



REQUEST FOR COUNCIL ACTION

Title: Wastewater Treatment Plant Upgrades Grant Agreement

Preferred Agenda: September 27, 2022

Submitted By: Matt Brown, Finance Director Pro-Tem
Greg Springman, Public Works Director

Reviewed By: Christy Wurster, City Manager Pro-Tem

Type of Action: Resolution ____ Motion ____ Roll Call X Other ____

Relevant Code/Policy: N/A

Towards Council Goal: Goal 1.2: Infrastructure Needs

Attachments: Oregon Business Development Department – WWTP Upgrades
- Grant Agreement Contract
Sweet Home Deposit Option Notice
Sweet Home Checklist of Contract Documents and Instructions
Sweet Home Distribution Schedule
Sweet Home Authorization Signature Card

Purpose of this RCA:

Review the \$7.0 million intergovernmental grant agreement from the State of Oregon and the Oregon Business Development Department.

Background/Context:

The City of Sweet Home's (City) Wastewater Collection System and Wastewater Treatment Plant (WWTP) serve a population of approximately 9,800 residents in the community of Sweet Home. The WWTP is located at 1357 Pleasant Valley Road in the City of Sweet Home. The plant was initially constructed and placed into service in 1947. The City made treatment plant improvements in 1974, and again in 1994. The City of Sweet Home is now actively engaged in a major project to upgrade the Wastewater Treatment Plant. Total project cost is now estimated at \$48.0 million for full upgrade of which \$3.2 million is allocated to the final design phase. Another \$879,670 is allocated for construction services during construction.

Since 2017, the City has been actively searching for funding resources to pay for the rehabilitation project. An initial one-stop, a meeting combining available loan resources in one room, brought the Department of Environmental Quality, the U.S. Department of Agriculture and Business Oregon to the table with proposals including low interest loans and grants. The City also completed an application to lobby the Oregon Legislature and obtain funding through state legislature funds that will be used to cover nearly all the final design costs.

The State of Oregon, through its Oregon Business Development Department has drafted an intergovernmental agreement authorizing the City to draw funds allocated as determined in the attached Sweet Home Disbursement Schedule.

The Challenge/Problem:

How does the City of Sweet Home finance a \$48.0 million major infrastructure project without adequate reserves to cover 100% of the project internally?

Stakeholders:

- City of Sweet Home Citizens- Citizens are the primary stakeholder of the City's sewer system and pay the rates associated with the usage of the system. Grants and reserves reduce the City's need to obtain loans to finance the project thereby keeping sewer rates lower in the future while upgrading a critical resource in the community.
- City of Sweet Home Businesses- Like citizens, Sweet Home businesses also pay to use the City's sewer system and are impacted by increasing rates necessary to cover major loans.
- City of Sweet Home Staff- Staff benefit from the grants obtained to update the aging WWTP which aids in keeping costs low and provides staff with greater efficiencies in operating the new plant (saving time and financial resources).
- City of Sweet Home City Council - The Sweet Home City Council is responsible for the fiscal stability of the city's operations which includes the sewer funds and associated rates. Grants reduce necessary loans which in turn, limits the necessary utility fee increases in the future.

Issues and Financial Impacts:

Acceptance of the \$7.0 million grant from the State, along with the City's wastewater funds set aside in reserves allows the City fund 100% of the WWTP Upgrades Phase I. The City has also applied for federal funding for the project from USDA for approximately \$30 million, and is seeking to secured financing for WWTP Upgrades Phase 2.

Elements of a Stable Solution:

Approve and secure any grant and outside resource funding available to protect the community and improve the WWTP.

Options:

1. Do Nothing. The City would not be able to draw from the \$7.0 million available grant funds requiring in-house financing or short-term loans to cover costs.
2. Move to authorize the Mayor and City Manager to sign an intergovernmental agreement with the Oregon Business Development Department. The City would begin drawing from the allowed funds cover WWTP Phase I construction costs.
3. Reject the intergovernmental agreement presented and negotiate new terms. Council could direct staff to reject the current proposal and negotiate new terms with the OBDD office.

Recommendation:

Staff recommends Option 2 – Move to authorize the Mayor and City Manager to sign an intergovernmental agreement with the Oregon Business Development Department. The best thing for all stakeholders and the general community would be for the Council to accept the terms listed. The City would begin drawing from the allowed funds cover WWTP Phase I construction costs.