

# Memorandum

July 3, 2018

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**TO:** Infrastructure Finance Authority Board  
**THRU:** Chris Cummings, Assistant Director  
Ed Tabor, Programs and Incentives Manager  
**FROM:** Daniel Holbrook, AICP, Industrial Lands Specialist  
**SUBJ:** Special Public Works Fund Committee Summary Report

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## Foreword

This report is advisory in nature and for the use of the Infrastructure Finance Authority Board (board) and staff. The board and staff can choose to accept, modify, or reject all or some of the recommendations provided within this report.

## Overview

As a result of a series of discussions with staff and the board, the board recommended at their October 2017 meeting that staff form a committee to review the Special Public Works Fund and supported programs and make recommendations concerning fund sustainability and program updates.

In December, 2017, Business Oregon hired a neutral, third-party facilitator and formed a stakeholder committee tasked with reviewing two programs, the Special Public Works Fund (SPWF) and the Water/Wastewater Financing Program (WWFP). The committee was charged with making strategic recommendations to the IFA Board and staff concerning SPWF and WWFP policies, practices, and fund management. These programs provide loans, and grants to public entities throughout Oregon to finance needed public infrastructure. This committee served as an advisory committee of representative stakeholders to take a big picture look at these programs, discuss the program objectives and current issues, and seek consensus around any program practice, rules, policies, statutes, and fund management recommendations.

## Committee Members

The committee was comprised of the following members:

- Patrick Clancy, IFA Board, PFM
- Representative Karin Power, IFA Board, Oregon Legislature
- Scott Aycock, Central Oregon Intergovernmental Council
- Ed Butts, Professional Association of Engineers
- Mike Eliason, Association of Oregon Counties
- Wendy Johnson, League of Oregon Cities
- Alyssa Macy, Confederated Tribes of the Warm Springs
- David Ulbricht, Special Districts Association of Oregon

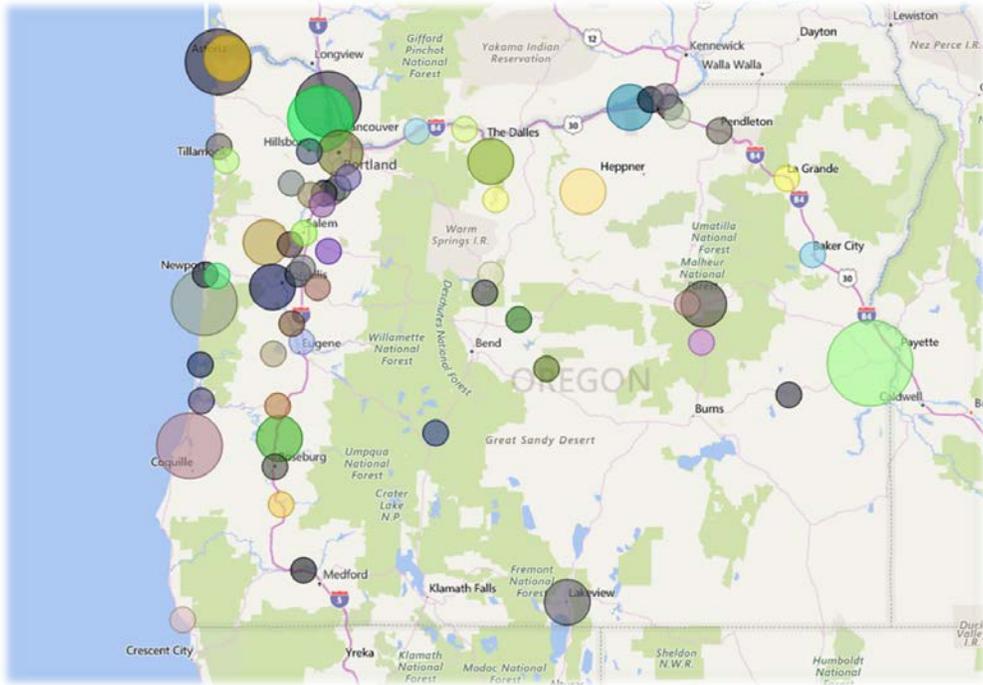
## Meeting Schedule and Focus

The committee met monthly from January to June, 2018. The meeting schedule and focus was as follows:



The inaugural kick-off committee meeting on January 5, 2018.

- **Meeting 1, January 5, 2018:** The committee reviewed the SPWF program background as well as their charge, expectations and process timeline. The committee established the following goals for the program based upon individual desired outcomes established through one-on-one interviews.
  - Transparency
  - Sustainability
  - Equity
  - Flexibility
  - Improved infrastructure
  - Healthy communities



This map of Oregon shows the location of the 2015-17 fiscal year budget awards. Award locations are depicted with circles and the size is reflective of the amount of the award. The larger the circle the larger the award. The color of the circles is to distinguish the cities from each other.

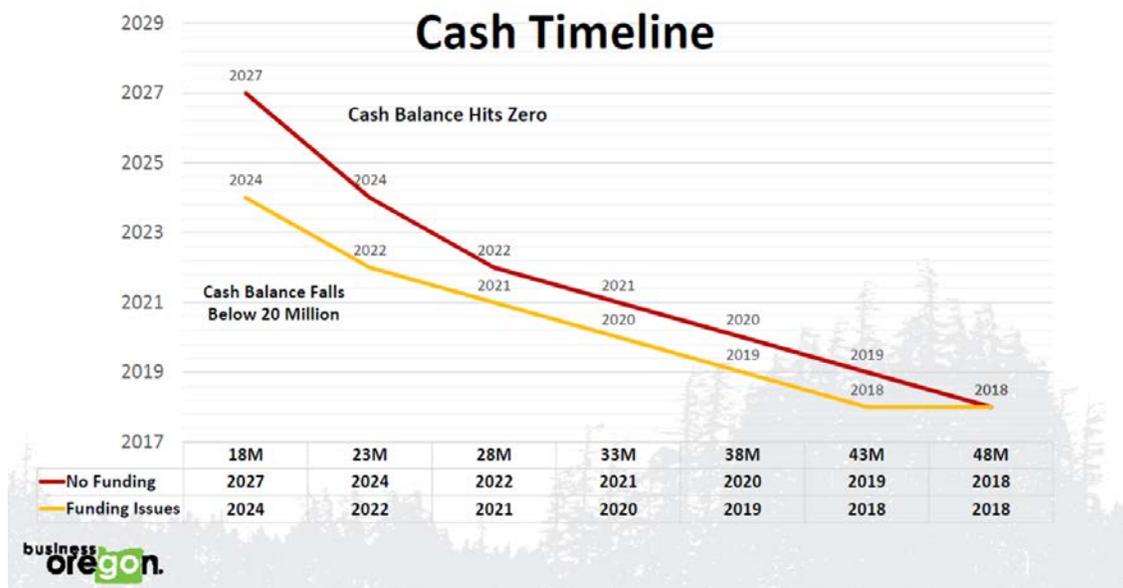
### SPWF & WW FY15-17 Award Summary

This table represents an itemization of awards by grants, loans and entity type for the fiscal year 2015-17.

Entity Type	Sum of Grant	Sum of Loan
City	\$5,135,451	\$34,199,130
County	\$330,500	\$6,284,266
Port	\$0	\$17,801,052
Special District	\$1,548,947	\$7,776,470
Grand Total	\$7,014,898	\$66,060,918

- **Meeting 2, February 9, 2018:** The committee reviewed a proposed list of policy/program changes developed by staff that could be fast-tracked to meet the timeframe to be included in the Governor’s budget request for the 2018 session package. At this meeting, the committee weighed in on whether or not to move forward with the following three concepts:
  - Create a new Pre-Disaster Mitigation Option—general consensus was to move forward with this topic.
  - Create new administrative fees—general consensus was to move forward with exploring a new loan fee, but not an early payoff penalty fee.
  - Change the Max Term of Loans to 40 Years—general consensus was to park this topic for the time being.

- Meeting 3, March 2, 2018:** The committee continued their discussion on proposed program/policy changes; focusing on the following three concepts that seemed to be supported by the committee via a homework assignment.
  - Modify grants and loan subsidies for water/wastewater projects, adjust MHI to max at 80%—general consensus was to park this topic for the time being.
  - Split awards between design & construction—general consensus was to not move forward with this concept.
  - Permit water/wastewater financing for projects that aren't compliance related—general consensus was to move forward with this concept.
- Meeting 4, April 13, 2018:** The committee received a presentation from staff at the Center for Sustainable Infrastructure to provide a perspective on infrastructure funding from Washington state. The committee also received an overview of the SPWF program financial forecast. The intent of these presentations was to provide context to help set-up future conversations on fund management and budgeting, big ideas and final recommendations.



Cash balance scenarios if recapitalization doesn't occur.

- **Meeting 5, May 4, 2018:** The committee reviewed and brainstormed a list of program changes, fund management concepts and budgeting ideas and then prioritized the following top concepts to focus on the near-term:
  - Create a new pre-disaster mitigation program
  - For water/wastewater projects, adjust MHI to max at 80%
    - Focus on more distressed communities
  - Permit water/wastewater financing for projects that aren't compliance related.
  - Collapse all granting [funding] agencies into one administrative unit—"one stop"
    - Streamline/efficiency
  - Education & Outreach
    - Training
    - Incentivize "right" behavior [pre-emptive action verses reactive for non-compliance findings for water, storm water, and wastewater systems].
    - Encourage forecasting
  - Explore a matched cash bond concept
    - Maximize utilization of bond bank
    - Match loan
    - Match grant
    - Differentiate between criteria for loans, grants and bonds
  - Explore new revenues
    - Dedicated amount or percent of lottery money
    - Maximize federal and local dollars
    - General fund
    - Taxes
    - Fee structures (i.e., user fee)
  
- **Meeting 6, June 8, 2018:** The committee reviewed the top concepts that resulted from meeting 5 to further refine them and make a final recommendation to staff on what to further explore and recommend to the IFA Board. The following is a list of key outcomes and final recommendations from the committee.



Key concepts were captured on the blue wall at the final committee meeting.

## Key Outcomes

The committee discussed and recommended the following concepts for further exploration by staff and to recommend to the IFA Board:

1. Create a pre-disaster mitigation fund option
  - a. What needs to happen to move forward
    - i. Currently at Governor's office as an agency proposed legislative concept.
    - ii. Minimal additional ask at this time, which was proposed with the policy option package for SPWF funding for the next fiscal budget.
    - iii. Leverage federal dollars (FEMA) and local
  - b. Who's Responsible
    - i. Governor's Office
    - ii. If it doesn't make it into the Governor's budget, the League of Oregon Cities will find another champion
    - iii. Staff can initiate this proposal by appropriation or legislative concept
  - c. Timeline for Completion
    - i. 2019 Session
  - d. Recommendation
    - i. Move forward
2. Water/Wastewater Projects, Adjust MHI to Max at 80%
  - a. What needs to happen to move forward
    - i. Consider if funding needs to be spread across projects
    - ii. Last course action [The committee didn't want to exercise this option unless other options are implemented and cost savings are realized.]

- b. Who's Responsible
  - i. Staff
- c. Timeline for Completion
  - i. Not applicable
- d. Recommendation
  - i. Park it for now
- 3. Permit Water/Wastewater Financing for Projects Not Compliance Related
  - a. What needs to happen to move forward
    - i. Staff needs to revise rules
  - b. Who's Responsible
    - i. Staff can revise rules (amendment process)
  - c. Timeline for Completion
    - i. 2019
  - d. Recommendation
    - i. Move forward (recognizing it will expand the demand on the program)
- 4. Collapse all Granting [Funding] Agencies into one Administrative Unit
  - a. What needs to happen to move forward
    - i. Create a clearinghouse of like agencies in one location
    - ii. Articulate the benefits and foster the conversation moving forward
    - iii. Difficulty with regulatory agencies lending funds to borrowers that are out of compliance
  - b. Who's Responsible
    - i. All cities, counties and special districts
    - ii. Budget Committee to explore?
  - c. Timeline for Completion
    - i. Undetermined
  - d. Recommendation
    - i. Move forward with exploring and furthering the conversation—communicate the benefits
- 5. Education & Outreach
  - a. What needs to happen to move forward
    - i. Create a holistic approach to education and training by partnering with like agencies & associations
    - ii. Fund existing training programs
    - iii. Reach out to cities, counties and special districts to create positive relationships
  - b. Who's Responsible
    - i. League of Oregon Cities
    - ii. Special Districts Association of Oregon and other associations
    - iii. Business Oregon staff and funding partners

- c. Timeline for Completion
  - i. On-going
- d. Recommendation
  - i. Move forward
- 6. Explore a Matched Cash Bond Concept
  - a. What needs to happen to move forward
    - i. Model impact on cash flow – make adjustments
    - ii. Blended interest rate
    - iii. Limit using cash to fund loans
    - iv. If short on cash, use bond proceeds
    - v. Look at collateral loans
  - b. Who's Responsible
    - i. Business Oregon staff
  - c. Timeline for Completion
    - i. Immediate
  - d. Recommendation
    - i. Move forward
- 7. Explore New Revenues
  - a. What needs to happen to move forward
    - i. Consider loan service fee once loan is closed, but not an application fee
    - ii. Need to vet with partners first
  - b. Who's Responsible
    - i. Business Oregon staff (policy change)
  - c. Timeline for Completion
    - i. Immediate
  - d. Recommendation
    - i. Move forward

The committee felt that the outcomes of this effort should be encapsulated into talking points for future program improvements at the legislative level and tied to the 2019 session funding package. The committee was also interested in reconvening at some point or remaining engaged through e-mail or other reporting mechanisms.



Committee and staff stand for a photo at the end of the final meeting.

### **Other Ideas**

The committee was introduced to and briefly discussed the following concepts, but chose not consider them at this time:

- Replace water/wastewater technical assistance grants with a 0% forgivable loan if construction loan isn't issued by the agency
- Expenditures shouldn't exceed revenues
- Modify grants and loan subsidies: offer 0% loans instead of grants
- Cap award amount
- Modify grants and loan subsidies—reduce by 50%
- Participate with other lending institutions
- Cap cash funding to \$5 million
- Start quarterly loan application cycles
- Split awards between design and construction
- Propose new fee: early payoff penalty
- Consider a recommendation package of more than one concept
- Extend loan terms to 40 years
- Sell loan portfolio