

# Water Development Loan Fund

## Water Resources Department

Water Resources Commission

February 25, 2016

Tracy Louden, ASD Administrator

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**1970's**

**Constitutional**  
Water Development Act, 1977  
General Stat. Chapter 147  
Article 14-11

Chapter 147, Article 14-11, Section 14-11.1



**1980's**

**Additional Lending Authorized**  
"Also of the state's credit to stimulate economic productivity - strengthen local industry"



**1990's**

**Borrowers sue the State**  
Borrowers (Water Users) have been charged interest on money they never received

**Major Issues:**

- "Special Provisions"
- "Risk Management Responsibility"
- "Autonomy of the borrower - loss of right of local government"



**2000's**

**Renewed Interest by 2009 Legislature**  
Legislature passed off-balance budget  
\$1.1 billion in bond issues  
Department of Public Safety  
Lawrence House Report # 1000



**2010's**

**Continued Interest**  
2011-12: \$15 million authorized, not used  
2013-15: \$10 million authorized, not used  
2015-17: \$30 million authorized



Application and Approval Process

# *Constitutional*

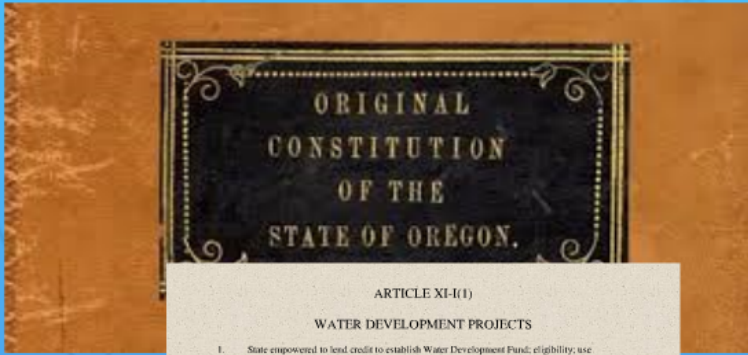
- **Water Development Act, 1977**
- **General Election, November 1977**
- **Article XI-I(1)**

*"Oregonians wanted to do a little pump-priming for drought-damaged farmers. That's good public policy, a reasonable trade-off for this risk"*



**Bonds issued:**

- Financing 58 projects
- \$10.8 Million



ARTICLE XI-I(1)  
WATER DEVELOPMENT PROJECTS

1. State empowered to lend credit to establish Water Development Fund; eligibility; use.
2. Bonds.
3. Refunding bonds.
4. Sources of revenue.
5. Legislation to effectuate Article.

Section 1. State empowered to lend credit to establish Water Development Fund; eligibility; use. Notwithstanding the limits contained in sections 7 and 8, Article XI of this Constitution, the credit of the State of Oregon may be loaned and indebtedness incurred in an amount not to exceed one and one-half percent of the true cash value of all the property in the state for the purpose of creating a fund to be known as the Water Development Fund. The fund shall be used to provide financing for loans for residents of this state for construction of water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses and for the acquisition of easements and rights of way for water development projects authorized by law. Secured repayment thereof shall be and is a prerequisite to the advancement of money from such fund. As used in this section, "resident" includes both natural persons and any corporation or cooperative, either for profit or nonprofit, whose principal income is from farming in Oregon or municipal or quasi-municipal or other body subject to the laws of the State of Oregon. Not less than 50 percent of the potential amount available from the fund will be reserved for irrigation and drainage projects. For municipal use, only municipalities and communities with populations less than 30,000 are eligible for loans from the fund. [Created through S.J.R. 1, 1977, and adopted by the people Nov. 8, 1977; Amendment proposed by S.J.R. 6, 1981, and adopted by the people May 18, 1982; Amendment proposed by H.J.R. 45, 1987, and adopted by the people May 17, 1988].

Section 2. Bonds. Bonds of the State of Oregon containing a direct promise on behalf of the state to pay the face value thereof, with the interest therein provided for, may be issued to an amount authorized by section 1 of this Article for the purpose of creating such fund. The bonds shall be a direct obligation of the state and shall be in such form and shall run for such periods of time and bear such rates of interest as provided by statute. [Created through S.J.R. 1, 1977, and adopted by the people Nov. 8, 1977].

Section 3. Refunding bonds. Refunding bonds may be issued and sold to refund any bonds issued under authority of sections 1 and 2 of this Article. There may be issued and outstanding at any time bonds aggregating the amount authorized by section 1 of this Article but at no time shall the total of all bonds outstanding, including refunding bonds, exceed the amount so authorized. [Created through S.J.R. 1, 1977, and adopted by the people Nov. 8, 1977].

Section 4. Sources of revenue. Ad valorem taxes shall be levied annually upon all the taxable property in the State of Oregon in sufficient amount to provide for the payment of principal and interest of the bonds issued pursuant to this Article. The Legislative Assembly may provide other revenues to supplement or replace, in whole or in part, such tax levies. [Created through S.J.R. 1, 1977, and adopted by the people Nov. 8, 1977].

Section 5. Legislation to effectuate Article. The Legislative Assembly shall enact legislation to carry out the provisions of this Article. This Article supersedes any conflicting provision of a county or city charter or act of incorporation. [Created through S.J.R. 1, 1977, and adopted by the people Nov. 8, 1977].

## Constitutional

- Water Development Act, 1977
- General Election, November 1977
- Article XI-I(1)

*"Oregonians wanted to do a little pump-priming for drought-damaged farmers. That's good public policy, a reasonable trade-off for this risk"*



Bonds issued:  
• Financing 58 projects  
• \$10.8 Million

# 1970's



## *Additional Lending Authorized*

*"Use of the state's credit to stimulate  
economic productivity / strengthen  
family values"*



Bonds issued:  
• Financing 128 projects  
• \$16.6 Million

1985 - Legislature gives State Treasurer  
authority to oversee all debt issuance. No  
additional bonding authorized for the Water  
Development Loan Fund.

# 1980's

## *Borrowers sue the State*

*Borrowers believe they have been  
charged interest on money they never  
received*

*Media focus:*

- *"Financial troubles"*
- *"Debt Management Incompetence"*
- *"Advocates of the borrower...lost sight  
of fiscal prudence"*



**1997**

Leadership at the Department responds with extensive  
Policy Manual and Administrative Rules to strengthen

- **Oversight** (Loan Advisory Board and Commission)
- **Loan Management** (Repayment protocols)
- **Debt Issuance** (Borrower criteria)

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# 1990's

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**1997**

Leadership at the Department responds with extensive rewrite of Policy Manual and Administrative Rules to strengthen:

- **Oversight** (Loan Advisory Board and Commission Approval)
- **Loan Management** (Repayment protocols)
- **Debt Issuance** (Borrower criteria)



## *Renewed interest by 2009 Legislature*

Legislature gave authority to issue  
\$10 million to fund Water  
Development Projects in the  
Columbia River Basin in 2009



Bonding Authority not used

# 2000's

## *Continued Interest*

2011-13: \$15 million authorized, not used

2013-15: \$10 million authorized, not used

2015-17: \$30 million authorized



Bonding has not been used to date. Umatilla has expressed interest in \$22 million.

# 2010's

# Water Development Loan Fund

## Water Resources Department

Water Resources Commission

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**1970's**

**Constitutional**  
Water Development Act, 1977  
General Stat. Code, November 1977  
Article 24-11

Legislation passed in 1977 gave the Water Resources Commission the authority to issue bonds to fund water development projects.



**1980's**

**Additional Lending Authorized**  
"Use of the state's credit to stimulate economic productivity - strengthen local industry"



**1990's**

**Borrowers sue the State**  
Borrowers (Water Users) have been charged interest on money they never received.

**Major Issues:**

- "Special Provisions"
- "Risk Management Responsibility"
- "Adherence of the borrower - loss right of future proceeds"



**2000's**

**Renewed Interest by 2009 Legislature**  
Legislature passed off-balance to issue \$1.1 billion in bond issues.  
Department of Finance in City of Charlotte (New Report 8/2009)



**2010's**

**Continued Interest**  
2011-12: \$15 million authorized, not used  
2013-15: \$10 million authorized, not used  
2015-17: \$30 million authorized



Application and Approval Process



# Application and Approval Process



# *Applicant*

- Request for pre-application conference
- Submittal of application

# *Public Comments*

- Public notice of application within one week of receipt
- Public Comment open for 14 days

# *Loan Advisory Board*



## Steps to establish Board

- 1) Director solicits interest
- 2) Director appoints 5-7
- 3) Appointments subject to Commission approval
- 4) Director appoints chairperson

## Board protocols

- 1) Public meetings held
- 2) Board shall hear public comments
- 3) Board advises the Director and recommends if loans should be made

## Expertise in and representing interests:

- Instream flow and watershed enhancement
- finance or banking
- project development
- agriculture
- local government operations

# *Director Authority*



Approve under \$3 million



Deny under \$3 million



Recommend to Commission  
over \$3 million



# *Commission Authority*

- 1) May accept, modify, or reject recommendation of Director
- 2) Commission requests State Treasurer to issue bonds

## *Commission Authority*

- 1) May accept, modify, or reject recommendation of Director
- 2) Commission requests State Treasurer to issue bonds

## *State Treasurer*

- 1) Responsible for issuing bonds
- 2) Contingent on Treasurer's review of loan security and ability to repay



- Rates based on market
- Legal and bonding costs built into rate charged to borrower

# *State Treasurer*

- 1) Responsible for issuing bonds
- 2) Contingent on Treasurer's review of loan security and ability to repay



- Rates based on market
- Legal and bonding costs built into rate charged to borrower



# Application and Approval Process



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Chapter 147, Article 14-11, of the North Carolina General Statutes, which provides for the creation of the Water Development Loan Fund, was enacted in 1977.



**1980's**

**Additional Lending Authorized**  
"Also of the state's credit to stimulate economic productivity - strengthen local industry"



**1990's**

**Borrowers sue the State**  
Borrowers (Water Users) have been charged interest on money they never received.  
Main Issues:  
- "Special Provisions"  
- "Rate Management Responsibility"  
- "Adherence of the borrower - the right of local government"



**2000's**

**Renewed Interest by 2009 Legislature**  
Legislature passed off-balance budget  
2009-10: \$10 million authorized, not used  
2010-11: \$10 million authorized, not used  
2011-12: \$30 million authorized



**2010's**

**Continued Interest**  
2011-12: \$15 million authorized, not used  
2013-15: \$10 million authorized, not used  
2015-17: \$30 million authorized



Application and Approval Process