



**Date:** October 28, 2016  
**To:** Robert Ault, Program Services Division Manager  
 Infrastructure Finance Authority

**From:** Michelle Bilberry, Regional Coordinator  
 Infrastructure Finance Authority  
 Dennis Knight, Public Finance Officer  
 Infrastructure Finance Authority  
 David Barnett, Senior Finance Accountant  
 Business Oregon

**INTEROFFICE  
 MEMO**

**RE:** Recommendation for Special Public Works Fund, City of Donald – Industrial Park Water Transmission Line, Client-Deal #4721-12606, \$260,725

**Funding Recommendation:**

<b>Project Activity</b>	<b>IFA Funds</b>	<b>Non-IFA Funds</b>	<b>Totals</b>
Construction	168,040	110,725	<b>\$278,765</b>
Construction Contingency	19,000	0	<b>\$19,000</b>
Engineering	6,560	0	<b>\$6,560</b>
Permits	6,400	0	<b>\$6,400</b>
<b>Total</b>	<b>\$200,000</b>	<b>\$110,725</b>	<b>\$310,725</b>

<b>Source of IFA Funds</b> (Indicate Loan or Grant and Taxable or Tax Exempt)	<b>Amount</b>
SPWF – Firm Business Commitment Job Grant	200,000
	0
<b>Total</b>	<b>\$200,000</b>

<b>Source of Non-IFA Funds</b> (Indicate Loan or Grant)	<b>Amount</b>
Marion County: Economic Development Advisory Board	50,000
City of Donald	60,725
	0
<b>Total</b>	<b>\$110,725</b>

**Conditions of Award:**

Based upon the following analysis, the award recommended above should be subject to the following conditions:

**A. General Fund as a Source of Repayment (If job qualification is not met)**

The Recipient hereby pledges its full faith and credit and taxing power within the limitations of Article XI, Sections 11 and 11 b, of the Oregon Constitution to pay the amounts due under the Loan Agreement and the Note. The Loan Agreement and the Note shall be payable from all legally available funds of the Recipient.

**B. Job retention and creation monitoring requirements for SPWF for the jobs.**

Firm Business Commitment/Job Creation Grant: 2 businesses are scheduled to locate in the Donald Industrial Park (Park), Wilco Hazelnut – creating 32 new jobs and Wilco Farmers Distribution Facility – creating 8 new jobs, for a total of 40 new jobs created at the Industrial Park.

**PROGRAM / PROJECT ANALYSIS**

**1. Need & Solution or Opportunity**

The City of Donald has the opportunity to further increase its employment and industrial based local economy. The City has an established Enterprise Zone that attracts and retains manufacturing businesses. The development of the 30 acre Donald Industrial Park promises at least four more manufacturing/industrial based businesses to locate in Donald. In order for this to happen a new water transmission line must be installed running directly from the water plant to the site, which includes boring under the railroad where there is a pressurized gas line.

The city needs access to funding to install the water transmission line and complete the boring; the city has secured all the appropriate permits and completed the engineering work for the boring. All work will be located in the public right of way and will be the sole responsibility of the City. The land is zoned employment industrial and will remain that way.

**2. Project Description / Contract-Ready Scope-of-Work**

Recipient shall install 2,500 linear feet of 8” water transmission line from the water treatment plant to the Donald Industrial Park, including approximately 97 feet of boring casing under the railroad tracks.

**3. Proposed Workplan**

Activity	Date
Final Plans & Specs reviewed/approved by IFA	December 1, 2016
Construction Contract Award	January 1, 2017
Construction 50% complete	June 1, 2017
Construction complete – project closeout	November 1, 2017

**4. Eligibility Criteria**

**Special Public Works Fund**

The programmatic and financial sections of the Eligibility Checklist have been completed and the project has been determined to be:

Eligible for funding under current ORS

Not eligible for funding under current ORS

The detailed review is attached.

**5. Other Comments:**

The department has exceeded the \$2,000,000 threshold for firm business commitment grant awards per biennium, reference waiver #240 signed 10/21/16 to allow for award of this project.

**6. Recommended Disbursement and Monitoring Plan**

The following is the minimum disbursement and monitoring plan recommended for this project and the applicant:

CONSTRUCTION PROJECTS - see SOP 001-06 for documentation

Ongoing Monitoring	Projects are continually monitored through a two-way communication process between the state and the recipients and involves frequent telephone contacts, written communication, analysis of reports, audits, and periodic meetings
Desktop Monitoring	NA
Field Monitoring	Monitor on-site at the earlier of: A. 60% of funds being expended, or B. 24 months after the funds are awarded
Site Inspection	At project completion

Need for Grant Funds:

According to the Department's Business Development Officer, Mitchell Gee, the proposed funding package, including a grant of \$200,000, which was crafted in partnership with SEDCOR, provided the final element to close the transaction in order to create 40 jobs.

## FINANCIAL REVIEW

### I. Eligibility and Financing Recommendation:

The recommended source of financing is the Special Public Works Fund (SPWF) program. The City of Donald is an eligible entity and this water transmission line construction project is an eligible project for the SPWF program. The recommended financing will further increase the City's employment and industrial base economy. The SPWF program allows for a grant allocation of \$5,000 per retained/new job with a maximum of \$500,000. They anticipate 40 new jobs which will allow a grant of \$200,000.

The total project costs are \$310,725. Because the \$200,000 is less than 85% (actually 64%) of the total project the entire request is allowed as a grant. However if the jobs do not materialize as planned the grant will convert to a loan at \$5,000 per job shortfall. The rate would be 1.44% for a term not to exceed 7 years.

### II. Repayment Source:

Water Fund Revenues The table below shows historic revenue from the City's Water Fund operations for the last three audited fiscal years ending June 30, 2015.

<b>Water Fund</b>			
<b>City of Donald</b>			
<b>Performance Review</b>	<b>audited</b>	<b>audited</b>	<b>audited</b>
<b>FY Ending June 30th</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Beginning Fund Balance	432,405	430,834	443,199
<b><u>Revenues</u></b>			
Charges for Services	217,157	222,323	226,485
Other Operating Revenues	0	0	0
<b>Operating Revenues</b>	<b>217,157</b>	<b>222,323</b>	<b>226,485</b>
Interest and Miscellaneous	1,271	4,343	5,900
Other Non-Operating Revenues	0	0	0
<b>Total Non-Operating Revenues</b>	<b>1,271</b>	<b>4,343</b>	<b>5,900</b>
<b>Total Revenues</b>	<b>218,428</b>	<b>226,666</b>	<b>232,385</b>
<b><u>Expenditures</u></b>			
Personal Services	101,528	105,293	117,939
Materials & Services	49,979	60,968	62,910
<b>Total Operating Expenses</b>	<b>151,507</b>	<b>166,261</b>	<b>180,849</b>
<b>Net Operating Income</b>	<b>65,650</b>	<b>56,062</b>	<b>45,636</b>
Capital Outlay	54,867	40,984	141,545
Debt Service	0	0	0
Total Expenses	206,374	207,245	322,394
<b>Net Revenues</b>	<b>12,054</b>	<b>19,421</b>	<b>(90,009)</b>
Net Transfers/Adjustments	(13,625)	(7,056)	(7,265)
<b>Ending Fund Balance</b>	<b>430,834</b>	<b>443,199</b>	<b>345,925</b>

Revenues resulted in slight increases over the past three years while expenses also had increases at a higher percentage resulting in a drop in net revenues for each of the last two years reviewed. Capital expenditures caused a net loss in fiscal year end 2015 due to early work to prepare for this project.

Full Faith & Credit Pledge (LTGO)

**General Fund:** The table below shows a performance review of the City’s General Fund for the last three audited fiscal years ending June 30, 2015.

<b>General Fund</b>			
<b>City of Donald</b>			
<b>Performance Review</b>	<b>audited</b>	<b>audited</b>	<b>audited</b>
<b>FY Ending June 30th</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Beginning Fund Balance	179,498	189,747	191,655
<b><u>Revenues</u></b>			
Property Taxes	51,634	53,669	55,932
Other Operating Revenues	55,651	186,390	73,221
<b>Operating Revenues</b>	<b>107,285</b>	<b>240,059</b>	<b>129,153</b>
Interest and Miscellaneous	7,493	12,640	18,232
Intergovernmental	21,549	23,146	7,427
<b>Total Non-Operating Revenues</b>	<b>29,042</b>	<b>35,786</b>	<b>25,659</b>
<b>Total Revenues</b>	<b>136,327</b>	<b>275,845</b>	<b>154,812</b>
<b><u>Expenditures</u></b>			
Personal Services	61,709	71,151	82,635
Materials & Services	69,696	216,898	88,651
<b>Total Operating Expenses</b>	<b>131,405</b>	<b>288,049</b>	<b>171,286</b>
<b>Net Operating Income</b>	<b>(24,120)</b>	<b>(47,990)</b>	<b>(42,133)</b>
Capital Outlay	1,923	0	15,626
Debt Service	0	0	0
Total Expenses	133,328	288,049	186,912
<b>Net Revenues</b>	<b>2,999</b>	<b>(12,204)</b>	<b>(32,100)</b>
Net Transfers/Adjustments	7,250	14,112	14,530
<b>Ending Fund Balance</b>	<b>189,747</b>	<b>191,655</b>	<b>174,085</b>

**III. DEBT SERVICE ANALYSIS:**

Net Revenues for Debt Coverage: .Because this award is being issued as a grant and no repayment is expected, a Pro-Forma was not required. However, if the jobs do not materialize as projected the \$5,000 per job loss will have to be paid back or converted to a loan. If converted to a loan the City would have sufficient funds between the Water Fund and the General Fund to make the payments.

**IV. Existing Obligations:**

The table on the following page reflects the City’s debt service requirements as of their last audit.

Summary of Outstanding Debt Obligations				
City of Donald				
Loan Source	June 30, 2015 Balance	Annual Debt Service	Payment Source	Maturity
Revenue Bonds	\$195,000	\$19,962	Property Tax	2024
<b>Total Debt</b>	<b>\$195,000</b>	<b>\$19,962</b>		

The City is relatively debt free at this time.

**V. Demographic Data and Underwriting Standards:**

The City meets 18 of the 20 applicable indicators in the attached Financial Summary. The indicators not met are as follows:

- Number of Connections (401% > 1,500 standard)
- Top 10 Tax Payers as % of Total Tax Collections (26.41% <15% standard)

\*\*\*\*\*

**APPROVAL:**

\_\_\_\_\_ The loan portion of this project will be in the Oregon Bond Bank

\_\_\_\_\_ Funds are available for the award

Signatures on File

\_\_\_\_\_  
**David Barnett, Senior Finance Accountant**  
 Business Oregon

\_\_\_\_\_  
 Date

**SPWF Grant**

\_\_\_\_\_ Approve project and recommendation as submitted

\_\_\_\_\_ Approve project and recommendation with the following modifications:

Signatures on File

\_\_\_\_\_  
**Robert Ault, Program Services Division Manager**  
 Infrastructure Finance Authority

\_\_\_\_\_  
 Date