Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MWMC MEETING AGENDA

Friday, May 8, 2026, 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: **831 3842 7157**

Zoom Link: **https://us06web.zoom.us/webinar/register/WN_DEvEeYNZQlCi_p72celjLQ**

To join the Zoom meeting by phone dial: **877.853.5247**

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

7:35 – 7:40 **II. CONSENT CALENDAR**

a. MWMC 04/10/26 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 May 7, 2026 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 – 8:00 **IV. EXECUTIVE SESSION**

- ORS 192.660 (2)(f):To consider information or records that are exempt by law from public inspection.

8:00 – 8:15 **V. POPLAR HARVEST CONTRACT** ……………………………………………………...Bryan Robinson
Action Requested: Approve by Resolution 26-06

8:15 – 8:30 **VI. BOILER UPGRADE AWARD (P80121)** …………………………………………………….Matt Dapkus
Action Requested: Approve by Resolution 26-07

8:30– 8:50 **VII. BYLAWS UPDATE**……………………………………………………………………….Matt Stouder
Action Requested: Information and Discussion

8:50– 9:15 **VIII. FINANCIAL PLAN REVIEW**……………………………………………………...…..Jeremy Cleversey
Action Requested: Information and Discussion

9:15 – 9:30 **IX. BUSINESS FROM COMMISSION, EXECUTIVE DIRECTOR, & WASTEWATER DIRECTOR**

9:30 **X. 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

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MWMC MEETING MINUTES
Friday, April 10, 2026, at 7:30 a.m.

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

Commissioner **Keeler** opened the meeting at 7:30 a.m. Roll call was taken by Jolynn Barker.

ROLL CALL

Commissioner Present In-Person: Pat Farr, Doug Keeler, Faye Stewart, Alan Stout and Jennifer Yeh

Commissioner Remote: Christopher Hazen and Dawn Lesley

Staff Present In-Person: Emily Bradley, Jeremy Cleversey, Matthew Green, James McClendon, Todd Miller, Michelle Miranda, Bryan Robinson, Loralyn Spiro, Matt Stouder, Nick Thrasher, Mark Van Eeckhout, Kevin Vanderwall, and Valerie Warner

CONSENT CALENDAR

a. MWMC 03/13/26 Minutes

MOTION: IT WAS MOVED BY COMMISSIONER **STOUT** WITH A SECOND BY COMMISSIONER **YEH** TO APPROVE THE CONSENT CALENDAR. THE **MOTION PASSED** UNANIMOUSLY 7/0.

Hazen	Y
Farr	Y
Keeler	Y
Lesley	Y
Stewart	Y
Stout	Y
Yeh	Y

PUBLIC COMMENT

There was no public comment.

USER RATES, PH & ADOPTION RESOLUTION

Jeremy Cleversey, Environmental Services Management Analyst, reviewed prior budget discussions and noted the proposed Fiscal Year 2026-27 (FY26-27) Regional Wastewater Program (RWP) Capital Improvement Program budget remains about $42.3 million (M). There was a slight adjustment in the combined Regional Operating budget, increasing from 7.2% to 7.3% for a total of $29.6 million. The budget includes a very small staffing increase and reflects steady growth over five years. A 5.5% user rate increase (about $1.84 per household) is proposed, with future RWP user rates to be refined based on costs and capital planning. Next steps include presenting to partner agencies before ratification and adopting the proposed rates.

Commissioner **Keeler** opened a public hearing to consider comments and adoption for Resolution 26-03 for the proposed schedule of the FY26-27 RWP user rates, including septage and hauled waste (non-septage) rates to become effective on bills rendered on or after July 1, 2026. There was no public comment. The public hearing was closed.

Commission Discussion:

- Rate increase concerns
- WPCF efficiencies
- Public statement on rate increases

MOTION: IT WAS MOVED BY COMMISSIONER **STOUT** WITH A SECOND BY COMMISSIONER **LESLEY** TO APPROVE RESOLUTION 26-03 OF THE PROPOSED FISCAL YEAR 2026-27 MWMC REGIONAL WASTEWATER USER RATES AND SEPTAGE AND HAULED WASTE RATES AND RECOMMENDING THE GOVERNING BODIES. THE **MOTION PASSED** UNANIMOUSLY 7/0.

Hazen	Y
Farr	Y
Keeler	Y
Lesley	Y
Stewart	Y
Stout	Y
Yeh	Y

<u>FY 2026-27 RWP BUDGET & CAPITAL IMPROVEMENTS, PH & ADOPTION RESOLUTION</u>

Jeremy Cleversey, Environmental Services Management Analyst, provided a basic overview of the RWP budget and Capital Improvement Program (CIP) and Resolution 26-04 was presented.

Commissioner **Keeler** opened the public hearing to consider comments and adoption of Resolution 26-04 for the proposed FY 26-27 RWP Budget and CIP. There was no public comment. The public hearing was closed.

Commission Discussion:

- Previous financial plan discussions

MOTION: IT WAS MOVED BY COMMISSIONER **STOUT** WITH A SECOND BY COMMISSIONER **YEH** TO APPROVE THE RESOLUTION 26-04 FOR FY 2026-27 MWMC RWP BUDGET AND CIP AND RECOMMENDING THE GOVERNING BODIES. THE **MOTION PASSED** UNANIMOUSLY 7/0.

Hazen	Y
Farr	Y
Keeler	Y

Lesley	Y
Stewart	Y
Stout	Y
Yeh	Y

AERATION CONSULTANT SERVICES

Nick Thrasher, MWMC Civil Engineer, provided an update on the Filtration Systems Upgrade Project (P80113), including background, current progress, and a proposed amendment to consultant services. The project upgrades aging aeration and Secondary Control Complex (SCC) facilities to improve efficiency and operability, with design completed in 2025 and construction now underway. A third amendment of about $677,000 is requested to support additional services during the extended construction period, increasing the total contract to $5.5 million under Resolution 26-05.

Commissioner Discussion:

- Bypass flow during construction
- Construction cost increase

MOTION: IT WAS MOVED BY COMMISSIONER **LESLEY** WITH A SECOND BY COMMISSIONER **YEH** TO APPROVE THE RESOLUTION 26-05 FOR AERATION CONSULTANT SERVICES. THE **MOTION PASSED** UNANIMOUSLY 7/0.

Hazen	Y
Farr	Y
Keeler	Y
Lesley	Y
Stewart	Y
Stout	Y
Yeh	Y

COMPREHENSIVE FACILITIES PLAN

Bryan Robinson, Environmental Services Supervisor reported that the Process Facilities Plan (Volume 1 of the Comprehensive Facilities Plan) is near final, supporting CIP development and 2027 permit renewal, and remains within budget. The plan includes 25 capital projects, prioritized based on funding, regulatory compliance, and risk of failure, with a 5-year review process planned. Key needs identified include biosolids improvements, additional studies, infrastructure repairs, and equipment upgrades. Staff are pursuing the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) funding opportunities and anticipate the Department of Environmental Quality (DEQ) approval by the end of 2026. Expansion analysis is ongoing, with additional technical work expected this summer.

Commissioner Discussion:

- Future decision-making, implementation and evaluation
- Broad regional and expanding planning
- WIFIA funding and letter of support
- AI technologies/use

BUSINESS FROM THE COMMISSION

Commissioner **Lesley** informed the Board that the Water Pollution Control Facility (WPCF) is exploring enrolling in the Bonneville Power Administration's (BPA) Energy Smart Industrial Program, a strategic energy management initiative. While no formal status update is available, the program is strongly recommended due to its proven benefits. It requires modest staff time but can significantly improve energy efficiency in wastewater operations, with typical savings around 7% and some facilities achieving 15–20% or more.

BUSINESS FROM MWMC EXECUTIVE DIRECTOR

Mr. Stouder updated the Board on the Association of Clean Water (ACWA) Summer Conference, which will be held in Bend, July 15 - 17. Commissioners interested in attending should notify him or Misty Inman to coordinate registration and lodging. Registration will be available soon. The conference has been well attended by Commissioners in past years and is considered a valuable event.

Todd Miller, Environmental Services Deputy Director, reported that the Freshwater Trust manages MWMC's temperature mitigation program under the 2022 National Pollutant Discharge Elimination System (NPDES) permit, using riparian restoration on public and private lands to reduce river temperatures and generate compliance credits. The program is about 92% complete and on track for full compliance by October 2027. Projects include Rowe River Nature Park, a privately owned island in the McKenzie River, Buford Recreation Area, adjacent conservancy lands, and a restoration project near Highbanks Road involving former orchard land now under conservation to help protect McKenzie River water quality upstream of the Eugene Water and Electric Board (EWEB) intake. Overall, it meets regulatory requirements while improving water quality and ecosystem health.

BUSINESS FROM WASTEWATER DIVISION DIRECTOR

Ms. Miranda stated that the WPCF has been tracking efficiency metrics for years but has not been regularly reporting them to the Board. Staff plan to come in front of the Board in June or July with a presentation focused on this topic. Current data shows the plant is performing at a high efficiency level, particularly in energy use (kWh per million gallons treated) and chemical usage. Additionally, the aeration basin upgrades are expected to further improve electrical efficiency and provide a monetary rebate from EWEB based on efficiency improvements. Staff will also be looking into participating in a free utility-sponsored efficiency study and coordinating with Springfield staff, but these efforts have not yet been formally communicated.

The renewable natural gas (RNG) operations have significantly improved after previous performance issues. Over the past four months, runtime has increased to around 80–90%, marking a clear turning point since mid-December. This improvement is credited primarily to our own internal electrical, mechanical maintenance, and operations staff working closely together, despite ongoing collaboration with external experts. Ms. Miranda emphasized this as a sustained and meaningful operational improvement.

Commissioner **Keeler** read the executive session script pursuant to ORS 192.600 per (2)(F), for the purpose of considering information or records that are exempt by law from public inspection before adjourning the meeting at 8:55 am.

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MEMORANDUM

DATE:	April 30, 2026
TO:	Metropolitan Wastewater Management Commission (MWMC) Board
FROM:	Bryan Robinson, Environmental Services Supervisor
SUBJECT:	Poplar Harvest Services – Long-Term Contract Agreement
ACTION REQUESTED:	Approval of Resolution 26-06

ISSUE

The MWMC seeks a long-term contractor for management of all phases and tasks of the second-round rotation of poplar harvests at the MWMC's Biocycle Farm. The MWMC has selected Lane Forest Products through a competitive procurement process to provide these services. Initial work is scheduled for 2026-2027 under current fiscal year operations budget, with subsequent harvest phases to be initiated on a harvest-by-harvest basis over a 12-year period. Staff are currently working with Lane Forest Products to determine the contract value. The initial total not-to-exceed value of the contract is forecast at $4,500,000. Staff requests Board approval of Resolution 26-06 to execute a contract with Lane Forest Products.

BACKGROUND

The Biocycle Farm was established in 2005 as an MWMC capital program project with three separate age-class rotations of poplar trees (management units, or MUs) as a biosolids land application resource over approximately 400 acres. The farm is configured into north and south halves of each of three MUs. Initial farm designs contemplated six or more MUs would be operationally beneficial. From 2013 through 2022, the Biocycle Farm's initial harvest and replanting phases remained under the MWMC capital program management to develop best management practices and recommendations for long-term operation of the farm. Staff produced a Poplar Harvest Findings and Recommendations Report in 2024 (revised 2025) for internal guidance.

The revised Recommendations Report was presented to the Board at the December 2025 public meeting. Additional project details were provided as outlined below. Brief updates on poplar procurement status were shared during recent Board meetings. Additionally, an Executive Session was held with the Board on April 10, 2026, to detail project procurement standing.

MWMC Meeting	Presentation Topics Discussed
December 2025	Poplar services needed
	Contract conditions sought
	Procurement methods and process
	Request for Information results
	Request for Proposal intent
	Pre-proposal on-site meeting
	Division of contract duties between Springfield and Eugene staff

The Request for Information process resulted in six responses. This was followed by the Poplar Harvest Services Request for Proposal (RFP) issued in November 2025, which generated seven complete proposals. After evaluating the submissions, staff identified Lane Forest Products as the highest-scoring proposer. A Notice of Intent to Award was issued on February 13, 2026. Since then, staff have been developing the contract and have recently begun coordination efforts with Lane Forest Products to determine final scope of work and project budget.

Starting with the 2026 harvest, the routine harvest and replanting of the Biocycle Farm MUs is categorized as an MWMC operating expense, as adopted in the FY25-26 budget. Following the internal guidance document, harvest phases will proceed bi-annually across six MUs over a 12-year cycle. Given the programmatic nature of the contract, contract procurement and execution follows the MWMC procurement rules and process under MWMC legal counsel guidance, as an MWMC administrative function. Upon contract execution, the services will be rendered under the MWMC's operations program staff.

DISCUSSION

The RFP included a defined scoring methodology with specific evaluation factors, assigned weights, and a structured review process applied upon proposal opening. It was designed to allow proposers to submit a narrative describing their resources and capability to perform the work, in addition to a cost worksheet submission. The strict selection criteria, including the scoring methodology published in the RFP and shown below, demonstrate MWMC's commitment to a transparent evaluation process and clearly communicate how proposals would be assessed.

Scoring Criteria
• Proposer's overall experience and capabilities • Completion of all three (3) Phases and all six (6) Harvests will be ranked higher than Proposers with limitations • Proposed costs as submitted in the Excel Cost Proposal Worksheet • Financial strength, bonding capacity, and insurance Certificates of Insurance (COIs)

The Lane Forest Products proposal offered a competitive price and a well-structured approach to the required work. However, it was the company's background, qualifications, and organizational strength that set them apart and resulted in consistently higher evaluation scores compared to other proposers. Lane Forest Products is a recognized stewardship leader in our local community and has the equipment, staff resources, management capacity, and organizational readiness to begin work in 2026 and deliver all services throughout the contract term. The company maintains a dedicated sales team, operates a large trucking fleet, and is located just a few miles from the MWMC's Biocycle Farm.

ACTION REQUESTED

Approval of Resolution 26-06, Poplar Harvest Services.

ATTACHMENTS

1) Resolution 26-06, Poplar Harvest Services

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

RESOLUTION 26-06	)	**IN THE MATTER OF CONTRACT**
	)	**AWARD FOR POPLAR**
	)	**HARVEST SERVICES CONTRACT**

WHEREAS, the MWMC followed the procedures for competitive sealed proposals set forth in the MWMC's Procurement Rules 137-047-0260;

WHEREAS, the MWMC's Fiscal Year 2026/2027 (FY26/27) Budget includes Biocycle Farm Poplar Harvest Management Services funds of $900,000;

WHEREAS, the Eugene Wastewater Division will approve Operation Budget funds for Task Order or phases of Work to complete on an annual basis;

WHEREAS, all Work will require an MWMC written Notice-to-Proceed (NTP) and each Task Order or phase of Work will have an accompanying Not-To-Exceed (NTE) amount prior to starting Work on such Task Order or phase; and

WHEREAS, MWMC intends to enter into a contract with Lane Forest Products, Inc. the highest-ranked proposer, with a not-to-exceed (NTE) amount of $4,500,000 and with fifteen percent (15%) amendment authority ($675,000);

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE METROPOLITAN WASTEWATER MANAGEMENT COMMISSION:

Once any protest period has passed and no protests being received and/or such protests being resolved in accordance with Oregon law and the MWMC Procurement Rules, the duly authorized MWMC executive officer (or authorized designee) is hereby authorized to (a) designate qualified staff to negotiate and execute a contract agreement with Lane Forest Products, Inc. for Poplar Harvest Services at a not-to-exceed (NTE) amount of $4,500,000; and (b) and delegate performance of the project manager functions including, but not limited to, issuance of Task Orders and Notices-to-Proceed, contract amendments not to exceed a cumulative total of 15% ($675,000) of the initial contract amount, and management of the contract to ensure deliverables and services meet contract requirements.

METROPOLITAIN WASTEWATER MANAGEMENT COMMISSION

Resolution 26-06

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE METROPOLITAN WASTEWATER MANAGEMENT COMMISSION ON THE 8TH DAY OF MAY 2026.

Digital Signature:	______________________________ Pat Farr, MWMC President
Digital Signature:	Approved as to form: ______________________ MWMC Legal Counsel
Digital Signature:	Attest: ______________________________ Misty Inman, MWMC Secretary

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

M E M O R A N D U M

DATE:	April 30, 2026
TO:	Metropolitan Wastewater Management Commission (MWMC) Board
FROM:	Matt Dapkus, Design and Construction Coordinator
SUBJECT:	Consultant Contract Award for Boiler Upgrades Project P80121
ACTION REQUESTED:	Approve Resolution 26-07 (Attachment 1)

ISSUE

Staff requests the Board, by motion, approve Resolution 26-07 awarding a consultant engineering services contract in the amount of $1,915,660 to Brown and Caldwell, Inc. to provide engineering and construction contract administration services for the Boiler Upgrades Project P80121.

BACKGROUND

The DEQ requires redundancy within a wastewater treatment process sufficient to adequately treat recycled water, and the heating system at the Water Pollution Control Facility (WPCF) is necessary to support the solids treatment process. Without this redundancy in the existing heating system at the WPCF, the solids treatment process occurring at the digesters could become inadequate at peak winter flows or on the coldest days.

In 2025, the City of Eugene contracted with Brown and Caldwell to evaluate the existing heating system at the WPCF. In a technical memo dated December 3, 2025, Brown and Caldwell reported that the current heating system configuration is incapable of meeting peak plant heating demand if the single existing boiler were to experience failure during typical winter conditions. Brown and Caldwell analyzed four (4) options for upgrading the heating system to provide redundancy and recommend replacing the existing engine generator with another boiler capable of meeting peak demand. Eugene and Springfield staff reviewed the technical memo and unanimously agree that Brown and Caldwell's recommendation is the best option to achieve heating system redundancy.

The current project budget for Boiler Upgrades Project P80121, based on a 2025 estimate by Jacobs Engineering included in the draft Process Facilities Plan plus 5.9% escalation for 2026, is $2,700,000. This estimate has proven to be low. In addition to the base scope, there is other seismic upgrades work included in this project effort as indicated below:

Boiler Project P80121 Updated Cost Estimates

Current Project Budget	$2.7M
Additional Costs (Design, Permits, Estimate realignment, etc.)	$2.3M
Disaster Mitigation Plan Seismic Upgrades (Bid Alternate)	$2M
Contingencies	$1M
Adjusted Project Budget (Incl. Optional Bid Alternate)	**$8M**

DISCUSSION

A Request for Proposals (RFP), meeting formal procurement requirements under Oregon Revised Statutes and MWMC Procurement Rules, including Rule 137-048-0220, was posted on January 6, 2026, soliciting proposals from design firms with the expertise and experience to provide consultant engineering services for this project. Two proposals were received on February 10, 2026. A proposal review committee consisting of staff members from the Cities of Springfield and Eugene reviewed and scored the proposals based on the qualifications submitted by each respondent as required in the RFP. The average scores from those three independent reviews are reflected below:

Summary of Scores

Responding Firm	Score
Brown and Caldwell (Portland, OR)	93.7
Systems West Engineers (Springfield, OR)	89.5

The highest scoring proposal from Brown and Caldwell was confirmed to comply with proposal submission requirements, and a Notice of Intent to Award the resulting contract to Brown and Caldwell (Attachment 2) was issued to all proposers on March 10, 2026. No protests were received, and staff has completed negotiations with Brown and Caldwell for the scope of services and not-to-exceed fee proposed by the consultant.

Project staff recommend executing a consultant engineering services contract for the Boiler Upgrades Project P80121 with Brown and Caldwell in the not-to-exceed amount of $1,915,660 and authorizing additional authority of 15% ($287,349) of the initial contract value to provide for potential amendments to this contract. With the Board's approval, a Notice to Proceed is anticipated to be issued in May 2026, and design is anticipated to be completed by June 2027.

ACTION REQUESTED

Project staff request that the Board, by motion, approve Resolution 26-07 to:

> Authorize the MWMC Executive Director (or designee) to execute a contract with Brown and Caldwell to provide consultant engineering services for the Boiler Upgrades Project P80121 in the not-to-exceed amount of $1,915,660, and to execute contract amendments not to exceed a cumulative value of 15% ($287,349) of the original contract value.

ATTACHMENTS:

1) Resolution 26-07
2) Notice of Intent to Award

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

RESOLUTION 26-07	)	**IN THE MATTER OF CONSULTANT**
	)	**CONTRACT AWARD FOR BOILER**
	)	**UPGRADES PROJECT P80121**

WHEREAS, in 2025 the City of Eugene contracted with Brown and Caldwell to evaluate the existing heating system at the Water Pollution Control Facility (WPCF) and provide analysis of the system's operations, and recommendations for making improvements;

WHEREAS, on December 3, 2025, a final memorandum submitted to staff summarizing Brown and Caldwell's findings of the heating system's capabilities and limitations indicates that in its existing configuration, the heating system at the WPCF does not meet DEQ redundancy requirements;

WHEREAS, Brown and Caldwell's memorandum presented four options for upgrading the heating system to meet redundancy requirements, provided a net present value cost analysis of each option, and recommended replacing the existing engine generator with a second boiler;

WHEREAS, capital improvement, operations, maintenance, and administration staff have reviewed the findings of Brown and Caldwell and agree that the recommended solution is the most desirable;

WHEREAS, project staff prepared a Request for Proposals (RFP) complying with formal procurement requirements under Oregon Revised Statutes Chapter 279 and MWMC Procurement Rules to solicit consultant engineering services for a project to upgrade the WPCF heating system, issued a Notice of Intent to Award the contract on March 10, 2026, and received no protests to the award; and

WHEREAS, Brown and Caldwell was the firm found most qualified to provide these services following staff review and scoring of all proposals received in accordance with the RFP process.

NOW, THEREFORE, BE IT RESOLVED BY THE METROPOLITAN WASTEWATER MANAGEMENT COMMISSION:

The duly authorized MWMC Executive Director (or designee) is hereby authorized to execute a contract with Brown and Caldwell for Project P80121 consultant engineering services in the not-to-exceed amount of $1,915,660, to execute contract amendments not to exceed a cumulative value of 15% ($287,349) of the original contract value, and to designate qualified staff to execute all contract and project management functions.

ADOPTED BY THE METROPOLITAN WASTEWATER MANAGEMENT COMMISSION ON THE 8TH DAY OF MAY 2026.

Digital Signature:

____
Doug Keeler, MWMC President

Digital Signature:

Approved as to form: ____________________________
Kristin Denmark, MWMC Legal Counsel

Digital Signature:

Attest: ____
Misty Inman, MWMC Secretary

weclean WATER
mwmcpartners.org

Metropolitan Wastewater MANAGEMENT COMMISSION

partners in wastewater management

Administration

Matt Stouder
MWMC Executive Director
City of Springfield
225 Fifth Street
Springfield, Oregon 97477
(541) 726-3694
FAX (541) 726-2309

Operations

Michelle Miranda
Wastewater Director
City of Eugene
410 River Avenue
Eugene, Oregon 97404
(541) 682-8600
FAX (541) 682-8601

March 10, 2026

Notice of Intent to Award Consultant Contract
Boiler Upgrades Project P80121

Consultant services proposals for the Metropolitan Wastewater Management Commission (MWMC) Boiler Upgrades Project P80121 were received in response to a Request for Proposals posted January 5, 2026. MWMC selection committee members independently reviewed and scored the two qualified proposals received, and Brown and Caldwell was the highest ranked proposer as indicated below:

Summary of Scores

Responding Firm	Score
Brown and Caldwell	93.7
Systems West Engineers	89.5

ORS 279C.110(8) and MWMC Procurement Rule 137-048-0240 govern the right to protest this selection and process. In order to formally protest the award, you must submit your protest in writing by March 17, 2026, in an email to:

mdapkus@springfield-or.gov

Thank you,

Matt Dapkus
Design and Construction Coordinator
City of Springfield, Oregon
Metropolitan Wastewater Management Commission
225 Fifth Street, Springfield, Oregon, 97477
Office: 541-726-3790

weclean WATER

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MEMORANDUM

DATE:	April 30, 2026
TO:	Metropolitan Wastewater Management Commission (MWMC) Board
FROM:	Matt Stouder, MWMC Executive Director Kristin Denmark, Legal Counsel
SUBJECT:	MWMC Board Bylaws
ACTION REQUESTED:	Information and Discussion

ISSUE

Following adoption of the updated *Second Restated and Amended Intergovernmental Agreement for the Metropolitan Wastewater Commission,* effective March 12, 2026 (the "MWMC IGA") and the *First Restated and Amended Intergovernmental Agreement for the Provision of Operation, Maintenance and Administrative Services to the Metropolitan Wastewater Management Commission,* effective March 12, 2026 (the "OM&A IGA"), the MWMC Board seeks to update its Bylaws.

BACKGROUND

Effective March 12, 2026, the Cities of Springfield and Eugene and Lane County adopted the MWMC IGA. Also effective March 12, 2026, the Cities of Springfield and Eugene and the MWMC adopted the OM&A IGA. Some recent revisions to the MWMC IGA require an update to the MWMC Board Bylaws. The proposed revised MWMC Board Bylaws are presented as Attachment 1.

The current MWMC Board Bylaws (Attachment 2) were last updated on March 9, 2009. The current Bylaws largely copied and pasted text from the prior version of the MWMC IGA and focus more on what the Commission, as an entity does, rather than Board governance. In addition to aligning the Bylaws with the MWMC IGA, revisions also focus on Board governance as opposed to functions of the entity.

DISCUSSION

The Board Bylaws are updated with a format and focus more on Board governance, including revisions regarding:

1. The purpose of the MWMC Board, including reference to both its functions as the Contract Review Board and its creation of the Claims Review Board (Section 1(b));

2. Updated language regarding terms of service, appointment procedure, and vacancies (Sections 2

and 3);

3. Duties of Board officers and procedure regarding officer vacancies (Section 4);

4. Details regarding the time and location of the MWMC Board's regular meetings, as required by the MWMC IGA (Section 5(a));

5. Changes to the quorum requirement, consistent with revisions to the MWMC IGA (Section 5(c));

6. Language regarding special and emergency meetings, Commissioner attendance, public participation, voting requirements and conflicts of interest (Sections 5 and 6);

7. Detailed hearing procedures were removed from the Bylaws and will be addressed in a Board procedure or policy. Consistent with the MWMC IGA, the basis for which one can request a hearing before the MWMC Board has been narrowed (Section 7(c)); and

8. A reference to various laws and legal requirements of which Commissioners should be aware (Section 8).

ACTION REQUESTED

For Information and Discussion. We anticipate bringing this back for Board adoption in June's Consent Agenda.

ATTACHMENTS

1) DRAFT Amended and Restated Bylaws of the MWMC Board of Commissioners
2) CURRENT Restated MWMC Bylaws, adopted March 9, 2009

AMENDED AND RESTATED BYLAWS OF THE METROPOLITAN WASTEWATER MANAGEMENT COMMISSION BOARD OF COMMISSIONERS

These Amended and Restated Bylaws (the "Bylaws") of the Metropolitan Wastewater Management Commission (the "MWMC") Board of Commissioners (the "MWMC Board" or the "Board") amend and restate in their entirety the Restated MWMC Bylaws, last amended and adopted on March 9, 2009.

1. <u>Organization and MWMC Board Purpose</u>.

a. <u>The MWMC</u>. The MWMC is an intergovernmental entity established by an intergovernmental agreement to which the Cities of Springfield and Eugene and Lane County are parties. As of the effective date of these Bylaws, the terms of that intergovernmental agreement are set out in the *Second Restated and Amended Intergovernmental Agreement for the Metropolitan Wastewater Commission,* effective March 12, 2026 (the "MWMC IGA"), which sets forth the functions and obligations of the Cities jointly and of the MWMC. Pursuant to the MWMC IGA, the MWMC shall provide those general and specific functions as are outlined in <u>Sections 3</u> and <u>4</u> to the MWMC IGA.

Additionally, the MWMC is a party to the *First Restated and Amended Intergovernmental Agreement for the Provision of Operation, Maintenance and Administrative Services to the Metropolitan Wastewater Management Commission,* effective March 12, 2026 (the "<u>OM&A IGA</u>"). Pursuant to the OM&A IGA, each City provides certain operation, maintenance and/or administrative services to the MWMC so that the MWMC can fulfill its requirements under the MWMC IGA.

b. <u>Purpose of MWMC Board of Directors</u>. MWMC shall be governed by a Board of Commissioners referred to herein as the "MWMC Board" or the "Board." The MWMC Board sets policy for the MWMC, including but not limited to financial policy and approval of fees and charges. The MWMC Board shall also take such other actions, as needed, so the MWMC can fulfill its functions under the MWMC IGA.

i. <u>Contract Review Board</u>. In addition, the MWMC Board shall serve as the MWMC's Contract Review Board. The Contract Review Board is responsible for review, approval and management of all MWMC contracts, subject to any delegation of authority to the MWMC Executive Director.

ii. <u>Claims Review Board</u>. MWMC Resolution Nos. 80-2 and 83-27 established the MWMC Claims Review Board to hear contract disputes, or as otherwise directed by the MWMC Board.

///

2. **Membership; Appointment.**

   a. Membership. The MWMC Board shall consist of seven (7) members. All members of the MWMC Board have equal authority.

   b. Appointment Procedure. Appointment to the MWMC Board is set forth in Section 5 of the MWMC IGA, which provides:

      i. The City Councils for Springfield and Eugene, and the Board of Lane County Commissioners shall each appoint to the MWMC Board one (1) elected official from that Governing Body; and

      ii. The City Council of Eugene shall appoint two (2) additional members to the MWMC Board. The City Council of Springfield and the Board of Lane County Commissioners shall each appoint one additional member to the MWMC Board.

3. **Terms of Service; Vacancies.**

   a. Terms of Service. Commissioners shall serve for three-year staggered terms, with the member's term beginning February 1 of the respective year. Notwithstanding the foregoing, Commissioners serve at the pleasure of the Governing Body appointing that Commissioner.

   b. Vacancies. If a vacancy is created because a Commissioner is unable to complete their term, or resigns before the term is over, the respective Governing Body shall appoint the Commissioner's successor to serve out the unexpired portion of the term.

4. **Officers; Duties; Vacancies.**

   a. Officers. The Board, at the first Board meeting in March, shall choose from among its members, by majority vote of the members, a President and Vice President to serve one-year terms.

   b. President. The President, and in the President's absence, the Vice President, and in the absence of both, a member selected by the members present to act as President pro tem, shall preside at the Board meetings. The presiding officer shall be entitled to vote on all matters and may make and second motions and participate in discussion and debate.

   c. Vice President. In the event of the absence of the President, or of the President's inability to perform any of the duties of the President's office or to exercise any of the President's powers, the Vice President shall perform such duties and possess such powers as are conferred on the President, and shall perform such other duties as may from time to time be assigned to the Vice President by the President or the Board.

d. Vacancies. In the case of a vacancy in any office other than by expiration of an officer's term, the vacancy shall be filled by election by the members when the need arises and the newly elected officer shall take office immediately upon the occurrence of such vacancy to fill the balance of the unexpired term.

5. Meetings; Attendance; Quorum; Public Participation.

a. Meetings. The MWMC Board shall hold its regular meeting on the second Friday of each month, starting at 7:30 a.m., at Springfield City Hall. Notwithstanding the foregoing, the a quorum of the MWMC Board or the MWMC Executive Director may change the time or location of or cancel such meeting. The Board may hold special and emergency meetings consistent with the Oregon Public Meetings Law. Notice of all meetings shall be provided in accordance with Oregon Public Meetings Law.

b. Attendance. All Commissioners are expected to regularly attend Board meetings and be fully engaged with minimal distraction (from cell phones, etc.) unless prevented by illness or an unavoidable cause. If a member is unable to attend a Board meeting, they should notify the MWMC Executive Officer or Secretary in advance. This helps ensure a quorum of members are available for a Board meeting and helps avoid last-minute Board meeting cancellations.

c. Quorum Requirements. A quorum of the MWMC Board shall be four (4) members providing at least one member appointed by each Governing Body is present.

d. Public Participation. All meetings of the MWMC Board, other than meetings held in executive session, are open to the public. Public comment will generally be received at Board meetings and is typically limited to three (3) minute increments, but it is adjustable at the discretion of the President.

6. Voting Requirements; Conflict of Interest.

a. Voting Requirements. Commissioners are expected to cast a vote on all matters except when a conflict of interest arises. Any Board action requires the affirmative vote of a majority of all Board members, unless otherwise permitted by the MWMC IGA or by law.

b. Conflict of Interest. Commissioners should be familiar with Oregon's Government Ethics Law regarding conflicts of interest. If a Commissioner has an actual conflict of interest, they must publicly announce the nature of the actual conflict and must refrain from participating in discussion, debate, or voting on the issue, unless a statutory exception applies. If a Commissioner has a potential conflict of interest, they must publicly announce the nature of the potential conflict but may thereafter participate in discussion or debate and may vote on the issue. If a Commissioner believes they may have an actual or potential conflict of conflict of interest, that concern should be communicated with the MWMC Executive Director or Secretary in advance of the Board meeting. They may consult with legal counsel.

7. **MWMC Central Office; Designated Agent; Hearings Procedure.**

   a. Central Office. The central office of the MWMC shall be as follows:

      Metropolitan Wastewater Management Commission
      225 Fifth Street
      Springfield, OR 97477
      541-726-3694
      https://mwmcpartners.org

   b. Designated Agent. The MWMC Executive Director shall be the designated agent of the MWMC.

   c. Hearings Procedure. The MWMC Board may conduct hearings on complaints from: (i) any Rate Payer who is aggrieved by the actions of decisions of the MWMC; or (ii) any User, pursuant to the provisions of a City's Pretreatment Code. The MWMC Board may adopt procedures regarding such hearings.

8. **Legal Requirements.** Commissioners will comply with requirements regarding Oregon Public Meetings Law, Oregon Government Ethics Law, Oregon Public Records Law and any other applicable legal or policy requirements, including but not limited to any pertinent requirements in the MWMC IGA. All meetings shall be conducted in accordance with "Robert's Rules of Order."

9. **Miscellaneous.**

   a. Severability. If any provision of these Bylaws or its application to any person or circumstances is held invalid, the remainder of these Bylaws, or the application of the provision to other persons or circumstances is not affected.

   b. Amendments. These Bylaws, as adopted by the Board, may be revised or amended at any regular or special meeting of the Board on the affirmative vote of a majority of the Board members.

   c. Defined Terms. Some terms are defined in the text of these Bylaws are some are defined in Exhibit A. Exhibit A provides an index of terms defined in these Bylaws. Defined terms may be used in the singular or the plural, and defined terms that are in one part of speech, such as a noun, may be used in another part of speech, such as a verb.

Adopted by the MWMC Board on _____________, 2026

Exhibit A

Defined Terms

1. **"Board"** has the meaning set forth in the introductory paragraph of these Bylaws.

2. **"Bylaws"** has the meaning set forth in the introductory paragraph of these Bylaws.

3. **"Governing Body"** means for the Cities of Springfield and Eugene, their respective City Councils, and for Lane County, the Lane County Board of County Commissioners.

4. **"MWMC"** means the Metropolitan Wastewater Management Commission.

5. **"MWMC IGA"** has the meaning set forth in Section 1(a) of these Bylaws.

6. **"MWMC Board"** has the meaning set forth in the introductory paragraph of these Bylaws.

7. **"OM&A IGA"** has the meaning set forth in in Section 1(a) of these Bylaws.

8. **"Pretreatment Code"** means, for the City of Eugene, Eugene Code Sections 6.550 through 6.589; and for the City of Springfield, SMC 4.001 through 4.086, both as may be amended, replaced, or superseded.

9. **"Rate Payer"** means any person or entity responsible for the payment of any charge or fee imposed on behalf of the MWMC.

10. **"User"** has the meaning set forth in a City's Pretreatment Code.

BYLAWS OF THE

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ARTICLE 1. *Establishment*

The Metropolitan Wastewater Management Commission has been officially established through the authority of the Metropolitan Wastewater Management Commission Agreement, dated February 9, 1977, signed by the governing bodies of Eugene, Springfield, and Lane County.

ARTICLE II. *Purposes and Objectives*

The purposes and objectives of this Commission shall be to provide sewerage on a unified basis for the projected Eugene-Springfield metropolitan area. The Commission may take any action necessary or convenient to perform its functions and duties as specified in the establishing agreement. The Commission's responsibility as set forth in the establishing agreement includes, but is not necessarily limited to, the following:

(a) To construct, operate, and maintain regional sewerage facilities as described in Appendix "A" of the establishing agreement;

(b) To recommend the boundaries of a county service district to the Lane County Commissioners;

(c) To compensate Springfield and Eugene for existing sewerage facilities as defined in Appendix "A" of the establishing agreement;

(d) To salvage abandoned sewerage facilities;

(e) To implement a financing plan, based on the financing criteria described in Appendix "B" of the establishing agreement, an annual budget, and an annual financial statement for regional sewerage facilities;

(f) To adopt a schedule of sewer service charges and connection charges for regional sewer services;

(g) To establish billing and collection systems, if necessary, in locations where such systems are not provided by others;

(h) To contract with Eugene, Springfield, and Lane County for operation and maintenance of the regional sewerage facilities and for other services as necessary;

(i) To contract for consultant services;

(j) To provide service only to Eugene, Springfield, and Lane County;

(k) To comply with State and Federal standards;

(l) To adopt minimum uniform standards for pretreatment requirements for industrial and other wastes as necessary;

(m) To adopt minimum standards for construction and maintenance of local sewage collection systems; and

(n) To plan and make recommendations to Eugene, Springfield, and Lane County for expansion and improvement of regional sewerage facilities.

ARTICLE III. *Membership and Voting*

Section 1. The Commission shall consist of seven voting members.

Section 2. Each of the governing bodies shall appoint to the Commission one elected official of the governing body.

Section 3. The City Council of Eugene shall appoint two additional members to the Commission. The City Council of Springfield and the Lane County Commissioners shall each appoint one additional member to the Commission.

Section 4. Members of the Commission shall serve for three-year terms and/or at the pleasure of the governing body appointing that member. Commission members may serve for as many terms as determined by the governing body.

Section 5. Notwithstanding the terms of office specified, the members first appointed to the Commission shall serve for terms as determined by the following:

(a) The elected officials who are appointed to the Commission shall serve for terms determined as follows:

(1) Eugene's representative shall serve for a term ending on February 1, 1978.

(2) Springfield's representative shall serve for a term ending on February 1, 1979.

(3) Lane County's representative shall serve for a term ending on February 1, 1980.

(b) The remaining Commission members shall serve for terms determined by the following:

(1) Lane County's representative shall serve for a term ending on February 1, 1978.

(2) One Eugene representative, as designated by the Eugene City Council, shall serve for a term ending on February 1, 1979.

(3) Springfield's representative and Eugene's remaining representative shall serve for a term ending on February 1, 1980.

ARTICLE IV. *Meetings of the Commission*

Section 1. Regular meetings of the Commission shall be held at least monthly in a location and at a time specified in advance of said meetings. Regular meetings may be held more frequently, as necessary.

Section 2. Special meetings of the Commission may be called by the President of the Commission. Notice of any special meeting of the Commission, setting forth the time, location and purpose thereof, shall be given at least twenty-four hours prior thereto by personal contact or by mail to each member.

Section 3. Five members of the Commission shall constitute a quorum, provided that at least one member appointed by each governing body is present. Decisions of the Commission shall require a majority vote of the entire membership unless otherwise provided in the establishing agreement or these bylaws.

Section 4. Each member shall be entitled to one vote on all issues presented at meetings at which the member is present.

Section 5. Commission members shall be entitled to vote through any designated alternate, but not by proxy.

Section 6. All meetings shall be conducted in accordance with "Robert's Rules of Order."

Section 7. Members may attend meetings and cast votes via telephone or similar communications equipment, provided that arrangements are made to enable all persons participating in the meeting to hear each other and that allow the public to listen to all communications made over the telephone when required by law.

ARTICLE V. *Officers and Duties*

Section 1. The members of the Commission shall elect a President, who shall preside at all meetings, and a Vice-President, who shall perform the duties of the President in the latter's absence.

Section 2. The officers, with the exception of those first elected, shall be elected annually at the first meeting in March.

Section 3. A member of the Commission's staff shall attend all meetings, keep minutes of the meetings, and be the custodian of the Commission records.

Section 4. The Commission will adopt all administrative rules and policy statements through a formal resolution process.

ARTICLE VI. *Hearings Procedure and Notice Requirements*

Section 1. The Commission is adopting procedures and notice requirements governing the conduct of hearings pursuant for complaints from property owners who are aggrieved (hereinafter "Appellant") by any of the following:

(a) Rule of the Commission;

(b) Sewerage rules, regulations, policies, or practices of Eugene, Springfield, or Lane County; and

(c) Any aspect of the sewerage operations of Eugene, Springfield, or Lane County.

The procedures are intended to promote a hearing process that is simple, efficient, and expeditious for all parties. The Commission encourages informal resolution of complaints. The Commission, the Commission's Executive Officer, or a designee of the Commission's Executive Officer may appoint a hearings official to conduct hearings and report recommended findings and conclusions to the Commission.

Section 2. A Request for Hearing must be submitted to the Commission as follows:

(a) A Request for Hearing in the form attached hereto as Attachment 1, or as specified by the Commission's Executive Officer or a designee of the Commission's Executive Officer, must be completed and signed by Appellant;

(b) A copy of the decision being appealed must be included with the Request for Hearing; or, if applicable, a concise description of the rule, regulation, policy, practice, or aspect of sewerage operation that Appellant is aggrieved by must be included with the Request for Hearing;

(c) If oral argument before the Commission or hearings official is desired by Appellant, it must be requested at time of filing or it will be waived, unless requested by either the Commission or any other party;

(d) Failure to file the Request for Hearing with all required information may result in dismissal;

(e) A hearing date will be set by the Commission's Executive Officer, a designee of the Commission's Executive Officer, or the hearings official if one is appointed. Unless otherwise mutually agreed to by all parties and approved by the Commission's Executive Officer, a designee of the Commission's Executive Officer, or the hearings official, the hearing date will generally be within 60 days of the date of filing the Request for Hearing;

(f) The Request for Hearing and all required information must be filed (received by the Commission at its office at 225 Fifth Street, Springfield, OR 97477) no later than 5:00 p.m. on the last day set for appeal by any applicable provisions of the Eugene Code, Springfield Code, or Lane County Code; and

(g) The Commission's Executive Officer, a designee of the Commission's Executive Officer, or the hearings official if one is appointed shall generally provide at least 15 days prior written notice of the hearing to each party and such notice shall include whether the hearing will be before a hearings official or the Commission.

Section 3. Written submissions to the Commission or hearings official shall comply with the following:

(a) Appellant's initial brief, and any documentary evidence, must be filed within 14 days of the date Appellant filed the Request for Hearing;

(b) Respondent's brief (including a request for oral argument), if any, and any documentary evidence, must be filed within 14 days of the date Appellant's brief was filed;

(c) Appellant's reply brief, if any, must be filed within 7 days of the date that Respondent's brief was filed;

(d) Copies of all briefs must be served on all other parties on the day of filing; and

(e) Brief length may be limited by the Commission's Executive Officer, a designee of the Commission's Executive Officer, or the hearings official.

Section 4. Oral argument, if requested, shall be conducted by the Commission or the hearings official as follows:

(a) Appellant may first present oral argument;

(b) Respondent may present oral argument;

(c) Appellant may rebut Respondent's oral argument;

(d) Oral argument may be limited by the Commission or the hearings official;

(e) The hearing shall be an informal hearing: the rules of evidence shall not apply, and neither witnesses nor cross-examination of other parties shall be allowed unless ordered by the Commission, the Commission's Executive Officer, a designee of the Commission's Executive Officer, or the hearings official; and

(f) The hearing may be adjourned from time to time by the Commission or the hearings official if necessary.

Section 5. (a) The Commission or the hearings official may make summary determination on all or part of the appeal at any time;

(b) The Commission shall issue a written decision. The decision shall generally be issued within the time set by any applicable provisions of the Eugene Code, Springfield Code, or Lane County Code;

(c) The Commission or the hearings official may decide that the Commission has no basis to make the requested determination or make a recommendation;

(d) The Commission, the Commission's Executive Officer or the hearings official may dismiss the Appellant's Request for Hearing for failure to comply with these procedures; and

(e) The Commission, the Commission's Executive Officer or the hearings official may modify any of the above procedures for good cause shown or when the interests of justice so require.

ARTICLE VII. *Budgetary Procedures*

As soon as practicable, the Commission shall adopt within these bylaws procedures and standards for governing the preparation of an annual and supplemental budgets.

ARTICLE VIII. *Central Office*

The central office for the Commission is designated as follows:

Metropolitan Wastewater Management Commission
225 Fifth Street
Springfield, OR 97477

ARTICLE IX. *Amendments to Bylaws*

These bylaws may be amended or repealed or new bylaws may be adopted by a majority vote of the Commission members. Written notice of proposed amendments and the nature thereof shall have been given to the membership of the Commission at least seven days prior to the date of the meeting at which the amendments are to be considered.

Attachment 1: "Request for Hearing" Form

REQUEST FOR HEARING BEFORE THE
METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

Name of Appellant: ______________________________

Street Address: ______________________________

City, State, ZIP: ______________________________

Telephone Number: ______________________________

Discharge Permit Number (if applicable): ______________________________

Date of Adverse Decision (if applicable): ______________________________

Description of adverse decision or, if applicable, a concise description of the rule, regulation policy, practice or aspect of sewerage operation that Appellant is aggrieved by:

____

____

____

____

Brief description of the facts and arguments supporting the Request for Hearing:

____

____

____

____

If Appellant will be represented by an attorney, provide attorney's:
Name: ______________________________

Street Address: ______________________________

City, State, ZIP: ______________________________

Telephone Number: ______________________________

Attach copy of adverse decision and other documentation supporting the Request for Hearing.

______________________________ ______________________________
Signature of Appellant Date

ATTACHMENT 1

Metropolitan Wastewater
MANAGEMENT COMMISSION

partners in wastewater management

MEMORANDUM

DATE: April 30, 2026

TO: Metropolitan Wastewater Management Commission (MWMC) Board

FROM: Jeremy Cleversey, MWMC Management Analyst

SUBJECT: MWMC 2026 Financial Plan – Final Draft

ACTION REQUESTED: Information and Discussion

ISSUE

Staff have completed an update of the MWMC Financial Plan, which was last updated in 2019. The draft has been reviewed by MWMC's financial advisor, Duncan Brown of Public Financial Management. At the May 8, 2026 Board meeting, staff will provide a comprehensive review of changes to the Plan and consider any additional feedback and questions the Board may have. The Financial Plan is required to be adopted by Board resolution, presently scheduled to occur on the consent calendar at the June 2026 MWMC meeting.

BACKGROUND

The MWMC Intergovernmental Agreement (IGA) requires the MWMC to update the Financial Plan from time to time to provide guidance for the generation of sufficient revenue for the MWMC to fulfill its functions under the IGA. The IGA further specifies Financial Plan update objectives. Staff has been leading the Board through an iterative process over several months to engage the Board in feedback on focal sections of the plan.

Between August 2025 and February 2026, staff engaged the Board in discussions of financial policies for Financial Forecasting and Budgeting, Investment of Liquid Assets, Sewer User Rates and System Development Charges, Asset Management and Capital Planning and Financing policies. Throughout this process, Board feedback has and will continue to inform updates to the Financial Plan.

The financial administration objectives of the 2026 MWMC Financial Plan are directed toward achieving the following as required by Section 4.e. of the IGA:

1. Establishing revenue adequacy to provide for long-term health and stability of the Regional Facilities through a program of monthly wastewater user fees, 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 Facilities 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 Regional Facilities
5. Ensuring equity between 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 MWMC
6. Ensuring efficient and cost-effective financial administration of the Regional Facilities
7. Complying with applicable laws and regulations including those governing the establishment of user fees and the establishment of System Development Charges, pursuant to ORS 223.297, et seq

DISCUSSION

Overall, the policy updates were designed to improve clarity, reduce repetition, remove obsolete references, eliminate policy citations that may become outdated as laws and regulations change, and define terms where staff needed clearer guidance from the MWMC Board. Key highlights include:

- The discussion of the Board's goal to maintain an "AA" rating was moved to the beginning of the introduction to the Financial Management Policies section.
- The overall order of the policy sections (F, R, A, C, I) was reviewed and updated. For example, in the Rate (R) policies, the methodology for user rates and system development charges was separated to provide additional clarity.
- A new policy, F4, was created to align with Appendix 1. It requires staff to produce a 10-year forecast of revenues and expenditures as part of the annual budget process to support long-term financial decision making.
- The $200,000 working capital allocation for the City of Springfield was removed (policy F-5a).
- The Equipment Replacement Reserve was renamed the Asset Management Reserve (policy F5d), and major rehabilitation funding was shifted from the Capital Reserve into the Asset Management Reserve to reduce fluctuations between the two funds and support more consistent asset maintenance decisions.
- A definition of "fully funded" for the Asset Management Reserve (policy F-5d) was established, and a methodology for determining it was added as new Appendix V.
- The Rate Stability Reserve was renamed the Contingency Reserve (policy F-5e) to provide additional flexibility for addressing supplemental budget needs.
- A statement from the former C-7 policy regarding the importance of considering the cumulative effect of overlapping rate increases was moved and clarified within the discussion of Policy R-1.
- A new policy, C-7, was added to advise the Board on the use of a reimbursement resolution—a tool that reimburses previously expended funds with bond proceeds, providing greater flexibility in the timing of bond issuance.

In addition to the policy section, staff have made minor edits to the Introduction and Purpose, Scope and Methodology, and MWMC Financing History sections of the Plan.

Appendices I and II were updated by the financial advisor, including a current description of the bond rating agencies' rating criteria. The Internal Borrowing section of Appendix II was removed as a capital financing strategy because there is no practical application within the MWMC where the agency would charge itself internal interest.

ACTION REQUESTED

There are no actions required; this is for information and discussion purposes only.

ATTACHMENT

1) 2026 Financial Plan – draft

MWMC

2026 Financial Plan

Metropolitan Wastewater
MANAGEMENT COMMISSION

Eugene SPRINGFIELD OREGON LANE COUNTY OREGON

partners in wastewater management

Proposed, May 2026

Attachment 1

TABLE OF CONTENTS

INTRODUCTION AND PURPOSE

The 2026 Metropolitan Wastewater Management Commission (MWMC) Financial Plan updates goals and policies set forth in the 2019 MWMC Financial Plan. This Plan, in conjunction with municipal, State, and Federal law, is intended to guide the financial administration of the MWMC's Regional Wastewater Program (RWP) .

Financial administration of the RWP is directed toward achieving the following objectives as required by 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 (SDCs) 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 Board;
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 Board 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 2026 Financial Plan update addresses the long-term financial stewardship of the Regional Wastewater Facilities, as defined in the MWMC Intergovernmental Agreement (IGA). The 2026 Financial Plan builds on the foundation established by previous Financial Plans, created originally by Eugene and Springfield staff and senior financial analysts from the Lane Council of Governments (LCOG) in 1992 and updated by staff, with a review by a municipal financial advisor, in 2003, 2005 and 2019.

Major tasks undertaken in the 2026 Financial Plan include:

A. A review and update of the original issues that framed the 1992 MWMC Financial Master Plan and all prior plans; and;

B. Development of financial policies to guide the administration of MWMC finances by the Board and staff; and

C. Revise the content to improve clarity, reduce repetition, remove obsolete references, eliminate policy references that may become outdated as laws and regulations change and captures current best practices; and

The foundation for the 2026 Financial Plan includes:

A. Intergovernmental Agreement (IGA)

B. Oregon Budget Law

C. Government Finance Officers Association (GFOA) Best Practices

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 Board 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's Operation, Maintenance and Administrative Services Agreement. The 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 Board 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

Preface

Construction of the MWMC Regional Wastewater Facilities (RWF) began shortly after MWMC was formed. Below is the list of iterations of the facilities plans throughout the years, roughly every 20 years after the original 208 plan. Facilities plans are developed to anticipate growth needs and comply with future regulatory requirements. Each plan is reviewed every five years to ensure that the assumptions supporting it remain valid. Values in the below section are reported at the historical cost and not updated for net present value unless otherwise stated.

The 208 Plan (1977 – late 1980s)

The 208 plan was completed in 1977 as a comprehensive facilities plan for the construction of the RWF. 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. The new facilities became operational in 1984, with many 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. 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.

Master Plans (late 1980s – 2003)

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 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 2004 Facilities Plan (2004 – 2025)

The 2004 MWMC Facilities Plan included a 20-year Project List, which served to guide MWMC's Capital Improvement Program through 2025 to increase performance and capacity of the facilities to meet regulatory and community growth needs. This plan was associated with $144 - $160 million in capital project costs.

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. This resulted in $47.3 million in revenue bonds being issued in 2006, and an additional $50.7 million being issued in 2008. In 2016, $32.7 million was issued to pay off the 2006 bond and refinance the the 2008 bond at a lower interest rate with a net savings of $14.9 million. Other revenue sources were SDCs, SRF loans, and user fees.

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 2002-03. 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 Board and partner agencies in June of 2004.

The 2004 Facilities Plan revealed several process areas which are at or near capacity and identified projects which ensured that all process areas had sufficient capacity to meet the needs of current and future users through the year 2025. The 2004 Facilities Plan also identified alternative future uses of the Seasonal Industrial Waste Facility and addresses possible regulatory compliance issues that may have arisen before the following facilities plan. A 2014 Partial Facilities Plan Update described the regulatory landscape, provides an interim assessment of wastewater treatment capacity requirements, and recommended incremental changes to the 2004, 20-year CIP schedule through the year 2025.

Again in 2019, the Financial Plan was reevaluated and updated with the assistance of MWMC's financial advisor (PFM).

The 2026 Facilities Plan

In October 2022 the MWMC's National Pollutant Discharge Elimination System (NPDES) permit was re-issued by the Oregon Department of Environmental Quality (DEQ). This resulted in the production of the 2026 Process Facilities Plan with 20-year project list through 2045 with an estimated capital project cost of $254 - $349 million (in 2024 dollars). This plan is intended to be funded through a combination of grants, strategic use of reserves and user fees, SDCs, and debt issuance.

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 Asset Management 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 (SDCs)

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 20-year CIP. In 2004, MWMC completed a comprehensive update of its SDC methodology. The SDC methodology was updated again in 2006, and again in 2009. MWMC SDC Methodology is periodically updated, most recently in 2026.

MWMC Bond Financing History

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 $144 - $160 million (in 2004 dollars) in capital project costs associated with the 2004 facilities plan project list, 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 (refinanced) with the Series 2016 Revenue Bonds. SDCs and Clean Water State Revolving Fund (CWSRF) loans also provided a portion of the funding for the projects in the 2004 Project List.

MWMC Financial Plan History

The original Financial Plan that was adopted by the Board in 1992 focused on Capital Financing options as well as an analysis of the proper level of equipment replacement and bond reserves needed for the MWMC. A portion of this work later became the basis for creating the C-policies.

In the 2003 Financial Plan, the focus was broadened to include policies for budgeting (F-policies), rate setting and SDC's (R-policies), cash management (I-policies), and asset management (A-policies).

The 2005 Financial Plan update was prompted by the completion of the 2004 facilities plan and incorporated IGA financial planning criteria to form the introduction and purpose section.

The 2019 Financial Plan incorporated updates to the following: reserve fund policies, asset management policies, bond credit rating, user rate methodology for septage services, Appendix I on credit worthiness, Appendix 2 on capital financing options and Appendix 3, Government Finance Officers Association (GFOA) best practices on financial policies.

FINANCING OPTIONS EVALUATION/
FINANCING STRATEGIES

MWMC must consistently 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 Board must also ensure that the Regional Wastewater Facilities have capacity to keep pace with new development and meet regulatory requirements. How the MWMC funds these investments is critical to the timing, scope, and cost of the MWMC CIP, and the stability of regional sewer user rates.

Due to declines in external funding sources (e.g., federal grants) the Board works to maintain a cost-effective mix of "pay-as-you go" and debt-financing strategies. The goal of this strategy is to maintain adequate funding for capital reinvestment while minimizing interest costs, and adopting planned, moderate and incremental rate increases.

A comprehensive review of available financial tools, including an evaluation of their appropriateness to MWMC can be found in Appendix II. 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.

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 require significant increases 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 Board will consider debt financing options, including:

> **State Revolving Fund (SRF) or Other Governmental Loans -** Loans from other governmental sources, such as SRF loans administered by the Oregon Department of Environmental Quality, 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. Government-to-government loans often prioritize specific policy

objectives rather than financial returns, resulting in lower interest rates than those available from commercial lenders or the public bond market.

Revenue Bonds – Revenue bonds also are considered appropriate when it is not practical, in terms of timing, magnitude or equity, for the MWMC to finance large capital projects on a pay-as-you-go basis. Revenue bonds may be sold on the public bond market (as with MWMC's 2006, 2008, and 2016 bonds) or directly to a financial institution (i.e., a bank loan).

MWMC readiness for debt financing is addressed in the following section (MWMC Financial Soundness and Future Financing Capability). 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 Board 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 and other drivers of capital needs. Regardless of the form of debt financing – governmental loan, public bond sale, or commercial bank loan – a potential lender/investor will review the creditworthiness of MWMC before making an investment decision. Appendix I provides an overview and assessment of both qualitative and quantitative creditworthiness indicators used in the wastewater industry.

Financial Soundness and Financing Capability

Credit rating agencies and other municipal bond market participants use a variety of financial ratios to quantify a utility's financial soundness. Appendix I describes a number of the most common financial ratios used and presents a quantitative analysis of ratio performance based on current and future scenario planning. 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.

The MWMC is positioned well financially as identified in the quantitative analysis in Appendix I. The MWMC's current financial situation and the future debt-financing scenarios both result in performance on the quantitative measures that generally outperform national medians among wastewater agencies.

The qualitative measures assessed in Appendix I also indicate that MWMC is in a strong position. MWMC's sound financial management, long-term financial forecasting and planning, stable operations and a host of other qualitative indicators are generally positive; as a result, MWMC has performed well in recent credit rating agency assessments ("Aa2" and "AA" by S&P and Moody's, respectively).

FINANCIAL MANAGEMENT POLICIES

Introduction

The following policies are intended as guidance for the financial administration of the RWP. These policies play a part in aligning the organization with the qualitative standards as outlined in Appendix I for achieving a "AA" rating consistent with Board Key Outcomes. The policies address many areas of the Government Finance Officers Association (GFOA) "Best Practices" . When circumstances warrant, the Board 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.

Annual Financial Forecasting and Budgeting

Financial forecasts and budget policies are intended to guide the MWMC 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 MWMC's legal and contractual commitments regarding the use of sewer revenues to pay for sewer expenses.

Policy F-1 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 Board 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 F-2 MWMC funds are dedicated for the exclusive benefit of the RWP including operating expenses, debt service payments, and the associated capital program. The Board shall maintain annual budgets that balance operating expenses and transfers with user fees and other current operating revenue.

Discussion – 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 expenditures are funded 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 F-3 The Board and staff shall 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 F-4 To facilitate better long-term financial decision making, staff will produce a 10-year forecast of revenues and expenditures as part of the annual budget process.

Policy F-5 The Board shall establish and maintain prudent minimum cash reserves, including, but not limited to Contingency Reserves and the reserves discussed below, as needed.

a. The Working Capital Reserve shall be sufficient to prevent the City of Eugene's Regional Wastewater Fund from incurring negative cash flow. The Working Capital Reserve shall be set at $700,000 per prior agreement with the City of Eugene. Any accumulation of negative interest through the year will be included in the year end reconciliation between the City of Eugene and the MWMC.

b. 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 a target of two months of the operating expenditure adopted budget.

c. The Capital Reserve accumulates revenue to help fund capital projects . 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 amount of money allocated to capital projects allow the Capital Reserve to fall below $5 million in the adopted budget.

d. The Asset Management Reserve is intended to accumulate funds necessary to provide for the timely replacement or rehabilitation of assets and may also be borrowed against to provide short-term financing of capital improvements. Reserve size is calculated based on a methodology approved by the Board, current methodology is included as Appendix V.

e. A Contingency Reserve shall be maintained to fund projects, expenses, and revenue shortfalls that happen throughout the year and are needed before the next year's budget process. Continency is to be maintained at $2 million annually and restored with each new budget.

f. 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.

g. The 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.

h. A Debt Reserve shall be maintained if/when required by investors, and shall be sufficient to provide assurances to bond holders that adequate revenue coverage will be provided for future debt service payments.

i. A Bond Rate Stabilization Reserve shall be maintained if/when required, 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 Board shall maintain the Bond Rate Stabilization account as long as bonds are outstanding. Money in the Bond Rate Stabilization account may be withdrawn at any time and used for any purpose for which gross revenues may be used. Earnings on the Bond Rate Stabilization Account shall be credited to the sewer fund.

j. 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 of no less than $1,500,000. The MWMC Board may choose to increase this amount in the adopted annual budget process.

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

Where a revenue shortfall would cause a negative ending fund balance in the operating fund, and finance deems it necessary to keep the fund solvent, it would be appropriate to reduce the capital transfer.

In the event of an expense overrun, and depending on the level of predictability, either the operating reserve or the contingency reserve are both available for unbudgeted expenditures through the supplemental budget process. In all circumstances the Board will be consulted.

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, bond arbitrage rebate considerations and debt issuance costs associated with borrowed funds and cash flow needs and determine the specific funding source for each project in the budget.

Sewer User Rates and System Development Charges

The below user rate and SDC policies are intended to guide the Board 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 the current IGA.

Policy R-1 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. 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 MWMC's assets. While MWMC has outstanding bonds, and in connection with other financial policies and practices, rate structures shall be sufficient to maintain an unenhanced bond credit rating at or greater than "AA" (or its equivalent).

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 bond credit rating at or greater than "AA" (or its equivalent).

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.

Ratepayers are bearing the cost of rate stacking from multiple agencies, as such it is important to take into consideration the cumulative effect of overlapping increases.

Policy R-2 The Board will attempt to adopt user rates that provide multi-year stability.

Discussion – To assist the Board in establishing stable rates, Staff will present information each year to sufficiently inform the Board's rates discussion;

- Accuracy of revenue and expenditure projections
- Market factors affecting the financials like population growth, inflation and interest rates
- Debt service coverage and the ability of the organization to continue pay-as-you-go Capital planning
- Health of plant operations and status of maintenance and rehabilitation needs

Policy R-3 Existing customers and those creating new sewer connections 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, strength, and capacity, consistent with Oregon law.

Policy R-4 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 MWMC's SDC methodology.

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

Policy R-5 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 state-wide market comparison.

Asset Management

Asset management policies are intended to guide the Board and staff 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 A-1 Critical 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 A-2 The MWMC shall maintain a fully-funded Asset Management Reserve so property and equipment may be replaced or rehabilitated when needed, without creating volatility in the operating budget.

Policy A-3 RWP staff plan for Equipment Replacement and Major Rehabilitation using condition maintenance records retained in maintenance management. This data is used in determining the projected budget needs, reserve total, and contribution amounts.

Policy A-4 Asset Management activity shall adequately cover capital maintenance of plant and equipment to ensure continued operation and eliminate service disruptions. In this context, Asset Management activity includes Equipment Replacement and Major Rehabilitation spending, as well as repair and maintenance spending.

Policy A-5 Equipment provided for by the Asset Management Reserve shall include all fleet equipment, software installation, and other equipment, with an original cost over $10,000, or the federal grant threshold, whichever is greater. The costs will be appropriated annually into a budget line item called Equipment Replacement.

Discussion – Before equipment is replaced, an analysis shall be done to determine if an asset should be kept in use longer, rehabilitated to extend its life, replaced with similar equipment, or replaced with newer or higher functioning equipment. Equipment that outperforms projections in useful life expectancy may be replaced with funds accumulated in the reserve. Major Rehabilitation work shall be funded from the Capital Reserve and appropriated annually into a budget line item called Major Rehabilitation.

Policy A-6 Major Rehabilitation work extends the useful life of an asset and shall be funded from the Asset Management Reserve. The costs will be appropriated annually into a budget line item called Major Rehabilitation.

Long-term Capital Planning and Financing

The Capital financing policies require MWMC to maintain a Capital Improvement Program (CIP) which drives the overall capital financing plan to facilitate short-term and long-term budgeting and rate-making decisions. 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 C-1 The MWMC shall maintain a capital planning and financing system for use in preparing a multi-year CIP for consideration and adoption by the Board and ratification by the partner agencies' governing bodies as a part of the MWMC's budget process. This system shall include preparation of a rolling CIP and a Capital Financing Plan.

Discussion – Each year, staff will prepare a 5-year CIP made up of new capital projects, major rehabilitation projects, and equipment replacement. The MWMC Facilities Plan, 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.

Policy C-2 The Board shall establish and maintain a list of approved finance mechanisms.

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

Policy C-3 The Board shall rely on the advice of its independent financial advisor and bond counsel, as well as GFOA best practices, to structure bonds and related covenants

Policy C-4 Before seeking to incur new debt, all available grant programs shall be evaluated for their potential to offset targeted program costs.

Policy C-5 MWMC 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 C-6 Long-term bonding shall be structured to maximize its cost effectiveness. 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, and the types of projects appropriately financed with long-term debt.

Policy C-7 Bond proceeds may be used to reimburse MWMC for previous cash expenditures on qualifying capital projects. Prior to undertaking such projects, MWMC shall consult with bond counsel to evaluate the potential for projects to be reimbursed from future bond issues, and will adopt reimbursement resolutions (or other evidence of intent to reimburse) as appropriate.

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 I-1 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, an eligible local bank must participate in the Oregon Certificate of Participation Collateral Pool. This protects depositors from loss in the event of bank failure.

Policy I-2 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 I-3 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)

APPENDIX I

CREDITWORTHINESS 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: S&P Global Ratings' 2026 outlook for water and sewer utilities states "All systems, regardless of size, remain exposed to rising capital investment requirements, driven by aging infrastructure, climate resilience needs, and compliance…." 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 (as described in Appendix II) are the most common instruments used by the public sewer industry in the United States. For example, MWMC matched the original 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 governing bodies for wastewater utilities typically have the authority to establish user fees and charges necessary to cover debt obligations.

The MWMC has enjoyed 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,
- Operational characteristics of the system and asset condition,
- Size and diversity of the customer base and other customer characteristics, and
- Local economic health and other community characteristics.

In April 2022, S&P Global Ratings ("S&P") published its most recent *U.S. Municipal Water, Sewer, and Solid Waste Utilities: 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
    c. Debt and liabilities (debt to capitalization, including pension and OPEB liabilities)
    d. Financial risk management

Moody's Ratings ("Moody's") published its most recent rating methodology for US Municipal Utility Revenue Debt in March 2024. 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
- Strength and diversity in the local economy and customer base, and other local socioeconomic characteristics – MWMC is the sole wastewater treatment provider serving Eugene and Springfield. 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. 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
- Successful litigation history (or a history of little litigation) – MWMC has little to nothing 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. While this revenue plays a small role in MWMC capital financing, it is not used to fund day to day operations.

- Long-term operational capacity planning and creation – MWMC produces ongoing 20-year facilities plans which are revisited every five years to correspond with new regulatory permit issuance and to validate previous growth assumptions.
- 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's rating methodology 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 affordability and competitiveness vs. regional peers,
- 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 Ratings:
  - 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
- Available reserves
- 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 S&P and Moody’s in March 2016 and June 2021, respectively. The resulting credit rating reports provide the best indicators of how MWMC fares when judged by the criteria described above.

Moody’s assigns the MWMC a rating of “Aa2,” the third-highest rating available. Credit strengths included the Commission’s “excellent” liquidity and debt service coverage, “very strong” debt to operating revenues, and larger system size as compared to other “Aa2” wastewater utilities. Credit challenges include the modest wealth levels of the customer base.

S&P assigns 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 favorable position based on the identified quantitative and qualitative measures, and as affirmed by the rating agencies directly as recently as 2021. 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 maintain or 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 2026 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 <u>bond</u> 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 established 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. (Even certain bonds that do not require voter approval may be subject to voter referral, as described under ORS 287A.150.)

Some State and local governments have statutory limitations on the dollar amount and/or number of bonds that can be issued. Issuing bonds can be 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. In Oregon, the Department of Environmental Quality administers the Clean Water State Revolving Fund.

Loans typically involve fewer and lower transaction costs than bonds. 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 or compliance with American Iron & Steel (AIS) or Build America, Buy America (BABA) requirements. 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 which 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 largely 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. Generally level annual debt payments ensure that future as well as present users of the new facilities will pay. (This dynamic is often referred to as "intergenerational 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 broadly applicable 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.

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 may be 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 with flexible repayment terms 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 financing 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. They also allow borrowers to "right-size" long-term financing (i.e., avoid issuing too much long-term debt if grants or other funding sources may materialize).

Limitations: Short-term notes generally require a take-out financing which results in higher financing costs and funding is temporary. Additionally, because the take-out financing occurs later in the project timeline, the issuer is exposed to additional interest rate risk.

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

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

Communities must pledge loan security adequate to satisfy the CWSRF Loan Program, such as general obligation pledges, or user charges (i.e., revenue bonds).

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 that are currently limited to 30 years. 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. Additionally, CWSRF loans are often structured as "draw-down" facilities that reimburse project costs already paid, allowing borrowers to avoid paying interest on funds until needed.

Limitations: The competition among applicants for access to revolving loan funds is intense. In Oregon, loans are typically limited to $10 million; with smaller and less wealthy communities generally given preference. Project costs can increase due to federal cross-cutting requirements—for example, the Davis-Bacon Act, American Iron and Steel (AIS) provisions of the Infrastructure Investment and Jobs Act and the Build America, Buy America Act (BABA)—that apply when using certain CWSRF funds.

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: from application to closing, a CWSRF loan may take longer than a traditional revenue bond transaction.

Non-Debt Financing Instruments

Systems Development Charges

Description: The System Development Charge (SDC) consists of three components: the reimbursement fee, the improvement fee, and the compliance charge. Newly developed properties, changes of use, or other properties connecting to the wastewater treatment system for the first time are required to pay the SDC. New development receives credit for past bond payments on existing debt and for contributions to qualified off-site public improvements.

- The **reimbursement fee** is based on the value of available capacity in the system that was constructed to serve growth. It reimburses the community for its investment in the treatment plant's reserve capacity.
- The **improvement fee** reflects future facility costs associated with providing additional capacity needed to support growth beyond what is currently available.
- The **compliance charge** supports MWMC's ability to hire consultants to develop

and update the SDC methodology and ensure that funds are spent in accordance with Oregon Revised Statutes (ORS).

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 SDC costs 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.

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. Does not provide "intergenerational equity" for large projects.

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. Federal grants often require compliance with Davis-Bacon Act, AIS, and/or BABA requirements.

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

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
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 on behalf of MWMC. The City's portfolio, excluding bond proceeds, is approximately $$70-90 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.

<u>**Diversification by Instrument *of Portfolio***</u>	***Maximum Percentage***
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. 1. **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.	25%
Repurchase Agreements	25%
Oregon State and Local Obligations Obligations of the agencies and instrumentalities 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)	
2. **Commercial Banks**	25%
3. **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.

4. **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 $250,000, 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 $250,000.

5. ***Commercial Banks:*** No more than 15 percent of the total portfolio with any one financial institution.
6. ***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 $250,000, 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 $250,000.

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).

<u>Short-Term Portfolio (under 18 months)</u>
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)

<u>Long-Term Portfolio (over 18 months)</u>
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, Committee on Uniform Securities Identification Procedures (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

ASSET MANAGEMENT RESERVE METHODOLOGY

The methodology adopted for the accumulation of the Asset Management (AM) Reserve is designed to be large enough to handle the needs of the MWMC, urgent unexpected needs, and account for delays in the procurement process that have been common after 2020.

Fundamentally, it is a rolling bell curve model that follows a 5/15/40/25/10 accumulation. For a given fiscal year, for example FY26-27, the expected calculation would be:

- 5% of the FY24-25 AM budget request
- 15% of the FY25-26 AM budget request
- 40% of the FY26-27 AM budget request
- 25% of the FY27-28 AM projected budget
- 10% of the FY28-29 AM projected budget

Following this model and applying this across multiple fiscal years yields a chart that looks like the following:

	AM Total	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31
FY24-25	6,804,951	2,721,980	1,701,238	1,020,743	-	-	-	-
FY25-26	3,557,254	533,588	1,422,902	889,314	533,588	-	-	-
FY26-27	1,849,000	92,450	277,350	739,600	462,250	277,350	-	-
FY27-28	2,210,000	-	110,500	331,500	884,000	552,500	331,500	-
FY28-29	1,106,000	-	-	55,300	165,900	442,400	276,500	165,900
FY29-30	4,539,400	-	-	-	226,970	680,910	1,815,760	1,134,850
FY30-31	285,000	-	-	-	-	14,250	42,750	114,000
FY31-32	7,897,600	-	-	-	-	-	394,880	1,184,640
FY32-33	3,512,200	-	-	-	-	-	-	175,610
		3,348,019	3,511,989	3,036,456	2,272,708	1,967,410	2,861,390	2,775,000

FY27 Reserve	7,734,625	5/5 3,036,456	5/4 1,818,166	5/3 1,180,446	5/2 1,144,556	5/1 555,000
	FY28 Reserve	7,650,486	5/5 2,272,708	5/4 1,573,928	5/3 1,716,834	5/2 1,110,000
		FY29 Reserve	8,908,843	5/5 1,967,410	5/4 2,289,112	5/3 1,665,000
			FY30 Reserve	11,479,828	5/5 2,861,390	5/4 2,220,000
				FY31 Reserve	13,875,300	5/5 2,775,000

From the left and looking across the rows, it shows how the yearly request is broken out by the percentages above. Using FY26-27's total yearly request as an example:

- 5% of $1,849,000 is accumulated in FY24-25 as $92,450
- 15% of $1,849,000 is accumulated in FY25-26 as $277,350
- 40% of $1,849,000 is accumulated in FY26-27 as $739,600
- 25% of $1,849,000 is accumulated in FY27-28 as $462,250
- 10$ of $1,849,000 is accumulated in FY28-29 as $277,350

Looking across the top for the accumulation for a specific year, the FY26-27 AM reserve need is $3,036,456 taking into account the needs from the other years. This is further stabilized by keeping the reserve at the sum of that year's need and the following four years, putting the target reserve side for FY26-27 as $7,650,486.

APPENDIX VI

ACRONYMS

AMCP	Asset Management Capital Program
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
CUSIP	Committee on Uniform Securities Identification Procedures
DEQ	Department of Environmental Quality
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
NPDES	National Pollutant Discharge Elimination System
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
WPCF	Regional Water Pollution Control Facility