



STAFF REPORT

Meeting Type: City Council
Meeting Date: February 5, 2024
From: Jenny Coker, Public Works Director
Subject: Resolution 2024-04 Business Oregon Funding For Alder Creek Water Treatment Plant Membrane Filtration Improvements

DECISION TO BE MADE:

Whether to authorize the City Manager to execute Loan Agreement B24004 with Business Oregon to fund project management, membrane procurement, engineering/design services, construction bid services, construction management, and reporting for Alder Creek Water Treatment Plant Membrane Filtration Improvements.

PURPOSE / OBJECTIVE:

To secure sufficient financing for the Alder Creek Water Treatment Plant Membrane Filtration project, in light of the relatively limited availability of Drinking Water State Revolving Funds.

BACKGROUND / CONTEXT:

The City of Sandy Water Master Plan was adopted by Council into the City's Comprehensive Plan on April 3, 2023. Key next steps to deliver the Drinking Water Reinvestment Program include securing debt financing and addressing immediate stabilization repairs and upgrades needed to keep Alder Creek Water Treatment Plant operational.

Although the City applied for \$88 million in Drinking Water State Revolving Funds (DWSRF) in September of 2022, the pool of funds available from DWSRF is insufficient to meet all the State Drinking Water Capital Improvement debt servicing needs. The City was notified that the maximum that could be provided under the Drinking Water State Revolving fund loan was approximately \$6 million. As such, staff have turned to the Special Public Works Fund from Business Oregon, which provides financing for up to \$10 million per project.

Table 1 summarizes the Drinking Water Reinvestment Program Financing Package. Initial estimates from the program team baselined the budget of the Drinking Water Reinvestment Program at approximately \$70 Million. To date, \$25,417,120 in financing has been secured through Business Oregon Special Public Works Fund Loans, and State Revolving Fund Loan. The Program team will next work on securing the larger construction loan needed for the Portland to Sandy Filtration Plant Transmission System Construction Project, as well as other grant funding now that initial funding is secured for smaller construction projects and design engineering.

Table 1: Sandy Drinking Water Reinvestment Program Financing Package

Lender	Project	Council Approval	Status	Loan Amount	Project Phase
SPWF (Business Oregon)	Sandercock Reservoir	4/3/2023	Complete	\$871,420	Construction Complete
SPWF (Business Oregon)	Portland to Sandy Filtration Transmission System Design	6/20/2023	Complete	\$7,000,000	Predesign
SPWF (Business Oregon)	Alder Creek Water Treatment Plant Immediate Needs Project	11/20/2023	Complete	\$2,016,600	Predesign
SPWF (Business Oregon)	Alder Creek Membrane Improvement Project	2/5/2023	Closing	\$9,500,000	PreDesign Pre-Award On-going
DW State Revolving Fund	Alder Creek Conveyance Improvements		Closing	\$6,029,100	
(WIFIA loan or Bond)	Portland to Sandy Filtration Transmission System Construction		Not Started	\$33,000,000	
Program Reserve Funds	Contingency		Not Started	\$11,582,880	
Total Financing Package				\$70,000,000	

KEY CONSIDERATIONS / ANALYSIS:

Alder Creek Water Treatment Plant is the primary water supply for the City of Sandy and the most economical source of water. The treatment plant is at the end of its useful life and is in critical need of immediate upgrades to remain operational. These improvements were identified in the 2022 Water Master Plan, and were refined in a Conceptual Design Report completed by Stantec in 2023. The improvements must be in place prior to September 30, 2027. In the event connection to the new Portland Filtration Plant is delayed, Alder Creek can provide the majority of Sandy’s non-peak season water demands.

Pre-award for a membrane treatment system has been approved with Business Oregon, and the City is expecting to evaluate bids from and RFP for the new membrane treatment system in Spring of 2024.

BUDGET IMPACT:

Business Oregon is offering a loan totaling \$9,500,000 million at an interim interest rate of 3.02%. Business Oregon is using an interim financing contract that will be in place until bonds are sold. The maturity date of the interim contract is 3 years but can be extended as needed. Once the bonds are sold, the interest rate will be approximately 3.77% over 20 years. Repayment is made from water rate revenues and is included in our current rate model.

Business Oregon Loans provide below market interest rates with makes this source of funding preferable over regular market-rate loans.

RECOMMENDATION:

Authorize the City Manager to execute Loan Agreement B24004 in the amount of \$9,500,000.

SUGGESTED MOTION LANGUAGE:

"I move to approve Resolution 2024-04."

LIST OF ATTACHMENTS / EXHIBITS:

- Resolution 2024-04
 - Business Oregon Loan Packet
 - Opinion of Counsel