

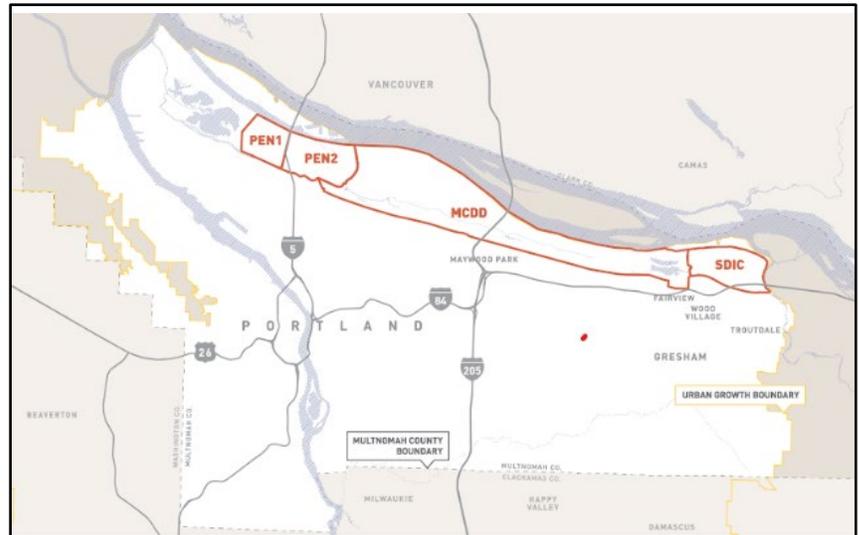
TSCC Budget Review 2022-23

Urban Flood Safety & Water Quality District



INTRODUCTION & BACKGROUND

The Urban Flood Safety & Water Quality District (UFSWQD) was created by the Legislature during the 2019 legislative session by SB 431. This bill established an “Urban Flood Safety & Water Quality District”. This new 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), each of which currently manages parts of the system. The new district will help to establish a safer, more modern and sustainable way to manage flood safety and includes aims to promote social justice and equity as well as preparing for and adapting to climate change. The district includes all of Multnomah County within the urban growth boundary.



The district is currently managed by an interim board of 17 members. The district is preparing for a May 2023 or 2024 election to elect the permanent urban board, which will be comprised of nine members.



The legislation that created UFSWQD did not include a specific funding structure for the district. Instead, it makes a set of financial tools available to the board of directors and requires the initial board to identify and establish a sustainable structure to fund ongoing operations and capital improvement needs. In FY 21-22, the district began working with EcoNW to assess potential new revenue models. The district anticipates finalizing and selecting a revenue option in fall 2023.

The district is developing a new chart of accounts that UFSWQD will use going forward. Staff hope to have financial policies developed in the near term as well.

TSCC Jurisdiction

One of the tools available to the district is the ability to issue general obligation bonds following taxpayer approval. This brings the district under the jurisdiction of the Tax Supervising and Conservation Commission per ORS 294.605(3). (The population of the area within the urban growth boundary of Multnomah County exceeds 200,000, which qualifies the district as a large district pursuant to ORS 294.625(1).)

STRATEGIC PLAN / PERFORMANCE OBJECTIVES

UFSWQD will replace the existing four drainage districts by 2025. Ultimately, the district will be responsible for:

- Improving, operating, and maintaining the flood safety infrastructure along the Columbia River;
- Responding to associated flood emergencies;
- Contributing to improved water quality, fish and wildlife habitat, and landscape resilience in the managed floodplain;
- Promoting equity and social justice in all aspects of the district's operations;
- Preparing for and adapting to the impact of climate change in relation to the managed floodplain; and
- Providing the public with information regarding the infrastructure and the history of the managed floodplain.



For FY 2022-23, the UFSWQD's top priority is identifying the appropriate scope and cost of ongoing and new programs and adopting and implementing a new revenue structure to pay for them.

BUDGET OVERVIEW

The FY 2022-2023 budget is \$2 million and focuses on increased public outreach and communication efforts. The budget is a 50% increase from last year's budget, which reflects the anticipated increases in needed startup costs to meet the timeline to fully consolidate the existing districts into one. The budget also includes an increase for MCDD staff costs (budgeted as contracted services since all FTE currently reside in MCDD) to cover administrative work needed to support the transition to the new district. The budget is only one fund.

RESOURCES

Resources include carryover from the current year (beginning fund balance) and \$1.2 million in debt proceeds from a line of credit from the City of Portland. This \$1.2 million represents the second draw of \$1.2 million under the IGA with the City of Portland and is the maximum amount allowed per year up to a cumulative total loan of \$6 million. Repayment is deferred until a revenue source for the Urban Flood district is established. The beginning fund balance is carryover from debt proceeds in FY 21-22.

Urban Flood Safety & Water Quality District FY 2022-23 Proposed Budget

2019-20	2020-21		2021-22	2022-23	Change	
Actual	Actual	RESOURCES	Amended* Budget	Proposed Budget	Over Prior Year \$	%
-	-	Beginning Fund Balance	136,076	800,000	663,924	488%
		Intergovernmental Revenue				
-	31,768	Multnomah County Drainage District	-	-		
-	578	Peninsula Drainage District #1	-	-		
-	4,686	Peninsula Drainage District #2	-	-		
-	2,968	Sandy Drainage Improvement	-	-		
-	40,000	Total Intergovernmental Revenue	-	-		
		Other Resources				
-	-	Debt Proceeds - Line of Credit	1,200,000	1,200,000	-	-
-	122,832	Grant Revenue	-	-		
-	122,832	Total Other Resources	1,200,000	1,200,000		
-	162,832	TOTAL RESOURCES	1,336,076	2,000,000	663,924	-

REQUIREMENTS

Requirements are increased 50% over last year's costs, with the largest dollar increases in professional services to fund communications and community engagement.

The FY 23 budget also includes administrative costs related to election fees. The district was tentatively planning for five candidate elections and one GO bond measure for the May 2023 elections, although budget committee conversations indicated 2024 as the more likely target. In preparation for the potential election, as well as to raise awareness before the district implements new revenue sources that impact the community, some of the largest expenditures in the budget focus on efforts to engage community members and share the value of the work of the district.

Urban Flood Safety & Water Quality District FY 2022-23 Proposed Budget

2019-20	2020-21		2021-22	2022-23	Change	
Actual	Actual	REQUIREMENTS	Amended* Budget	Proposed Budget	Over Prior Year \$	%
		Materials & Services				
		Professional Services				
-	135	Audit Fees & Consultation	15,000	15,000	-	0%
-	-	Legal Services	45,000	150,000	105,000	233%
-	25,000	General Consulting	200,000	225,000	25,000	13%
-	-	Diversity Equity & Inclusion	50,000	25,000	(25,000)	-50%
-	-	Government Relations	-	15,000	15,000	
-	-	Communications	135,000	400,000	265,000	196%
-	-	Community Engagement		300,000	300,000	
-	25,135	Total Professional Services	445,000	1,130,000	685,000	154%
		Administrative Expenses				
-	-	Multnomah County Drainage District	680,274	450,000	(230,274)	-34%
-	-	Election Fees		220,000	220,000	-
-	1,621	General Liability Insurance	5,000	2,500	(2,500)	-50%
-	1,621	Total Administrative Expenses	685,274	672,500	(12,774)	-2%
-	26,756	Total Materials & Services	1,130,274	1,802,500	672,226	59%
-	-	Contingency	205,802	197,500	(8,302)	-4%
-	26,756	TOTAL REQUIREMENTS	1,336,076	2,000,000	663,924	50%
-	136,076	RESOURCES over REQUIREMENTS	-	-		

*The only amendment made to the budget is an update to the actual Beginning Fund Balance.

The largest expenditures include:

Communications for Public Awareness - \$400,000

Proposed communication work includes:

- Creative services to develop a name, logo, website, and collateral for the UFSWQD to help build awareness and trust with the residents of urban Multnomah County inside and outside the managed flood plain;
- Quantitative and qualitative public engagement and opinion research to support the board's decision-making regarding revenues and a capital bond; and
- District-wide mailings and digital advertising to introduce residents to the UFSWQD, its purpose, and engagement opportunities.

The largest cost in this category is \$250,000 for up to three mailings to spread awareness of the district with the public.

Board Support, Stakeholder & Community Engagement - \$300,000

Contracted services for board decision-making support and facilitation, facilitating partnerships with key organizations, and for public engagement efforts to inform the board's decision-making about revenues, new mandates and a capital bond.

Multnomah County Drainage District Staff Time - \$450,000

Approximately \$450,000 in MCDD staff time reimbursement (per IGA).

Election Fees - \$220,000

Estimated fees for placing five board members and one measure on the ballot in May 2023. This provides the interim board the resources needed to call for the election of the permanent board and potentially refer a general obligation bond to the voters in FY 2022-23. If more time is needed, these expenses will be carried over to the following fiscal year (most likely scenario).

Revenue Analysis & Development - \$150,000

\$150,000 in contractual services to complete the modeling and analysis of potential revenue options and costs, to integrate stakeholder and community feedback into a draft plan, prepare a recommended revenue structure for board consideration, and complete subsequent refinements ahead of board adoption.

Contingency and Other Expenditures - \$480,000

The remaining \$480,000 is made up of contingency in the amount of \$197,500 and other expenditures (audit fees, legal costs, and other consulting fees). Expenditures are detailed on page 14 of the budget document.

DEBT

The district currently has a line of credit with the City of Portland (3% interest rate). The UFSWQD is obligated to begin a five-year repayment plan when the district is fully operational (expected to be FY 2025-26).

Although the district does not currently have any GO bond debt, they may choose to refer a GO bond in May 2023 election or May 2024 election. The current drainage district infrastructure is over 80 years old and a significant modernization effort is needed to bring the system up to date with federal safety standards. The district tentatively plans using a GO bond to help with approximately \$100 million to \$175 million (number is still under development and information may change as they work with the new board, stakeholders, and the community to develop the package to send to voters).

BUDGET/STRATEGIC PLAN ALIGNMENT

ORS 550 outlines the responsibilities of the district which are incorporated into the list described in the Strategic Plan/Performance Objectives section of this review. The budget reflects these priorities.

BUDGET HIGHLIGHTS

- The FY 2022-2023 budget is \$2 million, a 50% increase from the year prior. The budget reflects an anticipated \$1.2 million in debt proceeds from a line of credit with the City of Portland to fund start up costs, in addition to carryover funds from FY 22.
- The \$2 million dollar budget includes administrative costs for five candidate elections (for the permanent board) and a potential GO bond election (to fund capital costs for levy improvements).
- In preparation for the potential election, as well as to raise awareness before the district implements new revenue sources, some of the largest expenditures in the budget focus on efforts to engage community members and share the value of the work of the district.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
X		Did the district meet publication requirements?
X		Do resources equal requirements in every fund?
	N/A	Does the G.O. Debt Service Fund show only principal and interest payments?
X		Do contingencies exist only in operating funds?
X		Did the Budget Committee approve the budget?
	N/A	Did the Budget Committee set the levy?
	N/A	Does audit show that the district complied with budget law? – <i>no audit required; annual spending under \$500k for FY 20-21</i>

LOCAL BUDGET LAW COMPLIANCE

The FY 2022-23 Budget is in substantial compliance with local budget law. TSCC staff judged that the district’s budget estimates were reasonable for the purposes shown.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district’s FY 2022-23 budget or budget process and will recommend the Certification Letter contain no recommendations or objections.

Urban Flood Safety & Water Quality

Approved Budget Summary Sheet

	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Total Property Taxes	0	0	0	0	0%
Resources:					
Beginning Fund Balance	0	0	136,076	800,000	488%
Intergovernmental Revenue	0	40,000	0	0	0%
Other Income	0	122,832	0	0	0%
Debt Proceeds	0	0	1,200,000	1,200,000	0%
TOTAL RESOURCES	0	162,832	1,336,076	2,000,000	50%
Requirements by Function:					
Administrative Services	0	26,756	1,130,274	1,802,500	59%
Contingencies	0	0	205,802	197,500	-4%
Ending Fund Balance	0	136,076	0	0	0%
TOTAL REQUIREMENTS	0	162,832	1,336,076	2,000,000	50%
Requirements by Object:					
Materials & Services	0	26,756	1,130,274	1,802,500	59%
Contingencies	0	0	205,802	197,500	-4%
Ending Fund Balance	0	136,076	0	0	0%
TOTAL REQUIREMENTS	0	162,832	1,336,076	2,000,000	50%
SUMMARY OF BUDGET - BY FUND					
General Fund	0	162,832	1,336,076	2,000,000	50%
GRAND TOTAL ALL FUNDS	0	162,832	1,336,076	2,000,000	50%