

Infrastructure Finance Authority Board Meeting

June 1, 2018

Scappoose, Oregon

Attendance

Members Present: Niki Iverson, City of Hillsboro; Pat Clancy, Public Financial Management, Inc.; Jim Bellet, representing counties; Laura Lockwood-McCall, Oregon State Treasurer's Office; Andrea Klaas, Port of The Dalles; Mark Knudson and Representative Karin Power (phone)

Staff Present: Chris Cummings, Assistant Director; Robert Ault, Business and Community Development Manager (phone); Ed Tabor, Program and Incentives Manager; Melisa Drugge, Business Development Officer (phone); Rich Rodriguez, Finance Officer; Daniel Holbrook, Industrial Lands Specialist; Melanie Olson, Regional Development Officer, Shanna Bailey, Regional Project Manager (phone); and Suzy Miller, Executive Assistant

Guests: Paula Miranda, Doug Hayes, and Scott Jensen, Port of St. Helens; Mark Morgan, City of Hermiston; Wendy Johnson, League of Oregon Cities; Carol McCoog and Jennifer Cordova, Hawkins, Delafield & Wood, Bond Bank Counsel

Chair Iverson called the meeting to order at 11:00 a.m.

Welcome, Introductions, Minute Approval (Audio Index 0:10)

Chair Iverson welcomed everyone and introductions were made. Chair Iverson also introduced Craig Campbell, Executive Director for Oregon Manufacturing Innovation Center (OMIC), who welcomed the board to their new facility and gave a brief overview.

OMIC is a public/private partnership whose mission is to develop and apply advanced metals manufacturing technologies and processes for industrial competitive advantage and academic growth. Based on a project that exists in Sheffield, England, the first of 15 innovation centers sponsored by Boeing; OMIC is number 15, and the first one in the United States. OMIC has 15 industrial metals manufacturing partners and three research university partners; soon to add three more to manufacturing partners. Over the next several years, it's anticipated that about 500 acres of industrial land will be used for expansion.

OMIC has partnered with Portland Community College in hopes of getting more young people interested in manufacturing; plans are underway to build a facility nearby for OMIC training. Training will comprise of apprenticeship programs, leading to hands-on application to do research, learn a variety of machines, as well as instill problem solving skills, critical thinking, and an understanding of the innovation process.

Craig closed by saying, at OMIC, everyone has a common goal and are all working in the same direction. The community, universities, and partners are very supportive of what they will do for the region, bolstering the economy, and allowing industrial partners to compete on a global scale.

Public Comment

None.

Review of Proposed Meeting Minutes (Audio Index 9:13)

Action: Chair Iverson called for a motion to approve the April 6, 2018, minutes.

Laura Lockwood-McCall noted the following needed revisions: Laura was present at the April 6 meeting, not by phone; and the incorrect last name spelling of Larry Groth.

Pat Clancy moved to approve the minutes, with the above-mentioned corrections.

Jim Bellet seconded the motion.

Vote: Passed

City of Hermiston (Audio Index 10:10)

Before introducing Mark Morgan, Assistant City Manager, Melisa Drugge addressed the board with an explanation on enterprise zones, as she felt it was an important piece of what Mark would be presenting in terms and relationship to the project. The connection is in relationship to the enterprise zone agreement already in place between the county, city, and Lamb Weston. The relationship of the Lamb Weston project is very separate and distinct from what Mark would present to the board.

An Enterprise Zone is a tax abatement program sponsored by municipalities which allows local businesses to exempt from real property taxes for a specific amount of time. There are 69 enterprise zones throughout the state of Oregon, with the city of Hermiston being one, as part of the Umatilla County zone. Melisa explained, Lamb Weston did an expansion and are currently constructing that expansion to their Hermiston facility. In doing so, they negotiated with Umatilla County and the city for a long-term rural enterprise zone, a 15-year tax abatement. In addition, a negotiation occurred between the county, city, and the company in relationship to a fee payment; the private company pays back the county and city for 15 consecutive years once the project is constructed and completed. The negotiated amount is \$1M. The division is important because both the county and city have formally agreed a portion of the money (received in the first few years) would be applied towards the payment for this funding request.

Melisa introduced Mark who addressed the board on the city of Hermiston's request for funding from the Special Public Works Fund (SPWF) in the amount of \$4,516,575 to expand their water system capacity. The city is located in northwest Umatilla County, where it owns and operates a municipal water system that serves the city and its urban growth boundary. The Preliminary Engineering Report (PER) identified general improvements within the Northeast portion of the city to increase water supply, increase storage, and alleviate pressure issues within the distribution to meet the needs of a growing community.

The project consist of the development and construction of a 1M gallon water reservoir, and upgrade to the booster pump stations. Total cost is about \$4.5 M. The county will commit a total of \$2M (from their first four years of their long-term rural enterprise zone payments), with the city of Hermiston committed to covering the remainder of the project. Payments will come in general fund contributions, as payments from Lamb Weston will come as payments in lieu of taxes.

Mark explained the history of how AutoZone led to the creation of the project. AutoZone advertised construction of a warehouse in Pasco, looking to hire 200 people. However, with the help of Melisa, the company also looked at the city of Hermiston (amongst others in Oregon), becoming the final Oregon site. However, the labor need was crucial and the city simply lacked

available workforce to fill the 200 positions. This led the city to look into what the future may hold in terms of larger scale economic development projects. Despite the housing issues around the state, Hermiston has been lucky, private sector's been doing a good job of providing housing for a number of years. However, when the AutoZone project came up, the city realized they had been adding housing, just not quick enough. In 2017, the city council made housing development one of their goals.

In 2017, the city started updating the Water System Master Plan with the number one critical issue to focus on—the 18 hours of storage capacity. In addition, there's a long-term pressure issue on the north hill, which is the residential growth area. It's been too expensive to upgrade the booster pumps to provide adequate pressure up to that north hill area without substantial investment. The new tank would be built at the highest spot for the area, and would provide the kind of pressure needed inside the urban growth boundary. As part of the project, the city will design the site layout to accommodate and future needs. The location will help to tackle some of the housing issues as well. The city feels this project is a good investment back into the community to help tackle the issues that help develop their economy long-term. The entire theory is if we can add more additional residential developable land on the inventory, we hope to stimulate some additional new housing.

Mark answered questions concerning water permits, whether additional permits were needed to store the water, the internal pipe buildout and costs, as well as loan terms and repayments. With regards to additional permits, he stated this project upgrades the pumps and boosters that end up filling the tank, so no additional supply will be added. The city benefits from having a dual water system so are predominately off wells, but also has a substantial access to water from their regional water system off the Columbia, for which they have an agreement with the port.

Mark indicated the build-out of the actual internal piping would fall under the city's existing development standards. The developers would be responsible for developing the internal piping system, and their SDCs would remain the same. This would pay for the cost of running those main lines through those main corridors. There is sufficient capacity to build the entire area out.

The board discussed the language used in the staff recommendation regarding the other requirements and whether it creates a problem or concern ... "The recipient would be required to grant and state a security interest in and irrevocably pledge the recipients Lamb Weston fee payments derived from the executed agreement between Umatilla County, the city of Hermiston, and Lamb Weston and the county's agreed payment to the city." Carol McCoog felt it was not problematic because the project itself, even though security for the loan, would be the payments from Lamb Weston because the project itself is not connected with the Lamb Weston project. It is not being undertaken specifically to benefit the project. It just happens to be how those payments will be used to repay the loan for this water project.

The board asked why the city went with a 15 year loan vs. 9 years. Mark said flexibility; originally, the city wanted to pay it off as quickly as possible, but with a 15-year opportunity they chose that structure. The question led to more discussion among members around loan selection and terms (9 vs 15), and what the benefits or incentives could possibly be, including bond bank projects. It was decided to table the topic for a future agenda item.

Action: Chair Iverson called for a motion.

Mark Knudson moved to approve an award of \$4,516,575 in Special Public Works funding for the city of Hermiston, comprised of a \$4,516,575 loan at 3.09% for 15 years to construct improvements to the city's Water Storage & Distribution System.

Jim Bellet seconded the motion.

Vote: Passed

Legislative Concepts and Policy Option Packages Update (Audio Index 52:00)

Chris outlined the Policy Option Packages (POPs) the department is looking to submit for the upcoming 2019 legislative session, as well as the legislative concepts (LCs). The Commission will vote on the final list at their July meeting. Chris highlighted the following: Oregon Innovation Center, Regionally Significant Industrial Site, Special Public Works Funds, Ports, Marine System Plan, Marine Navigation Improvement Fund Recapitalization, Brownfields Redevelopment Fund, Seismic Rehabilitation Grant Program, Regional Infrastructure Fund (for regional solutions teams), Local Economic Community Fund, and an on-site attorney.

With development and implementation of the department's strategic plan, many POPs and LCs align with the plan in order to help innovate Oregon and enhance rural economic growth. The agency will address how the plan fits within the department before the legislature. Moving forward, the department plans to address statutes that have not been reviewed for many years to clean them up, and bring them up-to-date.

Joint Lunch with Columbia County Economic Team

The board joined the Columbia County Economic Team for lunch to hear an update on the operations and progress of the center, the sponsored relationship with Boeing, as well as the partnership developed with Portland Community College to gain the interest of more young people in manufacturing. A demonstration was shown of the newly acquired M80 Millturn made by Austrian company WFL. The M80 is a multi-purpose machine that can produce a finished part without needing to move it from machine to machine. Guest speakers included Congresswoman Bonamici, Oregon State Senator Betsy Johnson, William Gerry, Program Manager and Craig Campbell, Executive Director of OMIC, Oregon State Representative Brad Witt and Chris Holden, PCC Training Director.

Port of St. Helens (Audio Index 08:00 2nd half of meeting)

Doug Hayes, Executive Director, for the Port of St. Helens addressed the board about a possible future project. The Port of St Helens was created in 1940 under ORS Chapter 777 in order to pursue economic development activities. The district encompasses all land for a depth of about 6 miles from the banks of the County's 51-mile Columbia River frontage. The port district is comprised of just under half of the county's land area and includes the communities of Scappoose, St. Helens, Columbia City, Rainier, and Clatskanie. The port is looking to construct a 90,000-sq.-ft. SPEC building, originally estimating their cost at \$25M, but after further research into the design and what their tenants' real needs were, staff reduced the cost significantly, and realistically looking at \$12M; Doug added the commission recently approved their proposed budget for next year. Growth continues in the area and the interest is out there, Boeing in particular. The port owns 2400 acres, including the Port Westward property, which is adjacent to a deep water port. The depth of that dock ranges from 42-75, depending on the year. However, Port Westward's land was not properly zoned (837 acres), so they rezoned the property and is now waiting for a decision from the Land Use Board of Appeals (LUBA).

The board talked through the need for a credit rating, something the Port has not had done formally, as well as the different funding possibilities (loan, bond bank, private bank, revenue bond), and what the terms might look like, to gain more of an understanding of what the port's needs were. The board wants to make sure they have the capacity, internally, given all the other projects coming before them. Doug expressed his thanks for the opportunity to give them a heads up; the takeaway will be very helpful in moving forward.

Applications over \$15M (Audio Index 55:31)

Ed addressed the board regarding applications over \$15M the department receives and the fact some requests received exceed the department's standard. Staff is looking for direction if this is something the board would like the department to solicit or entertain, as past practices have been along the lines of, appreciating the need but probably should pass. There are options—bond bank, combination of program dollars and bond bank dollars, or single issuance bonds—for these projects that are standalones. Chris added staff realizes this will be a multi-meeting discussion but would like to start engaging the board on the matter. Chris shared in talking with Laura, Treasury already has a program they work with that has a pre-approval process. Laura explained when a non-profit comes through, the board sees the project in the beginning to get the big picture, then the pre-approval to start work on the deal. These are standalones, each transaction based on their own credit. The bond bank is a combined credit. The approach has worked very well for a long period of time, from million dollar projects to small ones.

Laura cautioned when it comes to irrigation systems they have no credit rating because they don't have districts. They do have the ability to tax themselves but they're the only entity in state, in the local jurisdictions that could file for bankruptcy. The board needs to think strategically because irrigation districts are a special category. The board continued discussion and tabled ideas for further conversation around credit risk, underwriting of the loans, concern for SPWF if not allowed to recapitalize due to taking higher risks, bond bank possibilities, etc.

Special Public Works Fund Committee (SPWF) Update (Audio Index 1:17:17)

Daniel Holbrook provided a brief update on the SPWF Committee. In October, 2017, the board asked for the creation of a committee to look at ways to update/upgrade programs that fall under the funding of special public works. The committee had representation from state, cities, counties, tribes, special districts, engineers, and looked at policies, practices and fund management. The committee took a think-tank approach looking at ideas they could work with and structure the language around it. Their final meeting is set for June 8. Next steps include capturing the agreed upon concepts and recommended proposals; as well as those discussed but not moving forward; develop an action plan for each concept. The committee is looking at the August 3 board meeting to present the recommendations.

The last meeting showed good movement with the outcome of seven concepts to focus on for the final meeting for recommendations. Daniel discussed briefly each of the concepts:

1. Create a pre-disaster mitigation funding option; this would be in line with FEMA's pre-disaster mitigation grant. A great opportunity for the state to capture federal dollars. The money could be used for disasters such as seismic, floods, etc.; every community has some level of infrastructure at some risk, depending on what the risk factors are for them. Identifying those to address and fix as funding/ become available is what the fund is for.

2. Water wastewater projects—adjust the MHI, to maximum of 80%. The idea was, if dealing with less funds, drop down to 80 and see the result. The committee will review results for discussion next week.
3. Allow projects for wastewater that are not in the non-compliance stage. Address your issue, prior to it being a non-compliance issue.
4. Collapse all granting agencies into one administrative unit (DEQ, DSL, ODOT, etc.)
5. Education and outreach—how to help incentivize good behavior so plans with maintenance replacement and operations best practices are followed in the field.
6. Explore a matched cash bond concept.
7. Explore new revenues or way to have committee revenues.

Daniel feels the board and the staff does good work across the state but having the fluctuation, really influences how we can provide the services to the committee's that are actually willing to do something about the needs that they have at the local level. If what we do here is important to the state of Oregon then we need to have a secure revenue source and fluctuations are not secure. Laura mentioned something to think about pursuing was the possibility of looking into another pot of money in the bond program as another mechanism, do a Constitutional amendment, match it and administer it. The communities go through this effort of what are their most vulnerable pieces of infrastructure and you broaden the way. Chair Iverson mentioned the upcoming meeting regarding resiliency with Business Oregon; Laura suggested Ryan Mann, the Treasurer's policy person, as she feels this is something they would support.

Other Business

Next Meeting to be held August 3, 2018, in Salem.

Chair Iverson adjourned the meeting at 2:30 p.m.

Approved by:

Signature on file _____

Niki Iverson, Chair
 Infrastructure Finance Authority Board

_____ Date

Signature on file _____

Chris Cummings, Assistant Director
 Business Oregon

_____ Date