

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 04-044

Approving and Confirming the Report and Assessment Methodology of the Commission for Multnomah County Drainage District No. 1

The Multnomah County Board of Commissioners Finds:

- a. Multnomah County Drainage District No. 1 (District) is organized under the provisions of Oregon Revised Statutes (ORS) Chapter 547.
- b. By Resolution No. 03-129 dated September 11, 2003, the Board appointed a Commission (Special Commission) to examine and report on alternative assessment methodologies for the District, in accordance with ORS Chapter 547.245.
- c. The reassessment report (Report) of the Special Commission has been received, that includes a report from the District's rate consultant and a supplemental report from the District including the schedule of public meetings held concerning the proposed assessment methodology changes.
- d. Findings reported by the Special Commission:
 - 1) The District was authorized to charge special assessments for District services beginning in 1919. Since then, the Board of County Commissioners for Multnomah County has approved assessment reforms in 1957, 1964 and 1989.
 - 2) Since 1989, the drainage district has experienced significant changes in land use, caused by such developments as the construction of NE Airport Way in Portland, development of Riverside Parkway in Gresham, and increased urbanization in Fairview.
 - 3) The District has responded to changing land uses by developing new stormwater management and flood control practices and installing new drainage infrastructure.
 - 4) The current basis for financing District services is no longer responsive to changing land uses and changes in the character and scope of District services. The current assessment method for allocating District costs does not recognize the changing structure of District costs and the District-wide nature of stormwater management and flood control.

- e. Recommendations from the Special Commission:
- 1) Replace the current assessment methodology with a new methodology that relies on a mix of calculations based on total lot area and lot impervious area (*Alternative C*). The new methodology will:
 - Eliminate sub-basin charges and assessment calculations based on elevation.
 - Eliminate the one-acre minimum assessment.
 - Recover flood control costs and costs for average stormwater flow based total lot area.
 - Recover the costs of peak stormwater flow based on lot impervious area.
 - 2) Compute assessable lot impervious area based on site measurements, and measurements provided from aerial mapping techniques and other similar methods.
 - 3) Update the District assessment roll annually to recognize and assess the impervious area of new construction, renovations, redevelopments and other property improvements.
 - 4) Review and recalculate the impervious area measurements of all properties at least once every five years.
- f. The District and the Special Commission conducted four public meetings in the District between November 2003 and January 2004, to review assessment alternatives and receive testimony from affected property owners, thus providing adequate opportunity for public participation in the reassessment process.
- g. The District and the Special Commission have complied with the provisions of ORS Chapter 547 in reviewing District assessment methodologies and preparation of the Report.
- h. The County has given public notice in compliance with ORS 547.245.

The Multnomah County Board of Commissioners Resolves:

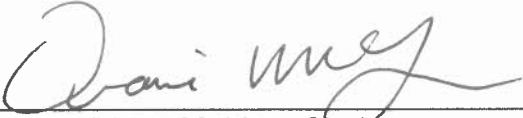
- 1 The Report of the Special Commission, together with its attachments, is approved and confirmed in accordance with ORS 547.245.
- 2 The District is directed to implement the recommendations in the Report of the Special Commission and replace the District assessment methodology, beginning July 1, 2004.

- 3 The Board Clerk is directed to transmit a certified copy of this resolution, along with a copy of the Report, to the secretary of the board of supervisors of the District, pursuant to ORS 547.245.

ADOPTED this 15th day of April 2004.



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON



Diane M. Linn, Chair

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By 

Matthew O. Ryan, Assistant County Attorney

**Multnomah County Drainage District No. 1
Reassessment Methodology
February 3, 2004**

**Report to the Board of County Commissioners
for Multnomah County, Oregon**

**Special Commission
on Alternative Assessment Methodologies**

**David Crawford, P.E.
Donald W. Oakley, P.E.
Dan Vizzini**

Multnomah County Drainage District No. 1
Reassessment Methodology
February 3, 2004

On September 11, 2003, the Board of County Commissioners of Multnomah County, Oregon adopted Resolution No. 03-129, appointing a commission to report on alternative assessment methodologies for Multnomah County Drainage District No. 1. This report and attachments present the special commission's evaluation of alternatives, findings and recommendations.

Findings

The following findings indicate a need to reform the current assessment methodology used by Multnomah County Drainage District No. 1:

1. The District provides flood control, drainage, stormwater management, development review and environmental protection services for 2600 properties located along the south shore of the Columbia River.
2. The District was authorized to charge special assessments for District services beginning in 1919. Since then, the Board of County Commissioners has approved assessment reforms in 1957, 1964 and 1989.
3. Since 1989, the drainage district has experienced significant changes in land use, caused by such developments as the construction of NE Airport Way in Portland, development of Riverside Parkway in Gresham, and increased urbanization in Fairview.
4. The District has responded to changing land uses by developing new stormwater management and flood control practices and installing new drainage infrastructure.
5. These new approaches to stormwater management and flood control have replaced old sub-basin management strategies with District-wide strategies that are more flexible, responsive and efficient.
6. The current basis for financing District services is no longer responsive to changing land uses and changes in the character and scope of District services. The current assessment method for allocating District costs does not recognize the changing structure of District costs and the District-wide nature of stormwater management and flood control.
7. The growing disconnection between finances and costs, assessments and benefits, undermines the fairness and equity of the current assessment methodology.
8. The District seeks a flexible and responsive assessment methodology that recognizes and adjusts to changes in District services and costs over time.
9. The current assessment reform process was initiated by the Board of County Commissioners in response to petitions signed by landowners representing a majority of the land area served by the District.

10. The District has conducted the evaluation of alternative assessment methodologies in full compliance with the requirements of Chapter 547 of Oregon Revised Statutes and Resolution No. 03-129 of the Multnomah County Board of County Commissioners.

Recommendations

The Special Commission concurs with the analysis and recommendations set forth in the "Overview of Alternative Assessment Methodologies Study", dated January 20, 2004, and prepared for the District by its rate consultant, Integrated Utilities Group, Inc. Specifically, the Special Commission makes the following recommendations:

1. Replace the current assessment methodology with a new methodology that relies on a mix of calculations based on total lot area and lot impervious area. Eliminate sub-basin charges and assessment calculations based on elevation. Eliminate the one-acre minimum assessment.
2. Recover flood control costs and costs for average stormwater flow based total lot area. Recover the costs of peak stormwater flow based on lot impervious area.
3. Compute assessable lot impervious area based on site measurements, and measurements provided from aerial mapping techniques and other similar methods. Update the District assessment roll annually to recognize and assess the impervious area of new construction, renovations, redevelopments and other property improvements. Review and recalculate the impervious area measurements of all properties at least once every five years.
4. Authorize the District Board of Supervisors to allocate adopted budget requirements annually for purposes of calculating assessment rates.
5. Authorize the District Board of Supervisors to determine cost allocations and cost recovery methods for intergovernmental agreements, annually on a case-by-case basis.
6. Provide a process for property owners to review and appeal the measurements of lot impervious areas used by the District for ratemaking purposes.
7. Adopt the definitions, findings and recommendations set forth in the final report of the District's rate consultant, Integrated Utilities Group, Inc.
8. Recognize the statutory authority of the District to assess all properties located within the District's service boundaries, regardless of ownership or property tax status. Establish a policy of assessing all such properties except for those specifically addressed in intergovernmental agreements, and properties owned by the District. Exempt private water bodies that are used as a part of District operations from assessments based on lot impervious area. Assess all other private water bodies in the same manner as all other assessable property in the District.

Research, Analysis and Public Review

The current assessment reform process was initiated by a substantive review of District services and finances in response to changes in land uses within the District, changes in District services, and changes in the District's strategies for managing stormwater runoff and flooding. Landowners representing a majority of the land area of the District signed petitions endorsing a review of assessment practices. Their petition was received, considered and accepted by the Board of County

Commissioners. County Commissioners also established a Special Commission to review, evaluate and recommend alternative assessment methodologies.

Between September and December 2003, the District conducted a thorough review of its current assessment methodology and the equity of District assessments. The District hired Integrated Utility Group Inc. (IUG) to prepare a comprehensive report on District finances, develop alternative assessment methodologies, evaluate their relative strengths and weaknesses, and make recommendations for consideration by the Special Commission. IUG is an expert economic consulting firm that provides financial and rate making services to water, wastewater, stormwater, solid waste, and other utilities throughout North America. IUG reviewed the current operations and financial structure of the District, identified and evaluated alternative assessment methodologies, and suggested four methods to be reviewed by the District Board, Special Commission and District landowners. The IUG report is attached as Appendix A of this report.

The District Board, Special Commission and IUG analyzed cost recovery and assessment methods typically used for each of the major activities or cost functions of the District. Particular attention was given to generally accepted assessment methods used by utilities throughout the United States, including charges based upon total lot area, percent lot impervious area, elevation (or flooding risk potential), and property value.

IUG and the District evaluated the feasibility and appropriateness of each alternative based on the criteria used widely by utilities to compare alternative assessment methods. The criteria included equity, rate-shock, public understanding, public acceptance, legal defensibility, administrative burden and adaptability. The District Board of Supervisors and Special Commission relied on this evaluation to identify the most viable assessment alternatives and eventually to select a recommended assessment methodology.

Once the preliminary research and analysis was completed, the Special Commission conducted three public meetings to review and receive public comment on the evaluation of alternative assessment methodologies. In January 2004, the District conducted its annual landowners meeting, dedicating time on the agenda for a review and discussion of proposed changes to the District's assessment methodology. The District provided ample public notices of all public meetings, including direct mailings to all landowners.

The Special Commission commends the dedication, openness and hard work of District administration and staff. They administered an open and accessible public process that proved valuable to all parties – landowners, District Board and Special Commission members.

District Cost Structure

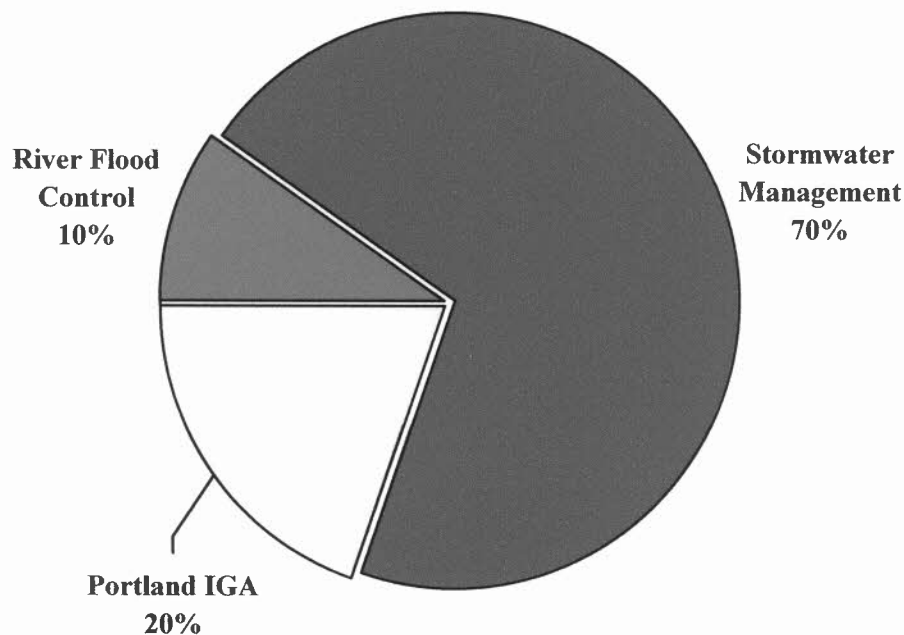
The District's staff and consultant identified five methods of assessing properties for the benefits of District services. These included the current assessment method, and four new methods developed for the District by IUG. Brief descriptions of the District's cost structure and each alternative follow:

- River Flood Control. Protection of properties within the District from external flooding from the Columbia River and Columbia Slough up to a 500-year storm event.
- Stormwater Conveyance and Management (Average). Capacity of District facilities (pump capacity, channel capacity and storage) designed to meet a 24-hour 2-year storm event.

- Stormwater Conveyance and Management (Peak). Capacity of District facilities to meet peak flow demands, including protecting properties from the flooding potential of anything greater than the 24-hour 2-year storm event and up to a 100-year storm to meet FEMA and USACOE flood protection standards.
- Indirect Costs. A cost item that cannot directly be allocated to one of the District's cost drivers. Using standard rate making principles, these costs are spread over all customers based on the allocation of all direct costs.
- Intergovernmental Agreements (IGA). The District also provides drainage services to City of Portland streets and facilities. The cost for providing these services is covered in an Inter Government Agreement (IGA) between the District and the City of Portland. In the agreement the services provided by the District to the City are offset by a waiver from the City to the District landowners for general citywide storm water charges. Any difference in the cost of services is paid between the District and the City. Individual landowners do not pay an additional stormwater fee to the City of Portland.

Figure 1 illustrates the allocation of annual costs for the principal District services. Indirect costs are distributed proportionally to the flood control and stormwater management service components.

Figure 1. Annual Costs of Principal District Services



Alternative Assessment Methodologies

The Special Commission considered the following five assessment methodologies before reaching a decision on the method to recommend to the County Commission:

Alternative A: Current Assessment Method with Modification

Alternative A is the current assessment method. Costs are allocated into two major components – sub-basin costs and all other district costs. Sub-basin costs are accounted for separately and assigned to one of four sub-basins within the District, and assessed based on total lot area solely to properties within the respective sub-basins. All other district costs are arbitrarily allocated into two equal parts, one assessed based on elevation and a second assessed based on lot impervious area.

The current method fails to recognize changes in District operations that eliminate the differences in levels of service based on sub-basins and elevation. Also, the current method disconnects the calculation of assessments from the actual allocation of costs for District services. The fixed allocation rates for the non sub-basin costs can not be sustained given the actual allocation of costs illustrated in Figure 1.

Alternative B: Simplified Assessments based on Total Lot Area and Lot Impervious Area.

The second alternative methodology recovers District costs based on three major cost components. The amount of costs to be recovered by each component is based on the actual allocation of the District's annual costs of operations, maintenance, and capital construction and debt service. River Flood Control costs are assessed based on total lot area, and stormwater management costs are assessed based on lot impervious area. The District Board of Supervisors is granted the authority to determine the cost allocation and assessment methodology to be used for the costs of intergovernmental agreements based on the specific jurisdictions that are party to each agreement and the costs that are to be recovered through each agreement.

Alternative B improves the equity and fairness of the current methodology, and makes the assessment calculations more consistent with the current costs of providing District services. This alternative is simple, direct and relatively easy for landowners to understand and accept. However, the methodology fails to appropriately allocate the largest portion of District costs (stormwater conveyance and management) in a manner that fully considers the varied impacts of average and peak stormwater flows.

Alternative C: Refined Assessments based on Total Lot Area and Lot Impervious Area.

The third alternative is substantially the same as Alternative B. However, under this alternative the stormwater component is further segregated into two cost centers – average stormwater flow and peak stormwater flow. Average stormwater flow relates to the costs of District services and facilities that are required to manage the normal volumes of stormwater runoff regardless of the presence of impervious surfaces. Peak stormwater flow relates to the costs of District services and facilities that are required to manage the heightened speed, volume and pollutant loads associated with runoff from impervious surfaces. Costs of average stormwater flow are assessed based on total lot area. Costs of peak stormwater flow are assessed based on lot impervious area.

Alternative C strengthens the improvements achieved by Alternative B without adding significantly to the complexity of the overall assessment methodology. The refinements are well understood and commonly used by other stormwater utilities.

Alternative D: Assessments based on Elevation, Total Lot Area and Lot Impervious Area.

The fourth alternative is substantially the same as Alternative C. However, under this alternative river flood control costs are assessed based on elevation. This methodology requires the District to

identify the elevation of all properties, assign each property to one of five elevation zones, establish cost allocation factors for each elevation zone and calculate the resulting assessments for river flood control based on total lot area within each zone.

Alternative D increases the specificity of the assessment calculations and provides some additional benefits relating to the overall equity of the assessments. However, these added benefits can not be justified by the substantial costs of administering this methodology, and the increased difficulties of explaining assessment calculations to landowners.

Alternative E: Simplified Assessments based on Elevation, Total Lot Area and Lot Impervious Area.

Alternative E attempts to simplify Alternative D by reducing the number of elevation zones from 5 to 3. This alternatives reduces some of the equity benefits associated with Alternative D without increasing the level of public understanding and acceptance, and without reducing administrative costs.

Recommended Assessment Methodology

The District Board of Supervisors, Special Commission and consultant evaluated the five alternative methodologies based on an established set of criteria, including equity, rate-shock, public understanding, public acceptance, legal defensibility, administrative burden and adaptability. This exercise resulted in the elimination of three alternatives. Alternative B was eliminated because the assessment methodology did not go far enough to fairly allocate costs associated with the largest component of District services, stormwater management. Alternatives D and E were eliminated because the use of zones of elevation added more administrative costs and complexity than were warranted by any marginal increase in equity.

The final step in the evaluation process involved a side-by-side comparison of the strengths and weaknesses of Alternative A (Current Methodology) and Alternative C (Refined Methodology). Each alternative was evaluated based on the seven criteria used during the review of all five alternatives. Alternative C received superior scores in five of the seven criteria – equity, rate shock, public understanding, administrative burden and adaptability- and received identical scores as Alternative A for the remaining two criteria – public acceptance and legal defensibility.

The following table compares the current and recommended assessment methodologies for a sampling of properties. The estimated assessments are based on FY 2003-2004 District costs. Note the variation in charges caused by the use of sub-basin and elevation-based charges under the current assessment methodology. The recommended methodology replaces these inequitable cost factors with an assessment structure that is uniformly applied throughout the drainage district. The only remaining variation is caused by intergovernmental agreements with overlapping municipalities, such as the current agreement with the City of Portland.

Property Type and Sub-Basin	Current Methodology	Recommended Methodology
Residence [Lot Size = 10,000 square feet. Impervious Area = 2500 square feet]		
Blue Lake Sub-Basin	\$30	\$45
Pump Station #1 Sub-Basin	\$39	\$56

Property Type and Sub-Basin	Current Methodology	Recommended Methodology
Pump Station #2 Sub-Basin	\$151	\$56
Industrial Site [Lot Size = 100,000 square feet. Impervious Area = 50,000 square feet]		
Broadmore Sub-Basin	\$1,119	\$778
Columbia River Sub-Basin	\$391	\$778
Pump Station #4 Sub-Basin	\$565	\$612

APPENDICES

- A. Multnomah County Drainage District No. 1; Membership of the Special Commission on Alternative Assessment Methodologies, appointed by the Board of County Commissioners of Multnomah County, Oregon on September 11, 2003.
- B. Multnomah County Drainage District No. 1; Work Plan and Meeting Schedule For Assessment Methodology Change.
- C. Multnomah County Drainage District No. 1; Record of Public Notices and Involvement
- D. Multnomah County Drainage District No. 1, Special Commission on Alternative Assessment Methodologies; Minutes of Special Commission Proceedings
- E. Integrated Utilities Group, Inc.; Overview of Alternative Assessment Methodology Study, with Appendices A through E; January 20, 2004.

APPENDIX - A

Membership of the Special Commission on Alternative Assessment Methodologies for Multnomah County Drainage District No. 1

Appointed by the Board of County Commissioners for Multnomah County, Oregon on September 11, 2003

The Special Commission consists of three members. The members were recruited and selected based on their mix of skills, knowledge and experience with drainage district operations, hydrology, engineering, public finance and utility ratemaking. No member of the Commission owns property served by the District. The Commission members include:

David Crawford

Professional Engineer in the State of Oregon. Principal partner in the engineering consulting firm of Crawford Engineering Associates.

Donald Oakley

Professional Engineer in the State of Oregon. Principal in the land development firm of Cascade Communities, Inc.

Dan Vizzini

Project manager and principal financial analyst for the City of Portland, Bureau of Environmental Services. Mr. Vizzini served as the chairman of the Special Commission.

APPENDIX - B

Work Plan and Schedule for Assessment Methodology Change for Multnomah County Drainage District No. 1

The following work plan and schedule was incorporated in Resolution No. 03-129 and adopted by the Board of County Commissioners of the Multnomah County, Oregon, on September 11, 2003:

Exhibit 2. Multnomah County Drainage District No. 1 - Work Plan

The work plan for the assessment methodology study includes considerable opportunity for involvement by landowners in the District. The project schedule, with opportunities for landowner involvement, is:

- September 2003: County appoints special commission; analysis of impervious area by tax lot and financial issues begins.
- October 2003: Impervious area study complete; preliminary financial analysis and draft financial report reviewed by special commission.
- October/November 2003: District staff begins meeting in work sessions (3 to 4) with landowners. Special commission reviews public input.
- December 2003: Conclude work sessions with landowners. Landowner meeting conducted by the District board; receive public comment on proposed methodology. Final Special Commission meeting for public comment.
- January 2004: Commission completes final report, adopts the report as its "final draft" and forwards it to the County.
- February 2004: Upon timely submission of the final report in compliance with ORS Chapter 547, the Board of County Commissioners considers the final report; and if approved, the District publishes new assessment method to landowners.
- June 2004: District implements revised assessment methodology at start of new fiscal year.

APPENDIX - C

Multnomah County Drainage District No. 1 Record of Public Notices and Involvement

Multnomah County Drainage District #1 Board

August 4, 2003	Board Meetings
September 24, 2003	Board Meetings
October 15, 2003	Board Meetings
November 19, 2003	Board Meetings (minutes attached)
January 22, 2004	Board Meetings

Multnomah County Drainage District #1 - Landowners

November 19, 2003	Informational Workshop
November 24, 2003	Informational Workshop
December 17, 2003	Public Input - Special Commission Meeting
January 22, 2004	Annual Landowners Meeting

Multnomah County Drainage District #1 - Landowners Mailing

October 28, 2003	Re-assessment Notice Letter
January 9, 2004	Landowners Meeting Notice

Special Commission for the Multnomah County Board of Commissioners

November 12, 2003	Commission Meeting
December 17, 2003	Public Comment - Commission Meeting
December 19, 2003	Commission Meeting
February 3, 2004	Commission Meeting

Multnomah County Board of Commissioners

September 11, 2003	Board of Commissioners Meeting
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APPENDIX - D

Multnomah County Drainage District No. 1 Special Commission on Alternative Assessment Methodologies Minutes of Special Commission Proceedings

Special Commission for the Multnomah County Board of Commissioners

November 12, 2003	Commission Meeting
December 17, 2003	Public Comment - Commission Meeting
December 19, 2003	Commission Meeting
February 3, 2004	Commission Meeting

APPENDIX - E

Multnomah County Drainage District No. 1 Final Report - Overview of Alternative Assessment Methodology Study January 20, 2004

Integrated Utility Group, Inc, prepared the attached report under contract to Multnomah County Drainage District No. 1. The report incorporates the comments and recommendations of the Special Commission on Alternative Assessment Methodologies for Multnomah County Drainage District No. 1, based on public meetings conducted between September 2003 and January 2004. The final report and its appendices are accepted in full and attached by reference to the Special Commission's report to the Board of County Commissioners of Multnomah County, Oregon.