

# Infrastructure Finance Authority

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February 5, 2021

Virtual Meeting held via Go-To-Meeting

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## Attendance

**Members Present:** Andrea Klaas, Chair, Port of The Dalles; Kristin Retherford, Vice Chair, City of Salem; Pat Clancy, Financial Sector; Mark Knudson, Special Districts; Matthew Harris, Oregon State Treasury; Chris Bailey, City of Albany, and Representative Karin Power.

**Staff Present:** Chris Cummings, Interim Director; Ed Tabor, Program and Incentives Manager; Melisa Drugge, Reg. Development Manager; Renee Frazier, Chief Finance Officer; Larry Holzgang, Reg. Development Officer; Arthur Chaput, Reg. Project Manager; Matt Mattia, Reg. Development Officer; Jon Unger, Program and Policy Coordinator; Fumi Schaadt, CDBG Program Coordinator; Dennis Knight, Finance Officer; Janna Graham, Finance Officer; Suzy Miller, Executive Assistant.

**Guests:** Wade Hathhorn, General Manager, Denise Bergstrom, Finance Director, Chris Hawes, Board Chair, Sunrise Water Authority; Dan Scalas, Adkins Engineering; Mary Baker, Mary Baker Consulting; and Teresa Foreman, City Recorder and Mayor Gaylor Hescocock, City of Chiloquin.

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

Chair Klaas called for a motion to approve the December 4, 2020 minutes.

Mark Knudson moved to approve.

Pat Clancy seconded the motion.

Vote: Motion Passed.

## Agency Update

- Sophorn Cheang, the department's new director, is scheduled for senate confirmation on February 23, with a potential start date with the department the second week of March.
- The Emergency board awarded access to distribute additional funding (\$100 Million) for a lease assistance program for businesses. Ed Tabor and Daniel Holbrook are developing the design, parameters, and details of the program. The target date for the first application round is the first part of March. The department is looking to hire additional, temporary, help in order to meet the quick timeline the legislature set.
- The legislature asked the department to continue with the Personal Protection Equipment (PPE) program, in which the department was charged with distributing PPE to businesses. Initially the department worked through the Department of Administrative Services (DAS), but

later turned to partners across the state to assist in the distribution to businesses. Out of the \$10 Million allocated, the department was able to distribute about \$8 Million of the funds.

- The department also received \$2 Million in funding for a Technical Assistance Program (TAP). The department collaborated with many culturally diverse specific chambers and groups in rural areas to provide funding to help local businesses with applications and other issues that came about during the pandemic. The TAP is a program the department had in prior years and is still in statute today. In the Governor's Recommended Budget, the department asked for \$9 Million for the TAP program to carry it forward; the hope is to expand it so the network is complimentary and as broad as the Small Business Development Center (SBDC). Melisa Drugge and her team will launch the program in the coming weeks.
- Almost all of the other program funds awarded from last year's pandemic are distributed. Staff has learned many lessons through those rounds to help make sure that future grant funding is equitable and accessible to all populations.
- Governor's Recommended Budget. The department will go before the Ways and Means Subcommittee at the end of February. Due to the pandemic, staff will have three days to present compared to the normal four. Public testimony will take place on the third day, and staff may ask board members to testify. The main targets for the IFA to consider are Special Public Works Recapitalization, Brownfields Recapitalization, and Special Public Works. In addition, there is a proposal for another program (the department did not put in for) for unreinforced masonry buildings. The program helps retrofit, for seismic safety, those buildings that are unreinforced masonry. The department does have a request in the budget for \$150 Million for the Seismic Program for schools and emergency services buildings. Interim Director Cummings also went over some of the budget cuts that will take place: SBDC's, Strategic Reserve Fund (SRF), and the Industrial Lands Specialist position. The department feels the lands position was an accidental cut; the program has expanded over the last couple of years, and the department would like to continue growing it. The program offers great incentives for communities and developers to be able to develop industrial lands. Daniel Holbrook who staffed the program has since taken the new Broadband Manager position that will oversee the Broadband Office of five once funded. The department's overall budget increased by 50%, from \$1 Billion to \$1.5 Billion. The increase, however, comes without additional staff so management will work through an approach to address staffing needs.
- Bond Bank Rating Update. Ed Tabor provided an update on the bond bank rating. Last summer, the department went through the Request for Proposal competitive process to retain a new financial advisor for the bond bank. The final selection went to Jo Mortensen and the PRAG Group. The department recently went through a rating and pricing and the outcome was fantastic. The department received a rating increase from Moody's, from Aa2 to Aa1; Ed also confirmed the department's rating of AA+. This is critical as it plays a big role in regards to the pricing of bonds. By receiving the improved credit rating, the department was able to go into pricing and did quite well. The department also retained a new trustee last summer. The department moved away from the Bank of New York and transferred over to Zions Bank. It was a big lift, especially during the pandemic.

### **City of Chiloquin**

Arthur Chaput, Regional Project Manager, introduced Dan Scalas, Adkins Engineering, Mary Baker, Mary Baker Consulting, Teresa Foreman, City Recorder, and Mayor Gaylor Hescock, representing the city of Chiloquin. The city came before the board seeking \$1,640,000 from the Water/Wastewater Fund for construction of a new wastewater treatment facility. The city is

located on Highway 97 in Central Klamath County with a population of approximately 900. The project consists of construction of a new, 2-cell facultative lagoon treatment, storage, and effluent reuse facility. Treated effluent will be pumped to a 10-acre storage lagoon; and, during appropriate times of the year, land-applied via pivot irrigation onto a 36-acre field. The old treatment plant will be decommissioned and abandoned; construction of a new screening station at the existing lift station is planned. All work will be conducted according to the Department of Environmental Quality approved plans and specifications. Final design and environmental review work is being completed under a Community Development Block Grant (CDBG) project.

The city addressed questions submitted from the board prior to the meeting. Questions ranged from the cost of the new facility (twice the price), but with lower operating costs; why the CDBG loan is not authorized, and held until other approvals; why the loan was not shown in the DSC analysis, to the debt service analysis and concerns regarding the pattern of negative fund balances in the general fund.

Regarding the analysis that concluded the new facility, the city did a comparison of the present worth life cycle cost analysis. Even though the selected alternative had a higher capital cost it was very comparable at a life cycle cost, which gives more weight than just capital cost or operating cost alone. Other alternatives included mechanical treatment plants, which are energy, chemical, testing and operator intensive. The parameters resulted in a much higher OM&R cost, thus the comparable life cycle cost. Since life cycle cost is comparable at a planning level, the city also considered other factors such as discontinuing discharge to the river, which is an environmental benefit as well as a risk reduction for the city.

Arthur addressed the CDBG loan questions by explaining that the CDBG program has a more rigid application process. For infrastructure projects, they are two application cycles per year. Most CDBG projects come to the board as a set. When the application cycle closes, rating and ranking takes place, and the team recommends award. Staff does not take individual block grant projects to the board, except when they have a dual funding situation. The board does not approve the CDBG awards, but does approve the process. The CDBG funds will be 100% grant; there is no loan component, so is not reflected in the debt coverage; therefore, will not affect the city's debt service. The city intends to apply during the spring application cycle. The CDBG program will fund either final design projects or construction projects. The goal is to award construction funds only to projects that are ready to proceed: projects that have environmental reviews completed (city is waiting for the land use piece), design documents approved by the applicable regulatory agency, and projects that have all required match funding in-hand.

The board shared concerns about the negative fund balances in the general fund, and asked if any formal legislative acts had occurred locking the city in regarding the terms of the use of the funds. Concern is around the security in transactions of the revenues from the wastewater system that generate the utilities. If there is not enough money in the wastewater system in order to pay the bonds, is there some kind of resolution that could establish the enterprise nature of the fund and accept some kind of commitment to that debt coverage ratio. The board suggested adding a condition to the recommendation setting a lower limit on the debt coverage ratio. Teresa explained, originally, the city was trying to support the general fund, as well as support the other funds for utilities. However, the city's financial consultants advised them that the general fund should not be supporting other funds, but should support themselves; moving forward the city

plans to make that change. She also talked about the city's history for being behind in their audits due to circumstances beyond their control. Legislatively, there has been no actions in regards to locking the city into a resolution regarding the terms of the use of the funds. However, the city council is making a point of being more cognizant of what is currently taking place (expenses for the sewer plant and constantly increasing), as well as what the long-term picture will look like (decrease in expenses with the lagoon). The city has a 3% per year rate increase in perpetuity; that resolution was adopted and is in place.

Pat noted although covenants are not generally added to bond documents that would limit payments, he encouraged staff to consider language should the revenue from the sewer fund fall below 1.0 coverage that the city cannot make a payment from the general fund to some other fund until such time that coverage is back over 1.0. After further discussion, the board recommended adding a condition to the final recommendation in regards to limiting payment to other funds from the general fund should the wastewater fund fall below 1.05 times the debt service coverage. In addition, the original motion had an incorrect funding amount for the loan of \$850,000; the correct figure is \$890,000. The words "loan and grant" were also stated on the original motion after the amount of \$750,000, the correct word should be grant.

Chair Klaas called for a motion.

Pat Clancy moved to approve an award of \$1,640,000 in Water Wastewater funding to the city of Chiloquin, comprised of an \$890,000 loan at 1.00% for 30 years and a \$750,000 grant to construct a new wastewater treatment facility. In addition, staff will provide either through legislative act by the Chiloquin City Council, or inclusion in the loan document for the city, language to limit payments to other funds from the general fund in the event the wastewater fund falls below 1.05 times the debt service coverage.

Mark Knudson seconded the motion.

Vote: Motion passed.

### **Sunrise Water Authority**

Matt Mattia, Regional Project Manager, introduced representatives from Sunrise Water Authority (SWA), who came before the board seeking approval for \$10,083,000 from the Special Public Works Fund, for the design and construction of a new administration and field operations facility. The project includes \$6,750,000 in matching funds from the SWA. The recommended financing will consist of a 30-year \$10,083,000 Oregon Bond Bank loan with interim financing. The preliminary design includes a new administrative building, shop, and covered storage, fueling station, vehicle wash facility and material storage area. Wade Hathhorn, General Manager; Denise Bergstrom, Finance Director; and Chris Hawes, Board Chair, provided an overview of the project.

The SWA is a public special water district. It is the only urbanized water authority in the state, meaning its service boundary is not subject to annexation by surrounding cities. The formation of the SWA was through a partnership with the city of Happy Valley that included a merger of the former Mount Scott water districts and the Damascus water districts. The primary service territory is in and around the city of Happy Valley. Happy Valley is one of the major areas for development in the Portland-Metro area, adding about 300-400 new connections a year. The SWA currently runs their operations in a facility that is less than one-fifth the current size of the proposed expansion. The current facility is located in the midst of a residential neighborhood. The city purchased a 16 acre tract where they plan to house the new facility.

Mark Knudson declared for the board his participation on the Board of the Oak Lodge Water Services. Oak Lodge Water Services is a closely aligned partner with SWA, and share in the ownership, costs and management associated with the North Clackamas County Water Commission. There are no personal or organizational conflicts of interest on the part of Mark.

Chair Klaas called for a motion.

Pat Clancy moved to approve an award of \$10,083,000 in Special Public Works funding to the Sunrise Water Authority, comprised of a 30-year loan to construct a new Administration & Field Operations Facility.

Chris Bailey seconded the motion.

Vote: Motion Passed.

### **CDBG AAD Committee Recommendation of the 2021 CDBG MOD**

Fumi Schaadt reported on the Community Development Block Grant Program (CDBG) 2021 Annual Action Plan. Staff is seeking the board's approval for acceptance of the recommendations of the 2021 CDBG Program. The agency, alongside the Annual Action Development Subcommittee, whose main function is to annually review the program and the Method of Distribution (MOD), and discuss and assess the proposed changes to the CDBG program delivery, developed the MOD for final approval. Fumi acknowledged and thanked the subcommittee members.

Fumi reviewed the 2020 Projects; Availability of Funds; Top 10 Priorities from Community Outreach; and the 2021 MOD Summary of Significant Changes. Listed below are some of the specifics that Fumi covered:

- 2020 Projects: approximately \$12.1 Million awarded, with \$2.1 Million being COVID-related activities. Public Works 5 projects (\$3,923,500); Public/Community Facilities 2 projects (\$3,000,000); Regional Housing Rehabilitation 7 projects (\$3,100,000); and Microenterprise – Small Business (COVID Response) 11 projects (\$1,550,000).
- Availability of Funds 2021: Receiving approx. \$13.5 Million, with \$9.1 Million from 2020.
- Top 10 Priorities from Community Outreach (for the required 21-25 five-year consolidated plan): water/sewer infrastructure; broadband infrastructure; downtown revitalization; affordable housing; mental health facilities; microenterprise development; sidewalk improvements; job training; capacity; and food bank/head start facilities.
- 2021 MOD Summary of Significant Changes: Allocation Composition for public works (53%); Housing (25%); Public Facilities (20%); Economic Development for microenterprise development and downtown revitalization (2%).

Chair Klaas called for a motion.

Mark Knudson moved to approve acceptance of the CDBG Annual Action Development Committee recommendation of the 2021 CDBG Method of Distribution.

Matthew Harris seconded the motion.

Vote: Motion passed.

Next meeting: April 2, 2021, at 10:00 am. (Video-conference)

Chair Klaas adjourned the meeting at 1:00 p.m.

**Approved by:**

Signature on file

Andrea Klaas, Chair  
Infrastructure Finance Authority Board

6/21/2021

Date

Signature on file

Chris Cummings, Assistant Director  
Business Oregon

6/4/2021

Date