes for nearly 8,000 people and half of the region's warehouses and distribution center.

Many people in the region receive the benefits of the levee system's protection and have never been asked to pay for it. The GO bond will ask people to pay a modest amount to protect lives, jobs, critical public infrastructure, and habitats. It will also include new focus areas like creating environmental benefits, preparing for climate change, and promoting equity, which tends to be popular with voters in Multnomah County.

This measure will also allow the district to provide the local match needed to raise almost \$100 million in federal funding for many necessary levee improvements. This federal match is a huge opportunity to reduce the overall cost for taxpayers in Oregon.

Mr. Stafferson said over the next year, the district will be doing significantly more work to fully develop a ballot measure package that will meet the needs and be attractive to the district's voters.

Commissioner Ofsink asked the following questions:

One of the responsibilities of the Urban Flood district is to prepare and adapt to the impact of climate change concerning the managed floodplain. Board, we recognize you are in an interim role, but you are all key stakeholders in the region. How do you envision the district fulfilling this charge? Is any of this work underway?

Mr. James Allison referred to ORS 550, saying it requires the district to "Prepare for and adapt to the impact of climate change concerning the managed floodplain." The board will need to incorporate this legislative charge into their policymaking.

Climate change will likely bring more significant and frequent winter rainstorms, triggering higher pressure on the internal drainage system or high flood stage in the Columbia River.

One of the responsibilities of the UFSWQD is to prepare for and adapt to the impact of climate change in the managed floodplain. The same planning tools, analytical practices, and risk mitigation strategies that help the legacy districts manage their flood safety system today can provide a strong foundation for the UFSWQD to prepare for the impacts of climate change.

The legacy drainage utilizes an asset management framework to do drainage master planning and natural hazard mitigation planning. With these tools, the district will:

- Identify the systems it has inherited
- Prioritize capital improvements based on risk
- Take action to reduce the failure of the system
- Make policy decisions on funding
- Implement plans to better prepare for changing climate

The district plans to continue the partnership with the US Army Corps of Engineers and other partners such as the Federal Emergency Management Agency, local emergency first responders, property owners, the Port of Portland, Multnomah County, the cities in the district, and others, through the Portland Metro Levee System study. This study has identified a suite of strategies that will make the eighty-year-old levee system more reliable, resilient, and ready to meet the demands of climate change.

Mr. Allison said staff would integrate various strategies to address those risks. The strategies MCDD uses often are resistance and redundancy and building a backup. The new district can plan to use resilience and adaptation consistent with the new statutory purposes. The district will need to work with property owners to devise ways to mitigate, educate, and prepare for climate change.

Commissioner Donahue asked the following questions:

Initially, the district anticipated taking over the work of the four current drainage districts by 2025. Do you foresee obstacles to meeting projected timelines? If so, what is your plan for addressing these obstacles?

Mr. Erich Mueller reported that the current timeline anticipates the permanent board calling for the dissolution of the legacy drainage districts as early as June 2024. This would result in the dissolution being completed by June 2025. This timeline is contingent on board direction, the completion of the required planning work, and the statutory requirements of funding sufficient to enable the Urban Flood Safety and Water Quality District to assume and manage the duties, assets, and liabilities of the dissolved districts or corporation.

The UFSWQD has distinct differences from the existing drainage districts that reflect the modernization of essential public safety infrastructure and service in an urban environment.

ORS 550.360 details the process the UFSWQD will take to call for the dissolution of the legacy drainage districts. This process includes developing a dissolution plan with cooperative input from the legacy drainage districts. Additionally, the UFSWQD and MCDD have entered into an agreement in which the UFSWQD will absorb all MCDD staff upon dissolution. The transition of day-to-day work is expected to be seamless because MCDD's staff, and their institutional knowledge and expertise, will immediately become a part of the UFSWQD.

Mr. Mueller said that one obstacle is how the district will collect the service fee revenue needed for operations. Staff is working with public and private entities with the capacity to collect payment on

the district's behalf. This is a potential issue that the district hopes clear communication and education of the voters will alleviate.

Given the obstacles, do you think you will meet the deadline for transfer?

Mr. Mueller said he thinks the timeline is doable but will see where they are in a year.

Commissioner Norton asked the following question:

The interim board will be handing the reins over to the permanent board after the elections happen, either next year or the year after. What is the plan for transitioning the work and getting new board members up to speed on a complex and still developing organization?

Mr. Molander said the goal of the initial board is to have an election in May of 2024. It is not the role of the Board or staff to train any potential board members ahead of that election. Once voters select the elected board, there will be a complete orientation, statutory mission, financials, ethics training, and other required training.

The district plans to notify the public before the election that these seats will be available. The district will offer opportunities for candidates to ask questions of existing members and staff equitably and transparently. They will reach out to various community-based organizations and public bodies to help people understand the opportunity.

Mr. Middaugh added that four members would be residents of the flood plain or associated with it. The governor will appoint four, and one will be elected from the county at large. He said they are hopeful to have a robust and stable system with this initial round of board members.

Commissioner Donahue asked the following questions:

With the new revenue model scheduled to come online before the other districts dissolve, how will the district avoid any perception of "double-dipping" with the public as you ramp up Urban Flood while the other districts still receive property assessment fees?

Mr. Ben Rowe said there are five dynamics constituents need to understand regarding the district's new revenue model and when and how it will be implemented.

1. The district must collect at least one dollar under its yet-to-be-adopted new revenue structure before the regular elected board calls for the dissolution of the existing districts.
2. The interim board is in the process of evaluating revenue models and the timing of implementation. If the new revenue model is initiated in the June or July timeframe, there will be no concern of "double-dipping" as the current assessment terms are from July 1 to June 30 each year.
3. Less than 3,000 property owners across the four existing districts, which comprise the managed floodplain, pay assessments to fund annual flood safety operations. However, the UFSWQD district boundaries across Multnomah County contain approximately 400,000 households and business properties. Less than 1% of the new district's constituents have ever directly financially supported flood safety management in Multnomah County.
4. ORS 550.330. (3) provides the district the framework to: "adopt differential charges or rates applicable to unique, qualitatively different areas within the district when the district board deems such differential charges or rates necessary, beneficial or equitable."
5. When the new revenue structure is adopted and implemented, there may be different

service fees for households and businesses outside the managed floodplain than within. When initiated, the district may elect to implement flood safety service fees in phases. For example, the board may initiate fees first for constituents outside the management flood plain. Once the term of annual assessments on constituents within the managed flood plain expires, the district may choose to implement different or similar new service fees to avoid "double-dipping."

Chair Quiroz thanked the district board members and staff for joining the discussion and contributing during the hearing. Then she closed the hearing and opened a regular meeting of the Tax Supervising and Conservation Commission to certify Urban Flood Safety & Water Quality District's 2022-23 Approved budget. She asked if the commissioners had any questions or comments to make concerning the budget. There were none.

She asked that Executive Director Allegra Willhite give staff recommendations for the certification letter.

Ms. Willhite said staff found the budget estimates reasonable for the purposes stated and the budget to comply with Local Budget Law. She said staff have no recommendations or objections to the fiscal year 22-23 budget. She thanked Urban Flood Safety & Water Quality District for their quick responses. They reached out throughout the year when they had questions to ensure they were in compliance with budget law. They have been great partners during the preparation for this hearing. When questions arise about the district, UFS&WQ staff quickly respond and give TSCC staff thorough answers. This responsiveness is greatly appreciated.

Chair Quiroz called for a motion.

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

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