

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 02-055

Approving and Confirming the Report and Assessment Methodology of the Commission for Peninsula Drainage District No. 2

The Multnomah County Board of Commissioners Finds:

- a. Peninsula Drainage District No. 2 (District) is organized under the provisions of Oregon Revised Statutes (ORS) Chapter 547, serving an area of North Portland through maintaining Columbia River flood protection levees and serving internal properties with a stormwater conveyance and pumping system.
- b. Board of County Commissioners Resolution No. 00-172 appointed a Commission (Special Commission) to examine and report on alternative assessment methodologies for the District, in accordance with ORS Chapter 547.245. The report of the Special Commission has been received, together with a report from the District's rate consultant, the schedule of public meetings held concerning the proposed assessment methodology changes, the agenda of a special meeting of District landowners held on September 24, 2001, the landowner voting ballot employed at that meeting and a description of the proposed rate relief discount program.
- c. The Findings reported by the Special Commission are:
 - (1) The current assessment methodology, a per-acre calculation used since 1917, does not reflect modern land uses in the District, does not represent the modern functions of the District operation and results in an unfair and inequitable allocation of costs to landowners that is not in proportion to the benefits received.
 - (2) Levee landowners, those with properties on the Columbia River levee, receive services from the District but have never been subjected to District assessments.
 - (3) Large impervious areas in the District generate peak stormwater flows and compacted gravel areas generate more runoff and environmental impact than vacant land.
 - (4) A very limited number of single family ratepayers on fixed income and with a homestead on multiple tax lots would be severely impacted by changes to the District assessment methodology.

- d. The Recommendations from the Special Commission are:
- (1) Replace the current methodology with a new one that mixes calculations based on acreage, impervious area and a 'per account' basis and allocate appropriate costs to owners of tax lots on the Columbia River levee on a frontal footage basis.
 - (2) Compute individual tax lot assessments for non-residential properties and residential properties greater than one acre. Compute assessments for residential properties of one acre or less based on a class average of acreage and impervious area.
 - (3) Define the imperviousness of any compacted gravel area as 80% of that area; 100% of area will be used for totally impervious surfaces such as pavement and roofs.
 - (4) Inventory District tax lots to determine total acreage, impervious area and frontal footage (for Columbia River levee tax lots). Provide opportunity for landowner review and comment during the initial inventory process. The inventory shall be updated, as property record changes are available from the County Assessor's office. The cost allocation methodology will be reviewed at least every five years to include changes in District services and costs.
 - (5) Establish a limited rate relief program as detailed in the Report.
- e. The development of the Special Commission's Findings, Recommendations and Report included eleven public meetings in the District between April and September 2001. At the final public meeting, September 24, 2001, an advisory vote was taken and the landowners present overwhelmingly supported the recommendations contained in the Special Commission's Report.
- f. The Special Commission and the District Board of Supervisors and Staff have complied with the provisions of ORS Chapter 547 in conducting the review of District assessment methodologies. The contents of the Report of the Special Commission meet all requirements of the statute.
- g. The County has given sufficient public notice as required by ORS Chapter 547.245 and no "exceptions by any interested person" were filed by the statutory deadline.

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 Chapter 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, 2002.

ADOPTED this 18th day of April, 2002.

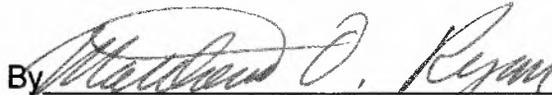


BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

Diane M. Linn, Chair

REVIEWED:

Thomas Sponsler, County Attorney
For Multnomah County, Oregon

By 

Matthew O. Ryan, Assistant County Attorney

Peninsula Drainage District No.2

Rate Assessment Methodology

December 2001

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

**Special Commission
on Alternative Assessment Methodologies**

David Crawford, P.E., Chair

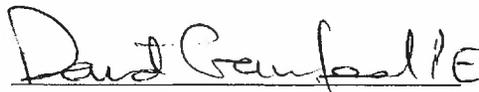
Donald W. Oakley, P.E.

Dan Vizzini

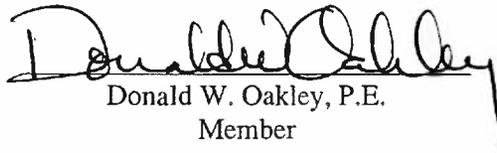
REPORT TO THE BOARD OF COUNTY COMMISSIONERS FOR
MULTNOMAH COUNTY, OREGON

SUBMITTED BY THE SPECIAL COMMISSION TO REPORT ON
ALTERNATIVE ASSESSMENT METHODOLOGIES FOR THE
PENINSULA DRAINAGE DISTRICT NO. 2

December 2001



David Crawford, P.E.
Chair



Donald W. Oakley, P.E.
Member



Dan Vizzini
Member

Peninsula Drainage District No.2

Rate Assessment Methodology

On October 19, 2000, the Board of County Commissioners of Multnomah County, Oregon adopted Resolution No. 00-172, appointing a commission to report on alternative assessment methodologies for Peninsula Drainage District No. 2. This report and attachments present the special commission's evaluation of alternatives, findings and recommendations.

Executive Summary

Peninsula Drainage District No. 2 provides flood control, drainage, stormwater management, development review and environmental protection services for nearly 700 landowners in Northeast Portland. During nearly 85 years of operations, the District has been financed by special assessments on property based on acreage. This assessment methodology has not changed despite the increasing complexity of District responsibilities and the increasing diversity of land uses and land subdivisions within the District.

In December 1999, District landowners recognized the inequity and inadequacy of the current assessment methodology by voting to endorse a study of alternative assessment methods. District supervisors and staff have spent two years conducting a fair, open and exhaustive public process to develop and evaluate alternatives. They compiled data on District operations and costs, hired an expert consultant to identify alternative methodologies, solicited and obtained public review and comment, evaluated each alternative and shaped a consensus of public support for a desired outcome.

In October 2000, the District asked the Multnomah County Board of Commissioners to form a Special Commission to provide independent review and recommendations regarding alternative assessment methods. The Special Commission participated in the public process, completed an independent review and reached unanimous agreement on the following basic conclusions:

1. The acreage methodology is unreasonable, inequitable and inappropriate given the scope of services and responsibilities of the District and the composition of land uses that are served.
2. A fair and equitable method of assessing District services should be based on a mix of factors, including lot acreage, impervious area, and number of tax parcels.
3. Single-family residences, located on parcels of less than one acre, should be assessed based on a fixed class average rather than on individual property characteristics.
4. The assessment method should classify compacted gravel surfaces as impervious.
5. Properties located on levees should be assessed for the share of the costs of levee maintenance and other indirect District costs that equitable apply to all landowners within the District.
6. The District should develop a special discount program for homeowners who are on fixed incomes and may need assistance dealing with changes in the assessment methodology.

This report satisfies the statutory requirements and charge of the Special Commission. The Multnomah County Board of Commissioners has final authority to reform the assessment methodology used by Peninsula Drainage District No. 2.

Peninsula Drainage District No. 2

The Peninsula Drainage District No.2 (“District”) provides drainage and flood protection services to landowners within the District. The District is located in Northeast Portland and is generally bounded by the Columbia River on the north, the Columbia Slough on the south and I-5 on the west and the Peninsula Drainage Canal on the east (approximately NE 21st Street).

The District was established in 1917 to provide drainage services to a sparsely developed agricultural land base. Today the District provides drainage and other economic and environmental services to a wide range of landowners. District services support public parks and roads, commercial and industrial developments and residential subdivisions. The total tax base value of properties within the district is approximately \$250,000,000. The average property value is about \$235,000. The total land area serviced by the District is approximately 1,500 acres, of which about 1,300 acres are improved.

District landowners elect a Board of Supervisors (District Board) to manage all aspects of District operations. The Board sets an annual budget for providing the drainage services. The annual budget is funded by special assessments that are billed to landowners and collected through an agreement with Multnomah County. The District calculates special assessments based on the acreage of land owned. This method has been in effect, without change, since the District was established in 1917.

Authority

In December 1999, District landowners voted overwhelmingly to conduct a formal study of alternative assessment methods. The landowners requested that the District staff determine whether a more equitable formula could be found for sharing the District’s costs for flood protection and storm water removal.

The District Board petitioned the Board of County Commissioners of Multnomah County, Oregon, to appoint a commission (“Special Commission”) to guide the study, as authorized by Chapter 547 of Oregon Revised Statutes. On October 19, 2000, the Multnomah County Board of Commissioners adopted Resolution No. 00-172, authorizing a special commission to report on alternative assessment methodologies and appointing members.

Special Commission

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 members of the Commission are:

Rate Assessment Methodology

- Chairman** David Crawford
Professional Engineer in the State of Oregon with more than 25 years of experience in water resources and urban drainage.
- Members** Donald Oakley
Practicing engineer in drainage and land development. He was the Chairman of the Special Commission that reviewed the rate assessment methods for Multnomah County Drainage District No.1.
- Dan Vizzini
Project manager and principal financial analyst for the City of Portland, Bureau of Environmental Services. More than 20 years of experience in municipal finance, apportionment and utility ratemaking.

Research, Analysis and Public Review

Multnomah County Resolution No. 00-172 prescribed a schedule of major events and public involvement to be undertaken by the District and Special Commission. At an early stage in the process, the District Board and Special Commission agreed to extend the schedule by 8 to 10 months to provide more time for research, analysis and public review.

RESEARCH

The District Board hired Integrated Utilities Group (IUG) to conduct an independent evaluation of current and alternative assessment methodologies. 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.

ANALYSIS

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 acreage, percent impervious area, elevation (or flooding risk potential), property value, and on a time and material basis.

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, cost of services provided and benefits received, feasibility of implementation, understandability, long-term stability, and ease of transition. The District Board and Special Commission relied on this evaluation to select the most viable assessment alternatives to present to District landowners.

PUBLIC REVIEW

Rate Assessment Methodology

The District Board and Special Commission paid particular attention to providing significant opportunities for public review. District staff worked very hard to provide information to landowners, encourage public review, and solicit public comments. Their efforts included:

- Public Access to Reports. District staff mailed information and meeting announcements to all District landowners. District staff provided copies of the IUG report, District reports, policy papers and other information at all formal public meetings.
- Formal Advertised Meetings. District staff conducted 14 meetings throughout the District to review the IUG report and explain the details of each alternative assessment method. Some of these meetings were targeted to residential neighborhood groups. Other meetings were targeted to commercial and industrial landowners. All public meetings were opened to any District landowner, and District staff recorded attendance and minutes (see Appendix B). One or more Special Commission member attended each meeting.
- Informal Meetings with Individuals and Small Groups. District staff met with individuals and smaller groups of landowners to discuss their individual concerns. At least one District supervisor and one Special Commission member attended these meetings.
- Landowner Advisory Vote. District supervisors called a special meeting of landowners on September 24, 2001 to conduct an advisory vote on the alternative assessment methodologies. Preceding the vote, landowners heard from and asked questions of District supervisors and staff, the District's legal counsel, and Special Commission members. The special meeting attracted landowners representing 47% of assessed property within the District. (See Appendix C for a copy of the agenda and voting ballot supplied to the landowners at the special meeting.)

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

Alternative Assessment Methodologies

The District's staff and consultant presented to landowners four alternative methods of assessing properties for the benefits of District services. The four alternatives included the current assessment method, and three new methods that were developed by IUG. Brief descriptions of the District's cost structure and each alternative follow:

DISTRICT COST STRUCTURE

The District provides a variety of services to the landowners. The principal services provided are:

- Flood Control. Protection from river flooding by maintaining the levee system and ensuring US Army Corps of Engineer certification of the levee system. The levee system protects the District from high river levels in the Columbia River and the Columbia Slough.
- Stormwater Management – Average Flow. Pumping stormwater runoff throughout the year. In general, all rainfall, less evaporation and other losses, has to be pumped out of the District and over the levee into the Columbia Slough.

Rate Assessment Methodology

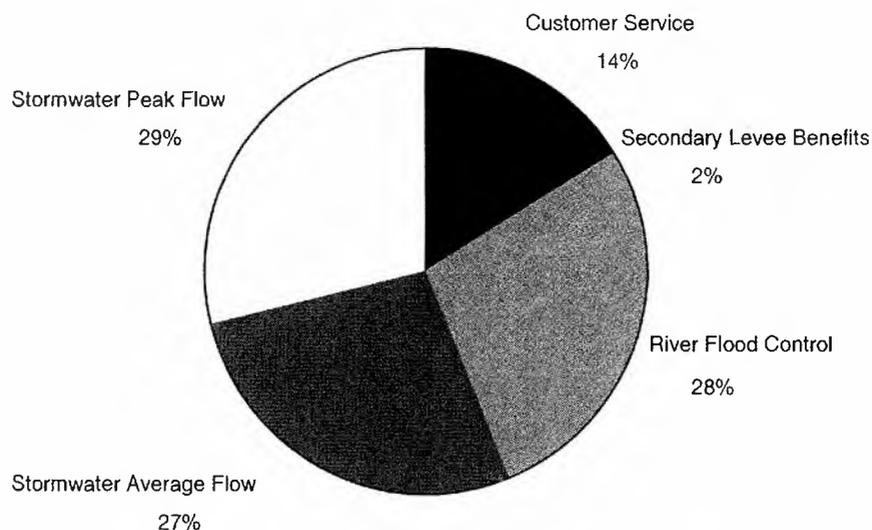
- Stormwater Management – Peak Flow. Providing conveyance and pumping capacity to remove peak flow from severe storms. The conveyance system and the two pump stations need to carry peak flow to prevent local or internal flooding.
- Secondary Levee Benefits. In addition to flood protection for low-lying areas within the District, the levee system provides a physical structure to support private development on the exterior portion of each levee, and a structure for local streets and access ways. These secondary benefits are special and unique to levee landowners.
- Billing Services. The District provides billing, development plan review, environmental services and other direct and indirect customer services.

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.

The District's current assessment methodology, used since the early part of the 20th century, is a simple per acre formula where the total annual cost of operating the District is recovered from the District's customers based on the number of billable acres of each customer. This formula is adjusted to assess parcels of less than one acre at the full acre rate. Multiple parcels owned by one customer are aggregated before the minimum one-acre assessment is made.

Figure 1 illustrates the allocation of annual costs for the District's principal services.

Figure 1: District Cost of Services Breakdown



ALTERNATIVE A: CURRENT ASSESSMENT METHOD WITH MODIFICATION

Alternative A relies on the current assessment method, based on the acreage of land owned. The current method treats each individual separately and computes assessments based on a minimum area of one acre. The modification allows for the aggregation of multiple properties owned by a single person or party before the minimum acre standard is applied. This modification reduced the punitive impact of the minimum acre rule on undersized lots.

The current annual assessment appears on the Multnomah County property tax bill as a fixed charge (special assessment). For a representative one-acre lot, regardless of land use and degree of development, the annual charge is fixed at \$198.70.

ALTERNATIVE B: MIXED ALLOCATION WITH EMPHASIS ON ACREAGE

The second alternative methodology recovers District costs based on four main categories. Each category isolates and recovers a portion of the District's annual costs of operations, maintenance, and capital construction and debt service.

Flood Control and Levee Maintenance	Acreage
Stormwater Management – Average Flow	Acreage
Stormwater Management – Peak Flow	Impervious Area
Billing Services	Tax Lot (account)

In order to reduce the administrative cost of this alternative, the large number of residential accounts are assessed a fixed charge based on average impervious area and acreage. This practice is frequently used by stormwater utilities when the average lot size and impervious areas are fairly consistent for the majority of the residential customers. A review of the District's residential customer's lot sizes indicated that more than 91 percent of all residential customers have lot sizes that are one acre or less. An additional 6 percent have lot sizes between one and two acres. To maintain the integrity of the residential customer class, IUG recommended separating customers with larger lot sizes from the rest of the single-family residential customer class. Accordingly, all residential customers with lot sizes exceeding 1 acre would be considered large residential customers and charged based on their actual lot size and impervious area.

The annual fee for single-family residential customers under this alternative is calculated using an average impervious area of 2,300 square feet and an average lot size of 12,800 square feet (0.3 acres). The estimated assessment for residential customers, including the customer charge, is \$110.88 per year.

Since a wide range of impervious areas and acreage exist for large residential and nonresidential accounts (commercial, multi-family, industrial etc), the annual assessment for these customers are calculated individually and based on the customer's impervious area, lot size, and number of tax lots.

Alternative B produces the following examples of annual charges for three non-residential tax lots, each with a different amount of impervious area:

- Vacant Lot - 1 acre and no impervious area \$184.59 per year
- Developed Lot – 1 Acre with 50% impervious area \$318.29 per year
- Developed Lot - 1 acre with 100% impervious area \$452.00 per year

ALTERNATIVE C: MIXED ALLOCATION WITH EMPHASIS ON IMPERVIOUS AREA

Alternative C is very similar to Alternative B. However, under this alternative, the average flow component of stormwater management costs are allocated based on impervious area rather than acreage.

The estimated flat assessment for a single-family residential customer is \$103.55 per year.

Alternative C produces the following examples of annual charges for three non-residential tax lots, each with a different amount of impervious area:

- Vacant Lot - 1 acre and no impervious area \$120.62 per year
- Developed Lot – 1 Acre with 50% impervious area \$362.97 per year
- Developed Lot - 1 acre with 100% impervious area \$605.31 per year

ALTERNATIVE D: ALLOCATION BASED ON IMPERVIOUS AREA

Alternative D is identical to the assessment methodology currently used by the City of Portland. The costs of flood control and stormwater management are assessed based solely on impervious area. Billing costs are assessed on a per tax lot (account) basis.

The estimated fixed annual assessment for a single-family residential customer is \$96.62.

Alternative D produces the following examples of annual charges for three non-residential tax lots, each with a different amount of impervious area:

- Vacant Lot - 1 acre and no impervious area \$60.19 per year
- Developed Lot – 1 Acre with 50% impervious area \$405.17 per year
- Developed Lot - 1 acre with 100% impervious area \$750.15 per year

ASSESSMENT IMPACTS ON LAND OWNERS

Table 1 provides a summary of the assessment estimates produced by the four alternative methods for a single family residence and three non-residential tax lots with varying amounts of impervious area.

Alternatives B, C and D have the general effect of shifting the burden of District assessments from single family residences to commercial, industrial, institutional and multi-family residential property. These outcomes are consistent with the general equity goals that were proposed by the District Board, endorsed by landowners, and accepted by the Special Commission at the inception of the study.

Rate Assessment Methodology

Table 1: Comparison of Annual Assessments for Four Alternative Methods

Assessment Method	Annual Assessment – One Acre Tax Lots			
	Single Family Residence	All Other Property Types		
		0% Impervious	50% Impervious	100% Impervious
Alternative A Current Method with Modification	\$198.70	\$ 198.70	\$ 198.70	\$ 198.70
Alternative B Mixed Allocation - Emphasis on Acreage	\$110.88	\$ 184.59	\$ 318.29	\$ 452.00
Alternative C Mixed Allocation - Emphasis on Impervious Area	\$103.55	\$ 120.62	\$ 362.97	\$ 605.31
Alternative D Modified City of Portland	\$96.62	\$ 60.19	\$ 405.17	\$ 750.15

Findings

The Special Commission has reviewed the independent report of Integrated Utilities Group, additional information and analysis performed by District staff, and comments made by landowners and other interested parties during more than 14 formal and informal public meetings. The Special Commission finds as follows:

1. The District has employed the acreage assessment methodology since its formation in 1917.
2. The acreage assessment methodology is fair and equitable as long as property uses are significantly uniform, there are a small number of landowners and the services of the District are narrowly defined. Such conditions existed within the District through the 1930s, when the area was primarily agricultural and the services were limited to flood control and seasonal drainage.
3. The current land uses within the District are as diverse as any area within metropolitan Portland. Residential development has accelerated the division of land into smaller parcels. Commercial developments have covered large expanses of vacant and agricultural land with large buildings and paved areas. Public road systems have been expanded and extended throughout the District.
4. The District's mission and responsibilities have grown with the advent of environmental and land use regulations and protections. District staff has increasing responsibilities for stormwater management, pollution control, habitat restoration and protection, and land use and development review.

Rate Assessment Methodology

5. Modern land use changes have profoundly affected the District's stormwater system. The larger impervious areas on properties generate proportionately larger peak stormwater runoff flows. These peak flows impact the size and capacity of District facilities as well as the costs of operating and maintaining the system. The current per acre assessment methodology does not reflect this impact.
6. The current reliance on a minimum acre charge is unfair and inequitable for a growing number of landowners with small residential lots. The current method unfairly shifts the burden of District assessments from large, developed parcels to parcels that are less than an acre. The average residential lot is about 30% of an acre but pays at a full acre rate. The District currently assesses for more acreage than the actual acreage of the District.
7. Levee landowners are within the District and benefit from District services but are not currently subject to assessment. District maintenance of the levee system provides a secure structure for attached moorages, walkways, parking and local vehicular access, building foundations and utility corridors. Also, levee landowners benefit, directly and indirectly, from stormwater management services that support local and arterial streets, as well as general environmental services, financed by the District through an agreement with the City of Portland.
8. Properties that are covered with compacted gravel generate stormwater runoff at greater volumes and with greater environmental impacts than vacant land.
9. A very limited number of ratepayers are on fixed income and own homesteads that consist of multiple contiguous tax parcels. These ratepayers may be severely impacted by changes to the District's assessment methodology.

Recommendations

The Special Commission submits the following recommendations for reform of the method of assessing landowners for the costs of District services.

1. Replace the current assessment methodology based solely on acreage with the following mixed methodology:
 - a. Flood Control costs are allocated based on acreage.
 - b. Stormwater Management costs associated with average stormwater flow are allocated based on acreage.
 - c. Stormwater Management costs associated with peak stormwater flow are allocated based on impervious area.
 - d. Levee Maintenance costs are allocated to land located within the boundaries of the levees based on front footage.
 - e. Billing and other account service costs are allocated on "per tax account." basis.

Rate Assessment Methodology

2. Compute individual property assessments based on site-specific acreage and impervious area measurements for all non-residential properties and for residential properties that have one acre or more of land area.
3. Compute assessments for residential properties that have less than one acre of land area based on class averages of acreage and impervious area as set forth in the Technical Memorandum of the Integrated Utilities Group, dated April 2, 2001. Evaluate the calculations of class average acreage and impervious area at least once every five (5) years to maintain their accuracy.
4. Determine annual revenue requirements and assessment rates for each of the five service categories listed in Recommendation No. 1 based on the cost allocation methodology set forth in the Technical Memorandum of the Integrated Utilities Group, dated April 2, 2001. Evaluate the cost allocation methodology at least once every five years to accommodate changes in District services and costs.
5. Refine the definition of impervious area to include land areas covered by compacted gravel. When calculating assessments based on impervious area, use 100% of the area for building footprints and paved surfaces, and 80% of the area for compacted gravel surfaces.
6. Perform a review of all affected properties to determine the acreage, impervious area and front footage (for Levee lots) to be used to compute assessments based on the recommended methodology. Provide an opportunity for affected landowners to review and comment on these property characteristics before the initial use of the recommended assessment methodology.
7. Implement a limited rate relief discount program for homeowners that is substantially based on the program proposal set forth in Appendix D of this report.

APPENDICES

- A. Integrated Utilities Group, Inc.; Technical Memorandum: Alternative Assessment Methods for Peninsula Drainage District No. 2, with Appendices A, B, C; April 2, 2001.
- B. Peninsula Drainage District No. 2; Meeting Schedule For Assessment Methodology Change.
- C. Peninsula Drainage District No. 2; Agenda: Special Meeting Of Landowners, September 24, 2001, and Voting Ballot.
- D. Peninsula Drainage District No. 2; "Rate Relief" Discount Program.

**TECHNICAL MEMORANDUM**

TO: David Crawford, Chairman, Special Commission

FROM: Paul L. Matthews
Kerstin S. Rock

DATE: April 2, 2001

SUBJECT: Alternative Assessment Methods for Peninsula Drainage District No. 2

PROJECT: P110.001.RS

Overview of the Report

This report presents alternative assessment methodologies for the Peninsula Drainage District No.2 (District). The report also includes an evaluation of each alternative and a summary of findings and recommendations. Attached to this technical memorandum are three appendixes, A, B, and C.

Purpose

Due to significant changes in the diversity of the District's land use and increased complexity in the operation of the District, the District and its landowners requested an update of the current per acre assessment methodology. The purpose of this study is to identify, calculate, and evaluate alternative assessment methodologies based on criteria established by the District and to narrow the alternatives to between two and four alternatives to be reviewed by landowners.

Scope of Services

The District retained Integrated Utilities Group, Inc. (IUG) to conduct this study. The tasks included in this study were:

1. A discovery task to review the District's current assessment methodology and alternative methodologies.
2. The preparation of this memorandum to present the selected alternative methodologies, the evaluation of the alternatives, and IUG's recommendations.
3. The preparation of a computer model that calculates the charges under the selected assessment methodology.

TECHNICAL MEMORANDUM

Page 2

April 2, 2001

P110.001.RS

Overview of the District

Geographical Description

The District is located in Multnomah County, along the south bank of the Columbia River, approximately 5 miles Northeast of the city center of Portland. It borders on North Portland Harbor opposite Columbia River miles 106.5 to 108.2. The District is bounded on the north by a levee along North Portland Harbor, on the west by the Denver Avenue fill and on the south and east by a continuous levee along Columbia Slough and Peninsula Drainage Canal. Peninsula Drainage Canal, which separates the District from Multnomah County Drainage District No.1 (MCDD), is plugged at both ends, at its junction with Columbia Slough, and with the Columbia River. The Union Avenue fill, carrying U.S. Highway 99E, crosses the District in a southwest direction on a viaduct and fill which merges with the Denver Avenue fill about midpoint on the west boundary of the district.

The District includes approximately 1,508 acres, of which 1,326 acres are improved (principally industrial and residential) and 20 acres are sloughs and drainage canals. The ground elevation varies from 4 to 15 feet national geodetic vertical datum (NGVD). Land use is divided among agriculture, recreation, industrial, commercial, and residential. Developments include several motels and trailer courts, Columbia Edgewater Golf Course, Delta Park, Columbia Elementary school, many businesses with industrial buildings, a large number of residences and several large trucking companies.

Services Provided

The District is a special purpose local government organized under Oregon Revised Statutes (ORS) Chapter 547 and is governed by a three-member Board of Supervisors elected by the District's landowners. Through a system of levees, water conveyance facilities, and pumps, the District provides its landowners with many services including flood protection, stormwater conveyance and management, customer billing, maintenance of levees that allow secondary levee uses, customer project review, regulatory management, and drainage for transportation systems. Each of the services is described in the following

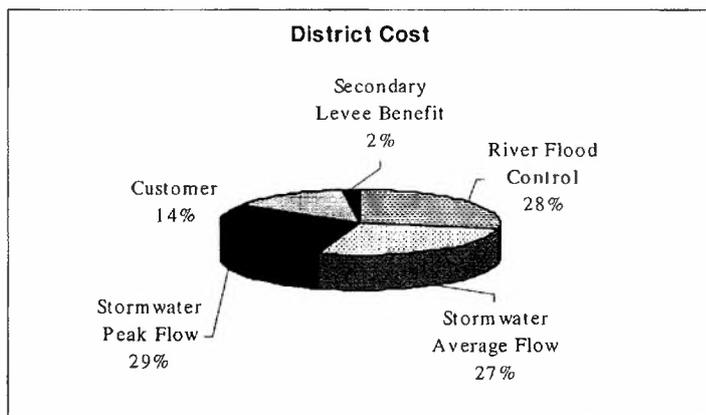


Figure 1

TECHNICAL MEMORANDUM

Page 3

April 2, 2001

P110.001.RS

sections. Figure 1 presents a breakout of the District's O&M and capital costs by major services provided. Each of the services is described below.

Flood Control

Due to the District's proximity to the Columbia River and lower Columbia Slough, one of the major services provided by the District is flood control. The District provides flood control by maintaining a system of levees surrounding the District. The District is responsible for meeting U.S. Army Corps of Engineer flood control and engineering standards for all levees located in the District.

Stormwater Conveyance and Management

In order to control stormwater levels within its borders, the District operates and maintains a stormwater collection, transmission and pumping system. The purpose of these activities is to manage the quantity of stormwater that accumulates inside the District's system of levees and prevent back up flooding of properties within the District. The District stormwater system receives flows both at an average and peak rate. This difference in flow rates influences the costs of providing and operating the system. Average and peak flows and their relationship to rate making are discussed in Appendix B available from the District on request.

Customer Billing

The District maintains a customer billing system that tracks customer-specific information and generates the correct assessment for each tax lot within the District. This function assures that the costs of operating the District are shared by landowners in strict accordance with the assessment methodology they have approved. Assessments are billed annually as a separately identified line item on the Multnomah County property tax bill.

Secondary Levee Uses

While meeting the Corps of Engineers standards, the District maintains the structural integrity and aesthetic qualities of its levees. These activities benefit users of the levees for purposes not necessarily connected to flood control. Examples include structures on the levee and marina facilities attached to and accessed over the levee. These activities benefit users of the levees for purposes not necessarily connected to flood protection. Appendix A of this report outlines how these customers could be treated as a separate customer class.

Customer Project Review

To ensure that new developments meet the District's standards, the District reviews developments requiring permits from the City of Portland and/or impacting flood protection

TECHNICAL MEMORANDUM

Page 4

April 2, 2001

P110.001.RS

and/or stormwater management.

Regulatory Management

The District provides regulatory management services by monitoring federal, state, and local regulations, and addressing relevant environmental issues that impact properties and activities of the District.

Transportation System/IGA

The District's stormwater conveyance system receives stormwater from the City street system within District boundaries. An intergovernmental agreement (IGA) with the City of Portland accounts for the services provided by the District and other city-wide stormwater services the District's landowners receive from the City. The difference in the cost of these services is specified in the IGA and is paid to the City by the District. Under the IGA, the landowners do not pay an additional fee directly to the City.

Cost-of-Service: The General Framework of Assessment Methodologies

Calculating assessments using a cost-of-service approach is based on the concept that the cost of operating the utility is allocated to ratepayers in proportion to their usage of the system. This is typically done by identifying customers with common usage characteristics and grouping them into ratepayer classes. The customer classes identified for this study are single-family residential (SFR) and non-residential. The option of including a new customer class, levee landowners, is evaluated in this report in Appendix A.

Current Assessment Methodology

The District's current assessment methodology, used since the early part of the 20th century, is a simple per acre formula where the total annual cost of operating the District is recovered from the District's customers based on the number of billable acres of each customer. This formula is adjusted to assess parcels of less than one acre at a full acre rate.

Multiple parcels owned by one customer are currently aggregated before the minimum one acre assessment is made.

Compared with modern rate policies at other utilities and considering the current mix of land uses in the District, the current methodology has several shortcomings; among them:

- The per-acre approach works well if all properties are similar; e.g.,

TECHNICAL MEMORANDUM

Page 5

April 2, 2001

P110.001.RS

agricultural land uses, as was the case in the early part of the 20th century. Modern land uses are varied, and the amount of impervious area on properties varies. The current methodology does not represent these changes.

- With the increasing number of residential properties in the District, the current formula of assigning a full acre to partial acre ownership is severely strained. As further subdivision occurs, the number of billable acres is increasing well beyond the number of actual acres in the District. Although this approach does ensure a minimum bill for a customer to recover the cost of customer service and billing, a more equitable alternative to recovering these fixed costs exists.
- Modern land use changes have profoundly affected the District's stormwater system. The larger impervious areas on properties generate proportionately larger peak stormwater runoff flows. These peak flows impact the size and capacity of District facilities as well as the costs of operating and maintaining the system. The current per acre assessment methodology does not reflect this impact.

Description of Alternative Methodologies

Cost Recovery Methods—Widest Range of Feasible Alternatives

As part of a project team meeting, IUG presented the District with a range of possible alternative assessment methodologies. IUG and the District identified recovery methods for each of the District's activities or cost functions (e.g., flood control, billing). Table 1 presents this widest range of cost recovery methods that could be used to recover the costs of various District services.

TECHNICAL MEMORANDUM

Page 6

April 2, 2001

P110.001.RS

Table 1

Maximum Feasible Range of Allocation Options									
Cost Functions									
Cost Recovery Method	Flood	Internal Stormwater		Customer	Secondary Levee Uses	Cust. Proj. Review	Reg. Mgmt.	Trans./ IGA	Overhead
	River Flood Control	Conv. & Mgmt. (Peak Flow)	Conv. & Mgmt. (Average Flow)						
Per Acre	X	X	X	X	O				
Per Imp. Area	X	X	X	X	O	X	X	X	
Elevation	X								
Per Bill				X					
Per Tax Lot				X					
Property Value	O				O				
Time and Materials Basis						X	O		
Indirect					X	X	X	X	X

Key: X.....Feasible and Commonly Used Approach
 O....Possible but Less Commonly Used Approach
 Blank...Not Possible or Unused Approach

Screening the Range of Feasible Cost Recovery Methods

To recover costs associated with each of the District’s nine cost functions, the project team identified the recovery methods listed in the left-hand column of Table 1. The options listed in Table 1 for recovering the costs associated with the District’s costs functions can be evaluated based on an understanding of District characteristics:

- the District system and its size,
- the District’s customers and the benefits they receive from the District
- District utility operations,
- the practicality of managing the billing routine and,
- the nature of the specific overhead functions or service.

In considering these District characteristics and widely accepted utility rate making practices, IUG evaluated the cost recovery methods and reduced them to four methods that IUG considers most practical for the District. This evaluation is described below.

TECHNICAL MEMORANDUM

Page 7

April 2, 2001

P110.001.RS

- **Customer Account¹:** Evaluated on a per tax lot basis. Each tax lot, regardless of size, requires similar assessment and rate calculation to produce the drainage utility charges.
- **Customer Project Reviews:** The District provides numerous types of services (e.g., advice, design review, guidance on obtaining permits) to landowners of all types of property. The District considers this practice to be an integral part of the service it provides and intends to continue providing these services as indirectly funded activities, except for large projects. For projects requiring more than eight hours of management review time, a time and materials fee will be established covering costs above the 8-hour threshold. However, based on the District's experience, it is highly unusual for its staff to spend more than eight hours on any particular review.
- **River Flood Control Billed Based On Impervious Area:** While this calculation option is mathematically feasible, it is our opinion that its use would be inappropriate. River flood protection, mostly levee expenses, is a service affecting all Districts properties equally. Billing on a per-acre, or similar basis, is appropriate for this function. The river flood is an external event. Impervious area on property affects the internal flood protection mission of the District. Greater amounts of impervious area produce greater stormwater discharge flows from property to the District system, thus increasing District costs for water conveyance and pumping and not affecting costs associated with river flood control.
- **Secondary Levee Uses:** These uses are special services currently provided by the District to a class of customers who own tax lots on the Columbia River Levee. In the past, the District has not charged for these tangible services. As part of this assessment study, the District is proposing to develop a special assessment rate and begin charging these customers. Appendix A describes the analysis in full.

The services in question involve:

- The security of attaching moorages to the levee.
- The improved access over the levee provided by walkways, steps and the like, which are structures on the levee.
- Utility corridors for the marinas that cross over or through the levee.

¹See Glossary for definition.

TECHNICAL MEMORANDUM

Page 8

April 2, 2001

P110.001.RS

- Parking on the levee for marina users and occupants.
- The presence of buildings or support structures on the levee.
- The levee property owners and user/occupants also benefit from the stormwater management of runoff from the road system and, thus, should share in paying for the net services under the IGA between the District and the City of Portland.
- **Flood Control Value of Property Protected:** In addition to allocating flood control costs on either a per acre or impervious area method, another alternative is to allocate flood control cost based on the value of protected property. This assessment method, by its very nature, may be considered a tax and, therefore, may require compliance with Oregon tax law. Since alternative allocation methods that are equitable exist, (e.g., per acre and per square foot of impervious area) and do not incur the complexity of tax law, IUG cautions against the use of value of property protected to allocate flood control cost.
- **Flood Control Elevation:** MCDD uses elevation in its method of allocating flood control costs. Using elevation as a cost recovery method requires sufficient differences in topography between properties which is the case in the MCDD. In contrast, the District's topographical variation is minimal. Therefore, in the case of the District, IUG regards the allocation methodology based on elevation as unusable.
- **Regulatory Management:** This District service affects all District customers. The District must closely track regulatory and legal developments relating to numerous natural resource and utility policies. Notable examples are: the Clean Water Act, the Endangered Species Act, utility statutes and regulations, government administration and personnel health safety laws and regulations. These ongoing changes occur at the Federal, State and local levels. The District would not be able to perform its mission effectively without this service, and the knowledge accumulated at the District is a resource for all customers. This service is not related to any particular customer class of the District. It is, therefore, appropriately combined into an indirect cost category.
- **Transportation System/IGA:** The District has negotiated a comprehensive IGA with the City of Portland. The IGA covers all utility functions of the District and the City's stormwater utility in the Bureau of Environmental Services (BES). These functions and services are "netted out" in the financial portion of the agreement, resulting in a net payment by the District to the City each fiscal year.

TECHNICAL MEMORANDUM

Page 9

April 2, 2001

P110.001.RS

The services which underlie the net payment are "transportation" functions; i.e., the provision of a safe and usable street system that is not impaired by stormwater flows or unavailable because of flooding. These services are major cost drivers for the District and the City. They equally benefit all property owners/users in the City and the District.

IUG considers the cost impact of the Transportation System/IGA function to benefit all District property owners/users, including the new class of District ratepayers included in the "Levee land owners" category (see Appendix A).

Recommended Assessment Methodology Alternatives

By applying the screening criteria discussed above, IUG believes that four assessment methodologies, including the status quo, provide the best range of alternatives for selecting a new assessment methodology. For each of the alternatives, a simplified version of Table 1 is presented.

Alternative A: Status Quo

Allocation Approach

The following outlines the District's current assessment methodology:

- Costs are per acre.
- If a parcel is less than one acre, a minimum of one acre is assessed.
- For owners of multiple tax lots, where each is under one acre, the current assessment methodology aggregates these tax lots and then imposes the one acre minimum threshold.

The minimum one acre requirement is only used in the status quo. The other proposed alternatives are based on actual acreage.

Table 2

Alternative A--Status Quo					
Cost Recovery Method	Flood	Internal Stormwater		Billing	Indirect / Overhead
	River Flood Control	Conv. & Mgmt. (Peak Flow)	Conv. & Mgmt. (Average Flow)		
Per Acre	X	X	X	X	
Per Imp. Area					
Per Tax Lot					
Indirect					X

TECHNICAL MEMORANDUM

Page 10
April 2, 2001
P110.001.RS

Fee Design

The annual assessment is currently billed to each customer as a fixed charge on their annual property tax bill. For a representative one-acre tax lot, the annual charge is the same, regardless of the amount of impervious area on the tax lot.

- 1 acre, No Impervious Area: \$198.70 per year
- 1 acre, 50% Impervious Area : \$198.70 per year
- 1 acre, 100% Impervious Area: \$198.70 per year

Alternative B

Allocation Approach

The second alternative methodology recovers flood control costs on a per acre basis. This recovery method is used to recover flood control costs based on the area protected by the District's facilities and operations. The peak costs associated with stormwater management and conveyance are allocated based on impervious area while the costs related to average annual stormwater flow are recovered on a per acre basis. All billing costs would be recovered on a per tax lot basis.

All costs related to regulatory management, and transportation/IGA, and customer project review service will be recovered as indirect costs.

Table 3

Alternative B					
	Flood	Internal Stormwater			
Cost Recovery Method	River Flood Control	Conv. & Mgmt. (Peak Flow)	Conv. & Mgmt. (Average Flow)	Billing	Indirect / Overhead
Per Acre	X		X		
Per Imp. Area		X			
Per Tax Lot				X	
Indirect					X

Fee Design

Due to the large number of residential accounts and their relative similarity of average impervious area and acreage, the fee calculated for the alternative methodologies will be a fixed amount per single-family residential customer. This practice is frequently used by stormwater utilities when the average lot size and impervious areas are fairly consistent for the majority of the residential customers.

A review of the District's residential customer's lot sizes indicated that more than 91 percent

TECHNICAL MEMORANDUM

Page 11

April 2, 2001

P110.001.RS

of all residential customers have lot sizes that are one acre or less. An additional 6 percent have lot sizes between one and two acres. The average size of all residential lots is 0.53 acres. Excluding customers with more than 2 acres in the class average reduces the average lot size from 0.53 acres per lot to 0.36 acres per lot. If residential customers with lot sizes greater than 1 acre were excluded from the average, the average lot size would be 0.29 acres.

To maintain the integrity of the residential customer class, IUG recommends separating customers with larger lot sizes from the rest of the single-family residential customer class. Accordingly, all residential customers with lot sizes exceeding 1 acre should be considered large residential customers and charged based on their actual lot size, impervious area, and number of tax lots. IUG's analysis of the residential customer class is presented in the separately published Appendix C.

The annual fee for single-family residential customers² will be calculated using an average impervious area of 2,300 square feet and an average lot size of 0.294 acres. Using Alternative B, the estimated assessment for residential customers, including the customer charge, would be \$110.88 per year. The rates and assessments are calculated using a computerized spreadsheet that stores numbers with more precision than presented in this report. Therefore, the numbers presented may not equal the anticipated values because of the rounding. To minimize the cost to the District, IUG proposes using this fixed fee design for single-family residential customers in all of the new alternatives presented.

Since a wide range of impervious areas and acreage exist for large residential and non-residential accounts, the annual assessment for these customers would be calculated individually and be based on the customer's impervious area, lot size, and number of tax lots. Examples for a non-residential customer with a one acre and 0 percent, 50 percent, or 100 percent of the acreage being impervious area are presented below. The customer's assessment including the customer charge would be as follows:

- 1 acre, No Impervious Area: \$184.59 per year
- 1 acre, 50% Impervious Area : \$318.29 per year
- 1 acre, 100% Impervious Area: \$452.00 per year

Alternative C

Allocation Approach

Under Alternative C, flood control costs are recovered on a per acre basis. Both average annual and peak stormwater costs are recovered based on impervious area. Billing costs are

²As discussed above, for the purposes of fee design, single-family residential customers are those residential customers with lot sizes less than or equal to one acre.

TECHNICAL MEMORANDUM

Page 12

April 2, 2001

P110.001.RS

recovered per tax lot.

Table 4

Alternative C					
Cost Recovery Method	Flood	Internal Stormwater		Billing	Indirect / Overhead
	River Flood Control	Conv. & Mgmt. (Peak Flow)	Conv. & Mgmt. (Average Flow)		
Per Acre	X				
Per Imp. Area		X	X		
Per Tax Lot				X	
Indirect					X

Fee Design

Using Alternative C, the estimated flat assessment for single-family residential customers would be \$103.55 per year. For a non-residential customer with a one acre and 0 percent, 50 percent, or 100 percent of the acreage being impervious area, the customer's assessment would be:

- 1 acre, No Impervious Area: \$120.62 per year
- 1 acre, 50% Impervious Area : \$362.97 per year
- 1 acre, 100% Impervious Area: \$605.31 per year

Alternative D

Alternative D represents the rate methodology currently used by the City of Portland, (i.e., all cost are billed on imperious area). The City of Portland uses this methodology because impervious area is a widely accepted measure for allocating stormwater management costs and because the majority of the City's costs are related to stormwater management. A large portion of the District's costs, however, are due to its extensive flood protection services which are not ideally allocated based on impervious area.

Allocation Approach

Alternative D proposes the recovery of all flood control and stormwater management and conveyance costs on an impervious area basis. Deviating from the City of Portland's methodology, Alternative D proposes allocating billing costs on a per tax lot basis.

TECHNICAL MEMORANDUM

Page 13

April 2, 2001

P110.001.RS

Table 5

Alternative D--City of Portland Methodology					
Cost Recovery Method	Flood	Internal Stormwater		Billing	Indirect / Overhead
	River Flood Control	Conv. & Mgmt. (Peak Flow)	Conv. & Mgmt. (Average Flow)		
Per Acre					
Per Imp. Area	X	X	X		
Per Tax Lot				X	
Indirect					X

Fee Design

Under Alternative D, the fixed annual assessment for a single-family residential customers would be \$96.62. For a non-residential customer with a one acre lot and 0 percent, 50 percent, or 100 percent of the acreage being impervious area, the customer's assessment would be:

- 1 acre, No Impervious Area: \$60.19 per year
- 1 acre, 50% Impervious Area : \$405.17 per year
- 1 acre, 100% Impervious Area: \$750.15 per year

As a comparison, the City of Portland bills single-family residential accounts at a fixed amount of \$117.24 per year. The City's charge for a one acre parcel that has 100 percent impervious area is \$2,367.92 per year.

Evaluation of Assessment Methodologies

IUG's evaluation of the current and alternate assessment methodologies is presented below. The evaluation is based on criteria that are widely used in the utility industry to compare different rate structures.

Equity of Cost Allocations

An allocation methodology is considered more equitable if customers pay for their share of system cost in proportion to their use of the system. In other words, a methodology is equitable when the "cost causer" is the "cost payer".

- Alternative B was ranked most equitable, followed by C. B and C are based on widely accepted data, namely acreage and impervious area, which fairly account for the costs the District incurs for flood protection and stormwater management. B most closely aligns cost allocations with the appropriate cost drivers. B is preferable over C because the average flow of stormwater affects all properties equally whereas peak flow is heavily influenced by the

TECHNICAL MEMORANDUM

Page 14

April 2, 2001

P110.001.RS

amount of impervious area on each property.

- Alternatives B or C will more equitably allocate the District's costs according to the cost of serving the different landowner classes. Either alternative will bring the District's methodology into alignment with the rate making practices of other urban stormwater utilities.
- Alternatives A and D are much less acceptable than Alternatives B or C for some important reason. Alternative A does not account for the impact of impervious area on peak stormwater flows. On the other hand, Alternative D does not reflect the impact of total acreage on average stormwater flow and flood protection. In fact, IUG is presenting Alternative D simply as a comparison because it is the way the City of Portland bills for its stormwater utility. The City does not have flood protection infrastructure that is of the relative scale of the District's levee system. The City can use the single billing criterion, impervious area, but the District would not be fairly allocating costs and benefits if it were to use this single criterion.
- Alternatives A is ranked last because billing costs are recovered per acre and because of the one-acre minimum assessment. It is likely the least equitable methodology and should be replaced with either Alternatives B or C to obtain the District's goal of enhancing the equity of its methodology.

Feasibility of Implementation

A methodology will be preferable if its implementation and administrative costs are relatively less for the District and the District's customers. Implementation covers a wide range of tasks necessary to compute timely and accurate bills.

Implementing any of the presented Alternatives is feasible from the standpoint of computing the assessments and generating the bills.

- Alternative A ranked the highest because it represents the status quo and would not require any changes in data collection, maintenance, and billing structure.
- Alternative D ranked behind Alternative A but above Alternatives B and C because the District would only have to maintain one data set, impervious area. However, impervious area records are harder to maintain than acreage records.
- Alternatives C and B would require more data tracking, but not an inordinate amount compared to other jurisdictions (e.g., MCCD), which bills on elevation in addition to acreage and impervious area).

TECHNICAL MEMORANDUM

Page 15

April 2, 2001

P110.001.RS

Understandability

Utility bills, such as the District's, can generate adverse public reaction if they are so complicated they are difficult to understand. On the other hand, the calculations to produce the bill must reflect an equitable distribution of the utility's costs to each landowner.

- Alternative D was ranked first because of the relative easy to understand methodology of allocating costs solely on impervious area.
- Alternatives C and B received lower rankings because the methodologies are relatively more complex and involve both impervious area and acreage. Alternative C was ranked higher than Alternative B because the acreage/impervious area distinction is made along the lines of flood control and stormwater management costs. In comparison, Alternative B would require the distinction between peak and average stormwater flows.
- Even though Alternative A is similar to D in that the methodology is only based on one cost driver, the practice of aggregating acreage and assessing the fee at a one acre minimum, makes Alternative A the least attractive with regards to understandability.

Long-Term Stability

This criterion evaluates an alternative's ability to meet the District's assessment needs over the long term. An alternative would be preferable if it is durable and meets the anticipated needs of an assessment charge well into the future. Less durable alternatives would include assessment methods that might require significant modifications if the District and/or the legal environment evolves.

With the exception of Alternative A, all of the alternatives presented, by design, will provide the District with a long-term solution.

- Alternative A poses a long-term stability problem. The District currently is recovering revenues through this methodology; however, the feature of the methodology where billable acres are increasing beyond actual acres is a flaw that could trigger adverse reactions by the District's ratepayers in the future. IUG believes that replacing this methodology, as the District is proposing to do through this study, is the correct approach to anticipating and preventing this problem.
- Alternatives B is preferred in its ability to address future assessment needs. Its closer alignment with cost-of-service principles will allow the assessments to adjust as the needs of the District evolve.

TECHNICAL MEMORANDUM

Page 16

April 2, 2001

P110.001.RS

- Alternative C ranked behind B but above Alternatives A and D because it includes charges based both on impervious area and total acreage but is not as consistent with cost-of-service principles as Alternative B. As the District continues to change, the two-part assessment approach incorporated in Alternative C will better adapt to the changing cost of service.

Rate Transition

Selecting a new assessment methodology may result in cost shifts among customer classes. The ability to transition to the proposed alternative while minimizing economic disruption is described by the rate transition evaluation criterion. An alternative that has more flexibility in transitioning would generally be preferred over one that does not. Depending on the alternative selected by the District, the District may wish to ramp the change over two or more years.

Similar to the argument presented for the ranking of the revenue stability criteria, the amount of cost shifts will be minimized with more costs being recovered based on acreage instead of impervious area. As with Revenue Adequacy/Stability, the difference between the alternatives are quite small. Therefore this criterion should also receive relatively less weight.

- Alternative A is the status quo and was, therefore, not evaluated.
- Alternatives B and C will provide the lowest amount of cost shifts in the District.

Summary of Findings

The differences between the four alternatives for all evaluation criteria except Equity of Cost Allocations are very small. The differences in the equity of cost allocations, however, differ significantly between the alternatives. For the District, IUG believes that the equity of an alternative is a more important criterion than the other four. IUG, therefore, recommends assigning relatively more weight on the equity criterion. Given the importance of equity in a rate structure, Alternative B would be preferable.

Recommendation

IUG recommends the District adopt Alternative B, which allocates flood protection cost and average stormwater management costs on a per acre basis and peak-flow stormwater management costs based on impervious area. Customer costs will be recovered on a per tax lot basis. IUG recommends that single-family residential customers with lots one acre or smaller be charged a fixed annual amount while non-residential and large residential

TECHNICAL MEMORANDUM

Page 17

April 2, 2001

P110.001.RS

customers be billed based on their lot size and their impervious area on the lot size.

The annual charges for the Levee Landowner class are the same under all four alternatives. Single-family residential levee landowners should be billed a fixed annual charge while all other customers in this class should be billed based on lot size and amount of impervious area. Regardless of the alternative selected, IUG recommends that the rates be updated on an annual basis to reflect changes in the District's budget.

Glossary

Billing: The District maintains a customer billing system that tracks customer-specific information and generates the correct assessment for each tax lot within the District.

Customer Account: An aggregate category of District functions that relate to each customer tax lot, including generating and mailing bills, answering questions on billing, dealing with the County and others on billing and financial issues, helping customers with questions about their property and drainage/flood protection, advising customers on regulations that affect their property, collecting data on tax lots by research and field surveys, attending meetings with groups of landowners on these issues, and certain costs associated with the intergovernmental agreement with the City of Portland.

Customer Project Review: In order to ensure that a new development meets the District's standards, the District reviews all developments and individual projects requiring permits from the City of Portland and/or impacting flood protection or stormwater management.

Direct Cost: A cost item that can be directly allocated to one of the cost functions of the District such as flood control, stormwater management, customer, etc.

Indirect Cost: A cost item that cannot directly be allocated to one of the District's cost functions. Using standard rate making principles, these costs are spread over all customers based on the allocation of all direct costs.

Internal Stormwater-Conveyance & Management (Average): Capacity of the District's facilities (pump capacity, channel capacity and storage) if all of the rain for a period of time came down continuously at a gentle, even pace.

Internal Stormwater-Conveyance & Management (Peak): In order to meet peak flow demands, the District must protect properties from the flooding potential of the "100-year storm" to meet FEMA and USACOE flood protection standards.

NGVD: National Geodetic Vertical Datum (mean sea level)

O&M Cost: The District's operation and maintenance costs. Examples are labor, pumping, and administrative costs. O&M costs do not include capital-related costs such as debt service.

Overhead: See Indirect Cost.

Primary Levee Use: Protection of properties within the District from external flooding from the Columbia River and Lower Columbia Slough.

Regulatory Management: The monitoring of federal, state, and local regulations, reviewing

TECHNICAL MEMORANDUM

Page 19

April 2, 2001

P110.001.RS

permit applications and acting to address environmental issues that impact, or could potentially impact, properties and activities within the District.

River Flood Control: See Primary Levee Use.

Secondary Levee Use: Use of levee for securing moorages, accessing property, providing utility corridors, and allowing other improvements (e.g., buildings, paving).

Transportation/IGA: The District's stormwater conveyance system receives discharge from the City street system within the District. An inter-governmental agreement (IGA) with the City of Portland evaluates this service and the City's management of stormwater elsewhere in the City. The net cost of this comparison is assigned to the District in the IGA.

USACOE: U.S. Army Corps of Engineers

Appendix A: Special Customer Class for Landowners of Columbia River Levee

Definition of Separate Customer Class

Potential members of a separate customer class are landowners who:

- Own land parcels on the Columbia River levee;
- Benefit from services provided by the District.

The land uses by these landowners are, typically, single-family residential or marina. In this definition, the term 'marina' covers all tax lot uses that include moorages attached to the levee that have small craft or house boat moorage slips that are rented or owned by parties other than the tax lot owner.

Discussion of District Mission and Separate Customer Class

The District's levee along the Columbia River was constructed to protect properties within the District from external flooding from the river. The properties of the District (enclosed by the levees) are also vulnerable to internal flooding caused by precipitation. Specifically, if stormwater is not collected from District properties and pumped over the levees, the properties will flood. These external and internal flooding vulnerabilities comprise the primary mission of the District — to protect landowners from flooding up to the 100-year flood event, in accordance with the Federal Emergency Management Agency (FEMA) and the US Army Corps of Engineers (USACOE) standards.

In the past, landowners of parcels located on the levee were not considered to be direct beneficiaries of these activities because they were not protected from either type of flooding. Historically, they have not been charged an assessment even though their property is within the jurisdictional boundaries of the District.

The services and functions performed by the District in modern times have expanded well beyond the original primary mission. A close examination of these additional functions shows that all property owners, including those on the levees, benefit from some level of District support. In addition, the structural integrity of the levee, provided at the District's expense, provides a secure environment for the real property improvements developed by landowners on the levee. This security benefit is available every day, whether flood conditions exist or not.

Certain District costs (i.e., direct, general, and overhead) apply specifically to the levee landowners as opposed to those that apply to the larger, internal landowner base of the District. Establishing a

special customer class for landowners on the levee serves the purpose of equitably billing these customers for the costs to provide the benefits they receive from the District.

District Services and Functions Which Support the Separate Class

Levee Maintenance

A portion of the District's expense for maintaining the Columbia River levee benefits the owners of land parcels on the levee. Since the levee protects internal properties from flooding, all District landowners receive benefits from it in some way. The District performs annual levee maintenance in two general categories of work:

- Mowing and vegetation maintenance. Benefits are safety of the levee as a structure and appearance.
- Structural repairs of the levee (e.g., erosion repair, filling voids). Benefits are safety of the levee as a structure.

The levee landowners benefit from maintaining the safety of the levee as a structure and from maintaining its appearance. These benefits include secure foundations for their real property improvements on the levee, secure mooring points for marina structures, utility and access corridors and aesthetic appeal for owners, customers and visitors. Another consideration that results in costs for the District are the limitations to the District's access and crew operations on the levee imposed by the presence of landowner property improvements.

Inspection, Engineering, Professional Advice

These functions of the District include services that are applied District wide, including the Columbia River levee and levee landowners. The levees are inspected several times a year, problems are analyzed and maintenance/repair activities are planned. The District also provides advice (within reasonable limits) to landowners, at their request, concerning improvements they are planning for their property. Levee landowners have benefitted from these services in the past and will in the future.

These functions are covered in the District's annual services contract with MC DD, which is \$60,000 in the current year's budget. This is a composite cost for work on financial items, engineering analysis and advice, administrative support, inspections, bi-weekly pump stations inspections and services, and field visits to discuss landowner needs. About 30 hours (or 1 percent) of these services are provided by the District, annually, to levee landowners. At the current cost, about \$600 should be allocated to levee landowners for these services.

Intergovernmental Agreement (IGA)

The IGA between the District and the City of Portland is a cooperative business arrangement for providing flood protection and stormwater management services to the public.¹ The agreement establishes the District as the primary provider of services within the District's jurisdictional boundary, but it also identifies significant city-wide services provided by the City stormwater utility that benefit the District's landowners. These city-wide services are transportation related: functions that maintain the stormwater runoff system associated with the vast City road network. The relatively small, net annual cost paid by the District to the City under the IGA relates specifically to the transportation-related stormwater services. The financial analysis in this study allocates the District's IGA cost as an overhead cost spread across the entire District. This cost allocation also applies to levee landowners as a separate customer class since they, and their tenants, are beneficiaries of the road network.

Individual Projects

Individual (i.e., large) projects are separately designed and constructed projects that repair and/or improve the District's infrastructure. These projects are individually budgeted and managed by the District; they are not a part of annual, recurring operation and maintenance. They may be financed through the District's rate revenue or from borrowing. Costs of individual projects that benefit levee landowners will be allocated on a pro-rata basis to levee landowners. These costs will be included in the District's revenue requirements for the relevant budget years.

Numerical Characteristics of the Special Customer Class

To determine an assessment rate for the levee landowners as a special customer class, numerical data are required which describe the characteristics of each tax lot. These data must be straightforward, easy to inventory and similar to District-wide data used for the general District assessment calculation, thus, supporting a method of calculating the special customer class assessment that is fair, logical and unambiguous. The following defines the data proposed for this purpose:

- Number of levee landowners and type of land use.
- Area of the tax lot on the levee
- Impervious area (roofs, pavement, etc.) on the tax lot. (Note: impervious area of in-water marina structures is not relevant.)

Calculating the Assessments for the Special Customer Class

¹ Peninsula Drainage District No. 1 and Multnomah Drainage District No. 1, adjacent to the District on the west and east, respectively, also signed the same IGA.

To determine the total assessment for each landowner in the separate customer class, the numerical data that characterize the tax lots are applied to each of the District's costs generated by the special class. This is a basic assessment or rate calculation: utility cost divided by customer inventory data to determine the unit cost. The assessment or rate calculation for this analysis is as follows:

Levee Maintenance

These services provide benefit to the tax lot and the improvements on it. The cost of providing these services are related to both the amount of impervious area and the total lot size. Therefore, the sum of total land area and impervious area is used in the rate calculation.

Inspection, Engineering, Professional Advice

Same as levee maintenance.

Intergovernmental Agreement (IGA)

The percentage of the IGA costs allocated to the Levee Landowner class is based on the percentage of acres this class represents of the District total.

Individual Projects

Same as Levee Maintenance.

Customer Charge

Similar to the other two customer classes, the District incurs customer costs related to billing and other administrative functions which will be recovered in a customer charge assessed per tax lot.

Rate Calculation

As for the other two customer classes of the District, the total amount of revenues required to be recovered from the levee landowner customers was estimated by allocating costs to various cost functions (e.g., levee maintenance, contracted services) based on the level of service received by these customers. For instance, the largest cost item, levee maintenance, was allocated based on the customer class' portion of linear feet in the maintenance program. Other costs such as General, Materials & Services were allocated based on the class' percentage of total acreage in the District. Information about the allocation of these and some of the smaller line items are contained in the detailed Tables 8 and 9 of Appendix B.

Unit Costs

The budget cost for each line item is described in the attached analysis of the current year budget for costs allocable to the special customer class of levee landowners.

Table 1

Service	Unit of Measure	Total Units	Budgeted Cost	Rate per Unit
-Levee Maintenance; -Inspection, Eng'g. & Professional Advice; -Individual Projects	Land area + I/A (SF x 1,000)	2,851	\$5,870.66	\$2.06
IGA	Land area (SF x 1,000)	2,554	\$1,310.98	\$0.51
Customer Charge	Per Customer	52	\$797.96	\$15.35

For single-family residential landowners, a typical land parcel has a total area of 0.294 acres (i.e., 12,807 square feet) and an impervious area of 2,300 square feet. Using the above table, the total annual assessment, including the customer charge, would be \$53.02.

For example, for the average marina with land area equal to 15,280 square feet, an impervious area of 6,529 square feet, the annual assessment, including the customer charge, would be \$68.09.

Appendix B: Cost Allocation Details

1. Average and Peak Demands on the District System

The flood protection mission of the District covers two major flooding threats: high water on the river and internal flooding from precipitation (stormwater management).

Stormwater management involves collecting runoff water from landowner properties, conveying the water safely to the District's two primary pump stations and pumping it over the levee to the Lower Columbia Slough. If the District did not perform this task, the water would build up inside the levees and properties would flood during just about every storm. This repeated flooding would make the properties essentially unusable.

The District's system is, in fact, a complex network of open channels, pipes, valves, pump stations, and control structures. The sources of the water entering this system are surface runoff and groundwater. Groundwater naturally seeps into some parts of the open channel system; groundwater is recharged from precipitation and from river water when the river is at higher elevations.

The size of the District facilities (pump capacity, channel capacity and storage) and the costs to operate it are driven by two important demands on it—managing average and peak-stormwater flows. Average flow is an average condition—the capacity of the system if all of the rain for a period of time came down at a gentle, even pace with never a dry minute. Of course, it doesn't rain like that. Peak flow is a little easier to define, since the District must protect properties from the flooding potential of the 100-year storm to meet FEMA and USACOE flood protection standards. For the District, precipitation records establish this storm as 3.26" of rainfall during a 24-hour period. In actuality, this storm would fill much of the storage volume present in the open channels and require the pumps to run at full capacity for a period of time.

Average flow can be best determined by looking at actual pumping records for the District over a period of time. The table below presents the District's pumping data for the two primary pump stations over the three-year period, 1997-1999. These three recent years were slightly wetter than average, and they are a very good database for determining an average flow condition. Most rainfall occurs during November through March. Isolating these months, the record for these years shows the District's pumps ran 8.5 hours per day, on average. In other words, when all flow is averaged for the entire high-flow season, about 35 percent of the 24-hour day is required for average flow pumping. By this analysis, the pumps are available the other 65 percent of the time to remove flow from events with greater than average runoff (i.e., peak flow events).

Hours of Pumping

Table 2

MONTH	1997	1998	1999
-------	------	------	------

PUMP STATION	NE 13	Schmear	NE 13	Schmear	NE 13	Schmear
January	102	201	159	136	157	180
February	66	124	88	111	178	292
March	147	271	95	79	123	123
April	22	57	52	13	84	42
May	84	10	99	72	79	18
June	87	109	78	23	80	24
July	77	36	71	9	65	11
August	59	34	35	9	35	5
September	59	36	25	11	30	20
October	69	67	27	15	31	4
November	81	79	131	148	109	55
December	78	65	199	144	70	71
Total Pumping	931	965	1059	770	1041	815
Total for Year	1,896		1,829		1,856	
Daily Avg., Nov.-Mar.	8.0		8.5		9.0	
Daily Avg., All Year	5.19		5.02		5.08	

The size and duration of average and peak stormwater runoff flows are directly influenced by impervious area—the area of roofs, pavements and other land -use features that cause stormwater to discharge from a property to the District’s system. Impervious area varies from one tax lot to another. Thus, a parcel with greater impervious area generates greater average and peak demands than a parcel with lower impervious area.

In computing tax lot assessments, the application of the principle of average and peak demand is through use of the ratio of one to the other: Average flows account for 35 percent and peak flows 65 percent when allocating the costs of stormwater management.

Cost Allocation Summary Table

The following allocation percentages were estimated by the District based on historical work activities and other estimation techniques. Tables 3 and 4 summarize the allocation percentages for budgeted capital costs and operation and maintenance costs respectively.

Appendix C: Residential Customer Class Analysis

The fee design alternative proposed by IUG includes a fixed charge for single-family residential customers and a charge based on actual measurements (i.e., impervious areas, lot size, and/or number of tax lots) for non-residential. The goal is to minimize the costs incurred by the District to separately calculate the impervious areas and lot sizes of each residential customer. This cost savings technique is common for many utilities.

This approach works well with residential customers because they tend to have similar sizes of lots and percentages of impervious areas. In the case of the District, some unusually large residential land uses exist that make it difficult to use the average size for the class. This appendix analyzes this phenomenon and proposes an upper limit of lot size for a property that is residential to qualify for the fixed single-family residential fee. IUG proposes that properties that are too large be billed like other non-residential properties.

The District's customer records currently identify 401 tax lots as residential customers. IUG reviewed the acreage for each lot Figure 1 presents the reviewed data in a frequency graph. The graph clearly indicates that the majority of tax lots (i.e., 367) are one acre or less. Eleven tax lots are between one and two acres in size, with the remaining 11 lots being significantly larger than two acres. In some cases, residential lots are larger than 20 acres. The graph suggests that one acre is an appropriate breakpoint for residential customers.

Analyzing the impact on the class average suggests that when all tax lots exceeding 1 acre and 2 acres are removed from the data set, the average lot size for the sample (i.e., 0.533) is reduced to 0.359 and 0.294 respectively. Table 5 further illustrates these differences.

The last two columns of the table suggest, that the inclusion of only 8.5% of residential customers into the calculation skews the class average by 0.27 acres. The average acreage without those 34 tax lots is 0.264. Their inclusion into the residential customer class causes the average to double.

Due to the significant impact that these 34 properties have on the rest of the residential customers, IUG recommends removing them from the residential class and basing their bills on their actual acreage and impervious area. For billing purposes, these customers would be treated as non-residential customers.

**PENINSULA DRAINAGE DISTRICT NO. 2
MEETING SCHEDULE
FOR
ASSESSMENT METHODOLOGY CHANGE**

DATE	TIME	LOCATION
4/18/01	7:00 pm	Bridgeton Neighborhood Fresh Water News Office 517 NE Roth Street Portland, OR
4/24/01	2:30 pm	District Administrative Offices 1880 NE Elrod Drive Portland, OR
5/01/01	7:00 pm	East Columbia Neighborhood Assn Columbia Bible Church 10615 NE 2 nd Ave Portland, OR
5/03/01	6:00 pm	District Administrative Offices 1880 NE Elrod Drive Portland, OR
5/9/01	7:00 pm	Special Landowners' Meeting Courtyard by Marriott 1231 N. Anchor Way Portland, OR
5/23/01	2:30 pm	Levee Landowners Meeting District Administrative Offices 1880 NE Elrod Drive Portland, OR
6/4/01	12:00 pm	Jubitz Hosted & Arranged a Special Meeting Jubitz's Cascade Grill Conference Rm. 33 Middlefield Road Portland, OR
7/17/01	6:30 pm	Special Landowners' Meeting Courtyard by Marriott 1231 N. Anchor Way Portland, OR

8/2/01	2:00 pm	Meeting w/Levee Landowners: Wuerth & Runyon (Attending: Dick Shafer and Dave Hendricks) 448 NE Bridgeton Portland, OR
8/08/01	6:30 PM	Special Landowners' Meeting Courtyard by Marriott 1231 N. Anchor Way Portland, OR
9/24/01	7:00 PM	Special Landowners' Meeting -- VOTE Courtyard by Marriott 1231 N. Anchor Way Portland, OR

AGENDA

SPECIAL MEETING OF LANDOWNERS

Peninsula Drainage District No. 2

September 24, 2001

Purpose of Meeting: Landowner Vote On Assessment Methodology Study Alternatives

Call To Order.....Rich Halsten

Overview of Assessment Study and Alternatives.....David Crawford

With District Manager Bob Groncznack

Landowner Discussion.....David Crawford

Special Commission Comments

Board of Supervisors Comments

Landowner Vote On Methodology Alternatives.....David Crawford

Recess While Staff Counts Votes

Announce Vote Results.....David Crawford

Adjourn.....Rich Halsten

Special Commission On Assessment Methodology Study (Appointed By Multnomah County Board Of Commissioners)—Chair: David Crawford; Members: Dan Vizzini, Don Oakley

Board of Supervisors, Peninsula Drainage District No. 2—Chairman: Rich Halsten; Members: Mike McBride, Dick Shafer

VOTING ON THE ALTERNATIVES
IN THE
ASSESSMENT METHODOLOGY STUDY

Peninsula Drainage District No. 2
September 24, 2001

Tonight, landowners in the District vote on the alternatives presented in the Assessment Methodology Study. The study looked at new ways to divide the District's annual budget among the landowners. The landowners voted to conduct the study in December 1999, and a full year has been devoted to the statutory and technical work necessary to bring these choices before landowners tonight. Eleven public meetings were held in the District to discuss the alternatives in the study, and landowner comments are included in the final proposals.

A summary of the proposals and frequently asked questions is provided below.

+ + + + + + + + + + + + + + + + +

Alternative A

Alternative A is the status quo—tax lots are billed on a 'per acre' basis. This has been the method since the District was formed in the 1920s when land use was mostly farming. The method also assigns a full acre to tax lots actually less than an acre, and it aggregates multiple tax lots under single ownership and then imposes the one-acre minimum threshold. This alternative has serious problems and is "least equitable" according to Integrated Utilities Group, authors of the study. During the 2000 budget year, all tax lots were assessed \$ 199 per acre.

Alternative B

Alternative B calculates flood control (levee) and average stormwater removal based on acreage; the peak stormwater removal is based on impervious area on each tax lot. Many other utilities use impervious area on property as a basis for billing stormwater expenses. Using the 2000 budget, residential customers would be billed \$ 111 per year. Non-residential tax lots would be billed according to impervious area: \$ 185 for zero impervious area to \$ 452 for an acre of total impervious area.

>> The District Board of Supervisors recommends landowners vote for Alternative B tonight. <<

Alternative C

This alternative expands the use of impervious area by billing all stormwater management expense (average and peak flows) by impervious area. In this case, the example residential bill drops to \$ 104 per year. The non-residential bills become more skewed: \$ 121 per acre for no impervious area and ranging up to \$ 605 per acre for 100% impervious surface.

NOTES: (1.) The study included an "Alternative D" for comparison purposes and not for voting. This alternative did not fit the land uses of the district, but it follows the billing method used by the City of Portland. It skewed the assessments even further than Alternative C. (2.) Alternatives B and C include setting up a new 'special class' of landowners—for tax lots on the Columbia River levee—and billing them for the first time in District history. Their bills will be at a rate of about half of the assessment imposed on all other landowners because they receive fewer services from the District.

+++++

Will this increase the revenue collected by the District?

No. Each fiscal year, the District Board approves a new budget to meet the expenses projected for that year. The sum total of landowner assessments under each Alternative is calculated to produce the exact amount of revenue to match the budget need for the year. The District is a 'zero profit' operation.

How were these Alternatives prepared and by whom?

The Alternatives were calculated using financial principles and methods that are widely accepted in setting rates for stormwater utilities. Cities, including Portland, commonly use tax lot land area and impervious area to calculate a stormwater utility charge for that property. The consulting firm Integrated Utility Group, Inc., a company specializing in utility ratemaking, prepared the District's assessment study.

What process governed the assessment study?

State law. A specific state statute, ORS 547, governs all drainage districts. It requires certain steps to change the assessment methodology for the District, including a vote of approval from the Multnomah County Board of Commissioners. The County also appointed a special commission dedicated to this process, and they are conducting tonight's vote.

Have landowners had the opportunity to review and comment?

Yes. Beginning on April 18, 2001, the District has held eleven public discussions of the assessment study by visiting neighborhood and business groups and by holding public meetings dedicated to this purpose. In addition, we've had numerous individual contacts with landowners. The special commission and the District staff reviewed all landowner comments, with the special commission directing the resolution of each comment raised.

What changes were made as a result of landowner comments?

(1.) The calculation of the rate covering levee landowners was changed at their request to use river frontage as the determinant of tax lot assessments. (2.) A precise definition of impervious area was developed, including compacted gravel surfaces. (3.) The time period for the public review of the study was extended several months. (4.) A discount program was developed to help retired persons who meet specific eligibility criteria. (5.) The District's legal advisor provided an opinion on the District easement covering the levee that supports the District's intent to charge levee landowners for District expenses applicable to their properties.

What will happen after tonight's vote?

The County Commission approves the recommended Alternative.³ The special commission will write a report for the County based on tonight's vote and the entire study process. The commission will recommend the landowners' preferred Alternative and provide complete supporting rationale. According to ORS 547, the County Board will accept this report or modify and accept it. The District Board of Supervisors will also formally endorse the results of the study and vote to the County.

When will the new rates go into effect?

July 1, 2002. Following approval by the County Board, the District will work with landowners to assure that tax lot records are up to date. The new assessment methodology (if Alternative B or C is chosen) will go into effect next July 1st to allow sufficient time for preparation of the billing spreadsheet. If Alternative A is selected, the status quo billing methodology will simply be continued.

Will insert:
Acreage
Owner 1, Owner 2
Address

BALLOT

Motion to Accept Assessment Methodology

Pursuant to a vote of the Landowners of Peninsula Drainage District No. 2 on 12/8/99 to adopt a change in the assessment methodology. A report has been drafted with the four alternatives as follows:

Mark your
Selection
Here

A.

Alternative A: Status Quo – Current Methodology

- All costs are per acre.
- One-acre charge imposed on tax lots of less than one acre.
- Owners with multiple tax lots under one acre, the current assessment methodology aggregates these tax lots and then imposes the one acre minimum threshold.

B.

Alternative B: Allocation Approach

- Flood protection and average stormwater costs on a per acre basis.
- Peak stormwater on an impervious area basis.

C.

Alternative C: Allocation Approach

- Flood control costs on a per acre basis.
- Average and peak stormwater costs on impervious area.

PERSON CASTING THIS BALLOT: _____

Signature

Printed Name

*Business Name
(if applicable)*

District Use Only
Acreage _____
Confirmed By _____

“RATE RELIEF” DISCOUNT PROGRAM

The Problem To Be Solved

During public review of the draft Assessment Methodology Study, a potential problem emerged from the single family, residential class of landowners.

Specifically, a small number of these ratepayers are on a limited fixed income (typically retired couples or surviving spouses), and they own more than one tax lot that is zoned as single family, residential. Also, they live on one of these tax lots and maintain the others as green space to benefit the environment, for purposes of supporting a non-profit organization and/or for personal enjoyment.

Under the current assessment process (Option A of the study), these typically smaller parcels are aggregated and charge a minimum one-acre assessment or a low combined acreage. Under Options B, C and D of the assessment study, each tax lot would be charged a standard rate, and this rate is lower than the one-acre rate charged under the status quo to all single family, residential landowners. An economic burden will be created for this very small group of landowners, however, because their additional vegetated lots will each receive a district assessment (under B, C or D) equal to that placed on their property that has their dwelling and improvements.

The District Board of Supervisors and the Special Commission appointed by the Multnomah County Board of Supervisors has considered this problem and directed District staff to develop a proposed rate relief program for this situation. The draft guidelines for the program are stated below.

Next Steps

The need for this program and the guidelines for operating it are a proposal that is now a part of the assessment study process. It will be reviewed and refined during the remaining public review period for the entire study. Landowners will consider the entire study, including this program, at the September 24, 2001, meeting where they will vote to adopt one of the study alternatives.

Program Guidelines

The rate relief program will be offered to only current residential ratepayers according to the following criteria:

Applies to residential ratepayers only; non-residential are excluded.

Applies to current residents only. When the property legally changes hands, or upon the death of the applicant, the discount expires and cannot be reinstated for that property.

The district must receive the discount program application by July 1, 2002.

Applies to residents who:

Maintain their place of residence at a property inside the district;

May have additional contiguous properties zoned single family, residential inside the district which:

- Are maintained as green space or support a legally established non-profit organization or enterprise.
- Do not have income producing improvements, such as rental houses, or have occupied/used improvements, which would ordinarily generate rental income. Any income-producing enterprise conducted on one or more of the parcels identified in the program application, except non-profits, will exclude an applicant landowner from this discount program.
- Result in the property owner receiving multiple assessments from the district under the single family, residential ratepayer class.

Can demonstrate and certify by signature¹ that they are on a limited fixed income and will incur a financial hardship if they are subject to an individual tax lot billing from the district for each parcel identified in the program application.

The approved discount will immediately expire if one or more of the above conditions are not met in the future.

¹ A description of the level of required documentation will be developed as part of the administrative rules covering this program. The documentation will be minimal. The required signature is the primary enforcement tool against fraud.

The applicant must annually submit a letter to the District attesting that the situation prevailing at the time the discount was approved remain in effect. If this letter is not received, the discount for the applicant's tax lots will be dropped from the program.

Upon approval of the discount program application by the District and implementation of the new assessment methodology on July 1, 2002, all single family tax lots identified on the program application will be billed as one (1) single family property and receive an annual assessment for one (1) single family tax lot.

The Board of Supervisors may modify or rescind this policy by resolution, at any time, if foregone rate revenue would exceed three percent (3%) of the total landowner assessment. The Board of Supervisors may adopt any such other criteria by Resolution as may be determined appropriate by the Board for implementation of this program.