
OFFICE OF THE CITY AUDITOR'S OFFICE
ASSESSMENT AND LIENS DIVISION
COST OF SERVICE STUDY

City of Portland, June 1986

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EXECUTIVE SUMMARY

This report contains a Cost of Service Study of the City Auditor Office's Assessment and Lien Division completed in June, 1986. This Division is responsible for the administrative services related to Portland's Local Improvement District (LID) process. These services provide a private benefit to property owners within the City. As indicated in Table A-1, findings indicate that the total cost of the six services offered by the Division will increase from \$284,278 in FY 1985-86 to \$491,067 in FY 1989-90. It is estimated that under the current rate structure, the Division is recovering approximately 60% of costs. Therefore, 40% of costs are subsidized by the General Fund or other revenues.

Table A-1
Assessments/Lien Division
Forecast User Fee Revenue Requirements

Year	LID Project Creation	Asses- ments Creation	Bonded Lien Service	Lien Billing	General Accounting	Total Cost
FY1985	\$ 46,965	\$ 57,121	\$ 59,873	\$ 79,475	\$40,844	\$284,278
1986	47,618	83,937	89,438	91,559	\$37,529	350,081
1987	48,828	97,628	94,822	128,933	\$40,904	411,113
1988	50,010	102,293	103,818	154,568	\$47,364	458,053
1989	51,628	106,037	107,572	160,113	\$48,918	474,268
FY1990	\$ 53,299	\$109,920	\$111,464	\$165,680	\$50,524	\$491,067

Note: Lien billing includes delinquent lien billing costs.

Note: FY1985 represent actual estimated costs. FY1986 are budget numbers. FY1987-FY1990 are forecast estimates.

The essential thrust of this report is to create of a set of fees that will allow the Auditor's Office to equitably recover 100% of the administrative costs associated with assessment and lien services. To this end, it is recommended that Council adopt the revised LID user fee schedule, shown in Table A-2, to be implemented for three fiscal years (FY 1986-87 through FY 1988-89) to recover 100% of costs or approximately \$1.8 million.

Table A-2
City Of Portland
Recommended LID User Fee Schedule
(FY1987-FY1989)

User Fee Element	User Fee	Billing Parameter
LID Project Creation Charge	\$ 4.35	\$/ \$1,000 Project Cost
Assessment Creation Charge	\$27.60	\$ Per Assessment
Bonded Lien Service Charge	\$42.50	\$ Per Application
Customer Accounting & Billing	\$ 7.10	\$ Per Billing Statement
Delinquent Lien Charge	\$28.35	\$ Per Delinquent Lien

Recommended Fee Schedule

The recommended LID user fee schedule (Table A-2) will equitably recover annual revenue requirements from property owners. The creation of an LID and assessment of property owners would require the implementation of two user fees: a project LID charge and an assessment charge. the LID project fee would be levied again the LID and spread back to benefitted properties using generally accepted assessment practices. The assessment fee is designed to recover the costs associated with the preparation of property owner assessments.

In addition, property owners bonding their assessments would be subject to a bond application charge. Lien billing and general accounting costs would be recovered through customer billing charge, For a bonded lien this would amount to an annual charge of \$14.20. Delinquent liens wold be subject to a \$28.35 delinquent lien charge in addition to any interest penalties.

The annual customer and billing charge for a bonded lien appears quite reasonable. Both PGE and Northwest Natural Gas levy a customer billing charge of \$3.00 per month or \$36 annually. The Bureau of Environmental Service's billing charge is \$1.86 per bill. For a customer subject to monthly billing this amounts to \$20.32 annually. The Water Bureau's monthly service charge is currently \$1.85 and the quarterly service charge is \$5.55 for a 5/8" or 3/4" meter.

Cost Recovery Impact

Generally, first year cost recovery will change significantly with

implementation of the proposed LID user fee schedule. For small and medium size projects, that do not include an abnormally large number of assessments, user fee costs for the average assessment will be lowered with the implementation of this schedule. The user fee total for the average assessment on large LID projects may be significantly higher. Analysis of 24 projects using data supplied by staff suggests:

- * The proposed fee schedule will increase administrative costs recovered by 40%.
- * Property owners electing not to bond their assessments will generally experience little or no increase in user fee costs.
- * LID projects involving fewer assessments are likely to experience a reduction in user fee costs.
- * LID projects involving the creation of larger numbers of assessments are likely to experience user fee cost increases. Larger LID project costs in conjunction with a larger number of assessments will result in a significant increase in user fee cost recovery over the present system.

Methodology

The process used to develop the revised user fee schedule follows generally accepted rate-making principles as indicated below:

1. Identification and Categorization of Services
2. Identification of users and activity levels
3. Calculation of current and projected cost and revenues
4. Development and design of a user fee schedule

INTRODUCTION

Purpose

In March of 1986, the City of Portland's Auditor's Office decided to review the fee structure currently used to recover the administrative costs associated with the creation of Local Improvement Districts (LID) and maintenance of records in the Lien Accounting System. The purposes of this study is to design fees that will enable the Liens and Assessment Division recover 100% of expenses, equitably, in proportion to the services provided to users of the LID/Bancroft bonding process.

Background Information

The City's Assessment/Liens Division currently administers a local improvement district program that supports the construction of infrastructure projects initiated voluntarily by local property owners. Thus, for example, local property owners can petition the City to design and construct the local sewer collection system facilities necessary to allow property owners to hookup to and use the City's sewage treatment and transportation system. Similarly, local street improvements can be financed through the mechanism of a local improvement district. This assessment can be paid in cash or financed. In the latter case the City sells Bancroft Bonds to fund that portion of the local improvements that property owners have opted to finance. The property owners are then responsible for making semi-annual principal and interest payments necessary to service the debt incurred by the City on property owner's behalf. This financing program is attractive to property owners principally because property owners can effectively borrow at much lower rates of interest: the City's Bancroft Bonds are General Obligations (G.O.) of the City and are exempt (under current laws) from Federal and State income taxes.

The legal condition under which cities can sell this type of debt is regulated under Oregon Revised Statutes (ORS 223.305 through 223.295). The LID formation process for the City of Portland is regulated by the City of Portland's Charter (Chapter 9) and Municipal Code, Title 17-Public Improvements, principally Chapters 17.04 through 17.14.

I. IDENTIFICATION AND CATEGORIZATION OF SERVICES

Identification of Services

The Assessment/Liens Division of the Auditor's Office identified six service direct functions which are listed below:

1. LID Project Creation: these are services associated with the creation of an LID. This process is initiated when property owners file petitions with either the Transportation Bureau or the Bureau of Environmental Services. Staff, then assigns a C-File Number to the proposed project. A resolution is

prepared and submitted to the City Council for approval. Approval results in design of the project by BES or Transportation. A preliminary Estimate package is forwarded to the Auditor's Office. Staff prepares a Resolution of Intention for Council Approval, and compiles a list of affected property owners. Estimate notices are prepared and mailed, and the project is advertised. Staff receives remonstrance letters. A hearing is held, and the Council passes the Time and Manner Ordinance. Substantial amounts of staff time are incurred in this process. Each project also requires a series of complex financial arrangements involving payments to contractors, the bureau providing engineering, and other parties

2. **Property Assessment Creation:** The award of a construction contract sets in motion the assessment creation process. Project costs, when they become known, are distributed to property owners using generally accepted assessment principles. Accounts are created for individual assessments and entered in to the lien accounting system. After formal City Council approval, final assessment notices are printed and mailed to property owners.
3. **Bonded Lien Service:** About 65 percent of the LID assessments created become bonded liens. City staff must process bond applications and arrange for the sale of bonds to recover project costs, superintendence fees, advertising costs, and interim financing costs (where applicable). For example, in offering this service to property owners, a bond rating must be secured from a rating agency. This typically costs about \$2,500. Other costs associated with this service include Bond Buyer ads, bond printing, bond registrar, and financial advisor service.
4. **Lien Billing Costs:** Property owners may either bond their assessment or elect to settle the lien with a cash payment. In the first case, the lien becomes a bonded lien, while the latter case is called an open lien. Bonded liens are billed biannually for the term of the bonded lien: usually 20 years. Open liens are, in theory, billed once and paid. The Auditor's office has a lien accounting and billing system in place which keeps track of customer records. Data processing costs constitute the bulk of the costs associated with customer records and billing.
5. **Delinquent Liens:** Auditor's Office staff expend time and resources in collecting delinquent liens. Second notices of assessments for liens that are unbonded or unpaid are prepared and mailed to property owners. Second notices of installment (bonded lien) billings are prepared and mailed for billings that are 30 days past due. Insufficient and irregular payments must be processed and posted to docket records.
6. **General Accounting:** Auditor's Office staff also performs

general accounting types of services that are difficult to relate to the service functions outlined above. This type of activity is done in support of the entire LID process and depends on overall longrun activity levels.

In addition, indirect activities were identified. These activities related to general administration not directly identifiable as being associated with one of the particular type of service functions described above.

CATEGORIZATION OF SERVICES

The above services were categorized as service a private benefit. Property owners requested these services from the City.

II. IDENTIFICATION OF USERS AND ACTIVITY LEVELS

USERS

Property owners in the City are the principal recipients of the LID process and use the services provided by the Assessment/Liens Division.

ACTIVITY LEVELS

To assess activity levels, one workload measure was chosen for each service function. These measures were chosen as they are tracked by the Division and reflect generally accepted measures for assessment and lien related services. The unit of service chosen for each service are as follows:

<u>Service</u>	<u>Unit of Service</u>
1. LID Project Creation Service	Project Completion Cost
2. Property Assessments	Assessments Created
3. Bonded Lien Service	Bond Application
4. Lien Billing Costs	Billing Statement
5. Delinquent Liens	Delinquent Lien
6. General Accounting	Billing Statement

Current Activity levels

Table 1 summarizes actual FY 1894-85 and current or FY 1985-86 "budget" levels of activity. Thus, a shown in Table 1, 33 LID projects totalling \$5.65 million were completed during FY 1984-85. Auditor's Office created about 2,235 assessments. Open liens (those property assessments that owners do not bond) totalled 559. About 65% of the assessments were bonded. The Auditor's Office printed and mailed about 13,000 lien statements during the course of the year. Property owners electing to bond their assessments are billed biannually.

City of Portland
Historical LID Activity

Item	Actual 1985	Budget 1986
-----	-----	-----
Project Completion		
Forecast.....	\$5,648,934	\$6,813,836
Real Time LID Projects' Cash Flow		
Engineering & Other.....	\$817,170	\$1,309,864
Right-Of-Way.....	\$12,403	\$222,595
Construction & Land.....	\$3,411,647	\$5,722,155
Project Completion Forecast....	33	23
Assessments Forecast.....	2,235	796
Open Liens.....25.00%	559	199
Bonded Liens.....65.00%	1,453	517
HCD Receipts.....	\$1,737,461	\$2,901,281
Estimated Billing Statements...		
Open Liens.....	559	199
Bonded Liens.....	12,367	13,851
Bonded & Open Liens Total.....	12,926	14,050
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Table 1

Future Activity levels

Future activity levels have been forecast for FY 1986-87 through FY 1989-90. Two significant trends were identified in generating this forecast. First, after FY 1988-89, there would be a greater reliance on the issuance of debt as Housing and Community Development funds which have supported many street improvements would no longer be available. Second, there would be a significant increase in the number of projects between FY 1986-87 and FY 1987-88 as the Environmental Quality Commission mandated the installation of sewers in Mid-Multnomah County.

Table 2 summarizes the expected LID activity for actual FY 1984-85, current FY 1985-86, and forecast FY 1986-87- FY 1989-90. The creation of Table 2 required the use of the following assumptions:

- * Given the assessments forecast, it has been assumed that 25% of the forecast assessments become open liens while 65% of the assessments are bonded. Of the bonded liens, 33% are billed during the "current" year while 67% are billed fore the first time with a one year lag.
- * The existing (FY 1984-85) bonded lien

Table 2

City Of Portland
Forecast LID Activity

Item	Actual 1985	Budget 1986	1987	1988	1989	1990
Project Completion						
Forecast.....	\$5,648,934	\$6,813,836	\$9,040,641	\$9,397,767	\$16,328,021	\$13,283,798
Real Time LID Projects' Cash Flow						
Engineering & Other.....	\$817,170	\$1,309,864	\$1,750,139	\$2,634,334	\$2,835,622	\$2,088,287
Right-Of-Way.....	\$12,403	\$222,595	\$3,105	\$28,923	\$19,957	\$20,655
Construction & Land.....	\$3,411,647	\$5,722,155	\$7,029,875	\$7,496,710	\$15,019,668	\$11,547,203
Project Completion Forecast....	33	23	29	21	30	18
Assessments Forecast.....	2,235	796	1,604	1,285	8,198	7,708
Open Liens.....25.00%	559	199	401	321	2,050	1,927
Bonded Liens.....65.00%	1,453	517	1,043	835	5,329	5,010
Sys. Develop. Charge Liens....	NA	NA	87	90	90	92
HCD Receipts.....	\$1,737,461	\$2,901,281	\$1,977,793	\$1,687,420	\$1,535,100	\$0
Estimated Billing Statements...						
Open Liens-Current.....	559	199	401	321	2,050	1,927
Bonded Liens-LID.....						
1985	12,367	11,563	10,811	10,108	9,451	8,837
1986	0	2,288	2,139	2,000	1,870	1,748
1987	0	0	1,381	1,291	1,207	1,129
1988	0	0	0	1,949	1,822	1,704
1989	0	0	0	0	4,636	4,335
1990	0	0	0	0	0	10,447
Bonded & Open Liens Total.....	12,926	14,050	14,732	15,669	21,036	30,127
Estimated Delinquent Liens.....						
Open Liens.....10.00%						
1985	2,442	1,221	611	306	153	77
1986	0	224	112	56	28	14
1987	0	0	80	40	20	10
1988	0	0	0	160	80	40
1989	0	0	0	0	129	65
1990	0	0	0	0	0	820
Bonded Liens.....4.50%						
1985	3,956	2,967	2,225	1,669	1,252	939
1986	0	103	77	58	44	33
1987	0	0	62	47	35	26
1988	0	0	0	88	66	50
1989	0	0	0	0	209	195
1990	0	0	0	0	0	470
Total Delinquent Liens.....	6,398	4,515	3,167	2,424	2,016	2,739

inventory is assumed to "decay" at a rate of 6.5% per year: 2.5% of the bonded liens are summed completely amortized, while another 4% are retired through early payment. The same assumption has been applied to bonded liens created in subsequent years.

- * Delinquent liens have been forecast as follows: 10% of the previous year's forecast assessments are summed to become delinquent. Each year's open delinquent lien inventory "decays" by 50% each year. The FY 1984-85 bonded lien inventory is reduced by 25% per year, while 4.5% of the post FY 1984-85 bonded liens have been assumed delinquent.

From Table 2 it can be seen that the number of assessments created will increase from a FY 1984-85 and FY 1985-86 average of about 1,500 assessments to about 8,000 per year in FY 1988-89 and FY 1989-90. The reason for this increase in activity, as shown above, is the extension of sewer service to the Mid-Multnomah County or Affected Area. The number of open and bonded lien billings statements is forecast to increase from current (FY 1985-86) level of about 13,200 statements per year to about 30,300 statements during FY 1989-90. A five-fold increase in assessment creation activity is forecast. Bond and Open Lien billing statements are forecast to double.

III. COSTS AND REVENUES

COSTS

Table 2 summarized the projected service demands for those benefitted properties that will use the LID process. This section forecasts the costs associated with provision of the service demand forecast. System costs are in large measure a function of activity levels, staffing levels and inflation. Generally, the Liens and Assessment direct and indirect costs include personal services and materials and services costs associated with the administration the LID development process and the lien billing and accounting system. The bulk of these services are provided by the Auditor's Office through an interagency with the Local Improvement District Construction Fund.

Tables 3,4,and 5 summarize annual costs that must be recovered from properties that use the LID process. These costs have been generated using the following assumptions:

- * Costs have generally forecast from Budget FY 1986-87 levels using expected inflation rates by type of expenditure. Personal services costs are for existing staff have been forecast using budgeted FY 1985-86 levels and a 3% escalation rate. Fringe benefits have

been forecast at about 35% of direct labor costs. Materials and Services have been forecast from FY 1986-87 budget levels using a 4% escalation rate.

As shown in Table 3, a large portion of LID Administration costs is composed of personal services costs and data processing costs associated with the Lien Accounting System. Between FY 1985-86 and FY 1986-87 data processing costs almost doubled. Table 2 forecasts a significant increase in both assessment creation and billing activities. For these two line items two additional assumptions have been used in generating forecast costs:

- * Data processing costs have been forecast using a 4% escalation rate. Bureau of Computer Services staff feel that data processing costs will not significantly increase as volume increases. Thus the data processing element of the forecast includes only an inflation component. In the event that increased activity levels do generate cost increases above what could be expected from inflation, a revised set of user fees will have to be computed.
- * Labor costs include the addition of one Clerical Specialist I and replacement of an Accounting Assistant with a Data Entry Clerk. The increase in staff would occur sometime during FY 1987-88, in anticipation of the large increase in workload that will occur at the beginning of FY 1988-89. Discussion with staff suggests that this relatively small increase in staff and other as yet undetermined efficiencies will allow staff to handle the increased workloads shown in Table 2.

Table 3 forecasts the basic system administrative costs will increase from FY 1985-86 levels of \$252,380 to \$377,214 during FY 1989-90. The bulk of this forecast increase occurs in personal services and data processing. Table 4 summarizes other systems costs, which include miscellaneous costs associated with LID project creation and other financial costs (e.g., financial advisor). These costs are forecast to increase from a budget FY 1986-87 level of about \$101,508 to \$113,854 during FY 1989-90. It should be noted that this portion of the cost forecast includes only an inflation adjustment. Table 5 summarizes costs by object code and fiscal year.

Cost Allocation Systems

The bureau developed an internal system to allocate costs equitably to the service functions to ensure each benefitted property

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User Fee Development

Table 3

Assessments/Liens Division
Forecast User Fee Revenue Requirements:
Auditor's Office Inter-Agency

Administration-74200010	Object Code	Actual 1985	Budget 1986	Forecast 1987	1988	1989	1990
Personal Services							
Clerical Specialist I(FT)	114	\$18,151	\$19,059	\$19,852	\$20,447	\$21,061	\$21,692
Clerical Specialist I(PT)	114	\$17,541	\$18,418	\$9,959	\$10,257	\$10,565	\$10,883
Secretarial Clerk II	221	\$18,513	\$19,439	\$20,190	\$20,796	\$21,421	\$22,064
Accounting Assistant	510	\$15,635	\$16,417	\$0	\$0	\$0	\$0
Accounting Assistant	522	\$19,151	\$19,059	\$19,355	\$19,935	\$20,533	\$21,149
Principal Deputy Auditor	3212	\$19,088	\$20,042	\$22,006	\$22,666	\$23,345	\$24,046
Assessment Analyst	0	\$23,574	\$24,751	\$25,835	\$26,611	\$27,410	\$28,233
Financial Analyst	0	\$26,620	\$27,951	\$30,653	\$31,573	\$32,519	\$33,495
Clerical Specialist I(FT)	114	\$0	\$0	\$0	\$27,354	\$28,174	\$29,019
Data Entry Clerk	114	\$0	\$0	\$14,191	\$19,488	\$20,073	\$20,675
Total Personal Services	100	\$157,273	\$165,136	\$162,040	\$199,127	\$205,101	\$211,256
Materials & Services							
Professional Services							
Miscellaneous	210	\$0	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093
Office Supplies	310	\$0	\$0	\$0	\$0	\$0	\$0
Operating Supplies	320	\$2,500	\$2,500	\$2,500	\$2,600	\$2,704	\$2,812
Repair & Maint. Supplies	330	\$0	\$0	\$0	\$0	\$0	\$0
Minor Equipment & Tools	340	\$0	\$0	\$0	\$0	\$0	\$0
Clothing & Uniforms	350	\$0	\$0	\$0	\$0	\$0	\$0
Other Commodities-Ex.	380	\$0	\$0	\$0	\$0	\$0	\$0
Education	410	\$170	\$130	\$130	\$135	\$140	\$146
Local Travel	420	\$58	\$44	\$44	\$46	\$48	\$50
Out-of-Town Travel	430	\$345	\$0	\$0	\$0	\$0	\$0
Internal Rent	440	\$0	\$0	\$0	\$0	\$0	\$0
Interest	450	\$0	\$0	\$0	\$0	\$0	\$0
Refunds	460	\$0	\$0	\$0	\$0	\$0	\$0
Ret. Sys. Payments	470	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	490	\$0	\$30	\$30	\$31	\$32	\$33
Subtotal-Direct M&S		\$3,073	\$3,704	\$3,704	\$3,842	\$3,985	\$4,134
Subtotal-Svc. Reimbursements							
Fleet Services	510	\$300	\$35	\$25	\$26	\$27	\$28
Printing/Dist. Services	520	\$7,331	\$10,067	\$9,793	\$10,185	\$10,592	\$11,015
Internal Rent	530	\$0	\$0	\$0	\$0	\$0	\$0
Electronic Services	540	\$3,006	\$3,685	\$3,329	\$3,462	\$3,600	\$3,744
Data Proc. Services	550	\$29,926	\$67,673	\$127,471	\$132,570	\$137,873	\$143,388
Insurance	560	\$2,001	\$2,080	\$3,243	\$3,373	\$3,508	\$3,648
Master Lease	570	\$0	\$0	\$0	\$0	\$0	\$0
Inter-Fund Services	580	\$0	\$0	\$0	\$0	\$0	\$0
Other Services-Internal	590	\$840	\$0	\$0	\$0	\$0	\$0
Subtotal-Svc. Reimbursements		\$43,404	\$83,540	\$143,861	\$149,616	\$155,600	\$161,824
Total Materials & Services		\$46,477	\$87,244	\$147,565	\$153,458	\$159,585	\$165,958
Land	610	\$0	\$0	\$0	\$0	\$0	\$0
Buildings	620	\$0	\$0	\$0	\$0	\$0	\$0
Improvements	630	\$0	\$0	\$0	\$0	\$0	\$0
Furniture & Equipment	640	\$0	\$0	\$0	\$0	\$0	\$0
Capital Outlay		\$0	\$0	\$0	\$0	\$0	\$0
Auditor's Office Interagency	590	\$203,750	\$252,380	\$309,605	\$352,585	\$364,686	\$377,214

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User Fee Development

Table 4

Assessments/Liens Division
Forecast User Fee Revenue Requirements:
Other Expenses

Administration-74200010	Object Code	Actual 1985	Budget 1986	Forecast..... 1987	1988	1989	1990
Professional Services	210	\$9,256	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Miscellaneous	260						
DJC Advertisements		\$0	\$36,000	\$37,440	\$38,938	\$40,496	\$42,116
Bond Registrar		\$0	\$3,000	\$3,120	\$3,245	\$3,375	\$3,510
Bond Rating		\$0	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Note/Bond Printing		\$0	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Bond Buyer Adds		\$0	\$2,000	\$2,080	\$2,163	\$2,250	\$2,340
Other Printing Services		\$0	\$6,000	\$6,240	\$6,490	\$6,750	\$7,020
Other		\$40,244	\$0	\$0	\$0	\$0	\$0
Unused		\$0	\$0	\$0	\$0	\$0	\$0
Unused		\$0	\$0	\$0	\$0	\$0	\$0
Printing & Distribution	520	\$10,327	\$0	\$0	\$0	\$0	\$0
Other Services-Internal	590						
Financial Advisor		\$20,700	\$20,700	\$21,528	\$22,389	\$23,285	\$24,216
Legal Services		\$0	\$10,000	\$10,400	\$10,816	\$11,249	\$11,699
Other		\$0	\$0	\$0	\$0	\$0	\$0
Unused		\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Admin. 74200010		\$80,527	\$97,700	\$101,508	\$105,466	\$109,580	\$113,854
Unused							
Unused	0	\$0	\$0	\$0	\$0	\$0	\$0
Unused	0	\$0	\$0	\$0	\$0	\$0	\$0
Unused	0	\$0	\$0	\$0	\$0	\$0	\$0
Total-Other Expenses		\$80,527	\$97,700	\$101,508	\$105,466	\$109,580	\$113,854

File Date: 06-Jun-86

User Fee Development

Table 5
Assessments/Liens Division
Forecast User Fee Revenue Requirements

Item	Object Code	Actual 1985	Budget 1986	Forecast..... 1987	1988	1989	1990
Professional Services	210	\$9,256	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Miscellaneous	260	\$40,244	\$57,000	\$59,280	\$61,652	\$64,119	\$66,684
Printing & Distribution	520	\$10,327	\$0	\$0	\$0	\$0	\$0
Other Services-Internal	590	\$224,450	\$283,080	\$341,533	\$385,790	\$399,220	\$413,129
Forecast Total Revenue Requirements		\$284,277	\$350,080	\$411,113	\$458,051	\$474,266	\$491,068

owner was allocated its share of the total costs imposed in the LID process. This included the allocation of indirect costs, or costs which could not be associated with one of the six service functions. These represent the costs associated with administrative management. Figure 1 illustrates the allocation system.

The system requires the creation of cost allocation percentages for each general type of expenditure. It should be noted that indirect costs were allocated using the direct cost allocation percentages. Table 6 summarizes the detailed cost allocation percentages used in this study. For example, staff estimated that one of the Clerical Specialists spends approximately 10% of work time on creating property assessments, 20% on general accounting duties, with the remaining 70% devoted to the collection of delinquent liens. Similarly, it is estimated that the Principal Deputy Auditor's time is allocable 15% to the LID project creation service function, 35% to bonded lien service, with the remaining 50% allocated to general administration. Data processing costs are allocable entirely to the Lien Billings service function. Printing and distribution services have been allocated to the LID Project Creation service function.

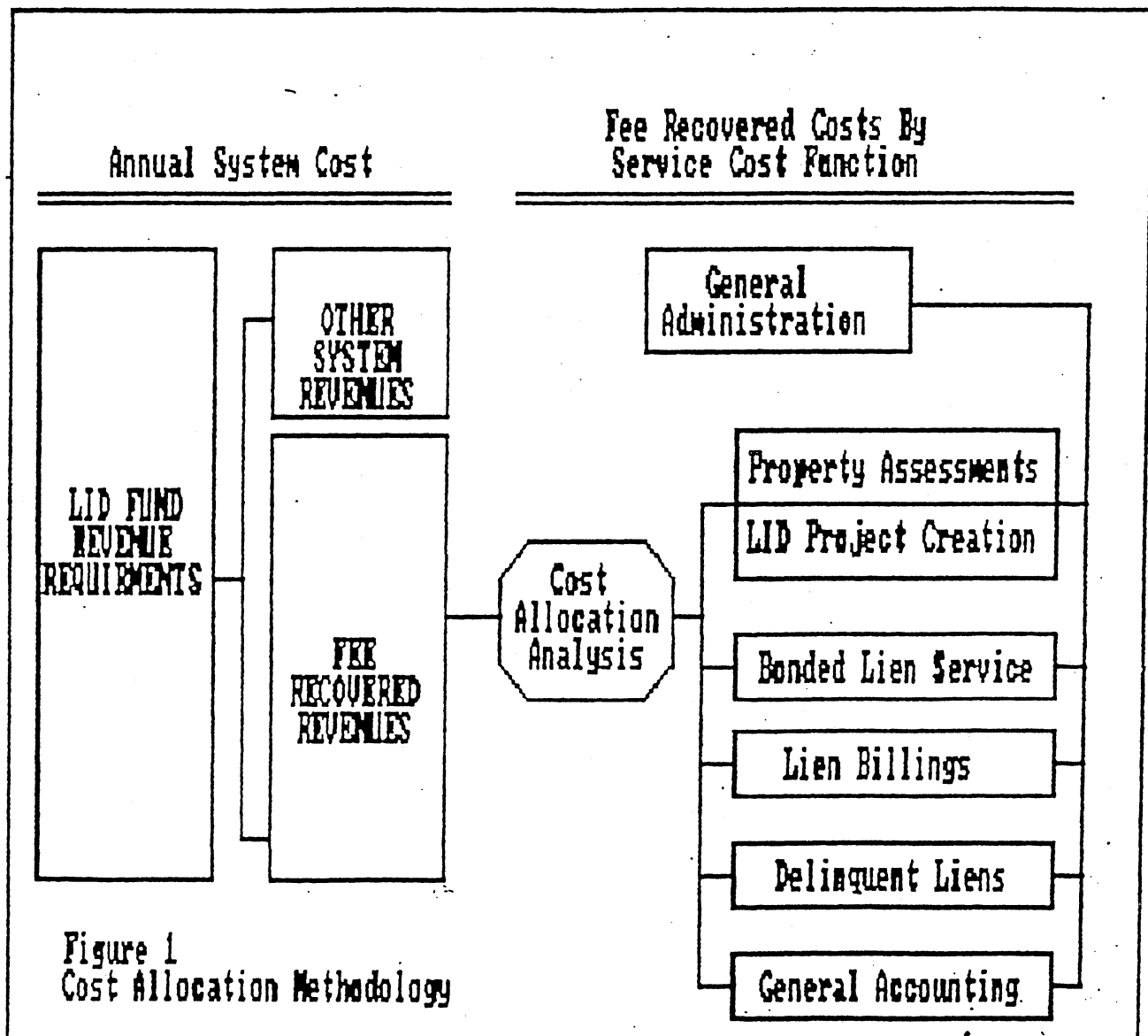
Application of the cost allocation percentages to the cost forecast yields the estimated cost-of-service by function. Table 7 develops the cost allocation results for FY 1984-85. For example, 20.01% of directly allocated costs are associated with Property Assessment Creation. A similar percentage of general administrative costs (or indirect), \$17,436, have been allocated to the Property Assessment Creation service function. For FY 1984-85, LID administration costs totalling \$284,278 have been allocated largely to the LID Project Creation, Assessments Creation, and Bonded Lien service functions. Lien billing costs constitute 9% of all LID administration costs, while General Accounting costs total about 14.4% of the FY 1984-85 costs or approximately \$40,844.

Table 8 summarizes cost allocation results by fiscal year for the FY 1984-85 through the FY 1989-90 study period. Total actual costs in FY 1984-85 were \$284,277 and FY 1986-87 through FY 1988-89 costs total \$1.83 million.

Revenues

Current Cost Recovery

Table 9 summarizes current cost recovery for 24 recently completed LID projects. Current user fees consist primarily of Superintendence Fees. Advertising costs assessed to the 24 projects totalled about \$13,700. The average total property assessment was \$2,374. There is considerable dispersion around this average: the lowest average assessment was \$289, while the highest average property assessment was \$117,935. Fee recovered costs totalled an estimated \$85,380 for the 24 projects.



File Date: 06-Jun-86

User Fee Development

Table 6
Assessments/Liens Division
Cost Allocation Percentages By
Service Function

Allocation Description	Object Code	LID Project Creation	Property Assessments Creation	Bonded Service	Lien Billings			General Accounting	General Admin.	Total
					Open & Bonded	Delinquent Liens				
Administration-74200010										
Auditor's Office Inter-Agency	590									
Personal Services										
Clerical Specialist I	100	0.000X	0.000X	10.000X	0.000X	70.000X	20.000X	0.000X	0.000X	100.000X
Clerical Specialist II	100	0.000X	5.000X	5.000X	9.000X	55.000X	26.000X	0.000X	0.000X	100.000X
Secretarial Clerk I	100	70.000X	25.000X	5.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X
Secretarial Clerk II	100	0.000X	35.000X	5.000X	5.000X	15.000X	45.000X	0.000X	0.000X	100.000X
Accounting Assistant	100	0.000X	20.000X	20.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X
Principal Deputy Auditor	100	0.000X	15.000X	35.000X	0.000X	0.000X	0.000X	50.000X	0.000X	100.000X
Assessment Analyst	100	71.000X	28.000X	0.000X	0.000X	0.000X	1.000X	0.000X	0.000X	100.000X
Financial Analyst	100	0.000X	5.000X	3.000X	2.000X	20.000X	10.000X	60.000X	0.000X	100.000X
Clerical Specialist I	100	0.000X	0.000X	20.000X	30.000X	40.000X	10.000X	0.000X	0.000X	100.000X
Data Entry Clerk	100	0.000X	35.000X	5.000X	5.000X	10.000X	45.000X	0.000X	0.000X	100.000X
Materials & Services										
Professional Services	210	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Miscellaneous	260	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Office Supplies	310	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Operating Supplies	320	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Repair & Maint. Supplies	330	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Minor Equipment & Tools	340	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Clothing & Uniforms	350	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Other Commodities-Ex.	380	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Education	410	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Local Travel	420	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Out-of-Town Travel	430	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
External Rent	440	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Interest	450	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Refunds	460	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Ret. Sys. Payments	470	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Miscellaneous	490	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Fleet Services	510	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Printing/Dist. Services	520	40.000X	20.000X	20.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Internal Rent	530	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Electronic Services	540	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Data Proc. Services	550	0.000X	20.000X	5.000X	0.000X	0.000X	10.000X	0.000X	0.000X	100.000X
Insurance	560	0.000X	0.000X	0.000X	45.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Master Lease	570	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Intra-Fund Services	580	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Other Services-Internal	590	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Capital Outlay	600	0.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X	0.000X	100.000X
Administration-74200010										
Other Expenses										
Professional Services	210	0.000X	0.000X	100.000X	0.000X	0.000X	0.000X	0.000X	0.000X	100.000X
Miscellaneous	260									
DJC Advertisements		20.0000X	30.0000X	50.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Bond Registrar		0.0000X	50.0000X	70.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Bond Rating		0.0000X	50.0000X	50.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Note/Bond Printing		0.0000X	50.0000X	50.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Bond Buyer Advertisment		0.0000X	50.0000X	50.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Other Printing Services		0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Unused		0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Printing & Distribution	520	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Other Services-Internal	590	0.0000X	33.0000X	67.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Financial Advisor		0.0000X	50.0000X	50.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
Legal Services		0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Other		0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Unused		0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Auditor's Fees 74200222	590	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
Other Services-Internal	590	100.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X
PC-Advertising 74200249	590	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X
PC-Special 74200257	260	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	0.0000X	100.0000X	0.0000X	100.0000X

Table 7

Allocation Of User Fee Revenue
Requirements To Service Functions
For Fiscal Year..... 1985

Allocation Description	Object Code	Project Creation	LID	Lien Billings						Total Allocated Cost
				Property Assessments	Bonded Service	Open & Bonded	Delinquent Liens	General Accounting	General Admin.	
Personal Services										
Clerical Specialist I(FT)			\$0	\$0	\$1,815	\$0	\$12,706	\$3,630	\$0	\$18,151
Clerical Specialist I(PT)			\$0	\$877	\$877	\$1,579	\$9,648	\$4,561	\$0	\$17,341
Secretarial Clerk II	\$12,959		\$0	\$4,628	\$926	\$0	\$0	\$0	\$0	\$18,513
Accounting Assistant	\$0		\$0	\$5,172	\$782	\$0	\$1,564	\$7,036	\$0	\$15,635
Accounting Deputy Auditor	\$0		\$0	\$2,663	\$3,630	\$908	\$2,723	\$7,260	\$0	\$18,151
Principal Analyst	\$16,738		\$0	\$6,601	\$6,681	\$0	\$0	\$0	\$9,544	\$19,088
Financial Analyst	\$0		\$0	\$1,331	\$799	\$0	\$5,324	\$2,662	\$0	\$23,574
Clerical Specialist I(FT)	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$15,972	\$26,620
Clerical Specialist I(PT)	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Personal Services	100		\$29,697	\$25,403	\$15,509	\$3,800	\$31,963	\$23,385	\$25,516	\$157,273
Materials & Services										
Professional Services	210		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	260		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Supplies	310		\$0	\$0	\$0	\$0	\$0	\$0	\$2,500	\$2,500
Operating Supplies	320		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repair & Maint. Supplies	330		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Minor Equipment & Tools	340		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clothing & Uniforms	350		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Commodities-Ex.	380		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Education	410		\$0	\$0	\$0	\$0	\$0	\$0	\$170	\$170
Local Travel	420		\$0	\$0	\$0	\$0	\$0	\$0	\$345	\$345
Out-of-Town Travel	430		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
External Rent	440		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	450		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Refunds	460		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ret. Sys. Payments	470		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	490		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal-Direct M&S			\$0	\$0	\$0	\$0	\$0	\$0	\$3,073	\$3,073
Fleet Services										
Printing/Dist. Services	510		\$0	\$0	\$0	\$0	\$0	\$0	\$300	\$300
Internal Rent	520		\$2,932	\$1,466	\$1,466	\$0	\$0	\$0	\$1,466	\$7,331
Electronic Services	530		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Data Proc. Services	540		\$0	\$0	\$0	\$0	\$0	\$0	\$3,006	\$3,006
Insurance	550		\$0	\$5,985	\$1,496	\$13,467	\$5,985	\$2,993	\$2,001	\$29,926
Master Lease	560		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intra-Fund Services	570		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Services-Internal	580		\$0	\$0	\$0	\$0	\$0	\$0	\$840	\$840
Subtotal-Svc. Reimbursements			\$2,932	\$7,451	\$2,963	\$13,467	\$5,985	\$2,993	\$7,613	\$43,404
Total Materials & Services			\$2,932	\$7,451	\$2,963	\$13,467	\$5,985	\$2,993	\$10,686	\$46,477
Land	610		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Buildings	620		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Improvements	630		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Furniture & Equipment	640		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Outlay			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administration-74200010										
Other Expenses	210		\$0	\$0	\$9,256	\$0	\$0	\$0	\$0	\$9,256
Professional Services	260		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DJC Advertisements			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Registrar			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Rating			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Note/Bond Printing			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bond Buyer Adds			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Printing Services			\$0	\$0	\$0	\$0	\$0	\$0	\$40,244	\$40,244
Other			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unused			\$0	\$0	\$0	\$0	\$0	\$0	\$10,327	\$10,327
Printing & Distribution	520		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Services-Internal	590		\$0	\$6,831	\$13,869	\$0	\$0	\$0	\$0	\$20,700
Financial Advisor			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal Services			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unused			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unused	0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unused	0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unused	0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct Cost Allocation			\$32,629	\$39,685	\$41,597	\$17,267	\$37,949	\$28,377	\$86,773	\$284,277
Direct Cost Allocation										
Percentages			16.520700X	20.093300X	21.061300X	8.742600X	19.214300X	14.367800X		100.000000X
General Administration			\$14,336	\$17,436	\$18,276	\$7,586	\$16,673	\$12,467		\$66,774
Service Function Total	1985		\$46,965	\$57,121	\$59,873	\$24,853	\$54,622	\$40,844		\$284,278

File Date: 09-Jun-86

File = REVREQ

Table 8
Assessments/Liens
Summary Of Revenue Requirement By
Service Function

Fiscal Year Ending June 30th		LID Project Creation	Property Assessments Creation	Bonded Lien Service	Lien Billings		General Accounting	Total Allocated Cost
					Open & Bonded	Delinquent Liens		
Fiscal Year.....	1985	\$46,965	\$57,121	\$59,873	\$24,853	\$54,622	\$40,844	\$284,278
.....	1986	\$47,618	\$83,937	\$89,438	\$38,673	\$52,884	\$37,529	\$350,081
.....	1987	\$48,828	\$97,628	\$94,822	\$67,375	\$61,558	\$40,902	\$411,113
.....	1988	\$50,010	\$102,293	\$103,818	\$78,787	\$75,781	\$47,364	\$458,053
.....	1989	\$51,628	\$106,037	\$107,572	\$81,788	\$78,325	\$48,918	\$474,268
Fiscal Year.....	1990	\$53,299	\$109,920	\$111,464	\$84,903	\$80,957	\$50,524	\$491,067
Service Function Total		\$298,348	\$556,936	\$566,987	\$376,381	\$404,127	\$266,081	\$2,468,860

City Of Portland
Historical LID Database
Selected Projects-Current First Year Cost Recovery

lected Projects-Current First Year Cost Recovery										Cost Recovery		
File	Project Name	Construction v/o Frontage	Frontage To (HCL)	Total Construction	Engineering	Advertising	Super- Intendence	Total	Interim Finance (PPI)	Total Assessment	Assessments Created	Typical Assessment
9326	North Humboldt	\$1,112	\$6,384	\$7,496	\$3,354	\$0	\$450	\$1,559	\$0	\$11,300	11	\$1,027
9328	S.E. 37th	\$4,400	\$11,232	\$15,632	\$2,982	\$344	\$625	\$1,659	\$0	\$19,763	30	\$659
9300	N.E. 57th	\$22,791	\$0	\$22,791	\$7,639	\$211	\$1,112	\$1,323	\$316	\$30,069	14	\$2,148
9502	B.E. Roone	\$7,500	\$16,551	\$24,051	\$4,988	\$0	\$1,397	\$1,397	\$0	\$30,436	19	\$3,382
9503	S.E. Creighton	\$26,942	\$22,677	\$49,619	\$15,257	\$544	\$1,256	\$1,802	\$0	\$43,956	16	\$2,750
9507	S.E. 65 & Harold	\$28,942	\$0	\$28,942	\$8,764	\$389	\$1,316	\$1,707	\$138	\$39,551	19	\$2,082
9512	S.E. 33rd	\$15,622	\$18,736	\$34,358	\$31,974	\$536	\$1,409	\$1,945	\$0	\$51,419	62	\$7,289
9525	S.E. 32nd	\$15,622	\$16,722	\$32,344	\$16,725	\$509	\$1,582	\$2,091	\$0	\$51,025	7	\$4,185
9526	B.E. Mitchell	\$15,845	\$21,677	\$37,522	\$18,773	\$639	\$1,636	\$2,277	\$0	\$58,588	9	\$6,791
9470	S.E. 73rd	\$18,105	\$22,707	\$40,812	\$15,000	\$492	\$1,756	\$2,407	\$0	\$60,994	55	\$1,109
9491	S.E. 74th	\$14,874	\$36,395	\$51,269	\$10,169	\$492	\$1,982	\$2,474	\$0	\$60,573	22	\$3,652
9504	North Harbura	\$4,165	\$49,107	\$53,272	\$24,750	\$319	\$2,032	\$2,523	\$0	\$68,017	23	\$2,957
9505	S.E. 34th	\$8,536	\$46,638	\$55,176	\$10,318	\$444	\$2,079	\$2,523	\$0	\$68,017	23	\$2,957
9537	N.E. Sumner	\$22,346	\$43,206	\$65,552	\$18,658	\$666	\$2,399	\$3,005	\$0	\$87,215	14	\$6,230
9487	S.E. 61st & Lafayette	\$33,568	\$42,318	\$75,906	\$44,000	\$721	\$2,596	\$3,319	\$0	\$123,225	22	\$5,601
9417	S.W. Patton Ct.	\$102,169	\$0	\$102,169	\$34,686	\$575	\$3,243	\$3,818	\$0	\$140,673	487	\$5,944
9523	S.E. Redway	\$65,221	\$66,390	\$131,611	\$45,000	\$1,065	\$3,832	\$4,897	\$0	\$185,506	31	\$3,944
9547	N.W. Tolman	\$78,039	\$109,585	\$187,624	\$42,647	\$645	\$4,952	\$5,597	\$0	\$235,868	16	\$14,742
9550	Cora & Pomona	\$96,714	\$190,012	\$286,726	\$46,416	\$476	\$4,865	\$5,341	\$0	\$278,924	13	\$21,302
9477	39th & Vacuna	\$337,128	\$0	\$337,128	\$66,416	\$752	\$5,767	\$6,519	\$0	\$321,304	17	\$18,900
9163	Vesta Vacuna	\$345,331	\$0	\$345,331	\$88,032	\$1,502	\$7,507	\$9,009	\$0	\$450,670	154	\$3,152
9527	Lenta III	\$194,450	\$220,205	\$414,655	\$165,600	\$748	\$8,670	\$9,418	\$9,122	\$450,670	5	\$1,582
24	Totals	\$1,491,810	\$1,091,973	\$2,583,783	\$888,806	\$13,695	\$71,685	\$85,360	\$9,576	\$3,652,925	1,539	\$2,374

An analysis of the current Superintendence fee (Table 10) schedule and other fees and charges indicates that this fee schedule assigns a proportionately larger share of costs recovered to smaller projects. This is equitable only where it can be shown that smaller projects are more costly to administer. A comparison to other cities indicates that the City of Portland estimated advertising costs are also assessed to each LID project. The balance of administrative costs are supported by the General Fund or other revenues.

Superintendence Fee Schedule		
Improvements Costs		Fee
Under	\$ 1,000	\$ 60
\$ 1,001 to	10,000	60 + 6% in excess \$1,000
10,001 to	25,000	\$ 600 + 4% in excess \$10,000
25,001 to	50,000	1,200 + 3% in excess \$25,000
\$ 50,001 to \$	100,000	\$ 1,950 + 2.5% in excess \$50,000
100,001 to	250,000	3,200 + 2% in excess of \$100,000
250,001 to	500,000	\$ 6,200 + 1.5% in excess of \$250,000
\$500,001 to \$1,000,000		9,950 + 1.2% in excess of \$500,000
Over	\$1,000,000	\$15,950 + 1% in excess of \$1,000,000

Table 10

Projected Revenues

Projected revenues match projected costs as 100% of cost recovery is proposed.

Estimated user fee requirements by service functions and forecast activity levels can now be used to compute the unit costs of service as schematically illustrated in Figure 2. The unit costs of service represents the estimated user fee associated with each service function. The following section, computer a user fee schedule and assess the impact of the new fee structure on typical property owners.

IV. DEVELOPMENT AND DESIGN OF A USER FEE SCHEDULE

Fee Structure

Table 11 combines the annual cost allocation summary shown in Table 8 with the activity forecast previously developed in Table 2. Thus, for example, in FY 1986-87 costs allocable to the LID project creation service function total \$48,828. When combined with \$9,040,641 of project completion costs, the result is an estimated

REVENUE REQUIREMENT

SERVICE FUNCTION COST	ESTIMATED UNITS OF SERVICE	USER FEE: UNIT COST
LID Project Creation	÷ Project Completion Costs	= \$/\$1,000 Project Cost
Property Assessments	÷ Assessments Created	= \$/Assessment
Bonded Lien Service	÷ Bond Applications	= \$/Application
Lien Billing Costs	÷ Billing Statements	= \$/Lien Statement
Delinquent Liens	÷ Delinquent Liens	= \$/Delinquent Lien
General Accounting	÷ Billing Statements	= \$/Lien Statement

Figure 2
Calculation Of Unit Costs

Table 11
Unit Costs Of Service
Estimated User Fee Schedule

Item	Actual 1985	Budget 1986	Forecast 1987	1988	1989	1990
Project Creation.....						
Project Completion Forecast	\$5,648,934	\$6,813,836	\$9,040,641	\$9,397,767	\$16,328,021	\$13,283,798
Allocated Cost	\$46,965	\$47,618	\$48,828	\$50,010	\$51,628	\$53,299
\$ per \$1,000 Project Cost	\$8.31	\$6.99	\$5.40	\$5.32	\$5.16	\$4.01
Project Assessments Creation...						
Assessments Forecast	2,235	796	1,604	1,285	8,198	7,708
Allocated Cost	\$57,121	\$83,937	\$97,628	\$102,293	\$106,037	\$109,920
\$ per Assessment Created	\$25.56	\$105.45	\$60.87	\$79.61	\$12.93	\$14.26
Bonded Lien Service						
Bonded Lien Applications	1,453	517	1,043	835	5,329	5,010
Allocated Cost	\$59,873	\$89,438	\$94,822	\$103,818	\$107,572	\$111,464
\$ per Application	\$41.21	\$172.99	\$90.91	\$124.33	\$20.19	\$22.25
Lien Billing.....						
Open & Bonded Liens	12,926	14,050	14,732	15,669	21,036	30,127
Allocated Cost	\$24,853	\$38,675	\$67,375	\$78,787	\$81,788	\$84,903
\$ per Billing Statement	\$1.92	\$2.75	\$4.57	\$5.03	\$3.89	\$2.82
Delinquent Liens	6,398	4,515	3,167	2,424	2,016	2,739
Allocated Cost	\$54,622	\$52,884	\$61,558	\$75,781	\$78,325	\$80,957
\$ per Delinquent Lien	\$8.54	\$11.71	\$19.44	\$31.26	\$38.85	\$29.56
General Accounting.....						
Open & Bonded Liens	12,926	14,050	14,732	15,669	21,036	30,127
Allocated Cost	\$40,844	\$37,529	\$40,902	\$47,364	\$48,918	\$50,524
\$ per Billing Statement	\$3.16	\$2.67	\$2.78	\$3.02	\$2.33	\$1.68

charge of \$5.40 per \$1,000 of project completion costs. Similarly, the cost of creating a property assessment for FY 1986-87 is an estimated \$60.87. Annual billing costs for bonded lien would be \$9.14 and \$4.57 for an open lien. Each delinquent lien billing would result in a charge of \$19.44. General accounting costs would total \$2.78 per billing statement.

Recommended Fee Schedule

From Table 11 it can be seen that variability of work load results in user fee variability. For this reason it is recommended that user fees be set for a three year period beginning FY 1986-87 and ending FY 1988-89. This means that cumulative revenue requirements will be recovered. However, actual revenue recovered in a single year may not cover total costs. In Table 12 a user fee schedule has been computed using forecast FY 1986-87 through 1989-90 costs/revenue requirements and forecast service demands. Required revenues total about \$1.343 million for the three year period. The Superintendence Fee would be revised to \$4.33 per \$1,000 project cost. Customer and billing fees would be \$7.10 per bill: for a bonded lien this would mean an annual cost of \$14.20 per year. The delinquent lien billing share would be set at \$28.35

The bottom half of Table 12 calculates a revenue forecast for the three year period. Activity levels are higher in later years, particularly FY 1988-89: this means that revenue will tend to be under recovered in FY 1986-87 and FY 1987-88 and over recovered in FY 1988-89. Given the demand forecast, the recommended fee schedule will recover projected revenue requirements over the three year period.

Proposed Cost Recovery

Table 13 applies the proposed fee schedule shown in Table 12 to the current level of cost recovery of the 24 projects completed in the current year and discussed previously in the "current cost recovery" section and Table 9. From Table 13 it can be seen that:

- * Total first year cost recovery increases from \$85,380 to about \$121,400. This represents about a 42% increase in user fees. Comparison of current cost recovery with Project Creation, Assessments Creation, and Bonded Lien services user fee costs recovery results in first year cost recovery of \$100,060, or a 17% increase.

The overall result of the proposed rate structure is to increase first year cost recovery. The comparison, done in Tables 9 and 13 does not include revenues that are (in theory recovered with the current interest rate differential. Inclusion of these revenues would probably narrow the difference in cost recovery estimated above. It must be pointed out that the interest rate differential is applicable only to bonded liens. In addition, this cost can only be estimated using a present value technique that ascribes

Table 12

City Of Portland
Recommended User Fee Schedule And
Forecast LID User Fee Revenues

	Forecast.....		
Service Demand Forecast	1987	1988	1989
Project Completion	\$9,040,641	\$9,397,767	\$16,328,021
Assessments Forecast	1,604	1,285	8,198
Open & Bonded Liens	14,732	15,669	21,036
Delinquent Liens	3,167	2,424	2,016
User Fee Schedule			
\$ per \$1,000 Project Cost	\$ 4.33	\$ 4.33	\$ 4.33
\$ per Assessment Created	\$27.60	\$27.60	\$27.60
\$ per Bond Application	\$42.49	\$42.49	\$42.49
\$ per Billing Statement	\$ 7.10	\$ 7.10	\$ 7.10
\$ per Delinquent Lien	\$28.35	\$28.35	\$28.35
Forecast Revenue Recovery			
LID Formation Fees	\$ 39,146	\$ 40,692	\$ 70,700
Assessment Creation	\$ 44,270	\$ 35,466	\$226,265
Bonded Lien Service	\$ 44,315	\$ 35,477	\$226,419
Customer & Billing	\$104,597	\$111,250	\$149,356
Delinquent Liens	\$ 89,784	\$ 68,720	\$57,154
Forecast Total	\$311,112	\$291,605	\$729,894
Revenue Requirement	\$411,113	\$458,051	\$474,266
Annual Surplus(Deficit)	(\$89,001)	(\$166,446)	\$255,628
Cumulative	(\$89,001)	(\$255,447)	\$181

Table 13
City Of Portland
Historical LID Database
Selected Projects-Proposed First Year Cost Recovery

C-File	Project Name	Construction v/o Frontage	Proteage To (HCD)	Total Construction	Project Engineering	Interim Finance (PPI)	Project Cost
9323	North Humboldt	\$1,112	\$6,384	\$7,496	\$3,354	\$0	\$10,850
9496	S.E. 37th	\$4,400	\$11,232	\$15,632	\$2,982	\$0	\$18,614
9500	N.E. 57th	\$22,791	\$0	\$22,791	\$5,639	\$316	\$28,746
9502	S.E. Roome	\$7,500	\$16,551	\$24,051	\$4,988	\$0	\$29,039
9503	S.E. Creston	\$4,262	\$22,677	\$26,939	\$15,257	\$0	\$42,196
9507	S.E. 65 & Harold	\$28,942	\$0	\$28,942	\$8,764	\$138	\$37,844
9512	S.E. 33rd	\$13,236	\$16,736	\$31,974	\$17,500	\$0	\$49,474
9523	S.E. 32nd	\$15,622	\$21,877	\$37,722	\$16,725	\$0	\$54,069
9526	S.E. Mitchell	\$15,845	\$21,877	\$37,722	\$18,775	\$0	\$56,497
9528	S.E. 91st	\$22,707	\$16,603	\$39,510	\$19,330	\$0	\$58,840
9470	S.E. 74th	\$18,105	\$25,462	\$43,587	\$15,000	\$0	\$58,587
9491	S.E. 74th	\$14,874	\$36,395	\$51,269	\$10,189	\$0	\$61,458
9504	North Macrum	\$4,165	\$49,107	\$53,272	\$24,730	\$0	\$78,022
9505	S.E. 34th	\$6,536	\$46,698	\$53,272	\$10,318	\$0	\$65,494
9537	N.E. Summer	\$22,346	\$43,206	\$65,552	\$18,658	\$0	\$84,210
9467	S.E. 61st & Lafayette	\$33,568	\$42,318	\$75,906	\$44,000	\$0	\$119,906
9417	S.V. Patton Ct.	\$102,169	\$0	\$102,169	\$34,696	\$0	\$136,865
9523	S.E. Redway	\$78,221	\$66,390	\$144,611	\$49,000	\$0	\$193,611
9532	S.E. Tolman	\$34,723	\$109,012	\$143,735	\$42,647	\$0	\$186,383
9547	N.W. York	\$96,714	\$131,653	\$228,367	\$86,418	\$0	\$314,785
9550	Corr & Pomona	\$337,128	\$0	\$337,128	\$139,346	\$0	\$476,474
9477	39th & Pomona	\$345,331	\$0	\$345,331	\$88,032	\$9,122	\$442,485
9183	Vesta Vacuna	\$194,450	\$220,205	\$414,655	\$165,600	\$0	\$580,255
9527	Lents III						
24	Totals	\$1,491,810	\$1,091,973	\$2,583,783	\$888,806	\$9,576	\$3,462,165
C-File	Project Name	Project Creation	Assessments Creation	Booded Lien Service	Billing & Accounting	Delinquent Liens	Total Cost Recovery
9323	North Humboldt	\$47	\$304	\$304	\$121	\$31	\$607
9496	S.E. 37th	\$81	\$828	\$829	\$330	\$85	\$2,153
9500	N.E. 57th	\$124	\$386	\$387	\$154	\$40	\$1,091
9502	S.E. Roome	\$126	\$248	\$249	\$99	\$26	\$748
9503	S.E. Creston	\$183	\$442	\$442	\$176	\$45	\$1,288
9507	S.E. 65 & Harold	\$164	\$524	\$525	\$209	\$54	\$1,476
9512	S.E. 33rd	\$214	\$1,711	\$1,712	\$682	\$176	\$4,495
9523	S.E. 32nd	\$212	\$193	\$193	\$77	\$20	\$695
9526	S.E. Mitchell	\$245	\$396	\$387	\$154	\$20	\$1,212
9528	S.E. 91st	\$235	\$248	\$249	\$99	\$26	\$877
9470	S.E. 74th	\$266	\$1,518	\$1,519	\$605	\$156	\$4,052
9491	S.E. 74th	\$284	\$5,630	\$5,634	\$2,245	\$578	\$14,353
9504	North Macrum	\$336	\$607	\$608	\$242	\$62	\$1,857
9505	S.E. 34th	\$365	\$635	\$635	\$253	\$65	\$1,872
9537	N.E. Summer	\$365	\$386	\$387	\$154	\$40	\$1,332
9467	S.E. 61st & Lafayette	\$519	\$607	\$608	\$242	\$62	\$2,038
9417	S.V. Patton Ct.	\$593	\$13,441	\$13,450	\$5,359	\$1,381	\$34,224
9523	S.E. Redway	\$782	\$855	\$856	\$341	\$88	\$2,923
9532	S.E. Tolman	\$997	\$442	\$442	\$176	\$45	\$2,102
9547	N.W. York	\$1,176	\$469	\$469	\$187	\$48	\$2,074
9550	Corr & Pomona	\$1,363	\$469	\$469	\$187	\$48	\$2,074
9477	39th & Pomona	\$2,063	\$4,250	\$4,253	\$1,695	\$437	\$12,698
9183	Vesta Vacuna	\$1,916	\$7,856	\$7,871	\$3,136	\$808	\$21,597
9527	Lents III	\$2,513	\$138	\$138	\$55	\$14	\$2,858
24	Totals	\$15,080	\$42,474	\$42,506	\$84,980	\$4,364	\$121,358

"typical" time value of money (interest rate) to property owners.

Typical Bills Comparison

Tables 14A, 14B, 14C and 14D detail typical bills (average user fee cost per assessment) and project cost recovery for four different size LID projects with varying numbers of assessment. Project construction costs range from a low of \$22,791 (Table 14A) to a high of \$414,655. The number of assessments created ranges from 5 to 285.

Tables 14A and 14B summarize cost recovery for two relatively small projects involving the creation of 30 and 22 assessments respectively. For both of these projects user fee charges are lower under the proposed system. The proposed fee system will significantly reduce cost recovery on smaller projects with fewer assessments.

Tables 14C and 14D summarize first year cost recovery for two of the larger projects. The major difference between the two projects can be found in the number of assessments. The larger of the two projects involves only 5 assessments. For the smaller project with 285 assessments first year cost recovery increases from a current level of \$,385 to about \$21,600. The major difference is largely due to Customer and Billing and Bonded Lien services. When large numbers of property owners elect to bond their assessments, the user fee system will assign bonded lien costs to these property owners. The result is that projects with these two characteristics will be subject to higher levels of cost recovery.

Impact of Increased Fees

The major effect of the proposed LID user fee schedule is to increase annual cost recovery. The effect of the proposed fee schedule on any particular project depends on both project costs and the number of assessments created.

Recommendations

The recommended LID user fee schedule represents a significant departure from current practices. Thus, acceptability must be subject partly, on the basis of its expected effect on property owners. A comparison of first year cost recovery for 24 LID projects suggests that:

- * The proposed fee schedule will increase administrative costs recovered by about 40%
- * Property owners electing not to bond their assessments will generally experience little or no increase in user fee costs
- * LID projects involving the creation of larger numbers of assessments are likely to

Table 14A
Typical Bills Comparison
Using Average Property Assessment

LID Project Characteristics.....		9498
Project Cost	\$28,746	
Construction Cost.....	\$22,791	
Assessments Created....	30	
Average Project Cost...	\$620	
Fee Component	Current	Proposed
Superintendence	\$27.50	NA
Advertising	\$11.47	NA
Project Creation	NA	\$2.69
Assessment Creation	NA	\$27.60
Subtotal-Per Average Assessment	\$38.97	\$30.29
Billing & Accounting		
Bonded Lien (biannual)	NA	\$14.20
Open Lien (1 billing)	NA	\$7.10
Bonded Lien Application	NA	\$42.49
Total-Per Average Assessment		
Bonded Lien	\$38.97	\$86.98
Open Lien	\$38.97	\$37.39
Total LID User Fee Cost Recovery		
Superintendence	\$1,112	NA
Advertising	\$211	NA
Project Creation	NA	\$124
Assessment Creation	NA	\$386
Bonded Lien Service	NA	\$387
Billing & Accounting	NA	\$154
Delinquent Liens (2)	NA	\$40
First Year Cost Recovery	\$1,323	\$1,091

(1) Construction, engineering, and interim financing
(2) Assumes 10% delinquency rate open liens

Table 14B
Typical Bills Comparison
Using Average Property Assessment

LID Project Characteristics.....		9504
Project Cost	\$78,022	
Construction Cost.....	\$53,272	
Assessments Created....	22	
Average Project Cost...	\$3,546	
Fee Component	Current	Proposed
Superintendence	\$92.36	NA
Advertising	\$23.59	NA
Project Creation	NA	\$15.36
Assessment Creation	NA	\$27.60
Subtotal-Per Average Assessment	\$115.96	\$42.96
Billing & Accounting		
Bonded Lien (biannual)	NA	\$14.20
Open Lien (1 billing)	NA	\$7.10
Bonded Lien Application	NA	\$42.49
Total-Per Average Assessment		
Bonded Lien	\$115.96	\$99.65
Open Lien	\$115.96	\$50.06
Total LID User Fee Cost Recovery		
Superintendence	\$2,032	NA
Advertising	\$519	NA
Project Creation	NA	\$338
Assessment Creation	NA	\$607
Bonded Lien Service	NA	\$608
Billing & Accounting	NA	\$242
Delinquent Liens (2)	NA	\$62
First Year Cost Recovery	\$2,551	\$1,857

(1) Construction, engineering, and interim financing
(2) Assumes 10% delinquency rate open liens

Table 14C
Typical Bills Comparison
Using Average Property Assessment

LID Project Characteristics.....	9183	
Project Cost	\$442,485	
Construction Cost.....	\$345,331	
Assessments Created....	285	
Average Project Cost...	\$1,553	
Fee Component	Current	Proposed
Superintendence	\$26.85	NA
Advertising	\$2.57	NA
Project Creation	NA	\$6.72
Assessment Creation	NA	\$27.60
Subtotal-Per Average Assessment	\$29.42	\$34.32
Billing & Accounting		
Bonded Lien (biannual)	NA	\$14.20
Open Lien (1 billing)	NA	\$7.10
Bonded Lien Application	NA	\$42.49
Total-Per Average Assessment		
Bonded Lien	\$29.42	\$91.01
Open Lien	\$29.42	\$41.42
Total LID User Fee Cost Recovery		
Superintendence	\$7,652	NA
Advertising	\$733	NA
Project Creation	NA	\$1,916
Assessment Creation	NA	\$7,866
Bonded Lien Service	NA	\$7,871
Billing & Accounting	NA	\$3,136
Delinquent Liens (2)	NA	\$808
First Year Cost Recovery	\$8,385	\$21,597

(1) Construction, engineering, and interim financing
(2) Assumes 10% delinquency rate open liens

Table 14D
Typical Bills Comparison
Using Average Property Assessment

LID Project Characteristics.....	9527	
Project Cost	\$580,255	
Construction Cost.....	\$414,655	
Assessments Created....	5	
Average Project Cost...	\$116,051	
Fee Component	Current	Proposed
Superintendence	\$1,734.00	NA
Advertising	\$149.60	NA
Project Creation	NA	\$502.50
Assessment Creation	NA	\$27.60
Subtotal-Per Average Assessment	\$1,883.60	\$530.10
Billing & Accounting		
Bonded Lien (biannual)	NA	\$14.20
Open Lien (1 billing)	NA	\$7.10
Bonded Lien Application	NA	\$42.49
Total-Per Average Assessment		
Bonded Lien	\$1,883.60	\$586.79
Open Lien	\$1,883.60	\$537.20
Total LID User Fee Cost Recovery		
Superintendence	\$8,670	NA
Advertising	\$748	NA
Project Creation	NA	\$2,513
Assessment Creation	NA	\$138
Bonded Lien Service	NA	\$138
Billing & Accounting	NA	\$55
Delinquent Liens (2)	NA	\$14
First Year Cost Recover	\$9,418	\$2,858

(1) Construction, engineering, and interim financing
(2) Assumes 10% delinquency rate open liens

experience user fee cost increases. Larger LID project cost in conjunction with a larger number of assessments will result in a significant increase in user fee cost recover over the present system.

Other recommendations

Bases on the results of this study, the City may wish to consider the following additional recommendations:

1. Closely monitor user fee revenue recovery over the FY 1986-87-FY 1987-88 biennium and adjust the user fee schedule for FY 1988-89 if needed
2. Develop a database that tracks activity levels used in this study to generate user fees.
3. Implement a time charging system for appropriate staff that adequately tracts costs by LID service function.