

Arch Cape Water & Sanitary Districts



Part II: Recommended Decision Making Process for Managing the Forest-Watershed

Briefing to Arch Cape Districts' Community
March 2, 2024

Today's Objectives

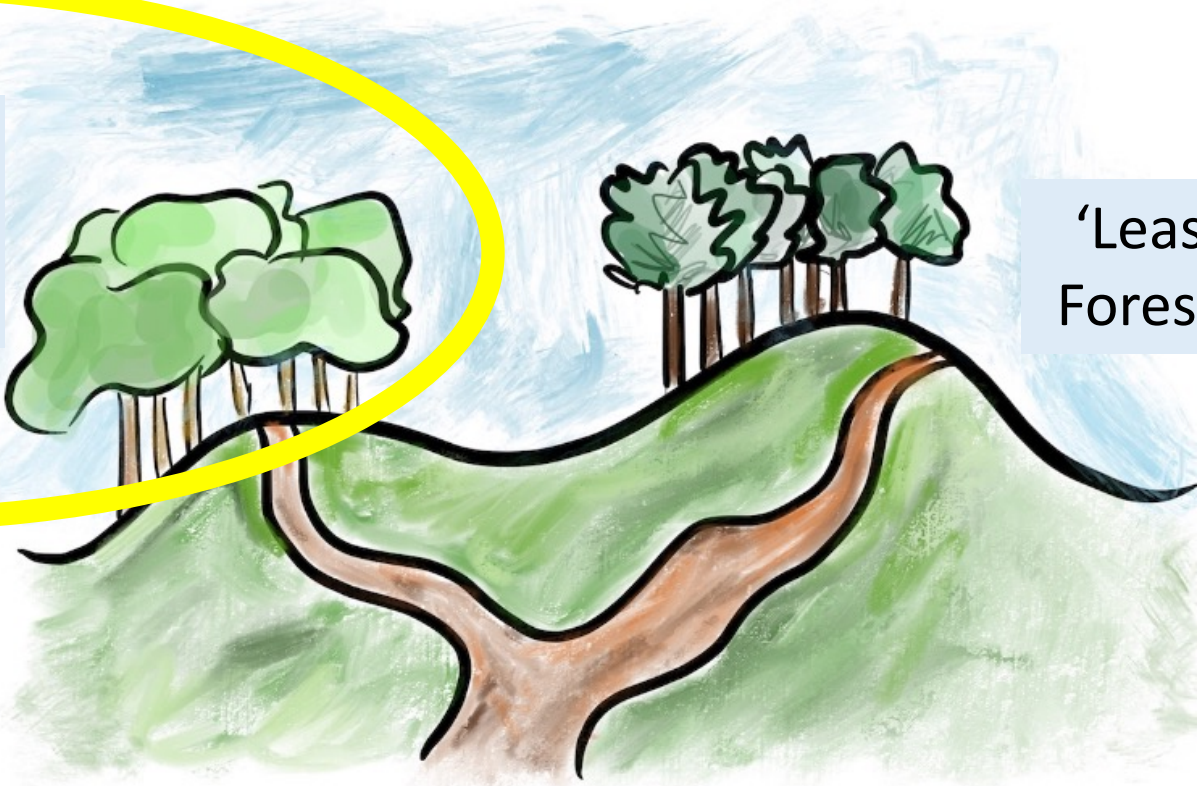
Forest-Watershed Decision Making Process: Present a recommended decision-making process for how to pay for the operational costs of managing the FOREST-WATERSHED (not the utility), and hear your perspective.

This decision-making process is the second-part of the discussion with the community that was started in November with the Forums on: “Managing the Watershed & Paying for it. Part 1 - Part I – Operations Costs and Payment Alternatives

Our primary focus today is the Left path. Though we will come back to both paths before we end.

'Conventionally
Managed' Forest-
Watershed

'Least Managed'
Forest-Watershed



*With minimal risk to quality & quantity of Source Water

Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler,;

From Part I: What will be the 'Conventionally Managed' Operations Costs and Payment Alternatives?



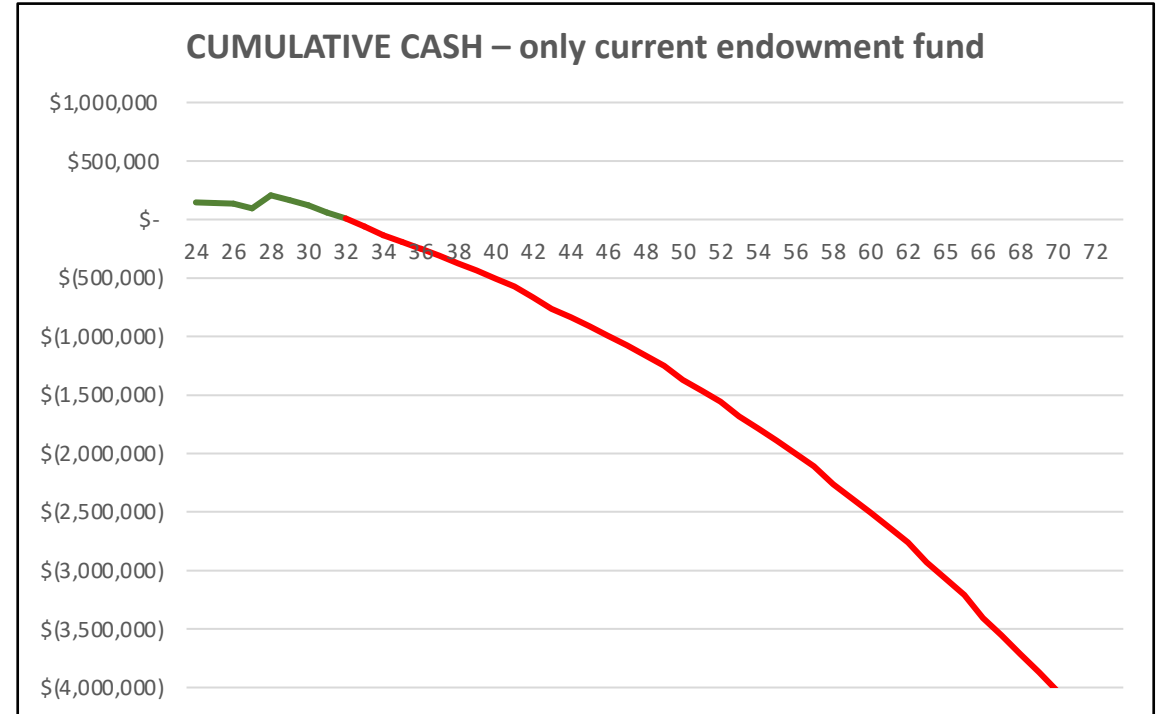
Operations Costs & Payment Alternatives

'Conventionally Managed' Annual Ongoing Operating Expenses

OPERATING EXPENSE ASSUMPTIONS	No Logging Annual Avg.
Insurance	-
ODF Fire Assessment	(2,450)
Property Manager (District Staff)	(5,568)
Forest Management & Forestry	(13,085)
Finance & Administration	(5,076)
Legal	(970)
Audit	(2,000)
Update Management Plan (per FLP contract) every 10 years	(1,200)
Road Maintenance	(13,060)
Pre-Commercial Thinning	(254)
Materials - Supplies	(520)
Contingency	None
TOTAL EXPENSES	(44,183)

Average Annual Cost without inflation

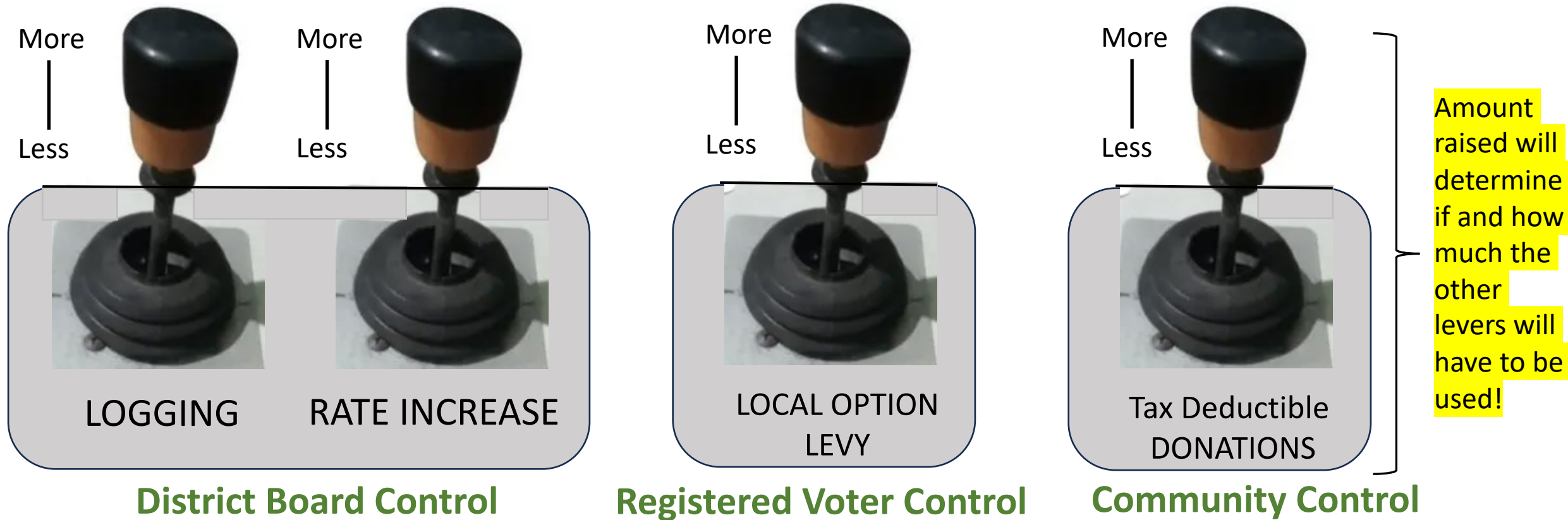
Cash on hand to pay for these costs will only last until 2031-2032



From the possible options of logging, rate increases and/or levy taxes, we need to decide how these costs will be paid.

Options for Paying for Operating Costs

There are four "revenue levers" that can be used to pay for these operating costs. The District Board only has control over 2 of them.



The four levers can be used singly or in combination - creating a variety of payment options. And they can be reset at any time.

Part II: How will the decision be made?



Agenda

This discussion ONLY addresses paying for the operating costs of the FOREST-WATERSHED. It DOES NOT apply to paying for the Water & Sanitary Utilities.

- Decision Making Principles
- Payment Options
- Recommended Decision Making Process

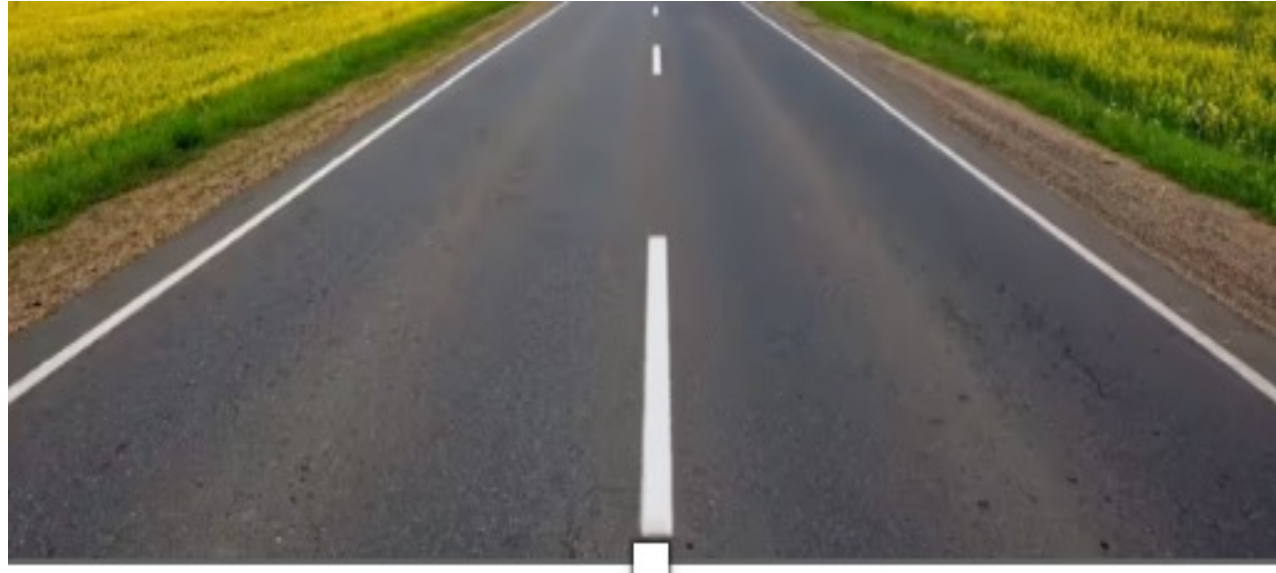
How to Pay for Ongoing Operations of the Forest?

Decision – Making Principles

1. Decisions should be consistent with the District’s “purchase” objectives and consistent with the District’s contractual obligations
 - Vision Statement: ... To provide clean, safe, and affordable drinking water ...
 - ODF approved Multi-Resource Management Plan: No clear cutting
2. Current ratepayers should not carry the financial burden for future rate payers. Decisions should be made for “manageable” windows of time, e.g. 12 years, while keeping the long term, e.g. 50 years, in mind.
3. Decisions should be reviewed annually and adjusted if/as there are compelling reasons to do so.
4. **The community should be engaged meaningfully and directly in the decision making process.**

12 YEAR

PLANNING HORIZONS for paying for the Forest



2024 – 2035

Options, Considerations and Recommendation

Rate Increases (ACWD) vs Local Option Levy (Prop Tx) To pay for operating costs

Summary Comparison

Comparison Factor	Rate Increases	Local Option Levy
Timing	Every Year of 10-12 year timeframe	5 successive years within 10-12 year timeframe
Applies to	Every rate payers (home with a water hookup) but not lots, now approximately >300	Every property owner , e.g. homes, lots, etc., approximately 570
How is burden allocated?	Even amount across all rate payers (not including excess usage rates)	Amount varies by assessed value of property (see next page)
Tax Deductible	No	To some
Decision Would Need to be Made By:	3 of 5 Board Members	Vote of registered voters in Arch Cape Water District Majority of 175-ish registered voters



Clatsop County Property Information

Assessed Value of Property

Property Details	Improvements	Assessments	Sales History	Taxes	Payments	Documents
Year	Land Value	Improvements Value	Real Market Value	Assessed Value		
2023	\$292,509.00	\$580,786.00	\$873,295.00	\$350,533.00		
2022	\$254,355.00	\$634,614.00	\$888,969.00	\$340,325.00		
2021	\$195,658.00	\$433,928.00	\$629,586.00	\$330,413.00		
2020	\$156,526.00	\$348,951.00	\$505,477.00	\$320,790.00		
2019	\$143,602.00	\$327,781.00	\$471,383.00	\$311,448.00		
2018	\$143,602.00	\$212,273.00	\$355,875.00	\$244,510.00		
2017	\$103,774.00	\$0.00	\$103,774.00	\$56,444.00		
2016	\$94,340.00	\$0.00	\$94,340.00	\$54,800.00		
2015	\$94,340.00	\$0.00	\$94,340.00	\$53,204.00		
2014	\$125,400.00	\$0.00	\$125,400.00	\$51,655.00		
2013	\$95,021.00	\$0.00	\$95,021.00	\$50,151.00		

Use This Column to figure out the Levy Tax Amount for your property.
Example: If Levy amount is 10 cents per \$1,000, then the tax on this property the would be \$35 / year for 5 years

Options for Paying for Operating Costs

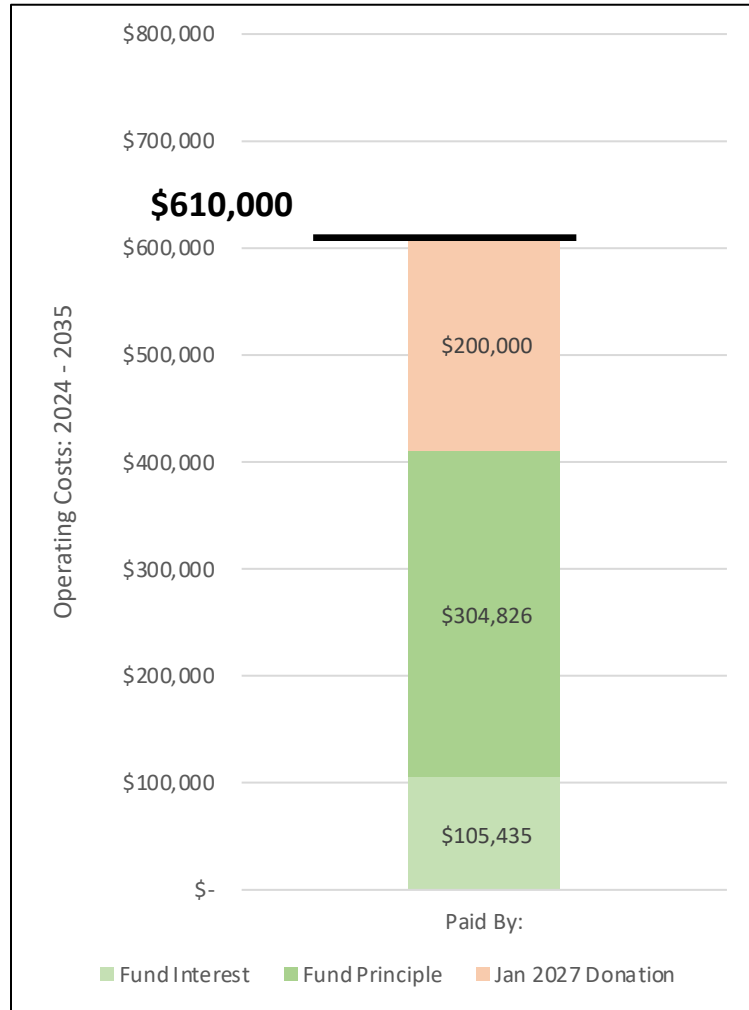
- Option 1: Donations
- Option 2A: Rate Increases
- Option 2B: Local Option Levy
- Option 3A: Logging outside DWSA and Rate Increases
- Option 3B: Logging outside DWSA and Local Option Levy
- Option 4: Logging inside and outside the DWSA

DWSA – Drinking Water Source Area



How will Cost be Paid from 2024 - 2035?

Option 1: Donations



Donations

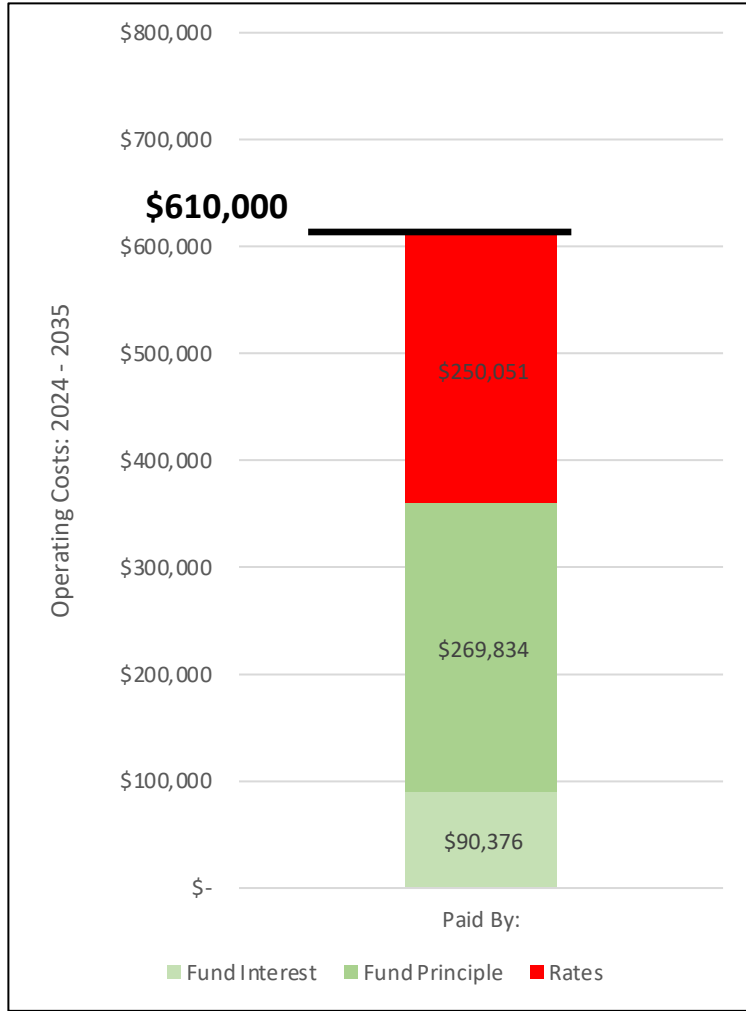
- \$200,000 in additional donations will be needed by January 2027, in addition to fund principle and interest, to break even.
- Charitable contributions to government units are tax deductible under section 170(c)(1) of the internal revenue code. Arch Cape Domestic Water Supply District's IRS Tax Identification Number is 74-3185276.

Based on current estimate of operating expenses



How will Cost be Paid from 2024 - 2035?

Option 2A: Rate Increases



Rate Increases

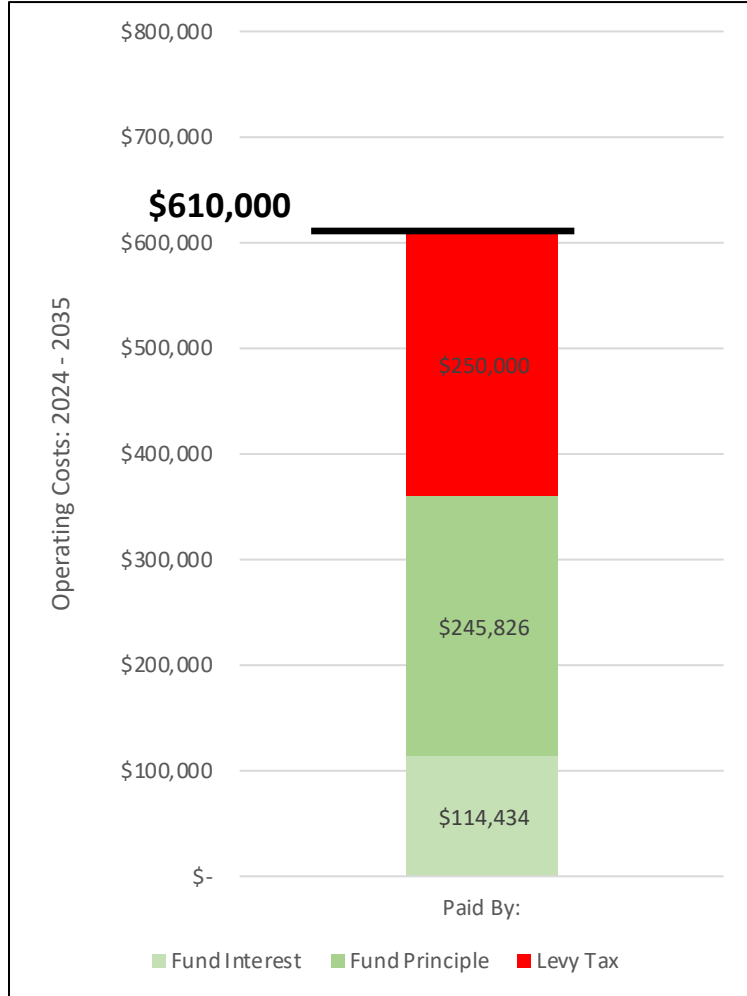
- An additional \$266,000 in rate increases will be needed, in addition to fund principle and interest, to break even
- Average **\$74 rate increase / year = total of \$815 / hookup** over 11 years
- Rate increases start in July 2025 @ \$64/yr + inflation with 306 hookups (per ACWD long range budget). Hookups increase by 2 each year (per ACWD long range plan)
- These rate increases **are in addition** to those anticipated in the District's Long Range Financial Plan

Based on current estimate of operating expenses



How will Cost be Paid from 2024 - 2035?

Option 2B: Local Option Levy Tax



Local Option Tax Levy

An additional \$250,000 in tax revenue will be needed, in addition to fund principle and interest, to break even

Tax @ 31 cents per \$1,000 assessed value (for ALL property)

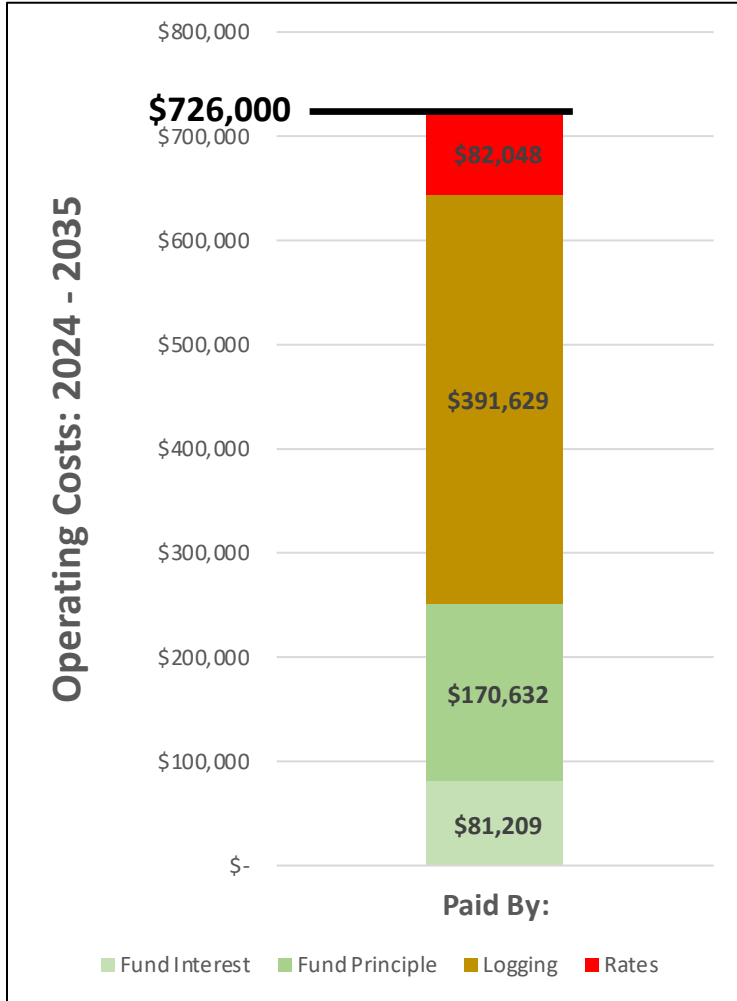
- A property at the median assessed value (AV) of \$283,000 = taxes of \$88/year for 5 years for a total of **\$439 vs \$815** in rate increases
- A property at the median assessed value (AV) of \$525,000 is the break even point where rate increase would equal taxes

Based on current estimate of operating expenses



How will Cost be Paid from 2024 - 2035?

Option 3A: Logging outside DWSA + Rate Increases



Rate Increases

- An additional \$82,000 in rate increases will be needed, in addition to the available logging revenue and fund principle and interest, to break even
- Average **\$25 increase / year = total of \$272 / hookup** over 11 years
- Rate increases start in July 2025 @ \$21/yr + inflation with 306 hookups (per ACWD long range budget). Hookups increase by 2 each year (per ACWD long range plan)
- These rate increases **are in addition** to those anticipated in the District's Long Range Financial Plan

Logging

- A logging event in 2033 will be needed to break even
- The event will need to log 28 acres outside of Drinking Water Source Area (DWSA) for 766,000 Board Feet

Based on current estimate of operating expenses



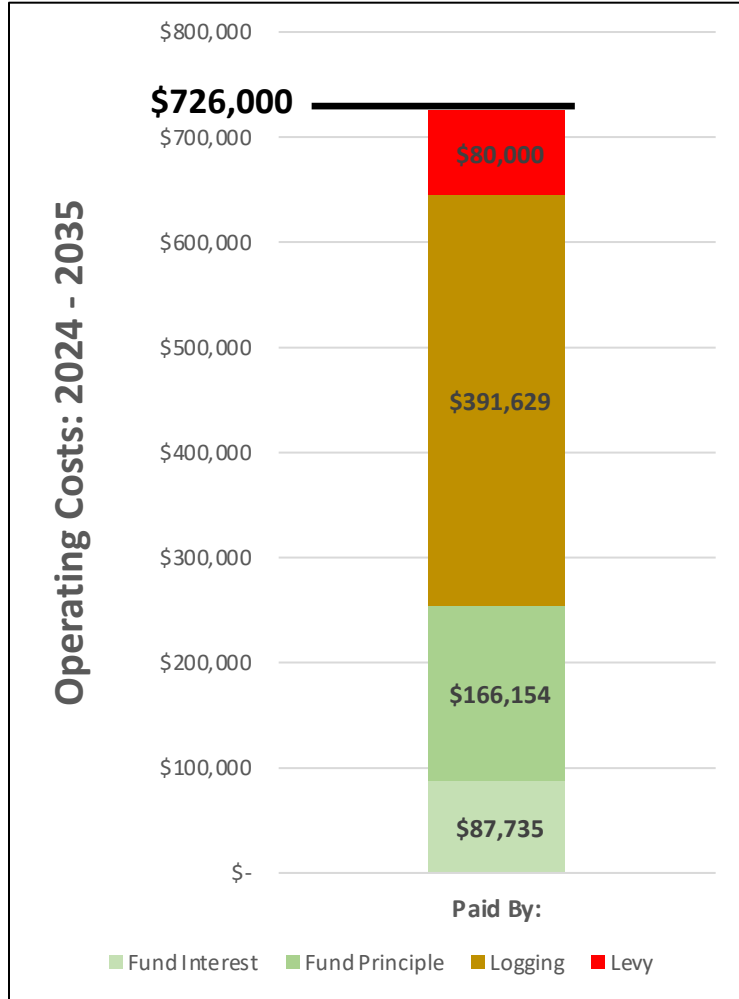
Logging



Levy

How will Cost be Paid from 2024 - 2035?

Option 3B: Logging outside DWSA + 5 year Levy



Option Tax Levy

An additional \$80,000 (\$16,000 / year for 5 years) in tax revenue will be needed, in addition to the available logging revenue and fund principle and interest, to break even

Tax @ 10 cents per \$1,000 assessed value (for ALL property)

- A property at the median assessed value (AV) of \$283,000 = taxes of \$28/year for 5 years for a total of **\$140 vs \$272** in rate increases
- A property at the median assessed value (AV) of \$550,000 is the break even point where rate increase would equal taxes

Logging

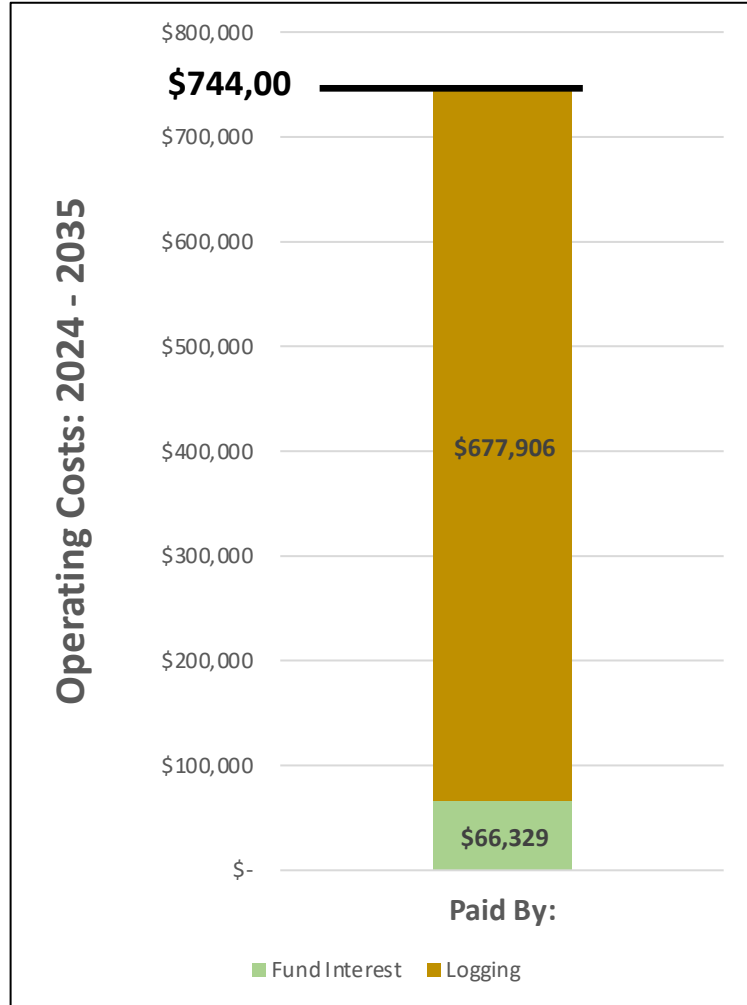
- A logging event in 2033 will be needed to break even
- The event will need to log 28 acres outside of Drinking Water Source Area (DWSA) for 766,000 Board Feet

Based on current estimate of operating expenses



How will Cost be Paid from 2024 - 2035?

Option 4: Logging - Inside & Outside of DWSA

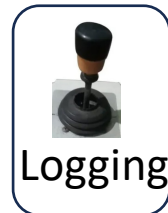
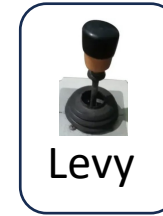
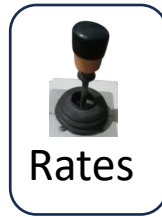


Logging

- A logging event in 2033 will be needed, in addition to fund interest, to break even
- The event will needs log 52 acres inside & outside Drinking Water Source Area (DWSA) for 1,5250,000 Board Feet

Based on current estimate of operating expenses

Rate Increase vs Tax Levy Comparison



Payment Option
Donations of \$200,000 by January 2027
No Logging
Logging Outside DWSA (28 acres – 766,000 Board Feet)
Logging Outside & Inside DWSA (52 acres – 1,525,000 Board Feet)

Rate Increase Needed
\$ 0
\$ 815 - @ \$74/yr for 11 years
\$ 272 - @ \$25/yr for 11 years
\$ 0

OR

Taxes Needed (for \$283,000 AV)
\$ 0
\$ 439 - @ \$88 for 5 years
\$ 140 - @ \$28/yr for 5 years
\$ 0

Considerations

1. Local Option Levies have advantages over rate increases:

- Levy taxes are more tolerable (lesser amount & shorter duration) for most members of the community. They are tax deductible for some.
- The community, rather than any 3 people on a Board, decides how to pay for the forest.
- Rate increases would only be used as an emergency measure for unexpected short-term situations

2. One “Revenue Event” will be needed every 10-12 years, Either ...

- A 5-year tax levy, OR
- A lesser 5-year tax levy and a light logging event (Outside the DWSA)
- A heavier logging event (Inside and outside the DWSA)

3. “Revenue Events” should be scheduled at regular intervals, i.e. with time in-between, i.e. 5 years on 5-6 years off, 5 years on 5-6 years off

- To ease any financial impact on the members of the community
- To align with maturity of the trees, i.e. their readiness for harvest

Decision Making Process

Decision #1: “Which Path?”

“Conventionally
Managed” Forest-
Watershed



“Least Managed”
Forest-Watershed

Proposed Process: Board will decided using input from
Community & Forest Management Committee

Decision #2: (If we take the Conventionally Managed Path) “How to Pay for Ongoing Operations of Forest?”

1. Let the voting Community (& not the Board) Make the Decision – which takes rate increases off the table.

2. Options from which the Community can Select
 - a. Local Option Levy
 - b. Logging outside DWSA & Local Option Levy
 - c. Logging inside and outside DWSA

Proposed Process: for “How Does the Community Select?”

1. Put a **\$250,000**-ish Local Option Levy on the Ballot between 11-2024 & 11-2025 (sooner rather than later to allow longer interval before next levy which would be required in 2035):
 - If **Pass:** No logging of Forest through 2036. Taxes pay all operating costs.
 - If **Fail:** Put an **\$80,000**-ish Local Option Levy on the the next subsequent Ballot:
 - If **Pass:** Stewardship Logging of Forest ONLY outside DWSA in 2032-2033. Augmented with Levy Tax Revenue to pay all operating costs.
 - If **Fail:** Stewardship logging of Forest inside and outside the DWSA in 2032-2033

For the November 2024 Ballot, the Measure Title of the Levy needs to be filed by August 16 and the Measure Statement by September 5th.
2. Use Local Option Levies as needed to determine each 12 year window