

# **Action Item: Clean Water State Revolving Fund Longer-term Financing**

Environmental Quality Commission  
Special Conference Call  
January 24, 2014

Katie Foreman, DEQ

# DEQ's recommendation

DEQ recommends that the EQC adopt proposed amendments to OAR 340, Division 54 as shown in Attachment A

- Longer-term financing option in the Clean Water State Revolving Fund (CWSRF) program

## Purchase and Refinancing of Debt Obligation for Treatment Works

### 340-054-0071

#### Debt Obligation Purchase

- (1) The department may use the CWSRF to buy a public agency's debt obligation for treatment works subject to the following limitations:
  - (a) The debt was incurred after March 7, 1985.
  - (b) The debt obligation does not exceed 20 years except for a bond purchase for treatment works as specified in OAR 340-054-0072.
  - (c) The department will not use the purchase of a debt obligation to refinance a pre-existing CWSRF loan or other debt obligation except as specified in OAR 340-054-0072(5)(b).

Stat. Auth.: ORS 468.020 & 468.440  
Stats. Implemented: ORS 468.423 - 468.440

### 340-054-0072

#### Bond Purchase for Treatment Works

- (1) Application requirements. All application requirements for a CWSRF loan as specified in OAR 340-054-0022(1), (2), (3), (5) and (6) apply to a bond purchase for treatment works under this rule.
- (2) Intended Use Plan and project priority list. All applications for a bond purchase for treatment works are subject to IUP and project priority list development in the same manner as specified in OAR 340-054-0025.
- (3) Project ranking criteria. All applicants for a bond purchase for treatment works will be ranked based on the point sum from the criteria specified in Table 1 under OAR 340-054-0026.
- (4) Reserves. CWSRF general fund and project funding. Reserves and CWSRF general funds will be allocated for a bond purchase for treatment works in the same manner as specified in OAR 340-054-0036.
- (5) Requirements for a bond purchase for treatment works.

# The Oregon CWSRF provides affordable funding to communities

Loans to public agencies for water quality protection and improvement projects

- Low interest rates
- Terms up to 20 years
- \$1 billion to 149 communities since 1990
- Enormous water quality benefits



# Longer-term financing is allowable with amendments to CWSRF rules

---

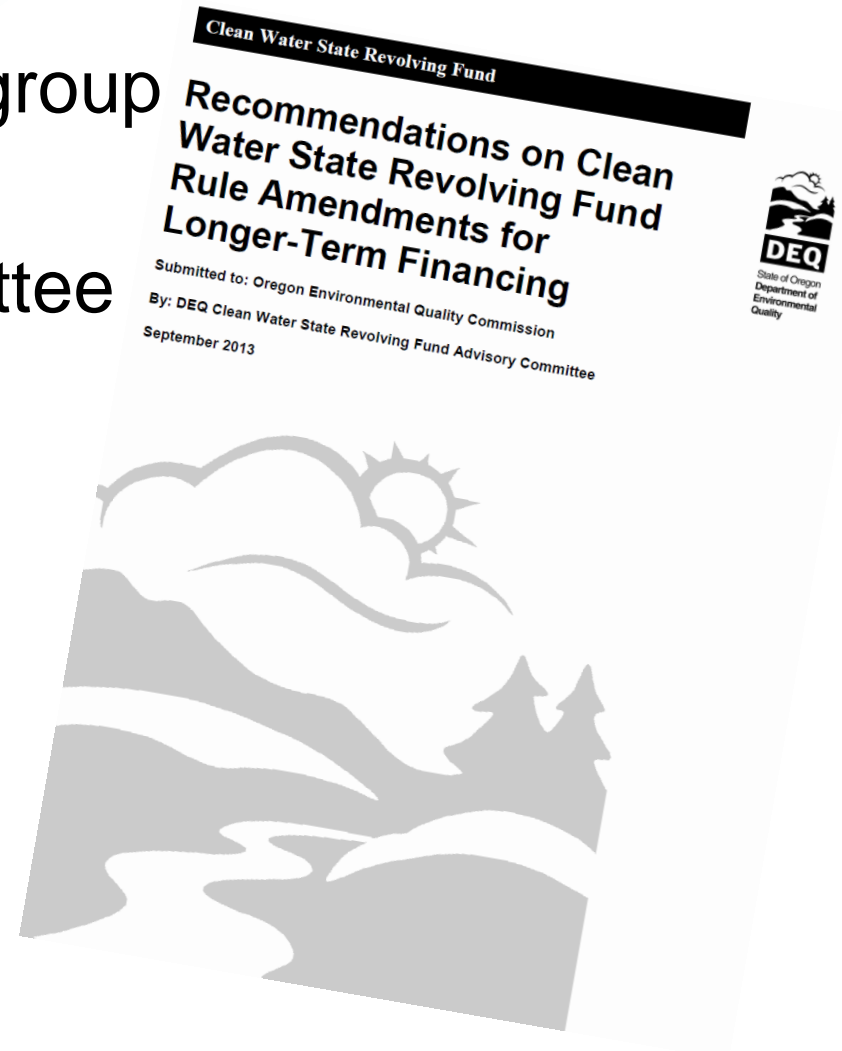
- The federal Clean Water Act and state statute
  - limit CWSRF loan terms to up to 20 years
  - allow a bond purchase agreement with repayment terms up to 30 years for treatment works projects (i.e. longer-term financing)
- Rule amendments necessary to implement longer-term financing

# Longer terms will enhance the CWSRF program and help communities

- Recommended during the 2012 CWSRF program rulemaking
- Smaller repayment amounts
  - especially benefit smaller and lower-income communities
  - decreased burden on utility ratepayers
- 15 other state CWSRF programs allow longer-term financing

# Input from many to develop recommendations for the proposed rules

- Internal rulemaking workgroup
  - May-Oct. 2013
- CWSRF Advisory Committee
  - June-Sept. 2013
  - Recommendations report
- EPA Region 10 and HQ
  - Concurrence required



# Details for the new CWSRF funding option

## Additional financing option to the traditional 20 year CWSRF loan

- Public agencies sell revenue bond to DEQ
- Repayment terms up to 30 years
- All new borrowers eligible
- Small group of existing borrowers can refinance
- Interest rates, prioritization, allocation of funding detailed in rule
- Applies only to treatment works projects



# Longer-term financing limited by state law to “treatment works” projects

- “Treatment works”
  - Wastewater, industrial and stormwater treatment plants and equipment
  - No nonpoint source projects (i.e. stream restoration and irrigation)
- Federal law allows longer-term financing for non-treatment works projects
  - Could amend statute in future





# Small group of existing borrowers can refinance loans

- 14 existing CWSRF borrowers
  - Most disadvantaged communities
- One time, limited period offer
- Cost savings
  - Lower repayments
  - Avoid utility rate increases
  - Lower interest rates
- Notified in October 2013 of their eligibility

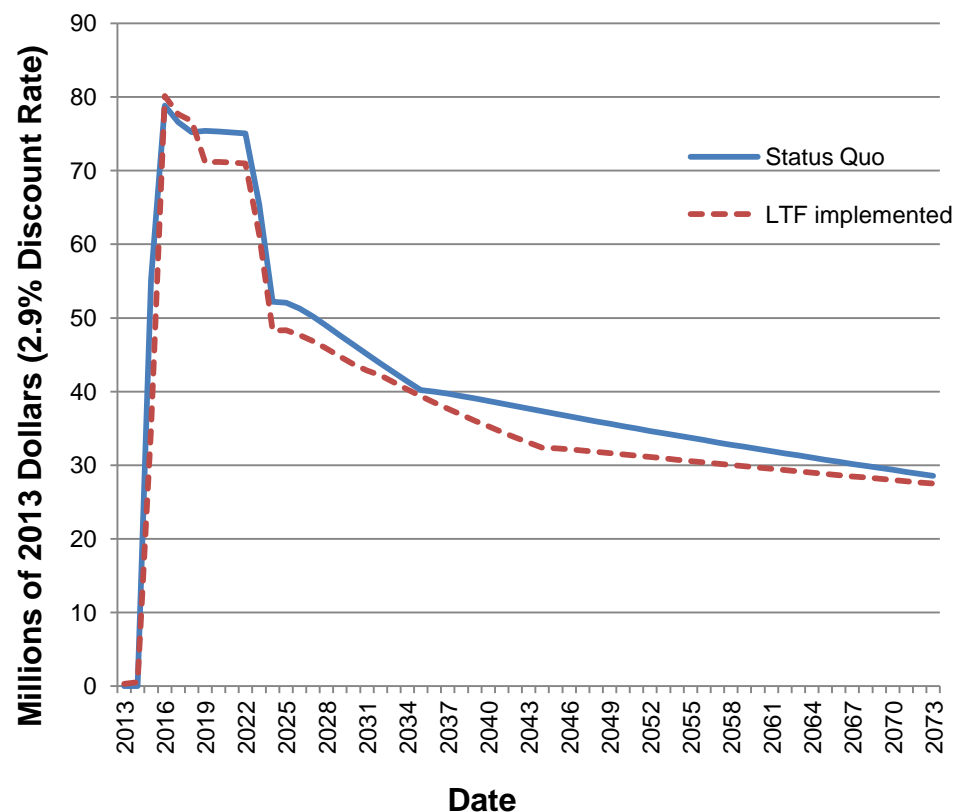
# 14 eligible existing CWSRF borrowers for refinancing

Applicant	Project Description	Loan Amount (\$)
Bunker Hill S.D.	Pipeline replacement	106,479
Burns, City of	WWTP Upgrade	1,955,718
Charleston Sanitary Dist.	Pump Station rebuild	425,750
Charleston Sanitary Dist.	Pump stations upgrade	92,040
Charleston Sanitary Dist.	Pump station relocation	930,272
Klamath Falls, City of	WWTP Upgrade	1,000,000
Klamath Falls, City of	WWTP Upgrade	7,150,672
Modoc Point S.D.	Community On-Site System	32,000
Monument, City of	WWTP Upgrade	198,279
Myrtle Creek, City of	WWTP Upgrade	8,775,686
Powers, City of	I&I Reduction	347,605
Reedsport, City of	WWTP Upgrades	12,000,000
Rockaway Beach, City of	WWTP Upgrades	2,700,000
Shady Cove, City of	WWTP Upgrades	997,503
Tillamook, City of	WWTP Upgrades	448,039
Tillamook, City of	WWTP Upgrades	191,072
Tillamook, City of	WWTP Upgrades	16,926,224
Ukiah, City of	Wastewater lift station	293,000
Westport Sewer Dist.	WWTP Upgrades	112,250

# Proposal provides many benefits with limited costs

- Smaller repayment amounts
- Lessened burden on utility ratepayers
- More upfront costs to communities for bond process
- No significant state fiscal or economic effects
- Slight decrease in CWSRF money lent over time, but still fund-protective
- Improved water quality across Oregon

**Annual amount lent with rule amendments vs. without**



# Stakeholder and public feedback was encouraged on proposal

- 30 day public comment period (Nov. 1-Dec. 2, 2013)
- 12 public meetings, 6 locations on Nov. 19, 2013
  - No attendees
- Noticing to interested parties
  - 4 supportive comments, 1 comment beyond scope
- No changes to proposed rules based on public comment
- Proposal approved by EPA



# DEQ's recommendation

DEQ recommends that the EQC adopt proposed amendments to OAR 340, Divisions 54 as shown in Attachment A

## Purchase and Refinancing of Debt Obligation for Treatment Works

### 340-054-0071

#### Debt Obligation Purchase

(1) The department may use the CWSRF to buy a public agency's debt obligation for treatment works subject to the following limitations:

(a) The debt was incurred after March 7, 1985.

(b) The debt obligation does not exceed 20 years except for a bond purchase for treatment works as specified in OAR 340-054-0072.

(c) The department will not use the purchase of a debt obligation to refinance a pre-existing CWSRF loan or other debt obligation except as specified in OAR 340-054-0072(5)(b).

Stat. Auth.: ORS 468.020 & 468.440

Stats. Implemented: ORS 468.423 - 468.440

### 340-054-0072

#### Bond Purchase for Treatment Works

(1) Application requirements. All application requirements for a CWSRF loan as specified in OAR 340-054-0022(1), (2), (3), (5) and (6) apply to a bond purchase for treatment works under this rule.

(2) Intended Use Plan and project priority list. All applications for a bond purchase for treatment works are subject to IUP and project priority list development in the same manner as specified in OAR 340-054-0025.

(3) Project ranking criteria. All applicants for a bond purchase for treatment works will be ranked based on the point sum from the criteria specified in Table 1 under OAR 340-054-0026.

(4) Reserves. CWSRF general fund and project funding. Reserves and CWSRF general funds will be allocated for a bond purchase for treatment works in the same manner as specified in OAR 340-054-0036.

(5) Requirements for a bond purchase for treatment works.

# Next steps

- Rule effective
  - Feb. 3, 2014
- Implementation plan
  - Feb. - March 2014
- Communication strategy
  - Feb. - May 2014
- Possibly pursue statutory change to broaden eligible projects

