



Gregory L. Geist
Director

January 20, 2022

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of a Resolution Allowing the Reduction of Interest
Collected on a Certain Existing Assessment for
Water Environment Services. Fiscal Impact will allow a write-down of ~\$9,528.75 in
uncollectable interest, subject to exact timing of repayment.
No County General Fund revenues are involved.

Purpose/Outcomes	Approval of a Resolution Allowing the Reduction of Interest Collected on a Certain Existing Assessment for Water Environment Services.
Dollar Amount and Fiscal Impact	Allow write-down of ~\$9,528.75 in uncollectable interest, subject to exact timing of repayment.
Funding Source	WES monthly service charge revenues. No County General Fund revenues are involved.
Duration	One-time adjustment.
Previous Board Action/Review	Presented at Issues 1/18/2022. Resolution 2021-06 approved a write-down of interest on 3 other similarly situated properties in this assessment district on February 4, 2021.
Strategic Plan Alignment	1. This supports the County Strategic Plan to grow and support a vibrant economy. Writing off interest charges that prevent cost recovery and allowing development to occur. 2. This supports the WES Strategic Plan as WES Customers will continue to benefit from a well-managed utility.
Counsel Review	Review Date: January 12, 2022 Counsel: Amanda Keller
Contact Person	Erin Blue, WES Finance Manager, 503-742-4585
Contract No.	<i>Resolution No. not assigned yet.</i>

BACKGROUND:

Water Environment Services (“WES”) constructed wastewater improvements (collection lines) in 1981-82 in support for and anticipation of development in the Hoodland area, and levied assessments to recover costs from benefited properties. The anticipated development did not occur. For the relevant parcel, known as 25540 East Bright Avenue (the “Property”), the owner made payments for the first six years, then discontinued payments in 1988. At that point, interest began to accrue on the remaining principle balance and has continued since June 1988

The current owner of the Property has listed the Property for sale, but the assessment costs are a material barrier to the transaction. The original assessment on the Property was for \$4,248.88. The principal balance when payments were discontinued in 1988 was \$3,080.46 with interest

accruing at twelve percent (12%) per annum in accordance with a previous WES policy. Interest accrued to date adds an additional \$12,674.98 to the assessment, for a total payoff amount of \$15,755.44 as of January 12, 2022. This total cost is considered prohibitive and therefore a barrier to WES collecting anything on the assessment and for productive economic activity to occur on the Property.

WES is proposing that the interest rate on the assessment be reduced from 12% to three percent (3%), which would set the accrued interest at \$3,146.23 in addition to the original principal as of January 12, 2022. WES' current cost of capital, or interest rate it is paying for borrowed funds, is below 3% and the rate of recovery on the assessment would still be a net benefit to the ratepayers of WES. This reduction in the assessment interest rate would reduce accrued interest by approximately \$9,528.75, subject to exact timing of repayment.

In February 2021, the Board approved a similar write-down of interest of three (3) other properties within this assessment district. This Property is the last property with an outstanding balance in this assessment district.

Best practice is for the Board to approve such a write down of this kind of uncollectable debt. Given the date of the closing of the Property sale, and therefore the repayment of the relevant assessment, is in flux, the request is for approval to reduce the rate of interest on the outstanding assessment to 3% and the actual amount of interest reduced be as of the date of payoff.

The attached resolution has been reviewed and approved by County Counsel.

RECOMMENDATION:

Staff respectfully recommends that the Board, as the governing body of Water Environment Services, adopt the resolution allowing the reduction of interest collected on a certain existing assessment and delegation to the Director of Water Environment Services to execute any documents necessary to facilitate the reduction of interest.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Greg Geist".

Greg Geist, Director
Water Environment Services

Attachments: Authorizing Resolution



RECORDING MEMO

New Agreement/Contract

Amendment/Change/Extension

Other: Resolution

Originating County Department: Water Environment Services

Purchasing for: _____

Other party to contract/agreement: _____

Title from Business Meeting Agenda: Approval of a Resolution Allowing the Reduction of Interest Collected on a Certain Existing Assessment for Water Environment Services. Fiscal Impact will allow a write-down of ~\$9,528.75 in uncollectable interest, subject to exact timing of repayment. No County General Fund revenues

After recording please return to: Water Environment Services
c/o Lauren Haney, Administrative Services
150 Beaver Creek Road, Suite 430
Oregon City, OR 97045

Clerk to the Board please complete below this line after Board approval

Board Agenda Date: _____

Agenda Item Number: _____

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF CLACKAMAS COUNTY, STATE OF OREGON
SITTING AS THE GOVERNING BODY OF WATER ENVIRONMENT SERVICES**

In the Matter of a Resolution Allowing the
Reduction of Interest Collected on a Certain
Existing Assessment



Resolution No. _____

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Whereas, Water Environment Services (“WES”) imposed an assessment on properties in the Hoodland area related to the construction of wastewater infrastructure by WES in July 1982; and

Whereas, the assessment on one property known as 25540 East Bright Avenue, (“Property”) remains unpaid and has accrued interest at a default rate for uncollected debt of 12%; and

Whereas, the amount of interest owed on the assessment for the Property is more than four times the principal owed, and has become a perceived barrier to the development and further beneficial use of the property; and

Whereas, WES desires to reduce the interest rate owed on the assessment of the Property to 3%, which would reduce the remaining amount of collected interest from approximately \$12,674.98 to \$3,146.23, subject to the exact timing of full repayment, in order to facilitate the sale and development of the Property; and

It further appearing that it is in the best interest of the County to approve this Resolution allowing the reduction of interest collected on a certain existing assessment.

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**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF CLACKAMAS COUNTY, STATE OF OREGON
SITTING AS THE GOVERNING BODY OF WATER ENVIRONMENT SERVICES**

In the Matter of a Resolution
Allowing the Reduction of Interest
Collected on a Certain Existing
Assessment



Resolution No. _____

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NOW THEREFORE, the Clackamas County Board of Commissioners, acting as the governing body of Water Environment Services, do hereby resolve:

1. The interest rate on the Property shall be reduced from 12% to 3%; and
2. The Director of Water Environment Services is authorized to take all necessary steps and execute all documentation necessary to accomplish the reduction in the interest rate and collection of the assessment owed by the Property.

DATED this _____ day of _____, 2022

**BOARD OF COUNTY COMMISSIONERS
As the Governing Body of
Water Environment Services**

Chair

Recording Secretary