



CLACKAMAS

**WATER
ENVIRONMENT
SERVICES**

GREGORY L. GEIST | DIRECTOR

Water Quality Protection
Surface Water Management
Wastewater Collection & Treatment

MEMORANDUM

TO: WES Advisory Committee

FROM: Chris Storey, Assistant Director
Erin Blue, Finance Manager

DATE: November 18, 2021

SUBJECT: Financial Policies for Consideration

WES Finance has been developing financial policies for consideration by the Advisory Committee to guide the long term financial strategies of WES. These policies will be used in developing annual budgets, capital financing strategies, and rate projections amongst other items. It is our hope that we can receive guidance and direction from the WES Advisory Committee to allow for transparency and consistency in financial planning and overall fiscal approach.

Three policies are being proposed for the Advisory Committee's consideration. They are:

WES Debt Management Policy: Clackamas County is adopting a debt policy for the entity as a whole, but WES is such a significant debt issuer that it is more appropriate to have a WES-specific policy. The attached proposal outlines the goals, process, procedure and range of options around debt issuances and management.

Of key note for the Advisory Committee is the policy goals reflected therein, namely:

- (i) efficient and cost-effective funding and completion of necessary WES infrastructure;
- (ii) gradual, relatively linear rate adjustments to avoid "rate shock"; and
- (iii) participation in the costs of constructed infrastructure by future users of the system.

WES Fee Policy: In addition to the monthly service charges for wholesale and retail wastewater and surface water that have already been addressed by the Advisory Committee, WES charges a range of other fees including septic dumping fees, plan review fees, late payment and certification fees, etc as part of the ordinary course of operating the utility. This draft policy proposed that fees be set at 100% cost recovery for the programs that they support and that there be a rotating review of the fees to ensure that this is being achieved.

WES Operating Reserve Policy: As this last year has shown, unexpected events can place strains on the utility. The loss of revenue from the pandemic, unexpected expenses relating to responding to wildfires, ice storms and hypochlorite shortages emphasize the need to have a clear policy on maintaining sufficient reserves to ensure operations. The draft policy proposes, rather than a fixed amount, that WES maintain reserves equal to 60 days operating expenses.

Copies of the full proposed policies are attached for review. Staff will also make a presentation walking through in more detail the key points of each draft policy. WES staff would appreciate feedback and discussion in honing these policies, and recommendation of the policies, as may be revised, for adoption.

CS/EB



Department: WES Finance	Version: 001
Written By: Chris Storey and Erin Blue	Reviewed and Approved By:
Policy Title: Water Environment Services Operating Reserves Policy	Title:
Effective Date: TBD	Signature:
Suggested Review Timeline: Annually	
Next Review Date: January 2022	

Water Environment Services Operating Reserves Policy

1. Purpose

A properly designed reserve policy is a financial best practice and communicates Clackamas Water Environment Services' (WES) commitment to maintaining long-term financial health. Reserves mitigate risks and are a key component of a financial strategy to ensure WES can respond quickly and decisively to extreme events or unforeseen economic conditions. Reserves also serve as a financial tool to ensure stable, predictable rate increases and are an important factor in determining bond ratings and the costs of borrowing. This policy outlines the reserve types and target levels WES will use in budgeting and long-range financial planning to maintain a strong financial position and mitigate risk. This policy also describes the funding strategy and the conditions under which reserves may be used. This policy reflects financial planning best practices as recommended by the Government Finance Officers Association (GFOA).

2. Policy Statement

WES shall establish and maintain reasonable reserves in order to cover the financial needs of its sewer and surface water operations and mitigate impacts to ratepayers. The amount of money held in reserves shall be stated as a number of days of annual budgeted operating expenses so that WES' reserve will stay consistent with total operating costs over time.

Operating / Working Capital Reserve – WES shall maintain an operating / working capital reserve to provide cash flow for ongoing financial needs, counter revenue instability, and provide funding for unanticipated expenses. The reserve target will be a minimum of 60 days' of operating expense. This target may be met through a budgeted contingency and/or a designated operating reserve line item. WES' long-range financial plan will include the 60 days' reserve as a component of reserves/ending fund balance and this requirement will be included in any rate projections.

Rate Stabilization Reserve – If long-range financial planning indicates variability in net revenues within the next 5 budget cycles, WES may establish a rate stabilization reserve to smooth rate adjustments over that time. If such a reserve is established, the target balance for this reserve will be 10% of the annual debt service for senior lien obligations. This reserve is distinct from ending fund balances in the Operating fund or the Capital Construction fund.



Funding Reserves

Reserves will generally be funded with excess revenues over expenses (surplus revenues) or one-time revenues.

Conditions for Use of Reserves

WES' intent is to limit use of reserves to address unanticipated, non-recurring, extraordinary or emergency needs. Reserves should not be used for recurring annual operating costs unless unforeseen poor economic conditions or events disrupt WES' revenues. In such cases, reserves may be used to provide short-term relief so that WES can restructure its operations in a deliberate manner.

Authority to Use Reserves

WES' governing body, the Board of County Commissioners (BCC), may approve the use of reserves as part of the normal annual budget process or through a supplemental budget or contingency transfer.

Evaluation of Reserve Target Levels

Reserve minimum and target levels shall be analyzed annually in conjunction with the annual budget and long-range financial planning process. Reserve targets may be adjusted as needed in response to changing economic conditions, new risk factors, and long-term financial planning goals.

Excess Reserves

To the extent that operating reserves are above the target levels, excess funds will be utilized as a resource for capital projects.

3. Definitions / Acronyms

Annual budgeted operating expenses – amounts budgeted as expenses in WES' Sanitary Sewer and Surface Water Operating Funds in the categories of materials and services, personnel services, and special payments.

Annual debt service – the amount of principal and interest on outstanding bonds required to be paid in a fiscal year.

Contingency – a budgetary category of funds available for unforeseen expenses not otherwise budgeted. Oregon Local Budget Law allows transfers of appropriations from contingency to a spendable category when approved by a BCC resolution.

Fund Balance – an accounting term that refers to the cumulative excess of revenues over expenses since the beginning of a fund's existence.

Rate Stabilization Reserve - A rate stabilization reserve is a cash reserve that can be used to help smooth revenue variability to ensure stable rate increases and help meet debt service coverage requirements in times of revenue shortfalls.

Reserve - Reserves are funds set aside for a specific cash flow requirement, financial need, project, task, or legal covenant.



Senior lien obligations – obligations that are secured by a senior lien on WES’ net revenues; generally, WES’ outstanding revenue obligation debt, does not include debt related to State Revolving Fund loans.

4. Contacts

Primary: Chris Storey, WES Assistant Director

Alternate: Erin Blue, WES Finance Manager

Document Control: Reviewed by	<i>Signatures indicate review approval of the entire document, including attachments</i>		
	Title	Initial	Date



Department: WES Finance	Version: 001
Written By: Chris Storey and Erin Blue	Reviewed and Approved By:
Policy Title: Water Environment Services Fees Policy	Title:
Effective Date: TBD	Signature:
Suggested Review Timeline: Annually	
Next Review Date: January 2022	

Water Environment Services Fees Policy

1. Purpose

A policy on fees sets forth long-term financially sustainable practices for cost-recovery and helps ensure fees are fair and equitable. This policy builds on the County’s Cost Recovery Policy by outlining specific fee policy objectives for Clackamas Water Environment Services (WES). This policy covers miscellaneous fees charged by WES and does not apply to sanitary sewer user charges, surface water user charges, or system development charges.

2. Policy Statement

In a restatement of the County’s policy, it shall be the general policy of WES to fully recover costs to the extent legally possible for all services or programs provided whether from fees, fines, revenue agreements, or other revenue generating arrangements for which fees may be charged.

WES shall set fees for designated goods or services according to financial objectives, equity, efficiency, and administrative feasibility. Miscellaneous fees and charges shall be set based on the full cost of providing the related services. In determining full cost, WES shall develop and apply a cost-recovery model to ensure a consistent and rational application of overhead and indirect costs.

A periodic review of fees will be conducted by line of business (e.g, Business Services, Capital Planning and Management, Environmental Services, and Operations), with staff focusing on one or two lines of business each budget cycle.

For fees subject to variability in levels of demand and the timing of revenue collection, cost recovery may be analyzed on a multi-year, programmatic level.

If the review and analysis of fees indicates an adjustment is needed to meet the cost recovery objectives of this policy, a recommendation will be made to the Board of County Commissioners (BCC) as the governing body of WES for changes to the fee. Recommended fee adjustments may be phased in over one or more years to reduce the impact of increases on customers. If the review and analysis indicates no significant changes are needed to the fee structure, a recommendation to adjust by an inflationary index may be made.



Fee increases will be approved prior to or at the time of the adoption of the budget. A notification of any increases will be published on WES' website.

3. Contacts

Primary: Chris Storey, WES Assistant Director
 Alternate: Erin Blue, WES Finance Manager

Document Control: Reviewed by	<i>Signatures indicate review approval of the entire document, including attachments</i>		
	Title	Initial	Date

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| <input type="checkbox"/> Administrative Policy |
| <input type="checkbox"/> Operational Policy |

WES Policy

Name of Policy	Debt Management Policy	Policy #	
Policy Owner Name	Greg Geist	Effective Date	
Policy Owner Position	WES Director	Approved Date	
Approved By		Last Review Date	
Signature		Next Review Date	

I. PURPOSE

This policy provides guidance on the issuance, structure, and management of Water Environment Services' (WES) long- and short-term debt. This policy reflects debt management best practices as recommended by the Government Finance Officers Association (GFOA).

II. AUTHORITY

This policy is adopted through the Board of County Commissioner's (BCC) rule-making authority and is distinct from Clackamas County Debt Management Policy adopted in 2021. All references to the Board of County Commissioners in this document shall be with the BCC acting as the governing body of WES.

III. GENERAL POLICY

WES shall undertake and maintain all long- and short-term debt financings in compliance with applicable Federal law, the Oregon Constitution, Oregon Revised Statutes (ORS), and Oregon Administrative Rules (OAR). WES will further comply with Security and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) rules regarding ongoing disclosure, and oversight of participants in the municipal debt market including advisors and securities dealers. Finally, WES will comply with IRS regulations for tax-exempt and tax-advantaged debt issuance.

The Debt Management Policy sets forth the practices for debt issuance and the management of outstanding debt. The Policy establishes certain limits which recognize WES' capital requirements, its ability to repay financial obligations, and the existing legal, economic, financial, and debt market conditions. Specifically, the Policy is intended to assist WES in the following:

1. Evaluating available debt issuance options;
2. Maintaining appropriate capital assets for present and future needs;
3. Promoting sound financial management through accurate and timely information on financial conditions;
4. Protecting and enhancing WES' credit rating(s); and

5. Safeguarding the legal use of WES' financing authority through an effective system of internal controls.

IV. DEFINITIONS

- A) Arbitrage - refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing proceeds of tax-exempt bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds.
- B) Bond Counsel - an attorney or law firm retained by WES to advise and prepare debt issuance and continuing disclosure documents. An important function of Bond Counsel is to provide an opinion regarding the tax-exempt status of a bond issue.
- C) Continuing Disclosure – disclosure of material information provided to the marketplace by WES after the initial issuance of municipal debt. Such disclosures include, but are not limited to, annual financial information, certain operating information and notices about specified events affecting WES, the municipal debt itself or the project(s) financed.
- D) Credit Enhancement - the use of the credit of an entity other than WES to provide additional security in a bond or note financing. This term typically is used in the context of bond insurance, bank letters of credit and credit programs offered by federal or state agencies.
- E) Credit Rating - an opinion by a rating agency (e.g., Moody's Investors Service, and Standard & Poor's) on the creditworthiness of a bond issue.
- F) EMMA (Electronic Municipal Market Access System) - an online source operated by the MSRB providing free access to municipal disclosures and educational materials about the municipal securities market. EMMA serves as the source for official statements and other primary market disclosure documents for new issues of municipal debt, as well as the official source for continuing disclosures on outstanding debt issues.
- G) WES Director - For the purpose of this Policy each reference to the "WES Director" shall mean WES' Director or their designee, which may include but is not limited to the WES Assistant Director or the WES Finance Manager.
- H) Interfund Loans:
 - 1) *Capital Loan* – a loan between WES funds for the purpose of financing the design, acquisition, construction, installation, or improvement of real property.
 - 2) *Operating Loan* – a loan between WES funds for the purpose of paying operating expenses.
- I) Municipal Advisor - a person or firm registered and regulated by the Securities and Exchange Commission and MSRB who provides advice to

WES with respect to the issuance of municipal debt, including advice regarding structure, timing, terms, the method of sale and other matters concerning such financial obligations. SEC regulations require that Municipal Advisors maintain a fiduciary duty to advise and act in WES' best interest.

- J) Municipal Securities Rulemaking Board (MSRB) - a self-regulatory organization, consisting of representatives of securities firms, bank dealers, municipal advisors, issuers, investors and the public, that is charged with primary rulemaking authority over municipal securities dealers and municipal advisors. MSRB rules are approved by the SEC.
- K) Official Statement - a document prepared on behalf of WES in connection with a primary debt offering that discloses material information. Official statements typically include information regarding the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the issuer. This information is used by investors and other market participants to evaluate the credit quality and potential risks of the primary offering.
- L) Refunding - a process whereby WES refinances outstanding bonds by issuing new bonds. The primary reason for refunding bonds is to reduce WES' interest costs. Other reasons include restructuring debt service payments, releasing restricted revenues, modifying bond covenants, and easing administrative requirements.
- M) Securities and Exchange Commission (SEC) - a federal agency responsible for supervising and regulating the securities industry. Although municipal securities are exempt from the SEC's registration requirements, Municipal Advisors and securities dealers are subject to SEC regulation and oversight.
- N) Tax Certificate - a document executed by WES at the time of initial issuance of tax-exempt bonds certifying to various matters relating to compliance with federal income tax laws and regulations, including arbitrage rules.
- O) Underwriter (or Investment Banker) - a municipal securities dealer that purchases a new issue of municipal debt from WES often for resale in the secondary market. The underwriter may acquire the securities either by negotiation with WES or by award based on competitive bidding

V. POLICY GUIDELINES

The WES Director is responsible for administering WES' debt programs, including the sale and management of debt, and monitoring ongoing federal and state regulatory compliance.

The County has delegated authority to WES to adopt this WES-specific policy.

WES shall make recommendations to the Board of County Commissioners as necessary to accomplish WES' debt financing objectives. The WES Director may choose to delegate authority to another member of the Finance Department staff to lead the debt management process and assume the responsibilities as outlined in this policy.

WES shall coordinate as necessary with the County Finance Department and County Treasurer's Office in connection with any planned or active debt issuance to ensure compliance with this Debt Management Policy and other rules and regulations.

Long-term debt obligations will not be used to fund general operations of WES. The scope, requirements, demands of WES' budget and financial plan, reserve levels, and the ability or need to expedite or maintain the programmed schedule of approved capital projects, will be considered when deciding to issue long-term debt. All borrowings must be authorized by the Board of County Commissioners.

Debt cannot be issued to fund capital projects unless such capital projects have been included in WES' capital improvement plan (CIP). Inclusion in the CIP may occur as part of an action related to budget approval or budget adjustment approved by the Board of County Commissioners.

For debt-financed projects, WES shall consider making a cash contribution, "Pay-As-You-Go" funding, as a source of funds from either current resources or from outside cash funding sources (e.g., state or federal grants) to projects. The target cash contribution shall be determined on a case-by-case basis for each given project; however, a minimum cash contribution must be made to cover project costs which cannot be capitalized and/or are ineligible under the federal tax code on tax-exempt bonds.

WES' debt strategy shall be targeted at effectuating three purposes: (i) efficient and cost-effective funding and completion of necessary WES infrastructure; (ii) gradual, relatively linear rate adjustments to avoid "rate shock"; and (iii) participation in the costs of constructed infrastructure by future users of the system.

At least every three years, the WES Director shall review WES' Debt Management Policy and, if needed based on market, statutory or regulatory developments, recommend updates for approval. In addition, the Debt Management Policy may be updated at any time for any immediate needs (e.g., new regulations) subject to BCC approval.

Section VI describes the requirements and procedures of WES' Debt Management Policy and is organized under the following headings:

- A. Type and Use of Debt
- B. Federal, State or Other Loan Programs
- C. Debt Refinancing

- D. Debt Structure Considerations
- E. Method of Sale
- F. Investment of Bond Proceeds
- G. Credit Ratings/Objectives
- H. Bond Issuance Investor Relations
- I. Post Issuance Tax and Arbitrage Rebate Compliance
- J. Disclosure and Continuing Disclosure
- K. Consultants and Advisors
- L. Interfund Loans
- M. Reporting Requirements

VI. PROCESS AND PROCEDURES

A. Type and Use of Debt

WES will issue debt as needed and as authorized by the Board of County Commissioners in a form related to the type of improvement to be financed. No County general fund support or property tax revenues are anticipated, but may be included to further general county purposes as decided by the BCC in their role as the governing body of Clackamas County.

1. General Obligation Bonds - General obligation (GO) bonds are authorized under ORS 287A, payable from a dedicated tax levy and subject to voter approval by the electorate of WES and/or its underlying districts, namely Clackamas County Service District No. 1, the Surface Water Agency of Clackamas County, and the Tri-City Service District.
2. Revenue Bonds and Revenue Obligations - Revenue bonds issued under ORS 287A and Revenue Obligations issued under ORS 271 are payable from available revenues. Although other specific enterprise revenues can be used for debt service, no property taxes are pledged to the bonds.

Revenue bonds are not subject to constitutional or statutory debt limits, WES' debt will not exceed legal or contractual limitations, such as rate covenants or additional bonds tests imposed by then-existing financing covenants. Revenue bonds are typically not subject to voter approval; however, revenue bonds may be subject to referral.

3. Other Financing Tools - WES may utilize other financing long-term methods such as Certificates of Participation, Capital Leases secured by the property, or local improvement district financings secured by assessments.

In each case, the WES Director will consult with WES' Municipal Advisor and Bond Counsel on the feasibility of these capital financing instruments. This includes analyzing the effects on debt capacity, budget flexibility, cash

- flow sufficiency, cost of issuance, and other market factors. In all cases, any financing requires the approval of the Board of County Commissioners.
4. Variable Rate Obligations - WES will generally seek to obtain financing through fixed rate obligations. When appropriate, however, WES may choose to issue variable rate obligations. Such variable rate obligations may pay a rate of interest that varies according to a predetermined formula or a rate of interest that is based on a periodic remarketing of securities.
 5. Short-Term Financing - WES may issue short-term notes (e.g., Bond Anticipation, Revenue Anticipation and Grant Anticipation) when necessary and approved by the BCC. Anticipation notes are secured by a revenue pledge of anticipated bond proceeds, project revenues and/or anticipated grant resources. Prior to selling Revenue and Grant anticipation notes WES must identify a secondary source of repayment for the notes if expected project revenue/grant funding does not occur.

B. Federal, State, or Other Loan Programs

To the extent it benefits WES, WES may participate in federal, state, or other loan programs that are secured by any of the sources identified above. The WES Director shall evaluate the requirements of these programs to determine if WES is well served by employing them and make recommendations to WES Administrator and Board of County Commissioners. WES specifically will evaluate Clean Water Act State Revolving Fund loans and Water Infrastructure Finance and Innovation Act (WIFIA) financing options.

For purposes of this Policy, WES shall treat and report these commitments in a manner consistent with other WES debt obligations, although it is not required to consider such debt *pari passu* to issued revenue bonds or obligations unless required under the terms of such program. To the extent required by the loans or other outstanding debt agreements, WES shall include the financial requirements of these commitments when determining additional bonds tests, coverage requirements, debt limitations, continuing disclosure requirements and any other conditions imposed by WES' outstanding obligations.

C. Debt Refinancing

Refunding obligations may be issued to retire all or a portion of an outstanding debt issue. Economic refunding may refinance high-coupon debt at lower interest rates to achieve debt service savings. Alternatively, WES may conduct a refunding for reasons other than cost savings, such as to restructure debt service payments, to change the type of debt instruments, to release restricted revenues, to ease administrative requirements, or to remove undesirable covenants.

WES and the Municipal Advisor will monitor refunding opportunities for all outstanding debt obligations on a periodic basis applying established criteria in determining when to issue refunding debt and bring forth the recommended opportunities with appropriate Board of County Commissioners actions and related documentation.

For coordination purposes, notification should be made to the County Treasurer as soon as WES decides to move forward with a debt refinancing.

D. Debt Structure Considerations

1. Maturity of Debt - The final maturity of the debt shall not exceed, and preferably be less than, the remaining average useful life of the assets being financed, and to comply with Federal tax regulations, the average life of a financing shall not exceed 120% of the average life of the assets being financed.
2. Debt Service Structure - In consultation with the Municipal Advisor, debt service payments for new money issues will be structured according to the type of debt issuance (e.g., general obligation vs. revenue bonds), revenue sources and anticipated revenue collections. The WES Director will recommend debt service repayment plans based on overall affordability with the goal of repaying the debt as quickly as feasible.
3. Lien Structure - Senior and subordinate liens may be used to maximize the most critical constraint, either cost or capacity, thus allowing for the most beneficial leverage of revenues.
4. Reserve Funds - A reserve fund for a debt issuance may be required for credit rating or marketing reasons. If required, such reserve fund can be funded with:
 - a. The proceeds of a debt issue;
 - b. The reserves of WES; or,
 - c. A surety policy.

A cash reserve fund will be invested pursuant to the investment restrictions associated with the respective financing documents and WES' investment policy. For each debt issue, the WES Director will evaluate whether a reserve fund is necessary for credit rating or marketing purposes and the benefits of funding or maintaining the reserve requirement with cash or a surety policy, in addition to determining the benefits of borrowing the necessary funds or using cash reserves. This evaluation will be done in consultation with WES finance staff, Treasurer's Office and in consideration

of the chart of accounts structure. In general, the preferred method for providing required reserve funds shall be by surety.

5. Redemption Provisions - In general, WES will seek the right to optionally redeem debt at par as specified in the bond issuance documents no later than ten years after issuance. Redemption provisions will be established on a case-by-case basis, taking into consideration market conditions and the results of a call option analysis prior to the time of sale. Because the issuance of non-callable debt may restrict future financial flexibility, cost will not be the sole determinant in the decision to issue non-callable debt.
6. Credit Enhancement - Credit enhancement (e.g., bond insurance or letters of credit) on WES financings will only be used when net debt service is reduced by more than the cost of the enhancement. WES will evaluate the availability and cost/benefit of credit enhanced debt versus unenhanced debt prior to issuing any debt.

E. Method of Sale

WES will select a method of sale that is the most appropriate when considering the financial market, transaction-specific and WES-specific conditions, and advantages. There are three basic methods of sale: Competitive Sale, Negotiated Sale, and Direct Placement. Each type of debt sale has the potential to provide the lowest cost or satisfy other priorities given the right conditions. The default for revenue bonds and revenue obligations shall be competitive sale.

In consultation with the Municipal Advisor, the WES Director will select the most appropriate method of sale considering the prevailing financial market and transaction-specific conditions. If a negotiated sale is expected to provide overall benefits, the senior managing underwriters and co-managers shall be selected through the process described in Section K.4.

F. Investment of Bond Proceeds

The County Treasurer is responsible for investing bond proceeds in accordance with legal requirements and WES' investment policy.

For each debt issuance WES staff will provide the County Treasurer with cash flow/projection spreadsheet(s), as known, so the County Treasurer can maximize the return on the investment of the bond proceeds.

G. Credit Ratings/Objectives

WES' objective is to maintain an excellent credit rating (or ratings) considering WES' financial condition as a way of balancing financing costs and cash flow. The WES Director shall be responsible for managing the relationship with WES' credit

rating agencies. This effort shall include providing the rating agencies with WES' annual budget, financial statements, and other information they may request. Full disclosure of operations will be made to the credit rating agencies.

The WES Director shall also coordinate periodic meetings with the rating agencies and communicate with them prior to each debt issuance. WES will evaluate the benefits of a higher rating at lower debt cost versus a lower rating that provides more debt capacity and flexibility.

H. Bond Issuance Investor Relations

The WES Director shall be responsible for managing relationships with bond issue related investors. The WES Director will also be responsible for responding to inquiries from institutional and retail investors related to bonds, and for proactively communicating with such bond issue related investors if necessary. Such communication shall be made only as permitted under applicable federal securities laws, in consultation with WES' bond counsel. Nothing in this section of this policy should be construed to supersede WES' investment policy managed by the County Treasurer as outlined in section F (above).

I. Post Issuance Tax and Arbitrage Rebate Compliance

WES will comply with all financing covenants to maintain the validity of the issuance of debt, including, but not limited to tax-exemption, arbitrage rebate compliance, insurance provisions, reporting and monitoring requirements. Any instance of noncompliance will be reported to the Board of County Commissioners.

1. External Advisors and Documentation - WES shall consult with bond counsel, County Counsel, County Treasurer, and advisors, as needed, throughout the debt issuance process to identify requirements and to establish procedures necessary or appropriate so that the bonds or other obligations will continue to qualify for tax-exempt status, if applicable.

Those requirements and procedures shall be documented in the tax certificate and agreement ("Tax Certificate") and/or other documents finalized at or before issuance of the bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and certain other applicable post-issuance requirements of federal tax law throughout (and, in some cases, beyond) the term of the bonds. This shall include, without limitation, consultation in connection with any potential changes in use of bond-financed or refinanced assets.

WES may engage expert advisors to assist in the calculation of arbitrage rebate payable in respect of the investment of bond proceeds, unless the Tax Certificate documents that arbitrage rebate will not be applicable to an issue of bonds.

Unless otherwise provided by the transaction documentation relating to the bonds, unexpended bond proceeds shall be segregated from other funds of WES.

2. Investment Documentation - The investment of bond proceeds shall be managed by the County Treasurer (as outlined in section F). The County Treasurer shall prepare (or cause to be prepared) periodic statements regarding the investments and transactions involving bond proceeds. WES shall work with the County Treasurer before the issuance of any bonds to discuss and mutually agree on the frequency and information needed involving the bond proceeds.
3. Arbitrage Rebate and Yield - Unless the Tax Certificate documents that arbitrage rebate will not be applicable to an issue of bonds, the WES Director or County Treasurer, shall be responsible for:
 - a. Either (1) engaging the services of a rebate service provider and, prior to each rebate calculation date, causing the County Treasurer¹ and WES' selected Trustee² to deliver periodic statements concerning the investment of bond proceeds to the rebate service provider, or (2) undertaking rebate calculations themselves and retaining and obtaining periodic statements concerning the investment of bond proceeds³;
 - b. Providing to the rebate service provider additional documents and information reasonably requested;
 - c. Monitoring efforts of the rebate service provider;
 - d. Assuring payment of required rebate amounts, if any, no later than 60 days after each five-year anniversary of the issue date of the bonds, and no later than 60 days after the last bond of each issue is redeemed;
 - e. During the construction period of each capital project financed in whole or in part by bonds, monitoring the investment and expenditure of bond proceeds and consulting with the rebate service provider to determine compliance with any exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months, or two years, as applicable, following the issue date of the bonds; and
 - f. Retaining copies of all arbitrage reports, investment records and trustee statements.

¹ See Section I(2) for more information.

² See Section K(6) for more information.

³ See Section I(2) for more information.

4. Use of Bond Proceeds and Bond-Financed or Refinanced Assets

The WES Director shall be responsible for:

- a. Monitoring the use of bond proceeds including investment earnings in coordination with the County Treasurer, reimbursement of expenditures made before bond issuance, and the use of the financed asset throughout the term of the bonds. This is to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the bonds;
- b. Maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of bonds (including investment earnings and reimbursement of expenditures made before bond issuance), including a final allocation of the bond proceeds documented on or before the later of 18 months after an expenditure is paid or the related project is placed in service, and in any event before the fifth anniversary of the bond issuance;
- c. Consulting with bond counsel, other legal counsel, and other advisors in the review of any change in use or transfer of bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the bonds;
- d. To the extent WES discovers that any applicable tax restrictions regarding use of bond proceeds and bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel, other legal counsel, and other advisors to determine a course of action to preserve the tax-exempt status of the bonds (if applicable).

J. Disclosure and Continuing Disclosure

WES is required to provide disclosure, generally in the form of an official statement, relating to each public offering of debt. WES is responsible for providing complete and accurate information to be included in the official statement and is responsible for the overall content of the document, although it may rely on an external party (e.g., bond counsel or disclosure counsel) to assist in the creation of the document.

1. Primary Disclosure Policies - The WES Director is responsible for information requests relating to official statements to be used in the initial offering of WES' borrowings. The WES Director will request information required for disclosure to investors and rating agencies from relevant departments and will sign a statement attesting to the accuracy and completeness of the information therein. The Board of County Commissioners will be provided with a copy of the official statement for each issue of debt.

2. Continuing Disclosure Policies - Under Rule 15c2-12 of the Securities and Exchange Commission, adopted under the Securities Exchange Act of 1934, WES is required to enter a contract to provide "secondary market disclosure" relating to each publicly offered bond issue (referred to as an "undertaking"). The WES Director shall review any proposed undertaking to provide secondary market disclosure and negotiate any commitments therein.

Additionally, bonds sold via the direct placement method may have specific disclosure requirements required by the purchaser.

Internal procedures shall be developed that identify the information that is obligated to be submitted in an annual filing, the dates on which filings are to be made, list the events required to be disclosed, and identify the person responsible for making the filings.

The Annual Report may fulfill annual financial information filing obligations. The information provided in the Annual Report does not have to be replicated when filing with the Electronic Municipal Market Access (EMMA) portal. If WES agrees to furnish information that is outside the scope of the Annual Report, that information may be included as a supplement to the Annual Report when filing with EMMA. On its completion, the Annual Report should be immediately submitted to EMMA.

Each time WES issues new bonds, the WES Director (in consultation with bond counsel and the municipal advisor) will review WES' compliance with prior continuing disclosure undertakings and make any necessary corrective filings.

In addition to continuing disclosure undertakings associated with public bond offerings as required by SEC Rule 15c2-12, WES may also be subject to ongoing reporting requirements associated with other debt obligations, such as bank loans.

K. Consultants and Advisors

1. Municipal Advisor - The County will retain an independent registered municipal advisor (MA) through a process administered by the WES Director consistent with the rules adopted by WES' Local Contract Review Board (LCRB). Selection of WES' MA should be based on the following:
 - a. Experience in providing consulting services to issuers similar to WES;
 - b. Ability to meet all regulatory requirements;
 - c. Knowledge and experience in structuring and analyzing large complex debt issues;
 - d. Ability to conduct competitive selection processes to obtain related financial services (including underwriters and other service providers);
 - e. Experience and reputation of assigned personnel; and
 - f. Fees and expenses.

WES expects that its MA will provide objective advice and analysis, maintain confidentiality of WES financial plans, and fully disclose any potential conflicts of interest.

2. Bond Counsel - For all debt issues, WES will engage and retain an external bond counsel through a process administered by the WES Director and County Counsel consistent with the rules adopted by WES' LCRB.

Where required by the lender and/or bond investors, debt issued by WES will include a written opinion by bond counsel affirming that WES is legally authorized to issue the debt, stating that WES has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status. Bond Counsel may also assist in the drafting of the Official Statement in lieu of having a separate disclosure counsel.

3. Disclosure Counsel - WES may engage and retain, when appropriate, Disclosure Counsel through a process administered by the WES Director and County Counsel consistent with the rules adopted by WES' LCRB, to prepare official statements for debt issues. Disclosure Counsel will be responsible for providing that the official statement complies with all applicable rules, regulations, and guidelines and be a firm with extensive experience in public finance.

4. Underwriters - For negotiated sales, underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance in question. The WES Director, in consultation with the Municipal Advisor, will establish a pool of qualified underwriters through a process consistent with the rules adopted by WES' LCRB and may designate one or more firms as eligible to be senior managers and one or more firms as eligible to be co-managers. Criteria to be used in the appointment of qualified underwriters will include:
 - a. Quality and applicability of financing ideas;
 - b. Demonstrated ability to manage the type of financial transaction in question;
 - c. Demonstrated ability to structure debt issues efficiently and effectively;
 - d. Demonstrated ability to sell debt across a wide span of investors;
 - e. Demonstrated willingness to put capital at risk;
 - f. Experience and reputation of assigned personnel;
 - g. Past performance and references; and
 - h. Fees and expenses.
5. Debt Issued Through Commercial Banks - The WES Director, in consultation with the Municipal Advisor may solicit proposals from commercial banks to provide lines of credit, letters of credit, direct bank placements, and other credit facilities, as needed.

A bank or pool of banks will be selected through a process administered by the WES Director consistent with the rules adopted by WES' LCRB.

Selection of such providers will be based upon the proposed financial terms deemed most advantageous to WES, including, but not limited to lowest interest cost, prepayment flexibility, terms and structure, and fees.

6. Trustee and Paying Agent Services - The County Treasurer will recommend the use and selection of the Trustee and Paying Agent services as needed, based on a competitive solicitation or other list of qualified financial institutions maintained by the Treasurer and allowed by Oregon Revised Statutes.

L. Interfund Loans

An interfund loan is a transfer between funds within WES for an approved amount and a plan of repayment during a specified period of time.

Interfund loans are subject to the requirements of ORS 294.468 and designed to provide financing resources to address cash flow needs of WES.

Interfund loans can be of two types:

1. Capital Loan: a loan between WES funds for the purpose of the design, acquisition, construction, installation, or improvement of real property.
2. Operating Loan: a loan between WES funds for the purpose of paying operating expenses.

Interfund loan requests must be reviewed and approved by the WES Director prior to a request for authorization by Board of County Commissioners. They are subject to the following requirements, including compliance with ORS 294.468:

- a. Loans will only be authorized after it has been demonstrated that reasonable consideration was given to other potential resources available to the department/fund requesting the loan.
- b. Interfund loans must be authorized by Board Resolution, stating the fund from which the loan is made, the destination fund, the purpose of the loan, the principal amount of the loan, the interest rate at which the loan shall be repaid, and a schedule for repayment of principal and interest.
- c. The interest rate on Capital and Operating Loans shall be set at the stated rate of interest paid by Oregon Local Government Investment Pool as reported by WES Treasurer at the time the loans are approved by the Board of County Commissioners, plus two percent (2% APR).
- d. Interfund loans cannot not be made from debt service reserve funds, or any other funds restricted by law, constitutional provisions, bond covenants, grantor requirements or other WES restrictions.
- e. Capital Loans cannot not exceed 10 years.
- f. Operating Loans cannot extend beyond end of the subsequent fiscal year.
- g. Interfund loans may be repaid in advance without any additional accrual of interest or other penalties.
- h. Performance of each interfund loan shall be monitored by WES Finance.
- i. Per the opinion of County Counsel, WES shall not make interfund loans to Clackamas County or their other component units.

M. Reporting Requirements

The WES Director will report to the Board of County Commissioners on an annual basis the following information:

- a. A summary of outstanding debt obligations to include the series name, original amount of issuance, outstanding principal amount, issue date, maturity dates, interest rates, and annual debt service;

- b. The amount of the net variable rate obligation and percentage as compared to outstanding debt, if applicable;
- c. Other considerations if applicable, including (but not limited to): refunding opportunities, performance of variable rate obligations, and/or proposed new debt issuances.

VII. ACCESS TO POLICY

This Policy is available on WES' and the County's website.

ADDENDA

The Clackamas County Investment Policy is available on the County's internet located here <https://www.clackamas.us/treasurer>.



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November 18, 2021



Financial Policies

Chris Storey, Assistant Director

Erin Blue, Finance Manager



Presentation Outline

- Financial Policies – Overview and Key Objectives
- Current Financial Policies
- Proposed Financial Policies
 - Operating Reserves
 - Miscellaneous Fees
 - Debt
- Recommendation and next steps



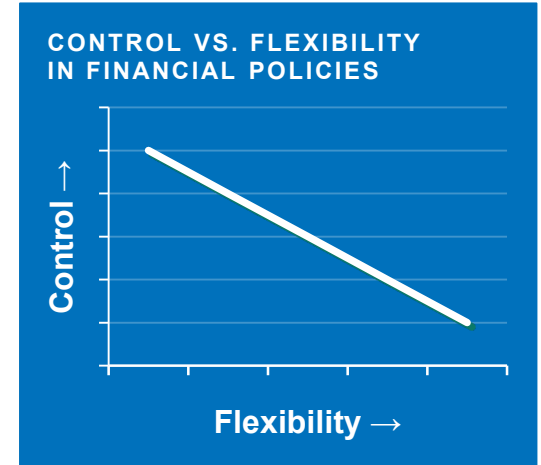
Overview and Key Objectives

- Formalize good financial management practices
- Clarify and communicate strategic intent for financial management
- Establish guidelines for budgeting and long-range financial planning
- Support good bond ratings and reduce the cost of borrowing
- Manage risks to financial condition and builds financial resilience
- Best practice in public financial management



Overview and Key Objectives, cont.

- Comply with all statutory and other requirements
- Balance the level of control with flexibility
- Regularly reviewed and updated
- Focus on essential areas
 - Reserves
 - Debt management
 - Financial planning
 - Revenues
 - Expenditures





Current Financial Policies

- Follow County Financial Policies
- Summarized in WES' Annual Budget Document
- Beginning to review and propose updates – why now?
 - County's Financial Policies are being updated
 - Opportunity for WES-specific policies
 - Timing allows incorporation into FY 2022-23 budget and 10-year financial forecast
 - Starting with Operating Reserves, Misc Fees, and Debt to mirror County's updates



Operating Reserves

- Considered an essential policy, supports:
 - Continuity of operations
 - Stable, predictable rate adjustments
 - Strong bond ratings to lower cost of borrowing
- Current Policy: Budget and Financial Planning
 - “Department shall budget a contingency account in each Operating... Fund for circumstances which may arise that could not have been reasonably anticipated and which may require a change in the annually adopted plan.”
 - “Department will manage funds with the objective of Ending Fund Balance exceeding the original Contingency appropriation for the fiscal year.”
 - Practice has been to budget ~30 days’ as an operating contingency
 - Not in synch with WES’ long-range financial plan reserves

WES’ most recent bond rating cited “extremely strong liquidity” as one of the factors in assigning a rating of AAA.



Operating Reserve, cont.

- Proposed Policy: Reserve target of 60 days annual budgeted operating expenses for budget and long-range plan, considered:
 - County’s Updated Policy – 60 days’ contingency in Enterprise Funds
 - WES’ financial operations: billing frequency, rate structure, customer base, use of contingencies, forecasted needs, potential future revenue variability, availability of resources for other needs
 - Best practices/recommendations from other organizations:

Organization	Recommended Reserve Level
Water Environment Federation (WEF)	1 – 3 months of operating costs
International City/County Management Association (ICMA)	1 - 2 months of expenses
Government Finance Officers Association (GFOA)	No less than 45 days of annual operating expenses



Operating Reserve, cont.

- Proposed Policy: Types of Reserves
 - Allows flexibility for target to be met through combination of budgeted contingency and/or designated operating reserve line item.
 - Adds option of setting aside funds in specific Rate Stabilization Reserve based on anticipated net revenue variability in long-range financial plan
- Proposed Policy: Conditions for Use
 - Unanticipated, non-recurring, extra-ordinary, or emergency needs
 - Option for use in response to poor economic conditions



Miscellaneous Fees

- Current Policy: Revenue
 - “Department shall establish fees and charges which support the total and indirect costs of providing services, with the intent to achieve full cost recovery. Fees and charges will be in compliance with state statutes and County ordinances.”
- Proposed Policy:
 - Restates updated County policy “it shall be the general policy of WES to fully recover costs to the extent legally possible for all services or programs provided whether from fees, fines, revenue agreements, or other revenue generating arrangements for which fees may be charged.”
 - Specifies development of cost-recovery model for consistent, rational application of overhead and indirect costs
 - Periodic review of fees by line of business
 - Potential for inflationary adjustments
 - Consideration of cost recovery on multi-year, programmatic basis
 - Possible phased approach to adjusting fees to reduce impact of increases



Debt

- Currently, WES has a process and statements for internal directive but not a full debt policy. Very little is proposed to change; desire is to codify best practices.
- Current Approach for Debt
 - The Department will issue debt to finance capital construction and capital acquisitions as recommended by the Director and authorized by the Board of County Commissioners.
 - The instruments chosen for financing will match the types and useful lives of the assets to be acquired. Financing methods chosen will be issued in compliance with all state, federal and local laws and regulations.
 - The Department will maintain their creditworthiness through sound financial, management, and accounting practices.
 - Compliance with all continuing reporting requirements.



Debt, cont.

Proposed Policy Guidelines:

- WES continues to operate independently from County debt process.
- Efficient and cost-effective funding and completion of necessary WES infrastructure;
- Gradual, relatively linear rate adjustments to avoid “rate shock”;
- Participation in the costs of constructed infrastructure by future users of the system.

Default assumptions are revenue obligations or bonds sold via competitive auction when necessary to finance construction costs to occur within 3 years of sale.



Input and Next Steps

- Input from Advisory Committee on proposed policies in November
- Revision and finalization at next meeting in January
- Presentation for consideration thereafter as recommended by Advisory Committee to the BCC for adoption
- Incorporation into FY 2022-23 Budget and Financial Planning Cycle



Thank you
Questions?



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WES Advisory
Committee Meeting
18 November 2021



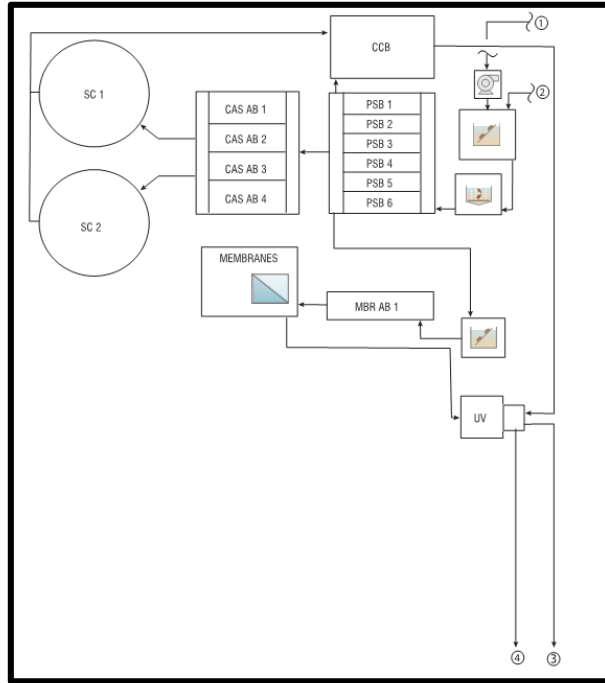
Willamette Facilities Plan

Lynne Chicoine, PE, BCEE
Capital Program Manger

Willamette Facilities Plan Is One Piece of Capital Improvement Plan



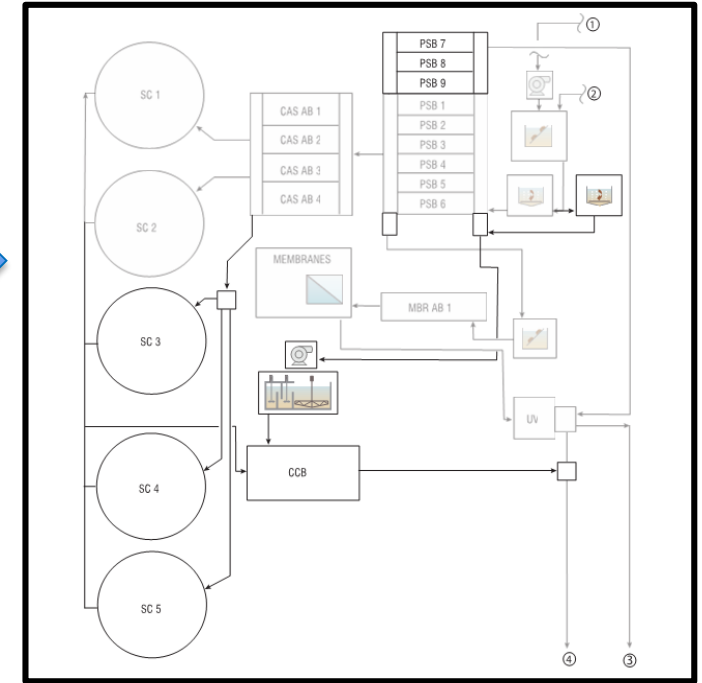
What is a Facilities Planning Process



Existing Facilities - 2020



- Regulatory
- Capacity
- Condition



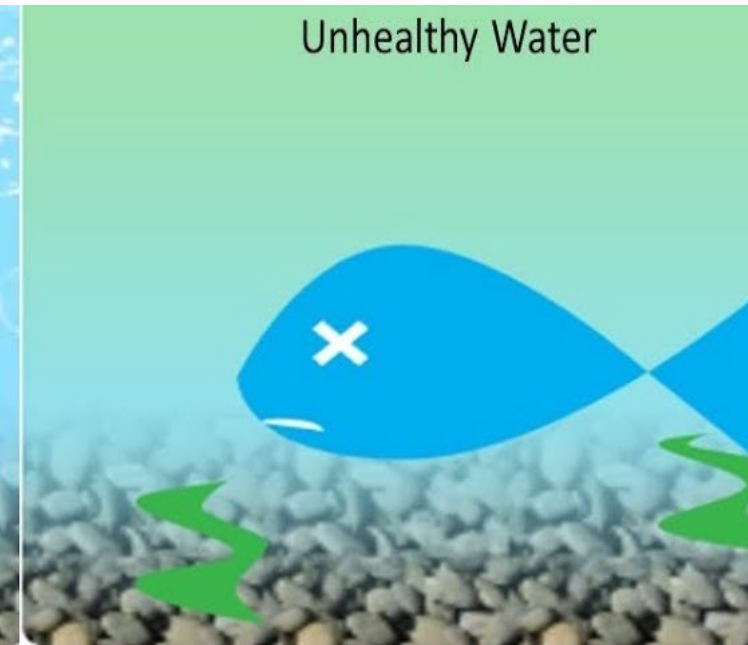
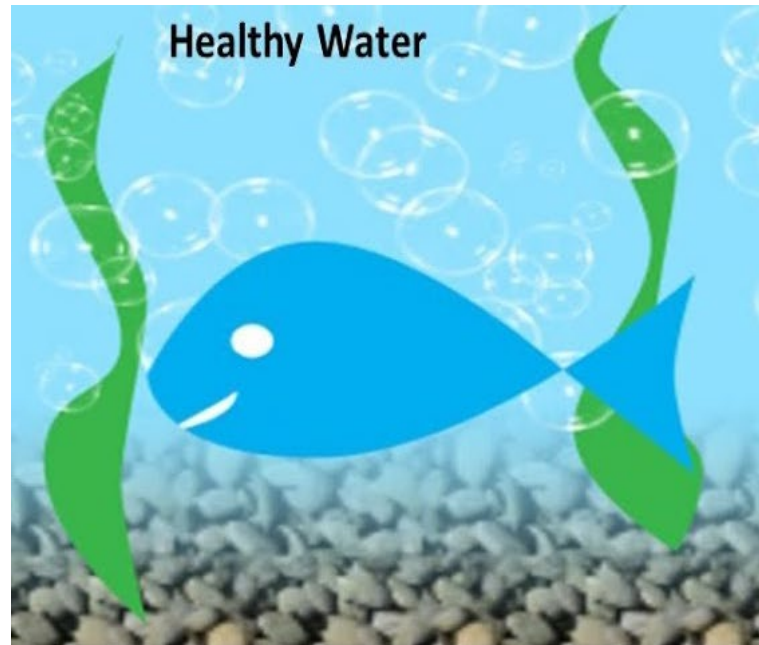
Required Facilities - 2040

Wastewater Treatment Basics



Biochemical Oxygen Demand (BOD)

- **BOD is oxygen micro-organisms consume as they degrade organic matter**
- **Secondary treatment allows degradation to occur prior to discharge**



Total Suspended Solids (TSS)

- **TSS is a measure of water clarity**
- **TSS is the amount of solids retained when water is run through a filter**



Wastewater Treatment Has Two Regulatory Seasons

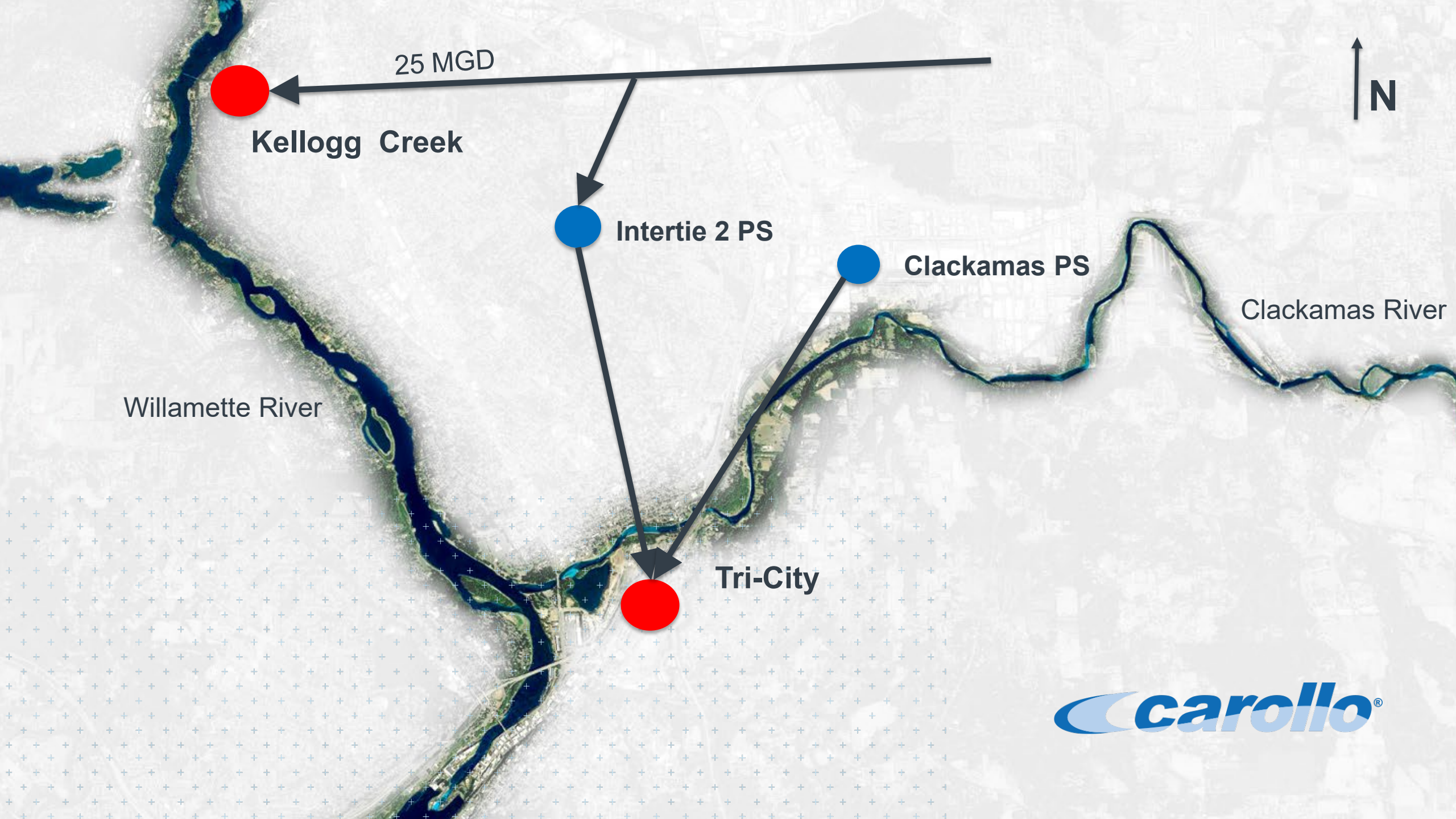


Willamette Facilities Plan Process



Currently, Kellogg Creek and Tri-City Have Separate Permits





25 MGD



Kellogg Creek



Intertie 2 PS



Clackamas PS



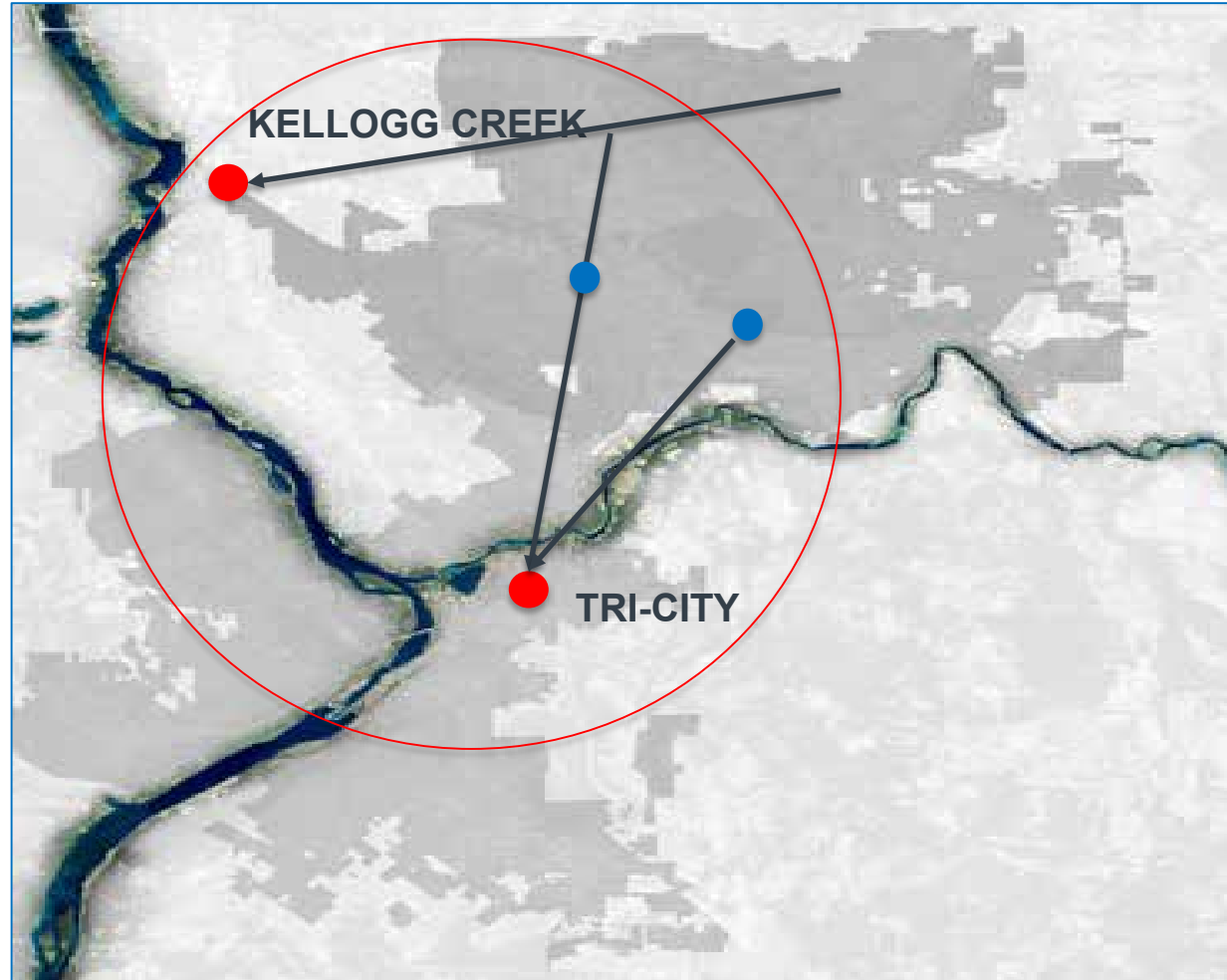
Tri-City

Willamette River

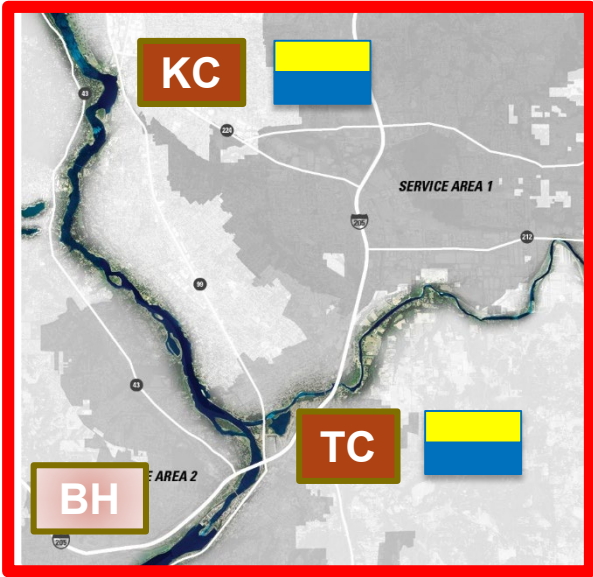
Clackamas River



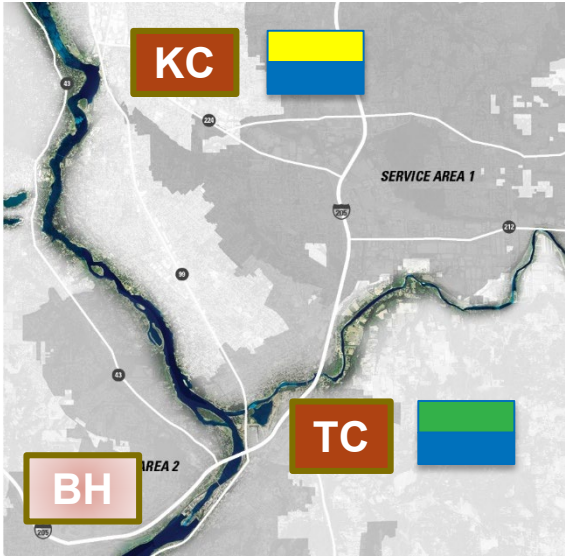
Combining Permits Will Provide Flexibility to Maximize Use of Facilities



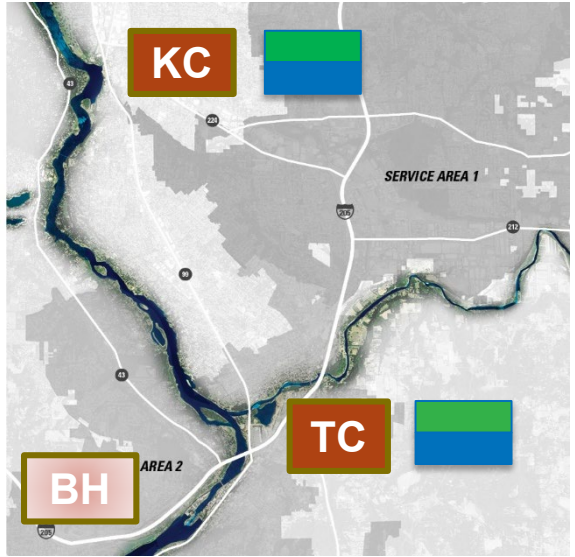
Dry Weather Scenarios



Scenario 1
Current Permit Limits

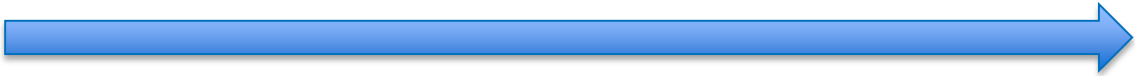


Scenario 1.5
Nutrient Removal
Combined Permit

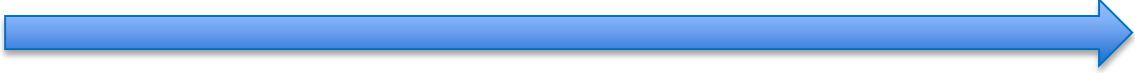


Scenario 3
Nutrient Removal
Individual Permits

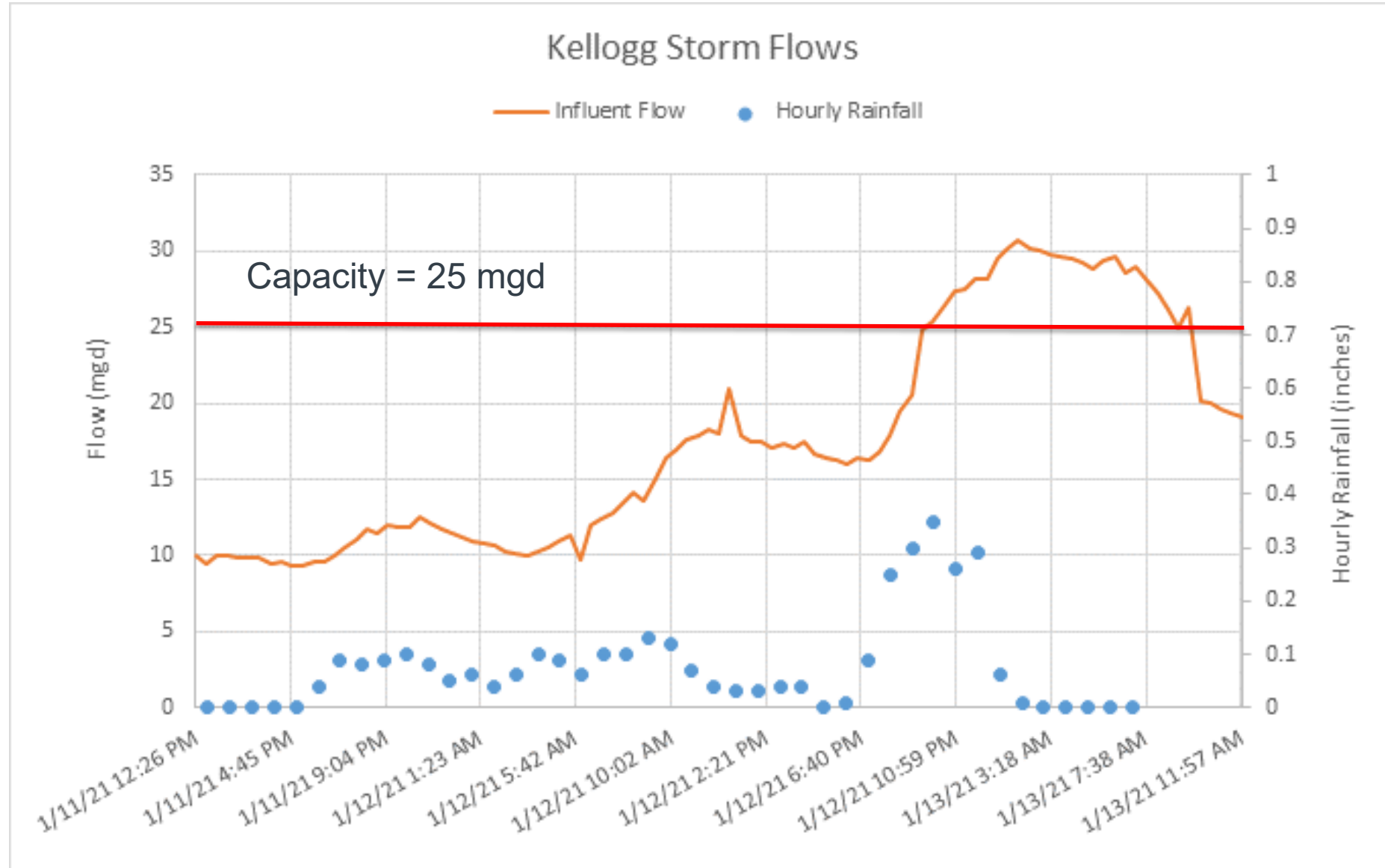
Water Quality



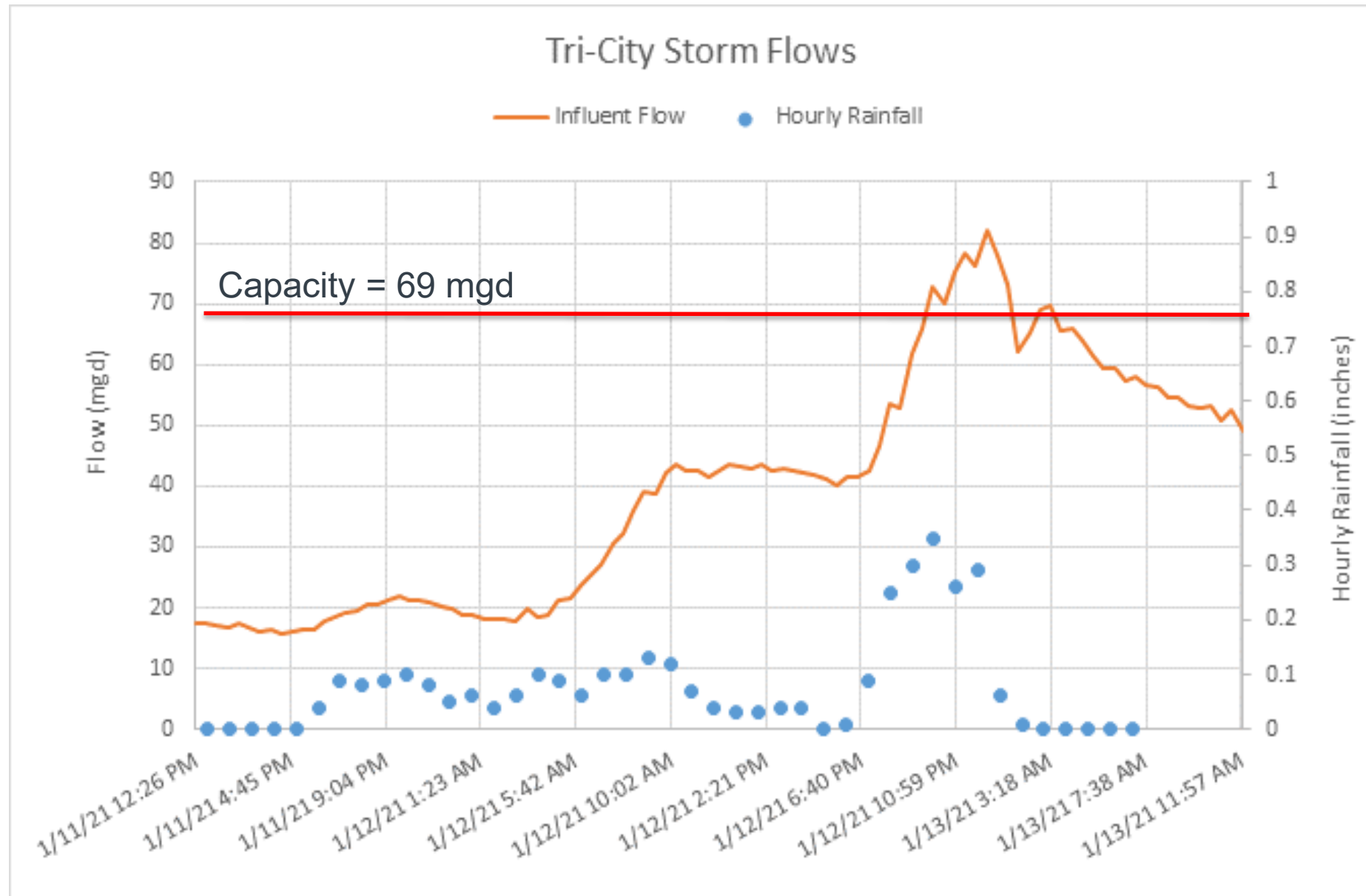
Cost



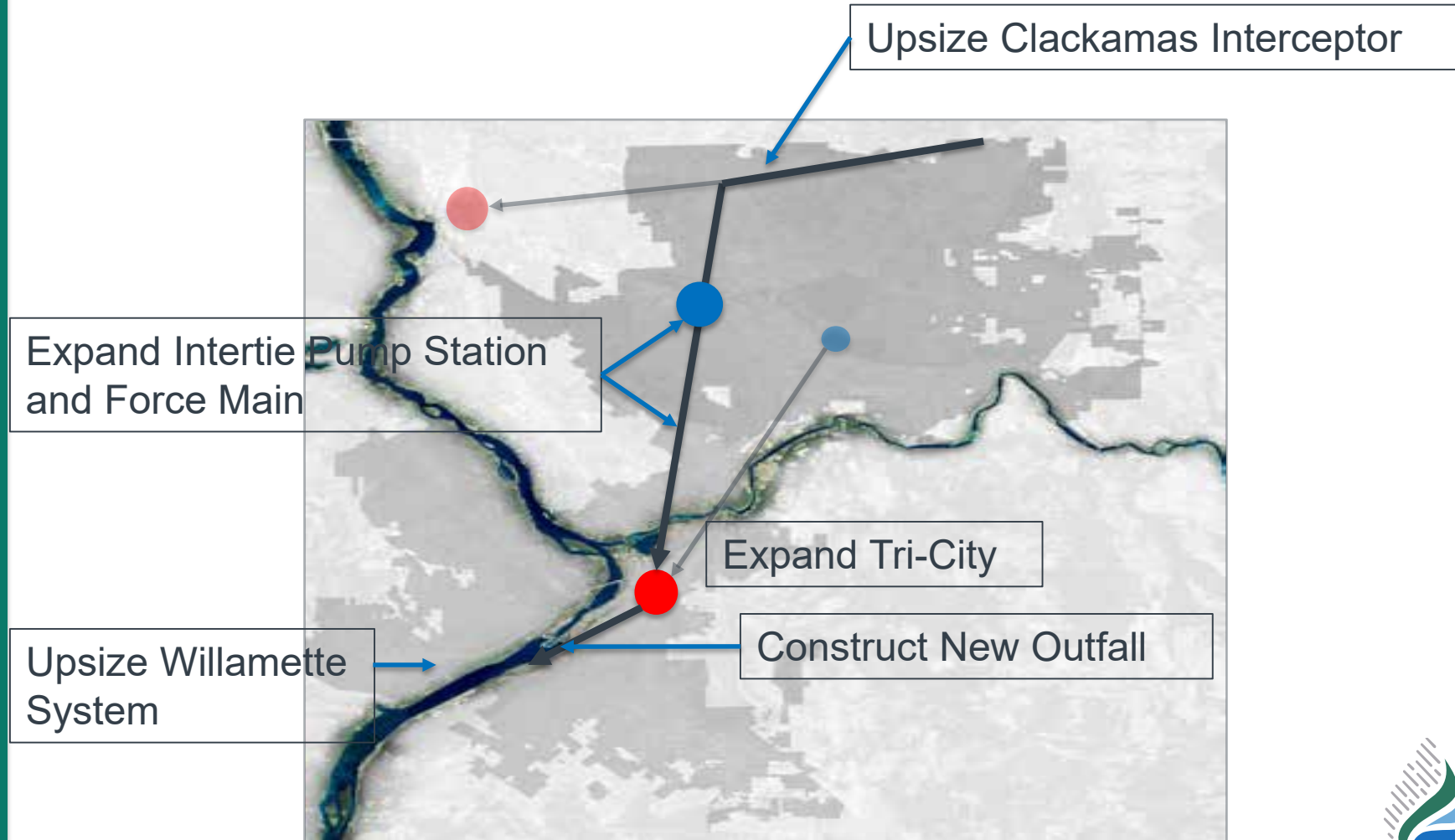
Kellogg Creek is Capacity Limited



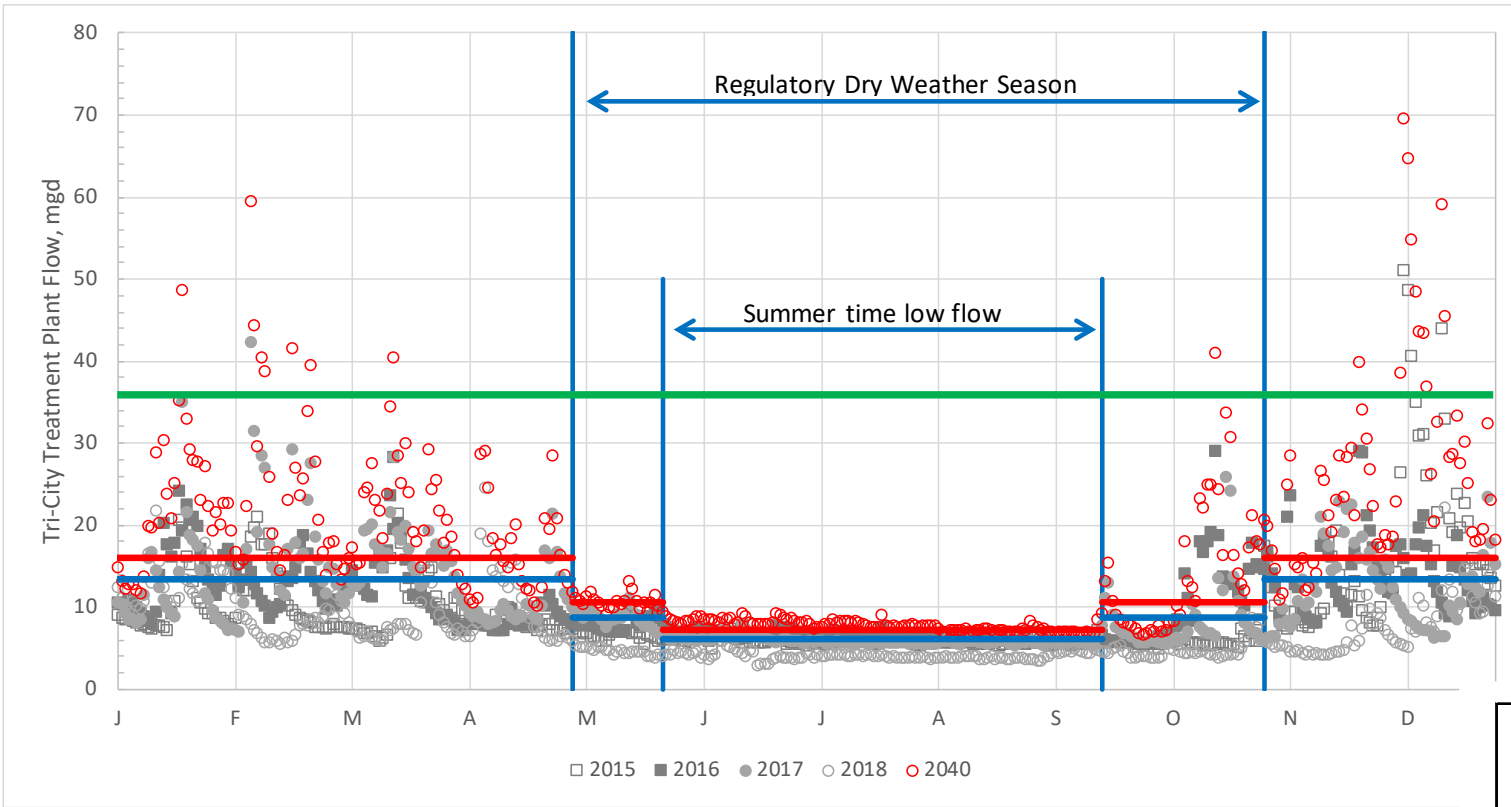
Tri-City is at Wet Weather Capacity



Expand Tri-City Wet Weather Capacity

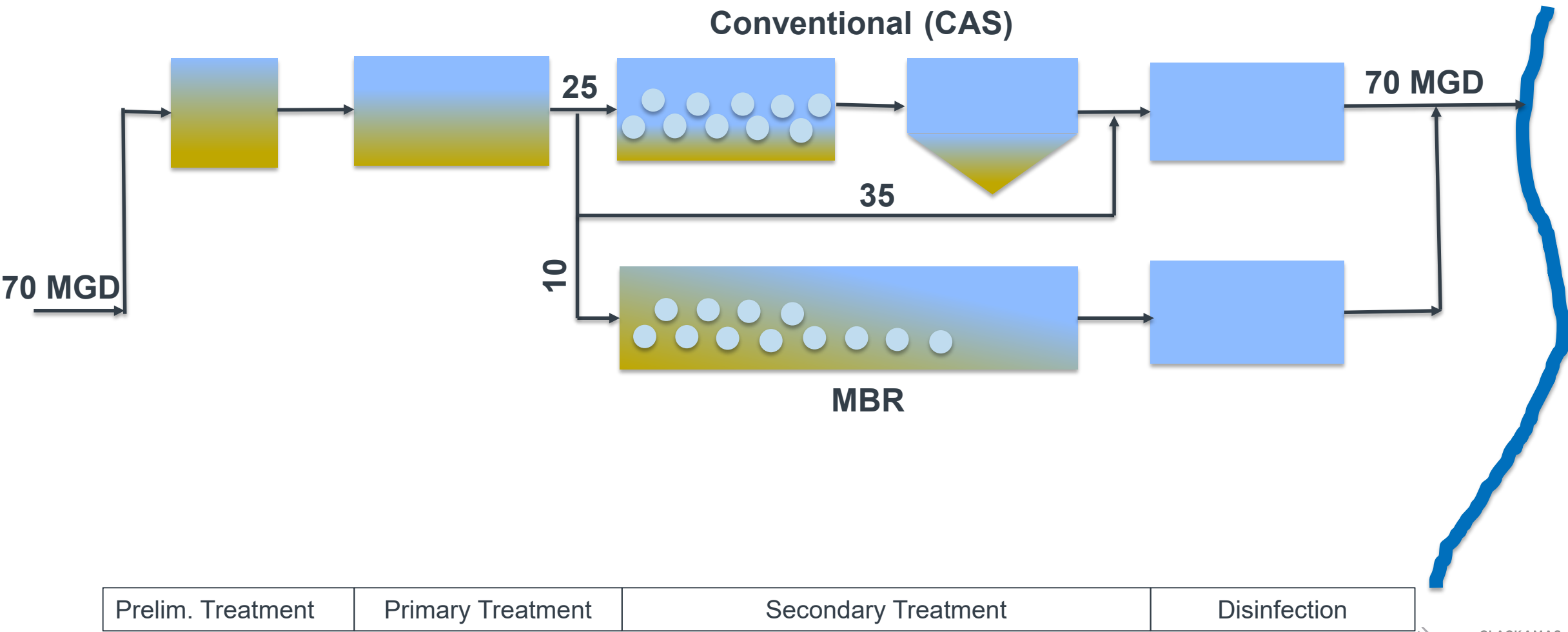


Infrequent Peak Flow at Tri-City Presents Challenges

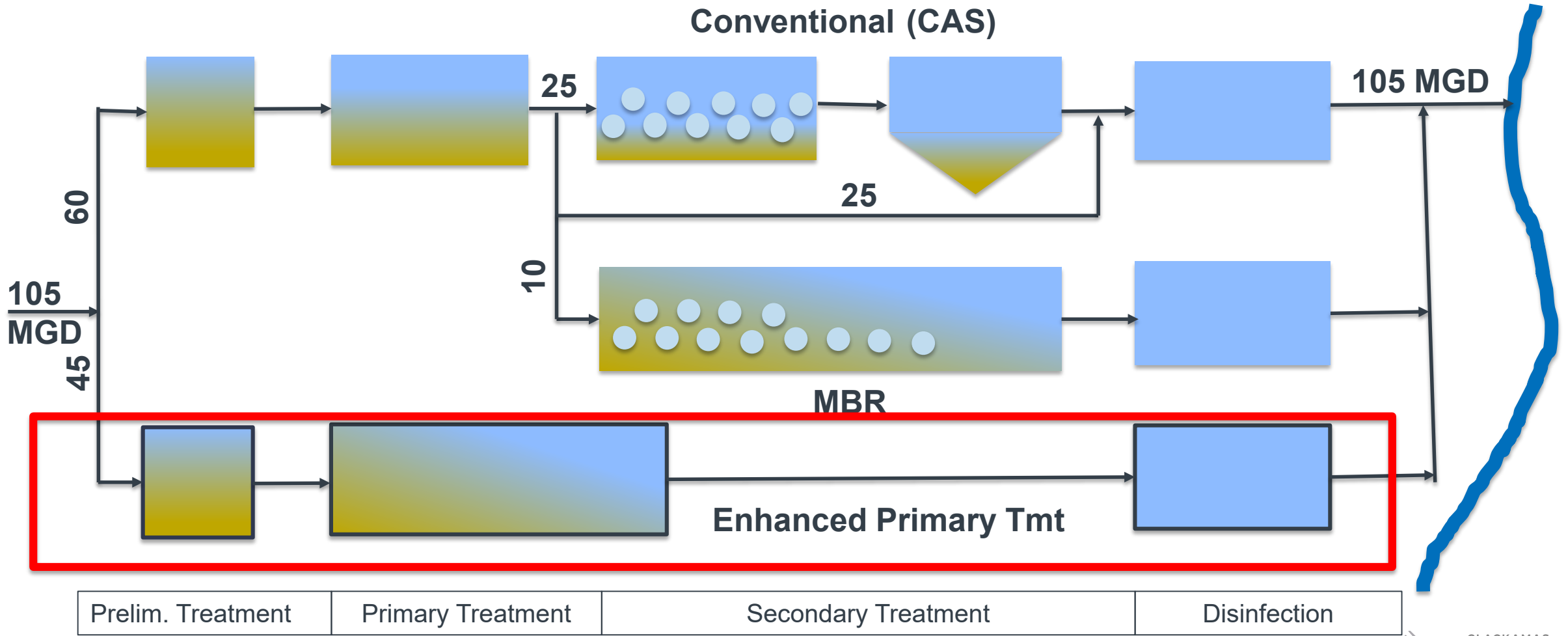


Estimated Value	Current ⁽¹⁾	Projected (2040)
% of Time $Q \leq 35$ mgd	99%	98%
No. of ST Events per Year	3	9
Average Annual ST Duration (hrs)	50	180
% of Annual Flow Discharged as ST	1%	3%
(1) Average of 2015 - 2018 data		

Wet Weather Treatment – Existing Tri-City



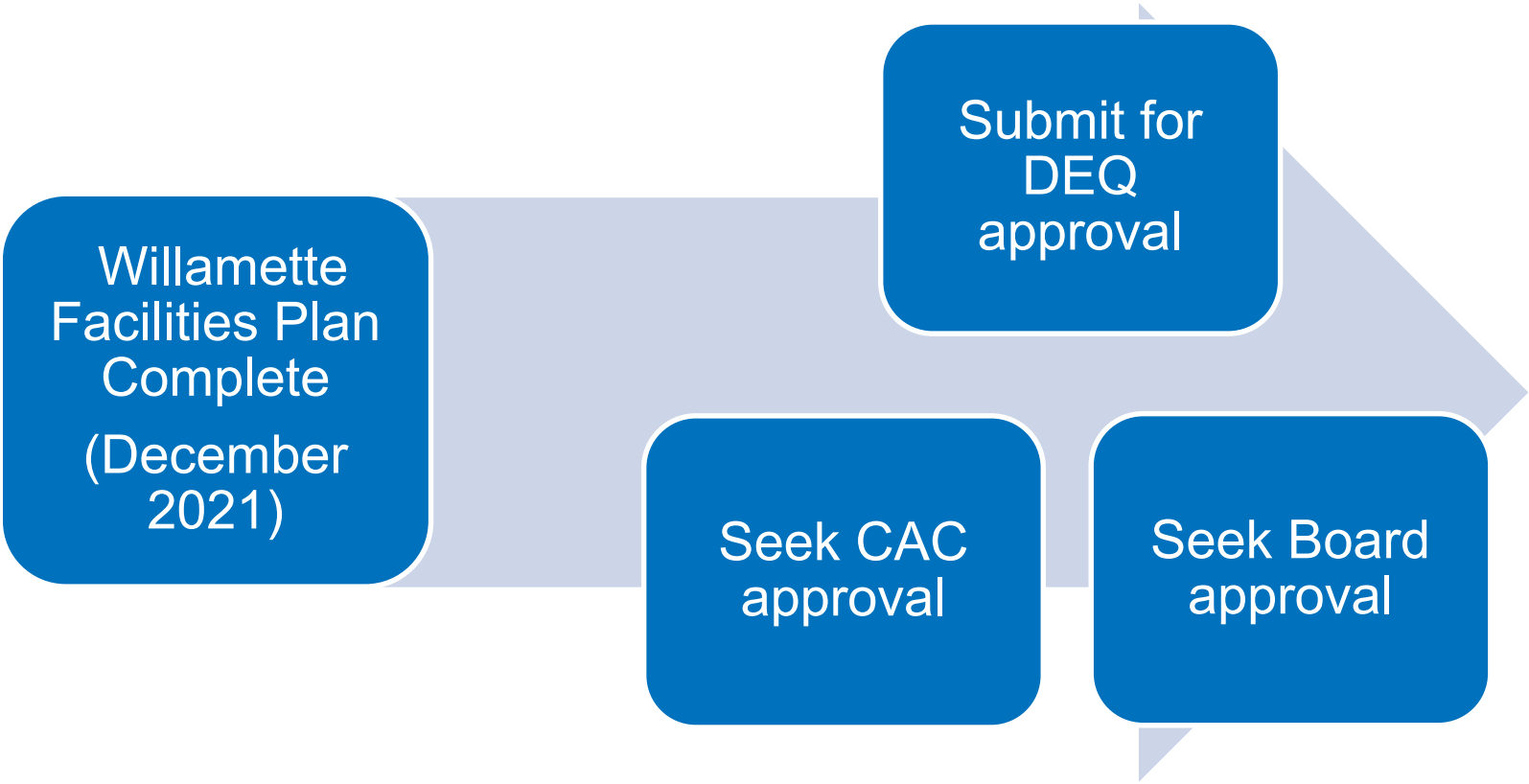
Wet Weather Scenario – Expanded Tri-City



Recommended Conceptual Tri-City Site Plan at Buildout



Next Steps





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Questions?

Lynne Chicoine, PE, BCEE
Capital Program Manger

WES Rules and Standards Update

WES Advisory Committee

November 18th, 2021

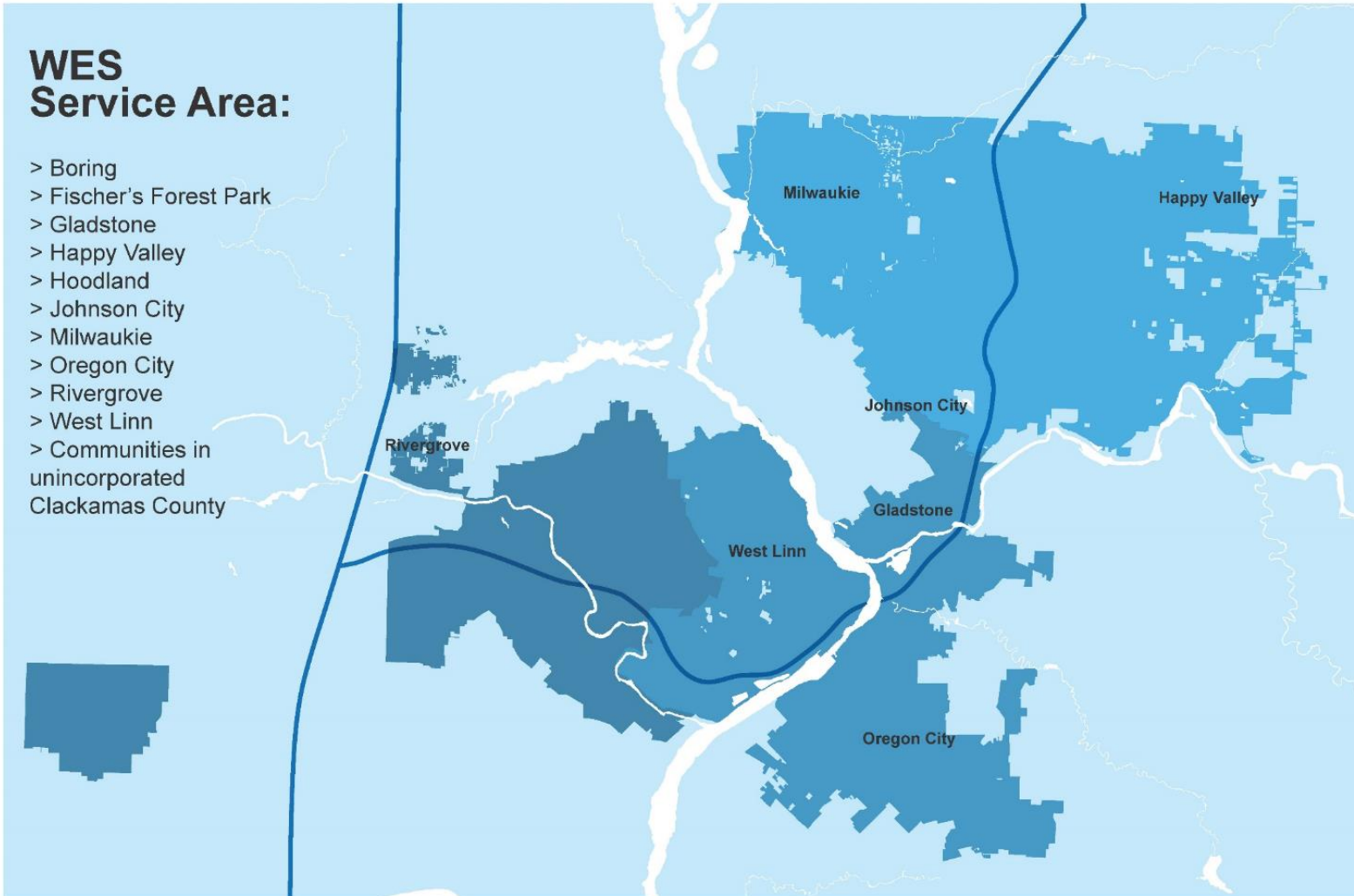
Presentation Agenda

- Background
- Key Policy Discussions – Administrative, Financial, Sanitary/Storm Standards

Why Update the Rules and Standards

- Develop consistent & comprehensive Rules and Standards for WES
- Consolidate & streamline development review and approval
- Improve regional alignment with county/cities
- Address new regulatory requirements
- Update policies to reflect new technologies

WES Rules & Standards



Rules/Standards by Area:

- Administrative Rules for CCSD#1 & SWMACC
- WES Rules (2018)
- TCSD Sanitary Rules
- CCSD#1 Sanitary Rules
- CCSD#1 Sanitary Standards
- SWMACC Stormwater Rules
- CCSD#1 Stormwater Rules
- CCSD#1 Stormwater Standards

Project Outreach and Engagement

Stakeholder Interviews

- Development engineers
- Planners
- Others who use the rules and standards

August 2018

Policy and Technical Issues Workshops

- WES
- DTD
- Happy Valley
- Consulting Engineers

June 2018 – March 2019

Task Force Meetings

- People who use the rules
 - ✓ Developers
 - ✓ Engineers
 - ✓ Partner Cities

October 2018 – January 2019

Community Briefings

- Interest Groups & Neighborhood Associations
- Business Community
- Informational forums

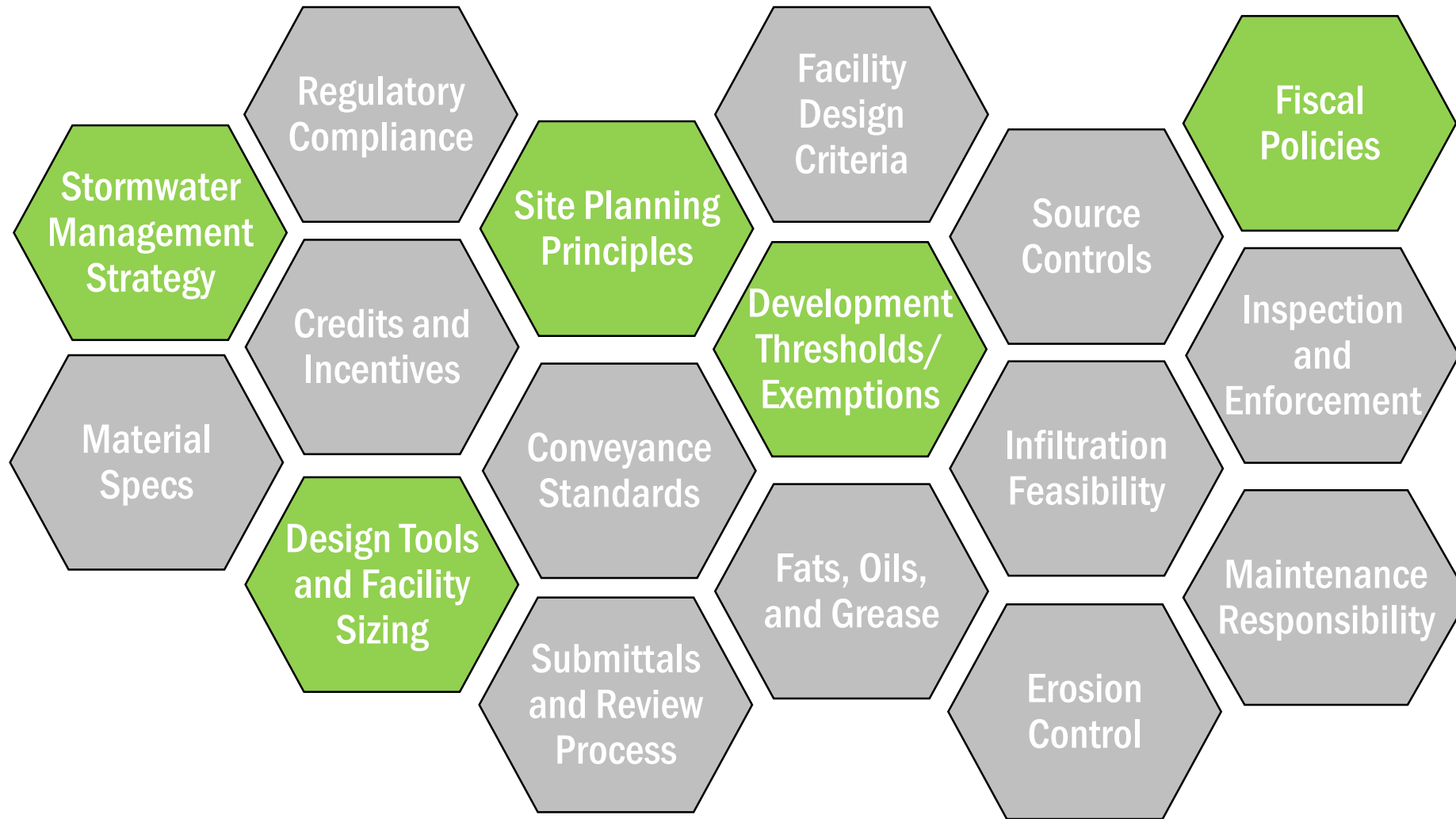
November 2019 - March 2020

Public Review Process

- Public review drafts
- WES Advisory Committee
- County commission hearings

April 2020 – Current

Policy and Technical Issues



Key
Policies

Key Policy Changes – Administrative Improvements

Annexation Into the District*

Issue

- WES's 2013 Urban Services Policy Memorandum is not codified in the Rules.

Current Policy

- Properties not with WES's service district must annex into a city and WES prior to obtaining WES services.

Policy Change

- Rules Section 1.5 - *The District will not process a petition for annexation into the District until the City has approved an ordinance to annex the property into the City, or denied the property to annex into the City.*

Significance

- Gives WES clearer authority to require annexation prior to providing service.
- District annexation can still occur if a city denies annexation request.

Public Use of WES Property*

Issue

- Currently no rules regarding activity on WES-owned properties, and difficult to regulate certain activities, like camping and making fires.

Current Policy

- NA/New Policy. Generally 'No Trespassing' now.

Policy Change

- *Rules Section 7 - specifies allowable uses of WES property.*

Significance

- Provides clarity on allowed uses of WES owned property, in alignment with other County Departments, such as NCPRD's natural areas.

Key Policy Changes – Financial

Low Income Discounts

Issue

- Qualifying income limit for families is capped a level for two family members.
- Eligibility based on outdated federal poverty guidelines rather than the more commonly used OR State median income level.

Current Policy

- Section 4.3.2 - Allows for a 50% discount of the monthly service charge with qualifying limits set at 185% of the federal poverty guidelines, for families set at limits for a two-person household.

Policy Change

- Rules Section 6.3.3: *...shall be 50 percent (50%) of the monthly sewer user charge.... qualifying limits shall be set at sixty percent (60%) of the most recently published Oregon State Median Income (SMI)...shall be incrementally based on household size.*

Significance

- Qualifying criteria based on Oregon State Median Income not Federal Poverty guidelines which streamlines proof of eligibility for customers.
- Increasing income limits for larger households.

Reimbursement Districts

Issue

- Property developers are not reimbursed for the cost of offsite sewers that future users connect to.

Current Policy

- NA/New Policy

Policy Change

- Rules Section 6.6 Reimbursement District - *A Developing Party who is not otherwise eligible for SDC credits...may request that WES establish a Reimbursement District.*

Significance

- Developers can get reimbursed for future connections to infrastructure they've built.
- Potentially new fees for significant WES staff time/resources to establish reimbursement districts, collect payments etc.

Sanitary Equivalent Dwelling Unit (Non-Residential)

Issue

- Non-Residential EDU assignments are not representative of impact to the sewer system, like for warehouses and storage units.

Current Policy

- Table VII - EDUs are assigned to various categories of non-residential uses, or otherwise calculated based on a land/building area formula.

Policy Change

- Updated Rules Table A-1 to increase square footage formula for warehouse and storage facilities.

Significance

- EDU assignments and associated SDCs better aligned with costs/impacts to the sewer system.
- Minor loss in WES's SDC revenue.

Sanitary Equivalent Dwelling Unit (Residential)

Issue

- Residential EDU assignments aren't aligned with water usage and impact to the sanitary system.

Current Policy

- Table VII - EDUs assigned to detached residential units regardless of dwelling size; attached units and ADUs assigned 80% of single family

Policy Change

- Updated Rules Table A-1 to include 5 categories of EDU assignments for detached residential with EDU assignments ranging from 70% to 120% of a standard residential unit, based on typical occupancy.
- Apartments assigned 80% and ADUs assigned 60% of a standard residential unit.

Significance

- SDCs better aligned with costs/impacts to the sanitary system
- No impact on SDC revenue or funding for CIP
- Aligns with County transportation impact fee methodology

System Development Charge Financing

Issue

- SDC financing policy has no limits on types or amount of SDCs that can be financed, causing cash flow interruptions and commitment of WES staff resources for financing agreements, due diligence, etc.

Current Policy

- Section 4.1.8 - Allows for installment payments of SDCs over a 10-year period for all projects regardless of type and size.

Policy Change

- Rules Section 6.2.10 - *Installment payments for SDCs are limited to residential and multi-family developments that have been assigned ten (10) or fewer EDUs.*

Significance

- Aligns with original intent of the financing policy to support small residential sewer connections.

Key Policy Changes – Sanitary Sewer

Sanitary Sewer Pipe Slopes*

Issue

- Sanitary standards only allow for slopes less than 1% if traditional DEQ criteria for pipes flowing half-full is met, which is rare and requires variances for projects with site constraints.

Current Policy

- Section 5.2.3 – Minimum pipe slope design standard is 1% for a sewer mainline, and 2% for dead-end lines. Allows for shallower slopes for different sizes of pipes that flow half-full.

Policy Change

- Sanitary Standards Section 5.2.3 - *...designed with the minimum slope of 1.0%, except for dead-end lines, for which the District requires a minimum slope of 2.0%.*
- *Table 2 allows for shallower pipe slopes where more homes are served, stating 0.75% slope allowed for pipes serving 20-40 homes, and 0.5% slope for pipes serving greater than 40 homes.*

Significance

- Sets minimum pipe slope at 0.5%, slightly higher than currently allowed but more projects will qualify.
- Adequate pipe slope requirements reduce cost of maintenance to District and the risk of SSO's.

Sanitary Service Connection Ownership*

Issue

- Significant risk and burden on the District for inspection, maintenance, and repair of service connections.

Current Policy

- Standards Section 5.5 - Owners are responsible for service connections from buildings to ROW or easement lines, and WES is responsible from ROW or easement lines to mainline.

Policy Change

- *Standards Section 5.6.1 – The property owner(s)... are responsible to maintain, repair and/or replace the pipeline from the building to and including the connection to the mainline located within the ROW or public easement.*

Significance

- Assigns responsibility and cost of service connection repairs to property/building owners.
- Reduces financial and sewer overflow risk to the District.

Policy Changes – Stormwater Management Standards

Flow Control

Issue

- WES's flow peak-matching approach allows for longer durations of potentially erosive flows.
- Oregon DEQ's newly-issued stormwater permit requires a runoff retention standard, or an alternate approach that achieves similar results.

Current Policy

- Standards Section 5.4.4.1 – Peak-matching standard to reduce the 2-year, 24-hour post-developed runoff rate to a ½ of the 2-year, 24-hour pre-developed rate.

Policy Change

- Stormwater Standards Section 4.1.3 - *The duration of peak flow rates shall be less than the duration of peak flow rates from pre-development conditions for all peak flows between 42 percent of the 2-year peak flow rate up to the 10-year peak flow rate.*

Significance

- Performance standard based on control for rate and duration of runoff is more protective of stream stability and water quality.
- Redevelopment projects use a “grass” pre-developed condition.
- Potentially larger facilities on some sites relative to peak-matching standard, partially mitigated by WES's current infiltration requirement. Potentially increases cost.

Onsite Infiltration

Issue

- WES's infiltration standard is often difficult for development projects to meet due to soil and slope site constraints, leading to design variance requests and use of alternate flow control standards.

Current Policy

- Standards Section 5.3 - Infiltration systems are required for all new developments and redevelopments that one-half inch of rainfall in 24 hours.

Policy Change

- Stormwater Standards Section 4.1 - *Infiltration is the preferred strategy to achieve the stormwater management performance standards...when designed to fully infiltrate the 10-year, 24-hour design storm, the facility is assumed to meet the flow control requirements.*

Significance

- Proposed flow duration matching standard is equally protective, aligns with Oregon City and Wilsonville, and will require fewer variance requests to meet.

Water Quality Treatment

Issue

- Oregon DEQ's stormwater permit requires prioritizing Low Impact Development and Green Infrastructure, and that constructed controls meet a water quality treatment performance standard of 80% solids removal.

Current Policy

- Standards Section 5.2 - Requires capture and treatment of 80% of average annual runoff to the extent practicable, with the goal of 80% total suspended solids removal.

Policy Change

- Section 4.1.2 –*Required treatment volume equates to a water quality design storm of 1-inch over 24 hours . In general, water quality facilities should be vegetated facilities; however, the District allows the use of water quality mechanical devices where appropriate.*

Significance

- Water quality design storms are the same, however, makes meeting the water quality performance target a requirement. Use of some BMPs like hydrodynamic separators is no longer allowed.
- More details and guidance to support use of LID/Green Infrastructure to meet the water quality performance standard.

Stormwater Facility Maintenance Access*

Issue

- Existing public and private facilities are often difficult, if not impossible, to maintain due to inadequate access. Currently no standards for private facilities.

Current Policy

- NA/New Policy for Private; Stormwater Standards Appendix I

Policy Change

- Standards Section 4.4.6 - *Stormwater ponds that require retaining walls will be limited to the height of 10 feet above the vegetated surface elevation for 50 percent of the circumference of the facility, and 6 feet for the remaining portion of the circumference.*
- Standards Section 4.4.7(8) - *Minimum maintenance access of 20 feet from the access point to structures is required.*

Significance

- Provides adequate access for WES to maintain stormwater facilities.
- Could require more land and add additional cost for development projects.

Recommendation

- The WES Advisory Committee concurs with the proposed key policy changes in the draft Rules and Standards, and recommends staff engage the Board of County Commissioners in ordinance adoption.