CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting as the Governing Body of Tri City Service District and Clackamas County Service District No. 1

Policy Session Worksheet

Presentation Date: 12/13/2016 **Approximate Start Time:** 1:30p **Approximate Length:** 30 min

Presentation Title: Solids Handling Cost Sharing

Department: Water Environment Services

Presenters: Greg Geist & Doug Waugh

Other Invitees: Amanda Keller, Matt Glazewski, Lynne Chicoine, Ed Nieto, Gari Johnson

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Approval to proceed with the next stage of the Solids Handling Project in apportioning costs across both rate zones.

EXECUTIVE SUMMARY:

Water Environment Services (WES) staff have completed the conceptual design for the Tri-City Water Resource Recovery Facility (TCWRRF) Solids Handling Project, following direction from the Board of County Commissioners to maintain the critical path to construction. The proposed facilities will add solids processing capacity in a phased approach, maximize the use of existing facilities, beneficially use biogas, improve operability, contain odors, and increase reliability at the TCWRRF.

WES staff worked with the design consultant, MWH Global, to reduce the initial cost estimate for the project from $56M down to $37.5M. Continued value engineering and design refinement will refine the final cost of the project further, potentially saving more for ratepayers. The project will not only increase solids handling capacity, but will also upgrade aging infrastructure at the TCWRRF, optimizing processes and improving equipment that is near or at the end of its operational life span. These collective improvements will help the facility operate more efficiently.

Throughout the design process, WES staff have engaged the members of the Regional Wastewater Capacity Advisory Committee, community and business groups, and elected officials from cities that are served by WES. As part of the conversations on how to appropriately apportion the cost for the project across the service areas, WES commissioned ECONorthwest to conduct a regional population study to update one previously performed by Portland State University in 2011. As a result of population growth estimates, assessed and projected usage of the TCWRRF, and evaluation of system development charge (SDC)-eligible components of the SHP, WES staff calculated an equitable cost-split across the two rate zones to fund the remaining portion of the project. Ultimately, WES Staff have settled on a recommendation of a 36% / 64% split between rate zone 1 and rate zone 2 to fund the project, and the associated debt service on borrowed funds. Overall, half of the project would be paid for using cash and half of the project would be debt financed.

The funds that will be borrowed to pay for the project will come from a source known as the Clean Water State Revolving Fund (CWSRF). The SRF loan program provides low-cost loans for the planning, design and construction of various water pollution control activities. Any public agency in Oregon is eligible for a CWSRF loan. The program is administered by the Oregon Department of Environmental Quality (DEQ), which acts as an agent of the U.S. Environmental Protection Agency, the source of the funding program.

FINANCIAL IMPLICATIONS:

Is this item in your current budget? ☒ YES ☐ NO

What is the cost? $37.5M What is the funding source? TCSD & CCSD1 Capital Budget

District rates were increased for the current budget year in part to supplement the construction fund for this project. The guidance from this session will dictate how the remainder of the cost will be apportioned across the rate zones.

STRATEGIC PLAN ALIGNMENT

This aligns with WES' strategic goal in that it will help ensure the provision of Wastewater infrastructure necessary to support partner communities and economic development over the next 20 years.

This aligns with the County's strategic goal in that it helps build public trust through good government.

LEGAL/POLICY REQUIREMENTS:

None

PUBLIC/GOVERNMENTAL PARTICIPATION:

WES has reached out to residents and businesses to share information about the benefits of a regional approach to solving the solids handling capacity issue through a series of presentations to community and neighborhood associations, rotary clubs, chambers of commerce, business alliances, city councils, and environmental groups. Additionally, WES sent newsletters directly to homes and businesses while articles on the regional solution were written for several publications throughout the county.

OPTIONS:

Option 1: Approve the 36% rate zone 1 and 64% rate zone 2 cost split to fund the remainder of the solids handling project.

Option 2: Direct District staff to apply a different rate zone cost split to fund the remainder of the solids handling project.

RECOMMENDATION:

District staff respectfully recommends that the Board of County Commissioners of Clackamas County, acting as the governing body of Tri City Service District and as the governing body of Clackamas County Service District No. 1, approve the 36% rate zone 1 and 64% rate zone 2 cost split to fund the remainder of the solids handling project.

ATTACHMENTS:

A. Cost apportionment presentation
B. Rate zone maps

SUBMITTED BY:
Division Director/Head Approval _____
Department Director/Head Approval ____GG_____
County Administrator Approval _____

For information on this issue or copies of attachments, please contact Matt Glazewski at 503-742-4566

Regional Wastewater Treatment Capacity Advisory Committee

December 13, 2016

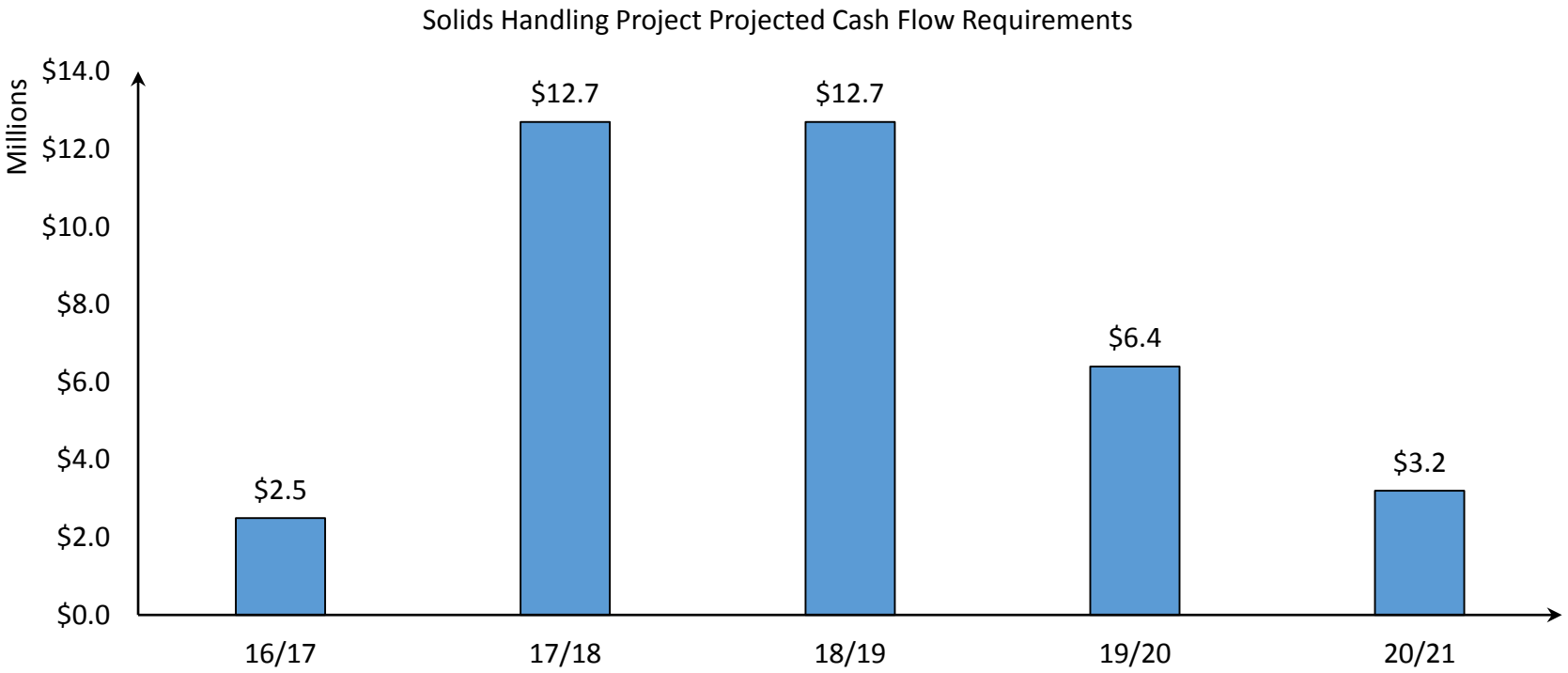
WATER ENVIRONMENT SERVICES

How are Capital Intensive Projects Financed?

- Equity contributions to the project from the service districts (via reserves and free cash flow)
- Long term debt – helps manage future rate increases (at current interest rates, a dollar of debt proceeds translates into 6 cents to annual revenue requirements from rates)

Updated Cost and Projected Cash Flow Requirements for the Solids Handling Project

- Costs through FY 15-16 $354,526
- Future costs FY 16-17 through FY 20-21 $37,500,000



WATER ENVIRONMENT SERVICES

An Effective Funding Strategy for the Project
Clean Water State Revolving Loan Fund

Financing Assumptions:

Current future cost of the Solids Handling Project (uninflated)	$ 37,500,000
less: equity contributions from the service districts	18,750,000
Balance to be funded from DEQ CWSRF loan	$ 18,750,000

Financing assumptions:	
Funding source: DEQ Clean Water SRF	
Loan type: Design/Construction	
Start date for loan servicing	1-Jul-21
Repayment term (years)	20
Interest rates:	
Interest rate	1.79%
Administration fee	0.50%
Total	2.29%

Imputed total level debt service	$ 1,179,029

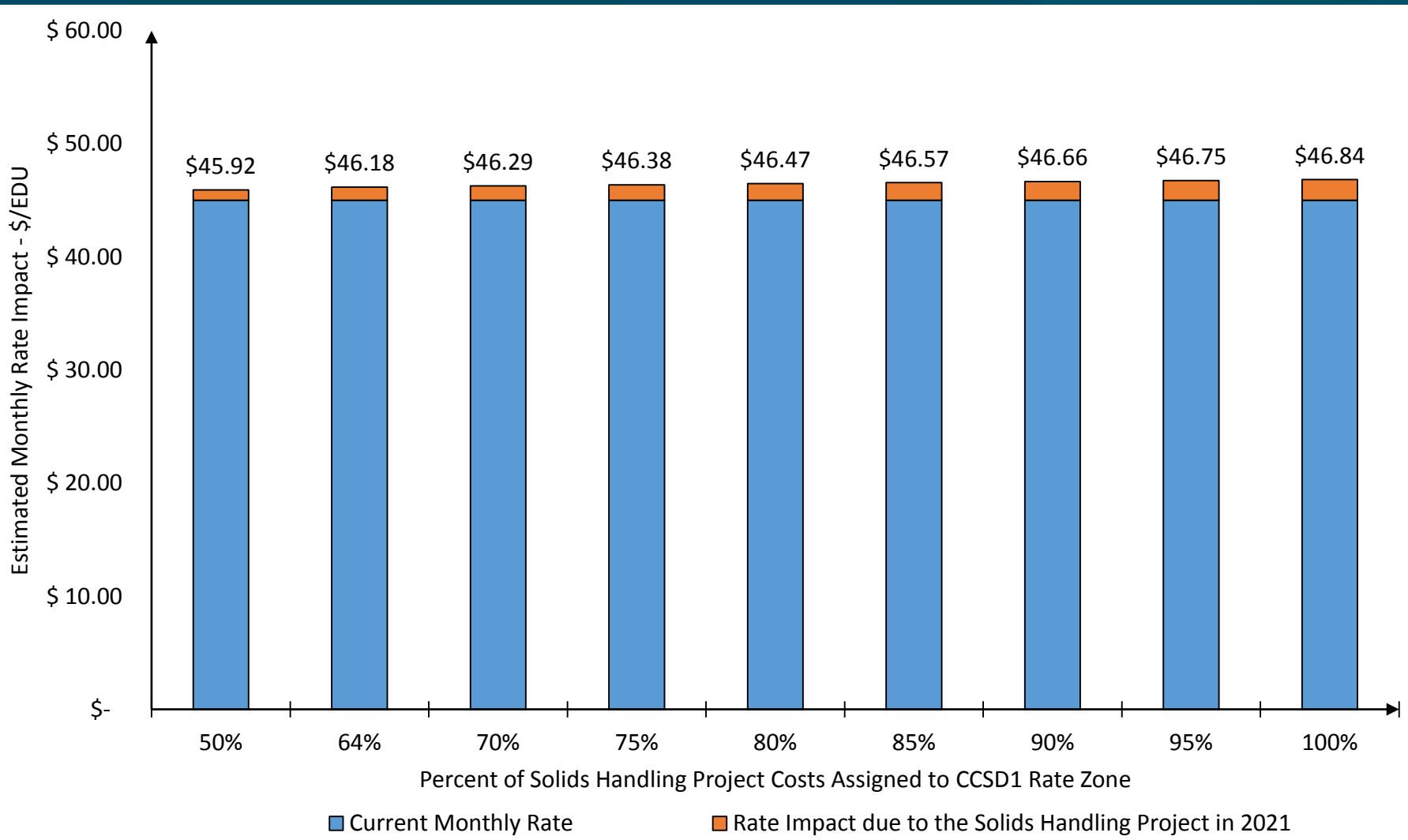
WATER ENVIRONMENT SERVICES

Estimated Monthly Rate Impacts

		Monthly Rate Impacts			
		CCSD 1		TCSD	
CCSD 1	TCSD	by increment	delta from base case	by increment	delta from base case
50%	50%	$ 0.92	($0.26)	$ 1.45	$0.41
64%	36%	$ 1.18	$ -	$ 1.05	$ -
70%	30%	$ 1.29	$ 0.11	$ 0.87	($0.17)
75%	25%	$ 1.38	$ 0.20	$ 0.73	($0.32)
80%	20%	$ 1.47	$ 0.29	$ 0.58	($0.47)
85%	15%	$ 1.57	$ 0.39	$ 0.44	($0.61)
90%	10%	$ 1.66	$ 0.48	$ 0.29	($0.76)
95%	5%	$ 1.75	$ 0.57	$ 0.15	($0.90)
100%	0%	$ 1.84	$ 0.66	$ -	($1.05)

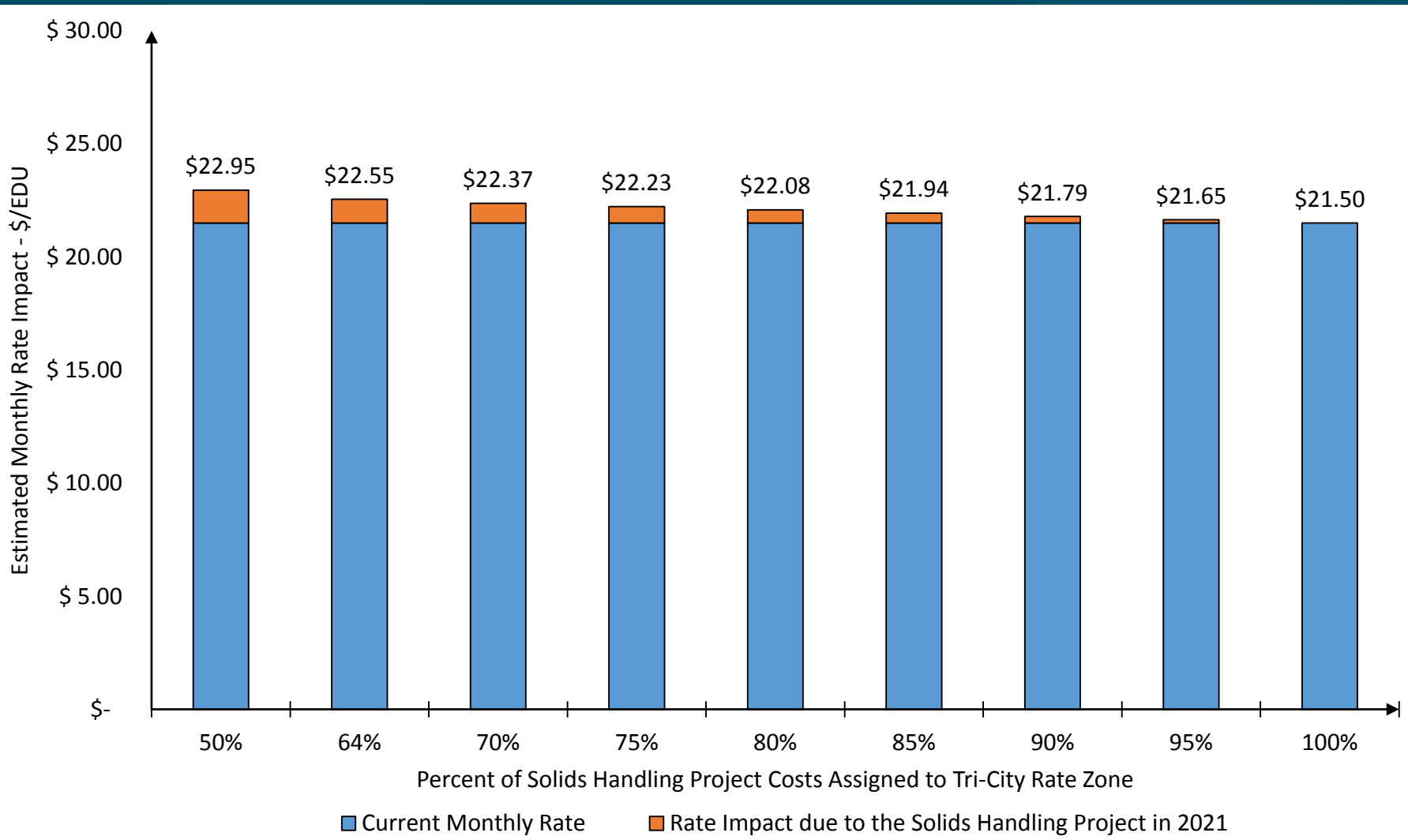
WATER ENVIRONMENT SERVICES

Estimated Monthly Rate Impact



Water Environment Services

Estimated Monthly Rate Impact

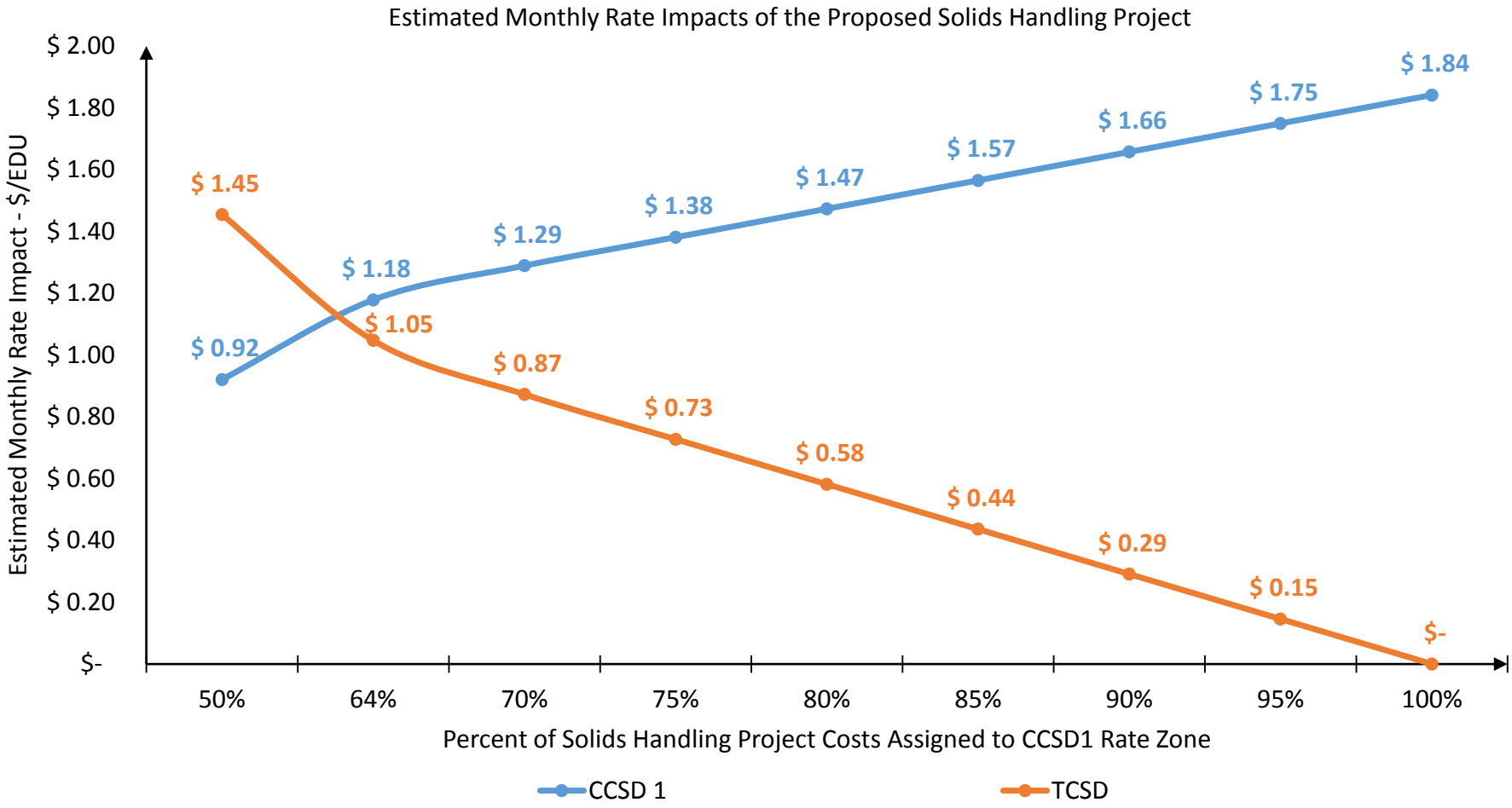


Water Environment Services

Conclusions

- WES engineering team reduced the cost of the solids handling project ($56.4m down to $37.5m)
- WES is in a financial position to cash finance 50% of the cost of the project ($18.75m)
- Based on the base case cost allocation of 64% to CCSD1 and 36% to Tri-City Rate Zones, the rate impacts are:
  - $1.18 per EDU per month to CCSD1 rate zone
  - $1.05 per EDU per month to Tri-City rate zone

Estimated Monthly Rate Impacts - Continued



Water Environment Services

Exhibit B - WES Rate Zone 1 (TCSD)

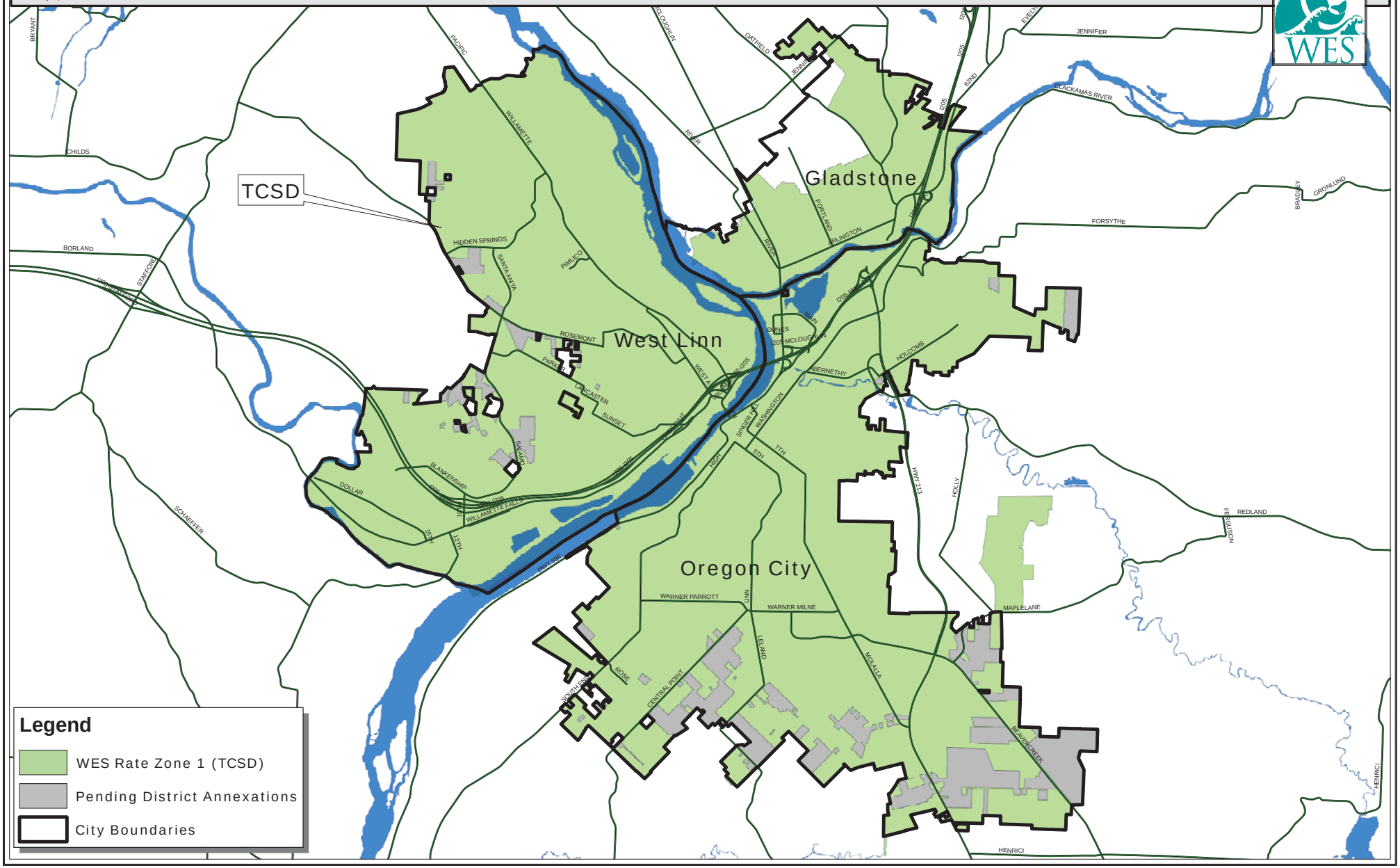


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Exhibit B - WES Rate Zone 2 (CCSD#1)

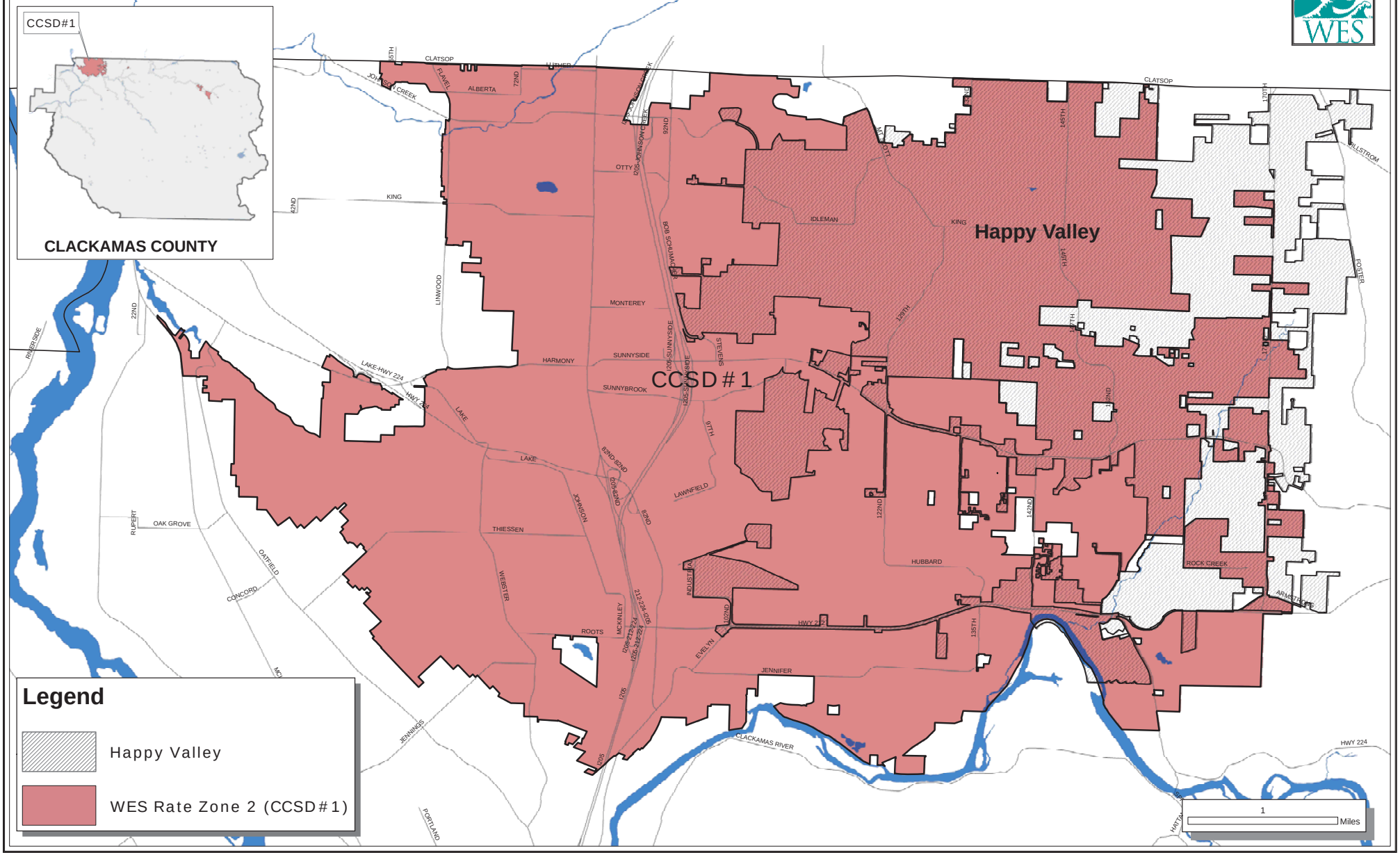

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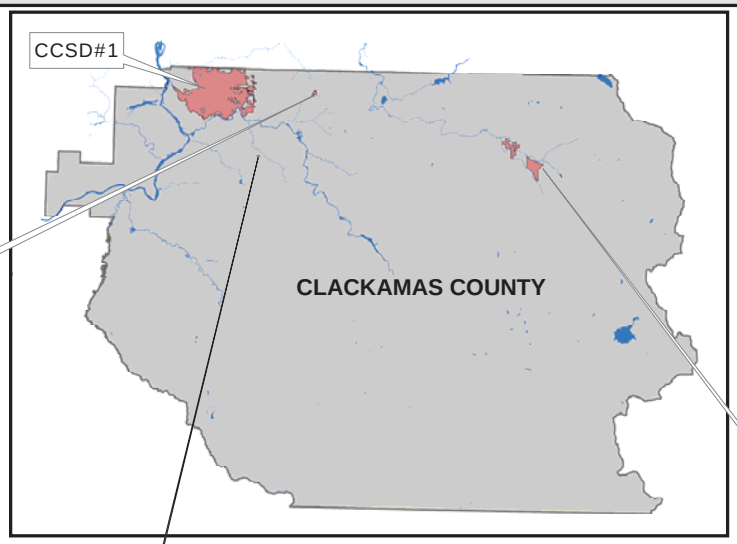
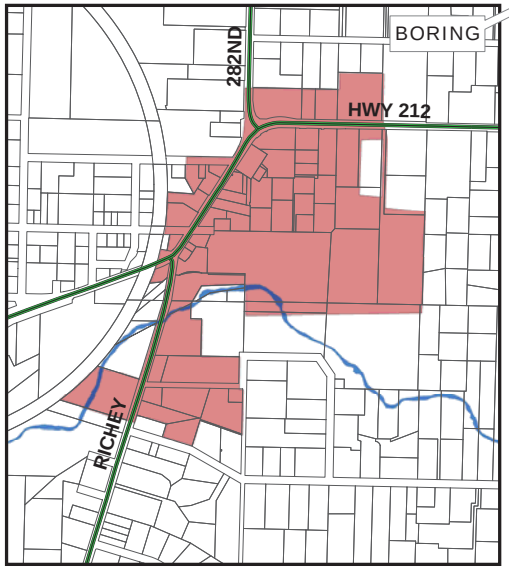
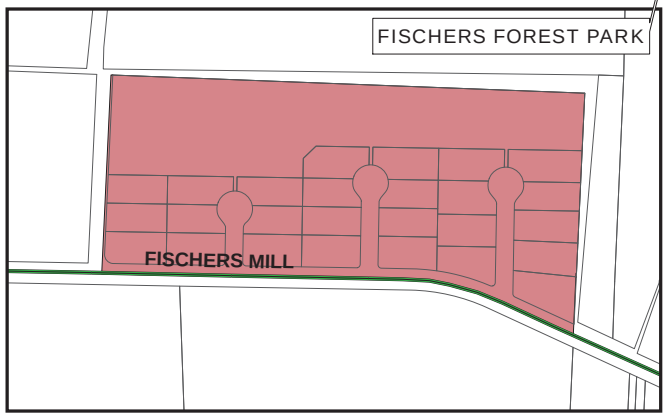
Exhibit B - WES Rate Zone 2 (CCSD#1)

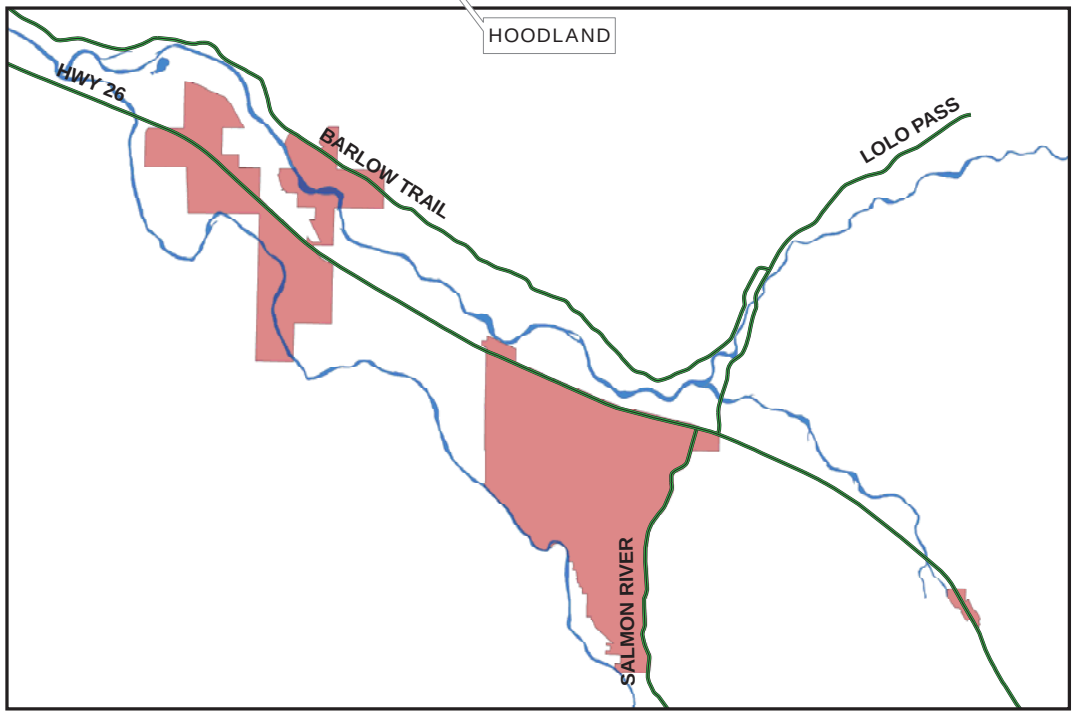
Legend

WES Rate Zone 2 (CCSD#1)









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