



# Oregon

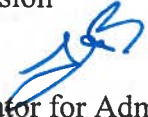

Kate Brown, Governor

## Water Resources Department

North Mall Office Building  
725 Summer Street NE, Suite A  
Salem, OR 97301-1271  
503-986-0900  
FAX 503-986-0904

### MEMORANDUM

TO: Water Resources Commission

FROM: Tom Byler, Director   
Tracy Louden, Administrator for Administrative Services Division 

SUBJECT: Agenda Item B, September 10, 2015  
Water Resources Commission Meeting

### Water Resources Development Program Update

#### I. Introduction

The 2015 Oregon Legislature continued its investment in Oregon's Integrated Water Resources Strategy, and more specifically, the Water Resources Development Program. These investments, in conjunction with previous resources provided by the 2013 Oregon Legislature, provide funding for financial assistance and additional staff to implement the Water Resources Development Program in Oregon. During this agenda item, staff will report on the six different funding streams that were approved for the 2015-17 biennium, and related implementation efforts underway at the Department.

#### II. Background on Programs

The Legislatively adopted budget approved a suite of packages through a combination of lottery and dedicated general obligation bonding to provide grant and loan funds to help meet Oregonians' water needs, supporting all three stages of the Water Resources Development Program that includes place-based planning, feasibility analysis, and project development.

*Place-based planning* aims to empower communities and stakeholders to work collaboratively in partnership with the state to understand their water resources needs and identify how they will meet those water needs. *Project feasibility* moves to evaluate the viability of specific proposals. *Project implementation funding*, such as the Water Supply Development Grants/Loans and Water Development Loans programs, will allow the state to partner with local interests and others to carry out projects that meet instream and out-of-stream needs. As outlined below, the Department received resources in all three areas to carry out a comprehensive Water Resources Development Program.

##### A. Place-Based Planning Grants

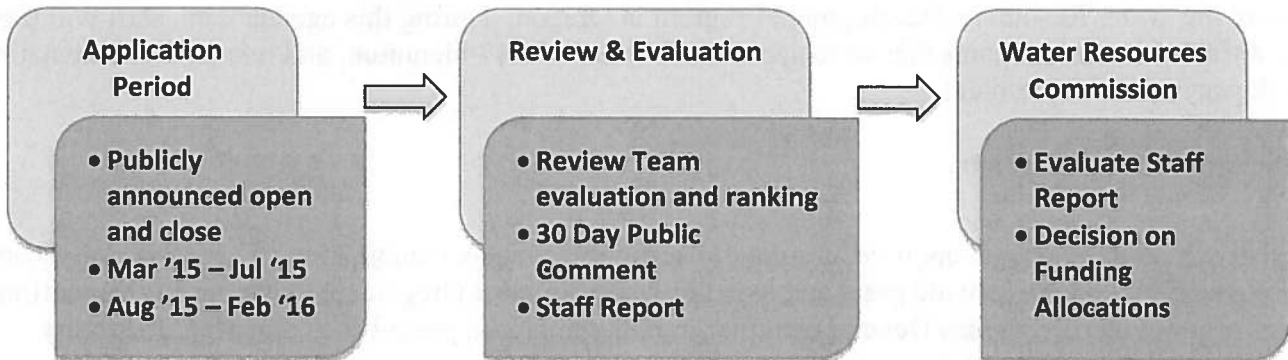
Over the past few years, Department staff, in conjunction with stakeholders, have been working to advance place-based integrated water resources planning efforts. Earlier this year, the Department released a draft set of guidelines to assist communities seeking to undertake such planning. The 2015 Oregon Legislature approved staff resources and \$750,000 for grants to facilitate these efforts. These resources will likely support two to three pilots. A temporary employee was brought on at the beginning of August to develop a strategy and timelines for the grant process and pilots. The Department will discuss ideas to get the program started and seek Commission input at the September meeting.

**B. Project Feasibility Grants**

Commonly referred to as the SB 1069 (2008) or project feasibility grant program; the purpose of the Water Conservation, Reuse, and Storage Investment Fund is to pay the qualifying costs of planning studies that evaluate the feasibility of developing water conservation, reuse or storage projects. The Department's base budget includes \$773,716 General Fund to be used for these grants. In addition, the 2015 Legislature added an additional \$2,000,000 of Lottery Bonds for grants. Staff plan to process the grant applications and bring funding recommendations to the Commission twice this biennium as outlined below:

- 1) Applications for the first grant cycle were due on July 31<sup>st</sup>. Eight grant applications totaling \$706,405 were received and are under review. Funding recommendations will be brought to the November 2015 Commission meeting.
- 2) Applications for the second cycle are currently being accepted through February 1, 2016. Funding recommendations will be brought to the Commission for consideration in the spring.

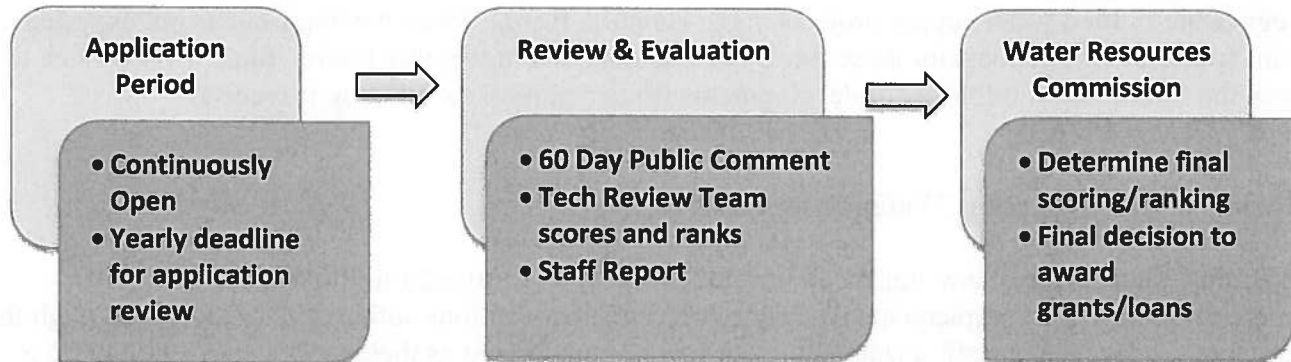
The grant process is shown in the figure below.



**C. Water Supply Development Grants and Loans**

In 2013, the Oregon Legislature passed Senate Bill 839, establishing a program to provide loans and grants for water resources development projects that have economic, environmental and social/cultural benefits. To date, the Legislature has authorized the distribution of \$16.25 million to fund this program; \$10 million in 2013-15 and \$6.25 in 2015-17. The Legislature allocated \$2.25 million of the \$10 million (2013-15) funds to the Willamette Basin Reservoir Study and the Deschutes WaterSMART Basin. Under SB 839, the Department is required to establish a yearly deadline for consideration of a pool of applications; those dates are currently planned for early 2016 and spring 2017. This timeline will result in the Commission making grant awards in summer 2016 and fall 2017.

The process for the grant and loan program is outlined in the diagram below.



D. Water Development Loan Fund

The Water Development Fund was established in 1977 authorizing loans for water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses. Although this program has not been used in recent years, authority and direction for the program remains in Article XI-I of the Oregon Constitution and ORS 541.700-ORS 541.855.

One advantage of the fund is that debt would be repaid by loan repayment, and, therefore, the loan fund is self-supporting with borrowers paying the costs of the loan. In addition, funds are only issued after project(s) are identified and an agreement is signed for repayment by the borrower(s); therefore, debt is not incurred unless the Department has identified a borrower that satisfies the Department's requirements.

As part of the portfolio of water supply funding options, the 2015 Legislature authorized the Department to make loans totaling up to \$30 million from the Water Development Loan Fund. The timing will depend on the loan applicant, the size of loan request, and the steps the State Treasurer must take for general obligation bonds. At least a portion of these funds (up to \$22 million) is intended for the project in the Umatilla Basin.

E. Mosier Well Remediation Grants

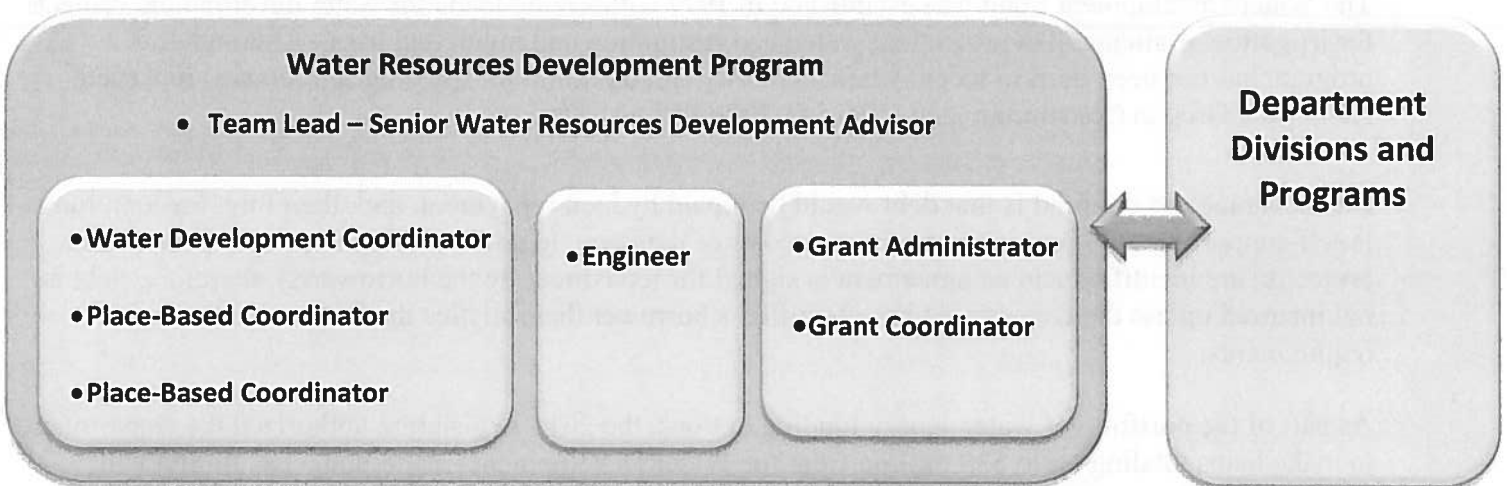
As discussed during Agenda Item K at the June 2015 Commission meeting, improper well construction has allowed aquifers in the Mosier Creek area to commingle from one aquifer to another, resulting in long-term groundwater level declines in the area. In response to concerns of Mosier residents, the 2015 Legislature approved an allocation from Lottery Bond proceeds to make grants to repair, replace, or remediate water wells in the Mosier Creek area. The Department is working with local stakeholders and legislators to determine the most effective means for distributing these funds. Staff will continue to keep the Commission informed regarding these activities.

F. Umatilla Basin Water Supply Projects

Grant funds from 2017 Lottery Bonds in the amount of \$11 million have been designated by the Legislature to fund water supply projects in the Umatilla Basin. Since the bond sale is not expected until spring 2017, a request for these funds is not anticipated in the near future. Staff will continue to keep the Commission informed of developments when a request for funding is received.

**III. Program Staff to Support Water Resources Programs**

The Legislature authorized five new staff positions in 2015 to provide support to the Water Resources Development Program. This complements funding of two existing positions authorized in 2013. Although there are primary focus areas for the staff, a team approach will be emphasized as these positions are filled. To a certain extent, all division sections of the agency will be involved in various aspects of project development and implementation that will contribute to the overall success of this initiative.



**IV. Conclusion**

Due to the efforts of the Commission, Legislators, the Governor's Office, and stakeholders, the Department has been able to secure resources to more proactively help communities address their water resources challenges. The Department is now focused on successfully carrying out the funding programs authorized by the Legislature. The Water Resources Commission will continue to play an active role in shaping these programs. In addition, the Commission will be responsible for making funding decisions for several of the grant programs. Staff will continue to keep the Commission apprised of activities and seek policy direction as needed as these new programs are launched.

Tracy Loudon, Administrator  
(503) 986-0920