

TSCC Budget Review 2023-24

Urban Flood Safety & Water Quality District

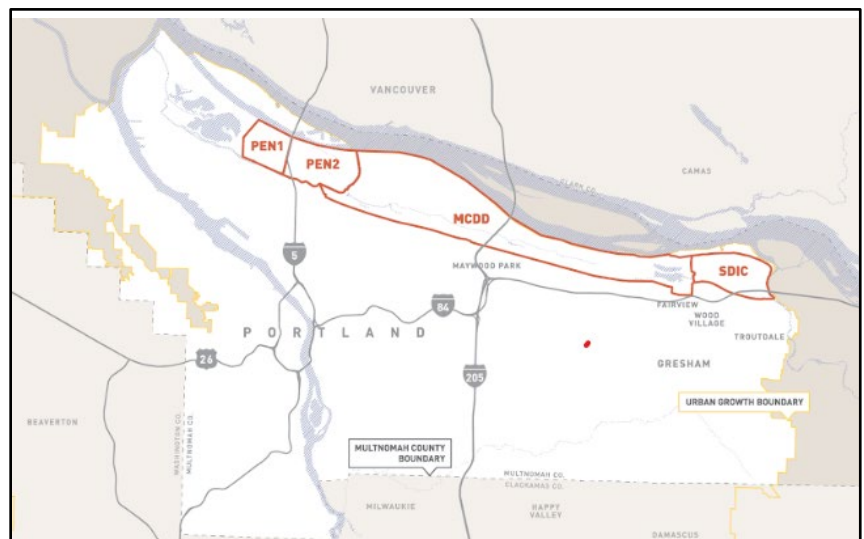


BUDGET HIGHLIGHTS

- The 2023-2024 Budget is just under \$1.7 million, a 13.6% decrease from the year prior. The primary revenue source is a line of credit from the City of Portland. Beginning fund balance, valued at nearly \$750,000 in FY 2022-23 decreases to \$385,000 as the district spends down debt proceeds from the prior year.
- The district's current focus is developing a revenue model. They also plan to bring forward board elections and a GO bond in the upcoming fiscal year. These were at one point tentatively planned to take place in the current fiscal year, and as such, aside from the reduction in fund balance, this budget is quite similar to last year's budget.
- The planned revenue model will cover the costs of the existing districts, as well as additional responsibilities outlined in ORS 550.
- The largest expenditures are for staffing, provided through an intergovernmental agreement with the Multnomah County Drainage District. Other projected administrative expenses, including election services and debt service, make up the majority of other budgeted expenses.

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 white area in the map above).



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

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.

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



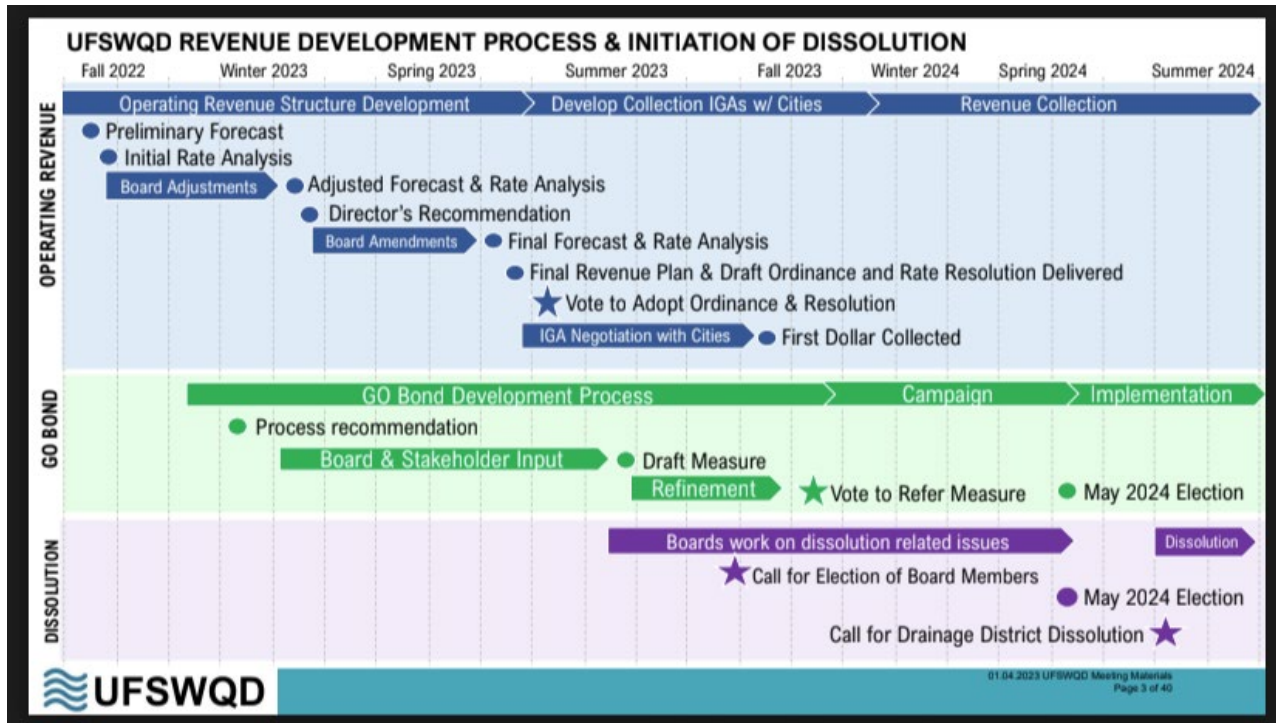
Prepare for and adapt to climate change in relation to the managed floodplain



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

BUDGET OVERVIEW

For FY 2023-24, the UFSWQD is in a transitional year with its highest priorities being to identify the appropriate scope and cost of existing/new programs and adopt and implement a new revenue structure to pay for them. The district is also working on referral of a general obligation bond for consideration by voters as well as the election of permanent board members in May 2024. Both of these activities were formerly planned for FY 2022-23.

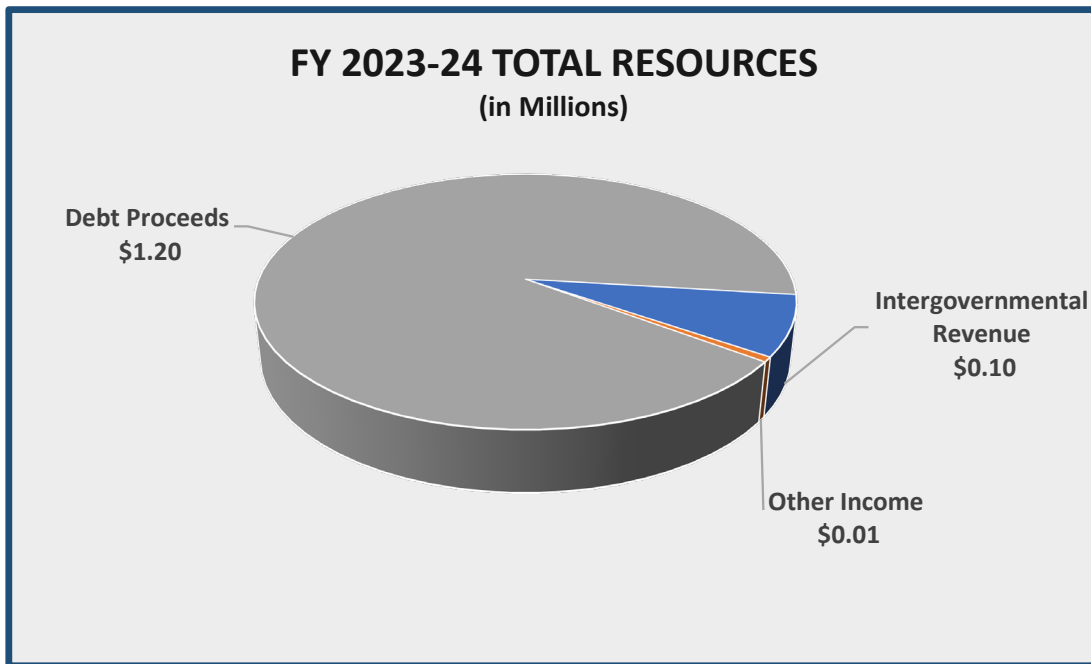


Timeline of activities presented at [January 4, 2023 UFSWQD board meeting](#).

The 2023-2024 Budget is just under \$1.7 million and continues focus on communication efforts. The budget is a 13.6% reduction from last year’s budget, reflecting decreased beginning fund balance as the district spends down the line of credit balance from prior years. The budget includes 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; UFSWQD will not have a fully integrated budget until FY 2024-25. The budget includes one fund.

RESOURCES

	TOTAL RESOURCES			
	(In Millions)			
	FY21	FY22	FY23	FY24
	Actual	Actual	Revised	Approved
Intergovernmental Revenue	\$ 0.04	\$ -	\$ -	\$ 0.10
Other Income	\$ 0.12	\$ 0.00	\$ 0.01	\$ 0.01
Debt Proceeds	\$ -	\$ 1.20	\$ 1.20	\$ 1.20
TOTAL REVENUE	\$ 0.16	\$ 1.20	\$ 1.21	\$ 1.31
Beginning Fund Balance	\$ -	\$ 0.14	\$ 0.75	\$ 0.39
TOTAL RESOURCES	\$ 0.16	\$ 1.34	\$ 1.96	\$ 1.69



Resources include beginning fund balance, intergovernmental revenue, and \$1.2 million in debt proceeds from a line of credit with the City of Portland. This \$1.2 million represents the third draw of \$1.2 million under the IGA with the City of Portland and is the maximum amount allowed per year for up to five years for a cumulative total loan of \$6 million. The UFSWQD is obligated to begin a replacement plan – also over a term of five-years – beginning in FY 2025-26.

New in FY 2023-24, the budget includes \$100,000 total from the four existing drainage districts to fund UFSWQD community engagement and communications efforts. The district will collect \$40,000 each from Multnomah County Drainage District #1 and Peninsula Drainage District #2 while Peninsula Drainage District #1 and Sandy Drainage Improvement Company will each contribute \$10,000.

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 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 five-year financial forecast presented to the board in October 2022 showed a gap between existing revenues and forecasted revenues for doing the work of the existing districts in addition to the new responsibilities. Current operating costs for the existing drainage districts and UFSWQD costs are roughly \$20 million in FY 2022-23, of which \$13.9 million is for major capital. The financial forecast anticipated operating costs for the new district would be closer to \$32 million within 5 years. This includes the addition of 9.0 FTE, adjustments for inflation, and investments in operations, facilities, communications, and information technology.

The large cost in the October forecast provided a starting point for additional discussion and refinement of the board’s direction for expenses used for the revenue model. Recent direction includes:

- Create a scenario in the \$25 - \$35 million range

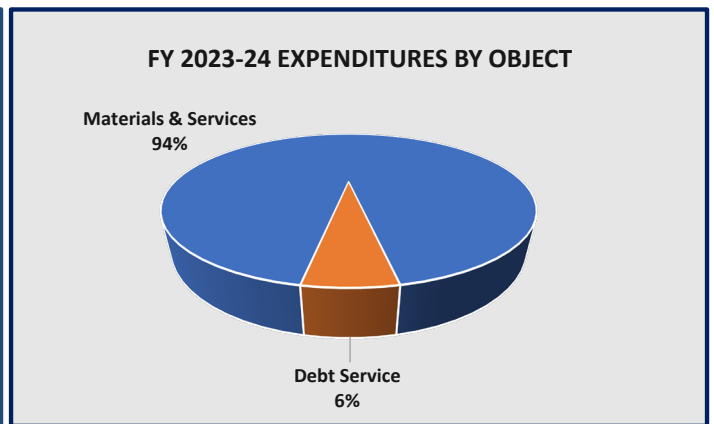
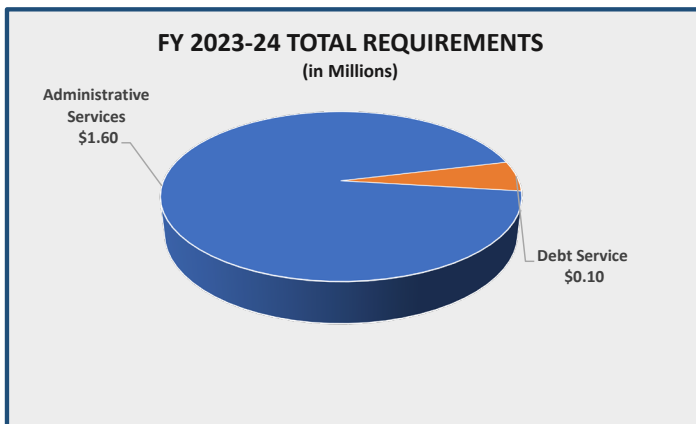
- Keep costs low
- Limit and/or justify FTE growth
- Reduce administrative costs
- Provide greater or more apparent investment in new mandates as described in statute

The district will continue working on the financial forecast and revenue model this spring and early summer with adoption of the revenue structure occurring in June. Once the methodology is determined then the district must determine how to collect the revenue. The district anticipates revenue collection will begin December 31, 2023, with precautions taken not to “double-dip” within the existing four districts and the unified UFSWQD.

REQUIREMENTS

TOTAL REQUIREMENTS						
(in Millions)						
	2020-21		2021-22		2022-23	
	Actual		Actual		Revised	
					Approved	
Administrative Services	\$	0.03	\$	0.58	\$	1.52
Debt Service	\$	-	\$	0.01	\$	0.05
Total Appropriations	\$	0.03	\$	0.59	\$	1.57
Unrestricted Fund Balance	\$	0.14	\$	0.75	\$	0.39
Total Requirements	\$	0.16	\$	1.34	\$	1.69

Requirements decrease 21.6% over last year’s costs, with decreased community engagement and general consulting costs mitigating increased staffing costs through MCDD.



The 2023-2024 Budget includes administrative costs related to election fees. The district is planning for the election of five board member positions and a potential General Obligation bond measure. 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 communication to share the value of the work of the district.

The largest expenditures include:

Communications for Public Awareness - \$419,200

Proposed communication work includes:

- Creative services to generate public awareness of the functions of the new district and engagement opportunities;
- Public opinion research to support the development of the revenue structure and potential capital bond program; and,
- Advertising including a social media campaign, earned media and digital advertisement.

Community Engagement - \$68,000

Includes public engagement efforts to inform development of the capital bond program.

Multnomah County Drainage District Staff Time - \$648,694

Reimbursement for MCDD staff time per intergovernmental agreement.

Election Fees - \$220,000

Estimated fees for placing five board members and one measure on the ballot. 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 2023-24.

General Consulting and Legal Services - \$200,000

General Consulting and Legal Services are budgeted at \$100,000 each to continue legal services supporting development and implementation of the new district and the revenue model.

Contingency and Other Expenditures - \$107,835

The remaining \$107,835 is made up of other expenditures including audit fees, board support, and insurance. This budget does not include contingency or unallocated ending fund balance. This means that FY 2023-24 cannot fund unanticipated expenses but also restricts expenses in FY 2024-25 if the district does not determine a revenue strategy outside of the line of credit from the City of Portland.

DEBT

The district has a line of credit with the City of Portland that allows the district to borrow up to \$1.2 million annually for up to five years to fund initial start-up costs while the district establishes 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.

Although the district does not currently have any GO bond debt, they may choose to refer a GO bond in FY 2023-24. 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, part of which would serve as matching funds for accessing federal dollars. This amount is still under development and information may change as the district works with the board, stakeholders, and the community to develop the package to send to voters.

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?
X		Does audit show that the district complied with budget law?

LOCAL BUDGET LAW COMPLIANCE

The 2023-24 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 2021-22 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2023-24 budget or budget process and will recommend the Certification Letter contain no recommendations or objections.

Urban Flood Safety & Water Quality

TSCC Dist. #17

Budget Summary

	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	%
	Actual	Actual	Revised	Approved	Change
SUMMARY OF ALL FUNDS					
PROPERTY TAX BREAKDOWN:					
TOTAL PROPERTY TAX	0	0	0	0	0.0%
RESOURCES:					
Beginning Fund Balance	0	136,076	747,640	385,000	-48.5%
Intergovernmental Revenue	40,000	0	0	100,000	0.0%
Other Income	122,832	572	12,000	8,000	-33.3%
Debt Proceeds	0	1,200,000	1,200,000	1,200,000	0.0%
TOTAL RESOURCES	162,832	1,336,648	1,959,640	1,693,000	-13.6%
REQUIREMENTS BY FUNCTION:					
Administrative Services	26,756	580,677	1,521,047	1,595,729	4.9%
Debt Service	0	8,331	53,265	97,271	82.6%
Ending Fund Balance	136,076	747,640	385,328	0	-100.0%

TOTAL REQUIREMENTS BY FUNCTION	162,832	1,336,648	1,959,640	1,693,000	-13.6%
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REQUIREMENTS BY OBJECT:

Materials & Services	26,756	580,677	1,521,047	1,595,729	4.9%
Debt Service	0	8,331	53,265	97,271	82.6%
Ending Fund Balance	136,076	747,640	385,328	0	-100.0%

TOTAL REQUIREMENTS BY OBJECT	162,832	1,336,648	1,959,640	1,693,000	-13.6%
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SUMMARY OF BUDGET - BY FUND

General Fund	162,832	1,336,648	1,959,640	1,693,000	-13.6%
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GRAND TOTAL ALL FUNDS	162,832	1,336,648	1,959,640	1,693,000	-13.6%
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DETAIL OF GENERAL FUND

RESOURCES:

Beginning Fund Balance	0	136,076	747,640	385,000	-48.5%
Local Revenue	40,000	0	0	100,000	0.0%
Other Income	122,832	572	12,000	8,000	-33.3%
Debt Proceeds	0	1,200,000	1,200,000	1,200,000	0.0%
Transfers In	0	0	0	0	0.0%

TOTAL FUND RESOURCES	162,832	1,336,648	1,959,640	1,693,000	-13.6%
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