

# Water Project Grants and Loans

## Discussion of Loans



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# Presentation Overview

Background

Loan Application Review

Setting Loan Interest Rates

Other Programmatic Items

# BACKGROUND



# Availability of Funds

**Table 1. Lottery Revenue Bonds Distributed through OWRD**

Description	2013-2015	2015-2017	2017-2019	Total
<b>Water Project Grants and Loans</b>	\$7.75 M	\$6.25 M	\$15 M	<b>\$29 M</b>
Feasibility Study Grants*	--	\$2 M	\$1.5 M	<b>\$3.5 M</b>
Place-Based Planning Pilot Grants	--	\$0.75 M	--	<b>\$0.75 M</b>
Upper Deschutes Basin Study	\$0.75 M	--	--	<b>\$0.75 M</b>
Willamette Basin Review	\$1.5 M	--	--	<b>\$1.5 M</b>
Umatilla Water Supply Grant	--	\$11 M	--	<b>\$11 M</b>
Mosier Well Grants	--	\$1 M	--	<b>\$1 M</b>
Santiam Water Control District Grant	--	--	\$1.2 M	<b>\$1.2 M</b>
City of Carlton Grant	--	--	\$4.5 M	<b>\$4.5 M</b>
<b>Total</b>	<b>\$10.25 M</b>	<b>\$21 M</b>	<b>\$22.2 M</b>	<b>\$53.45 M</b>

\*Feasibility Study Grants has also received General Fund dollars since its formation in 2008.



# Lottery Revenue Bonds

- Statutorily authorized to be issued for projects that benefit the same public purpose as lottery proceeds
  - Create jobs/economic development
  - Public education
  - Restore and protect
    - Parks
    - Beaches
    - Watersheds
    - Native Fish and Wildlife



# Interest in Loans to Date

To date, the Department has received little interest in loans.

**2016**

All grant applications  
(37 out of 37  
applications)

**2017**

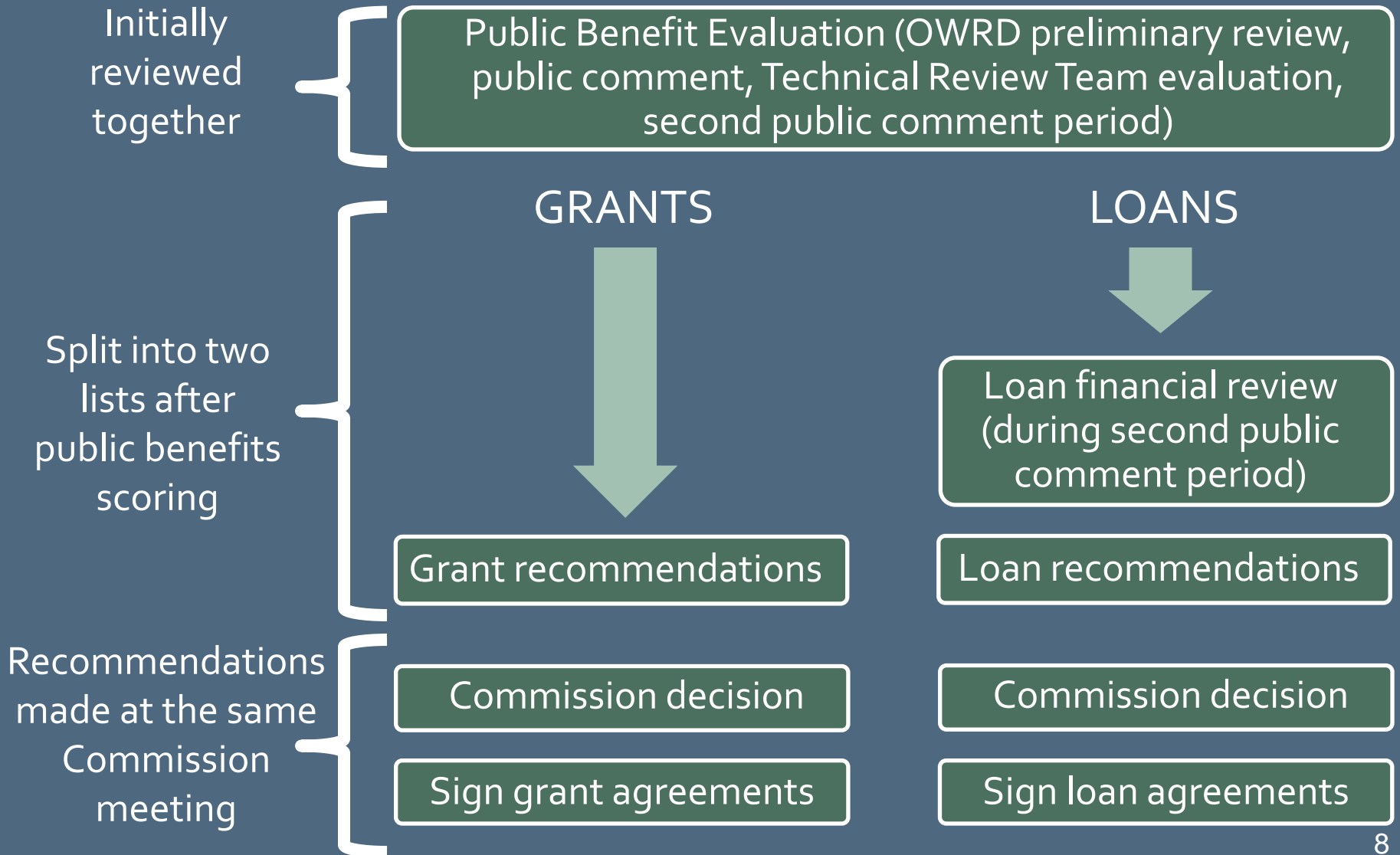
All grant applications  
(32 out of 32  
applications)

3 of 32 applications  
requested a loan as  
their 25% cost match

# LOAN APPLICATION REVIEW



# Application Process – with Loan Review







# Example Review Approach




Table 1. Review Team Ranking Based on Public Benefits Score

TRT Rank	Application	Public Benefit Score	Funding Request	Request Type
1	Grant A	65	\$1,500,000	Grant
2	Grant B	62	\$500,000	Grant
3	Loan W	60	\$1,500,000	Loan
4	Loan X	55	\$750,000	Loan
5	Grant C	53	\$900,000	Grant
6	Loan Y	50	\$1,000,000	Loan
7	Grant D	49	\$600,000	Grant
8	Grant E	44	\$2,500,000	Grant
9	Loan Z	40	\$800,000	Loan
10	Grant F	39	\$300,000	Grant
11	Grant G	35	\$1,750,000	Grant
		Total	\$12,100,000	



# Example Review Approach

Table 2. Applications with Sufficient Public Benefits to Receive Funds

TRT Rank	Application	Public Benefit Score	Funding Request	Request Type
1	Grant A	65	\$1,500,000	Grant
2	Grant B	62	\$500,000	Grant
3	Loan W	60	\$1,500,000	Loan 
4	Loan X	55	\$750,000	Loan 
5	Grant C	53	\$900,000	Grant
6	Loan Y	50	\$1,000,000	Loan 
7	Grant D	49	\$600,000	Grant
8	Grant E	44	\$2,500,000	Grant
		Total	\$9,250,000	



# Example Review Approach

Table 3a. **LOAN** Applications with Sufficient Public Benefits to Receive Funds and Pass Financial Review

TRT Loan Rank	Application	Public Benefit Score	Funding Request
1	Loan W	60	\$1,500,000
2	Loan X	55	\$750,000
3	Loan Y	50	\$1,000,000
		Total	\$3,250,000

Table 3b. **GRANT** Applications with Sufficient Public Benefits to Receive Funds

TRT Grant Rank	Application	Public Benefit Score	Funding Request
1	Grant A	65	\$1,500,000
2	Grant B	62	\$500,000
3	Grant C	53	\$900,000
4	Grant D	49	\$600,000
5	Grant E	44	\$2,500,000
		Total	\$6,000,000

If only \$5,500,000 is available to award the Department would recommend funding those in the red boxes



# Overview of Financial Review

Conduct a financial review of the loan applications (OWRD and Business Oregon)

Determine a recommended loan interest rate for loan applications that pass financial review

Check with loan applicant to see if they would accept the recommended loan package

Present funding recommendation and proposed loan package



# Loan Financial Review

	Loan 1	Loan 2	Loan 3	Loan 4
Technical Review Team Funding Recommendation	✗	✓	✓	✓
Financial Review	⊘	✗	✓	✓
Acceptance of Loan Interest Rate and Terms	⊘	⊘	✗	✓
<b>Recommended to Commission?</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>



Passed this part of review



Did not pass this part of review



Review not conducted



# Info Collected for Financial Review

- Proposed loan security
  - Authority to levy and collect taxes
  - First lien on real property
  - Other good and sufficient collateral
- Information on applicant
  - Type of entity, when was it formed, governance structure, authority to enter into a loan contract
  - Actual or pending litigation that may impact ability to repay loan
  - History of any default on debt



# Info Collected for Financial Review

- Estimated useful life of project and source of that calculation (informs loan term)
- Financial related information (varies depending on whether the applicant is an individual, corporation, public entity, etc.)
  - Tax returns, income statements
  - Profit and loss statement
  - Current operating budget or schedule of net revenue

# SETTING LOAN INTEREST RATES





# Statute and Rule Limits

OAR 690-093-0170(1)

The Commission sets “reasonable interest rates” for loans it awards

OAR 690-093-0170(2)

Loan term may not exceed life of project

OAR 690-093-0190

Standards of security for loans



# Loan Interest Rate Approach

- A loan's specific interest rate will depend on the:
  - Details of the loan
  - Loan applicant's ability to repay the loan
- Only recommend loans to borrowers with no to little anticipated risk of default



# Example Interest Calculation

Table 1. – Example Interest Rate Calculation (with 3.77% base rate)

<b>Borrower</b>	<b>Up to 5 Years</b>	<b>Over 5 up to 10 Years</b>	<b>Over 10 up to 15 Years</b>	<b>Over 15 up to 20 Years</b>
<b>Standard</b>	1.1%	1.3%	1.5%	2.1%
<b>Risk-Based</b>	1.3% - 3.77%	1.5% - 3.77%	1.7% - 3.77%	2.3% - 3.77%



# Example Interest Earned

## \$1 Million Example Loan

Table 2. – Example Interest Collected Over Term of Loan

<b>Borrower</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>
<b>Standard</b>	\$33,241	\$72,885	\$124,165	\$234,970
<b>Risk-Based</b>	≥ \$39,336	≥ \$84,342	≥ \$141,344	≥ \$258,830

# OTHER PROGRAMMATIC ITEMS



# Expected Cost of OBDD Financial Review

Expected cost of loan review: \$1,500 to \$2,500

No costs incurred to date

Plan to currently cover with General Fund  
(from savings in other areas)

The Department is exploring other ways to  
cover review costs



# Estimates of Expected OWRD Costs

Loan review:  
\$1,000-\$1,500

Loan closing:  
\$4,000-\$5,000

Loan servicing:  
\$10,000 -  
\$15,000\*

\*Cost will vary depending on length of loan term



Thank You

Thank You.

Questions? Feedback on  
proposed approach?



# ALTERNATIVE FORMATS TO SLIDES



# Example Interest Calculation

**Table 1. – Example Interest Rate Calculation (with 3.77% base rate)**

	Up to 5 Years		Over 5 up to 10 Years		Over 10 up to 15 Years		Over 15 up to 20 Years	
<b>Borrower</b>	% of Base	Loan Rate	% of Base	Loan Rate	% of Base	Loan Rate	% of Base	Loan Rate
<b>Irrigation Districts (excellent rating)</b>	30	1.1%	35	1.3%	40	1.5%	55	2.1%
<b>Irrigation Districts (very good rating)</b>	35	1.3%	40	1.5%	45	1.7%	60	2.3%



# Example Interest Calculation

**Table 1 – Example Interest Rate Calculation (with 3.77% base rate)**

	Up to 5 Years		Over 5 up to 10 Years		Over 10 up to 15 Years		Over 15 up to 20 Years	
Borrower	% of Base	Loan Rate	% of Base	Loan Rate	% of Base	Loan Rate	% of Base	Loan Rate
Irrigation Districts (excellent rating)	30%	1.1%	35%	1.3%	40%	1.5%	55%	2.1%
Irrigation Districts (very good rating)	35%	1.3%	40%	1.5%	45%	1.7%	60%	2.3%