



Resolution 2026-09

Authorization of \$1 million additional water loan funds

Meeting Date	Staff Contact	Email
March 10, 2026	Adam Hanks, City Administrator Brian Harmon, Public Works Director	adam.hanks@coburgoregon.gov brian.harmon@coburgoregon.gov

SUMMARY AND REQUESTED COUNCIL ACTION

The City of Coburg executed a loan agreement in December of 2018 with Business Oregon, utilizing its Infrastructure Finance Authority to secure loan funds of \$4.75 million to complete a number of water system infrastructure improvements specified in the 2014 Coburg Water Master Plan. Many of the projects have been completed; however, construction costs have exceeded the estimates generated in 2018 resulting in the original loan amount falling short of funding the planned improvements.

To complete the most critical of the remaining projects (Stallings Lane Transmission Line), additional funding in the amount of \$1 million has been authorized by Business Oregon should Council approve and direct staff to complete the addendum documentation.

Suggested Motion

I move to approve Resolution 2026-09, authorizing a loan from the safe drinking water revolving loan fund by entering into a financing contract with the Oregon Infrastructure Finance Authority

BACKGROUND

Utilizing the 2016 Water Master Plan, the City obtained a \$5.6 million dollar Water Loan managed by Business Oregon in 2019 to make significant investments in the City’s municipal water system. \$780,000 of the loan is categorized as “forgivable” if certain conditions are met, which City staff anticipates occurring, leaving the outstanding loan amount of \$4.75 million.

A number of important projects have been completed, including the Coleman waterline replacement, the waterline extension to the east side of I-5 (included a bore under I-5), purchase of the Stallings Lane property, drilling/tapping of a well on Stallings and the currently on-going project of the construction of the wellhouse, pumping, treatment and control equipment. The final phase of the Stallings Lane Well project is the construction of a transmission line to deliver the new supply to the City’s existing water distribution system approximately 0.8 miles from the Stallings Lane well site.

Water Loan Details (existing)

- Executed in 2019
- Project priorities and initial cost estimates taken from 2026 Water Master Plan
- Water Fund revenues (rates) estimated based on population growth estimates that projected much higher growth than actually occurred leaving a smaller customer base than anticipated
- Two extensions have been applied for and granted to extend the loan expiration date to March of 2026
- Approximate remaining funds available for disbursement after Stallings Lane wellhouse, treatment, pumps/control equipment project completion total less than \$200,000.
- Debt service for the total loan amount begins in December of 2026 (FY27) with an estimated annual payment of \$180,000.
- A one-time accrued interest payment of approximately \$190,000 will be due in early FY27 in advance of the initial annual debt service payment.

As has been discussed in a number of Council meetings over the past several years, project costs have sharply increased, leading to the constriction on the number of projects accomplished with the water loan funds compared to the original estimate and plan. The sharp increases in project costs have not subsided and even appear to be more significant as the spend-down of the water loan funds near the finish line.

Water Loan Details (Proposed Addendum)

- Provides additional \$1 million in available loan funds
- Allows Stallings Transmission line project to move forward.
 - Project Engineering/Design is complete
 - Lane County Facilities Permits in final review
 - Ready to put project to bid by May 15, 2026 if funding is secured
- Extends construction completion date to allow transmission line project to be bid out, awarded, constructed, close-out (March 2027)
- Increases accrued interest approximately \$60,000 (for a total of approximately \$250,000)
- Extends accrued interest payment to early FY28 rather than existing early FY27
- Debt service for the increased total loan amount begins December of 2027 (FY28) with an estimate annual payment amount of \$220,000 (an increase of \$40,000/yr from original loan)

Stallings Lane Water Supply Project				
Description		Bid, Construction & Purchase Costs	Design/Eng & Other Costs	TOTAL
Pre-project	Stallings Lane Land Purchase	\$ 475,000	\$ -	\$ 475,000
Phase I	Well drilling/casing/capping	\$ 550,000	\$ 100,000	\$ 650,000

CITY COUNCIL STAFF REPORT

Phase II	Wellhouse/Treatment/Equipment	\$	1,500,000	\$	700,000	\$	2,200,000
Phase III	Transmission Line to System	\$	900,000	\$	100,000	\$	1,000,000
		\$	3,425,000	\$	900,000	\$	4,325,000

RECOMMENDATION

Staff recommends approval of the loan agreement providing an additional \$1 million in funding available to complete the water supply project and extending the construction completion date to ensure the project is completed within the agreement’s required timeframe.

It is important to note that future water supply projects will benefit from the investments made in this initial Stallings Well project as phases II and III have been designed, sized and equipped with the anticipation of a second well on the site as additional water supply is needed for Coburg water customers in the coming years. This results in significantly lower capital costs in bringing additional supply online in the future as much of the infrastructure necessary for that additional supply is addressed in these current phases, making it feasible to self-fund additional water supply project in the future should a future Council choose.

BUDGET / FINANCIAL IMPACT

As noted above, the primary financial impact over the long term is an increase in annual debt service of approximately \$40,000 per year over the term of the debt (30 years). There is also a one time increase in the accrued interest payment attributable to the additional funds of between \$40-\$60,000

PUBLIC INVOLVEMENT

The majority of the public involvement associated with identifying the water project list, acquiring funding and completing projects over the term of the loan (2018 – current) was completed in the early stages of the project term. The most recent public meeting relating to the water loan and water projects was associated with the bid award for the Stallings Lane Wellhouse project, which was presented to and awarded by Council in its meeting of May 13, 2025.

NEXT STEPS

Upon Council approval, staff will coordinate contract execution with Business Oregon and Mayor Bell to execute the required agreements and supporting documentation. After assurances that funding is formally secured, staff will coordinate with Branch Engineering to put the Stallings Transmission line project to bid with a bid award decision likely to be presented to Council at its July 14, 2026 Council meeting.

ATTACHMENTS

CITY COUNCIL STAFF REPORT

1. Draft Resolution 2026-09 – Loan Agreement Approval
2. Water Loan Amendment 3 (Exhibit A)
3. S19007 Safe Drinking Water Loan – Original executed December 20, 2018
4. May 13, 2025 Council Staff Report – Stallings Lane Wellhouse Project Bid Award