



# STAFF REPORT

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**Meeting Type:** City Council  
**Meeting Date:** November 20, 2023  
**From:** Jenny Coker, Public Works Director  
**Subject:** Resolution 2023-33: Business Oregon Funding For Alder Creek Water Treatment Plant Improvements and Assessment

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## **DECISION TO BE MADE:**

Whether to adopt Resolution 2023-33, authorizing the City Manager to execute Loan Agreement B24002 with Business Oregon to fund project management, engineering/design services, construction, and construction management for the near-term improvements to Alder Creek Water Treatment Plant.

## **PURPOSE / OBJECTIVE:**

Resolution 2023-33 authorizes staff to enter into Loan Agreement No. B24002 with the State of Oregon, acting through its Oregon Infrastructure Financing Authority of the Oregon Business Development Department.

## **BACKGROUND / CONTEXT:**

The City of Sandy Water Master Plan was adopted by Council into the City Comprehensive Plan on April 3, 2023. Key next steps for the City 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 the maximum that could be provided under the Drinking Water State Revolving fund loan was \$6 Million. As such, staff have turned to the Special Public Works Fund from Business Oregon, which provides financing up to \$10 Million per project. It is anticipated larger construction funding will come from either WIFIA or Bonds. Table 1 summarizes the Drinking Water Reinvestment Program Financing Package to date:

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

<b>Lender</b>	<b>Project</b>	<b>Status</b>	<b>Loan Amount</b>	<b>Project Phase</b>
SPWF (Business Oregon)	Sandercock Reservoir	Complete	\$1,000,080	Complete
SPWF (Business Oregon)	Portland to Sandy Filtration Transmission System Design	Complete	\$7,000,000	Design
SPWF (Business Oregon)	Alder Creek Water Treatment Plant Immediate Needs Project	Closing	\$2,016,600	Design Pre-Award On going
SPWF (Business Oregon)	Alder Creek Membrane Improvement Project	Application In Process	\$9,500,000	Design Pre-Award On-going
DW State Revolving Fund	Alder Creek Conveyance Improvements	Application in Process	\$6,000,000	Financing
TBD (WIFIA of Bonds)	Portland to Sandy Filtration Transmission System Construction	Not Started	\$33,000,000	Not Started
	Total Financing Package	TBD	TBD	TBD

**KEY CONSIDERATIONS / ANALYSIS:**

Alder Creek Water Treatment Plant is the primary water supply for the City of Sandy. The treatment plant is at the end of its useful life and is in critical need of immediate upgrades and repairs to remain operational. These near-term improvements were identified in the recently completed Water Master Plan.

As Alder Creek is the most economical source of water for the City, it is imperative to execute immediate rehabilitation. This loan provides for funding for establishing flow monitoring on Alder Creek to confirm water flows during dry weather, as well as design and construction of critical stabilization repairs.

Two additional loans are in process to provide subsequent Alder Creek Water Treatment Plant Improvement projects to install a Membrane Filtration System and pump station and conveyance upgrades from Business Oregon Special Public Works Fund and the Drinking Water State Revolving

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

**BUDGET IMPACT:**

Business Oregon is offering a loan totaling \$2,016,600 at an interim interest rate of 3.75%. 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 3.57% over 20 years. Repayment is made from water rate revenues and is included in the rate model.

**RECOMMENDATION:**

Authorize the City Manager to execute Loan Agreement B24002 in the amount of \$2,016,600.

**SUGGESTED MOTION LANGUAGE:**

“I move to approve Resolution 2023-33.”

**LIST OF ATTACHMENTS / EXHIBITS:**

- Resolution 2023-33
  - Business Oregon Loan Packet
  - Opinion of Counsel