

TSCC Budget Review 2025-26

Urban Flood Safety & Water Quality District



BUDGET HIGHLIGHTS

- The 2025-2065 Approved Budget is \$63.5 million and represents the second year of operations for the consolidated Urban Flood Safety & Water Quality District (UFSWQD).
- The operating district's budget is much the same as 2024-2025 with some adjustment for new bond-funded FTE and some additional professional service funding in the district's focus areas. The overall budget resources increase by 11%, with the majority of the increase due to the doubling of beginning fund balance as bond proceeds carry forward.
- Nearly forty percent of the budget is for contingency and ending fund balance which total \$25.3 million. Of that amount, half is carryforward of bond proceeds for future capital projects.
- The General Fund contains operational district costs, budgeted at \$18.9 million in expenditures. This is a decrease of 4% in General Fund operating costs, just shy of \$900k. The largest year over year decreases are in capital project and grant budgets.
- Fifty-four percent of expenditures (excludes contingency and ending fund balance) are dedicated to capital projects.
- The budget continues 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.
- Voters approved a \$150.0 general obligation million bond measure in May 2024. This budget assumes issuance of \$15.0 million for capital projects in FY 26.

INTRODUCTION & BACKGROUND

The Urban Flood Safety & Water Quality District (UFSWQD) was created by SB431 during the 2019 legislative session. This special district replaces four independent drainage districts: Peninsula Drainage District #1, Peninsula Drainage District #2, Multnomah County Drainage District, and Sandy Drainage Improvement Company. UFSWQD's purpose is to reduce flood risk and prepare for and respond to flood emergencies by operating, maintaining, and working to improve the flood safety infrastructure along the Columbia River. The district integrates nature, cultural history, and equity into flood safety. The district boundaries include all of Multnomah County within the urban growth boundary.



In May 2024, voters approved a general obligation bond to fund capital projects for the district. Following the establishment of a sustainable revenue source by the interim board, the four legacy drainage districts were officially dissolved and consolidated into a single entity in July 2024. This unification created a more efficient governance structure and acknowledged that flood protection infrastructure operates as an integrated system.

On July 1, 2024, the newly formed district assumed management of the flood safety system along the Columbia River. Five board members were elected, and four additional members were appointed by the Governor. All board members began their service in January 2025. 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.

Urban Flood Safety & Water Quality	2021-22	2022-23	2023-24	2024-25
Assessed Value in Billions				\$99.517
Real Market Value (M-5) in Billions				\$240.719
Property Tax Rate Extended: Debt Service				\$0.0142
Measure 5 Loss				\$-1,458,159
Number of Employees (FTE's)				45.1

BUDGET OVERVIEW

The 2025-2026 Budget marks the second year of a consolidated budget and identified revenue streams. In addition to an overall focus on comprehensive planning, the budget reflects the district's vision in four other focus areas: environment, equity, cultural history, and climate change.

The budget identifies the following priorities:



Because the FY 26 Budget consists of only the second year of operations and there is not a full year of actual revenue and expense data, it is difficult to know whether approved budget amounts are too high, too low, or just right. Perhaps because of this, the district's budget is much the same as 2024-2025 with some adjustment for new bond-funded FTE and some additional professional service funding in the district's focus areas.

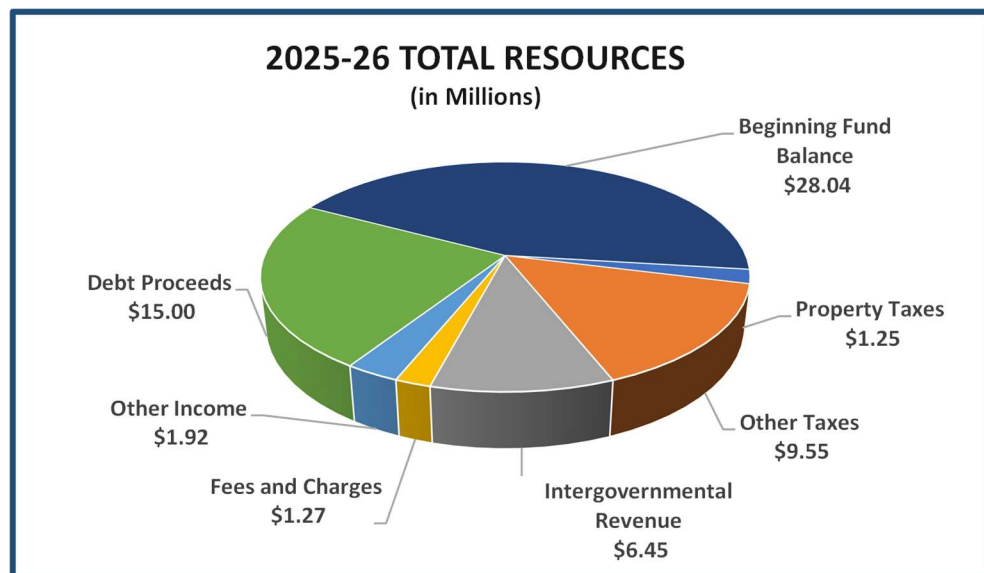
Revenue Structure

The legislation that created USFWQD 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 on a new revenue model and had initially planned to have a model chosen in Fall 2022; however, the Board needed legislative adjustments in order to pursue the revenue streams chosen which were received during 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.

In May 2024, voters approved a general obligation bond measure to support capital improvement projects.

USFWQD's primary purpose is to reduce flood risk which will be done through a \$200+ million capital program and investment. The passage of the \$150.0 million general obligation bond measure provides matching funds for more than \$100.0 million in federal investment. The final piece of the funding package is \$45.0 million of support from the State of Oregon that the district is seeking during the 2025 legislative session.

RESOURCES



Overall resources increase by \$6.3 million (11%) as beginning fund balance more than doubles, balancing out a decrease in debt proceeds from last year's budget.

Beginning fund balance is over **\$28.0 million**, primarily due to debt proceeds budgeted in 2024-2025. This is a \$15.7 million increase from last year.

The four major sources of ongoing revenue are as follows:

Property tax assessments (\$9.6 million) in the managed floodplain. This amount is a 3% increase to the overall assessment level in 2024-2025. The assessment is calculated using a mix of calculations based on total lot area and lot impervious area (this method was historically used by legacy districts MCDD and SDIC, the two districts that held 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 12% districtwide. Assessments will be billed along with property taxes.

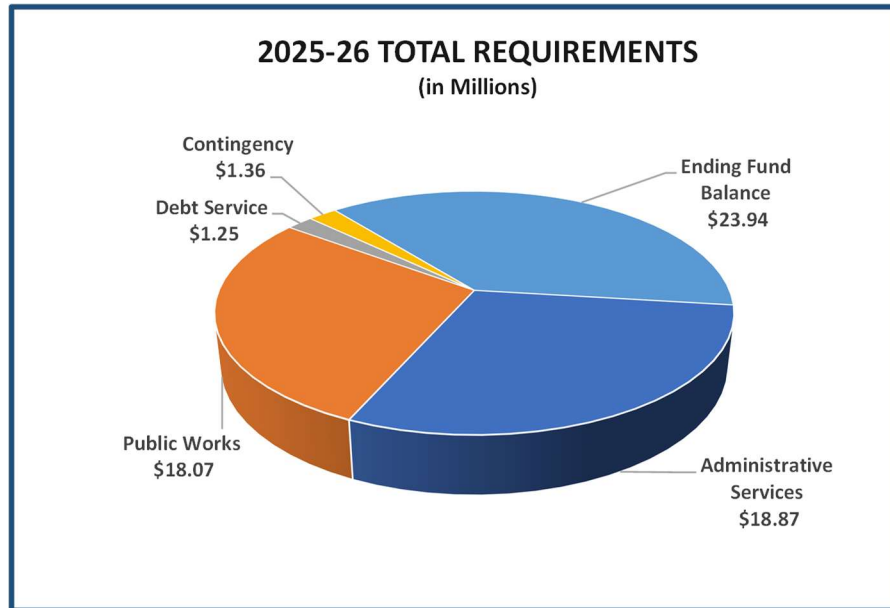
Flood Safety Benefit Fee (\$6.5 million) across the entire district to be collected by cities and the county for unincorporated areas. State statute allows for the fee and specifies it will be based on population for each city and incorporated county area within the district. The amount of fee to be 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 budget includes an increase of 3%.

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 (\$1.1 million) budgeted to fund specific capital projects.

Intergovernmental Agreements (\$1.2 million) for flood control services provided by the district to the City of Portland, Port of Portland, and Multnomah County.

REQUIREMENTS



The largest year over year increases in requirements are in Capital Outlay (71% increase, \$8.7 million) Personnel Services (10% increase, 810k) with the addition of 5.7 FTE. Ending fund balance decreases from last year (\$3.7 million, 13%).

REQUIREMENTS BY OBJECT				
	2022-2023	2023-2024	2024-2025	2025-2026
	Actual	Actual	Revised	Approved
Personnel Services	0	0	7,959,400	8,770,000
Materials & Services	1,373,186	1,159,298	6,120,800	6,395,300
Capital Outlay	0	0	12,170,400	20,843,500
Debt Service	44,405	86,664	2,300,100	2,181,000
Total Expenditures	1,417,591	1,245,962	28,550,700	38,189,800
Contingency	0	0	985,000	1,360,000
Ending Fund Balance	597,565	772,790	27,655,400	23,936,200
Total Requirements	2,015,156	2,018,752	57,191,100	63,486,000

Personnel Services - \$8.8 million

This budget funds 50.8 FTE for FY 26. The majority of positions are budgeted in the General Fund, with eight positions funded in the Bond Capital Projects Fund. The budget includes a cost of living increase of 2.7%, merit increase of 2.0%, and increased rates of Public Employees Retirement System (PERS) rates. UFSWQD is currently undergoing review of its pay ranges for equity.

The district is forecasting underspending in the current year due to delays in hiring and project initiation. The 2025-2026 Budget reflects anticipated FTE needs with a fully staffed program and sees nearly all FTE increase in the Bond Project Fund for Engineering and Planning (5.0 FTE increase) – see FTE chart from the Budget document for details:

Summary of Staffing by Program

<u>Program</u>	<u>Division</u>	<u>Department</u>	<u>Adopted 2024-2025</u>	<u>Proposed 2025-2026</u>	<u>Approved 2025-2026</u>
General Fund					
	Executive Director		1.0	1.0	1.0
	Legal		1.0	1.0	1.0
	Finance & Administration				
		Administration	3.0	3.0	3.0
		Financial Services	8.6	8.6	8.6
		Human Resources	2.0	2.0	2.0
		Information Services	1.0	1.0	1.0
	Planning & Public Affairs				
		Planning	5.2	5.0	5.0
		Public Affairs	2.0	3.0	3.0
	Engineering & Operations				
		Engineering	6.9	6.8	6.8
		Operations & Maintenance	11.4	11.4	11.4
	Total General Fund		42.1	42.8	42.8
Bond Project Fund					
	Legal		1.0	1.0	1.0
	Finance & Administration				
		Finance	1.0	1.0	1.0
	Planning & Public Affairs				
		Engineering	-	3.0	3.0
		Planning	1.0	3.0	3.0
	Total Bond Project Fund		3.0	8.0	8.0
Total			45.1	50.8	50.8

Materials and Services - \$6.4 million

Materials and services increase 4.5% in this budget. Adjustments to the current budget are primarily in professional services for equity and inclusion consulting and general contractual services. The budget continues to fund \$500,000 for “New Responsibilities” for district initiatives in equity, cultural history, and environmental services.

Capital Outlay - \$20.8 million

The Capital Improvement Plan identifies a number of construction projects for engineering, operations, planning, and equipment. The largest items funded by General Fund dollars include \$1.1 million for the PIR Pump Station Replacement. The budget also includes \$18.1 million in anticipated spending of bond proceeds for capital projects, half of which is dedicated to the Portland Metro Levee System (PMLS) improvements. The PMLS project is a multi-agency effort led jointly by the district and the US Army Corps of Engineers.

The district goes through a prioritization process that takes into account flood risk, operational efficiency, and watershed health among other factors when funding capital projects.

Capital Projects by Funding Source
Five Year Plan - 2025-2026 through 2029-2030
 (p.46 of budget document)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Five Year Total
General Fund						
Construction Projects:						
Capital Project Labor	\$ (279,500)	\$ -	\$ -	\$ -	\$ -	\$ (279,500)
Levee Assets:						
Levee Slope Resurfacing	50,000	-	-	-	174,000	224,000
Portland Metro Levee System (PMLS)	57,200	-	-	-	-	57,200
Conveyance Assets:						
McBride Slough Pipe Rehabilitation	15,000	371,000	546,000	347,000	4,340,000	5,619,000
13th Ave Pump Station Access Road Improvements	-	-	66,000	-	-	66,000
PIR Pump Station Replacement	1,100,000	1,078,000	1,893,000	2,913,000	4,980,000	11,964,000
Enhancements	-	-	-	1,927,000	1,927,000	3,854,000
Portable Generator Connections	-	-	-	-	56,000	56,000
Pump Station #4 Security Enhancements	-	53,000	-	-	-	53,000
Schmeer Road Pump Station Upgrade	560,000	619,000	-	-	-	1,179,000
Operations/Facilities Assets:						
Campus Security Enhancements	125,000	-	-	-	-	125,000
Campus Workspace Enhancement	30,000	-	-	-	-	30,000
Campus Facilities Assets	-	15,000	-	-	-	15,000
Access Gate Replacements	14,000	-	-	-	-	14,000
Operations Center	-	2,000	600,000	600,000	-	1,202,000
Equipment:						
Vehicle Replacement	321,000	58,000	60,000	62,000	64,000	565,000
Equipment Replacement	301,000	804,000	13,000	167,000	39,000	1,324,000
New Equipment	140,000	-	-	-	-	140,000
Computer Systems	342,000	112,000	115,000	51,000	52,000	672,000
Total General Fund	\$ 2,775,700	\$ 3,112,000	\$ 3,293,000	\$ 6,067,000	\$ 11,632,000	\$ 26,879,700
Bond Capital Project Fund						
Infrastructure Upgrade:						
Portland Metro Levee System (PMLS)	\$ 9,710,500	\$ 28,445,500	\$ 34,326,900	\$ 17,450,800	\$ 2,245,500	\$ 92,179,200
FEMA Sunderland Levee Upgrade	545,500	3,441,200	4,471,400	-	-	8,458,100
FEMA Salmon Creek Levee Rebuild	595,700	11,477,700	12,715,500	-	-	24,788,900
FEMA Gate Tower Flow Structure	821,700	4,103,700	1,363,500	47,900	-	6,336,800
Broadmoor Pump Station Upgrade	1,154,200	558,600	113,900	196,400	953,300	2,976,400
NE 181st Pump Station Upgrade	300,000	52,900	-	-	408,100	761,000
PIR Pump Station Replacement	-	-	879,300	1,353,300	2,314,000	4,546,600
Schmeer Road Pump Station Upgrade	-	279,700	441,700	924,900	-	1,646,300
Contingency	2,500,000	-	-	-	-	2,500,000
Program Administration	1,312,700	4,835,900	5,431,200	1,997,300	592,100	14,169,200
Natural Floodplain Restoration and Resilience Projects:						
Natural Flood Storage	500,000	315,000	801,000	1,633,500	3,642,400	6,891,900
Enhancements	500,000	-	-	-	-	500,000
Land Management	25,000	-	-	-	-	25,000
Program Administration	102,500	31,500	80,100	163,400	364,200	741,700
Total Bond Capital Project Fund	\$ 18,067,800	\$ 53,541,700	\$ 60,624,500	\$ 23,767,500	\$ 10,519,600	\$ 166,521,100
Total Capital Outlay	\$ 20,843,500	\$ 56,653,700	\$ 63,917,500	\$ 29,834,500	\$ 22,151,600	\$ 193,400,800

Debt Service - \$2.1 million

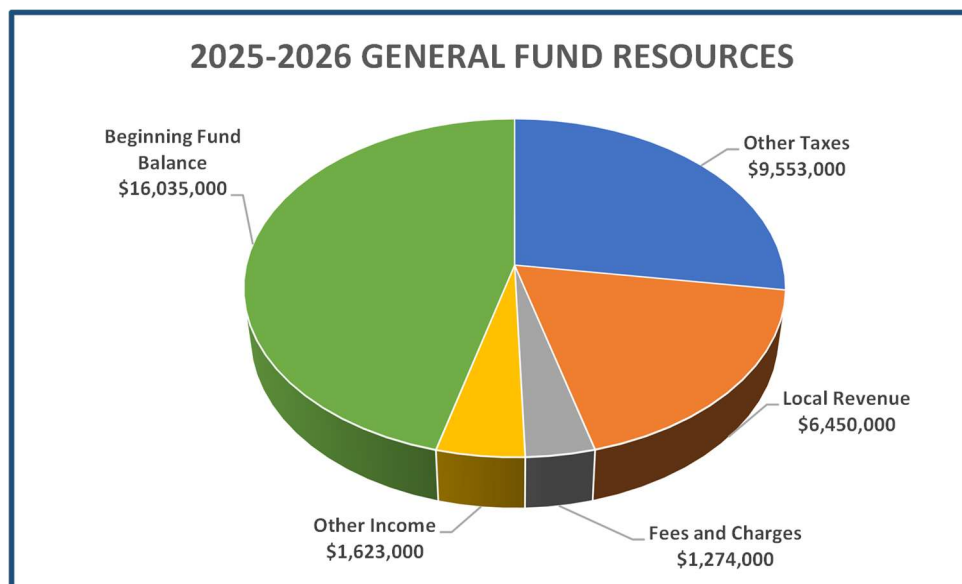
Includes General Fund debt service to pay back the City of Portland loan and \$1.3 million in debt service for the general obligation bond debt.

GENERAL FUND

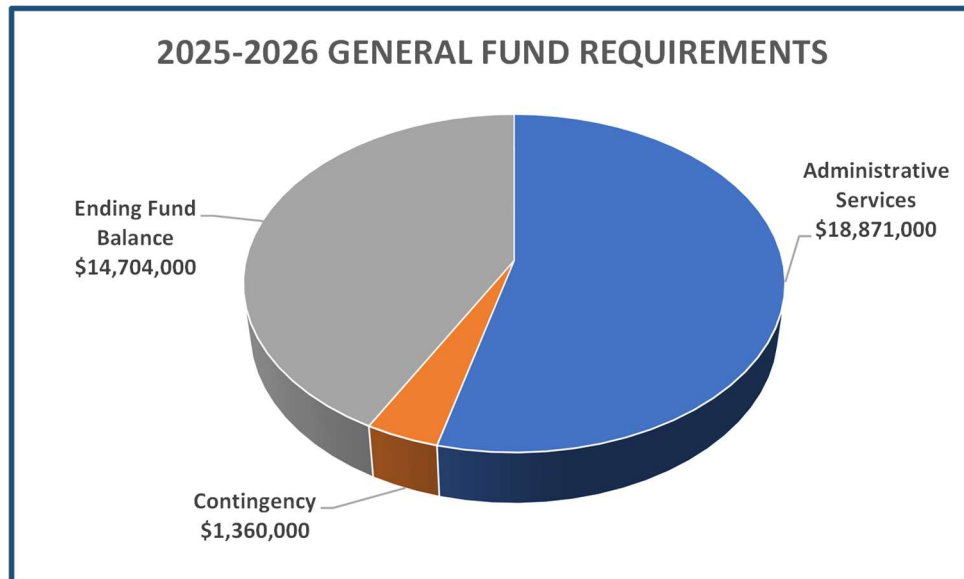
The General Fund totals \$34.9 million, or 55.0% of the total budget, and accounts for general operations in the district.

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 26, property tax assessments are expected to total \$9.6 million (50.5% of total fund revenue) and the Flood Safety Benefit Fee is budgeted to bring in \$6.5 million (34.1% of total fund revenue). The fund sees a net increase of 8.5% (\$2.7 million) from last year, with an increase in beginning fund balance and a decrease in grants (grants included in Other Income in the chart below). Grants for FY 26 will fund capital projects and have already been awarded. Beginning fund balance included \$2.8 million transferred from legacy districts to UFSWQD on July 1, 2025. Funds from the legacy districts are restricted for spending on regular operating costs and project costs occurring within the legacy district boundaries and are planned for spending within the former PEN2 and SDIC boundaries during FY 25-26 and FY 26-27.



GENERAL FUND REQUIREMENTS



General Fund requirements stay similar to last year, with the largest changes an increase of \$3.2 million in ending fund balance and a decrease of \$1.9 million in capital projects. The decrease in capital projects corresponds to fewer grant dollars for that purpose in the upcoming FY 26 budget.

The General Fund includes the budget for five operating divisions:

- Executive Director
 - \$0.5 million
 - 1.0 FTE
- Legal
 - \$0.6 million
 - 2.0 FTE
- Finance and Administration
 - \$5.2 million
 - 15.6 FTE
 - Includes administration, financial services, human resources, information services and board services
- Planning and Public Affairs
 - \$3.6 million
 - 11.0 FTE
- Engineering and Operations
 - \$6.2 million
 - 21.2 FTE

New responsibilities for the district 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. Funding for these initiatives are included across the operating divisions.

OTHER SIGNIFICANT BUDGET AREAS

BOND CAPITAL PROJECTS FUND

Voters approved \$150.0 million general obligation bond measure in May 2024. This fund receives and spends debt proceeds for the voter approved general obligation bond. Debt proceeds are estimated at \$15.0 million for FY 26, with \$15.7 million debt proceeds issued to date of the approved \$150.0 million general obligation bond measure. In FY 26, the district expects to spend \$18.1 million on bonded capital projects. With \$30.7 million anticipated issued, at least one third of the proceeds will be held in fund balance for project costs in future years. See the five-year capital forecast under the 'Capital Outlay' section for additional details.

DEBT

Revenue from the bond issues will 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 2024-2025	\$ 204,059,827,536
General Obligation Debt Capacity (2% of Real Market Value)	4,081,196,551
Less: Outstanding Debt	15,730,000
Remaining Legal Debt Capacity	\$ 4,065,466,551

This budget includes just over \$2.2 million for debt service; this assumes issuance of \$15.0 million in 2025-2026, in addition to \$15.7 million issued in 2024-2025. As the district borrows from the remaining general obligation bond balance, expected annual debt service will increase.

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.

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? – <i>see below</i>
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 2025-26 budget, after planned adjustments by staff, will be in substantial compliance with local budget law. TSCC staff judged that the district’s budget estimates were reasonable for the purposes shown, with two exceptions. These exceptions were communicated to UFSWQD staff who offered remedies and responses for the two issues:

The budget includes a line for bank fees in the Debt Service Fund; budget law guidelines from Department of Revenue specify that only principal and interest can be budgeted in a General Obligation Debt Service fund (DOR Local Budget Law Handbook, p.43). The district says these are trustee fees are required as part of the bonds and therefore they are defining them as part of the interest payment. However, staff will plan not to budget these in the GO Debt Service Fund going forward, and will make the adjustment before budget adoption.

The district had assumed two different collection rates for assessments and property tax debt levy in their Approved Budget, 90% for the debt levy and 94% for assessments. Per Multnomah County Assessor staff, collection rates are the same across all tax rates. Therefore TSCC staff recommended the two assumptions align. UFSWQD staff offered to adjust assumptions in calculating the assessments to align the collection rate for both levies and will make the correction in the Adopted Budget. The district’s recalculation includes an increase in expected compression, so budgeted assessment numbers will not change, but the underlying assumptions and explanation in the budget book will be updated.

The audit report for FY 2023-24 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff will recommend the Certification Letter contain no recommendations or objections.

Urban Flood Safety & Water Quality District

Budget Summary

	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	%
	Actual	Actual	Revised	Approved	Change
<u>SUMMARY OF ALL FUNDS</u>					
PROPERTY TAX BREAKDOWN:					
GO Debt Property Taxes	0	0	1,345,100	1,251,000	-7.0%
TOTAL PROPERTY TAX	0	0	1,345,100	1,251,000	-7.0%
RESOURCES:					
Beginning Fund Balance	755,971	597,565	12,167,000	28,035,000	130.4%
Property Taxes	0	0	1,345,100	1,251,000	-7.0%
Other Taxes	0	0	9,199,700	9,553,000	3.8%
Intergovernmental Revenue	0	0	6,262,000	6,450,000	3.0%
Fees and Charges	0	100,000	1,237,200	1,274,000	3.0%
Other Income	14,780	34,523	3,735,100	1,923,000	-48.5%
Debt Proceeds	1,244,405	1,286,664	23,245,000	15,000,000	-35.5%
TOTAL RESOURCES	2,015,156	2,018,752	57,191,100	63,486,000	11.0%
REQUIREMENTS BY OBJECT:					
Personnel Services	0	0	7,959,400	8,770,000	10.2%
Materials & Services	1,373,186	1,159,298	6,120,800	6,395,300	4.5%
Capital Outlay	0	0	12,170,400	20,843,500	71.3%
Debt Service	44,405	86,664	2,300,100	2,181,000	-5.2%
Contingencies	0	0	985,000	1,360,000	38.1%
Ending Fund Balance	597,565	772,790	27,655,400	23,936,200	-13.4%
TOTAL REQUIREMENTS BY OBJECT	2,015,156	2,018,752	57,191,100	63,486,000	11.0%
<u>SUMMARY OF BUDGET - BY FUND</u>					
General Fund	2,015,156	2,018,752	32,201,000	34,935,000	8.5%
Debt Service Fund	0	0	1,345,100	1,251,000	-7.0%
Bond Capital Projects Fund	0	0	23,645,000	27,300,000	15.5%
GRAND TOTAL ALL FUNDS	2,015,156	2,018,752	57,191,100	63,486,000	11.0%
<u>DETAIL OF GENERAL FUND</u>					
RESOURCES:					
Beginning Fund Balance	755,971	597,565	12,167,000	16,035,000	31.8%
Other Taxes	0	0	9,199,700	9,553,000	3.8%
Local Revenue	0	0	6,262,000	6,450,000	3.0%
Fees and Charges	0	100,000	1,237,200	1,274,000	3.0%
Other Income	14,780	34,523	3,335,100	1,623,000	-51.3%

Debt Proceeds	1,244,405	1,286,664	0	0	0.0%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	2,015,156	2,018,752	32,201,000	34,935,000	8.5%

REQUIREMENTS:

Administrative Services	1,417,591	1,245,962	19,690,600	18,871,000	-4.2%
Contingencies	0	0	985,000	1,360,000	38.1%
Ending Fund Balance	597,565	772,790	11,525,400	14,704,000	27.6%
TOTAL FUND REQUIREMENTS	2,015,156	2,018,752	32,201,000	34,935,000	8.5%

DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND

RESOURCES:

GO Debt Property Taxes	0	0	1,345,100	1,251,000	-7.0%
TOTAL FUND RESOURCES	0	0	1,345,100	1,251,000	-7.0%

REQUIREMENTS:

Debt Services	0	0	1,345,100	1,251,000	-7.0%
TOTAL FUND RESOURCES	0	0	1,345,100	1,251,000	-7.0%