Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MWMC MEETING AGENDA

Friday, October 10, 2025, 7:30 AM – 9:30 AM (PDT)
The MWMC Meeting will be held in-person at Springfield City Hall, 225 Fifth Street, Springfield, OR 97477 in the Library Meeting Room, remotely or via phone.

To attend virtually, registration is required: Webinar ID: **858 3143 1981**
Zoom Link: https://us06web.zoom.us/webinar/register/WN_OT3phPmAQLaSQJ0JVuvKmQ
To join the Zoom meeting by phone dial: **877.853.5247**

7:30 – 7:35 **I. ROLL CALL**: Commissioner Farr, Commissioner Hazen, Commissioner Inge, Commissioner Keeler, Commissioner Ruffier, Commissioner Stout, Commissioner Yeh

7:35 – 7:40 **II. CONSENT CALENDAR**

a. MWMC 9/12/25 Minutes

Action Requested: By motion, approve the Consent Calendar

7:40 – 7:45 **III. PUBLIC COMMENT**: Public comment can be submitted by email to Minman@springfield-or.gov or by phone 541-726-3694 by 5 PM October 9, 2025 or made at the meeting. All public comments need to include your full name, address, if you are representing yourself or an organization (name of organization), and topic.

7:45 – 8:05 **IV. FY 24-25 ANNUAL FINANCIAL SUMMARY, BUDGET RECONCILIATION**………… Kevin Vanderwall

Action Requested: Informational and Discussion

8:05 – 8:35 **V. FINANCIAL PLAN UPDATE – POLICY DISUSSION #1**………………………………..Kevin Vanderwall

Action Requested: Informational and Discussion

8:35 – 9:00 **VI. FACILITIES PLAN UPDATE**………………………………………………………... Bryan Robinson

Action Requested: Informational and Discussion

9:00 – 9:30 **VII. BUSINESS FROM COMMISSION, GENERAL MANAGER, & WASTEWATER DIRECTOR**

9:30 **VIII. ADJOURNMENT**

The meeting location is ADA Accessible. For hearing impaired, an interpreter can be provided with 48 hours' notice prior to meeting. To arrange services, call 541-726-3694.

THE FULL PACKET IS POSTED ON THE WEBSITE
www.mwmcpartners.org

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MWMC MEETING MINUTES
Friday, September 12, 2025 at 7:30 a.m.

The MWMC Meeting was held remotely via computer, phone, and in-person.
Meeting was video recorded.

Commissioner Farr opened the meeting at 7:30 a.m. Roll call was taken by Misty Inman.

ROLL CALL

Commissioner Present In-Person: Patt Farr, Christopher Hazen, Doug Keeler, Dawn Lesley, and Jennifer Yeh

Commissioners Present Remotely: None

Commissioner Absent: Bill Inge

Staff Present In-Person: Meg Allocco, Steve Barnhardt, Emily Bradley, Jeremy Cleversey, Thomas Gray, Amy Hartsfield, Misty Inman, Shawn Krueger, Troy McAllister, Todd Miller, Michelle Miranda, Robert Murray, Bryan Robinson, Loralyn Spiro, Matt Stouder, Mark Van Eeckhout, Kevin Vanderwall, Greg Watkins, and Paul Witzig

Staff Present Remotely: Tanya Haeri-McCarroll, Yashara Lund, Karen Murray, Carrie Swarts, Nick Thrasher, and Dawn Williams

Guests Present In-Person: None

Guests Present Remotely: Katie Pollock

Legal Counsel Present In-Person: Kristin Denmark (Thorp, Purdy Jewett, Urness & Wilkinson, PC)

CONSENT CALENDAR

a. MWMC 08/19/25 Minutes

MOTION: IT WAS MOVED BY COMMISSIONER **KEELER** WITH A SECOND BY COMMISSIONER **HAZEN** TO APPROVE THE CONSENT CALENDAR. THE **MOTION PASSED** UNANIMOUSLY 6/0 WITH COMMISSIONER INGE ABSENT.

Hazen	Y
Farr	Y
Inge	Absent
Keeler	Y
Lesley	Y
Stout	Y
Yeh	Y

PUBLIC COMMENT
There was no public comment.

SUPPLEMENTAL BUDGET #1
Kevin Vanderwall, MWMC Accountant, presented Resolution 25-09 to the Commission for the adoption of Supplemental Budget #1 for fiscal year 2025-2026 (FY 25-26). Supplemental budget #1 is the current adopted budget that is amended based on the prior years' actuals. The FY 25-26 adopted budget was based on the first six months of actuals from the beginning of the year and an estimate for the rest of the year. The adopted budget and estimated budget do not match, and this is the process to true up the numbers. The true estimate and actuals take into account new information learned since the budget was adopted. For Supplemental Budget #1, he is requesting:
Operating Budget:

- A decrease of $3.6 million (M) to beginning cash. This was caused primarily by issues with user fee revenue. Eugene's pass-through payment of user fees from the Eugene Water and Electric Board (EWEB) came in a day late, and the user fee revenues could not be included in the FY 24-25 actuals.
- An increase in the budget from the user fee revenue of $2.4 M will be recognized as revenue in FY 25-26. Additionally, issues with the EWEB accounting system have made it difficult for Eugene staff to separate local and regional revenue. Eugene has been paying an estimate to the MWMC, and they will pay the correct amount once the difference is reconciled.
- Carry forward for work budgeted but not completed in the prior fiscal year. There is $896,000 in total carryover, of which $791,000 is for Eugene operations and $104,000 is for Springfield administration. New expenditure authority of $531,000 is requested, of which $498,000 is for operation, and $33,000 for administration.

Capital Fund:

- There is an increase to the beginning cash of $9.7 M. Ongoing projects represent a carryforward of $7.7 M with new project funding of $800,000. 8.2 M is being returned to the Capital Reserve from the Class A Disinfection Project.

Equipment Replacement:

- There is an additional $886,000 in expenditure authority. The FY 24-25 actuals were higher than estimates by $139,000. To avoid causing a negative carryforward and decreasing the adopted budget, staff is requesting $139,000 to make the budget whole.

Major Rehab:

- Carry forward of $345,000 and $71,000 in new money requests.

Major Capital:

- Carry forward expenditures of $208,000 and no new money requests.

The Supplemental Budget #1 overall result is a net increase to the Capital Reserve of $6.8 M, a decrease to the Equipment Replacement Reserve of $697,000, an increase to the System Development Charges (SDC) Improvement Reserve of $1.9 M, and a decrease to the SDC Reimbursement Reserve of $98,000.

Matt Stouder, MWMC Executive Officer said in Supplemental Budget #1 there were several unique situations this year, with an example being the EWEB charges.

Commissioner **Stout** asked if the MWMC expects late payments from EWEB in the future, and if staff can follow up to make sure the charges are balanced for the next budget cycle.

Mr. Vanderwall said the late payment was on the Eugene side, and it has been the first time in many years that a payment has been late. Any other month would not have mattered, but it occurred in June. The Eugene staff is working hard, and this issue should be resolved quickly. EWEB is no longer breaking out the user fees regionally and locally, and Eugene has to do that work.

Commissioner **Hazen** thanked Mr. Vanderwall for his presentation on the complex accounting issues. It appeared to him that it was a technical accounting issue. Should the Commission be aware of any changes in projections or expectations on the operational side?

Mr. Vanderwall said there is $2.3 M to be re-budgeted from the late payment, and $1.5 M is the entirety of the beginning cash adjustment. The Operations Budget came in under budget as far as expenses. It was just the revenue issue that caused some problems.

Mr. Stouder said there are a couple of items to consider with Commissioner Hazen's question. Eugene requested $360,000 for biosolids hauling and landfilling. There has been a lot of biosolids applied in the last couple of months, and staff did not know how much would be left and if there were enough fields to apply to. Staff is not expected to utilize the full amount requested, and any money unspent would be returned to the budget. There are a couple of new Capital Projects, and current Capital Projects are moving forward, as money is being returned from the Class A Project.

Mr. Vanderwall said Capital Projects include the biosolids study and the boiler improvement project of $800,000. There is also the Small Homes SDC Program.

Mr. Stouder said the Small Homes SDCs Program has a $100,000 set aside in the budget to pay for SDCs on behalf of applicants who build small homes. This program supports small home development and is consistent with how the Cities of Eugene and Springfield apply SDCs. In Springfield, if someone builds an 800-square-foot home or smaller, there is a program where SDCs can be waived. The MWMC cannot waive SDC due to statute because the MWMC is not a municipality or intergovernmental entity, but the Commission decided to set money aside to help by paying off SDCs for small home development several years ago.

Mr. Vanderwall said there is about $25,000 that is spent annually on the Small Homes SDCs Program.

Commissioner **Farr** said that the Small Homes SDCs Program is a great program that has not been fully utilized, and it helps people who need leverage for the cost of small homes.

Commissioner **Lesley** asked if the program is not being fully utilized because, so few small homes are being built, or homeowners do not know the program exists.

Commissioner **Farr** said from his perspective, homeowners do not know the program exists.

Mr. Stouder said that the program is similar to the Cities of Springfield and Eugene's application to SDCs funds. In Springfield, if a home is built under 800 square feet, the SDCs are waived. Eugene's criteria are more complex, but the Small Homes SDCs Program is set up to support the cities.

Commissioner **Lesley** said the SDC waiver is automatically applied, versus the homeowner needing to know about it.

Mr. Stouder said yes, the SDC waiver is automatically applied at the time of collection.

Commissioner **Farr** said it is his experience that Springfield has been a bit smoother and easier to work with when building small homes. There was a bump in the road with the biosolids application, but the Department of Environmental Quality (DEQ) helped with approving new fields.

Michelle Miranda, City of Eugene Wastewater Division Director, said there was additional acreage approved by the DEQ that helped the Biosolid Program. All the biosolids produced will be land applied and there will only be a small amount of struvite from the digester cleaning that will go to the landfill. Staff worked to get the proper approval of the new lands.

Commissioner **Farr** said this was a fast response from the DEQ.

Mr. Stouder said the one field left could accept a decent amount of biosolids, but more land was needed. There was a county process prohibiting this, and staff did not think it was going to be approved, but ultimately approval was granted. It required a phone call from Todd Miller, ESD Deputy Director, and the DEQ staff to get this approved. This was a huge success for all staff working on this project.

Commissioner **Farr** thanked Mr. Stouder and staff for their work on acquiring the additional land for biosolid application.

MOTION: IT WAS MOVED BY COMMISSIONER **KEELER** WITH A SECOND BY COMMISSIONER **LESLEY** TO APPROVE RESOLUTION 25-09 FOR SUPPLEMENTAL BUDGET #1. THE **MOTION PASSED** UNANIMOUSLY 6/0 WITH COMMISSIONER INGE ABSENT.

Hazen	Y
Farr	Y
Inge	Absent
Keeler	Y
Lesley	Y
Stout	Y
Yeh	Y

<u>PUBLIC INFORMATION PROGRAM ANNUAL UPDATE</u>

Thomas Gray, MWMC Communications Coordinator, presented an update on the annual MWMC's public information program that exists under the Commission's Key Outcome #5, the objectives for maintaining water quality and a sustainable environment, and strategies identified in the MWMC Communications Plan. The Communications Plan is periodically updated to implement new tactics, research, and data results to better inform staff decisions for moving forward. There are three primary objectives in the communication plan based on the 2019 market survey data on the MWMC:

1. Increase community awareness by more than 25%.
2. Increase initial favorable response to 20%.

3. Improve community opinion of the MWMC's performance by 10% with an overall performance of 50%.

In the Communications Plan, there are 21 identified tactics. This is not the sum of what staff work on, but it is the majority of initiatives staff implement regularly. Some tactics include:

- Annual Report: A web-reported summary of work that occurred in the previous calendar year summarizes what happened in each department and team within the MWMC, the City of Eugene and the City of Springfield. This report is highlighted on MWMC's website, outlined in the MWMC newsletter, on social media, and emailed to stakeholders.
- Sponsorships: Associated with events, have the best return on investment within the marketing strategies, and staff reach over 40% of residents within the metropolitan area. In past years, there would be a higher number, and this was due to the Light of Liberty event not occurring due to construction in Springfield, but this event will continue in the future. Also, the Willamette Riverkeepers event did not occur this year, and the main sponsorship was lost due to budget cuts with the City of Eugene.
- Events: Other opportunities were found for the communications team to participate in: the Re-Imagine Earth Day with Brings Recycling and City of Eugene Stormwater Program, the Springfield Public Works Indigenous Cultural Celebration, and the Springfield Public Works and Drifters Fireworks.

Commissioner **Stout** asked if the communications team participated in the Springfield Block Party event.

Mr. Gray said no, but the City of Springfield's Department of Public Works participates. Other tactics include:

- Publications: The MWMC monthly e-newsletter with a 40% open rate, annual rate notification from the Cities of Eugene and Springfield to inform of any wastewater and stormwater rate changes, and an ad hoc publication on concerns of per-and polyfluoroalkyl substances (PFAS) in biosolids.
- Social media: This continues to grow every year and is exceeding the goal for FY 25-26. The growth goals for FY 24-25 were met, revised, and then met again. During the Lane County Fair sponsorship ticket giveaway event, staff encountered issues with the social media methodology, leading to scammers setting up fake MWMC pages and collecting credit card information through Facebook. Staff implemented a new and secure software, the Sweep Widget, and there were no scammers this year. The ticket giveaway was distributed across all social media platforms and added new subscribers on X and YouTube.
- Digital Ads: The pollution prevention campaign launched in 2024 within a targeted Eugene, Springfield, and Lane County area. This year, it is targeted to concentrate on the MWMC area and to continue with the wipes in trash and grease in garbage message. There were about 4.5 M total impressions, the number of times someone saw one of the advertisements.

Commissioner **Hazen** asked if there was a decrease in wipes at the Water Pollution Control Facility (WPCF)?

Ms. Miranda said that it is hard to measure.

Mr. Stouder said there are problematic areas, like memory care facilities, that are costly and challenging.

Mr. Gray said the staff has done targeted marketing for a specific neighborhood and pump station that gives more control over the variables rather than measuring for the entire MWMC area. The digital ad campaign was to inform, and the measured based on click-through rate to the MWMC website on pollution prevention information. Last year, he received more requests for FOG kits from residents. Staff intend to renew the contract with FPW for the digital ad campaign but will shift the focus to recognition and the work of the MWMC. The next tactic:

- Regional Partnership: One Water is a concept to inform people about the interconnectedness of all the water systems (urban, stormwater, drinking water, and wastewater). A webpage was created, with Brooke Mossefin, Communications Coordinator, who created the One Water Cycle graphic. One Water is a partnership with Springfield Utility Board (SUB), EWEB, Rainbow Water District, and Springfield, Eugene, and Lane County Stormwater Programs.

In addition, Todd Miller, ESD Deputy Director, had funding for a water lifecycle video in an open contract with MIG for supporting the Recycled Water Demonstration Project, which was shelved after the cancellation of the Class A production facilities construction earlier this year. This resulted in the One Water video being contracted with MIG for production. This video has been implemented into the Clean Water University curriculum.

Commissioner **Farr** asked how often this video is shown in grade school.

Mr. Gray said that it is available to all fifth-grade teachers who participate in Clean Water University, in person or online. The last two tactics are:

- Clean Water University: The in-person field trip event from October 7 to 9. The curriculum has been fully updated with translations into Spanish and Japanese to accommodate attending immersion schools. Additionally, closed caption transcripts in Spanish and Japanese are available on YouTube. There is an open invitation to all Commissioners to attend.
- Awards: The MWMC received the 2024 National Environmental Achievement Award for the Pollution Prevention Campaign with the National Association of Clean Water Agencies (NACWA). In 2025, the MWMC received an Outstanding Agency Project Award for the Pure Water Partners work that Todd Miller with Freshwater Trust and EWEB did to restore and protect local watersheds. The MWMC also received the Water Environment Federation's (WEF) Utility of the Future Award.

In 2026, the upcoming focus is: a distribution of direct mailers to over 90,000 households with topics around wastewater, pollution prevention, and children's education on water resources; the continuation of the digital advertising campaign; the creation of a pre-treatment video for increasing awareness and participation in pollution prevention; continuing to grow the network of volunteers for Clean Water University; creation of a media strategy appendix for the MWMC communication plan to formalize earned media strategies with at least a quarter of press releases; and starting to build the curriculum for the Water Academy program for adults.

He announced that this will be his last presentation to the Commission. His girlfriend, Sienna, has graduated from law school at the University of Oregon and has accepted a job in public defense in Medford. He has loved this job and the people that he has worked with.

Commissioner **Keeler** said that many years ago, he and a previous commissioner had a challenge with the MWMC's outreach efforts with an annual budget of $5,000. The resources were not there, and an ad hoc subcommittee was created for a short time. Staff responded, and MWMC is seeing the outcomes. He said he was sorry to see Mr. Gray leave.

Mr. Gray said that he wanted to specifically thank Loralyn Spiro, MWMC Communications Supervisor for her fighting for the communications program and implementing a robust suite of strategies, tactics, and communications.

Commissioner **Keeler** said the MWMC communications are world-class and thanked the Communications team.

Commissioner **Lesley** said this is excellent and impressive work. She commends everyone for the quality and the massive results that are being achieved. She is sorry to see Mr. Gray go. He mentioned the next focus of bringing visibility to the work that MWMC does. There was an article on LinkedIn from Frederick Tack, *Public Work never sleeps, a quiet thank you to utilities in the inland Pacific Northwest and those who keep our communities running every day*. There could be some good information to gather. Wastewater professionals are important workers who do work that is sadly invisible to many people. She is glad that the focus is on being visible for this next communication cycle.

Commissioner **Hazen** said this is great work, progress, and engagement. He wanted to follow up on a discussion from May on a membership with the Eugene Chamber of Commerce. Is still under evaluation and about the ambassadorial role with commissioners.

Mr. Stouder said this had been discussed and is being evaluated. The City of Springfield is a member is the Springfield Chamber of Commerce. An ambassador role with the Commission involves more conversation.

Mr. Gray said an ambassador role requires a more open conversation between staff and Commissioners. It is not the staff's role to direct a Commissioner to be an ambassador.

Mr. Stouder said that staff can influence the Commission's application process and talk to City leaders about expectations.

Commissioner **Farr** said that Commissioners take this role very personally and at different levels. He had an opportunity to speak to the Retired Military Officers Association about the MWMC and issues outside of the urban area, like Creswell.

Mr. Stouder said there could be public outreach opportunities for Commissioners to attend, like city clubs or community groups. Clean Water University is also a good opportunity to participate in.

Commissioner **Lesley** asked if the ambassadorial question is how a Commissioner can help.

Commissioner **Hazen** said yes, and every Commissioner has their own position either as a citizen member or an elected position, which is an ambassador role that comes naturally. He was looking for opportunities for a Commissioner that would be complementary or supportive of the MWMC.

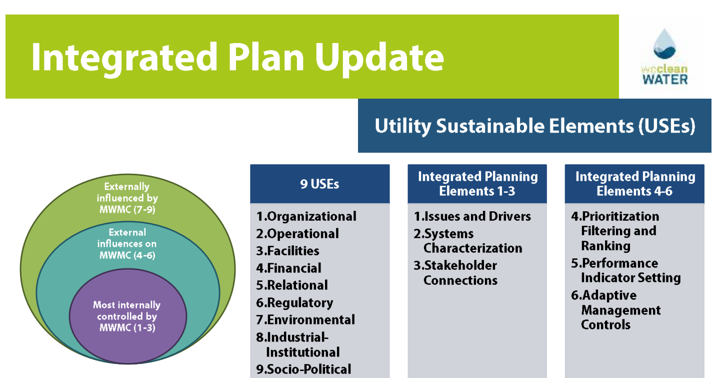
Mr. Stouder said that he is sad to see Thomas go. He has been a part of the communication team for several years and has really blossomed in his career. He is someone who he really enjoys working with and he is hoping to replace him with someone like him, who wants to be in this field and represents what the communication team is looking for.

Commissioner **Farr** thanked Mr. Gray for his years of service.

INTEGRATED WASTEWATER UTILITY PLAN INPUT

Todd Miller, Environmental Services Deputy Director, presented to the Commission on the development of the Integrated Wastewater Utility Plan (IWUP). This is part one of a two-part update on the Comprehensive Facilities Planning that Bryan Robinson will discuss at next month's Commission meeting about the Process Facilities Plan and the Capital Improvement Plan. The Comprehensive Facilities Plan is a 20-year planning effort. It correlates with the wastewater industry's Effective Utility Management (EUM) practices, which is a national program recognized by the Environmental Protection Agency (EPA) and NACWA. Staff has refined the three-volume Facilities Plan approach to align with the three successively progressive EUM levels of service.

The integrated planning framework, which was adopted by the EPA for communities that manage both wastewater and stormwater, adopts the One Water context. Locally, wastewater and stormwater are separately permitted programs between the Cities of Eugene and Springfield and the MWMC. However, the Integrated Plan framework is perfectly suited for the One Water concept in wastewater planning. Guided by the EPA's six elements of integrated planning: 1) identify issues, 2) identify systems, 3) consider stakeholders, 4) select alternatives, 5) measure performance, and 6) adapt over time for ongoing success. The benefit of the Integrated Plan is building on the existing MWMC strategies and frameworks and not replacing the Communication, Financial, or Process Facilities Plan.



The intent of the IWUP is to categorize issues to provide recommended pathways and areas of focus for the MWMC, as well as to provide a gauge to rank opportunities for the MWMC. In the past, for ideas that arose from stakeholder discussions related to the poplar farm uses, recycled water uses, and biosolids management, there was no single, adopted, decision-making framework. The Integrated Plan allows staff to present a project to the Commission as clearly and systematically evaluated in the grand scheme of

MWMC benefits. These decision-making elements will inform what the Key Performance Indicators (KPIs) should be for a project and how the project or program ranks compared to other opportunities. If a project or program does not rank well, then we can consider, based on low scoring weaknesses, what mitigations may be needed to advance the project opportunity? Adopting the adaptive management approach of the integrated plan ensures that staff are being effective, responsive, and flexible to changes in regulations, funding, and in the community.

The nine Utility Sustainability Elements (USEs) are identified in order from those with the closest nexus and internality to the MWMC to those with more indirect nexus and externality to the MWMC. Each of the USEs will have its own set of identified issues, systems, and stakeholders:

- USE 1: Organizational: The legal structure, the MWMC governance, partnerships, guiding principles, policies, and procedures.
- USE 2: Operational: Workforce, management systems, materials systems, information systems, utility/resource streams, waste streams, and process streams.
- USE 3: Facilities: Facility management, land and property, structures, infrastructures, vehicles, and equipment.
- USE 4: Financial: Budget, income/revenue, expenses/debit, insurance, and funding.
- USE 5: Relational: MWMC partnership, community engagement, association memberships, utility/energy partners, academic/educational, community partnership, and legislative/regulatory connections.
- USE 6: Regulatory: Clean Water Act/National Pollutant Discharge Elimination System (NPDES) drivers, reuse/recovery rules, emerging issues and trends, air/land/water permits, and construction and building permits.
- USE 7: Environmental: River and watershed, geography/geology, climate/hydrology, ecology, natural resources, conservation and restoration, and natural hazards.
- USE 8: Industrial-Institutional: Transportation networks, energy supply, waste management, land use and development, recreation and leisure, economy/industry, public health and medical services, and academia and research.
- USE 9: Socio-Political: Political geography, government, demographics, culture and quality of life, goals and plans, interest groups, and community concerns.

This is an important process because not all problems can be solved, but the MWMC wants to be open for opportunities and partnerships, and to be more effective or potentially be multi-objective in providing a better value to the community and in providing services. The next steps are to synthesize all these issues, systems and stakeholders for each of the USEs and identify the priority factors. West Yost is developing a decision-making framework via a survey tool that could be adapted in the future to pairing with Artificial Intelligence (AI) tools to provide recommendations. The IWUP will be completed in the spring of 2026. He asked the Commission for inputs or considerations now or in a survey.

Commissioner **Farr** said that it is a great presentation with a lot of information. Will the slideshow be available to the Commission?

Mr. Miller said yes, the slide show can be available to the Commission.

Commissioner **Stout** said, as a small businessperson, this is wonderful and great work. He likes the approach Mr. Miller is taking, and this is excellent visioning. If ratepayers' rates are going to increase substantially with any of the different processes, then there needs to be a real justification behind it. For staff, to keep that in mind when doing this process. He would like consideration of culture when making the plan. As a Springfield City Councilor, he is proud of the impact that Springfield has culturally on the MWMC especially on an administrative level. For staff to keep in mind the major users of the MWMC and if there are more ways to pretreat on-site, especially if that results in a reduction in SDCs. Lastly, MWMC is creating a complex adaptive system and plan that will enable MWMC to be more adaptive and deal with the complexities of city life.

Commissioner **Keeler** said he agrees with Commissioner Stout. He would appreciate the opportunity to have input in an online survey. On the USEs relational, the MWMC does provide a service, and customer service would be an important element of that.

Commissioner **Lesley** said she appreciated the layout and detail of the IWUP. She looks forward to the survey for input. The WEF recently put out a white paper identifying a $47 billion opportunity that is represented by the circular water economy or resource recovery. It is a broader way of looking at the value of resources embedded in water and wastewater. She encourages the MWMC to look at that. The elements that she noticed were the community sustainability, infrastructure strategy, and performance. There is an efficiency that occurs when the investment of reaching out and having a conversation with a broader group than normal. These conversations do not happen until staff make it happen. How the MWMC can be more strategic, which she thinks will keep rates down. The Oregon legislature just passed a Willamette Valley-wide solid waste requirement and planning, and there is Clean Lane occurring locally. The MWMC is not a solid waste agency, but it is a resource. There has been discussion about the need for another digester at the WPCF. There is a resource recovery legislation that is coming up that several legislators are actively promoting circular water economy, resource recovery, and planning statewide. For the MWMC to be aware of and part of these conversations. In the survey, she will comment on operational optimization. The MWMC in the past has been a leader in electricity process optimization on the electricity side, with kilowatt-hours per million gallons treated. Is that still being tracked? How is it going? What is the trend, and what are the chemical pounds per million gallons treated?

Commissioner **Hazen** thanked Commissioner Lesley for her comments. As a citizen of Eugene, the debate has been part of the political culture and the perceived trade-off between economic development and sustainability. He suspects the concept of industrial symbiosis is not widely understood in the community. There are probably several businesses that would be very enthusiastic about investing in the opportunity that positions industrial operations in the community as partners in environmental sustainability rather than opponents. That would be exciting to see.

Mr. Miller said hearing from the Commission on these concepts and ideas, he can channel them into recommendations for the plan. Regardless of the IWUP outcome, the focus of our project needs is on the Process Facilities Plan what is needed to keep the WPCF running efficiently, serve the growing needs of the community, and the evolving environmental regulations. The IWUP will address whether there are identified projects and issues that can be implemented better and more effectively.

Commissioner **Farr** said he often asks if the County is exceeding requirements and most often the County is. Is the MWMC meeting or exceeding permit requirements? Staff will explain when meeting or exceeding regulations and why. It is remarkable how far ahead of the curve the MWMC has always been.

Mr. Miller will follow up with the Commission via an online survey to gather more input on the IWUP elements.

BUSINESS FROM COMMISSION

Commissioner **Keeler** said he was excited that the Commission agenda packet was not thick because that does not usually happen. But it might have been a better packet to include Mr. Miller's and Mr. Gray's slide show presentation because they were so rich with information. He would have like to have a chance to study the information before the meeting. It makes the presentation better to internalize the information and to archive for future reference.

Mr. Stouder said that is something to investigate. Sometimes the MWMC presentations are being worked on up until the meeting. Staff can strive to get the presentations to the Commission a day or a couple of days early via email from Ms. Inman.

Commissioner **Keeler** said that would work or a copy at our seats during the meeting would suffice.

Commissioner **Farr** said it is good to get the presentations.

Commissioner **Lesley** said that if anyone has or knows of a third to fifth-grade girls, there is a science, technology engineering, and math (STEM) event locally on October 26. It is called STEM Like a Girl and the website is www.stemlikeagirl.org.

Commissioner **Farr** said he wanted to extend his appreciation to the Commission for the latitude that he has been given over the last couple of months.

BUSINESS FROM GENERAL MANAGER

Mr. Stouder announced that Oregon State University (OSU) will take samples of raw biosolids for PFAS as part of the partnership work with the Oregon Association of Clean Water Agencies (ACWA). They will visit the Biosolids Management Facility, where the MWMC will represent the southern Willamette Valley site as one of the four sites. OSU is partnering with the DEQ and ACWA under legislative direction on a biosolids study. Staff are excited to see this study move forward.

He plans to bring the Intergovernmental Agreement, and the Operations and Maintenance Agreement update to the November or December Commission meeting. These updates are housekeeping updates and will be brought to the City Councils and Lane County Commission in December or January.

He continues to meet with Goshen and Creswell staff on pathways forward on their wastewater challenges. He will meet with a larger group of people next Monday. Jacobs Engineering worked to review a capacity analysis for the regional wastewater infrastructure, and noted that there may be a capacity constraint at the Glenwood Pump Station. Staff is looking into that further and discussing associated next steps. Largely, there are no capacity constraints at the WPCF. There is adequate capacity through 2045 for almost all the processes.

BUSINESS FROM WASTEWATER DIRECTOR

Ms. Miranda said she has a brief Renewable Natural Gas (RNG) update and staff will come back within the next few months with a more detailed update. The average runtime is 65%. There have also been improvements to safety and operations, including media change-out on the pressure swing absorption, improved lockout/tagout and purging procedures. A dedicated waste gas burner should be completed in early January. All these changes are anticipated to improve the RNG uptime. In 2025, the EPA changed the fuel market rules. We contract with an off-taker, Anew, and Quality Assurance Verifier (QAV), EcoEngineers to comply with the EPA rule to sell about 80% of the Renewal Identification Numbers (RINs) or the environmental attributes. Since this rule change, the QAV has not had a pathway to sell RINs from wastewater treatment plants. Staff have been in communication, but RINs are being stored. There are about 290,000 RINs which is roughly equivalent to $580,000. This price can vary, and she is using the $2.20 per RINs rate. They will not expire prior to the end of 2026. The contract with Anew ends in December 2026. She has convened a small work group to look at options in the future.

Mr. Stouder said staff found out in March or April that the RINs were being stored. There were changes in the EPA and staff expect to have a pathway for RINs soon. There are other wastewater agencies that have RNG and are in a similar situation. He has discussed options with legal counsel and staff are working with the contractor.

Commissioner **Farr** said there is no interest accruing.

Mr. Stouder said there is no interest accruing. It is a fluctuating market, but it has steadily been on the decline since January.

Ms. Miranda said staff have been in communications with Anew and they do not have a good estimate with EcoEngineers of how close they are to a pathway.

Commissioner **Lesley** said the market exists for industries, and it is the pathway to get a wastewater plant RINs to market is the problem.

Ms. Miranda said the EPA rules for QAVs to be able to sell the RINs changed. Our QAV is EcoEngineers (contracted through Anew). They are working towards approval, but do not have an approved pathway to get the RINs sold in the market.

Steve Barnhardt, the City of Eugene Wastewater Division Operations Manager said a wastewater pathway through EcoEngineers is not yet approved. Other agencies do use different QAV provider.

Ms. Miranda said staff are working through this, and she and Mr. Barnhardt are meeting with Anew to see about options and next steps.

Commissioner **Farr** said there is no fees and change based on the federal administration.

Ms. Miranda said the rule changed January 1, 2025, and that seemed to precipitate this. She is not sure how close Anew and EcoEngineers are in getting approved but there are other off takers that are approved.

Mr. Van Eeckhout, MWMC Civil Engineer, said that with the change of the administration, the volumetric obligation that is required by the EPA has dropped. This is leading to the reduction in the fee for RINs, and depending on how the EPA goes with that, the price might continue to drop, or it may go back up.

Commissioner **Farr** said, that could further the eroding in the value.

Mr. Van Eeckhout said it is erosion and there is not as much demand for those RINS from the fuel producers because they are not obligated to buy those credits.

Mr. Stouder said that staff plan to come back in November with an update to the Commission. Staff will evaluate going forward with the option of renewing with the same contract or a maybe with a different entity. There are many options to review.

Ms. Miranda said the RINs are in the fuel or commodity market but there is also the carbon market which is simpler and administratively easier. Staff will provide information to the Commission and in the future, will look to ultimately choose what would be in the MWMC's best interest.

Commissioner **Farr** adjourned the meeting at 9:16 am.

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MEMORANDUM

DATE:	October 2, 2025
TO:	Metropolitan Wastewater Management Commission (MWMC)
FROM:	Kevin Vanderwall, MWMC Accountant
SUBJECT:	FY 2024-25 Annual Financial Summary, Budget Reconciliation
ACTION REQUESTED:	Informational and Discussion

ISSUE

The annual financial summary and budget reconciliation is the process of comparing final actuals with the amended budget for the year. This memo presents the results of the FY 2024-25 Operating and Capital budget reconciliation to inform the Commission of overall variance between budget and actuals and give details on any large differences.

DISCUSSION

Results of Operations

The purpose of comparing budget and actual results is to ensure that legally authorized expenditure levels are not exceeded, as well as to evaluate overall budgeting accuracy. "Budget to Actual" results are detailed in the regular MWMC monthly report for June 30, 2025 (Attachments 1 and 2 to this memorandum). The results are summarized in Table 1 on Page 2.

The differences between budgeted and actual Operating Revenues reflect the following factors:

Operating revenue was under budget by $4,252,563 or 9.61%. Several factors played a role in the revenue shortfall, as discussed during the September 12, 2025, MWMC meeting. The key factors are presented below:

- The June Eugene Water & Electric Board (EWEB) user fee pass-thru from the City of Eugene was received one day late and could not be counted in FY 2024-25. This accounted for $2,353,834 of the under-budget revenue.
- EWEB collects regional and local user fees for the City of Eugene for stormwater and wastewater. These user fees are lumped together by EWEB and require separation by City of Eugene staff in order to pay the regional portion to the MWMC. In FY 2024-25, a change in EWEB's accounting system prevented Eugene staff from accurately separating regional user fee revenue from local user fee revenue, which caused a revenue shortfall. Staff expects this issue to be resolved in FY 2025-26 and the MWMC will be made whole.

Operating Expenses came in under budget by $582,930 or 1.4% for Eugene and Springfield combined. Springfield Administration realized a savings of $758,793 while Eugene Operations came in over budget by $175,863. This is further discussed in the bullets and Table 1 below:

- Springfield Administration savings were mainly realized by unfilled staff positions, lower-than expected contractual service costs, and reduced billing and collection expenses compared to the budget.
- Eugene Operation's overages were primarily due to personnel, materials, and supplies coming in higher than budgeted. Eugene did realize large savings in indirect costs and operating outlay when compared to budget.

Table 1 – FY 2024-25 Budget-to-Actual Comparison

	Budget	Actual	Variance	% Over/Under
Operating Revenue	$44,261,722	$40,009,159	($4,252,563)	-9.61%
Beginning Cash	126,147,445	126,147,445	-	0.00%
Capital Revenue (excludes SDC's)	16,370,838	19,744,845	3,374,007	20.61%
SDC Revenue	3,007,962	2,356,938	(651,024)	-21.64%
Total Revenue	$189,787,967	$188,258,387	($1,529,580)	-0.81%
Operating Expenditures	$41,531,458	$40,948,528	($582,930)	-1.40%
Capital Expenditures	83,560,004	14,048,009	(69,511,995)	-83.19%
Debt Service	4,107,750	4,107,750	-	0.00%
Reserves	60,588,755	129,154,100	68,565,345	113.17%
Total Expenditures & Reserves	$189,787,967	$188,258,387	($1,529,580)	-0.81%

As detailed in Table 1, both Capital Revenue and SDC Revenue experienced large variances in budget versus actual. These two variances are called out separately due to the difficulty in budgeting these revenues. Capital interest is budgeted conservatively as there are years where a negative market value adjustment is required, and it is not prudent to budget for revenues that may not be received. System Development Charges (SDC) revenue is dependent on the strength of economic activity and construction.

Ending Reserves were substantially higher than budgeted, which is typical due to capital expenditures that were fully budgeted and contractually obligated, but not yet expended (expenses occur over multiple years for large capital projects). At year-end, unspent capital budget is captured in reserves, and subsequently reallocated to the capital projects originally budgeted, along with new funding requested during Supplemental Budget 1 (SB1). Adjustments to the FY 2025-26 Capital budget are shown below:

Capital Reserve Balances	Reserve Adjustment
Capital Reserve	$ 6,810,277
Equipment Replacement Reserve	(697,269)
SDC Improvement Reserve	1,851,478
SDC Reimbursement Reserve	(97,887)
Total	$ 7,866,599

The summary of Supplemental Budget 1 Capital fund reserve changes above is further detailed in Attachment 2, showing the FY2025-26 adopted and amended reserve breakdowns.

ACTION REQUESTED

This item is presented for information and discussion. Commissioner questions and feedback are welcome.

ATTACHMENTS

1) MWMC Statement of Revenues and Expenses
2) MWMC Comparison and Reserve Charts

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
STATEMENT OF REVENUES AND EXPENSES
For the Month Ending June 30, 2025

REVENUES	Budget	Current	YTD	% YTD Budget
OPERATIONS:				
User fees, Septage & lease income	$ 42,828,000	4,186,232	$ 39,109,619	91%
Miscellaneous & internal engineering	433,722	165,321	597,527	138%
Interest income	300,000	12,442	302,013	101%
Beginning cash-operations	13,332,990	-	13,332,990	
Total operating revenue	56,894,712	4,363,995	53,342,149	94%
CAPITAL:				
Capital and ER support from user fees	15,100,000	1,258,333	15,100,000	100%
SDC Revenues	2,770,000	131,240	1,616,009	58%
Interest income	1,500,000	1,264,610	5,378,380	359%
Misc Revenue	8,800	335	7,394	84%
Beginning cash - capital	113,514,455	-	113,514,455	
Total capital revenue	132,893,255	2,654,518	135,616,238	102%
Total revenue	$ 189,787,967	$ 7,018,513	$ 188,958,387	100%

EXPENDITURES	Budget	Current	YTD	
OPERATIONS:				
Administration - Springfield	$ 6,012,858	429,802	$ 5,254,064	87%
O&M - Eugene	20,418,600	3,917,838	20,594,463	101%
Capital and ER contribution	15,100,000	1,258,333	15,100,000	100%
Total operating expenditures	41,531,458	5,605,973	40,948,527	99%
CAPITAL:				
Capital projects	75,665,472	3,058,243	9,828,814	13%
Eugene equipment replacement	3,936,210	319,248	2,510,591	64%
Eugene major rehab.	3,916,600	134,843	1,672,593	43%
Other Capital Items - SDC	14,000	1,309	8,290	59%
Interfund transfers	27,722	2,310	27,722	100%
Total capital expenditures	83,560,004	3,515,953	14,048,010	17%
DEBT SERVICE	4,107,750	-	4,107,750	
RESERVES	60,588,755	(2,103,413)	129,854,100	
TOTAL EXPENDITURES & RESERVES	$ 189,787,967	$ 7,018,513	$ 188,958,387	

Attachment 1

Reserves after FY26 Adopted

Total of Reserves: $42.8M

User fees,

Septage fees

Interest income

Other Operating Revenues

SDC reimbursement fees

SDC Improvement fees

Interest earnings

Working Capital Reserve $900K —2.1%	To cover cash flow needs between receipts
Operating Reserve $5.3M —12.4%	To cover expenses for 2 months in unforeseen circumstances.
Rate Stability Reserve $2M — 4.7%	For use to avoid major rate swings
Bond Rate Stabilization Reserve $2M — 4.7%	Required by bond covenants, it's only use is to increase net revenues if ever we are in danger of not meeting our coverage ratio.
SRF Loan Reserves $50K — 0.1%	Required by DEQ loan documents to guarantee payment of debt service on SRF loans.
Insurance Reserve $1.5M — 3.5%	Toward high deductible in the event of major claim.
Capital Reserve $3.1M — 7.2%	To fund capital projects as determined by the Commission in the CIP plan.
Equip. Replacement Reserve $15.4M — 35.9%	Funded by operating revenues to save for recurring replacement of equipment and vehicles as determined by the asset management team.
SDC Reserves $12.6M — 29.4%	Used for capital projects that qualify for use of SDC revenues per ORS 223.307 including debt service repayment.

Reserves after FY26 SB1

Total of Reserves: $48.1M

User fees,
Septage fees
Interest income
Other Operating Revenues

SDC reimbursement fees
SDC Improvement fees
Interest earnings

Working Capital Reserve $900K —1.9%	To cover cash flow needs between receipts
Operating Reserve $2.6M —5.5%	To cover expenses for 2 months in unforeseen circumstances.
Rate Stability Reserve $2M — 4.2%	For use to avoid major rate swings
Bond Rate Stabilization Reserve $2M — 4.2%	Required by bond covenants, it's only use is to increase net revenues if ever we are in danger of not meeting our coverage ratio.
SRF Loan Reserves $50K — 0.1%	Required by DEQ loan documents to guarantee payment of debt service on SRF loans.
Insurance Reserve $1.5M — 3.1%	Toward high deductible in the event of major claim.
Capital Reserve $9.9M — 20.6%	To fund capital projects as determined by the Commission in the CIP plan.
Equip. Replacement Reserve $14.7M — 30.6%	Funded by operating revenues to save for recurring replacement of equipment and vehicles as determined by the asset management team.
SDC Reserves $14.4M — 29.8%	Used for capital projects that qualify for use of SDC revenues per ORS 223.307 including debt service repayment.

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MEMORANDUM

DATE:	October 2, 2025
TO:	Metropolitan Wastewater Management Commission (MWMC)
FROM:	Kevin Vanderwall, MWMC Accountant
SUBJECT:	MWMC Financial Plan – Policy Discussion #1
ACTION REQUESTED:	Information and Discussion

ISSUE

In August, staff began a conversation with the Commission regarding updating the 2019 Financial Plan. At the October 12, 2025, MWMC meeting, staff intends to continue the discussion on updating the 2019 Financial Plan, including discussing the Financial Forecasting and Budgeting policies, hereafter referred to as the "F" policies.

BACKGROUND

The 2019 Financial Plan includes five sets of policies, one of which is the "F" policies. The "F" policies in the Financial Plan are intended to guide the Commission in financial forecasting and budget planning and ensure the financial security and bonding capacity of the Regional Wastewater Program. These policies also ensure the MWMC meets minimum legal budget requirements and address the MWMC's legal and contractual commitments regarding the use of revenues to pay for expenses.

The financial administration objectives of the 2019 MWMC Financial Plan are directed toward achieving the following objectives as required by Section 3.f of the MWMC Intergovernmental Agreement (IGA):

1. Establishing revenue adequacy to provide for long-term health and stability of the regional sewerage facilities through a program of monthly sewer user charges, and system development charges that are imposed uniformly throughout the service area to achieve full cost recovery
2. Fully funding a program of capital improvements to address capacity, regulatory, and efficiency/effectiveness needs
3. Ensuring equity between newly connected and previously connected users for their total contributions toward regional sewerage facilities
4. Ensuring equity among various classes of users based on the volume, strength, and flow rate characteristics of their discharges together with any other relevant factors
5. Ensuring efficient and cost-effective financial administration of the regional sewerage facilities

6. Complying with applicable laws and regulations including those governing the establishment of user charges and the establishment of system development charges

The six "F" policies of the Financial Plan are as follows:

Policy F1: The purpose of the RWP is to protect public health and safety and the environment by providing high quality wastewater management services to the Eugene/Springfield metropolitan area. The MWMC and the regional partners are committed to providing these services in a manner that is effective, efficient, and meets customer service expectations. In order to achieve its purpose, the Commission shall establish and maintain key outcomes upon which RWP work plans and budgets will be focused.

Policy F2: The Commission shall maintain annual budgets that balance operating expenses and transfers with user fees and other current operating revenue.

Policy F3: The Commission will monitor revenues and expenditures, and maintain a balanced budget through an appropriate combination of cost-saving measures, budget transfers, supplemental budgets and/or user rate adjustments as needed.

Policy F4: The Commission shall maintain a capital planning and financing system for use in preparing a multi-year CIP for consideration and adoption by MWMC and ratification by the partner agencies' governing bodies as part of the Commission's budget process. This system shall include preparation of a rolling CIP and a Capital Financing Plan.

Policy F5: The Commission shall establish and maintain prudent minimum cash reserves, including, but not limited to Contingency Reserves and the reserves discussed below, as needed (reserves/reserve policies are discussed in the "Discussion" below.

Policy F6: MWMC funds are dedicated for the exclusive benefit of the RWP including operating expenses, debt service payments, and the associated capital program.

DISCUSSION

In 2018, staff and the Commission engaged in a series of discussions on the separate sections of the 2005 MWMC Financial Plan. An updated 2019 MWMC Financial Plan was the result of those conversations. The "F" policies were last discussed with the Commission in 2023, with the focus being on Policy F5. With this update, staff is not proposing any language chances to policies F1-F4, nor Policy F6, however minor changes associated with Policy F5 are proposed.

Policy F5 was last discussed with the Commission at the July 14, 2023, MWMC meeting. As noted at that time, the MWMC has several different cash reserves in the budget, which are established by the Commission and in line with the 2019 MWMC Financial Plan. The MWMC's reserves have been established through a combination of industry best practice and previous Commission direction.

Below is a brief discussion of the existing reserves associated with the 2019 MWMC Financial Plan. Existing policy language can be found on pages 12 and 13 of Attachment 1. Staff plans to discuss the purpose of each reserve, along with proposed changes, with the Commission at the October 12, 2025, MWMC Meeting.

- F5a) The Working Capital Reserve was established to make sure neither City experiences negative cash flow. It is set at $200,000 for the City of Springfield and $700,000 for the City of Eugene. Regional program staff have been made aware that the City of Eugene has experienced an average negative cash balance at fiscal year-end of approximately $700,000. Depending on whether the cash balance is negative or positive, MWMC is charged the interest expense or paid interest revenue. As a result, staff proposes to increase the Working Capital Reserve to $1.4 million for the City of Eugene.

- F5b) The Operating Reserve is maintained to minimize the impact of unanticipated revenue shortfalls to the operating budget. The Operating Reserve is set at approximately two months of operating expenditures as calculated when the budget is built; any unappropriated excess amount is transferred to the Capital Reserve. The reserve is not adjusted for each supplemental change and is trued up to match two months of expenses at budget adoption. Staff is not proposing any changes to the Operating Reserve language.

- F5c) The Capital Reserve acts as the savings account for large capital projects and is funded by contributions from user rates. Present language requires the Capital Reserve be set at a minimum of $1 million. This is to cover work associated with unplanned capital expenses that may occur during the Fiscal Year for which funds have not been allocated. This allows the Commission to draw against the reserve if necessary, without needing to cancel the budget for an ongoing project. Staff proposes adjusting the minimum to $5 million, to account for inflationary factors since the time of the adoption of the initial financial plan.

- F5d) The Equipment Replacement Reserve accumulates funds for the replacement or rehabilitation of equipment and can occasionally be borrowed against for short-term financing of capital improvements. The financial plan requires that an annual analysis be done to ensure that the reserve can fund all projected projects. This is no longer consistent with current practice based on previous conversations with the Commission, due in part to the fact that the equipment replacement reserve was growing disproportionately to the spending need. At present, staff analyzes the reserve to ensure it is healthy by performing a 5-10 year outlook and adjusting transfers from the Operating Reserve as necessary. Staff proposes to adjust the language in this reserve to reflect current practice.

- F5e) The Rate Stability Reserve was established to protect ratepayers from market volatility, with the intention of keeping rate adjustments smooth over time and to help avoid large rate "spikes." The MWMC experienced a cumulative rate increase of 37% during the period from 2007 to 2010 (influenced by the Hynix closure and other factors), which prompted the Commission to establish this reserve. To date, funds associated with this reserve had not been drawn from.

- F5f) The Reimbursement SDC Reserve is funded from the "reimbursement fee" component of SDCs and accrued interest and is limited to expenditures on capital projects and debt service in accordance with ORS 223.311. No changes are proposed for this reserve.

- F5g) The Improvement SDC Reserve is funded from the "improvement fee" component of SDCs and accrued interest and is limited to expenditures on capital projects and debt service in accordance with ORS 223.311. No changes are proposed for this reserve.

- F5h) A Bond Reserve if/when required by investors, shall be sufficient to provide assurances to bondholders that adequate revenue coverage will be provided for future debt-service payments. The MWMC was required to have a Bond Reserve with the 2006 and 2008 bonds but dropped this reserve when the MWMC refinanced the bonds in 2016.

- F5i) The Rate Stabilization Reserve is required by bond covenants and must be maintained as long as the MWMC holds bonds that require it. This reserves intended purpose to cover bond payments in the event of insufficient revenues. This reserve is presently set at $2 million per bond requirements; once the MWMC pays off its bond debts in 2027, this reserve can be closed and the money rolled into another reserve.

- F5J) The Insurance Reserve is set at a target of $1.5 million and is intended to accumulate funds necessary to provide for payments of the self-insured amount and/or deductible of any insured loss and payments for losses that are either uninsured or uninsurable. The Commission has had robust conversations on this reserve in past years. No changes are proposed to the Insurance Reserve at this time.

- Not mentioned in the 2019 MWMC Financial Plan, the MWMC currently has a State Revolving Fund (SRF) Loan Reserve in the amount of $50,000. The SRF came after the 2019 MWMC Financial Plan was updated and was a requirement by the state for the loan to be enacted. This Reserve will no longer be required once the SRF Loan is paid off (scheduled for 2030). Staff anticipates adding reserve language to the updated Financial Plan to reflect this reserve.

ACTION REQUESTED

The information provided herein is intended for discussion at the October 12, 2025, MWMC meeting. Staff is seeking Commissioner input on the Financial Forecast and Budgeting ("F") policies, and will field any questions the Commission may have regarding the MWMC's reserves.

ATTACHMENTS

1) 2019 Financial Plan – Financial Management Policies
2) Reserves Flowchart

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

2019 FINANCIAL PLAN

MAY 10, 2019

TABLE OF CONTENTS

INTRODUCTION AND PURPOSE

The 2019 Metropolitan Wastewater Management Commission (MWMC) Financial Plan updates goals and policies in the 2005 MWMC Financial Plan update, as originally set forth in the 2003 MWMC Financial Master Plan. This Plan, in conjunction with municipal, State, and Federal law, is intended to guide the financial administration of the Eugene/Springfield Regional Wastewater Program (RWP).

Financial administration of the RWP is directed toward achieving the following objectives as required by Section 3.f. of the MWMC Intergovernmental Agreement (IGA):

1. Establishing revenue adequacy to provide for long-term health and stability of the regional sewerage facilities through a program of monthly sewer user charges, and system development charges that are imposed uniformly throughout the service area to achieve full cost recovery;

2. Fully funding the needs for equipment replacement and major rehabilitation to address the long-term preservation of the Regional Sewerage Facility capital assets;

3. Fully funding a program of capital improvements to address capacity, regulatory and efficiency/effectiveness needs;

4. Ensuring equity between newly connected and previously connected users for their total contributions toward the Regional Sewerage Facilities;

5. Ensuring equity among various classes of users based on the volume, strength and flow rate characteristics of their discharges together with any other relevant factors identified by the Commission;

6. Ensuring efficient and cost-effective financial administration of the Regional Sewerage Facilities; and

7. Complying with applicable laws and regulations including those governing the establishment of user charges and the establishment of system development charges pursuant to ORS 223.297 et seq.

To address these objectives, this Financial Plan contains sections and appendices detailing the financing history of the MWMC, financing options for the future, and financial strategies and policies.

The financial policies and strategies in this plan provide guidance to the Commission and staff in daily operations, annual budgeting and rate setting, and decision-making when considering competing projects or revenue sources.

SCOPE AND METHODOLOGY

The scope of the 2019 Financial Plan addresses the long-term stewardship of the Regional Wastewater Facilities, as defined in the Intergovernmental Agreement. The 2019 Financial Plan builds on the foundation established by the 2005 Financial Plan update, and the 2003 Financial Plan. The 2005 Financial Plan update was developed by a team of Eugene and Springfield RWP staff. The 2003 Financial Plan was developed by a team of Eugene and Springfield RWP staff and senior-level financial analysts from the Lane Council of Governments (LCOG). The 2003 Financial Plan represented the first comprehensive effort to update MWMC's financial policies since 1992.

Major tasks undertaken in the 2003 Financial Plan included:

A. A review, re-evaluation and update of the issues that framed the 1992 MWMC Financial Master Plan;

B. An evaluation of the financial condition of the MWMC RWP and its preparedness to address future capital and operating financial needs; and

C. Development of financial policies to guide administration of MWMC finances and budgeting for a ten-year period.

The foundation for the 2003 Financial Plan included:

A. Five, ten and twenty-year capital program projections (including Capital Improvement Plan, Major Rehab, and Equipment Replacement projections);

B. Long-term MWMC revenue and expenditure forecasts;

C. Government Finance Officers Association (GFOA) Recommended (Financial) Practices;

D. Comparative analyses with other similar utilities and industry standards;

E. A comparison of MWMC against national indicators of financial health in utilities, including those used by the major credit rating industries.

In 2004, the Commission completed and the Governing Bodies adopted the first comprehensive regional facilities plan since the original “208 Plan”, which formulated the designs of the original regional wastewater facilities. The 2004 MWMC Facilities Plan includes a 20-year Project List, which will serve to guide MWMC's Capital Improvement Program through 2025 to increase performance and capacity of the facilities to meet regulatory and community growth needs.

Implementation of the 2004 Facilities Plan required strategic use of long-term borrowing and careful management of revenues and reserves in order to maintain stable and competitive user rates. Therefore, in 2005, the Commission's Financial Plan was re-evaluated and updated with the assistance of MWMC's financial advisors and bond counsel. Again in 2019, the Financial Plan was reevaluated and updated with the assistance of MWMC's financial advisor (PFM).

The 2005 and 2019 Financial Plan updates generally included:

A. An update of the financial planning objectives to clearly reflect the directives of the Governing Bodies (as stated in the MWMC IGA).

B. A general review to bring the information contained in the plan up to date;

C. A review of the policies by financial advisors to ensure adequacy; and

D. An update of the information pertaining to financing mechanisms suitable for the MWMC's uses in Appendices I, II and III.

MWMC FINANCING HISTORY

MWMC Formed In 1977

Prior to the 1970s, the cities of Eugene and Springfield operated separate sewage treatment systems. The passage of the Clean Water Act in 1972 required wastewater management to be done by communities on a regional, rather than local, basis as a prerequisite to qualify for Federal grant funding. As a result, Eugene, Springfield, and Lane County formed the MWMC in 1977.

Relationship of the Regional Partners

MWMC was formed by Eugene, Springfield, and Lane County through an IGA in 1977 to provide wastewater collection and treatment services for the Eugene-Springfield metropolitan area. The MWMC is an “intergovernmental entity” as defined in the Oregon Revised Statutes (ORS 190).

The seven-member Commission is composed of members appointed by the Lane County Board of Commissioners (2) and the City Councils of Eugene (3) and Springfield (2). The three bodies appoint one member each from their respective Board or Council. In addition, Springfield and Lane County each appoint one citizen (non-elected) Commissioner, and Eugene appoints two.

Staffing and services needed to run and maintain the RWP have been provided in various ways over the years of MWMC’s existence. Since 1983, the Commission has contracted with the cities of Eugene and Springfield for all staffing and services necessary to maintain and support the RWP. This arrangement is stipulated in the MWMC IGA. MWMC has no employees.

Through an intergovernmental services agreement, the City of Eugene provides staff and materials necessary to operate and maintain RWP facilities. Through the same agreement, the City of Springfield provides staff and materials necessary to perform the administration and to construct RWP capital projects. Both cities are compensated for actual costs by the MWMC. This division of duties has provided nearly seamless administration and operation of the RWP.

Lane County’s partnership has involved participation on the Commission and providing support to the Lane County Metropolitan Wastewater Services District (CSD), which managed the proceeds and repayment of the RWP general obligation bonds issued to construct the RWP facilities. These bonds were repaid in full in 2002.

MWMC Facilities Construction

Construction of the MWMC Regional Wastewater Facilities (RWF) began shortly after MWMC was formed. The new facilities became operational in 1984, with most of the RWF projects being completed in the late 1980s. The primary sources of funding for the RWF projects were approximately $80 million in Environmental Protection Agency (EPA) grants. In May 1978, voters authorized the issuance of $29.5 million in general obligation (GO) bonds by the Lane County Metropolitan Wastewater Service District (CSD) to fund the local share of the RWF. Environmental Protection Agency grants funded approximately $80 million in additional project costs. The GO bond authorization was issued in its entirety in four separate series of bonds sold between 1978 and 1982. A fifth series of bonds was issued in October 1989 for refinancing a portion of the CSD’s Series 1980 and 1982 bonds. This refinancing resulted in approximately $615,000 in debt service savings. All GO bonds were retired in September 2002.

Since the late 1980s, a number of projects have been completed using a combination of funds remaining from the GO bonds, user fee revenue, and system development charges (SDCs). CIP budgets were primarily composed of projects identified by the 1996 Eugene/Springfield Water Pollution Control Facility (WPCF) Master Plan, the Biosolids Master Plan, and the Wet Weather Flow Management Plan (WWFMP). The 1996 Master Plan provided an assessment of facilities improvements needed to enable regional wastewater treatment facilities to meet their intended design capacity and regulatory requirements, address system deficiencies, and improve safety and operational performance. The Biosolids Management Plan and the WWFMP resulted from recommendations included in the Master Plan. The Biosolids Management Plan remains the basis for most of the biosolids-related CIP projects.

The WWFMP provided the basis for wastewater treatment facility performance improvements related to wet weather peak flow that were to be constructed over an eight to ten year period. In order to identify the impacts of these projects on other treatment facility processes, a Wet Weather Flow Pre-Design Project was initiated in FY 02-03. As work proceeded on the Pre-Design Project, it became apparent that, due to increased environmental performance required by the wastewater discharge permit and updated projections of population and capacity needed through 2025, a comprehensive facility planning effort was needed. The 2004 MWMC Facilities Plan was a result of this effort and was adopted by the Commission and partner agencies in June of 2004.

The 2004 Facilities Plan revealed several process areas which are at or near capacity and identifies projects which will assure that all process areas will have sufficient capacity to meet the needs of current and future users through the year 2025. The 2004 Facilities Plan also identifies alternative future uses of the Seasonal Industrial Waste Facility and addresses possible regulatory compliance issues that may arise in the coming years. The needs identified in the 2004 Facilities Plan and anticipated permit standards, resulted in additional funding needs and the subsequent issuance of the 2006 and 2008 revenue bonds.

The 2014 Partial Facilities Plan Update describes the regulatory landscape, provides an interim assessment of wastewater treatment capacity requirements, and recommends incremental changes to the 2004, 20-year CIP schedule through the year 2025.

MWMC User Rates

The MWMC's user fee system was developed and implemented in 1985. State and Federal regulations require that MWMC’s system of charges and rates generate sufficient revenue to pay the total operation and maintenance costs necessary to fund the proper operation and maintenance (including replacement) of the treatment works. Annual allocations are made to an Equipment Replacement Reserve from user fee revenue. Funds from this reserve are used to pay for timely replacement of equipment, with an original cost over $10,000, and with a useful life expectancy greater than one year. User fee revenues are also used to fund capital projects.

MWMC System Development Charges

MWMC’s original SDC, which was known as a Facilities Equalization Charge was first implemented in 1991. In today’s terms, the Facilities Equalization Charge was a reimbursement

SDC. In 1997, MWMC adopted a major revision to its SDC methodology. The new methodology included, in addition to the reimbursement SDC, an “improvement” SDC based upon a 5-year CIP. In 2004, MWMC completed a comprehensive update of its SDC methodology. The SDC methodology was updated again in 2006, and most recently in 2009.

TWENTY-YEAR FINANCING NEEDS

MWMC maintains a Capital Improvements Program (CIP) and a Capital Financing Plan in order to facilitate short-term and long-term budgeting and rate making decisions. The revenue or fund forecast projects revenues available from user rates, SDCs, interest earnings and other miscellaneous income, and contains inflationary assumptions. The expenditure forecast is based on projected Operating budgets, with inflationary assumptions, and Capital budgets based on the 2004 Facilities Plan 20-Year Project List and projected equipment replacement and major rehabilitation needs.

A 5-year CIP is maintained and supports the long-range expenditure/revenue forecasting process. The 5-year CIP includes projects identified in the 2004 Facilities Plan 20-Year Project List. Projects remaining from the Facilities Master Plan (1997), the Biosolids Management Plan (1998), and the Wet Weather Flow Management Plan (WWFMP) (2000), were included in the 2004 Plan. In addition, projects are included that extend the life of the RWF and/or help meet new National Pollutant Discharge Elimination System (NPDES) permit requirements. The 5-year CIP is based upon engineering cost estimates and identifies funding for each project. The 2004 Facilities Plan 20-Year Project List contains budget level estimates of project costs (in 2004 dollars) and approximate timing of projects. Since 2006, the NPDES permit has been administratively extended by the Department of Environmental Quality (DEQ).

Since the original grant and GO bond proceeds have been exhausted, MWMC has met annual operating expenditure needs, including budgeted contributions to Capital Reserves (which fund the majority of the CIP) through user rate revenues. From 1996 through 2003 these revenue requirements were met with only modest increases to user rates over time. However, the combination of decreased per capita water consumption (through conservation programs and improved plumbing fixtures) increased operating expenses at greater than inflationary rates, and the estimated $144M - $160M (in 2004 dollars) in capital project costs associated with the facilities plan 20 year project list, has led to the need for a combination of capital financing and increased user rates. Subsequently, the MWMC issued revenue bonds in 2006 and 2008 to fund capital project costs. These two revenue bonds were refunded and replaced, with the Series 2016 Revenue Bonds. SDCs and Clean Water State Revolving Fund (CWSRF) loans, other sources of revenue to support the Capital Improvement Program, are providing a portion of the funding for the projects in the 20-Year Project List.

FINANCING OPTIONS EVALUATION/ FINANCING STRATEGIES

Over the long term, MWMC must reinvest in infrastructure and equipment to maintain the value of existing assets and, when feasible, to prolong the useful life of those capital investments. The Commission must also ensure that the Regional Wastewater Facilities have capacity to keep pace with new development and meet regulatory requirements. How the Commission funds these investments is critical to the timing, scope, and cost of the MWMC CIP, and the stability of regional sewer user rates.

Based on the projected declines in Capital Reserves and user rate availability to fund capital programs over the next several years (assuming rate increases match inflation only), a capital financing strategy needs to be employed that will result in adequate funding without significant rate spikes and instability. Therefore, the most cost-effective mix of “pay-as-you go” and debt-financing strategies should be applied.

A comprehensive review of available financial tools, including an evaluation of their appropriateness to MWMC was conducted. Bonds, loans, grants, SDCs and user fee revenues are all common methods of funding capital projects in the wastewater industry. The type of financing a wastewater management agency would use in a given set of circumstances depends on the type of project, the size of the project, any statutory requirements and the financial health of the utility. In examining the available financing options, staff has tried to identify and segregate financial tools by the size of projects for which they are appropriate, administrative ease of implementation, degree of risk, customer equity, and cost.

After a thorough evaluation of funding opportunities for capital projects, the mechanisms described below were determined to be the most appropriate in the circumstances provided. A complete discussion and analysis of these financing tools is found in Appendix II.

Grants – Whenever possible, state and federal grant funding will be sought to pay for projects identified in the CIP.

User Fee Financing and System Development Charges – For short-lived assets and relatively small capital expenses, these pay-as-you-go options should be used. These revenues should be accumulated in and drawn from dedicated reserves to avoid significant impacts to user rates. If capital expenditures from these sources would cause significant changes in rates, other options will be explored.

Debt Financing – In situations where grant funding is not available and pay-as-you-go alternatives are either not appropriate or not available, the Commission will consider debt financing options, including:

> **Internal Loans –** Internal borrowing from reserve funds is an excellent use of the Commission’s cash resources for relatively small capital requirements and should be considered prior to seeking loans from outside sources unless depletion of reserves would put the RWP at risk of having insufficient cash to satisfy debt obligations or address unanticipated needs. Strategic use of internal borrowing from the equipment replacement reserve will allow the commission more control over the timing and sizing of debt issuance by providing temporary funds.

State Revolving Fund (SRF) or other Loans - Loans from outside sources, such as SRF loans are considered appropriate when it is not practical, in terms of timing, magnitude or equity, for the Commission to finance large capital projects on a pay-as-you-go basis.

Revenue Bonds – Revenue bonds also are considered appropriate when it is not practical, in terms of timing, magnitude or equity, for the commission to finance large capital projects on a pay-as-you-go basis.

Any incurrence of debt, whether a loan or a bond sale, should be timed and structured to ensure optimal rates and terms, by timing, phasing, and/or combining capital projects as appropriate. In all cases where debt is incurred, the projected life of the asset financed must meet or exceed the life of the debt instrument. Prior to issuing any debt, the Commission shall determine the source(s) of repayment (i.e., user fees, system development charges, and/or other revenues).

MWMC FINANCIAL SOUNDNESS AND FUTURE FINANCING CAPABILITY

Introduction

MWMC may need to use some form of debt financing in the future, based on anticipated NPDES permit requirements, to fund capital improvements. It is important for the utility to have ready access to the capital financing markets in order to keep open various options for securing debt funding. Appendix I provides an overview and assessment of both qualitative and quantitative credit worthiness indicators used in the wastewater industry.

Financial Soundness and Financing Capability

The financial industry uses a variety of financial ratios to quantify a utility's financial soundness. Examples of these financial ratios are:

- Debt service coverage;
- All-in coverage;
- Debt to operating revenues;
- Days cash on hand;
- Debt to capitalization; and/or
- Asset condition.

Appendix I describes a number of the most common financial ratios used. It is clear from the quantitative analysis in Appendix I that MWMC is positioned well financially. Both MWMC's current financial situation and the future debt-financing scenarios result in performance on the quantitative measures that exceeds (in a good sense) the national medians and the financing industry's guidelines. MWMC's financial ratios perform very well under the scenarios analyzed.

The qualitative measures assessed in Appendix I also indicate that MWMC is in a strong position with respect to its credit worthiness. MWMC's sound financial management, long-term financial forecasting and planning, stable operations and a host of other qualitative indicators all indicate that MWMC has perform well in recent credit rating agency assessments (Aa2/AA by Moody's and S&P, respectively).

FINANCIAL MANAGEMENT POLICIES

Introduction

The following policies are intended as guidance for the financial administration of the RWP. These policies address all areas of the Government Finance Officers Association (GFOA) Recommended Financial Policies. When circumstances warrant, the Commission may waive one or more provisions as necessary. Such waivers shall not be considered a violation of the MWMC Financial Plan.

MWMC Financial Policies are grouped into the following categories:

- Financial Forecasting and Budgeting,
- Investment of Liquid Assets,
- Capital Planning and Financing,
- Sewer User Rates and SDC's, and
- Asset Management.

Financial Forecasting and Budgeting

Financial forecasts and budget policies are intended to guide the Commission in prudent financial forecasting and budget planning, and are included to ensure the financial security and bonding capacity of the RWP, as well as meeting minimum legal budget requirements. This set of policies also addresses the Commission's legal and contractual commitments regarding the use of sewer revenues to pay for sewer expenses.

Policy F1 The purpose of the RWP is to protect public health and safety and the environment by providing high quality wastewater management services to the Eugene/Springfield metropolitan area. The MWMC and the regional partners are committed to providing these services in a manner that is effective, efficient, and meets customer service expectations. In order to achieve its purpose, the Commission shall establish and maintain key outcomes upon which RWP work plans and budgets will be focused.

Discussion – Indicators of performance and targets shall be identified for each key outcome. Performance relative to identified targets shall be tracked over time, in order to determine whether the desired results have been achieved.

Policy F2 The Commission shall maintain annual budgets that balance operating expenses and transfers with user fees and other current operating revenue.

Discussion – Long-term financial stability can only be assured if each year's budget is fully funded and balanced. The budget is considered balanced when:

- Expected annual operating revenues meet anticipated operation and maintenance expenses,
- Budgeted capital outlays are funded in full from a combination of operating revenues, capital reserves, accumulated SDCs, and debt proceeds,
- Annual operating statements show a positive net income on a budgetary basis; and
- The debt service coverage ratio is at or above that required by any applicable bond covenants.

Policy F3 The Commission will monitor revenues and expenditures, and maintain a balanced budget through an appropriate combination of cost-saving measures, budget transfers, supplemental budgets and/or user rate adjustments as needed.

Policy F4 The Commission shall maintain a capital planning and financing system for use in preparing a multi-year CIP for consideration and adoption by MWMC and ratification by the partner agencies' governing bodies as a part of the Commission's budget process. This system shall include preparation of a rolling CIP (described in Policy C1) and a Capital Financing Plan (CFP).

Discussion - Each year, staff shall update its CFP based on the multi-year CIP and assumptions and projections related to increased operational requirements, inflation, and other cost factors. The CFP will support staff's analysis and development of revenue requirements, budgeted expenditures, and user charges. The CFP shall contain a ten-year projection of revenue requirements from all revenue sources, and resulting user rates needed to fund operating budgets, capital budgets, and debt service.

Policy F5 The Commission shall establish and maintain prudent minimum cash reserves, including, but not limited to Contingency Reserves and the reserves discussed below, as needed.

F5a) The Working Capital Reserve shall be sufficient to fulfill operating and capital cash flow needs. The Working Capital Reserve is set at a minimum of $200,000 for the City of Springfield, and $700,000 for the City of Eugene. The reserves are sized to provide the cities with cash to pay expenses until the sewer user fees are received. The size of the reserve is reviewed annually and may be adjusted as needed to ensure that it is sufficient and that neither city experiences negative cash flow.

F5b) The Operating Reserve shall be maintained to minimize the impact of unanticipated revenue shortfalls. In the operating budget, the guideline for establishing the Operating Reserve, when preparing annual budgets, is set at two months of the operating expenditure budget.

F5c) The Capital Reserve accumulates revenue to help fund capital projects (including major rehabilitation). The Capital Reserve is funded by annual contributions from user rates and is used to fund capital projects as determined through the annual budget process. In no year shall the Capital Reserve be allowed to fall below $1 million in the adopted budget.

F5d) The Equipment Replacement Reserve is intended to accumulate funds necessary to provide for the timely replacement or rehabilitation of equipment, and may also be borrowed against to provide short-term financing of capital improvements. An annual analysis is performed on the Equipment Replacement Reserve. The annual contribution is set so that all projected replacements will be funded over the expected life of the assets, the reserve will contain replacement funds for all equipment projected to be in use at that time. Estimates used in the analysis include interest earnings, inflation rates and useful lives for the equipment.

F5e) A Rate Stability Reserve shall be maintained as necessary to protect ratepayers from volatility in user rates and to enhance credit-worthiness. The intent of a Rate Stability Reserve is to set aside funds to provide stable rates over a period of years.

Establishing user rates with an anticipated contribution to the Rate Stability Reserve smooths out the financial impact of required rate increases on customers over time, and hedges against potential rate spikes when assumptions about the future prove to be incorrect. Revenue is allocated to the Rate Stability Reserve only after budgeted Operating Reserve and Capital Reserve transfer targets are met.

F5f) The Reimbursement SDC Reserve accumulates revenues derived from the “reimbursement fee” component of SDCs charged to new development along with accrued interest. Expenditures of these funds is limited to support capital projects and debt service payments in accordance with ORS 223.311.

F5g) Improvement SDC Reserve accumulates revenues derived from the “improvement fee” component of SDCs charged to new development along with accrued interest. Expenditures of these funds are limited to support capacity-enhancement capital projects and debt service payments in accordance with ORS 223.311.

F5h) A Bond Reserve if/when required by investors, shall be sufficient to provide assurances to bondholders that adequate revenue coverage will be provided for future debt-service payments.

F5i) The Rate Stabilization Reserve contains funds to be used at any point in the future when the net revenues are insufficient to meet the bond-covenant coverage requirement. The Commission shall maintain the Rate Stabilization account as long as bonds are outstanding. Money in the Rate Stabilization account may be withdrawn at any time and used for any purpose for which gross revenues may be used. Earnings on the Rate Stabilization Account shall be credited to the sewer fund.

F5j) The Insurance Reserve is intended to accumulate funds necessary to provide for payments of the self-insured amount and/or deductible of any insured loss and payments for losses that are either uninsured or uninsurable. The Insurance Reserve is set at a target at $1,500,000 in the adopted budget.

Discussion – Each reserve has specific sources and uses, and the order in which the reserves are accessed to meet operating and capital needs follows:

In the operating budget, in the event of a revenue shortfall, funds will first be transferred from the Rate Stability Reserve. If additional funds are necessary, the Operating Reserve will then be used. If additional funds are still needed, the budgeted transfer from the Operating Fund to the Capital Reserve will be reduced.

Funding for capital projects will come from a combination of SDC reserves, Capital reserves, and debt financing. During each year’s budget process, staff will consider reserve levels, reporting requirements, arbitrage considerations, and debt issuance costs associated with borrowed funds and cash flow needs to determine the specific funding source for each project in the budget.

Policy F6 MWMC funds are dedicated for the exclusive benefit of the RWP including operating expenses, debt service payments, and the associated capital program.

Investment of Liquid Assets

The liquid assets of the Metropolitan Wastewater Management Commission (MWMC) are managed by the City of Springfield, in the City's capacity as the MWMC's administrative agency.

As part of its MWMC administration functions, the City of Springfield manages MWMC funds in compliance with the **Springfield Investment and Portfolio Policies** (Appendix IV) as updated and amended from time to time. These policies are consistent with the local government investment requirements defined in Oregon Revised Statutes (ORS 294), and are substantially similar to the public funds investment policies of Eugene and Lane County.

Policy I1 Cash on hand that is not invested is kept in a local bank. Because the balance is usually in excess of the FDIC insured amount of $250,000, the bank must participate in the Oregon Certificate of Participation Collateral Pool. This protects depositors from loss in the event of bank failure.

Policy I2 MWMC funds are invested based on the following criteria: Safety, Legality, Liquidity, Diversity, and Yield. For purposes of investing, MWMC and Springfield funds are co-mingled, but are tracked separately.

Policy I3 For day-to-day investing purposes, the City of Springfield uses the State of Oregon Local Government Investment Pool (LGIP). The LGIP provides a modest rate of return with nearly immediate liquidity. In addition to the LGIP, the City of Springfield can invest in U.S. Treasury Obligations, U.S. Government Securities, Bankers' Acceptances, Corporate Bonds, Repurchase Agreements, Oregon and Local Government Obligations, Regional Debt Obligations, and Time Certificate of Deposits. With the exception of the LGIP, no more than 25% of the portfolio can be invested with any one financial institution, and there are limits to the amount that can be invested in any one type of instrument. For instance, a maximum of 25% of the portfolio can be invested in corporate bonds.

Discussion – Guidelines were created to ensure adequate liquidity. For instance, at least 10% of the short-term investments must be in instruments with a maturity of less than 30 days, 25% must mature within 90 days and, with certain exceptions, all investments in this portfolio must have a maturity date of 18 months or less. Longer maturities are allowed with approval of the Finance Director and when matched to a specific cash flow. The City of Springfield Finance Director also serves as the MWMC Chief Financial Officer.

The investment policy requires that internal controls for cash and investment activity be established and followed. The policy also requires that the financial condition of the broker/dealers and financial institutions involved in the investment program be reviewed annually and that monthly cash and investment reports be issued and reviewed to demonstrate compliance with the limits outlined in the policy (Appendix IV contains the full text of the City of Springfield Investment Policy).

Capital Planning and Financing

Capital planning and financing policies direct those necessary future capital improvements be identified together with the financial resources needed to complete them. These policies also direct that major capital costs be spread over time to stabilize user rates and to provide equity among current and future ratepayers for long-lived capital improvements.

Policy C1 The Commission shall maintain a capital planning and financing system for use in preparing a multi-year CIP for consideration and adoption by MWMC and ratification by the partner agencies' governing bodies as a part of the Commission's budget process. This system shall include preparation of a rolling CIP and a Capital Financing Plan (described in Policy F4).

Discussion – Each year, staff will prepare a 5-year CIP made up of new capital projects, major rehabilitation projects, and equipment replacement. The 2004 Facilities Planned 20-Year Project List, as updated from time to time, shall be a primary tool for long-range capital planning, along with the long-term list of major rehabilitation and equipment replacement needs, which are updated annually.

The CIP shall contain a comprehensive description of the capital projects, sources of funds, the timing of capital projects, and the amount expected to be expended in each year for future operating and capital budgets.

Policy C2 The Commission shall establish and maintain a list of approved finance mechanisms.

Discussion – Appendix II contains the listing and discussion of approved financing mechanisms.

Policy C3 The Commission shall rely on the advice of its independent financial advisor and bond counsel, as well as GFOA guidance, to structure bond covenants.

Policy C4 Commission debt should be structured to match the expected useful life of the assets to be funded, preferably not to exceed 20 years, however recognizing there may be some instances where a longer period is warranted.

Policy C5 Long-term bonding shall be structured to maximize its cost effectiveness.

Policy C6 Before seeking to incur new debt, all available grant programs shall be evaluated for their potential to offset targeted program costs.

Policy C7 Consideration shall be given to the overall level of debt financing that can be sustained over the long-term given the size of the future capital programs, potential impacts on credit ratings, and other relevant factors such as intergenerational rate equity, overlapping debt, and the types of projects appropriately financed with long-term debt.

Policy C8 The Commission shall annually target at least 2% of the RWP asset value for capital reinvestment. This includes the amounts to be budgeted for major rehabilitation and equipment replacement, and includes regular scheduled maintenance and CIP.

Discussion – This will allow the target for annual infrastructure maintenance to increase as the size of the asset base increases.

Policy C9 The maximum bonded debt burden shall be determined by comparing the debt service to the user rate revenues. Budgeted debt service shall not exceed 25% of budgeted user rate revenue.

Sewer User Rates and System Development Charges

User rate and SDC policies are intended to guide the Commission in establishing annual rate structures and approving RWP capital improvement and operating budgets. User rate and SDC policies shall be directed towards achieving the requirements of IGA Section 3.f.1. - .7.

Policy R1 Monthly sewer user rates, which are the primary source of revenue for the RWP, are to be equitably allocated to all users based on a cost of service assessment that considers, among other factors, the volume, strength, and flow rate characteristics of their discharges.

Policy R2 Existing and new sewer users shall equitably contribute to recovering all costs associated with the RWP. To implement this policy, user rate and SDC methodologies will consider wastewater quantity, quality, and strength, consistent with State law.

Discussion: "New users" means users produced from

1. New connections to the existing collection system, including:
   a. new single family and multiple unit residential connections; and
   b. new commercial or industrial connections;
2. Expansions in activity from existing connections, including:
   a. conversion of residential units (single or multiple) to include additional users or equivalents, or both; and
   b. expansions in commercial or industrial activity; and
3. Septic to sewer conversions.

Policy R3 MWMC rate structures shall be sufficient to fully fund reserves, comply with bond covenants and cover the costs of constructing, operating, rehabilitating, maintaining, and improving the MWMC assets, while maintaining an un-enhanced credit rating of A+ or higher for the Commission's bonds.

Discussion – A rate sufficiency covenant is a standard provision in municipal utility bond contracts. The covenant requires that rates and charges be set at a level that is high enough to pay the costs of operating and maintaining the utility. The intent of this policy is to assure that MWMC rates and charges will be maintained at a level consistent with maintaining an un-enhanced credit rating of A+ for the Commission's bonds.

MWMC should strive to maintain rates and charges that provide sufficient financial flexibility to accomplish strategic objectives for long-term water and biosolids quality, customer satisfaction, and community support.

Policy R4 The Commission will attempt to adopt user rates that provide multi-year stability.

Discussion – A multi-year rate schedule establishes user rates that are applicable over several years. They may be the same each year, or change at some frequency. A Rate Stability Reserve shall be maintained to ensure that adequate funds are available to sustain the rate through completion of the rate cycle.

The General Manager shall prepare and submit to the Commission a report in support of the scheduled or proposed monthly sewer rates for the next year, including the following information:

- key financial assumptions such as inflation,
- bond interest rates,
- investment income,
- size and timing of bond issues,
- the considerations underlying the projection of future growth in residential customer equivalents,
- all key projections, including the annual projection of operating and capital costs, debt service coverage, cash balances, revenue requirements, revenue projections and a discussion of significant factors that impact the degree of uncertainty associated with the projections, and
- a discussion of the accuracy of the projections of costs and revenues from previous recent budgets.

Policy R5 Costs of existing and future capacity for new customers shall be recovered by SDCs that are based on the cost of existing and required new capacity in conformance with the Commission's SDC methodology.

Discussion – The Commission should periodically review the SDCs to ensure that equity is established between newly connected and previously connected users for their total contributions toward the Regional Sewerage Facilities.

Policy R6 Costs of services (direct and indirect) provided to any public or private organizations by the RWP shall be recovered through appropriate fees or charges.

Discussion – Costs for administering the mobile waste hauler program are recovered through rates set on a cost of services basis, including a statewide market comparison.

Asset Management

Asset management policies are intended to guide the Commission in protecting and safeguarding the investment in regional facilities and equipment. Capital assets shall be kept in sound working condition. Replacement, maintenance, and rehabilitation shall be provided for, so that total system costs are minimized while reliable, high quality service and high water quality standards are maintained.

Policy A1 MWMC assets shall be insured for replacement value so that, in the event of a loss, plant and equipment could be restored to working condition.

Policy A2 The Commission shall maintain a fully funded Equipment Replacement Reserve so equipment may be replaced or rehabilitated when needed, without creating volatility in the operating budget.

Policy A3 Equipment provided for by the Equipment Replacement Reserve shall include all fleet equipment, and other equipment, with an original cost over $10,000, and with a useful life expectancy greater than one year.

Discussion – The equipment list shall be reviewed annually and estimates of replacement cost and life expectancy adjusted. The analysis shall make use of other estimates, such as inflation and available resources, such as interest earnings on the reserve balance.

Before equipment is replaced, an analysis shall be done to determine if it should be kept in use longer, rehabilitated to extend its life, replaced with similar equipment, or replaced with different equipment. Equipment that outperforms projections in useful life expectancy may be replaced with funds accumulated in the reserve.

Policy A4 Major Rehabilitation work shall be funded from the Capital Reserve and appropriated annually into a budget line item called Major Rehabilitation.

Policy A5 The Major Rehabilitation work shall be capitalized if it extends the useful life of the asset beyond the original estimate. If the Major Rehabilitation work does not extend the life of the asset, but enables the asset to reach its originally estimated useful life, then it will be considered major maintenance work and not capitalized.

TECHNICAL APPENDICES

APPENDIX I

CREDIT WORTHINESS IN THE U.S. PUBLIC WASTEWATER SECTOR

Background

The wastewater utility industry in the United States is very capital intensive. In addition to adding capacity necessary to accommodate population growth, sewer utilities must also reinvest in capital assets to extend the life of the facilities, and to maintain compliance with environmental and other regulatory requirements. Even the smallest wastewater utilities must spend millions to preserve, upgrade and expand their plant facilities. In order to meet new and ongoing capital needs, it is essential for the wastewater utility industry (including MWMC) to have ongoing access to capital financing markets.

In the 1970s and 1980s, Federal grants were available to build and upgrade facilities. For example, MWMC was awarded more than $80 million in Federal grants to construct the Eugene/Springfield wastewater facilities. In the years since, a significant portion of the wastewater industry's capital needs have been met using current revenues (also known as pay-as-you-go). However, among water and wastewater utilities, debt financing is becoming increasingly necessary and common: Moody's 2019 outlook for water and sewer utilities indicates that "capital needs are large relative to revenue, and the rate of reinvestment is expected to remain low." Debt financing – through state or Federal loan programs or public bond offerings – is the likely mechanism to fill that gap.

Demonstrating and maintaining creditworthiness in the eyes of the capital financing markets is critical to obtaining bond financing at the lowest possible interest rate. Establishing policies, practices and other terms of operation that confirm and enhance creditworthiness should be a primary goal of the MWMC Financial Plan, and guide the management of the utility.

Measuring Credit Quality

While capital debt may be structured in numerous ways, revenue bonds and general obligation bonds are the most common instruments used by the public sewer industry in the United States. For example, MWMC matched the Federal grant funds with $29.5 million in general obligation bonds to fully-finance construction of the regional wastewater facilities.

Public sewer utilities are generally viewed favorably by credit rating agencies and bond investors, because they tend to be very stable with minimal risk of default. They are highly regulated, essential to the public good, and often operate with a natural monopoly. The regulatory bodies for wastewater utilities typically have the authority to establish user fees and charges necessary to cover debt obligations.

The wastewater industry, as a whole, has an extremely good credit history. However, individual wastewater utilities are still subject to close scrutiny when issuing large amounts of debt. When assessing the credit quality of a wastewater utility, a credit rating agency will generally examine several specific areas, including:

- Financial ratios and other indicators of fiscal health,
- Management quality and practices,
- Non-financial system characteristics,

- Size and diversity of the customer base and other customer characteristics, and
- Local economic health and other community characteristics.

In January 2016, S&P Global Ratings ("S&P") published its most recent *U.S. Public Finance Waterworks, Sanitary Sewer, And Drainage Utility Systems: Rating Methodology and Assumptions*. The rating methodology incorporates two components:

1) The Enterprise Risk Profile, including:
    a. Economic fundamentals
    b. Industry risk
    c. Market position
    d. Operational management assessment
2) The Financial Risk Profile, including:
    a. All-in coverage (coverage of both debt service and ongoing operational expenses)
    b. Liquidity and reserves (days cash on hand)
    c. Debt and liabilities (debt to capitalization)
    d. Financial risk management

Moody's Investors Service ("Moody's") published its most recent rating methodology for US Municipal Utility Revenue Debt in October 2017. This methodology utilizes a "scorecard" approach, focused on the following key factors:

1) System characteristics, including:
    a. Asset condition (remaining useful life)
    b. Service area wealth (median family income)
    c. System size (O&M budget)
2) Financial strength, including:
    a. Annual debt service coverage
    b. Days cash on hand
    c. Debt to operating revenues
3) Management, including:
    a. Rate management
    b. Regulatory compliance and capital planning
4) Legal provisions of the debt being issued, including:
    a. Rate covenant
    b. Debt service reserve requirement (if any)

The Qualitative Analysis

Many of the factors listed in the analytical frameworks outlined above are qualitative indicators; that is, they are not objectively measurable. While credit rating agencies cannot readily compare qualitative measures against national benchmarks or averages, these indicators can and do provide general information about the characteristics credit agencies prefer to see in the utilities they rate highly, including:

- The presence of long-term financial forecasting and planning by the utility – MWMC typically projects revenues and expenses 10 years into the future during the annual budget process.
- Strength and diversity in the local economy and customer base, and other local socioeconomic characteristics – MWMC is the sole provider for wastewater services in the Eugene/Springfield Metropolitan area. The local economy has diversified in recent years.
- Regular financial reporting – Budget compliance reports are presented to the Commission monthly and audited financial statements are presented to the Commission annually.
- Attention to customer relations, including an open rate-setting process – MWMC always conducts a public hearing prior to budget adoption.
- An independent Board of Directors with seasoned management - The Commission is independent (not paid by or stockholders of the utility). Commission members are a combination of experienced, knowledgeable elected officials and citizen representatives. Commission members have staggered terms to protect the utility against periods of unseasoned leadership.
- Political will to increase rates when needed – The Commission has repeatedly demonstrated their will to increase rates when the need was demonstrated.
- Anticipation of capital requirements due to new regulations – MWMC staff work proactively with Federal and State personnel to keep well informed on upcoming new regulations. MWMC maintains a 20-year list of capital improvements that is reflective of anticipated new regulations.
- A comprehensive financial policy structure, including:
  - Established debt policies and practices
  - Established budgetary policies and practices
  - Established reserve policies and practices
- A CIP and other asset management tools that address system maintenance, upgrades and capacity enhancement – MWMC maintains 5-year, 10-year, and 20-year CIPs.
- Intergovernmental cooperation and coordination – The Commission has a goal of intergovernmental cooperation and has worked hard to maximize the benefits of that cooperation. MWMC is generally thought of as an example of successful intergovernmental cooperation.
- Healthy employee relations and sound staffing practices – Staff turnover is low. Staffing levels are reviewed annually. High qualification standards are required of all new personnel.
- Successful litigation history (or a history of little litigation) – MWMC has little in the way of litigation history but what there is has been successful.

- Exposure to growth-sensitive revenue sources – MWMC's major revenue source, user fees, is somewhat sensitive to conservation efforts, but is not growth sensitive. SDC revenue is growth sensitive. This revenue plays an important role in MWMC capital financing.
- Long-term operational capacity planning and creation – The Intergovernmental Agreement (IGA) under which MWMC was formed requires planning for new capacity to begin at the point 85 percent of present capacity is being used.
- Compliance with environmental laws and regulations – MWMC has an outstanding record of environmental compliance.

The common element of many of these qualitative factors is the capability of management and their practices and policies. S&P states, "The ability of a utility's management team to implement measures on a timely basis that will in our opinion proactively shape the utility's financial and operating condition can be crucial to maintaining credit stability."

The Quantitative Analysis

Quantitative measures are performance factors that can be expressed in numbers or ratios. They are useful for comparing an agency with other agencies or with an objective standard. When assessing a sewer utility's creditworthiness, the quantitative measures focus primarily, but not exclusively, on financial indicators. Among the key quantitative factors are the following:

- Income statement and balance sheet components and ratios (see additional detail below),
- Current bond ratings,
- Reserve levels,
- Rate structure, including rate competitiveness,
- Account and collections history,
- Outstanding capital needs and asset condition,
- Affordability (i.e., sewer service rates no more than 2 to 4 percent of local household income), and
- Non-debt equity in total plant assets and in capital projects to be financed

Perhaps the most significant quantitative factors are the income statement and balance sheet components and ratios. These financial measures provide a uniform basis by which the credit rating agencies may assess the fiscal strength of a utility.

As alluded to above, the most significant income statement and balance sheet ratios include the following:

- Moody's Investors Service:
    - Asset condition: net fixed assets divided by annual depreciation
    - Annual debt service coverage
    - Days cash on hand
    - Debt to operating revenues

- S&P Global Ratings:
    - All-in coverage: net revenues divided by debt service and other fixed costs
    - Days cash on hand
    - Debt to capitalization: total debt divided by debt plus net position (the closest approximation of "equity" for a municipal utility)

Recent Rating Evaluations

The MWMC was most recently reviewed by both Moody's and S&P in March 2016, in connection with the issuance of its Wastewater Revenue Refunding Bonds, Series 2016. The resulting credit rating reports provide the best indicators of how MWMC fares when judged by the criteria described above.

Moody's assigned the MWMC a rating of "Aa2," the third-highest rating available. Credit strengths included the Commission's very healthy cash reserves, strong debt service coverage, and low levels of outstanding debt. Credit challenges included a relatively small system size, limited remaining useful life of assets, and modest wealth levels of the customer base.

S&P assigned the MWMC a rating of "AA" (equivalent to a Moody's "Aa2"), with a rating outlook of "stable." S&P noted the following characteristics of the MWMC's "strong enterprise risk profile":

- Stable and primarily residential customer base, part of the broader Eugene metropolitan statistical area
- Moderately high rates given the service area's income levels
- Overall good operational management with sufficient treatment capacity and long-term planning

S&P noted the following characteristics of the MWMC's "very strong financial risk profile":

- Very strong coverage metrics
- Very strong liquidity levels
- Moderate debt-to-capitalization ratio
- Good overall financial management

Summary

MWMC currently enjoys a very favorable position based on the identified quantitative and qualitative measures, and as affirmed by the rating agencies directly as recently as 2016. Prudent planning and financial management are large contributors to the creditworthiness of the utility.

This report is intended to summarize the more significant qualitative and quantitative measures a credit agency uses to assess the utility's creditworthiness, as applied in connection with the 2016 MWMC revenue bonds and which would be applied in connection with any new issuance of revenue bonds. This report is not meant to present a comprehensive assessment of the scrutiny MWMC would incur when issuing revenue debt, but can act as a valuable tool in identifying policies and practices where MWMC could bolster its standing in the eyes of potential creditors.

APPENDIX II

SUMMARY OF CAPITAL FINANCING OPTIONS

Introduction

This summary of capital financing options available to the Metropolitan Wastewater Management Commission (MWMC) has been prepared as part of this update to the 2005 MWMC Financial Plan. This summary includes the following:

1. Identification of capital financing options available to MWMC,
2. Summary of the prevailing capital financing options use in the industry, and
3. A general description of the advantages and disadvantages of each capital financing option.

Overview of Major Mechanisms for Capital Financing

There are two major categories of capital financing mechanisms:

1.) Debt Financing – Bonds/Loans

a. Bonds

A bond is a legally enforceable contract to repay borrowed money on a definite schedule at a specified rate of interest for the life of the bond--usually 15 to 30 years. State and local governments can repay this debt with taxes, fees, or other sources of governmental revenue. It is the source of repayment, or the type of collateral used, that defines the type of bond (e.g., general obligation bonds or revenue bonds). General obligation ("GO") bonds require voter approval and are payable from a new, excess property tax levy outside typical constitutional and statutory limitations. They are not commonly used by municipal utilities. Revenue bonds, as described further below, are payable from net revenues of an enterprise such as a wastewater utility, and are much more common among municipal utilities in Oregon and nationwide.

The tax-exempt nature of many government bonds attracts bondholders who are generally willing to accept a correspondingly lower rate of return on their investment than they would expect on a comparable commercial bond. As a result, bond financing can often provide state and local governments with low-interest capital.

Some State and local governments are required by statute to seek voter approval for certain types of bond issues (e.g. general obligation bonds). If achieving voter approval is difficult or time-consuming, state and local governments may consider issuing other types of bonds that do not require voter approval, or exploring other options for capital financing, even though interest costs may be higher. Some State and local governments have statutory limitations on the dollar amount and/or number of bonds that can be issued. Issuing bonds is a costly and time-consuming process, and requires sound legal and financial advice.

b. Loans

A loan is similar to a bond issue, and loans are generally treated as “bonds” under Oregon Revised Statutes. A “loan” typically refers to credit extended by a commercial or governmental lender, whereas “bonds” are sold to a variety of investors in the public capital markets.

Commercial loans are typically made by banks and other financial institutions. Commercial loans generally will have higher interest costs than tax-exempt bonds, but may provide more flexibility and/or lower up-front costs.

Like grants, *government loans* are made with very specific goals in mind, often are accompanied by specific mandates, may be less than 100% of total project costs, and depend on legislative appropriation. Government loans often are made available at subsidized (lower than market) interest rates for projects that meet eligibility criteria, or may be interest-free (e.g., some state revolving fund, or SRF, loans). Many government loan programs are targeted to small, economically distressed, and/or rural areas, which need the most assistance in acquiring project capital.

The SRF program is the largest government environmental infrastructure loan program available today, far surpassing other state loan programs. While the SRF program is funded by a Federal capitalization grant (like a block grant), it effectively operates as a state loan program.

Loans involve fewer and lower transaction costs than bonds, and may be acquired without voter approval. In addition, grants and loans from different sources may be commingled. Government loans are subject to the availability of funds, and competition among borrowers can impact project timing. Such loans may carry governmental requirements, such as the prevailing wage provisions from the Davis-Bacon Act. Most Federal loans have complicated application procedures and deadlines.

2.) Non-Debt Financing

Other than grant funding, the primary non-debt financing mechanisms applicable to MWMC are user rate revenue and SDC revenue. Non-debt financing can come from current revenues or revenues that have been accumulated over time in reserves.

Historically, wastewater agencies have utilized a variety of mechanisms to finance capital improvements. During the late 1970s and 1980s, significant Federal grant funds were available to support wastewater capital projects. Since then, grant funding has been dramatically reduced and currently is not generally a viable option for capital financing. The Federal grant program has been replaced by the State Revolving Fund (SRF) loans.

The current MWMC facilities were primarily constructed with $80 million in Federal grants and $29.5 million in voter approved general obligation bonds. The last significant Federal grants were received in the late 1980s. In recent years, the Commission has funded capital improvements using “pay-as-you-go” sources, such as user rates and SDCs.

Each form of capital financing serves distinct purposes and has certain limitations. The sections below provide a general overview of various financing tools. It should be noted that this review is not meant to eliminate other mechanisms (e.g., general obligation bonds) from consideration for specific uses.

Debt Financing

1. Revenue Bonds and Variations
2. State Revolving Funds - Clean Water Loans
3. Short-Term Financing
4. Internal Borrowing

Non-Debt Financing

5. Systems Development Charges
6. User Fees (aka pay-as-you-go)
7. Grants

DEBT FINANCING INSTRUMENTS

Revenue Bonds

Description: A revenue bond is issued by a government to finance a specific project (or projects) and is supported (repaid) by the revenue generated by the project (or the utility system as a whole), or from other non-property tax sources. Revenue bonds are secured by the net revenues of an enterprise system, a debt service reserve funds, and additional covenants. Net revenues are generally defined as gross revenues of the system less operating expenses.

In Oregon, issuers, upon adoption of a resolution or a non-emergency ordinance authorizing the issuance of bonds in accordance with ORS 287A.150, may issue revenue bonds. While revenue bonds do not require voter approval, they are subject to referendum.

Advantages: Revenue bonds can be issued fairly rapidly, and debt can be specifically structured to meet project needs. Level annual debt payments ensure that future as well as present users of the new facilities will pay, thus enhancing equity. Revenue bonds are commonly used by utilities, as they are free from the requirements of general obligation bonds, which must be approved by voters.

Limitations: Revenue bonds generally require covenants and ongoing reporting requirements associated with those covenants, including debt service coverage. Revenue bonds may also require a reserve fund, increasing the size of the bond issue.

Applicability: This is the most appropriate financing tool for MWMC. With the exception of "pay-as-you-go" financing, general obligation bonds or subsidized state/Federal loans, revenue bonds generally offer the lowest interest rate. If the project being funded is popular and/or necessary, the risk of a referendum is low. Staff is also familiar and experienced with the administrative tasks common to revenue bonds. *MWMC's only outstanding debt consists of revenue bonds, originally issued in 2006/2008 and refinanced in 2016.*

Variation: Revenue "Obligations." Borrowers may instead choose to rely on ORS 271.390, which authorizes Oregon governmental units to enter into contracts for the financing of real or personal property. These contracts may be called various names such as full faith and credit obligations, certificates of participation, financing agreements, revenue obligations, or other names that would describe the security provided. Unlike revenue bonds, such "obligations" are not subject to a referendum. However, they require more complex documentation, and certain investors are unwilling to purchase “obligations” in lieu of “bonds,” even with a similar (or identical) revenue pledge.

Variation: Revenue-secured Loans/Leases. Under either ORS 287A.150 or 271.390, the MWMC may choose to work directly with a single lender (i.e., a commercial bank or equipment vendor). Although commercial loans are not a separate type of debt in terms of security or treatment under state law, they may provide greater flexibility than publicly-offered revenue bonds or obligations. Commercial loans or equipment leases may also offer less onerous ongoing disclosure requirements than would be required under the securities laws applicable to public bond issues.

Variation: WIFIA Program. In 2014, Congress passed the Water Infrastructure Finance and Innovation Act, authorizing the US Environmental Protection Agency (EPA) to provide long-term, low-interest loans to water and wastewater projects throughout the country. The program was first funded in 2017. Borrowers are selected through a competitive application process. The WIFIA loan program is currently being utilized by several borrowers in Oregon; such loans are similar to revenue bonds, albeit with a single investor (the EPA). If funding continues to be appropriated, MWMC may consider such a program as a means of reducing interest costs for a project that would otherwise utilize revenue bonds sold on the public bond market.

Short-term Municipal Notes

Description: Short-term municipal notes are generally considered “bridge financing,” providing short-term cash until a larger source of committed funds is received. They are often known by their acronyms, such as Bond Anticipation Notes (BANs), Grant Anticipation Notes (GANs), and Revenue Anticipation Notes (RANs.) These instruments generally have maturities ranging from a few months to a few years, may have fixed or variable interest rates, and are issued in anticipation of a bond issue, grant proceeds, or revenue/tax collections.

Actual Use: State and local governments issue billions of dollars a year in short-term notes of all types, to meet immediate capital needs for design and initial construction while waiting for long-term funding revenues. Short-term financing may be used for housing and urban renewal, water and wastewater project startups, transportation projects, school district operations, and temporary agency operating deficits caused by seasonal variations in tax collections.

Potential Use: Short-term notes can be used to meet short-term gaps in project finance and operations when they occur, and until the final sources of funds become available.

Advantages: Short-term notes provide issuers with immediate funds for capital and operating needs.

Limitations: Short-term notes generally require a take-out financing which results in higher financing costs and funding is temporary.

Applicability: Short term notes could be an appropriate tool for MWMC under certain circumstances; however internal borrowing would generally be a preferable method for short-term financing. As with long-term revenue bonds, MWMC could structure short-term notes as a public offering or work directly with a single investor (financial institution such as a bank).

State Revolving Funds - Clean Water Loans

(General program descriptions are followed by *italicized descriptions of the specific State of Oregon CWSRF program*. Substantial additional detailed information on the Oregon program is available upon request. Although SRF loans are similar in some respects to revenue bonds/loans described above, they are unique enough to warrant additional discussion.)

Description: Under Title 6 of the 1987 Clean Water Act, states receive Federal monies to capitalize Clean Water State Revolving Loan Fund (CWSRF) programs. States must provide a 20 percent match to the Federal funds. CWSRFs are authorized to make loans to localities to finance wastewater treatment facilities, nonpoint source pollution control activities and estuary program activities. Loans are made at low interest rates (zero percent to market rate) for up to 20 years. States can use loan funds to refinance previously executed debt obligations, guarantee local debt obligations, buy bond insurance for local debt obligations, or guarantee bonds issued by municipal and inter-municipal revolving funds. States may use up to four percent of the Federal funds for administrative costs. States may set the criteria for determining which municipalities can access the loans and other fund uses each year.

The CWSRF Loan Program offers below market interest rate loans to public agencies for planning, design, and construction of three kinds of water-pollution abatement projects:

1. Wastewater collection, treatment, water reuse and disposal systems,
2. Nonpoint source water pollution control projects, and
3. Development and implementation of management plans for federally designated estuaries.

Specific project types that may be eligible for CWSRF funds include:

- Wastewater system facility plans and studies
- Secondary treatment facilities
- Advanced wastewater treatment facilities
- Sludge disposal and management
- Interceptors, force mains and pumping stations
- Infiltration and inflow correction
- Major sewer replacement and rehabilitation
- Combined sewer overflow correction
- Collector sewers
- Stormwater control
- Estuary management
- Nonpoint source control

Loans are available at rates based on the municipal bond rate with an annual fee of 0.5% paid during a repayment period of up to twenty years. Interest rates charged on specific loans depend on the repayment term, and range from 25% of the average bond rate for a five year loan to 65% of the bond rate for a twenty year loan. To assist communities through the planning stages of a project, planning loans are offered at the lowest interest rate, with a five-year repayment period, and are not charged the annual fee. Communities must pledge loan security adequate to satisfy the CWSRF Loan Program, such as general obligation bonds, other general obligation pledges, or user charges.

LONG TERM PROGRAM GOALS

Goal #1: To protect public health and the waters of the state by offering financial assistance for water pollution control projects.

Goal #2: To provide financial support for water quality improvements to all waters of the State.

Goal #3: To administer the CWSRF to ensure its financial integrity, viability, and perpetuity as a source of financial assistance.

SHORT TERM PROGRAM GOALS

Goal #1: To continue to maintain the revolving nature of the Fund and to maintain an active pace of disbursements in conjunction with the receipt of new funds and loan repayments.

Goal #2: To provide funding to local communities to the maximum extent possible within the constraints of sound financial management, law and regulation.

Goal #3: To increase the number of loans for both non-point source and estuary management projects.

Goal #4: To make the CWSRF loan program more accessible to a wider range of water quality projects statewide.

Goal #5: To continue our participation with other State and Federal programs in providing financial assistance to Oregon communities.

Projects that are ready to proceed are funded in priority order. Although allocating funds only to projects that are ready to proceed does result in some projects being funded ahead of higher priority projects, the high level of demand has continued to make the process competitive. All funded projects have been critical to the protection or restoration of water quality in Oregon.

Actual Use: All states have CWSRFs, and they increasingly are making loans for non-traditional wastewater projects. By mid-1997, fifteen states were funding nonpoint source pollution projects (including direct loans to farmers), six were funding stormwater projects, nine were funding landfill projects, five were funding septic system rehabilitation and replacement, six were funding estuary wetlands, stream restoration, and wellhead protection, many were funding sludge projects, and over half were funding combined sewer overflow projects. Some states have already used their own funds to finance revolving programs to assist localities with various capital projects. At least two states have made loans to acquire land or conservation easements to protect source water.

Potential Use: States are starting to apply the revolving loan fund concept to other needs, such as biosolids reuse.

Advantages: The CWSRFs are able to provide localities with extremely low-interest loans at favorable terms. They can be considerably more flexible than commercial banks, as states can adjust interest rates and other loan terms to suit localities' ability to pay.

Limitations: The competition among applicants for access to revolving loan funds is intense in some states. Project costs can be increased, due to Federal "cross-cutting" requirements that apply in using CWSRF monies. Some small communities may not be able to afford any loan. Loan terms are currently limited to 20 years, although there have been legislative proposals to extend them to 30 years.

Applicability: This could be an appropriate financing tool for MWMC because it would be simpler to administer than a revenue bond and there would not be the requirements of a bond indenture to monitor. Availability of funds on a timely basis would be the biggest concern.

Internal Borrowing

Description: Internal borrowing occurs when funds are borrowed from a reserve account in another fund, department, or agency of the local utility or government.

Potential Use: Internal fund borrowing is a viable option only if an analysis of the affected fund indicates sufficient funds are available and the use of these funds will not impact the fund's operations in the short term. Given those conditions, internal fund borrowing may be implemented for a variety of purposes.

Advantages:

1. Better financing rates are often obtained through internal borrowing, compared to borrowing from outside the organization or having third parties borrow on behalf of the utility.
2. Internal funds can be made available at low or no interest. They involve fewer transaction costs.
3. Funds are usually available when needed.
4. All savings are returned to the entity.
5. The entity can choose to do as much or as little external financing as required.
6. Riskier projects, or those that have lower rates of return, can still be funded from capital budgets.
7. With internal support and recognition for the work that needs to be done, it can be much easier to secure commitment, resources and support for internally funded work.

Limitations:

1. Using internal funds may delay or defer implementation of other projects.
2. Internal funds could be invested in financial vehicles that may provide a better rate of return.
3. Monitoring and verification of the savings and repayment schedule are needed.
4. Bond rating agencies may downgrade an entity's bond rating due to the presence of an "internal deficit."

Applicability: MWMC will make use of internal borrowing to provide interim financing for projects and allow the Commission to sell bonds at the optimum time, considering the current economic environment, interest rate and issue size.

NON-DEBT FINANCING INSTRUMENTS

Systems Development Charges

Description: SDCs, also known as Impact Fees, are fees collected by local governments to offset the costs of public improvements associated with new development. SDCs are not a tax. They are one-time fees collected for a specific purpose and, in Oregon, may only be used for capital improvements.

Actual Use: Under Oregon law, SDCs can be charged for capital improvements associated with a) water supply, treatment and distribution; b) wastewater collection, transmission, treatment and disposal; c) drainage and flood control; d) transportation; e) parks and recreation. Certain SDC revenues may only be expended on capacity-increasing capital improvements, while other SDC revenues may be used for capital improvements in general. An administrative fee may also be collected with SDCs and expended on the administration and accounting of the SDC program.

Advantages: New users of services purchase an increment of existing and new capacity. This results in enhanced equity between current and new users. It also reduces the cost burden on current users.

Limitations: SDCs do not provide capital much in advance of development. Capital improvements often add capacity that will be consumed over an extended period of years. SDC revenue is dependent on the rate of development which can be highly dependent on many factors and tends to fluctuate from year to year. SDCs are criticized for deterring development and increasing new housing costs, and resulting in interjurisdictional competition. Developers may pass on SDCs to residents. Communities may change their policy preferences depending on economic and political conditions, for example, implementing or discontinuing SDC exemptions/credits to stimulate or discourage development.

Applicability: SDC revenue is an important financing tool. Reimbursement SDC revenues may be expended for capital improvements in general. Improvement SDC revenues may be used on capacity-increasing capital improvements only.

User Fee Financing

Description: User Fee Financing is also known as “pay-as-you-go” financing. As the name implies, current revenues and reserves are used to fund the capital program, either in whole or in part.

Actual Use: This method has been the preferred mechanism for funding MWMC capital projects in the past 10 years.

Potential Use: User fee revenue can be used for virtually any legitimate MWMC purpose, including funding of operating expenses, capital expenses, and debt service as allowed by law.

Advantages: Funding capital projects from user fee revenue avoids the cost, risk, and administrative complexity of debt financing. Current users directly support required infrastructure, creating no impact on future users or Commissions.

Limitations: Capital projects funded from user fee revenue must either be relatively small, or staged in small increments to avoid large spikes in user rates. Alternatively, reserves can be accumulated to fund a large project in the future.

Applicability: User fee financing will continue to be an important financing tool for MWMC; however, to be most effective, it must be one of several options available to the Commission and used strategically.

Grants

Description: Grants are financial resources made available to utilities (or others) to fund specific desired activities or outcomes. Depending on the program, grants can be created to support operating or capital programs, or both. Wastewater grants are usually generated by State or Federal programs. Most require an application process, and some require a level of matching local funding.

Actual Use: MWMC relied heavily on Federal grants to build the current treatment plant and other facilities.

Potential Use: When funding is available, grants can be powerful tools in the hands of the granting agency. Grants can be used to provide incentives to local utilities to meet governmental standards or goals.

Advantages: Grants often provide the opportunity to leverage substantial capital resources with minimal local investment. When available, grants enable utilities to complete specific capital projects earlier than would otherwise be possible, leaving reserves and local funds for other ventures.

Limitations: Grants for wastewater-related projects have become appreciably less common in recent years. Grant funding can be unpredictable and requires significant administrative and reporting coordination. There can be strong competition among agencies for limited grant funds.

Applicability: Grant opportunities will be accessed whenever feasible. Grants are an important mechanism for MWMC to finance specific projects.

Summary

As discussed above, there are a variety of options available in the market to finance capital projects. The type of financing a utility would use in a given set of circumstances depends on the type of project, the size of the project, any statutory requirements and the financial health of the utility. MWMC will work with its advisors to determine the most appropriate financing mechanisms for a given project in light of the project timeline, purpose, and goals, and in the broader context of MWMC's overall financial policies and health.

APPENDIX III

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) – BEST PRACTICE

Adopting Financial Policies (2012)

Background:

Financial policies are central to a strategic, long-term approach to financial management. Some of the most powerful arguments in favor of adopting formal, written financial policies include their ability to help governments:

1. **Institutionalize good financial management practices**. Formal policies usually outlive their creators, and, thus, promote stability and continuity. They also prevent the need to re-invent responses to recurring issues.
2. **Clarify and crystallize strategic intent for financial management.** Financial policies define a shared understanding of how the organization will develop its financial practices and manage its resources to provide the best value to the community.
3. **Define boundaries.** Financial policies define limits on the actions staff may take. The policy framework provides the boundaries within which staff can innovate in order to realize the organization's strategic intent.
4. **Support good bond ratings and thereby reduce the cost of borrowing**.
5. **Promote long-term and strategic thinking**. The strategic intent articulated by many financial policies necessarily demands a long-term perspective from the organization.
6. **Manage risks to financial condition**. A key component of governance accountability is not to incur excessive risk in the pursuit of public goals. Financial policies identify important risks to financial condition.
7. **Comply with established public management best practices.** The Government Finance Officers Association (GFOA), through its officially adopted Best Practices endorsement of National Advisory Council on State and Local Budgeting (NACSLB) budget practices and the GFOA Distinguished Budget Presentation Award Program, has recognized financial policies as an essential part of public financial management.

Recommendation:

GFOA recommends that governments formally adopt financial policies. Steps to consider when making effective financial policies include (1) scope, (2) development, (3) design, (4) presentation, and (5) review.

Scope: There are some basic financial policy categories (but not limited to) that all governments should consider adopting.

1. General fund reserves. Policies governing the amount of resources to be held in reserve and conditions under which reserves can be used.

2. Reserves in other funds. Policies for other funds (especially enterprise funds) that serve a similar purpose to general fund reserve policies.
3. Grants. Policies that deal with the administration and grants process.
4. Debt. Policies that govern the use of government debt, including permissible debt instruments, conditions under which debt may be used, allowable levels of debt, and compliance with continuing disclosure requirements.
5. Investment. Policies that provide guidance on the investment of public funds, including permissible investment instruments, standards of care for invested funds, and the role of staff and professional advisors in the investment program.
6. Economic development. Policies that address a local government's use of subsidies or other incentives to encourage private development.
7. Accounting and financial reporting. Policies that establish and guide the use of an audit committee, endorse key accounting principles, and that ensure external audits are properly performed.
8. Risk management and internal controls. Policies that address traditional views of risk management and internal control, as well as more modern concepts of "enterprise risk management."
9. Procurement. Policies that are most essential for adoption by the governing board in order to encourage efficient, effective and fair public procurement.
10. Long-term financial planning. A policy that commits the organization to taking a long-term approach to financial health.
11. Structurally balanced budget. Policies that offer a distinction between satisfying the statutory definition and achieving a true structurally balanced budget.
12. Capital. Policies that cover the lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.
13. Revenues. Policy guidance through the designing of efficient and effective revenue systems that guarantee the generation of adequate public resources to meet expenditure obligations.
14. Expenditures. Policies addressing a range of issues around how the money is expended, including personnel, outsourcing, and funding long-term liabilities.
15. Operating budget. Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making.

Development: The following steps should be considered in the development of effective policies.

1. Define the problem the policy will address.
2. Draft the policy. Be aware of legal requirements and consider public comments. Look at the experience of peer governments.
3. Review and present the policy to government officials.
4. Formally consider and adopt policy.
5. Implement policy making sure that staff and government officials are aware of policies.

Design: Effective polices have a number of design features in common.

1. Policies must exist in written form.
2. Policies should be expressed in a manner that is understandable to the intended audiences.
3. Policies should be made available to all stakeholders, and be published in more than one medium with multiple means of access.
4. Policies should address all relevant issues and risks for that specific policy in a concise fashion.

Presentation: Effective financial policies share some of the following traits.

1. All of the financial policies are placed in the same section of the budget document.
2. The original and revision dates are shown on the individual policies.

Review: Financial policies are most successful when they are reviewed after being enacted.

1. Policies should be monitored, reviewed, and updated as needed in a systematic way.
2. Analyze the reasons if specific policies are not being followed.

References

- *GFOA Best Practice, "Recommended Budget Practices from the National Advisory Council on State and Local Budgeting," 1998.*
- *GFOA Publication, "Financial Policies," 2012 (Shayne Kavanagh).*

Approved by GFOA's Executive Board: *September 2015*

APPENDIX IV

CITY OF SPRINGFIELD
INVESTMENT AND PORTFOLIO POLICIES
NOVEMBER 1997
Date of Last Adoption: 12/01/1997

SCOPE

This investment policy applies to all cash-related assets included within the scope of the City of Springfield's audited financial statements and held directly by the City. The City's portfolio, excluding bond proceeds, is currently $41 million. The average monthly balance of funds invested, excluding bond proceeds, is about $42.5 million.

Funds held in trust for the Pension Portfolios and deferred compensation funds for the Employees of the City of Springfield, which have separate rules, are excluded from these policies. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon.

Funds will be invested in compliance with the provisions of, but not necessarily limited to the Oregon Revised Statutes (ORS), Chapter 294, other applicable statutes and this policy. Investment of any tax exempt borrowing proceeds and any related debt service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Codes.

INVESTMENT OBJECTIVES

The City will limit investment activities in order to ensure safety, legality, liquidity, diversity, and yield:

Safety: Preservation of capital and the protection of principal.

Legality: Conformance with federal, state, and other legal requirements.

Liquidity: Maintenance of sufficient liquidity to meet operating requirements.

Diversity: Avoidance of imprudent credit, market, and speculative risk.

Yield: Attainment of a market rate of return throughout all economic and fiscal cycles.

The City will not assume unreasonable investment risk to obtain investment income.

DELEGATION OF AUTHORITY

The Deputy Treasurer is the designated investment officer of the City of Springfield and is responsible for investment decisions, under review of the City of Springfield's Council. The day-to-day operation of the investment process program is handled by the Budget/Treasury section.

The investment officer is responsible for setting investment policy and guidelines subject to review and adoption by the City Council and, if required, review and comment by the Oregon Short-Term Fund Board. Further, the Deputy Treasurer is the portfolio manager and makes investments, under the general direction of the Finance Director, and is responsible for the day-to-day operations of the investment process which includes, but is not limited to, choosing what to buy or sell, from whom investments will be purchased, executing the buy/sell orders, producing necessary reports, and supervising staff. In addition to the active management of the investment portfolio, the Deputy Treasurer is responsible for the maintenance of other written administrative procedures consistent with this policy and the requisite compliance. To further optimize the total return of the investment portfolio, the Deputy Treasurer will administer an active cash management program, the goal of which will be to maintain historical cash flow information, i.e. debt service; payroll; revenue receipts; and extraordinary expenditures.

In order to optimize total return through active portfolio management, resources will be allocated to the Budget/Treasury's cash management program. This commitment of resources will include financial and staffing considerations.

PRUDENCE

The standard of prudence used by the investment officer and staff in the context of managing the overall portfolio shall be the prudent investor rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

MONITORING AND ADJUSTING THE PORTFOLIO

The Deputy Treasurer will routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments and will adjust the portfolio accordingly.

If, due to unanticipated cash needs, the investment in any security type or financial institution exceeds the limitations in this policy, or if the credit rating of a security type or financial institution is lowered after an investment is purchased, the Deputy Treasurer is responsible for bringing the investment portfolio back into compliance as soon as practicable.

INTERNAL CONTROLS

The Deputy Treasurer will maintain a system of written internal controls which will be reviewed annually by the independent auditor or upon any extraordinary event, i.e. turn-over of key personnel, the discovery of any inappropriate activity. The controls will be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

PORTFOLIO DIVERSIFICATION

The City will diversify investments across maturities, security type, and institution to avoid incurring unreasonable risks.

Except for the Local Government Investment Pool, no more than 25 percent of the City's total investment portfolio will be invested with a single financial institution.

Diversification by Instrument	***Maximum Percentage of Portfolio***
U.S. Treasury Obligations (Bills, notes, bonds, strips)	100%
State of Oregon Investment Pool	100%
U.S. Government Agency and Instrumentality Securities of Government Sponsored Corporations	50%
Time Deposit and Savings Account	50%
Bankers' Acceptances (BA's) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized rating organizations.	25%
Corporate Indebtedness A1 or AA or better by S & P; or P1 or Aa or better by Moody's, or an equivalent rating by any nationally recognized rating agency.	25%
➢ **Oregon Issuers:** A1 or A or better by S & P; or P1 or Aa or better by Moody's, or an equivalent rating by any nationally recognized rating agency.	
Repurchase Agreements	25%
Oregon State and Local Obligations Obligations of the agencies and instrumentality's of the State of Oregon and its political subdivisions that have a long-term rating of A or better, or rated in the highest category for short-term municipal debt.	25%
Regional Debt Obligations Obligations of California, Idaho and Washington and political sub-divisions of those states if obligations carry a long-term rating of AA or better or are rated in the highest category for short-term municipal debt.	25%
Time Certificate of Deposit (TCD)	
➢ **Commercial Banks**	25%
➢ **Savings and Loan Associations**	10%

Diversification by Institution

U.S. Government Agency and instrumentality Securities of Government Sponsored Corporations

No more than 20 percent of the total portfolio with any one security.

Bankers' Acceptances (BA's)

Issued by a qualified financial institution located and licensed to do business in Oregon; or a financial institution located in Washington, California or Idaho that is wholly owned by a bank holding company that owns a financial institution licensed to do business in Oregon. No more than 10 percent of the total portfolio with only one financial institution.

Corporate Indebtedness

Subject to a valid registration statement on file with the SEC or must be issued under section 3(a)(2) or 3(a)(3) of the Securities Act of 1933 (ORS 294.035(9)(a)). Must be issued by a commercial, industrial, or utility business enterprise, or by a financial institution or bank holding company owning a majority interest in a qualified financial institution.

- **Oregon Issuer***:* Business enterprise or holding company headquartered in Oregon having more than 50 percent of its permanent work force, or tangible assets, in Oregon; or is issued by a holding company owning not less than a majority interest in a qualified financial institution as defined for bankers' acceptances.

No more than 5 percent of the total portfolio with any one corporate entity.

Time Certificate of Deposit (TCD)

FDIC or FSLIC insured to $100,000, and in accordance with ORS Chapter 295, the financial institution must hold with the Oregon Certification of Participation Collateral Pool eligible securities pledged to secure not less than 25% of the aggregate amount of the City's funds held in deposit, less the insured $100,000.

- ***Commercial Banks:*** No more than 15 percent of the total portfolio with any one financial institution.
- ***Savings & Loan Associations:*** No more than 10 percent of the total portfolio with any one institution.

Repurchase Agreements

A signed master repurchase agreement is required. Only treasury securities described in ORS 295.035 (1) shall be used in conjunction with the repurchase agreement. No more than 10 percent of the total portfolio with any one institution.

Oregon State and Local Obligations

No more than 20% of the total portfolio.

Regional Debt Obligations

No more than 20% of the total portfolio.

Time Deposit and Savings Accounts

FDIC or FSLIC insured to $100,000, and in accordance with ORS Chapter 295, the financial institution must hold with the Oregon Certification of Participation Collateral Pool eligible securities pledged to secure not less than 25% of the aggregate amount of the City's funds held in deposit, less the insured $100,000.

State of Oregon Investment Pool (LGIP)

With the exception of pass-through funds (in and out within 10 days), no more than the state annual maximum amount invested as detailed in ORS 294.810(2).

INVESTMENT MATURITY

Maturity limitations will depend upon whether the funds being invested are considered short-term or long-term funds. All funds will be considered short-term except those reserved for capital projects. Except for special situations, as directed by the Finance Director, investments will be limited to maturities not exceeding 18 months (ORS 294.135).

Short-Term Portfolio (under 18 months)

Funds considered short-term will be invested to coincide with projected cash needs, taking into account large routine expenditures (bond payments, payroll) as well as blocks of anticipated revenues. The primary objective is to avoid incurring the market risk associated with the forced liquidation of a security prior to its maturity date. Maturities in this category will be timed to comply with the following guidelines:

Under 30 days	10% minimum
Under 90 days	25% minimum
Under 270 days	50% minimum
Under One year	80% minimum
Under 18 months	100% minimum

Commercial paper will have a maximum maturity of 270 days (ORS 294.035)

Long-Term Portfolio (over 18 months)

Instruments and diversification for the long-term portfolio shall be as for the short-term portfolio.

Maturities of over 18 months must be invested to coincide with a specific anticipated need (capital project funds, contractor payments, bond payment dates) and may be utilized with the approval of the Finance Director.

Unless matched to a specific cash flow (ORS 294.135), the City will not invest in securities maturing more than three years from the date of purchase. Investment of capital project funds will be timed to meet projected contractor payments.

COMPETITIVE SELECTION OF BIDS OR OFFERS

Before the City invests funds or sells securities prior to their maturity, competitive offers or bids need to be obtained. Ideally, bids or offers from three different sources should be obtained. Records will be kept of the investment transactions by completing the *Security Quote Form* - Exhibit One. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, offers or bids will be requested for instruments which meet the maturity requirement.

The City will accept the offer or bid which provides the best price within the maturity required and within the parameters of this policy.

QUALIFIED INSTITUTIONS

The investment officer will maintain a list of all security brokers/dealers and financial institutions which are approved for investment purposes or investment dealings. The City will limit all investment activities to the institutions on this list.

Written procedures and criteria for selection of financial institutions and securities dealers will be maintained by the investment officer. Securities dealers not affiliated with a bank are required to have an office in Oregon. Any firm is eligible to make application to provide investment services to the City, and will be added to the list if the selection criteria are met. Additions or deletions to the list will be made at the City's discretion.

At the request of the City, the firms performing investment services will provide their most recent financial statements or Consolidated Report of Conditions (call report) for review. The City will conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the City of Springfield as specified by but not necessarily limited to the National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC, etc.)

SAFEKEEPING AND COLLATERALIZATION

Purchased investment securities will be delivered by either Fed book entry, DTC, or physical delivery, and held in third party safekeeping - registered to the City of Springfield - with a designated custodian. The trust department of a bank may be designated as custodian for safekeeping securities purchased from that bank. The purchase and sale of securities will be on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the City listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, cusip number, purchase or sale price, transaction date, and other pertinent information.

Demand and time deposits shall be collateralized through the state collateral pool as required by statute for any excess over the amount insured by an agency of the United States government.

The Deputy Treasurer is responsible for maintaining sufficient collateral with each financial institution.

Delivery versus payment will be required for all repurchase transactions and with the collateral priced and limited in maturity in compliance with ORS 294.035 (1). ORS 294.035 (11) requires repurchase agreement collateral to be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short-Term Fund Board. On March 12, 1996, the OSTF Board adopted the following margins:

US Treasury Securities	102%
US Agency Discount and Coupon Securities	102%
Mortgage Backed and Other	103%

ACCOUNTING METHOD

The City of Springfield shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING REQUIREMENTS

The Deputy Treasurer will generate monthly reports for management purposes which will include an analysis of investments by financial institution, type of security, rate of interest and maturities. Any deviation from the Investment Guidelines must be authorized by the Finance Director.

INDEMNITY CLAUSE

The City will indemnify the investment officer, staff and city officials, from personal liability for losses that might occur pursuant to administering and while acting in accordance with this investment policy.

Staff acting in accordance with this policy and exercising due diligence, will not be held personally responsible for a specific security's credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity, provided that these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

PERFORMANCE EVALUATION

The performance of the City's portfolio will be measured against the performance of the "S & P Rated LGIP Index" as reported monthly in the Public Investor, a monthly subscription newsletter of the Government Finance Officers Association. The index is comprised of local government investment pools that are rated AAA or AA by Standard & Poor's and represents pools that strive to maintain a stable net asset value.

INVESTMENT POLICY ADOPTION

The investment policy will be reviewed by the Finance Committee and the Oregon Short-Term Fund Board, prior to being submitted to the City Council for adoption on an annual basis, in accordance with ORS 294.135a.

Adoption of this policy supersedes any other previous Council action or policy regarding the City's investment management practices.

APPENDIX V

ACRONYMS

AMSA	Association of Metropolitan Sewerage Agencies
BANs	Bond Anticipation Notes
CIP	Capital Improvement Program
COP	Certificates of Participation
CSD	County Service District
CWSRF	Clean Water State Revolving Fund
EPA	Environmental Protection Agency
ER	Equipment Replacement
GANs	Grant Anticipation Notes
GO	General Obligation (bonds)
IGA	Intergovernmental Agreement
I/I	Infiltration and Inflow
LCOG	Lane Council of Governments
MR	Major Rehabilitation
MWMC	Metropolitan Wastewater Management Commission
RWF	Regional Wastewater Facilities
RWP	Regional Wastewater Program
SDC	Systems Development Charge
SEC	Securities and Exchange Commission
SRF	State Revolving Fund
TANs	Tax Anticipation Notes
TIF	Tax Increment Financing
URBA	Unified Revenue Bond Act

Reserves after FY26 Adopted

Total of Reserves: $42.8M

User fees,
Septage fees
Interest income
Other Operating Revenues

Working Capital Reserve $900K —2.1%	To cover cash flow needs between receipts
Operating Reserve $5.3M —12.4%	To cover expenses for 2 months in unforeseen circumstances.
Rate Stability Reserve $2M — 4.7%	For use to avoid major rate swings
Bond Rate Stabilization Reserve $2M — 4.7%	Required by bond covenants, it's only use is to increase net revenues if ever we are in danger of not meeting our coverage ratio.
SRF Loan Reserves $50K — 0.1%	Required by DEQ loan documents to guarantee payment of debt service on SRF loans.
Insurance Reserve $1.5M — 3.5%	Toward high deductible in the event of major claim.
Capital Reserve $3.1M — 7.2%	To fund capital projects as determined by the Commission in the CIP plan.
Equip. Replacement Reserve $15.4M — 35.9%	Funded by operating revenues to save for recurring replacement of equipment and vehicles as determined by the asset management team.

SDC reimbursement fees
SDC Improvement fees
Interest earnings

SDC Reserves $12.6M — 29.4%	Used for capital projects that qualify for use of SDC revenues per ORS 223.307 including debt service repayment.

Reserves after FY26 SB1

Total of Reserves: $48.1M

User fees,
Septage fees
Interest income
Other Operating Revenues

Working Capital Reserve $900K —1.9%	To cover cash flow needs between receipts
Operating Reserve $2.6M —5.5%	To cover expenses for 2 months in unforeseen circumstances.
Rate Stability Reserve $2M — 4.2%	For use to avoid major rate swings
Bond Rate Stabilization Reserve $2M — 4.2%	Required by bond covenants, it's only use is to increase net revenues if ever we are in danger of not meeting our coverage ratio.
SRF Loan Reserves $50K — 0.1%	Required by DEQ loan documents to guarantee payment of debt service on SRF loans.
Insurance Reserve $1.5M — 3.1%	Toward high deductible in the event of major claim.
Capital Reserve $9.9M — 20.6%	To fund capital projects as determined by the Commission in the CIP plan.
Equip. Replacement Reserve $14.7M — 30.6%	Funded by operating revenues to save for recurring replacement of equipment and vehicles as determined by the asset management team.

SDC reimbursement fees
SDC Improvement fees
Interest earnings

SDC Reserves $14.4M — 29.8%	Used for capital projects that qualify for use of SDC revenues per ORS 223.307 including debt service repayment.

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MEMORANDUM

DATE:	October 2, 2025
TO:	Metropolitan Wastewater Management Commission (MWMC)
FROM:	Bryan Robinson, Environmental Management Analyst
SUBJECT:	Comprehensive Facilities Plan Update (P80101)
ACTION REQUESTED:	Information Only

ISSUE

At the October 10, 2025, Commission meeting, staff will provide an update on the MWMC Comprehensive Facilities Plan Update ("Facilities Planning") project P80101. Staff will update the Commission on Process Facilities Plan (PFP) findings and recommendations, Capital Improvements Plan (CIP) implementation, deliverable final development, and the amended delivery schedule.

BACKGROUND

The PFP is the core planning document and capital project study of process and construction needs to meet regional wastewater treatment demand through the 20-year planning cycle of the Facilities Planning project. To date, staff have brought Facilities Planning updates to the Commission on six occasions for discussion and input. In previous presentations, staff provided details on:

- The project scope and schedule
- The project team
- The project budget
- The Community Engagement Plan (CEP)
- On-site condition assessment results
- Multi-objective decision-making analysis
- Identification and refinement of projects for CIP recommendation

In December 2024, staff updated the Commission on CIP development and provided a "Potential Capital Improvements Under Consideration" list that included 25 projects identified through PFP development. At that time, Jacobs was roughly 75% complete with the assigned work tasks. Currently the project is 90% complete.

In June 2025, staff presented on the PFP solids treatment process analysis and Biosolids Management Facility (BMF) infrastructure assets and treatment process issues. Lagoon overloading was detailed, tracing biosolids generation through facility treatment and land application.

In September 2025, the Integrated Wastewater Utility Plan (IWUP) update provided an overview of project recommendation and decision making based on ranking of Utility Sustainability Elements (USEs) to position the MWMC to address multiple drivers and optimize project benefit.

DISCUSSION

At the time of the June 2025 presentation, the PFP was on schedule for final review in October 2025. Since that update, staff requested several revisions and improvements to the draft work product. A no-cost contract amendment was executed on August 21, 2025. This occurred through Change Order #4 to the P80101 agreement extending the contract duration to March 31, 2026. No additional work was added, and no additional budget was approved.

The October 2025 Facilities Planning P80101 presentation will present a finalized product delivery schedule and provide greater detail on the CIP recommendations. A walk-through of each project will highlight existing conditions, regulatory drivers, flow and load projections, and other inputs with a focus on ensuring the successful implementation of needed projects within the 20-year planning cycle.

As with the 2004 Facilities Plan, the inclusion of projects in the CIP does not imply that all recommended improvements will be implemented. Each proposed project represents a conceptual or preliminary design recommendation based on current system needs, capacity analysis, and long-range planning criteria. In alignment with standard engineering practices, all recommendations will undergo further technical evaluation, feasibility analysis, and cost-benefit assessment prior to any final design or construction. Projects will be re-evaluated at the time of potential implementation to ensure consistency with updated system conditions, regulatory requirements, available funding, and MWMC goals and objectives.

The recommendations for the PFP, previously presented to the Commission, have been further refined. A Draft Capital Projects List is provided in Attachment 1 for review. Updated CIP details will be presented at the October meeting and will include:

- Service, process, and capacity improvements
- Project design, construction, and maintenance cost estimates
- System Development Charge (SDC) applicability
- Potential service area user rate implications
- Project implementation alignment and priority scheduling
- DEQ PFP approval process

RECOMMENDATION

Staff recommends proceeding with finalization of the PFP in alignment with the current schedule to maintain project momentum with the three volume Facilities Planning approach and support timely decision-making. Completion of the PFP, along with the accompanying CIP will provide a foundational framework to guide MWMC's long-term planning, project prioritization, and future CIP adoption. As part of this process, staff welcomes Commission input and discussion on both the PFP and CIP to help shape the final documents and ensure they reflect shared priorities and strategic goals.

ACTION REQUESTED

No formal action is requested. Commissioner questions and feedback are welcome.

ATTACHMENTS

1) Draft Capital Projects List

COMPREHENSIVE FACILITIES PLAN UPDATE (P80101)
PROCESS FACILITIES PLAN

Draft Capital Improvements Plan (CIP)

2025		Capital Project Name (MWMC Project Number)
Recommended Projects	1	Repair Clarifiers & Final Treatment (P80118)*
	2	Biosolids Improvements Study (P80122)*
	3	WPCF Boiler Upgrade (P80121)*
	4	WPCF Pole Barn Design and Construction
	5	Thickening Improvements Study and Process Improvement Implementation
	6	Mobile Waste Hauler / Septage Receiving Station, Phase 1 - Evaluation and Study
	7	BMF Equipment Storage Expansion
	8	East Bank Interceptor, Phase 1 - Condition Assessment and Investigation
	9	Pretreatment Screw Pump MCC Relocation
	10	Asphalt Repair (WPCF, BMF, and MWMC Owned Pump Stations)
	11	Emergency Generators and Plug Installation
	12	Cell Tower Condition Assessment
	13	East Bank Interceptor, Phase 2 - Repair and Rehabilitation
	14	FOG Receiving Station, Phase 1 - Evaluation and Study
	15	Mobile Waste Hauler/Septage Receiving Station, Phase 2 - Design and Construction
	16	Aeration Basins, Secondary Clarifiers, Outfall Control Structure Repairs
	17	Onsite Hypochlorite Generation / Storage Tank Replacement Study
	18	Force Main Condition Assessment and Evaluation
	19	W2 Pump Station (BMF Additional Pump)
	20	Secondary Effluent Conduit and Tee Channel Dive Inspection, Evaluation, and Repair
	21	Pretreatment Facilities and Pre-aeration Chamber Repair and Pipe Upgrade
	22	FOG Receiving Station, Phase 2 - Design and Construction
	23	Control System Improvement, Phase 1 - Study and Evaluation
	24	Control System Improvement, Phase 2 - Design and Construction
	25	Consultant On-Call Engineering Support (Facilities Plan and NPDES Updates)

*Projects identified during Comprehensive Facility Plan Update project and prioritized for completion.