



# STAFF REPORT

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**Meeting Type:** City Council  
**Meeting Date:** March 4, 2024  
**From:** Jenny Coker, Public Works Director  
**Subject:** Loan Funding for Alder Creek Water Treatment Plant Raw Water Conveyance, Storage, and Pumping Improvements

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## **DECISION TO BE MADE:**

Whether to adopt Resolution 2024-06, authorizing 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 Raw Water Conveyance, Storage, and Pumping Improvements.

## **PURPOSE / OBJECTIVE:**

To secure sufficient financing for the Alder Creek Water Treatment Plant Raw Water Conveyance, Storage, and Pumping Improvements project.

## **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.

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 this 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.

The Water / Wastewater System Improvements Oversight Committee reviewed this funding at their meeting on February 1, 2024.

**Table 1: Sandy Drinking Water Reinvestment Program Financing Package**

<b>Lender</b>	<b>Project</b>	<b>Council Approval</b>	<b>Status</b>	<b>Loan Amount</b>	<b>Project Phase</b>
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	Complete	\$9,500,000	PreDesign Pre-Award On-going
DW State Revolving Fund	Alder Creek Conveyance Improvements	3/04/2024	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	
<b>Total Financing Package</b>				<b>\$70,000,000</b>	

**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 completed 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.

**BUDGET IMPACT:**

The Safe Drinking Water Revolving Fund, administered by Business Oregon is offering a loan totaling \$6,029,100 at an interest rate of 2.9% over 30 years. Repayment is made from water rate revenues and is included in the rate model. In addition, this loan award includes \$180,000 of loan forgiveness.

Safe Drinking Water Revolving Fund Loans provide below market interest rates which makes this source of funding preferable over regular market-rate loans.

**RECOMMENDATION:**

Adopt Resolution 2024-06, authorizing the City Manager to execute Loan Agreement S24005.

**SUGGESTED MOTION LANGUAGE:**

"I move to adopt Resolution 2024-06."

**LIST OF ATTACHMENTS / EXHIBITS:**

- Resolution 2024-06
  - Business Oregon Loan Packet
  - Opinion of Counsel