

TSCC Budget Review 2024-25

Urban Flood Safety & Water Quality District

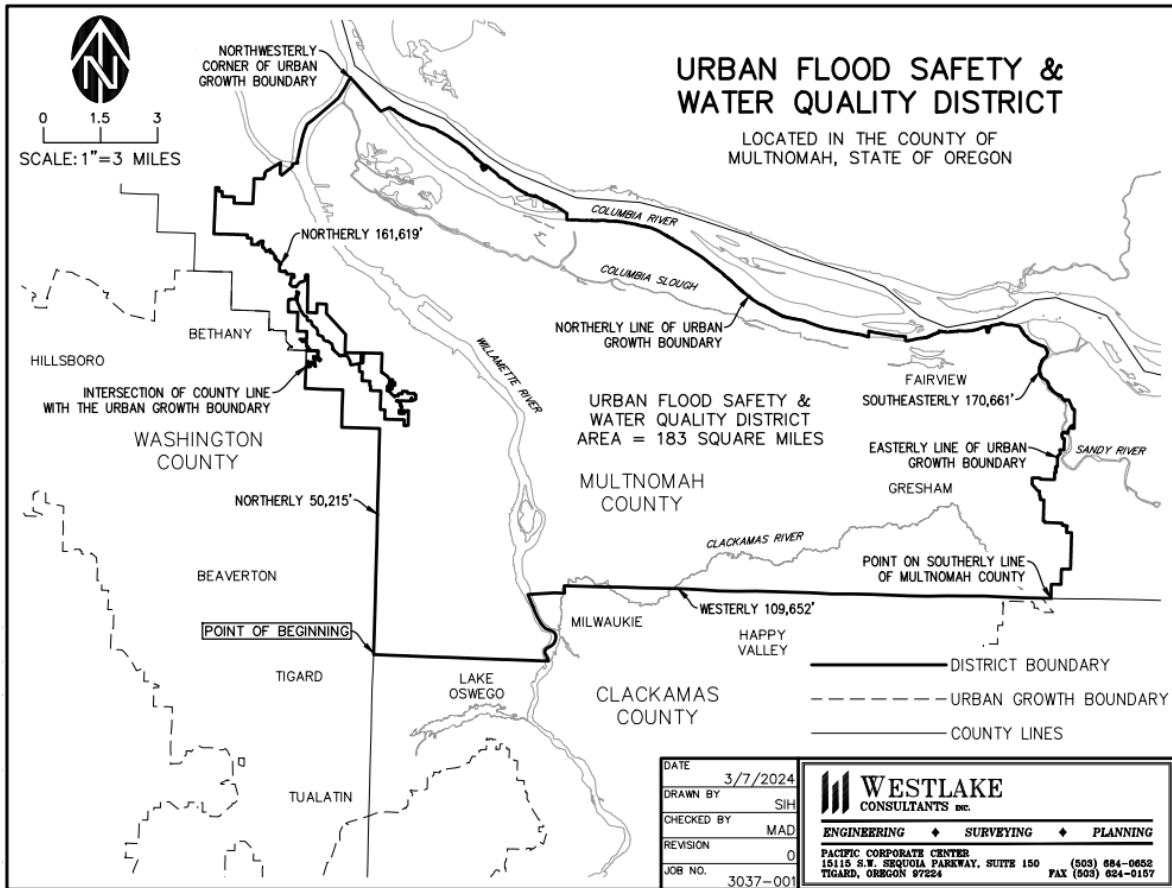


BUDGET HIGHLIGHTS

- The 2024-2025 Approved Budget is \$57 million, and represents the first year of the legacy drainage districts being consolidated into the Urban Flood Safety & Water Quality District (UFSWQD) budget.
 - Half the budget is for contingency and ending fund balance which total \$28.6 million, the majority of which (\$16.1 million) is carryforward of bond proceeds for future capital projects.
 - The General Fund contains operational district costs, budgeted at \$19.6 million in expenditures.
 - Forty-three percent of expenditures (excludes contingency and ending fund balance) are dedicated to capital projects.
- The budget introduces the district's new ongoing revenue structure, comprised of:
 - A Flood Safety Benefit Fee charged across the entire district (individual cities and the county are responsible for collecting the fee and submitting to UFSWQD).
 - Property tax assessments in the managed floodplain (as is currently done for the legacy drainage districts, with an increase for the upcoming year)
- The board approved a \$150 million bond measure for the May ballot. This budget assumes passage of that bond and includes:
 - \$24 million for a newly created Bond Capital Projects fund.
 - A new Debt Service Fund to track the general obligation bond debt.

INTRODUCTION & BACKGROUND

The Urban Flood Safety & Water Quality District (UFSWQD) was created by the Legislature during the 2019 legislative session by SB 431. This new special district replaces the four independent drainage districts (Peninsula Drainage District #1, Peninsula Drainage District #2, Multnomah County Drainage District and Sandy Drainage Improvement Company). The new district will help to establish a safer, more modern and sustainable way to manage flood safety and aims to promote social justice and equity as well as preparing for and adapting to climate change. The district boundaries include 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 November 2024 election to elect the permanent urban board, which will be comprised of nine members.

UFSWQD will fully replace the existing four drainage districts on July 1, 2024. Ultimately, the new district is 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.

Ongoing Responsibilities



Drainage
Management



Levee
Maintenance



Emergency
Response



Support
Regional
Partnerships

New Responsibilities



Contribute to water
quality, habitat, floodplain
restoration, and
landscape resilience.



Promote equity and
social justice in all
aspects of operations



Prepare for and adapt to
climate change in
relation to the
managed floodplain



Provide the public with
information on the
cultural history of the
managed floodplain

BUDGET OVERVIEW

This year marks a significant change for the district, as it is the first year presenting a consolidated budget and identified revenue streams other than debt. The budget has three central themes:

- First full year of operations for UFSWQD: This budget marks the consolidation of all legacy district activities into the new district, with operating revenue starting from flood-plain property assessments and flood safety benefit fees. Dissolution of the existing districts will occur on July 1, 2024.
- Capital funds for flood safety and water quality projects: The budget begins shaping the future of capital funds, with a proposed general obligation bond for voters' consideration in May 2024, alongside support from federal, state, and local partners for a \$200 million+ capital program.
- New responsibilities for the district: These include contributing to improved water quality, habitat restoration, landscape resilience, promoting equity and social justice, and providing information on the cultural history of the managed floodplain.

New Ongoing Revenue Structure

The legislation that created UFSWQD did not include a specific funding structure for the district. Instead, it made a set of financial tools available to the board of directors and required the initial board to identify and establish a sustainable structure to fund ongoing operations and capital improvement needs. In FY 2021-22, the district began working with EconW to assess potential new revenue models. During FY 2022-23 the district continued work developing the new revenue model and had initially planned to have a model chosen in fall 2022. The Board found that they would need legislative adjustments in order to pursue the revenue streams they had chosen, and they received this permission in the 2024 Oregon Legislative Session. In April 2024 the board adopted ordinances to codify a new ongoing revenue structure to include a transfer of existing property assessment authority from the existing drainage districts and a new Flood Safety Benefit fee.

Due to the needed legislative changes to implement the revenue model, staff prepared two versions of the budget. Once the changes allowing for the new revenue structure were codified in law, the district moved forward with a fully consolidated budget of \$57 million.

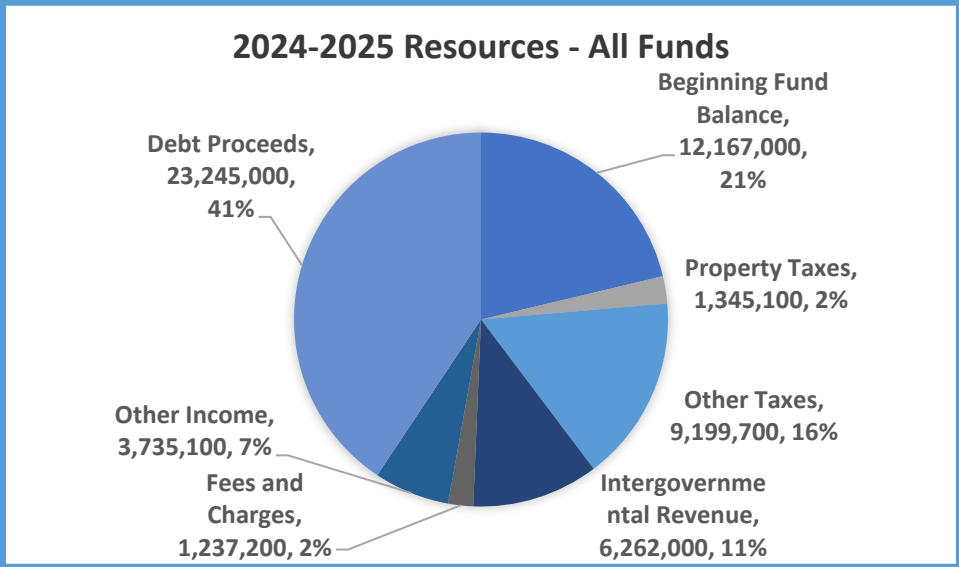
The district has sufficient cash flow to operate during the first half of FY 24-25, until the assessment collections occur in Nov/Dec. They do not anticipate needing to borrow funds to support operations through the transition to the new revenue system.

The budget assumes passage of a General Obligation bond of \$150 million. If the bond does not pass, the money will not be received or spent.

The budget lists the following priorities:



RESOURCES



Beginning fund balance is over **\$12 million**, over 93% of which is comprised of transferred balance from the legacy drainage districts.

A primary resource for this budget is **debt proceeds (\$23 million)**. If the bond is not approved, the \$23 million will not be received or spent. Bond funds are dedicated for specific capital projects as approved by voters.

The four major sources of ongoing revenue are as follows:

Property tax assessments (\$9.2 million) in the managed floodplain. The legacy districts currently collect assessments, and for the new district that amount will be increased by 10%. The current assessment methodologies used by legacy districts will be replaced with a new method that relies on a mix of calculations based on total lot area and lot impervious area (this method is in use by MCDD and SDIC, the two districts that hold the vast majority of properties in the district’s managed flood plain.) An overall collection rate of 94% is assumed in the budget, and tax compression is estimated at 11% districtwide. Assessments will be billed along with property taxes.

Flood Safety Benefit Fee (\$6.3 million) across the entire district to be collected by cities and the county for unincorporated areas. State statute allows for the fee, and specifies it will be based on population for each city and incorporated county area within the district. The amount of fee to be determined by the district each year as part of the annual budget process and is limited to an increase on an annual basis to CPI or 3%, whichever is greater. This revenue will be collected quarterly, starting September 2024.

Flood Safety Benefit Fee Allocation by Population

Geography	Allocation of	
	Population	Flood Safety Fee
City of Portland	649,965	\$ 5,058,000
City of Fairview	10,424	81,000
City of Gresham	114,102	888,000
City of Troutdale	16,341	127,000
City of Wood Village	4,387	34,000
Unincorporated Multnomah County	6,224	48,000
City of Lake Oswego	2,621	20,000
City of Maywood Park	829	6,000
Total	804,893	\$ 6,262,000

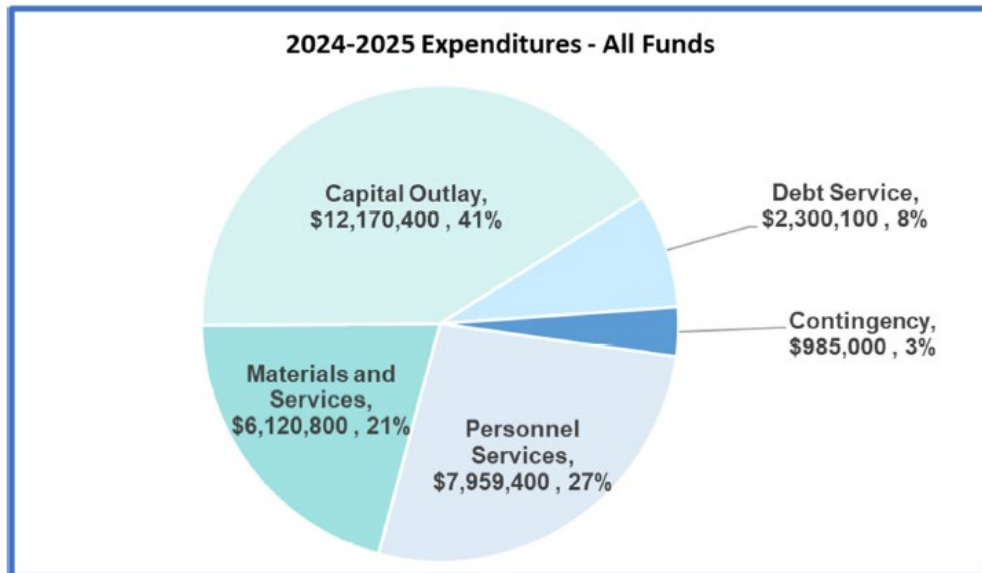
The property tax assessment and the fee must be considered together and balanced. If the board had approved a lower assessment increase, they would need to collect more through the fee. The board weighed how to fairly capture revenue across these two methods.

Grants (\$3 million) – Grants to specifically fund certain capital projects.

Service Agreements (\$1.2 million) – The district anticipates receiving \$1.2 million from agreements currently being negotiated with the City of Portland, Port of Portland, and Multnomah County to cover flood control services provided by the district.

REQUIREMENTS

Note: Graph below is from the district and includes contingency as a requirement – from a technical budget law perspective it is considered a requirement but not an expenditure.



Last year operating costs for the existing drainage districts and UFSWQD costs were estimated at roughly \$20 million in FY 2022-23, of which \$13.9 million was for major capital. A financial forecast completed in 2023 anticipated operating costs for the new district would be closer to \$32 million within 5 years. Staff and the board worked to right size expenses, and the Approved budget includes total expenditures of \$29.5 million, with \$27.7 million budgeted for ending fund balance. Ending fund balance includes \$16 million in bond proceeds carrying forward, as well as funds to operate the district for the first six months of the fiscal year until assessment revenues will be received. Contingency is set at \$982,000, 3% of total expenditures.

	Actual	Actual	Budget	Proposed Budget	Approved Budget	% Change
	2021-2022	2022-2023	2023-2024	2024-2025	2024-2025	2023-2024
Personnel Services	\$ -	\$ -	\$ -	\$ 7,959,400	\$ 7,959,400	100%
Materials & Services	580,677	1,373,186	1,595,729	6,065,800	6,120,800	284%
General Fund Debt Service	8,331	44,405	97,271	955,000	955,000	882%
General Fund Capital Projects	-	-	-	4,655,400	4,655,400	100%
GO Bond Debt Service	-	-	-	1,345,100	1,345,100	100%
Contingency	-	-	-	982,000	985,000	100%
Bond Capital Projects	-	-	-	7,515,000	7,515,000	100%
Total Expenditures	\$ 589,008	\$ 1,417,591	\$ 1,693,000	\$ 29,477,700	\$ 29,535,700	
Ending Fund Balance	755,971	597,565	-	27,713,400	27,655,400	100%
Total Requirements	\$ 1,344,979	\$ 2,015,156	\$ 1,693,000	\$ 57,191,100	\$ 57,191,100	

Personnel Services - \$8 million

This budget funds 45.1 FTE positions for FY 24-25. The majority of positions are budgeted in the General Fund, with three positions expected for the Bond Capital Projects Fund in the event the bond passes. The chart to the left shows the breakout of FTE positions by fund.

Materials And Services - \$6.1 million

M&S costs for the previous legacy districts are budgeted here, with adjustments for inflation. The budget also includes some funds for transition costs and for new responsibilities for the district in equity, cultural history, and environmental services.

General Fund		
Executive Director		1.0
Legal		1.0
Finance & Administration		
Administration		3.0
Financial Services		8.6
Human Resources		2.0
Information Services		1.0
Planning & Public Affairs		
Planning		5.2
Public Affairs		2.0
Engineering & Operations		
Engineering		6.9
Operations & Maintenance		11.4
Total General Fund		42.1
Bond Project Fund		
Legal		1.0
Finance & Administration		
Finance		1.0
Planning & Public Affairs		
Planning		1.0
Total Bond Project Fund		3.0
Total		45.1

Capital Outlay - \$12.2 million

The Capital Improvement Plan (p.60 of budget PDF) describes a number of construction projects for engineering, operations, planning, and equipment. The largest items funded by General Fund dollars include \$1.4 million for 13th Ave Pump Station Discharge Pipes and \$1 million for PIR Pump Station Replacement. The budget also includes \$7.5 million in anticipated spending of bond proceeds for capital projects.

Debt Service - \$2.3 million

Includes General Fund debt service to pay back the City of Portland loan and \$1.3 million in debt service for the anticipated GO bond debt.

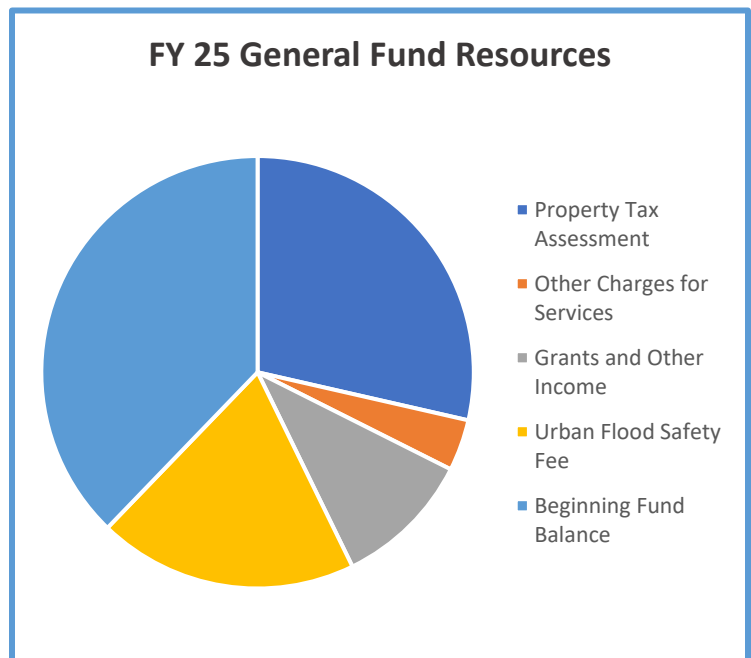
GENERAL FUND

The General Fund total \$32.2 million and makes up 56% of the total budget and accounts for general operations.

GENERAL FUND RESOURCES

The primary resources for this fund come from the two revenue streams the district put into place to fund operations, property tax assessments and the Flood Safety Benefit Fee. For FY 25, property tax assessments are expected to total \$9.2 million (46% of total fund revenue) and the new fee is budgeted at \$6.3 million (31% of total fund revenue).

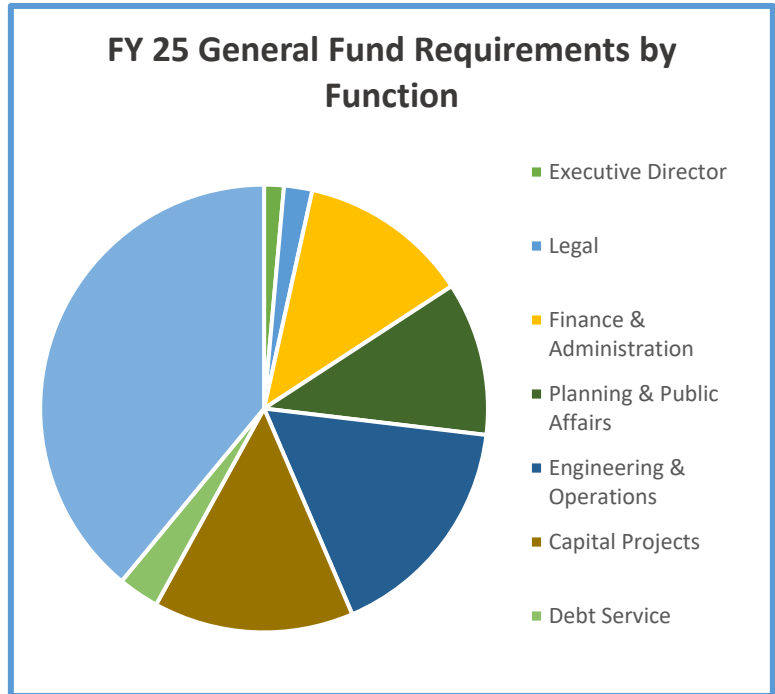
The fund also includes debt service payments to refund the City of Portland for the line of credit they provided to fund initial start-up costs while the district established a revenue structure.



GENERAL FUND REQUIREMENTS

The fund is divided into seven expenditure functions.

The largest functions are for Engineering and Operations (\$5.4 million) and Finance and Administration (\$4.9 million). Finance and Administration includes administration, financial services, human resources, information services, and board services.



OTHER SIGNIFICANT BUDGET AREAS

BOND CAPITAL PROJECTS FUND

Debt proceeds are estimated at \$23 million for FY 25. The majority of this will be held in fund balance for project costs in future years. In FY 25, the district expects to spend \$7.5 million for capital outlay and will focus on the Portland Metro Levee System work (\$6 million) and the FEMA Gate Tower Flow Structure (\$926,000). This fund also includes project administration and debt issuance costs at \$586,000.

Bond Capital Projects Fund

	Actual 2021/22	Actual 2022/23	Budget 2023/24	Proposed Budget 2024/25	Approved Budget 2024/25
Resources					
Bond Issuance	\$ -	\$ -	\$ -	\$ 23,245,000	\$ -
Interest Earnings	-	-	-	400,000	-
Total Resources	\$ -	\$ -	\$ -	\$ 23,645,000	\$ -
Requirements					
Capital Outlay	\$ -	\$ -	\$ -	\$ 7,515,000	\$ -
Total Appropriations	-	-	-	7,515,000	-
Unappropriated Ending Fund Balance	-	-	-	16,130,000	-
Total Requirements	\$ -	\$ -	\$ -	\$ 23,645,000	\$ -
Summary by Department					
Planning	\$ -	\$ -	\$ -	\$ 6,929,000	\$ -
Project Administration/Debt Issuance	-	-	-	586,000	-
Total Appropriations	\$ -	\$ -	\$ -	\$ 7,515,000	\$ -

DEBT


The district will learn whether voters approve the GO Bond in late May. The bond would fund improvements to the current 80-year-old drainage district infrastructure to bring the system up to date with federal safety standards.

ORS 550.340 provides the district with the authority to issue general obligation bonds if approved by the voters. The district may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds two percent of the real market value of all taxable property in the district, calculated as provided under ORS 308.207.

Debt Capacity	
Real Market Value 2023-2024	\$ 202,541,107,416
General Obligation Debt Capacity (2% of Real Market Value)	4,050,822,148
Less: Outstanding Debt	-
Remaining Legal Debt Capacity	\$ 4,050,822,148


This budget includes \$1.3 million for debt service; this assumes issuance of \$24 million, not the full \$150 million for which they are asking voter approval. As they borrow additional funds, expected annual debt service would increase.

General Obligation Bond Activity	
Bank Borrowing (Taxable)	\$ 15,730,000
State of Oregon (Tax Exempt)	7,515,000
Total	\$ 23,245,000
Principal	\$ 390,000
Interest	955,100
Total	\$ 1,345,100

 **UFSWQD** 21

The district had a line of credit with the City of Portland that allowed the district to borrow up to \$1.2 million annually for up to five years to fund initial start-up costs while the district established a revenue structure. This line of credit has a 3% interest rate, per the intergovernmental agreement. UFSWQD is obligated to begin a five-year repayment plan when the district is fully operational in FY 25-26. Debt service for this loan is included in the General Fund.

General Fund Debt Service includes principal and interest payments on capital borrowing and the UFSWQD line of credit		
Commercial Loan Principal	\$	437,000
Commercial Loan Interest		224,000
IFA Loan		171,000
Line of Credit Interest		123,000
Total Debt Service	\$	955,000



BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
X		Did the district meet publication requirements?
X		Do resources equal requirements in every fund?
X		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?
X		Did the Budget Committee set the levy?
X		Does audit show that the district complied with budget law?

LOCAL BUDGET LAW COMPLIANCE

The 2024-25 budget is in substantial compliance with local budget law. TSCC staff judged that the district’s budget estimates were reasonable for the purposes shown.

The audit report for FY 2022-23 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district’s FY 2024-25 budget or budget process and will recommend the Certification Letter contain no recommendations or objections.

Urban Flood Safety & Water Quality

Budget Summary

<u>SUMMARY OF ALL FUNDS</u>	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
GO Debt Property Taxes	0	0	0	1,345,100	0.0%
TOTAL PROPERTY TAX	0	0	0	1,345,100	0.0%

RESOURCES:

Beginning Fund Balance	136,076	755,971	385,000	12,167,000	3060.3%
Property Taxes	0	0	0	1,345,100	0.0%
Other Taxes	0	0	0	9,199,700	0.0%
Intergovernmental Revenue	0	0	100,000	6,262,000	6162.0%
Fees and Charges	0	0	0	1,237,200	0.0%
Other Income	572	14,780	8,000	3,735,100	46588.8%
Debt Proceeds	1,200,000	1,244,405	1,200,000	23,245,000	1837.1%
TOTAL RESOURCES	1,336,648	2,015,156	1,693,000	57,191,100	3278.1%

REQUIREMENTS BY OBJECT:

Personnel Services	0	0	0	7,959,400	0.0%
Materials & Services	580,677	1,373,186	1,595,729	6,120,800	280.1%
Capital Outlay	0	0	0	12,170,400	0.0%
Debt Service	8,331	44,405	97,271	2,300,100	2264.6%
Contingencies	0	0	0	985,000	0.0%
Ending Fund Balance	747,640	597,565	0	27,655,400	0.0%
TOTAL REQUIREMENTS BY OBJECT	1,336,648	2,015,156	1,693,000	57,191,100	3278.1%

SUMMARY OF BUDGET - BY FUND

General Fund	1,336,648	2,015,156	1,693,000	32,201,000	1802.0%
Debt Service Fund	0	0	0	1,345,100	0.0%
Bond Capital Projects Fund	0	0	0	23,645,000	0.0%
GRAND TOTAL ALL FUNDS	1,336,648	2,015,156	1,693,000	57,191,100	3278.1%

DETAIL OF GENERAL FUND

RESOURCES:

Beginning Fund Balance	136,076	755,971	385,000	12,167,000	3060.3%
Other Taxes	0	0	0	9,199,700	0.0%
Local Revenue	0	0	100,000	6,262,000	6162.0%
Fees and Charges	0	0	0	1,237,200	0.0%
Other Income	572	14,780	8,000	3,335,100	41588.8%
Debt Proceeds	1,200,000	1,244,405	1,200,000	0	-100.0%

Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	1,336,648	2,015,156	1,693,000	32,201,000	1802.0%

REQUIREMENTS:

Administrative Services	580,677	1,373,186	1,595,729	14,080,200	1130.5%
Capital Outlay				4,655,400	0.0%
Debt Service	8,331	44,405	97,271	955,000	881.8%
Contingencies	0	0	0	985,000	0.0%
Ending Fund Balance	747,640	597,565	0	11,525,400	0.0%
TOTAL FUND REQUIREMENTS	1,336,648	2,015,156	1,693,000	32,201,000	1802.0%

DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND

RESOURCES:

GO Debt Property Taxes	0	0	0	1,345,100	0.0%
TOTAL FUND RESOURCES	0	0	0	1,345,100	0.0%

REQUIREMENTS:

Debt Services	0	0	0	1,345,100	0.0%
TOTAL FUND RESOURCES	0	0	0	1,345,100	0.0%