

Infrastructure Finance Authority Meeting

April 5, 2019

Salem, Oregon

Attendance

Members Present: Andrea Klaas, Port of The Dalles (phone); Niki Iverson, City of Hillsboro (phone); Pat Clancy, representing financial sector (phone); Mark Knudson, Tualatin Valley Water District (phone); Jim Bellet, representing counties; Kristin Retherford, City of Salem (phone); Laura Lockwood-McCall, Oregon State Treasurer's Office; and Alexa Jakusovszky for Representative Karin Power

Staff Present: Chris Cummings, Assistant Director; Ed Tabor, Program and Incentives Manager, Dennis Knight, Finance Officer; Jon Unger, Program and Policy Coordinator; Janna Graham, Finance Officer, Rich Rodriguez, Finance Officer, Tawni Bean, Regional Project Manager, Sean Stevens, Regional Development Officer, and Suzy Miller, Executive Assistant

Guests: Reed Wagner and Colin Rowan, MCDD Levee Ready Columbia; Adam Jones, Jacob Brady, and Dawn Russ, City of Glendale; and Matt Wadlington, Civil West Engineering

Chair Klaas called the meeting to order at 10:00 a.m.

Welcome, Introductions, Minute Approval

Chair Klaas welcomed everyone and introductions were made.

Public Comment

None.

Review of Proposed Meeting Minutes

Action: Chair Klaas called for a motion to approve the minutes of the December 7, 2018, and February 1, 2019, meetings.

Kristin Retherford made a motion to approve the minutes.

Jim Bellet seconded the motion.

Vote: Passed; Minutes approved.

City of Glendale

Sean Stevens, Regional Development Officer, introduced representatives from the city of Glendale. The city is asking for an award of \$1,433,736 from the Water/Wastewater Program to design and construct improvements to their influent pump station and collection system.

Matt Wadlington, Civil West Engineering, provided some history and background about the collection system. It was originally built in the 1950's; with the wastewater treatment plant built in 1977. In 1991, the city was permitted, by the Department of Environmental Quality, (DEQ), to discharge into Cow Creek; however, due to multiple violations of the discharge permit

requirements, the city and DEQ entered into a Mutual Agreement Order (MAO) in 1998. Since then, numerous amendments have been made, including having the city prepare a preliminary engineering report to look at the collection system and the influent pump station. This was completed in September 2018.

Matt pointed out some of the deficiencies they are dealing with (holes, root intrusion) in the Inflow and Infiltration system (I&I) that are causing major leaks and the plans to repair them. Currently, the influent pump station has a temporary pipe with pumps undersized for the flows they are receiving. The pumps do not meet DEQ redundancy requirements; the proposal is to replace the pumps so they are capable of pumping the peak flows. New pumps would pump approximately 1600 gallons per minute into the wastewater treatment plant. The city is working on the improvement plans for the collection system, which includes a few different methods of fixing the pipes and the manholes, as well as a predesigned report for the influent pump station. Once the predesigned report is complete, they will move into final construction documents for the pump station improvements.

The board raised questions about the Swanson Group (lumber mills) and the stability within the community. The board understood one of the mills would be closing and inquired about the number of employees effected and the economic base in the city of Glendale. Tawni noted many of the employees commuted from Grants Pass and Roseburg; other employees have been transferred to other mill sites. Swanson is not the major employer, retail is, but they are a big part of the community. Members also asked about new connections and growth. Jacob Brady with the city indicated people are moving in; but as far as available lots to develop within the city limits, there are very few remaining; lots would have to be developed outside the city limits. However, due to the MAO with DEQ, the city doesn't have any connections outside the city limits. Swanson has half a dozen lots just outside the city limits they would like city services to be able to provide to their employees for affordable housing. If improvements are constructed, the city could potentially annex in that land, serve it and have additional development.

Rates was another issue raised by the board, given limited growth perspective/projection, there's still a fairly aggressive proposed rate increase. The board was curious how this sits with the city council and the community; any pushback? Tawni said the city council is aware of the rate schedule and understands the situation and the need to resolve it. Public city council meetings have been held with the proposed rates on the agenda for discussion; another meeting is scheduled next month.

Action: Chair Klaas called for a motion.

Mark Knudson moved to approve an award of \$1,443,736 in Water/Wastewater Financing Program funding to the city of Glendale, comprised of a \$721,868 loan at 1% for 30 years and a \$721,868 grant to design and construct Influent Pump Station and Collection System Improvements.

Jim Bellet seconded the motion

Vote: Passed

Levee Infrastructure & Accreditation

Reed Wagner, Executive Director, Multnomah County Drainage District (MCDD), and Colin Rowan, Director, Levee Ready Columbia Program, addressed the board about the work MCDD is doing around the state, as well as the statewide need for Oregon's Levees. The MCDD works to protect lives, property and the environment by maintaining levee systems, managing drainage, and responding to emergencies for nearly 13,000 acres of land along the Columbia Slough and the lower Columbia River; in addition to managing three other drainage districts: Peninsula Drainage Districts 1 and 2; and the Sandy Drainage Improvement Company.

There are more than a thousand miles of levees throughout Oregon; many built 50+ years ago and are now in need of improvements in order to continue to function. Although the federal government helped construct and maintain the levees, nationally, the cost to maintain the infrastructure falls on local governments. New higher standards were put into place by the Army Corp of Engineers following the levee failures in New Orleans in 2005; however, no funding was provided for assistance. New requirements must be met in order to maintain or secure certification and accreditation through the Federal Emergency Management Agency (FEMA). Cost is a big concern; upgrades on the west coast run about \$10M per mile; the MCDD has 30 miles, something they cannot handle alone. Reed thanked Business Oregon for the assistance they have received in getting communities back on track, and for the opportunity of making loans available in order to start the investigation process to meet the new standards. With federal funds coming in and investing partners, they are looking to come up with a sustainable future for revenues to meet their capital needs.

Collin provided information about the Levee Ready Columbia (LRC), as well as three legislative bills. The LRC is a [partnership](#) of more than 20 organizations committed to a collaborative approach to floodplain management. These organizations include local, state, and federal government agencies, as well as business, environmental, and community-based organizations. Collin stated, in 2016, while investigating levees/certification work around the state, they discovered there's over 500 miles of federally built levees throughout Oregon, and the state-wide need to tackle the certification problem.

Senate Bill 254 would make more grant funds available and to use the levee sub account (currently a loan fund to support communities that can't back loans) and to make it more grant focused; a matching program. SB432 would replenish another \$10M into the levee sub account. Both bills have partner matching bills; both have been referred to Ways & Means due to the financial impact to the state. The board asked about SB431 and whether MCDD was involved; Reed, indicated they were. The bill would create an urban flood and water safety district; it would give them the ability to charge utilities as opposed to property assessments, which is currently done based on acreage and impervious areas. Laura mentioned it would allow the use of GO and Revenue bonds, as well as accept state and federal loans. Reed spoke a little about railroad trestles serving as part of the levee system; something MCDD will always deal with. Many questions have been raised as to the strength of the embankment serving as the western part of the system. The Army Corp of Engineers granted MCDD a feasibility study to fund projects in the future, including the western part. Their goal is to find solutions that work best for everyone.

Water/Wastewater Financing Program Rulemaking

Jon Unger came before the board seeking approval on the recommended rulemaking changes for the Water/Wastewater Financing Program. Jon provided a presentation on the program background; including investment prioritization, design and construction, technical assistance, ensuring a clear and succinct rule set, and coordination of first approach taken/next steps.

The program funds drinking water, wastewater, and storm water design and construction; as well as technical assistance projects. Common technical assistance projects include water master plans, and wastewater facility plans overseen by the Department of Environmental Quality (DEQ). The program also provides funding for feasibility studies; typically for a discrete project. Coordination is important with the regulatory authorities and health authorities on the drinking water side, as well as DEQ on the clean water side. Building partnerships with those regulatory agencies who are subject matter experts is imperative to understand and support those investments that are most needed to help communities stay in compliance with federal and state requirements.

One goal of this rulemaking was to identify prioritization criteria to be utilized when the funding source is inadequate to meet all community needs. The existing rules mentioned prioritization criteria, but the rule lacked clarity. The agency would like to utilize an existing agency resource, the list of rural economically distressed areas that Business Oregon maintains. In addition, the agency would like to continue prioritizing those investments that are tied to achieving, or maintaining, compliance in cooperation with the regulatory agencies. An additional prioritization focus could be on regionalization, partnerships and collaborative projects.

With regards to Design and Construction Project Funding—Regulatory Enforcement is a sensitive and challenging issue for communities. To withhold funds until a regulatory agency is forced to act may not always be in the best interest of those communities. For this reason, the agency would like to work with regulatory agencies to target improvements to both address those communities out of compliance, as well as those that are in danger of being out of compliance to make sure they stay in good stead with regulatory requirements. Urgent needs is another issue to be addressed such as drinking water health risks, water supply and water quality concerns.

The technical assistance side is strict; documentation for water master plans, or waste water facility plans are not necessary, but for feasibility studies, we are required by rule to have documentation that a notice of non-compliance has been levied upon the community. Working with DEQ and the Oregon Health Authority (OHA), we've talked about an approach where the regulatory agency can instead document in the investments needed. Another technical assistance piece is a rule that allows \$600,000 of technical assistance expenditures each biennium. We take expenditures to mean disbursements; the agency would like to modify the rule to allow awards of technical assistance grants not to exceed \$600,000 in a biennium. The timing in which communities disburse funds is highly variable; awards are for two years, and generally follow that model of a biennial. Supporting infrastructure regionalization studies is another area the agency is looking to assist. The agency is looking to pursue a clear and succinct rule set in order to address inconsistent rule organization, clarifying feasibility documentation requirements, and removal of rules more appropriately addressed contractually.

Jon implemented a coordination approach to obtain comments on the draft rules by reaching out to agency partners, stakeholders, as well as board members before going out for public comment; staff is hoping this approach will minimize the volume of comments.

Next steps include, upon board approval, filing a Notice of Proposed Rulemaking, with a 49-day public comment period. If the agency receives substantive comments, those comments would come back to the board for further deliberation and discussion. If the agency doesn't receive any then the rules would be adopted.

Action: Chair Klaas called for a motion.

Mark Knudson moved to approve the filing of a Notice of Proposed Rulemaking on the proposed Water/Wastewater Financing Program Rules, to provide an additional public comment opportunity to facilitate rule adoption.

Niki Iverson seconded the motion.

Vote: Passed

SPWF/WF Audit Year End June 2019

Jenny Wilfong, CFO, for the agency, addressed the board regarding the agency's annual audit by the Secretary of State of the Special Public Works Fund and Water Fund. During the review, the audit noted a misclassification of \$18.9M shown as a prior period adjustment when it should have been included in the beginning net position line. This resulted in the beginning net not in agreement with Fiscal Year 2017 ending net. Jenny covered several points with the board in regards to management's review process for accuracy on financial statements; that the error did not change the overall ending net position on the financial statements for Fiscal Year 2019, and steps moving forward in developing and implementing a written process to define an internal process and procedure for financial reviews, as well as a checklist of items to review and sign-off/document to ensure financial statements are in accordance with the Government Accounting Standards Board.

Safe Drinking Water Revolving Loan Fund Extended Loan Term

Jon Unger addressed the board for approval to adopt program modifications to the Safe Drinking Water Revolving Loan Fund (SDWRLF). The board would move to adopt program modifications, including consideration of a 40-year loan term length consistent with recent amendments to the federal Safe Drinking Water Act. The SDWRLF program is a federal-state partnership to help ensure safe drinking water by providing financial support to water systems including infrastructure funding. The program is jointly implemented by the Oregon Health Authority Drinking Water Services (OHA) and Business Oregon. The agencies work together to approve projects, administer the revolving loans and undertake related activities. Since 1997, the state of Oregon has received an annual capitalization grant from the United States Environmental Protection Agency (EPA).

Jon noted there has been a lot of discussion about disadvantaged designation with the program. EPA says if a community is disadvantaged, they can get long loan term length, but the state would be responsible for identifying which communities are disadvantaged. For 2019, the criteria is that communities with a Median Household Income (MHI) below the state average are disadvantaged; or communities with MHI above state average, if after the project, the rates would be high at 150%

of the affordability rate. EPA now allows a 30-year loan term length for any borrowers, with disadvantaged communities able to access a 40-year loan term length.

Jon outlined the recommended program modifications:

- 1) Communities with a Median Household Income (MHI) below the state average, a 40-year loan term length may be offered if after 1% interest rate subsidization and all available forgivable loan allocation, the community would still have water rates in excess of what is affordable (i.e., affordability rate);
- 2) Communities with an MHI above the state average, a 40-year loan term length may be offered if after project completion water rates would exceed 150% of what is determined to be affordable (i.e., affordability rate); and
- 3) An up to 30-year loan term length could be offered to those communities that do not meet the criteria listed in items 1 and 2 above.

Board discussion focused on Design Life (overall criteria/case-by-case basis; calculation of life; value determination; costs); as well as, Loan Term Length and Disadvantaged Designations (are there 40-year projects out there; would we be burdening communities with long-term debt; what is the dollar size on typical loan, what is the month-to-month burden, hardship cases).

The board asked staff to put together additional information to review for a future board discussion. They would like to see some comparison examples of loans that have come through the program in the last couple of years (what the loan was with the amortization); reminders of percentages of the affordability rate or the 150% of the affordability tool; and what the monthly burden would be (number of users and monthly bill, with the affordability).

Other Business

Agency Update—Brenda Bateman joined the agency on a job rotation from Water Resources as the Asst. Director for Operations, overseeing Fiscal, Employee Services, IT, and Business Finance.

Legislative Update—The agency will appear before Ways and Means subcommittee April 22/23 for Phase II of the agency programs.

Audit Committee—The agency has an internal audit committee (working with a consultant auditor) to help build an audit plan annually. That committee should also consist of representation from the Oregon Business Development Commission, as well as the IFA Board. Chris asked for a volunteer to serve on the committee; anyone interested should email Chris.

Nikki stepped in for Andrea to give a presentation to the Business Development Commission on who the IFA Board is and why the board function is important.

Next meeting: June 7, 2019, in Salem.

Chair Klaas adjourned the meeting at 12:15 p.m.

Approved by:

Signature on file
Andrea Klaas, Chair
Infrastructure Finance Authority Board

June 21, 2019
Date

Signature on file
Chris Cummings, Assistant Director
Business Oregon

June 21, 2019
Date