MEETING PRESENTATION

Welcome to our online meeting!

- Choose your phone or computer speakers/microphone for audio. If you use your phone, be sure to mute your computer speakers to prevent sound feedback when you speak.
- Everyone will be muted at the start of the call and when not speaking.
- If you experience technical difficulties, call or text Ray at 253.241.0131, and he will get to you as soon as possible. Thanks!
Meeting Agenda

- 1:00 – Welcome (5)
- 1:05 – Summary of Progress and Goals (5)
- 1:10 – Cost Allocation Framework Discussion (90)
- 2:40 – Summary of Decisions and Homework (15)
- 2:55 – Public Comment (5)
- 3:00 – Adjourn
Using Zoom

Your screen should look like this. The meeting slides will appear in the main window, with video to the side in “gallery mode.”
Goals for Today

1. Collectively work through the logic underlying a cost allocation framework.
2. Discuss methods to allocate costs that satisfy a call for objective measurement while balancing challenges of complexity and data availability.
3. Determine what is needed to fully inform a legislative decision regarding project construction funding.
4. Determine what is needed to support each FGWG member in internal discussions with organizational leadership and build consensus around a preferred cost allocation framework.
Outline

1. Walk through and confirm preceding decisions.
2. Discuss role of negotiation in cost allocation process.
3. Discuss cost allocation frameworks.
   - Benefit/contribution ranking
   - Proxy variables
   - Equal allocation
4. Discuss role of equity.
5. Discuss federal involvement in cost allocation.
Logic Underlying Cost Allocation Framework

Previous decisions.

Key steps to walk through today.

- Divide Upfront from Long-Term Costs & Mgmt.
- Upfront: Legal Agreement w/Cost Allocation
- Long-Term: Address for Pref. Alternative

Use Decision Rules to Allocate Costs
- Allocate Costs by Contribution/Benefit Ranking
- Allocate Costs by Proxy Variable(s)
- Allocate Costs Equally

Negotiated Allocation based on “Willingness to Pay”/Political Acceptability

Equity Test
FGWG Guiding Principles

1. Dedicated and secure funding sources.
2. Those who contribute to the problem should participate in funding or paying for the solution.
3. Those who benefit from the solution should participate in funding or paying for the solution.
4. Shared distribution of costs.
5. State participation.
7. Manageable governance structure.
8. Commitment to a long-term collaborative process.
9. Adequately resourced administration.
10. Support the goals and objectives of both the CL/LDW management plan, as well as goals for the future of the overall watershed.
Economic Foundations

Identify beneficiaries and types of value
- Downtown businesses, Port, local residents, the State, others?

Are property rights clearly understood?
- Revenue, dredging costs, property values, ecosystem services, others?

Is bargaining costless?
- Are the right people at the table?

What does an efficient outcome look like?
- Are any parties going to be made worse off?

Is an outcome equitable?
- Would a party accept an allocation if they weren’t at the table?
Confirmation of Key Decisions

1. Divide upfront construction costs from long-term O&M costs.
   • Managing and delivering a construction contract under a single entity rather than a new governance structure would be more **practical and efficient**.
   • An agreement to fund construction among existing entities would allow **construction to move forward with certainty**, rather than waiting for a new entity to levy and accrue funds.
   • Ensures that after a preferred alternative is selected, design and permitting can begin shortly thereafter, **avoiding a delay** as a new governance structure becomes operational.
   • Assumes that once construction is complete, governance of the newly designed/rehabilitated resource is transitioned to a new governance structure to oversee management in perpetuity, providing an **unambiguous division of responsibility**.

2. Long-term costs/governance will be addressed after preferred alternative is selected, though some progress may be possible sooner.
Confirmation of Key Decisions

3. Upfront costs will be shared by FGWG entities.
   • Consistent with guiding principles ("shared distribution of costs").
   • Shows commitment in the DEIS to seeing the process through.
   • Helps support decisions by legislature and state leadership.

[Post-meeting note: The consensus from the group in response to this item is that it does not accurately capture past decisions, and should be reworded. The following statement reflects the position of the group, as articulated during the meeting, related to sharing of upfront costs.

*The state should take a majority (or all) of upfront costs because it constructed the dam. Local entities may contribute upfront costs for amenities that increase local benefits, and would share in long-term costs.*]
Confirmation of Key Decisions

Divide Upfront from Long-Term Costs & Mgmt.

Upfront: Legal Agreement w/ Cost Allocation

Long-Term: Address for Pref. Alternative
Governance Models—Construction of Preferred Alternative

- Special District
- Public Development Authority
- Legal Agreement
- Non-Profit
- Joint Municipal Utility Authority

Attachment: Proposed Cost Allocation
Logic Underlying Cost Allocation Framework

Previous decisions.

Key steps to walk through today.

- Divide Upfront from Long-Term Costs & Mgmt.
- Upfront: Legal Agreement w/ Cost Allocation
- Long-Term: Address for Pref. Alternative
- Use Decision Rules to Allocate Costs
- Allocate Costs by Contribution/Benefit Ranking
- Allocate Costs by Proxy Variable(s)
- Allocate Costs Equally
- Negotiated Allocation based on "Willingness to Pay" / Political Acceptability
- Equity Test
Logic Underlying Cost Allocation Framework

Previous decisions.

Key steps to walk through today.

- Divide Upfront from Long-Term Costs & Mgmt.
- Upfront: Legal Agreement w/ Cost Allocation
- Long-Term: Address for Pref. Alternative

Use Decision Rules to Allocate Costs

- Allocate Costs by Contribution/Benefit Ranking
- Allocate Costs by Proxy Variable(s)
- Allocate Costs Equally

Equity Test

Negotiated allocation based on “Willingness to Pay” / Political Acceptability
Role of Negotiation: State Share

• Decision rules in cost allocation framework guide allocation for all entities. Starting point, maybe ending point.

• The process required to secure legislative support for funding the state allocation may result in a different share for the state than defined through the cost allocation process.

• Potential outcome: state accepts a majority share based on its “willingness to pay” or “ability to pay.”

• Not arbitrary, but influenced by resource availability, political acceptability, budget negotiations.
Role of Negotiation: State Share

Use Decision Rules
- Same rules apply to state and local entities.
- Proportional, *not necessarily equal*.

Negotiated Outcome
- May differ from cost allocation framework.
- Based on political feasibility, availability of funding, etc.
Cost Allocation Frameworks

What we’ve heard from FGWG members:
- Objective metrics vs. subjective judgement
- Science-based
- Defensible
- Not politically feasible to assign costs arbitrarily, subjectively

Challenges:
- Data are unavailable to objectively measure all contributions or benefits, from the past and in the future.
- Attempts at quantification risk exposure to public scrutiny and criticism.
Cost Allocation Frameworks

1. Allocate Costs by Contribution/Benefit Ranking
2. Allocate Costs by Proxy Variable(s)
3. Allocate Costs Equally

Divide Upfront from Long-Term Costs & Mgmt.
Upfront: Legal Agreement w/ Cost Allocation
Long-Term: Address for Pref. Alternative
Use Decision Rules to Allocate Costs

(Proposed Approach)
Cost Allocation Framework 1: Proposed Approach

Allocate costs by contribution/benefit ranking

- Combines both contribution and benefit in assigning upfront costs.
- Each entity self-assigns categorical levels (None, Low, Medium, High) to define levels of contribution and benefit.
- Assignment is based on response to agreed upon questions that can be answered. Reproducible, not strictly subjective.
- Combination of categorical levels define rank.
- Cost allocation based on rank.
Ranking Factor: Contributions

Sediment: Does entity contribute sediment to basin? (Y/N) If yes, relative to others, how does contribution rank? (L, M, H)

Ecological Functions: Has entity contributed to management decisions that allowed invasive species to enter or proliferate in basin? (Y/N) If yes, relative to others, how does contribution rank? (L, M, H)

Community Use: Has entity contributed to management decisions that restricted community use of basin? (Y/N) If yes, relative to others, how does contribution rank? (L, M, H)

Water Quality: Does entity discharge (P or NPS) to basin? (Y/N) If yes, relative to others, how does contribution rank? (L, M, H)
### Ranking Factor: Benefits

<table>
<thead>
<tr>
<th>BENEFITS FROM IMPLEMENTATION</th>
<th>Sediment Management</th>
<th>Enhance Ecological Function</th>
<th>Restore Community Use</th>
<th>Improve Water Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Lake</td>
<td>N L M H</td>
<td>N L M H</td>
<td>N L M H</td>
<td>N L M H</td>
</tr>
<tr>
<td>Estuary</td>
<td>N L M H</td>
<td>N L M H</td>
<td>N L M H</td>
<td>N L M H</td>
</tr>
<tr>
<td>Hybrid</td>
<td>N L M H</td>
<td>N L M H</td>
<td>N L M H</td>
<td>N L M H</td>
</tr>
</tbody>
</table>
Ranking Factor: Benefits

For each alternative, compared to a No-Action Alternative:

- **Sediment:**
  - Will entity have reduced costs for sediment management? (Y/N)
  - ...

- **Enhanced Ecological Function:**
  - Will entity have reduced costs for ecological management? (Y/N)
  - Does entity represent population that values ecological function? (Y/N)
  - ...

- **Enhanced Community Use:**
  - Does entity represent population that will recreate in the basin? (Y/N)
  - Will entity receive revenue/spending from enhanced recreational use? (Y/N)
  - ...

- **Improved Water Quality**
  - Will entity have reduced costs for water quality management? (Y/N)
  - Does entity represent population that values water quality? (Y/N)
  - ...
## Ranking Factor: Overall Rank

### CONTRIBUTIONS TO EXISTING CONDITIONS

<table>
<thead>
<tr>
<th>Sediment Management</th>
<th>Presence of Invasive Species</th>
<th>Restricted Active Community Use</th>
<th>Water Quality Standard Violations</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
</tbody>
</table>

### BENEFITS FROM IMPLEMENTATION

**Estuary**

<table>
<thead>
<tr>
<th>Sediment Management</th>
<th>Enhance Ecological Function</th>
<th>Restore Community Use</th>
<th>Improve Water Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
</tbody>
</table>

### COMBINED SHARE

**Estuary**

<table>
<thead>
<tr>
<th>Sediment Management</th>
<th>Enhance Ecological Function</th>
<th>Restore Community Use</th>
<th>Improve Water Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>L</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

### OVERALL RANK

L
### Ranking Factor: Overall Rank

<table>
<thead>
<tr>
<th>CONTRIBUTIONS TO EXISTING CONDITIONS</th>
<th>Sediment Management</th>
<th>Presence of Invasive Species</th>
<th>Restricted Active Community Use</th>
<th>Water Quality Standard Violations</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
<td>N</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BENEFITS FROM IMPLEMENTATION Managed Lake</th>
<th>Sediment Management</th>
<th>Enhance Ecological Function</th>
<th>Restore Community Use</th>
<th>Improve Water Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>L</td>
<td>M</td>
<td>H</td>
<td>N</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMBINED SHARE Managed Lake</th>
<th>Sediment Management</th>
<th>Enhance Ecological Function</th>
<th>Restore Community Use</th>
<th>Improve Water Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMBINED SHARE Managed Lake</th>
<th>OVERALL RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td></td>
</tr>
</tbody>
</table>
Ranking Factor to Cost Allocation

Converting Rank Into Cost Share (Percent of Allocation)
• Equal ranks receive equal share.
• Weight each rank: group must decide collectively what weights are appropriate.
• Use formula to assign proportion (of 100%) to each rank, based on number entities with a rank.

Example:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Entities</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>1 Entity</td>
<td>0%</td>
</tr>
<tr>
<td>Low</td>
<td>3 Entities</td>
<td>10%</td>
</tr>
<tr>
<td>Medium</td>
<td>2 Entities</td>
<td>20%</td>
</tr>
<tr>
<td>High</td>
<td>1 Entity</td>
<td>30%</td>
</tr>
</tbody>
</table>

None = 0  Low = 1  Medium = 2  High = 3
Cost Allocation Framework 2: Proxy Variable

Allocate costs by proxy variable

- Population
- Land Area
- Revenue/Tax Base

Empirically measurable variables, with data available today
Applies easily to some entities, less intuitively to others
Cost Allocation Framework 3: Equal Allocation

Equal Allocation
• All entities share equally.

Equal Allocation
• Residual share after legislative action defines state contribution is divided evenly among remaining entities.
Cost Allocation Framework 1: Ranking

Rank-based Allocation
• Rank defines proportion of cost allocation assigned to each entity.
Proxy Variable
- Share is proportional to share in specified metric. Allocations can be scaled with more flexibility (continuum vs. buckets).
Equity

Previous decisions.

Key steps to walk through today.

1. Divide Upfront from Long-Term Costs & Mgmt.
2. Upfront: Legal Agreement w/ Cost Allocation
   - Long-Term: Address for Pref. Alternative
3. Use Decision Rules to Allocate Costs
   - Allocate Costs by Contribution/Benefit Ranking
   - Allocate Costs by Proxy Variable(s)
   - Allocate Costs Equally
4. Equitable Test
   - Negotiated allocation based on "Willingness to Pay" / Political Acceptability
Equity

Include All Entities
• Chosen framework is basis for cost allocation alone. Outcome assumed equitable.

Explicitly Exclude Entity from Allocation
• Guiding principles and economic foundations allow consideration of equity issues independently.
Federal Cost Sharing

State (or partners) would seek federal funds to buy down total costs, effectively pulling in federal cost-sharing.

Considerations

• Feedback from FGWG members suggests federal involvement would be appropriate and expected, depending on alternative.
• Mechanism/mandate does not exist to require federal cost sharing.
• Legislative strategy may include messaging around opportunities to leverage funds from federal agencies or programs.
• Is this strategy necessary? Sufficient?
HOMEWORK

1. We will develop a proposed cost allocation framework based on the discussion today.

2. Your job will be to present it to your organizations:
   - Review with your organizational leadership.
   - Practice assigning a cost share to your organization, to illuminate potential issues.
   - Keep in mind this would serve as the basis for future negotiations around allocating upfront costs.
   - Provide specific direction about what else would need to be included/considered to adopt this framework.

3. Send us feedback about what worked, what didn’t work, and why. What additional support would be needed to collectively move forward with this framework?

During our next meeting, we will continue to refine the cost allocation framework, and develop messaging to cultivate legislative support.
FGWG Guiding Principles

1. Dedicated and secure funding sources.
2. Those who contribute to the problem should participate in funding or paying for the solution.
3. Those who benefit from the solution should participate in funding or paying for the solution.
4. Shared distribution of costs.
5. State participation.
7. Manageable governance structure.
8. Commitment to a long-term collaborative process.
9. Adequately resourced administration.
10. Support the goals and objectives of both the CL/LDW management plan, as well as goals for the future of the overall watershed.
Process Map

Roles and Responsibilities of the Funding and Governance Work Group:
Enterprise Services convened the Funding and Governance Work Group (FGWG) in 2016 in response to a legislative proviso that included a directive to identify options for shared funding and governance for long-term management of Capitol Lake - Deschutes Estuary. At the conclusion of the 2016 planning work ("Phase 1"), the FFGW made a commitment to continue the collaboration around a shared funding and governance approach as part of the EIS ("Phase 2"). The role of this group remains advisory to members of the Executive Work Group (EWG) and signatories to an eventual funding and governance agreement. Each FFGW member has an active and ongoing responsibility to represent their organization through the process depicted herein, supporting the flow of information and development of potential solutions that may lead to productive funding and governance outcomes, and development of a final framework for the Preferred Alternative expected in 2022.

* CEC refers to Council/Commission process briefings conducted by Work Group members with support from the EIS consultant team.

Legend:
- Meeting
- Milestone
- Per Supplemental Funding Proviso

Notes:
For more information please visit:
capitollakedeschutesestuary.ui.org

info@capitollakedeschutesestuary.ui.org

Meeting materials, including videos of the EWG meetings, are available on the project website.

The Washington State Department of Enterprise Services ensures full compliance with Title VI of the Civil Rights Act of 1964 by prohibiting discrimination against any person based on race, color, national origin, sex in the provision of benefits and services resulting from its federally assisted programs and activities. For persons with disabilities who require special accommodations, please call (509) 407-7915 or contact the Washington State Relay Service at 711 and ask the operator to dial (509) 407-7915.

May 2020 (red indicates update from November 2019 version)